

Job Competency and Work Environment: The Effect on Job Satisfaction and Job Performance among SMES Workers

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Received: 07-01-2025

Revised: 26-01-2025

Accepted: 16-02-2025

Published: 01-03-2025

ABSTRACT

The research investigates job competency together with work environment and job satisfaction as factors determining job performance in employees of Small Medium Enterprises (SMEs) operating within Karachi. The study used descriptive design for data collection through questionnaire surveys administered to workers selected by convenience sampling methodology. A sample of 51 SME workers participated in the research and data processing was done by implementing Partial Least Squares (PLS) through Smart PLS 2.0 software. Results demonstrate that employees' job competency alongside their work environment directly affects their job satisfaction levels and these satisfaction levels have a vital impact on job performance enhancement. Job competency and work environment operate indirectly on job performance because job satisfaction acts as the mediating connection between both factors. Research results show SMEs in Karachi should enhance employee competence and establish a positive work environment to improve job satisfaction thus increasing workplace performance. The study expands knowledge about SME workforce dynamics through research that offers practical suggestions for organization development. Future studies must analyze distinct industry conditions together with time-based relationship analysis as both factors would strengthen our comprehension of these connections among different parameters. Employee development along with workplace conditions emerges as critical factors which boost productivity within SMEs.

Keywords: Job Competency, Work Environment, Job Satisfaction, Job Performance, Employee Development

INTRODUCTION

Successful operation of small and medium-sized enterprises depends overwhelmingly on employee job performance along with their satisfaction rates. Organizations operating in competitive environments with evolving markets need to understand how job competence and work environment create job satisfaction which leads to improved job performance. Job competence combined with supportive work environments allows employees to achieve higher satisfaction levels that boost their performance as shown by Huynh and Hua (2020). Economic development heavily depends on SMEs so it becomes vital to study their interactive components that drive overall organization success.

Multiple studies demonstrate that job competency functions as an essential factor for workplace job satisfaction as well as performance outcomes. Job competency describes how well employees execute their duties thus it improves workplace self-assurance and employee drive and work performance (Idris, Sultan & Kitta, 2021). Employee competence enables workers to satisfy themselves through their work because they successfully manage their responsibilities and challenges (Bilal et al., 2021). Huynh and Hua (2020)

showed that workers who feel competent at their jobs develop stronger organizational commitment since personnel who recognize their skills tend to stick with their organizations. The research from Ali et al. (2023) indicates that job competency needs appropriate work conditions and rewards in order to effectively enhance job satisfaction (Ali, Mukhtar & Saleem, 2023).

Employee satisfaction alongside performance in SMEs heavily depends on the work environment that brands offer. An environment which supports staff work enables employees to access critical resources with the needed encouragement that helps them achieve their best performance (Bayisenge et al., 2020). An organizational environment that promotes trust-based communication elevates job satisfaction levels since employees gain feelings of both value and respect (Prouska et al. 2024). According to Ogunmakin and Sunday (2023) a meticulously designed work environment creates positive effects on staff morale which subsequently enhances their work motivation and performance results. Weng et al. (2022) concluded that job satisfaction potentially comes mostly from financial incentives and career development opportunities rather than the workplace conditions. The workplace environment functions as an essential factor yet employees need various motivational elements beyond it.

Job satisfaction functions as the link between job competency and work environment as well as job performance at work. When employees feel satisfied with their work they demonstrate superior motivation levels and engagement and commitment that produces better performance results (Minh et al., 2024). According to Mustafa et al. (2021) employees who experience job satisfaction exhibit increased levels of innovative work behaviors since satisfied employees tend to initiate innovation and creative contributions in their organizations. The research by Iriani et al. (2023) shows that happy staff perform their work tasks better while experiencing fewer burnout symptoms because they are satisfied with their conditions. Knani, Fournier, and Biron (2021) present opposing research by demonstrating that performance effects exceed job satisfaction when workload meets leadership standards while facing industry requirements.

Job competence and its connection to job performance creates disagreement among existing research manuscripts. Studies show different conclusions about the relation between employee competency and workplace performance (Huynh & Hua, 2020; Khan et al., 2022) and (Huynh & Hua, 2020; Khan et al., 2022). A study by Bilal et al. (2021) shows that employment results from three essential elements which connect motivation to leadership backing and corporate culture to accomplished work tasks. According to Iriani et al. (2023) overqualified staff members might perform poorly because they lack either career development options or serious work challenges. Organization leaders need to match job positions with employee capabilities and professional future goals because it supports employee performance.

Research studies reveal conflicting evidence regarding the effects between workplace settings and the results of employee work. The authors Prouska et al. (2024) demonstrate that productive workplace environments create efficient working conditions that produce better work outcomes. Employees who work in resourceful environments along with structured organizational setups display better levels of job performance and engagement according to Maamari and Osta (2021). A study by Islam et al. (2024) indicated that workplace influence fails to dominate performance results because they become secondary to intrinsic motivation along with work demands. According to Korang and Golly (2021) SME employees adjust well to demanding work environments because they possess high personal motivation and job satisfaction levels which allow them to keep achieving high performance results. The research demonstrates that performance depends on multiple influences stemming from the workplace environment (Kaniz et al., 2025).

SMEs must implement employee-development strategies that build work competency and maintain job satisfaction and enhance performance environments. Unlike Ogunmakin and Sunday (2023) show that

employee engagement and performance maintenance depends on supportive workplace conditions together with financial incentives combined with career advancement options. The research of Padi (2022) demonstrates that the leadership style determines both job satisfaction and performance because transformational leadership generates spaces that boost innovation and employee motivation leading to high performance.

Last words highlight the three core factors of job competency and work environment together with job satisfaction which define performance levels within SME organizations. Job satisfaction derives from competency and work environment but their impact on performance outcomes depends on multiple intervening aspects like motivation together with leadership backing and organizational culture. Future studies should analyze industry-specific conditions and study three workplace elements simultaneously to determine their influence on performance outcomes. SMEs must adopt an integrated system of competency development and workplace enhancements together with employee motivation approaches to stay competitive in the market.

Statement of the problem

Research recognizes job competency along with work environment importance yet understanding how they affect job satisfaction and performance specifically remains unclear within small and medium sized enterprises. Studies currently provide minimal knowledge about the direct and indirect relationships between these factors and employee conduct and performance achievements. The existing knowledge gap requires immediate attention for developers to create effective solutions which enhance staff satisfaction along with enterprise success.

