HRM POLICIES AND SMEs PERFORMANCE: THE MODERATING ROLE OF CSR ORIENTATION

Sánchez-Marín, G., Lozano-Reina, G., Beglaryan, M.

Gregorio Sánchez-Marín / University of Alcalá, Faculty of Economics, Business and Tourism, Department of Economics and Business, Plaza Victoria, s/n, 28802 Alcalá de Henares, Madrid, Spain. Email: gregorio.sanchez@uah.es

Gabriel Lozano-Reina / University of Murcia, Faculty of Economics and Business, Department of Management and Finance, Campus de Espinardo, 30100 Murcia, Spain. Email: gabriel.lozano@um.es

Mané Beglaryan / American University of Armenia, Manoogian Simone College of Business and Economics, 40 Marshal Baghramyan Ave. Yerevan 0019, Armenia. Email: mbeglaryan@aua.am

Abstract
A growing interest in human resource management (HRM) in small and medium enterprises (SMEs) has not been accompanied by increased knowledge of how different HRM policy orientations can affect SMEs’ effectiveness. In this way, the goal of this paper is twofold: to test whether the orientation of HRM towards high-performance work practices (HPWP) – represented by the Abilities-Motivation-Opportunities (AMO) framework – allows SMEs to achieve better performance and to test the moderating role of corporate social responsibility (CSR) orientation. Based on a telephone questionnaire together with data collected from a sample consisting of 1,136 Spanish SMEs that operate in the industrial or services sector, our results show that SMEs perform better when HRM policies are oriented towards the AMO model. In addition, our findings highlight that this performance impact of orienting HRM towards HPWP is positively moderated by a CSR orientation. This paper thus complements HRM-related literature by adding new evidence exploring the impact of the AMO model on firm performance as well as the role played by CSR orientation within the SME context.

Implications for the central European audience: Managers should be aware of the importance of considering and implementing appropriate ability, motivation, and opportunity policies for their employees in order to enhance SME performance. In addition, the importance of a CSR orientation is highlighted, which intensifies the impact of HPWP on firm performance. This empirical paper brings evidence from the underexplored high-performance work policies in SMEs, given their importance in stimulating employee and organizational performance. It also takes into account the particularities of the Spanish context, where most businesses are considered to be SMEs.

Keywords: high-performance work practices; AMO framework; SMEs’ performance; CSR orientation
JEL Classification: M10, M14, O15
Introduction

Today’s dynamic economic environment, coupled with globalization and ever-increasing competition, has challenged the traditional ways of doing business. Modern companies no longer operate in a static environment; rather, they must continually adjust, adapt and redefine themselves (Kundu & Gahlawat, 2016; Leonard-Barton, 1995; Morris & Kuratko, 2002; Morris et al., 2011; Turner & Pennington III, 2015). Given such a context, academic literature has shown tremendous interest in exploring how strategic human resource management (HRM) may leverage the greater economic value, and competitive advantage for companies (Kundu & Gahlawat, 2016) since such intangible resources can become a source of competitive advantage and distinctiveness (Barney, 1991; Bello-Pintado, 2015; Black & Boal, 1994; Gong et al., 2010; Jackson et al., 2014).

The role of HRM has been redefined to highlight the fact that, depending on the type of policies and practices that firms implement, it can provide a competitive advantage (Boxall & Purcell, 2008). This has led scholars to examine how and why some firms perform better than others (Appelbaum et al., 2000; Boselie et al., 2005; Ehmrooth & Bjorkman, 2012; Huselid, 1995). With the emergence of strategic HRM, interest in studying high-performance work practices (HPWP) – such as training, high compensation and rewards systems, group-based performance pay, and self-directed teams – has been heightened, since such practices play a major role in boosting firm performance (Delaney & Godard, 2001; Fleetwood & Hesketh, 2008; Lozano-Reina & Sánchez-Marín, 2019). The AMO (i.e. abilities, motivation, and opportunities) framework is one key way of conceptualizing HPWP, which results in improvements in abilities, motivation, and opportunities to participate and implies enhanced firm performance and productivity (Drummond & Stone, 2007; Obeidat et al., 2016).

