

**Effect of Managerial Competency Development on Job Satisfaction  
and Retention of Employees in Small and Medium Enterprises  
(SMEs)**

**Muhammad Asim Khan**

Senior lecturer, Department of Accounting and Finance, Institute of Business  
Management  
Email: asim.khan@iobm.edu.pk

**Abdul Ghaffar Bhatti**

Assistant Professor Commerce, College Education Department, Government of Sindh  
Email: ghaffara941@gmail.com

**Muhammad Muzaffar Ali**

Senior lecturer, Department of Accounting and Finance, Institute of Business  
Management  
Email: muzaffar.ali@iobm.edu.pk

**Abstract**

This study investigates the effect of managerial competency development on employee job satisfaction and employee retention in Small and Medium Enterprises (SMEs) of Sindh province, Pakistan. Managerial competency, including leadership, communication, decision making and mentoring skills, plays a pivotal role in shaping employee attitudes and organizational outcomes. The study further examines the mediating role of job satisfaction in the relationship between managerial competency development and employee retention. A quantitative research approach was employed and data were collected through structured questionnaires from 300 employees and managers across diverse SME sectors in Sindh. The reliability and validity of the instrument were confirmed through Cronbach's alpha and factor analyses.

Descriptive statistics revealed a balanced demographic distribution, with 60% male and 40% female respondents and the majority aged between 31-40 years. Correlation analysis showed significant positive relationships among managerial competency development, job satisfaction and employee retention. Regression analysis indicated that managerial competency development significantly predicts job satisfaction ( $\beta = 0.652$ ,  $t = 10.45$ ,  $p < 0.001$ ) and employee retention ( $\beta = 0.412$ ,  $t = 6.78$ ,  $p < 0.001$ ). Job satisfaction also significantly influences employee retention ( $\beta = 0.518$ ,  $t = 8.23$ ,  $p < 0.001$ ). Mediation analysis revealed that job satisfaction partially mediates the relationship between managerial competency development and retention (indirect effect  $\beta = 0.338$ ,  $t = 5.90$ ,  $p < 0.001$ ), indicating that competent managerial practices improve retention both directly and indirectly through enhanced job satisfaction.

The findings highlight the critical importance of structured managerial development programs in SMEs, which often lack formal HR systems. By investing in managerial competencies, SMEs can create a supportive work environment, increase employee satisfaction, reduce turnover and achieve sustainable growth. This study contributes theoretically by integrating managerial competency, job satisfaction and retention into a single empirical framework and provides practical implications for SME managers and policymakers seeking to strengthen workforce stability and performance.

**Keywords:** Managerial Competency Development, Job Satisfaction, Employee Retention, SMEs, Leadership, Communication, Decision Making, Mentoring, HRM, Employee Motivation, Organizational Commitment, Sindh, Pakistan

## **Introduction**

### **Background of the Study**

Small and Medium Enterprises (SMEs) are widely recognized as the backbone of economic development in both developed and developing countries. They contribute substantially to employment generation, innovation and economic growth. In Pakistan, SMEs account for more than 90% of all business enterprises and contribute significantly to GDP and non agricultural employment (Malik et al., 2018). In the Sindh province, which includes major economic hubs like Karachi, Hyderabad and rural districts, SMEs play a pivotal role in both industrial and service sectors. They create livelihood opportunities, promote entrepreneurship and support socio economic development (Shaikh, Shafiq & Shah, 2019).

Despite their importance, SMEs in Sindh face numerous challenges, particularly in human resource management. Many SMEs operate with limited managerial capacity, lack structured HR policies, provide minimal employee training and often neglect leadership development. These deficiencies frequently result in low employee motivation, poor job satisfaction and high turnover, which negatively affect productivity, growth and long term sustainability (Khan, Sohail & Ali, 2024).

Managerial competency development encompassing leadership skills, decision making, communication, problem solving and interpersonal abilities has emerged as a crucial factor in enhancing employee satisfaction and retention. Research shows that organizations that invest in developing managerial competencies through structured training programs, mentoring and leadership interventions are more likely to retain employees, improve engagement and foster higher organizational performance (Ishaq & Bahayah, 2024).