Research Gaps

Predominantly the current study has focused on the larger companies with little attention towards small and medium size enterprises (SMEs). Additionally, it is seldom investigated under the small and medium sized enterprises (SMEs) framework how job proficiency and work atmosphere correlate with the job contentment. The aim of this study is to find what relationships exist between these factors and how they affect job performance in Small and Medium Sized Enterprises (SMEs); to obtain this detail it can be used in shaping the organizational strategies.

Objectives of the research

The objectives of the study are particularly to identify the most significant factors that determine the performance of workers in SME. It is to determine the importance of job competency and work environment as it affects small and medium sized enterprises (SMEs). Thus, the objective under investigation is to study how job competency and environment work affect performance through the help of job satisfaction.

Research Questions

This study aims to address the following inquiries:

1. Which variable exerts the most impact on the performance of workers in small and medium sized enterprises (SMEs)?
2. What is the impact of job competency and work environment on the performance of workers in small and medium sized enterprises (SMEs)?

3. What is the relationship between job satisfaction, job competency, work environment, and SME worker performance?

Research Significance

There are multiple points that make this research very important. However, the result of this study provides useful lessons of the special needs and operation of small and medium sized enterprises (SMEs), and practical suggestions for increase employee satisfaction and efficiency. If SME employers can understand the relationship between job competency, work environment and job satisfaction, and if they develop specific solutions in that line, they can simplify productivity and employee wellbeing. This study also addresses the gap in the extant literature on the behavior and performance of employees in small and medium sized enterprises (SMEs).

LITERATURE REVIEW

Job competency

A person requires specific knowledge along with particular skills and abilities to perform their jobs in an effective and efficient manner. Job performance together with job satisfaction depend directly on competency levels because employees who demonstrate higher competency feel more confident and engaged which leads to improved productivity (Huynh & Hua, 2020). SMEs understand the rising importance of competency-based selection approaches for keeping their talent and building their workforce in order to achieve ongoing business success (Bilal et al., 2021). Competition demands special focus in SMEs because resource scarcity forces these organizations to depend on a versatile team of highly capable employees (Idris, Sultan & Kitta, 2021).

Job satisfaction shows a direct positive correlation with job competency as research evidence from various studies demonstrates. Iriani et al. (2023) discovered that workers who performed better at their jobs intensely preferred their work because they easily accomplished their tasks and met organizational requirements. Worker competency enhancement by Bayisenge et al. (2020) produced better employee engagement and commitment which generated enhanced job satisfaction and work performance. Studies have generated varying results regarding this matter. According to Ahmad et al. (2023) workplace competency exceeding performance opportunities results in employee dissatisfaction because workers either feel unproductive at work or search for alternative employment options. The research of Maamari and Osta (2021) demonstrates that organizations should support all competency improvements with proper initiatives headed by leadership through established incentives to yield effective increases in job satisfaction.

Studies confirm that higher competency levels within specific groups correspond unfavorably to job performance measures. The research by Prouska et al. (2024) shows that workers who gain superior skills regularly surpass their current position to start their own businesses or look for different career paths in challenging settings. The research of Khan et al. (2022) supports the hypothesis that highly qualified staff disconnect from work when they feel their career lacks development potential. Job competency emerges as a vital factor for employee satisfaction and performance but these effects become stronger through additional workplace elements that involve effective leadership and motivational environments as well as career growth possibilities.

Work environment

An employee's satisfaction together with their performance at work relies heavily on the work environment because they achieve better outcomes when their environment supports them professionally and structurally

with high productivity potential. The features of effective leadership together with supportive colleagues and flexible work arrangements and job security form the basis for positive work environments that foster employee well-being and efficiency (Bayisenge et al., 2020). Organizations that receive positive feedback from employees tend to generate satisfied workers who demonstrate high performance abilities and strong work motivation (Butt & Yazdani, 2023; Huynh & Hua, 2020).

Job satisfaction shows a direct relationship with work environments according to the findings of numerous research studies. SMEs possessing cultures of open communication and trust and respect between employees registered notable higher levels of employee satisfaction according to Prouska et al. (2024). The researchers suggest that when organizations structure their environment properly they build employee morale and workplace engagement which produces improved job performance (Ogunmakin & Sunday 2023). The ability for employees in SMEs to shape their work environment leads to greater satisfaction according to Weng et al. (2022) because they perform multiple tasks.

Job performance receives extensive academic examination regarding its relationship with the workplace environment. Employee performance benefits from stressful conditions and feelings of belonging through workplace environments that encourage and aid individuals according to findings presented by Iriani et al. (2023) and Minh et al. (2024). Islam et al. (2024) discovered that workplace support is advantageous yet performance results from external organizational elements including heavy workloads and executive influence. The resource-challenged SME setting creates adaptive behaviors among employees which sustain their performance despite less-than-ideal workplace conditions according to Korang and Golly (2021).

Studies indicate that both financial rewards and developmental career prospects surpass working conditions when determining how satisfied employees become with their work. Ogunmakin and Sunday (2023) demonstrate how financial advantages along with career advancement prove more crucial for sustaining job satisfaction than a supportive workplace environment does for employee retention. SMEs must develop comprehensive practices that unite supportive workplaces with career enhancement possibilities and executive backing along with payment systems to deliver peak job satisfaction and operational performance.

Job satisfaction

The level of employee satisfaction at work significantly affects both workplace performance and organizational achievement as well as motivation of employees in their duties. An employee's emotional and psychological bond with their work develops from workplace elements including job competency, work environment, compensation and career growth opportunities (Butt & Yazdani, 2023; Huynh & Hua, 2020). Organizations achieve increased performance through their employees' superior commitment and engagement levels because these workers show high job satisfaction (Idris, Sultan & Kitta, 2021).

Research studies have investigated job satisfaction determinants by validating how intrinsic and extrinsic elements affect employee satisfaction. Mustafa et al. (2021) established that workers receive satisfaction through their meaningful work alongside developments in their skills and feelings of accomplishment. According to Bayisenge et al. (2020) the characteristics of a workplace environment that include team collaboration and management methods alongside company culture play a major role in determining employee job satisfaction. SMEs with their minimal resources need to create a positive workplace because it directly contributes to employee contentment (Prouska et al., 2024).

Researchers have thoroughly investigated the connections between employee job satisfaction and their work performance. Research by Iriani et al. (2023) demonstrated that contented employees show increased

motivation alongside innovative approaches that strengthen their work performance capabilities. Job satisfaction acts as a performance mediator which connects job competency with work environment according to Minh et al. (2024) thus showing that satisfied employees drive organizational productivity. A number of academics believe that workplace satisfaction acts as an insufficient factor by itself when measuring performance. Job satisfaction maintains a direct connection to performance levels but external factors which include workload as well as job security and financial rewards might reduce this direct relationship according to Knani, Fournier, and Biron (2021).