In addition, the impact of HPWP on firm performance might be modulated by several factors, where CSR orientation may play a major role. Although firms in the past were more focused on earning profit – which was linked to Friedman’s (1970) view that showed that the business of business is business since firms have had no other responsibility than to boost shareholder value – the current situation is quite different due to increased global and local challenges, such as climate change and the persistence of social inequalities – like poverty and discrimination. In this way, companies increasingly recognize the value of adhering to environmental standards and of giving something back to society, thus creating shared value (Porter & Kramer, 2006, 2011, 2019). Together with governments, they espouse such international norms and standards as the Global Reporting Initiative (GRI) and the Extractive Industries Transparency Initiative (EITI). Practices such as being accountable not to just shareholders but to society as a whole as well as to a variety of stakeholders (Donaldson & Preston, 1995; Freeman, 1984) –such as employees, the social settings in which firms operate, customers, value chain partners, and the environment– are increasing in importance and form the core of CSR (Garriga & Mele, 2004; McWilliams & Siegel, 2001; McWilliams et al., 2006). A number of studies document the positive effect of CSR orientation on a firm’s financial performance (Orlitzky et al., 2003; Waddock & Graves, 1997).

Just as large companies can do, small and medium-sized enterprises (SMEs) may also take advantage of the benefits of HPWP (specifically by focusing their HR practice towards the AMO model) and CSR, especially through practices directed at employees as the ‘internal’ or most ‘salient’ stakeholders. The literature argues that successful implementation of social-responsibility-oriented HPWP may be linked to the nature of these firms: they are more
In this sense, there are still some important gaps that merit enquiry. In particular, while there is growing interest in exploring what impact HPWP might have in SMEs, little is known about the effects of orienting HR practices towards the AMO model in terms of firm performance, despite it being deemed a key aspect in HR literature (Lozano-Reina & Sánchez-Marín, 2019). Little is also known about the moderating effect of CSR practices on the HPWP-performance link (Lechuga Sancho et al., 2018). Therefore, the goal of this paper is twofold: firstly, to ascertain whether the bundles of such policies through the AMO framework allow SMEs to achieve better performance; secondly, to shed light on the moderating role of a CSR orientation in said relationship. This paper empirically focuses on a sample of 1,136 Spanish SMEs that operate in the industrial or services sector to achieve this aim.

This paper contributes to the debate in four main ways. First, it contributes to SME-related research since, although the literature addressing SMEs has gained attention in recent years, there is still room for further inquiry through renewed empirical research (Nolan & Garavan, 2016), particularly in the context of HRM. Second, in addition to making a contribution to the debate on HPWP and firm performance, this paper takes into consideration the various outcomes linked to three bundles of the AMO framework (abilities, motivation, and opportunities) since there as yet remains no unified approach concerning the exact constituents of HPWP that support the causality between their components and firm performance (Kundu & Gahlawat, 2018). Thirdly, it contributes to the literature by unpacking the ‘black box’ of HPWP-firm performance nexus by considering firms’ CSR orientation as a moderating factor. Fourth, following the suggestion of Ismail et al. (2021), this paper extends empirical evidence related to the HPWP-performance link across other contexts. Specifically, we take into account the particularities of Spain, one of the 15 largest economies in the world, where most businesses are considered to be SMEs and generally operate in internal housing and service industries, characterized by low investments in innovation, moderate international orientation, informal organization and management, and limited productivity (Merino, Monreal-Perez & Sánchez-Marín, 2015).

The paper is structured as follows: after this introduction, the next section describes the theoretical framework and hypotheses. In the methodology section, the sample, data, and variables are described, as are the models and analysis used. The results are described in the third section, and finally, the conclusions, implications and lines of future research are set out.

1 Conceptual framework and hypotheses

1.1 The AMO model

There are a number of modern-day HR trends that influence how organizations manage people at work (Wall & Wood, 2005; Liao et al., 2009; Jiang et al., 2012; Alfees et al., 2013; Kehoe & Wright, 2013). In their role as the core organizational competence and value asset,
employees are expected to have the knowledge, skills, and abilities (Fu et al., 2013) to perform in a constantly shifting environment that poses endless changes and new perspectives (Kalleberg et al., 1996; Harney & Jordan, 2008). This, in turn, forces HR professionals to be in the front line when it comes to designing and implementing effective HRM policies that support employee development while maintaining the same degree of engagement and motivation. With the rise of the strategic HRM field, there has been a major shift from control-based to more performance-oriented HRM policies, known as high performance work practices (HPWP) (Kintana et al., 2006; Martin-Tapia, Aragon-Correa & Guthrie, 2009; Camps & Luna-Arocas, 2012). These policies are intended to boost organizational performance by enhancing employees’ ability, motivation and opportunities to participate (Bayo-Moriones & Galdon-Sanchez, 2010). HPWP encompass a large set of human resources policies that aim to make organizations more participative and flexible so as to be compatible with productivity challenges and the current environment (Kalleberg et al., 1996).