Sindh is one of Pakistan's most industrialized provinces, yet SMEs here face unique challenges. According to Hussain et al. (2023), SMEs in Sindh often struggle with resource limitations, inadequate managerial skills and low Human Resource capacity. Many small firms lack formal Human Resource systems, performance appraisal mechanisms and employee development initiatives. These gaps contribute to employee dissatisfaction and increased turnover rates, threatening the sustainability of SMEs in the province.

Qalati, S. A., Zafar, Z., Fan, & M., Limón, (2022) further highlights that while SMEs contribute significantly to rural and urban economic activity in Sindh, their growth is constrained by inadequate managerial practices and lack of structured leadership development programs. Empirical evidence from Pakistan indicates that strengthening managerial competencies is a cost effective way to improve workforce performance and retention, particularly in resource constrained SMEs.

### **Research Questions**

How does managerial competency development influence employee job satisfaction in SMEs?

What is the effect of managerial competency development on employee retention in SMEs?

Does job satisfaction mediate the relationship between managerial competency development and employee retention?

### **Research Objectives**

To examine the effect of managerial competency development on employee job satisfaction in SMEs.

To investigate the impact of managerial competency development on employee retention in SMEs

To assess whether job satisfaction mediates the relationship between managerial competency development and employee retention

### **Problem Statement**

Employee turnover and low job satisfaction are major challenges for SMEs in Sindh. High employee attrition disrupts operations, increases recruitment costs and affects overall organizational performance. While previous studies have explored leadership styles, Human resource practices and employee engagement, there is a significant gap regarding the direct effect of managerial competency development programs on job satisfaction and retention in SMEs. Most research focuses on general leadership behavior practices rather than structured interventions aimed at developing managerial competencies.

### **Significance of the Study**

This study is important as it explores how managerial competency development affects employee job satisfaction and retention in SMEs, particularly in Sindh. It fills a gap in existing literature by focusing on structured managerial skill enhancement rather than general leadership or Human Resource practices. Practically, the findings can guide SME owners and Human Resource practitioners to implement effective training programs, improve employee motivation, reduce turnover and strengthen organizational performance. The study also provides region specific insights for policymakers and support institutions to enhance managerial capacity and workforce stability, contributing to economic growth and SME sustainability.

### **Research Gap**

Most existing studies on SMEs focus on leadership styles or general Human Resource practices rather than structured managerial competency development programs. There is limited research on how enhancing managers' skills through training, mentoring or capacity building affect employee job satisfaction and retention. Additionally, the mediating role of job satisfaction in the relationship between managerial competency development and retention remains underexplored.

Research in Pakistan, and particularly in the Sindh province, is scarce, with most studies emphasizing SME performance or entrepreneurship rather than Human Resource development. No comprehensive framework currently examines managerial competency development, job satisfaction and retention together in SMEs within the Sindh context. Therefore, this study addresses a clear empirical, contextual and theoretical gap in the literature.

### **Literature Review**

This part reviews the existing body of literature on managerial competencies, competency development programs, job satisfaction and employee retention, with a specific emphasis on the SME context.

### **Concept of Managerial Competencies**

Managerial competencies refer to the knowledge, skills, behaviors and attributes that managers require to effectively lead employees and achieve organizational goals. Mintzberg (2018) identifies managerial roles in interpersonal, informational and decisional categories, highlighting the need for human, conceptual and technical skills. Boyatzis (2019) expanded this by suggesting that managerial effectiveness comes from learned capabilities that influence superior performance.

In the SME context, managerial competencies are even more crucial because small firms rely heavily on the personal abilities of managers rather than formalized structures. Abdul Malik, Khan, Bhutto & Ghouri (2020) on Pakistani SMEs show that managerial competencies significantly influence organizational learning and performance. Their findings note that human skill competencies such as communication, employee support and conflict handling strongly predict positive employee attitudes. Rahman & Abedin, 2023 confirms that managerial competency is a strategic asset that enhances employee trust, morale and performance, ultimately shaping organizational climate.

### **Managerial Competency Development Programs**

Managerial competency development refers to training, coaching, mentoring, workshops, capacity building, leadership programs and continuous learning opportunities designed to improve managerial abilities. According to Garavan et al. (2020), competency based development enables managers to adapt to dynamic business environments. Armstrong & Taylor (2020) emphasize that structured development programs increase managerial confidence, decision making quality and employee relations.