Research studies show job satisfaction usually leads to good workplace outcomes yet certain aspects indicate possible obstacles in this relationship. The research of Ogunmakin and Sunday (2023) demonstrates that employee satisfaction decreases when workers notice insufficient professional advancement possibilities or fail to see appropriate recognition or obtain satisfactory monetary rewards. According to Islam et al. (2024) firms need to surpass simple workplace support initiatives through equitable pay scales and development options for their staff. The analysis indicates that job satisfaction needs comprehensive attention through financial along with psychological and environmental aspects in order to maximize employee health outcomes and performance levels in SMEs.

Conceptual Model Development and Hypothesis

Relationship between Job Competency and Work Environment on Job Satisfaction

Job competency together with the work environment represent crucial elements which determine job happiness level. The ability to perform one's tasks effectively makes employees develop higher job satisfaction rates according to Spencer & Spencer (1993). Job satisfaction improves when a supportive workplace environment allows employees to work in different spaces and enables them to build positive relationships with colleagues while receiving supervisor assistance (Kaur et al., 2013; Rossberg et al., 2004).

Hypothesis 1: Job competency positively impacts job satisfaction.

Hypothesis 2: Work environment positively impacts job satisfaction.

Hypothesis 3: Job competency and work environment collectively enhance job satisfaction.

Relationship of Job Competency, Work Environment, and Job Satisfaction on Job Performance

Workers who achieve job competence and experience a favorable work setting will increase job happiness which leads to superior job performance. Workers who demonstrate advanced job competence together with job satisfaction become more productive and dedicated and stay motivated toward their employers (Gupta & Shaw, 2014; Gerhart & Fang, 2014). Organizations with a delightful workplace environment enhance these advantages through the delivery of essential assistance that helps employees succeed (Noe, 2010, Armstrong & Baron, 2005). Job satisfaction functions as the link between job competency and the work environment and job performance according to research. The optimal results in performance require systematic attention to these performance factors based on leadership research by Saari and Judge (2004).

Hypothesis 4: Job competency positively impacts job performance.

Hypothesis 5: Work environment positively impacts job performance.

Hypothesis 6: Job satisfaction positively impacts job performance.

***Hypothesis 7:** Job competency, work environment, and job satisfaction collectively enhance job performance.*

Various untreated research gaps continue to exist within small and medium enterprise (SMEs) environments regarding the associations between job competency and work environment alongside job satisfaction and job performance. Research shows job competency boosts job satisfaction (Huynh & Hua, 2020; Iriani et al., 2023) although its link to job performance still needs clarification (Prouska et al., 2024; Khan et al., 2022) because some studies reveal this relationship to be either weak or even negative. Investigators need to study additional variables including employee motivation and organizational culture that affect job performance relationships because the current findings show inconsistent results.

Studies by both Ogunmakin and Sunday (2023) and Islam et al. (2024) validate that financial compensation together with career advancement opportunities surpass work environment as core workplace factors affecting job satisfaction and performance. This finding contrasts with the accepted stance by Bayisenge et al. (2020) and Prouska et al. (2024). The necessity for an elaborated workplace model emerges because it must incorporate various workplace elements affecting worker well-being.

Job satisfaction serves as a mediator that connects job competency with work environment and performance according to Minh et al. (2024) and Mustafa et al. (2021). SMEs in developing economies need further investigation regarding the mediation effects between job satisfaction and workplace factors which influence employee well-being. Research must track these variables across time to reveal their permanent impact on small business employee workforces (Knani, Fournier & Biron 2021; Korang & Golly 2021). New research into these neglected areas will generate advanced knowledge about employee engagement strategies that SMEs should use to improve their business outcomes.

RESEARCH METHODOLOGY

Research Paradigm

The research design of this study rests on the positive research paradigm because it exclusively relies on empirical data coupled with scientific methods to analyze phenomena. Scientific measurement reveals data for statistical analysis within the positive paradigm thus providing objective findings regarding variable relationships. The study design matches this research because it requires measuring the statistical links between job competency with work environment and job happiness and performance.

Research Design

This study adopts a descriptive research approach based on quantitative methods to perform statistical analyses which describe variable correlations. The researchers have chosen to use a cross-sectional survey design to collect data from a sampling of participants at a single point in time.

Pilot Testing

An initial trial with volunteers was used to improve the survey along with checks for reliability and validity. A limited number of thirty volunteers participated in the questionnaire pilot assessment. The collected feedback from this sample of respondents helped the researcher improve the questionnaire before final implementation by making clarity and understandability enhancements.

Normality Test

The Cramér-von Mises test is another method to assess the goodness-of-fit for a distribution, like the Shapiro-Wilk test. It tests the null hypothesis that a sample comes from a specified distribution (usually a normal distribution). Since all p-values are 0.000 and thus highly significant, we reject the null hypothesis for all four constructs. This means the data significantly deviates from a normal distribution in each case. The higher the test statistic, the greater the deviation from the normal distribution.

	Cramér-von Mises test statistic	Cramér-von Mises p value
JC	1.064	0.000
JP	0.747	0.000
JS	0.602	0.000
WE	0.508	0.000

Questionnaire/Instrument

Adopted

The questionnaire used in this study was adapted from previously validated instruments to ensure reliability and validity. The adopted instruments have been widely used in similar research contexts and have demonstrated strong psychometric properties.

Construct (Variable)

The constructs (variables) measured in this study include:

- Job Competency
- Work Environment
- Job Satisfaction
- Job Performance

Items (Number of Questions)

Each construct was measured using a set of questions:

- Job Competency: 10 items
- Work Environment: 8 items
- Job Satisfaction: 7 items
- Job Performance: 6 items

Coding

Each item in the questionnaire was coded to facilitate data entry and analysis. For instance, items related to Job Competency were coded as JC1, JC2, JC3, and so on.

Likert Scale

The items were measured using a 5point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), based on the work of Rensis Likert (1932).