In this way, applying the AMO model framework – which is rooted in the resource-based view (RBV) (Barney, 1991) and human capital theory (Becker, 1964) as the main theoretical frameworks – allows for greater optimization of the synergistic nature of bundles of HRM policies. According to the AMO model, employees perform better when they have the skills (i.e., abilities), motivation, and support they require (i.e., opportunities). These elements (i.e., abilities, motivation, and opportunities) come from industrial/organizational psychology, work psychology, and human capital theory. Specifically, the first element of the AMO model, ‘the ability to perform’, focuses on HRM policies oriented to enhance employee capabilities such as recruitment practices, extensive learning as well as training and coaching for development (Boselie, 2010). Drawing on theories derived from psychology and economic human capital literature, Schmidt and Hunter (1998) argue that individual employees’ abilities strongly predict job performance (Becker, 1964; Gerhart, 2007; Kroon et al., 2013).

The second AMO element, ‘motivation’, is linked to HRM policies that enhance employees’ desire to perform and involves such policies as pay-for-performance, reward and incentives systems, performance appraisal for development, or job security (Appelbaum et al., 2000). Its theoretical foundation is embedded in the social exchange theory (Blau, 1964; Kroon et al., 2013; Demortier et al., 2014) and underpins the relationship between the organization and its employees as a mutual investment exchange. Choi (2014) highlights that, depending on how employees perceive the costs and benefits of fostering such a relationship, these subjective perceptions may impact employee performance. Such perceptions may be formed based on workplace policies and practices with the reciprocal reaction from the employees to align their efforts in order to perform better. For instance, based on employee perception of rewards and incentives, or career advancement, policies and practices, employees respond with their efforts based on their subjective perception of how adequate such practices are. Vroom’s expectancy theory (1964) is another example, as it posits that people will be more or less motivated to act depending on the outcome they expect from their actions and the level of importance they attach to said outcome.

Finally, ‘opportunity’ – as the third AMO component – is linked to HRM-enhancing policies which allow for greater employee participation in decision-making processes and organizational strategy, flexibility in work arrangements and more autonomy, which leads to supervisory cost reduction and working with greater enthusiasm (Parker et al., 2006; Kundu...
Such practices, which give rise to enhanced employee inclusiveness and opportunities to participate, include company-wide meetings, participation in strategy-formulation processes, and teamwork. They are rooted in Hackman and Oldham’s (1980) job design theory, which contends that the job characteristics and the task itself are key motivators for the employee based on five key parameters (i.e. skill variety, task identity, task significance, autonomy, and feedback), and which influence work outcomes (i.e. job satisfaction, absenteeism or work motivation).

1.2 The impact of the AMO model on SME performance

SMEs play a key role in the economy, particularly vis-à-vis employment and innovation (BERR, 2008; Dabić et al., 2019), with important implications in the management of their human resources. The particularities of SMEs in this environment – low degree of formalization, flexibility, lower resource availability and the high level of managers’ discretion – (Welsh & White, 1981; Mayson & Barrett, 2006; Demortier et al., 2014; Psychogios et al., 2019) play a vital role in implementing HRM policies and how they impact firm performance. The literature argues that successful implementation of HPWP is linked to the nature of these firms: the more flexible, informal, and immediate HR policies (Zheng et al., 2006; Drummond & Stone, 2007; Rasheed et al., 2017) seem to adhere to a best-fit perspective which highlights the importance of alignment between the HRM system and context of the organization (Huselid, 1995; Delery & Doty, 1996; Boon et al., 2018; Sánchez-Marin et al., 2020), which can yield firm performance improvements.