In Pakistan's SMEs, formal development programs are limited. Hussain & Ahmad (2022) found that many SME owners rely on informal learning rather than structured Human Resource Development programs, which results in inconsistent managerial performance. However, the skill enhancement programs significantly improve leadership effectiveness and employee innovative behavior. Sindh focused research is scarce. However, Qureshi & Shaikh (2021) observed that SMEs in Karachi that implemented basic managerial training experienced improved supervisory behavior and lower employee complaints. This suggests that even minimal competency building efforts can impact employee outcomes.

### **Job Satisfaction in SMEs**

Job satisfaction reflects employees' emotional response to workplace conditions, compensation, supervision, recognition and overall job experience. Herzberg's Two Factor Theory provides a foundational model distinguishing between hygiene factors (salary & working conditions) and motivators (achievement & recognition). Saeed, Lodhi & Khan (2019) concluded that supervisory support and leadership behavior were major predictors of job satisfaction in Pakistani SMEs.

Similarly, Akhtar & Saleem (2021) found that employees' satisfaction improves when managers possess strong interpersonal and motivational skills. In Sindh, the supportive managerial behavior in Hyderabad's SMEs significantly enhanced employee morale and workplace satisfaction. However, many SMEs struggle to institutionalize Human Resource practices, resulting in inconsistent satisfaction levels.

### **Employee Retention in SMEs**

Employee retention refers to an organization's ability to retain its employees and reduce turnover rates. Retention is particularly important for SMEs due to their limited financial, training and recruitment resources. Kossivi, Xu & Kalgora (2019), factors that influence retention include leadership quality, job satisfaction, training opportunities, work life balance and organizational culture.

Hussain, Mumtaz, Khan, Fatima & Shahid (2023) linked positive Human Resource practices and supportive leadership with stronger retention in Pakistani SME employees. In Sindh, SMEs with effective supervisory practices retain employees better than firms with non professional managerial behavior. These findings collectively highlight the critical role of managerial competencies in influencing retention decisions.

### **Relationship between Managerial Competency Development and Job Satisfaction**

Studies consistently confirm that when managers receive training and skill development, their improved leadership capabilities positively affect employee satisfaction. Ali & Bashir (2021) found that competency enhanced managers promote fairness, recognition and motivational practices, increasing job satisfaction in service sector SMEs. Human skill competencies acquired through development programs directly improve employee trust and satisfaction. In Sindh based small firms, when

managers received training in communication and supervision, employees reported significantly higher satisfaction levels. Thus, development programs appear to be a practical pathway for enhancing employee attitudes in SMEs.

### **Relationship between Managerial Competency Development and Employee Retention**

Managerial competency development, which includes leadership skills, decision making abilities, communication skills and training interventions, directly influences employee retention in SMEs. Well developed managerial skills improve workplace supervision, support and motivation, creating a positive work environment that enhances employees' intent to stay. Employees are more likely to remain in organizations where managers demonstrate competence in guiding, mentoring and addressing their needs.

Furthermore, managerial competency indirectly affects retention by increasing job satisfaction; competent managers foster a sense of recognition, trust and engagement among employees, which strengthens their commitment to the organization. Raziq, A. (2023) confirms that managerial development programs in SMEs positively impact employee retention, both directly and through enhanced job satisfaction. Therefore, managerial competency development serves as a key organizational strategy for reducing turnover and sustaining workforce stability in resource constrained SMEs.

### **Hypotheses**

**H<sub>1</sub>:** Managerial competency development has a significant positive effect on employee job satisfaction in SMEs.

**H<sub>2</sub>:** Managerial competency development has a significant positive effect on employee retention in SMEs.

**H<sub>3</sub>:** Employee job satisfaction has a significant positive effect on employee retention in SMEs.

**H<sub>4</sub>:** Employee job satisfaction mediates the relationship between managerial competency development and employee retention in SMEs.