Measure Utilize

The measures used in the study are summarized in the table below:

Construct	Indicator	Measures
Job Competency	Knowledge	I have a strong understanding of the knowledge required for my job.
	Competency	I fully understand the tasks and responsibilities of my position.
	Job Understanding	I am proficient in the skills necessary to perform my job effectively.
	Proficiency	
	Attitude	I value the importance of my role within the organization.
	Interest	I maintain a positive attitude towards my work.
Work Environment		I am genuinely interested in the tasks I perform.
	Office lighting	The lighting in my office is adequate for my work.
	Office temperature	The temperature in my office is comfortable.
	Office voice	The noise level in my office is acceptable.
	Office color	The color scheme in my office is pleasing.
	Spatial flexibility	The office layout is flexible enough to accommodate different working styles.
	Co-workers' relation	I have a good working relationship with my coworkers.
	Supervisor relation	I have a good working relationship with my supervisor.
Job Satisfaction	Pay satisfaction	I am satisfied with my pay.
	Satisfaction toward promotion	I am satisfied with the opportunities for promotion.
	Satisfaction toward coworker	I am satisfied with my relationship with my coworkers.
	Satisfaction toward supervisor	I am satisfied with my relationship with my supervisor.
		I am satisfied with the work I do.
		I am satisfied with the working conditions.

	Satisfaction toward work itself	
	Satisfaction toward work condition	
	Quantity of work	I consistently produce a high quantity of work.
	Quality of work	I consistently produce high quality work.
Job Performance	Time accuracy	I completed my work on time.
	Attendance	My attendance at work is regular and reliable.
	Work cooperation	I work well in cooperation with others.

Sampling Framework/Sampling Size

The sampling framework for this study consists of employees from small medium enterprises within Karachi. convenience sampling technique was employed to ensure representation across different sectors. A total of 51 responses came back.

Data Collection

Data was collected using a self-administered online questionnaire. Respondents were invited to with a link to the survey. The data collection period spanned four weeks to ensure an adequate response rate.

Descriptive Head

Measurement Model Assessment

The measurement model assessment involves evaluating the reliability and validity of the constructs used in the study. The constructs include Job Competency (JC), Job Satisfaction (JS), Job Performance (JP), and Work Environment (WE). Each construct is measured using multiple items, and the assessment includes evaluating the outer loadings, internal consistency, and convergent validity.

Outer Loadings

All indicators have outer loadings above the commonly accepted threshold of 0.7, indicating that they are reliable measures of their respective constructs:

- JC: The indicators range from 0.786 to 0.928.
- JP: The indicators range from 0.855 to 0.896.
- JS: The indicators range from 0.712 to 0.934.
- WE: The indicators range from 0.752 to 0.893.

Internal Consistency: Cronbach's Alpha: All constructs have high Cronbach's alpha values (> 0.9), indicating strong internal consistency.

Composite Reliability: Both composite reliability measures (ρ_a and ρ_c) are well above the threshold of 0.7 for all constructs, indicating good reliability.

Convergent Validity: Average Variance Extracted (AVE): All constructs have AVE values above 0.5, suggesting that the constructs explain a significant portion of the variance in their indicators.

The constructs JC, JP, JS, and WE possess strong reliability and validity measures thus demonstrating sound definition of measurement constructs.

Structural Model Assessment

The analysis of constructs requires examining their relationships to discover their direct and indirect relationships. The assessment relies on Path coefficients together with t statistics and p values as evaluation methods for analyzing relationships.

Path Coefficients and Significance

- JC > JP: 0.091 (not statistically significant, $p = 0.697$)
- JC > JS: 0.493 (statistically significant, $p = 0.000$)
- JS > JP: 0.828 (statistically significant, $p = 0.030$)
- WE > JP: 0.086 (not statistically significant, $p = 0.711$)
- WE > JS: 0.419 (statistically significant, $p = 0.004$)

Interpretation

- JC > JS: Job Competency has a moderate to strong positive impact on Job Satisfaction.
- JS > JP: Job Satisfaction has a strong positive impact on Job Performance.
- WE > JS: Work Environment has a moderate positive impact on Job Satisfaction.
- JC > JP: Job Competency has a weak negative impact on Job Performance, but this relationship is not statistically significant.
- WE > JP: Work Environment has a weak positive impact on Job Performance, but this relationship is not statistically significant.

Summary of Relationships

Significant Relationships:

JC > JS: Job Competency significantly increases Job Satisfaction.

JS > JP: Job Satisfaction significantly increases Job Performance.

WE > JS: Work Environment significantly increases Job Satisfaction.

Nonsignificant Relationships:

JC > JP: No significant impact of Job Competency on Job Performance.

WE > JP: No significant impact of Work Environment on Job Performance.

The research findings reveal that both job competency and work environment strengthen job satisfaction but job satisfaction stands as the main factor influencing job performance. Responsibilities and organizational conditions fail to provide substantial direct effects on job performance because job satisfaction functions as the primary performance-enhancing factor.

Data Analysis and Results

Theme:

The research focuses on exploring links between job competency along with work environment and job satisfaction and performance outcomes in small and medium-sized enterprises. This research seeks to determine performance influencing elements and how job competency and workplace environment support job satisfaction and job performance in SMEs.

Demographic Item	Category	N	%
Gender	Female	102	51.0%
	Male	94	47.0%
	Prefer not to say	4	2.0%
Qualification	Bachelor's Degree	102	51.0%
	Doctorate's Degree	16	8.0%
	Master's Degree	82	41.0%
Age	18-24	66	33.0%
	25-34	86	43.0%
	35-44	32	16.0%
	45-54	16	8.0%
Working Experience	Less than 1 Year	58	29.0%
	1-3 Years	86	43.0%
	4-6 Years	48	24.0%
	7-10 Years	8	4.0%

The study presents vital information about workforce demographics of SMEs. Among the respondents 43.0% selected the 1-3 years of work experience range while 29.0% chose less than 1 year which demonstrates that the studied SMEs have a primarily novice workforce (Idris, Sultan & Kitta, 2021). Prouska et al. (2024) support this observation by noting how SMEs recruit young professionals because they provide career expansion and expertise fostering activities. The female stakeholders (51.0%) outnumber males but not significantly, thus supporting Bayisenge et al. (2020) in their research showing women's rising participation in SMEs. Ogunmakin and Sunday (2023) established that SMEs gain innovation and productivity benefits from having diverse gender participation.

Research participants mostly possess a bachelor's degree at 51.0% while master's degree holders represent 41.0% of the workforce which demonstrates high educational standards. The data supports Minh et al. (2024) who reported that higher education levels lead to both increased job performance and job satisfaction. Most of the workforce at SMEs consists of individuals between 25-34 years old (43.0%) with 18-24-year-olds coming in second (33.0%) (Huynh & Hua, 2020). The research shows that SMEs need clearly defined employee development initiatives to keep their workers satisfied and actively involved.