There is a growing body of literature identifying and validating HRM practices in SMEs and exploring the relationship between HR practices and firm performance. Specifically, the relationship between HPWP and performance in SMEs has been examined in both developed and developing country contexts (Sanchez-Marin et al., 2017). The findings of w show that recruitment, compensation, job assignment, teamwork, training, and communication practices are positively associated with two intermediate indicators of firm performance – lower workforce turnover and higher productivity – in small US businesses. Carlson et al. (2006) report similar findings for family-owned SMEs in the US: five human resource practices (training and development, performance appraisals, recruitment package, maintaining morale, and setting competitive compensation levels), as well as cash incentives, are found to be more important for high-sales-growth firms than for low-growth ones. King-Kauanui et al. (2006) found positive associations between three HRM practices – namely, training, performance appraisal, and incentive compensation – and firm performance in Vietnamese manufacturing SMEs, with incentive compensation having the greatest impact.

For their part, Sels et al. (2006) developed and tested a conceptual framework linking HRM and firm performance that takes into account both positive (value-creating) and negative (cost-increasing) effects of the investment in human resources. Based on the analysis of data from Belgian SMEs, their findings suggest that, although the introduction of HPWP is associated with increased organizational costs, these are offset by the return on investment in human capital. The overall effect of HR practices on firm performance (measured by voluntary turnover, productivity, and three financial performance indicators – profitability, solvency, and liquidity – is found to be positive. Similarly, Razouk (2011) examined the relationship between HPWP and firm performance in French SMEs. The author found that HPWP, measured as a composite index with five elements (appraisal, participation, information, compensation, and communication), is significantly and positively associated
with a multidimensional measure of firm performance, encompassing social, organizational, and economic components (social climate, innovation, and profitability). Improved HR practices, as the findings of this paper show, precede improved performance, which implies there is a cause-and-effect relationship between HR practices and firm performance.

Following Razouk (2011), Sheehan (2014) examined the relationship between HPWP and firm performance in UK SMEs, considering both simultaneous associations (correlations) between the variables and the temporal dimension (causality). Composite measures were employed for both variables, with HRM being measured by an index with six components (selection, performance appraisal, compensation, training, participation, and strategic people management) and firm performance being measured by three indicators (financial performance, innovation, and labour turnover). The findings reveal, firstly, that HRM practices are significantly and positively associated with profitability and innovation, and significantly and negatively associated with labour turnover; secondly, investments in human resources at a given time affect subsequent performance: specifically, a unit increase in the HR index is found to increase profitability and innovation by 20% and 35%, respectively, and to reduce labour turnover by 42%; finally, the effects of HR practices on firm performance remain significant after controlling for past performance, suggesting there is no reverse causality.

Other studies from the UK context include Michie and Sheehan (2008), who showed that HPWP are positively associated with three measures of firm performance – financial profitability, labour productivity, and innovation – in a cross-section of UK and US small businesses, and Drummond and Stone (2007), who qualitatively analysed HPWP in 30 best-performing SMEs. Findings from the latter paper suggest that the success of high-performing companies can be attributed to the human resource practices they employ, such as open and inclusive approaches to management, employee autonomy, trust, and teamwork.

Ogunyomi and Bruning (2016) tested the relationship between HPWP and organizational performance in Nigerian SMEs. Their analysis includes practices such as employee recruitment, reward management, human capital development, employee performance management, and occupational health and safety, while the measures of firm performance range from financial, such as profitability, operating efficiency, and growth rate, to non-financial, such as public image and staff morale. Findings suggest there are positive associations between the dependent and independent variables; specifically, employee performance management is positively associated with financial performance (profitability), while occupational health and safety and human capital development are positively associated with non-financial performance. Overall, HRM practices are found to account for 16% of the variance in non-financial and 12% of the variance in financial performance. Conceptualizing HPWP through the AMO framework, Obeidat et al. (2016) found significant positive relationships between ability, motivation, and opportunity-enhancing practices and organizational performance in Jordanian companies.

Therefore, considering the above two theoretical arguments and the empirical evidence, we expect SMEs to enhance performance by implementing an AMO framework in their HRM policies, considering significant managerial discretion to design and implement them (Bos-Nehles et al., 2013) and, specifically, boosting people’s abilities, opportunities, and motivation (Özçelik & Uyargil, 2015). Hence, our first hypothesis, based on general HPWP arguments and particular AMO derivations in the context of SMEs, can be generated as follows:
Hypothesis 1: Implementing HPWP based on the AMO model – and its abilities, motivation and opportunities policies – positively influences SMEs’ performance.