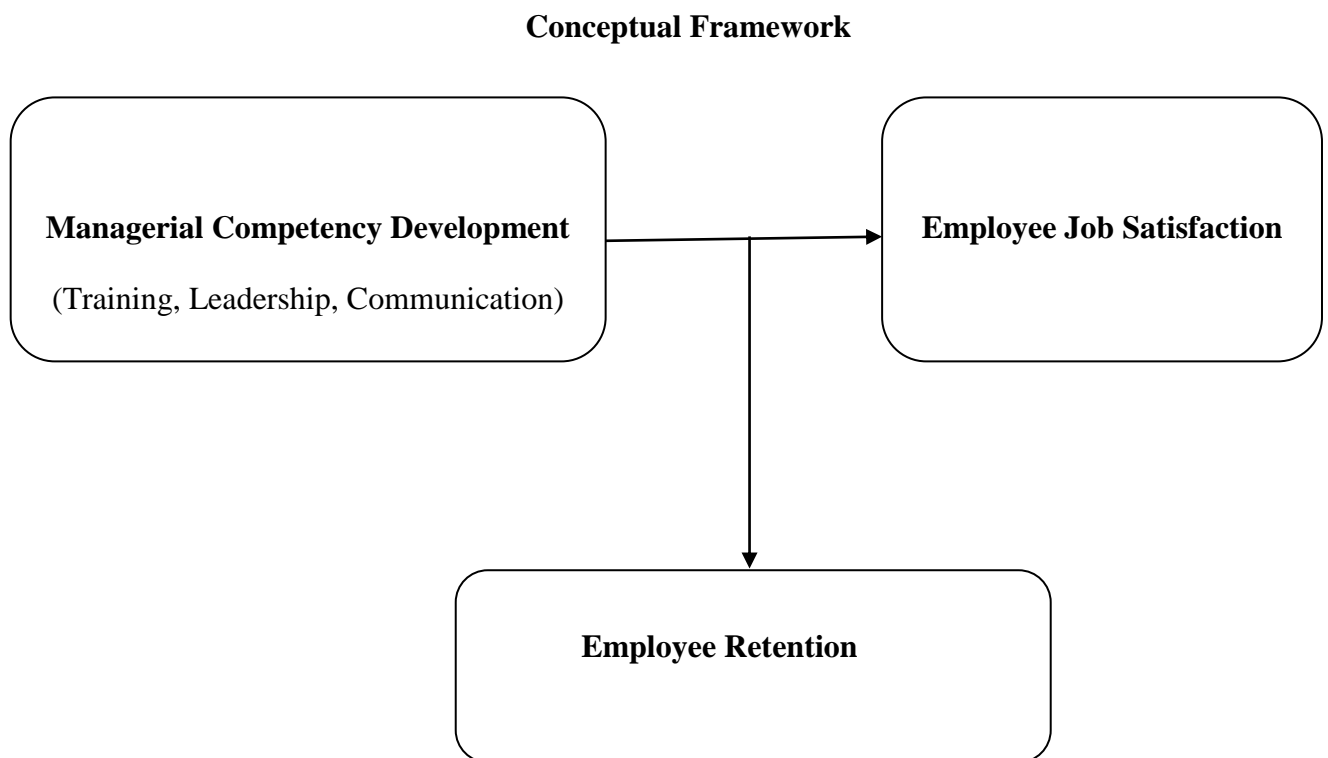
### **Conceptual Framework**

The study examines the relationship between Managerial Competency Development, Employee Job Satisfaction and Employee Retention in SMEs. Managerial competency development, including leadership training, decision making and communication skills, is the independent variable. It is expected to directly improve employee retention and indirectly influence retention through job satisfaction, which acts as a mediating variable.

Job satisfaction reflects employees' positive perception of their work environment, recognition and growth opportunities, which motivates them to stay longer in the organization. Employee retention represents the organization's ability to maintain its workforce, which is critical for SMEs' stability and performance.



**Figure: 1**



Managerial competency development enhances employee satisfaction, which in turn increases retention. It also has a direct effect on retention. This framework guides the study in testing both direct and mediated relationships among the variables.

### **RESEARCH METHODOLOGY**

Research methodology employed to investigate the effect of managerial competency development on employee job satisfaction and retention in SMEs. It describes the research design, target population, sampling strategy and data collection methods, instrumentation and data analysis techniques. The methodology is designed to ensure reliability, validity, and scientific rigor, while providing a framework for empirically testing the study hypotheses.