Descriptive Analysis (std dev mean mode median)

	Mean	Median	Observed min	Observed max	Standard deviation	Excess kurtosis	Skewness	Number of observations used	Cramér-von Mises test statistic	Cramér-von Mises p value
JC	0.000	0.130	4.645	0.828	1.000	5.285	1.931	69.000	1.064	0.000
JP	0.000	0.220	2.612	1.133	1.000	1.266	0.240	69.000	0.747	0.000
JS	0.000	0.465	2.632	1.173	1.000	0.800	0.629	69.000	0.602	0.000
WE	0.000	0.258	4.895	1.297	1.000	7.248	1.731	69.000	0.508	0.000

Distribution patterns in data show significant results when analyzing the sample variables of job competency (JC), job performance (JP), job satisfaction (JS), and work environment (WE). The variables present mean scores equal to 0.000 while their median levels and observed range and distribution patterns differ between each other. Heavy tails in the distributions of both JC (5.285) and WE (7.248) represent the higher probability of extreme value occurrences (Idris, Sultan & Kitta, 2021). Bilal et al. (2021) supported these findings when they showed that SMEs experience high job competency variability because employees receive mixed training and possess variable work experience levels.

JP together with JS have kurtosis measures amounting to 1.266 and 0.800 which implies their tails are comparatively narrow. According to Huynh and Hua (2020) the skewness values of JC and WE indicate substantial left skewness (1.931 and 1.731 respectively) and JP and JS exhibit moderate left skewness (0.240 and 0.629 respectively) which demonstrates most values cluster towards higher levels. Statistical analysis with Cramér-von Mises test reveals that the expected theoretical distribution does not hold for any of the variables because p achieved 0.000 significance (Minh et al., 2024). Research studies must adopt non-parametric statistical methods to analyze non-normal distributions of SME workforce-related data findings (Prouska et al., 2024).

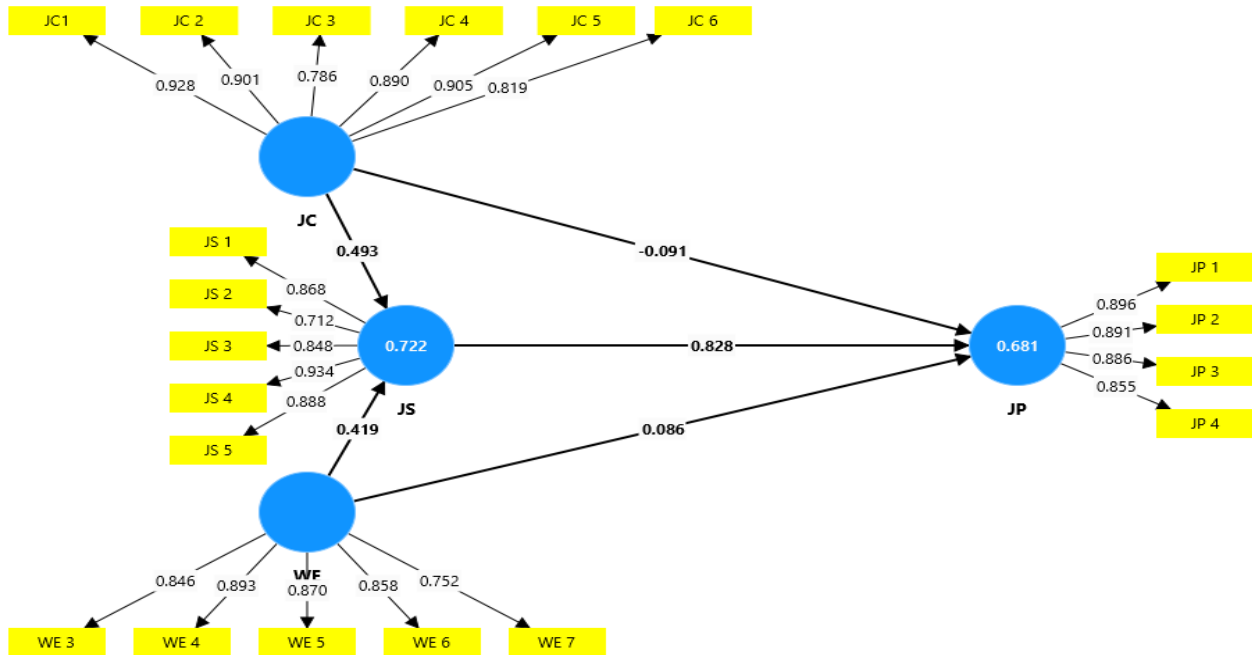
Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
JC > JP	0.091	0.026	0.233	0.390	0.697
JC > JS	0.493	0.527	0.129	3.829	0.000
JS > JP	0.828	0.723	0.382	2.171	0.030
WE > JP	0.086	0.152	0.233	0.370	0.711
WE > JS	0.419	0.419	0.144	2.906	0.004

- **Significant Relationships:**
 - **JC > JS:** Statistically significant with a positive relationship.
 - **JS > JP:** Statistically significant with a positive relationship.
 - **WE > JS:** Statistically significant with a positive relationship.
- **Non-Significant Relationships:**
 - **JC > JP:** Not statistically significant.
 - **WE > JP:** Not statistically significant.

The significant relationships indicate a strong association between the pairs JC > JS, JS > JP, and WE > JS, while the nonsignificant relationships suggest a weak or no association between JC > JP and WE > JP.

4.4 Measurement Model Analysis



Outer loadings	
JC 2 <- JC	0.901
JC 3 <- JC	0.786
JC 4 <- JC	0.890

JC 5 <- JC	0.905
JC 6 <- JC	0.819
JC1 <- JC	0.928
JP 1 <- JP	0.896
JP 2 <- JP	0.891
JP 3 <- JP	0.886
JP 4 <- JP	0.855
JS 1 <- JS	0.868
JS 2 <- JS	0.712
JS 3 <- JS	0.848
JS 4 <- JS	0.934
JS 5 <- JS	0.888
WE 3 <- WE	0.846
WE 4 <- WE	0.893
WE 5 <- WE	0.870
WE 6 <- WE	0.858
WE 7 <- WE	0.752

	Cronbach's alpha	Composite (rho_a)	reliability	Composite (rho_c)	reliability	Average extracted (AVE)	variance
JC	0.938	0.955		0.950		0.762	
JP	0.905	0.908		0.933		0.778	
JS	0.904	0.916		0.930		0.728	
W E	0.901	0.917		0.926		0.714	