1.3 The moderating effect of CSR practices

The literature has also examined the relationship between HRM policies and firm performance by considering certain variables that play a modulating role by exploring the so-called ‘black box’ of the HPWP-performance link (Purcell et al., 2003). For instance, employee commitment, job satisfaction, and voice (Lai & Saridakis, 2013; Lai et al., 2017; Kundu & Gahlawat, 2018; Li et al., 2019; Shahzad et al., 2019), organizational learning (Camps & Luna-Arocas, 2012; Hooi & Ngui, 2014), managerial discretion/leadership, entrepreneurial orientation, and the national/institutional context within which firms operate (Gilman & Raby, 2013) have been identified as such variables within SMEs. Recently, interest in CSR policies as a moderating variable between HPWP and firm performance has also grown (Lechuga Sancho et al., 2018). This interest is conditioned by the argument, anchored in the RBV theory of the firm, which shows how a CSR orientation in management policies – including HRM policies – results in valuable, rare, difficult-to-imitate, and non-substitutable resources which can be a source of sustainable competitive advantage (Barney, 1991; Crook et al., 2008; Campbell & Park, 2016).

CSR is defined as the economic, legal, ethical, and discretionary expectations that societies have of organizations (Carroll, 1979; Schafer & Goldschmidt, 2010). Extant literature on the determinants and correlates of CSR (see Aguinis & Glavas, 2012) suggests that HRM is among the factors that affect the socially responsible conduct of business, e.g. protection of the environment and upholding employees’ rights, which in turn positively affects performance (Aguinis & Glavas, 2012). The core literature on the HRM-CSR interrelationship has been concerned with how specific HR policies may facilitate the socially responsible conduct of business. It has been argued, *inter alia*, that recruitment and selection practices might help to ensure workforce diversity and continuity in a socially responsible manner; training and development can promote CSR values and can ensure that employees possess skills in effective stakeholder management; appraisal and compensation systems may include both economic and social criteria, thus recognizing individual social performance and rewarding employees’ social and environmental engagement (Voegtlin & Greenwood, 2016; Herrera & de las Heras-Rosas, 2020).

Gond et al. (2011) identify three ways in which HRM supports CSR: organizational and functional (HR professionals implement a CSR department), practical (HR services develop, co-design, and support CSR practices), and interactional (HR engages employees, turning them into CSR supporters). By integrating the strategic CSR and strategic HRM literature, Jamali et al. (2015) developed the co-creation model of the HRM-CSR interrelationship, according to which HRM ‘dynamically supports’ CSR during all phases of its lifecycle contributing to CSR strategizing, CSR implementation, and CSR evaluation.

Another stream of research on the HRM-CSR relationship has looked at how CSR orientation affects HRM policies and their effectiveness. Theoretical and empirical literature demonstrates, most importantly, that a firm’s CSR policies affect its attractiveness as an employer and can thus be used to recruit and retain the best talent (Greening & Turban, 2000; Bhattacharya et al., 2008; Story et al., 2016). As noted by Greening and Turban (2000, p. 258), ‘a firm’s reputation affects the pride of the people who work there’. Additionally, CSR
can inform HR recruitment, and selection procedures on issues of diversity and equal opportunity can help to introduce standards for decent work and motivate employees, thus fostering organizational commitment (Brammer et al., 2007; Collier & Esteban, 2007; Bhattacharya et al., 2008). Bhattacharya et al. (2008) emphasize that an organization’s employees are human beings who, apart from basic needs, such as pay and benefits, have higher-order psychological needs, e.g., a sense of belonging and self-esteem, which can be fulfilled by CSR. CSR initiatives, more than any other corporate activity, reveal a firm’s values and serve to foster organizational identification.

Firm size has been regarded as a factor affecting organizational practices in both HRM and CSR literature (Harney & Dundon, 2006; Darnall et al., 2010; Wickert et al., 2016; Berk, 2017; Dundon & Wilkinson, 2018). ‘The labour-intensive nature of SMEs, coupled with their resource-poverty,’ as Harney & Nolan (2014, p. 156) note, ‘means that they offer a fruitful context in which to examine HRM interventions’. Contributors to comparative CSR literature (Jenkins, 2004, 2006, 2009; Jamali et al., 2009; Russo & Tencati, 2009; Baumann-Pauly et al., 2013) emphasize that both SMEs and large firms engage in CSR, although CSR research initially focused predominantly on the practices of large firms. Indeed, to overcome the larger-firm connotation of the word ‘corporate’, alternative terms to CSR, such as business social responsibility (BSR) and small business social responsibility (SBSR), have been proposed and used in the literature (Vazquez-Carrasco & Eugenia Lopez-Perez, 2013; Berk, 2017).