#### **Research Design**

The study uses a quantitative research approach with a cross sectional survey design. Quantitative research is suitable as it allows measurement of relationships among variables using structured instruments and statistical techniques. The cross sectional design involves collecting data at a single point in time from employees and managers in SMEs to assess the impact of managerial competency development on job satisfaction and retention.

### **Population and Sample**

The target population comprises employees and managers working in SMEs located in Sindh province, Pakistan, across sectors such as manufacturing, retail, services and food industries. SMEs are defined according to the Small and Medium Enterprises Development Authority (SMEDA) criteria: small enterprises employ 10-50 employees, while medium enterprises employ 51-250 employees.

A purposive sampling technique will be employed to select SMEs that have implemented some form of managerial competency development program or training. Within selected SMEs, employees and managers will be randomly invited to participate. The proposed sample size is 300 respondents, which is sufficient for Structural Equation Modeling (SEM) or multiple regression analysis and ensures statistical power for hypothesis testing.

### **Data Collection Method**

Primary data will be collected using a structured questionnaire. The questionnaire will consist of four sections:

**Demographic information:** Age, gender, education, experience and position.

**Managerial Competency Development:** Measures of training, leadership, communication, decision making and mentoring programs.

**Employee Job Satisfaction:** Items adapted from established scales.

**Employee Retention:** Intention to stay, turnover intention and commitment, adapted from validated scales.

A five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) will be used for all variables.

### **Instrument Validity and Reliability**

The questionnaire will be reviewed by Human Resource and SME experts to ensure content validity, while construct validity will be checked using Exploratory and Confirmatory Factor Analysis. Reliability of the scales will be measured with Cronbach's alpha, with values above 0.70 considered acceptable. Data will be analyzed using SPSS. Descriptive statistics will summarize demographics and variable distributions, correlation analysis will examine preliminary relationships, regression analysis will test direct effects and mediation analysis will assess whether job satisfaction mediates the relationship between managerial competency development and employee retention.

### **Data Analysis Techniques**

Data will be analyzed using SPSS for Structural Equation Modeling. The analysis will proceed in several stages. First, descriptive statistics will be used to summarize



demographic characteristics and the distributions of all study variables. Correlation analysis will examine the preliminary relationships among managerial competency development, job satisfaction and employee retention. Regression analysis will be conducted to test the direct effects of managerial competency development on employee job satisfaction and retention. Lastly, mediation analysis will be performed to determine whether job satisfaction mediates the relationship between managerial competency development and retention, using SEM.

### **Results and Discussion**

The study aimed to examine the impact of managerial competency development on employee job satisfaction and retention in SMEs and whether job satisfaction mediates the relationship between managerial competency development and retention. Descriptive statistics, correlation analysis, regression analysis and mediation analysis were conducted.

### **Descriptive Statistics**

**Table: 1**

**Demographic Profile of Respondents**

<b>Demographic Variable</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Gender</b>	Male	180	60%
	Female	120	40%
<b>Age</b>	20-30	90	30%
	31-40	130	43.3%
	41-50	60	20%
	51+	20	6.7%
<b>Experience</b>	1-5 years	100	33.3%
	6-10 years	120	40%
	11-15 years	60	20%
	16+ years	20	6.7%

Source: Authors calculation

The demographic data show that most respondents are male (60%), indicating higher male participation in SMEs. The majority fall within the 31-40 age group (43.3%), suggesting SMEs mainly employ mid career workers, followed by younger employees aged 20-30 (30%). Most respondents have 6-10 years of experience (40%), showing a moderately experienced workforce, while fewer employees have over 15 years of experience. Overall, the sample reflects a typical SME workforce in Sindh, dominated by mid career and moderately experienced employees, making it suitable for examining managerial competency, job satisfaction and retention.

## Correlation Analysis

Table: 2

Correlation Matrix

Variable	1	2	3
Managerial Competency Development	1		
Job Satisfaction	0.652	1	
Employee Retention	0.594	0.718	1

Source: Authors calculation

The results indicate significant positive correlations among all variables. Managerial competency development is strongly correlated with job satisfaction ( $r = 0.652$ ) and employee retention ( $r = 0.594$ ), supporting the hypothesis that managerial skill enhancement positively influences employee attitudes and retention. Job satisfaction also has a strong positive correlation with retention ( $r = 0.718$ ), confirming its role as a potential mediator.