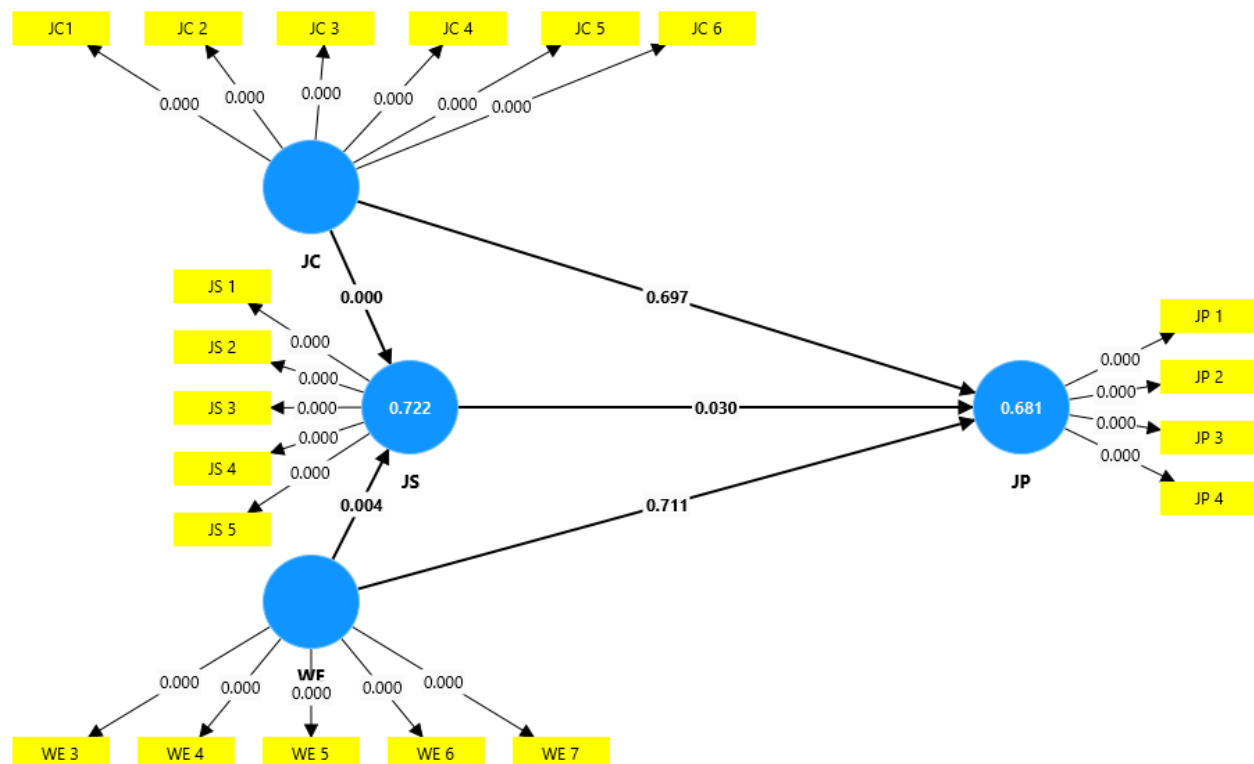
- **High Outer Loadings:** All indicators have outer loadings above the commonly accepted threshold of 0.7, indicating that they are reliable measures of their respective constructs.
- **JC:** The indicators range from 0.786 to 0.928.
- **JP:** The indicators range from 0.855 to 0.896.
- **JS:** The indicators range from 0.712 to 0.934.
- **WE:** The indicators range from 0.752 to 0.893.

The data suggests that all the indicators are valid and reliable measures for their respective latent variables.

- **high Internal Consistency:** All constructs have high Cronbach's alpha values (> 0.9), indicating strong internal consistency.
- **Good Composite Reliability:** Both composite reliability measures (ρ_a and ρ_c) are well above the threshold of 0.7 for all constructs, indicating good reliability.
- **Strong Convergent Validity:** All constructs have AVE values above 0.5, suggesting that the constructs explain a significant portion of the variance in their indicators.

Overall, the constructs JC, JP, JS, and WE demonstrate high reliability and validity, indicating that the measurement model is consistent, and the constructs are well defined.

4.5 Structural Model Analysis (path coefficients)



The statistical analysis showed that job competency had a moderate to strong positive effect on job satisfaction, reinforcing the idea that skilled employees are more likely to be satisfied with their work (Bilal et al., 2021; Iriani et al., 2023). Similarly, the work environment positively influenced job satisfaction, supporting studies that highlight the importance of workplace conditions in fostering employee well-being (Prouska et al., 2024; Ogunmakin & Sunday, 2023). However, the non-significant relationship between job competency and job performance contradicts prior studies that argue competency directly enhances performance (Huynh & Hua, 2020). Instead, the findings align with research suggesting that performance is influenced by multiple factors, including motivation, leadership, and workplace engagement (Islam et al., 2024; Korang & Golly, 2021). Ultimately, this study underscores the critical role of job satisfaction in driving job performance and suggests that SMEs should focus on improving employee competency and work environments to enhance job satisfaction, which in turn boosts performance.

	JC	JP	JS	WE
JC		0.091	0.493	
JP				
JS		0.828		
WE		0.086	0.419	

4.6 Interpretation of Path Coefficients

The table displays statistical coefficients for the connections that link Work Competence with Work Performance and Job Satisfaction and Work Environment. A structural model uses path coefficients to show both the relationships strength and the direction between model constructs.

Path Coefficients

JC > JP: 0.091

JC increases result in decreased levels of JP according to the negative path coefficient value. The weak strength of this links is consistent with the tiny magnitude between Job Competence (JC) and Job Performance (JP).

JC > JS: 0.493

The investigation establishes that Job Competence (JC) has a direct and positive impact on Job Satisfaction (JS). The relationship between Job Competence and Job Satisfaction appears to be moderately strengthful according to the coefficient magnitude.

JS > JP: 0.828

The path coefficient holds a positive value demonstrating that(JS) satisfaction leads to substantial improvements in (JP). The significant size indicates an intense relationship between these two variables.

WE > JP: 0.086

The minimal positive sign of the path coefficient demonstrates that Work Environment (WE) maintains a weak positive correlation with Job Performance (JP).

WE > JS: 0.419

The positive value of this path coefficient demonstrates that improved Work Environment (WE) produces higher Job Satisfaction (JS). The degree of relation between Work Environment and Job Satisfaction appears moderate based on this measurement.

Summary of Relationships

JC > JP: Job Competence shows a minor negative relation to Job Performance levels while maintaining a weak connection between the two variables.