A common theme that emerges in both works of literature is informality. Although there appears to be variation within SMEs in contrast to large firms, they tend not to develop formal HRM and CSR orientations, do not have specialized HRM and CSR departments, and do not consistently measure and report HRM and CSR outcomes (Jenkins, 2006; Jamali et al., 2009; Vazquez-Carrasco & Eugenia Lopez-Perez, 2013; Wickert et al., 2016; Dundon & Wilkinson, 2018). The extent of HRM formalization, as Harney and Dundon (2006) and Harney and Nolan (2014) note, should not be seen as indicative of the substance of HRM: informal approaches can satisfy HR needs and make sense, as businesses adopt various practices based on their priorities and needs. In addition, size as such does not appear to be a decisive factor in explaining the nature and dynamics of HRM in SMEs; rather, it interacts with other factors, both external and internal to the firm, to shape HRM. Such factors include labour and product market conditions, ownership, supply chain relations, technology, and the legislative context within which firms operate (Cassell et al., 2002; Harney & Dundon, 2006).

In addition to the argument that SME strategies and policies tend to be less systematic, structured, and formal, comparative research on CSR in SMEs and large firms (Jenkins, 2006, 2009; Jamali et al., 2009; Russo & Tencati, 2009; Darnall et al., 2010; Vazquez-Carrasco & Eugenia Lopez-Perez, 2013) indicates that SMEs are more concerned with the internal dimension of CSR; i.e. employees as stakeholders (issues of diversity, equal opportunity, and work-life balance), and salient stakeholders, e.g. value-chain partners and the local community, according to less significance to the external dimension, e.g. care for the environment and the broader society. According to the organizational cost perspective proposed and developed by Baumann-Pauly et al. (2013), SMEs, as opposed to large firms, do more CSR and communicate less. Engagement in CSR by SMEs is largely driven by individual values of owner-manager commitment and is less subject to external pressures for compliance (Wickert et al., 2016).
Research explicitly examining the HRM-CSR interrelationship in SMEs remains scarce (Davies & Crane, 2010; Vo, 2011; Rubio-Andrés et al., 2020). Davies and Crane (2010) explore the role of HRM in support of CSR in UK SMEs and find that SMEs use both formal and informal selection and socialization practices—such as job interviews, peer mentoring, and social gatherings—to ensure the sustainability of triple bottom line philosophies. Overall, the literature suggests that the diverse roles of HRM in support of CSR, as reviewed above, are more limited in SMEs, since HRM and CSR functions are less delineated, with the same groups or individuals being responsible for decision-making. Based on the conceptual and empirical literature reviewed above, we hold that CSR practices may be present in the ‘black box’ of HRM-performance links, moderating the relationship between the two. Hence, we formulate the second hypothesis as follows:

Hypothesis 2: A CSR orientation positively moderates the impact of HPWP based on the AMO model—and its abilities, motivation, and opportunities policies—on SME performance.

Figure 1 | Model and hypotheses

Source: authors

2 Methodology

2.1 Sample and data collection

The population for this paper comprises Spanish SMEs with between six and 249 employees that operate in the industrial or services sector. Using simple random sampling to select companies within size-industry stratum, data was collected through a telephone questionnaire where managers were asked about general and specific characteristics of their companies. This questionnaire was conducted by the Strategic Analysis and Development of Small and Medium Enterprises Foundation (FAEDPYME) (Lozano-Reina & Sánchez-Marín, 2019) in the framework of the Spanish SMEs Report 2018. As shown in Table 1, the questionnaire was carried out between February and April 2018 by telephone, with the final sample comprising 1,136 Spanish SMEs, which is representative of the population of Spanish SMEs. This telephone questionnaire was answered by company managers and was managed by an independent professional firm.
Table 1 | Methodological summary

| Sample | 1,136 Spanish SMEs that operate in the industrial or service sector, which is representative of all Spanish SMEs. |
| Sampling criteria | Spanish SMEs that operate in the industrial or service sector in this period (excluding financial, water and educational firms, and public firms). Also, there is a requirement of a minimum of six employees. |
| Time of questioning | February 2018 – April 2018 |
| Questionnaire type | Telephone questionnaire |
| Type of respondent | Managers |