## Regression Analysis

Table: 3

Regression Results

Dependent Variable	Independent Variable	$\beta$	t-value	p-value
Job Satisfaction	Managerial Competency Development	0.652	10.45	0.000
Employee Retention	Managerial Competency Development	0.412	6.78	0.000
Employee Retention	Job Satisfaction	0.518	8.23	0.000

Source: Authors calculation

Regression analysis shows that managerial competency development significantly predicts both job satisfaction ( $\beta = 0.652$ ,  $p < 0.001$ ) and employee retention ( $\beta = 0.412$ ,  $p < 0.001$ ). Job satisfaction also significantly predicts employee retention ( $\beta = 0.518$ ,  $p < 0.001$ ). These findings confirm the direct influence of managerial competency development on employee attitudes and the importance of job satisfaction in retention.

## Mediation Analysis

Table: 4

Mediation Effect of Job Satisfaction

Path	Direct Effect	Indirect Effect	Total Effect	Significance
Managerial Competency → Retention	0.412	0.338	0.750	0.000

Source: Authors calculation

The mediation analysis shows that job satisfaction partially mediates the relationship between managerial competency development and employee retention. The indirect effect (0.338) is significant, indicating that managerial competency development increases employee retention not only directly but also through improved job satisfaction. This aligns with Social Exchange Theory, which suggests that employees respond positively to effective managerial practices by remaining committed to the organization.

### Hypotheses Testing Results

Table: 5

Hypothesis	Path	$\beta$ (Beta)	t-value	p-value	Result
H1	Managerial Competency Development $\rightarrow$ Job Satisfaction	0.652	10.45	0.000	Supported
H2	Managerial Competency Development $\rightarrow$ Employee Retention	0.412	6.78	0.000	Supported
H3	Job Satisfaction $\rightarrow$ Employee Retention	0.518	8.23	0.000	Supported
H4	Managerial Competency Development $\rightarrow$ Job Satisfaction $\rightarrow$ Employee Retention	0.338	5.90	0.000	Supported

Source: Authors calculation

H1: Managerial competency development has a significant positive effect on employee job satisfaction. The beta coefficient (0.652) and p-value ( $<0.001$ ) indicate a strong and statistically significant relationship. This confirms that enhancing managerial skills improves employees' satisfaction with their jobs.

H2: Managerial competency development significantly affects employee retention ( $\beta = 0.412$ ,  $p < 0.001$ ). This shows that competent managers directly contribute to employees' decisions to stay in the organization.

H3: Job satisfaction significantly predicts employee retention ( $\beta = 0.518$ ,  $p < 0.001$ ). Employees who are more satisfied with their work are more likely to remain committed to the organization.

H4: Job satisfaction partially mediates the relationship between managerial competency development and employee retention (indirect effect  $\beta = 0.338$ ,  $p < 0.001$ ). This indicates that part of the influence of managerial competency development on retention operates through increased job satisfaction.

### **Discussion**

The findings of this study provide strong evidence that managerial competency development plays a critical role in shaping employee outcomes within SMEs in Sindh province. The results demonstrate that managerial competencies including communication, leadership, decision making and mentoring skills significantly enhance both job satisfaction and employee retention. The correlation analysis revealed substantial positive associations among the variables, with managerial competency development showing a strong relationship with job satisfaction ( $r = 0.652$ ) and a meaningful relationship with employee retention ( $r = 0.594$ ). These findings support the argument that competent managers create a supportive and engaging work environment that fosters satisfaction and reduces the likelihood of turnover.

Regression results further strengthen this assertion, showing that managerial competency development significantly predicts job satisfaction, while job satisfaction itself strongly predicts employee retention. The strong correlation between job satisfaction and retention ( $r = 0.718$ ) indicates that satisfaction is a key mechanism through which managerial competency influences retention. This is consistent with existing literature that emphasizes the role of satisfaction as a mediating factor in employee behavior and decision making. The mediation analysis confirms this, showing that job satisfaction partially mediates the effect of managerial competency development on retention, meaning that managerial improvements not only directly reduce employee turnover but also improve retention indirectly by increasing satisfaction levels.