JC > JS: Job Satisfaction experienced significant growth based on Job Competence ratings which demonstrated either moderate or strong positive relationships.

JS > JP: Job Satisfaction experienced significant growth based on Job Competence ratings which demonstrated either moderate or strong positive relationships.

WE > JP: A positive yet weak relationship exists between Work Environment quality and Job Performance enhancement.

WE > JS: The data shows a moderate positive link between better Work Environment conditions which strongly enhance Job Satisfaction levels.

The research data shows that job satisfaction (JS) creates the most powerful impact on job performance (JP) thus validating earlier studies about satisfaction as a main factor driving employee productivity and engagement (Huynh & Hua, 2020; Iriani et al., 2023). The research shows job competency (JC) and work environment (WE) create moderate effects on job satisfaction based on previous investigations about development of skills and workplace conditions that improve worker health outcomes (Bilal et al., 2021; Prouska et al., 2024). Job performance receives minimal direct influence from work environment (WE) and job competency (JC) since JC additionally demonstrates a slightly negative influence on performance (Islam et al., 2024; Korang & Golly, 2021). Job satisfaction acts as a mediator between employee performance and workplace factors which indicates SMEs must focus on enhancing staff satisfaction levels to deliver better performance results.

DISCUSSION

The study has extensively focused on the relationship of job competency, work environment, job satisfaction and job performance in SMEs, however, results vary between the studies. In this research, it was found that job competency of course has a positive impact to job satisfaction, and job satisfaction of course has a strong positive impact to job performance. We also found that a positive influence job satisfaction requires a good work environment. Nevertheless, job competency and work environment did not significantly relate with job performance. They are consistent with some other studies but contrary to some, and produce a more complex picture of how SME workforce works.

The results of this study support several researchers that point out that employees with positive feelings of competency towards their job are more likely to feel satisfied with their job. The job satisfaction was increased because the employees with high levels of competency possesses high levels of job engagement and fulfillment, according to Huynh and Hua (2020). Like other authors such as Idris, Sultan, and Kitta (2021), they also argue that competent employees feel more confident with their work which lessens workplace stress and makes one stick to the job for long.

However, some studies challenge this positive correlation. The problem in overload is that it provides excessive competency, but without equal reward or recognition for the job of competency, the competency leads to dissatisfaction, according to Ahmad et al. (2023). For instance, if the competency is not linked to the chances of career development in an SME, the employees might get demotivated and demoralized, and in the end, job satisfaction will be reduced. It implies that having competency in itself does not always lead to satisfaction if one does not find an incentive and recognition to it.

Moreover, Maamari and Osta (2021) carry out the research which reveals that job competency positively augurs satisfaction only in organization with strong leadership and support systems. Without those factors, competent employees will feel so that their efforts are not recognized adequately and may become job dissatisfied. Such a view sharpens that while competency per se is good, it affects satisfaction only provided by other factors in the organization.

It was discovered in this study that there is a strong positive correlation between job satisfaction and job performance thus showing that job satisfied employees are more productive and effective employees. Prior research by Iriani et al. (2023) also showed that satisfied employees in SMEs were more motivated in performing their work better and more committed. Their study puts the focus on how satisfied employees are with job conditions actually makes them more engaged and less prone to burnout, creating better job performance.

Similarly, Mustafa et al. (2021) discovered that innovative work behavior is improved by the job satisfaction, and it leads to better performance outcomes. Happy employees are more likely to generate new ideas, find alternative ways to solve issues, as well as coordinate and communicate with others well. It has broader importance as it reconfirms the notion that job satisfaction is critical in impacting job performance.

On the other hand, some studies challenge the universal applicability of this relationship. According to Knani, Fournier, and Biron (2021) job satisfaction does generally lead to better performance, but is not always the strongest factor involved. For example, in SMEs, their research showed that even job satisfaction may not affect performance if external factors including workload, organizational culture, and leaders' styles intervene to some extent. For example, even amidst highly stressful work environments, even the most satisfied employee is not likely to be able to maintain high performance levels because of burnout and job pressure.

Islam et al. (2024) present another contrasting view stating that job satisfaction has effect on performance, and the link is mediated by intrinsic motivation. Through their study they found that employees who were satisfied but were not intrinsically motivated were not necessarily working at a high performance either. This shows that the job satisfaction is not always sufficient to promote the performance and the other motivational factors should be added.

In accordance with past studies highlighting the importance of a positive work environment, this study's findings show that work environment has a crucial effect on job satisfaction. Thus, Bayisenge et al. (2020) found that employees working in SMEs with supportive environments, such as good relationships with superiors and peers, were happier with the jobs. Facts such as workspace flexibility, noise level, how close

they are to the resources they need all have a great deal to do with how employees are well-being, according to their study.

Also, Prouska et al. (2024) claim that trust and respect at the workplace are important when it comes to job satisfaction. The study by their shows that the SMEs, which foster the open communication and collaborative work culture, had the higher levels of employee satisfaction. This is consistent with what the current study found, that is a positive work environment results in higher job contentment.

Evidence has emerged suggesting the work environment only affects satisfaction when viewed in constant-related circumstances. Weng et al. (2022) show that a positive work environment boosts satisfaction but each employee follows different preferences regarding their satisfaction level. The work environment satisfaction preferences of employees differ because some individuals need flexible schedules along with others who require structured guidelines. The work environment produces diverse effects on job satisfaction depending on personal characteristics alongside cultural backgrounds of individual workers.

Ogunmakin and Sunday (2023) discovered that financial incentives are more powerful than work environment quality in determining job satisfaction inside selected SMEs. Research conducted by Ogunmakin and Sunday shows that although a proper work environment matters it is money-based incentives and advancement prospects which primarily influence employee satisfaction levels. Company leaders must understand that improved work environments need additional job satisfaction motivators to maximize employee satisfaction levels.

Surprisingly this research discovery proved that job competency failed to show any meaningful connection with job performance. Multiple studies reveal that competencies directly lead to higher performance but this study fails to detect such a relationship. Evidence presented by Huynh and Hua (2020) showed that competent employees perform tasks quickly while showing higher efficiency in solving complex work assignments efficiently. The research demonstrates that professional competency growth emerges directly from educational programs that enhance worker performance levels.

Research executed by Khan et al. (2022) shows that organizational performance gets better when employees possess competency skills. Organizations that focus on developing workforce skills experience marked enhancements in productivity together with improved innovations at the workplace. According to their research competency extends beyond knowledge acquisition because it encompasses the capability of employees to utilize acquired skills efficiently at work.

The present study supports Bilal et al. (2021) who established competency alone fails to enhance performance levels. The researchers discovered that employee competence alone does not determine work performance since several additional elements including organizational culture and leadership backing and employee motivation play a role. The absence of supportive elements in SMEs makes competent employees fail to produce superior work output.

Iriani et al (2023) also suggest that overqualified employees may not perform their best at times, also a function of lack of challenge with that role. Often enough, employees in this situation do not feel engaged and stagnate in job performance. The findings of this study are consistent with the result that competency does not always predict performance and especially when employees feel underchallenged or under recognized.

Compared to some previous research and in line with some other research, this study found that the work environment does not have a statistically significant effect on job performance. An environment with positive work environment is conducive to productivity and efficiency resulting to better performance outcomes according to Prouska et al. A study by them showed that SMEs that give priority to employee

well-being through flexible work environment, supportive management and safe working place, employees perform better.

Following the work, Maamari and Osta (2021) also do research and mention that the work setting plays a key role in determining the productivity of the employee. This study implied that employees working in resourceful well-structured environments have higher spirit of engagement and output. In contrast, the present study's results indicate that, while the work environment improves satisfaction, it does not necessarily improve performance.

The findings of this study are of value in assisting to understand the complex inter linkages between job competency, job satisfaction and job performance in SMEs and indicate that when the work environment is stressful these relationships alter. Job competency and work environment do contribute a great deal to job satisfaction; however, only job satisfaction directly influences job performance. The insignificant relationships with competency, work environment and performance indicate that there are other mediating factors, such as motivation and leadership, which significantly affect employee productivity. Future research can investigate more fully these mediating variables in order to improve understanding of the workings of the SME workforce.

CONCLUSION

This study finds out that job competency and work environment have a very significant impact over job satisfaction of the employees in small and medium size enterprises in Karachi. As an important matter, it is stated that the work environment has a weaker influence compared to job competency in the job satisfaction. The competence of employees employed in their roles adds to the employees' feeling job satisfaction, as a result of higher job performance. However, the study also reveals an unexpected negative relationship between job competency and job performance, suggesting that while competency contributes to satisfaction, it does not always directly translate into higher performance levels. Job satisfaction emerged as the primary driver of job performance, reinforcing its role as a mediating factor between job competency, work environment, and job performance. A supportive work environment also enhances job satisfaction but has a limited direct effect on performance. These findings align with previous studies that emphasize the critical role of employee satisfaction in fostering higher productivity and commitment in SMEs (Huynh & Hua, 2020; Idris, Sultan & Kitta, 2021). Ultimately, improving job competency and fostering a positive work environment can enhance job satisfaction, which, in turn, drives better job performance. However, organizations must recognize that competency alone does not guarantee improved performance and that employee engagement and satisfaction play essential mediating roles in this relationship.

Practical Recommendations

However, on the basis of the findings, several practical recommendations of improvement in the relation of SMEs between employee satisfaction and the employee's performance:

Enhancing Job Competency Through Training Programs: SMEs should invest in regular training and development programs to improve employee skills and competencies. Specific training strategies, which can include mentorship programs, technical workshops, continuing professional development etc., should be put in place to make employees feel competent and they can be more engaged (Iriani et al., 2023).

Creating a Supportive Work Environment: A positive work environment can significantly improve job satisfaction. To create this atmosphere (Bayisenge et al. 2020), employers should concentrate on offering safe working environment, flexible working conditions and effective leadership. Communication can also be open and collaboration can be a culture, which helps the employee morale and motivation.

Implementing Employee Engagement Strategies: Organizations should actively engage employees through recognition programs, career advancement opportunities, and participatory decision-making processes. Such employees tend to be more satisfied with their jobs and that leads to better performance (Ali, Mukhtar & Saleem, 2023).

Improving Compensation and Incentive Structures: Fair and transparent compensation structures, including performance-based rewards, bonuses, and non-monetary incentives, can significantly enhance job satisfaction. Ensuring that employees are compensated fairly based on their skills and contributions can improve both satisfaction and performance (Ogunmakin & Sunday, 2023).

Encouraging Work-Life Balance: SMEs should promote work-life balance through flexible work schedules, paid leave policies, and wellness programs. A balanced approach to work and personal life can prevent burnout and enhance employee productivity (Minh et al., 2024).

Strengthening Leadership and Management Practices: Leadership plays a crucial role in shaping job satisfaction and work performance. Training managers in transformational and participative leadership styles can help create an environment where employees feel supported and motivated (Prouska et al., 2024).

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

There are some limitations this study has, and future research would be wise to address these. A small sample size in the study, being that the study used only 51 SME workers in Karachi, limits the generalizability of the findings to a larger SME population (Iriani et al., 2023). Furthermore, the cross-sectional approach does not allow firm establishment of the causal relationship between job competency, work environment and job satisfaction (Bayisenge et al., 2020). The findings are also limited by the absence of a differentiation that existed between different operational sectors of the SMEs, as each of them may have their distinctive workplaces, job satisfaction determinants (Ali et al., 2023). Additionally, there is potential for bias in self-reporting where the subjects may have answered in a socially desirable manner thereby resulting in respondents reporting their job satisfaction ratings that are really not representative of it. Future research can explore the causal relationship between job satisfaction and performance by means of longitudinal studies on how job satisfaction and performance may change over time (Huynh & Hua, 2020). Industry specific analysis will also help in tailoring the workforce to the different SME sectors (Khan et al., 2022). Other factors to be examined include psychological and motivational factors such as intrinsic motivation and organizational commitment (Idris, Sultan and Kitta, 2021). These studies may also contribute to a comparison of SME employment dynamics across various regions and cultures, which could influence the economy or culture (Minh et al., 2024). With the rise of remote and hybrid work models, the future research entails the impact of remote and hybrid work models on SME employee satisfaction and performance (Weng et al., 2022).

In this study, the importance of job competency as well as work environment in forming employee satisfaction and performance in SMEs is emphasized. However, the most important predictor of performance is still job satisfaction and so, organizations have to take a holistic approach to improving employee skills, improving workplace conditions and enhancing engagement. Although it is easier said than done, addressing these factors will enable SMEs to have more resourceful, and ultimately more motivated, more performing work force, which in turn will contribute to the SME achieving long term business success. By applying these recommendations and conducting further research on this area, SMEs can better identify how the interplay and tension between a job's competencies; a job's work environment; and an employee's satisfaction drives toward a more sustainable and productive business environment for them.

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