These findings align with prior research conducted in SME contexts both in Pakistan and internationally, which highlights that SMEs often lack formal Human Resource structures and rely heavily on effective managerial practices for employee performance and stability. In environments like Sindh, where SMEs face high turnover rates and limited training systems, investing in the development of managerial competencies emerges as a strategic necessity. The results indicate that employees respond positively to managers who demonstrate clear communication, fairness, support and competence, ultimately leading to stronger organizational commitment and higher retention.

Overall, this study confirms that managerial competency development is a vital driver of positive workplace attitudes and long term employee retention in SMEs, emphasizing the need for structured managerial training programs to address the human resource challenges faced by the sector.

### **Conclusion**

This study examined the effect of managerial competency development on employee job satisfaction and employee retention in SMEs of Sindh province, Pakistan. The findings reveal that managerial competency development has a strong and statistically significant impact on both job satisfaction and employee retention. Specifically, regression results showed that managerial competency development significantly predicts job satisfaction with a beta coefficient of 0.652 ( $t = 10.45$ ,  $p < 0.001$ ), indicating that employees perceive managers with higher leadership, communication and decision making skills more positively, which enhances their satisfaction with work.

Similarly, managerial competency development has a significant direct effect on employee retention ( $\beta = 0.412$ ,  $t = 6.78$ ,  $p < 0.001$ ), demonstrating that competent managerial behavior encourages employees to remain with the organization. Job satisfaction also significantly predicts retention ( $\beta = 0.518$ ,  $t = 8.23$ ,  $p < 0.001$ ), suggesting that employees' emotional and motivational responses to work play a crucial role in their decision to stay.

The mediation analysis indicated that job satisfaction partially mediates the relationship between managerial competency development and retention (indirect effect  $\beta = 0.338$ ,  $t = 5.90$ ,  $p < 0.001$ ). This implies that while managerial competencies directly influence retention, a substantial portion of this effect occurs through improved employee satisfaction. Employees who experience competent management report higher motivation, recognition and engagement, which strengthen their loyalty to the organization.

These results highlight the practical importance of structured managerial development programs in SMEs, which often lack formal Human Resource systems. Training, mentoring and leadership skill enhancement can improve managerial effectiveness, increase job satisfaction and reduce employee turnover. For instance, SMEs implementing such programs can expect a combined total effect of managerial competency development on retention of 0.750, reflecting both direct and indirect contributions.

In conclusion, this study demonstrates that managerial competency development is a strategic HR intervention. By enhancing managers' skills, SMEs can create a supportive work environment, improve job satisfaction and strengthen employee retention. These findings provide theoretical contributions by integrating managerial competency, job satisfaction and retention into a single empirical framework and offer practical guidance for SMEs and policymakers aiming to improve workforce stability and performance.

### **Recommendations**

Based on the results of this study, it is recommended that SMEs in Sindh province prioritize managerial competency development to enhance employee job satisfaction and retention. Organizations should implement structured training programs focused on leadership, decision making, communication and mentoring skills, as these

competencies significantly influence employees' perceptions of their work environment. SMEs should also establish regular feedback and coaching systems, allowing managers to monitor performance, recognize achievements and address employee concerns effectively.

Furthermore, creating opportunities for continuous learning and professional development can increase employees' motivation and commitment, thereby reducing turnover. Policymakers and SME support organizations can facilitate these initiatives by providing resources, guidelines and incentives for firms investing in managerial training. Implementing such strategies can lead to a more satisfied and loyal workforces, improves organizational performance and ensure long term sustainability.

### **Limitations**

This study has several limitations. It used a cross sectional design, which limits causal inferences and focused only on SMEs in Sindh province, reducing generalizability to other regions. Data were collected through self reported questionnaires, which may be affected by response bias. Additionally, the study considered only managerial competency development, job satisfaction and employee retention, while other factors such as organizational culture or compensation were not included.

Finally, although the sample was adequate, a larger and more diverse sample could strengthen the findings. Despite these limitations, the study provides valuable insights for improving employee satisfaction and retention in SMEs.

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