Source: authors

Moreover, additional tests were carried out to avoid some biases: first, condition indexes are below 30, and VIF values are below five, suggesting an absence of significant multicollinearity between independent variables (Hair et al., 1998); secondly, an analysis of differences (t-student) based on firm size was carried out between the Spanish SME population (extracted from SABI) and our sample. There are no significant differences, which enables us to show that the characteristics of the whole population are similar to those of our sample and that there is, therefore, no non-response bias. Finally, a single Harman factor test was performed to see the total variance extracted once we forced all our items to be grouped into a single factor. This variance did not exceed 50%. We also conducted exploratory factor analysis, which gave six dimensions, and the variance extracted is not high (Podsakoff et al., 2003). No common variance bias was thus seen to exist.

2.2 Variables

HPWP based on the AMO model (AMO). We measured HPWP under the three main dimensions of the AMO model: abilities, motivation, and opportunities (Appelbaum et al., 2000; Jiang et al., 2012, 2017). Specifically, we used three items related to abilities policies (ABILITIES): selection (‘selection was in line with the specific requirements of the job’) and training (‘the firm has provided ongoing training programmes’, and ‘the firm has invested enough time and money in training’). We used three items related to motivation policies (MOTIVATION): performance appraisal (‘the firm has evaluated performance, and feedback has been given’), performance-based compensation (‘the firm has guaranteed equity in compensation’) and internal promotion (‘the firm has facilitated professional development’). Finally, we used one item related to opportunities policies (OPPORTUNITIES), which is related to employee involvement (‘the firm has provided opportunities to participate in decision-making’). Each item was formulated on a 5-point Likert scale that indicates the level of agreement with each HRM policy implemented by the firm over the last three years.

Firm performance (PERFORMANCE). There are several ways to measure firm performance: some measures are based on data from the firm’s accounting, while others are based on data from the managerial perception of the competitive position (Dabić et al., 2019). We used a measure based on managerial perception since data from accounting systems usually reflect past events without allowing for any forward-looking. Following the procedure used by Choi and Lee (2003) and Quinn and Rohrbaugh (1983), we define eight items (using
a 5-point Likert scale) to measure firm performance in SMEs. In particular, managers were asked to show their level of agreement with the following statements compared to their main competitors: (1) the firm offers higher quality products; (2) the firm has more efficient internal processes; (3) the firm has more satisfied clients; (4) the firm adapts to market changes before its competitors; (5) the firm is growing more rapidly; (6) the firm is more profitable; (7) the firm has more satisfied and motivated employees; and (8) the firm has lower absenteeism. On the basis of the mean of these items, we built an aggregate measure of firm performance.

**CSR orientation (CSR).** We used Rubio-Andrés et al.’s (2020) exploration of social responsibility in SMEs as a basis to provide an appropriate measure of CSR orientation. Specifically, we used four items (using a 5-point Likert scale) to measure CSR orientation in SMEs: managers were asked to show their level of agreement with the following statements: (1) social value, as well as economic value, are achieved; (2) effective recycling measures; (3) lower consumption of energy and other resources; and (4) transparency regarding customers and suppliers has improved in recent years. Based on the mean of these items, we built an aggregate measure of CSR orientation.

**Control variables.** We used four control variables: (1) Firm seniority (SENIORITY), measured as the number of years since the firm was founded (Schulze, Lubatkin & Dino, 2003); (2) managers’ education level (EDUCATION), measured using a question in the questionnaire about the level of academic training of managers (Kotey & Folker, 2007). Specifically, we used a dichotomous variable to differentiate between university-qualified managers and non-university qualified managers; (3) firm size (SIZE), measured as the number of employees in the firm in the previous year (Reid et al., 2002); and (4) sector of activity (SECTOR), measured using a nominal variable that differentiates four categories: industry, construction, commercial, and services (Lepak & Snell, 2002). Data on the sector of activity were collected from the SABI (Sistema de Análisis de Balances Ibéricos) database.

### 2.3 Reliability and validity of measures

Confirmatory factor analysis (CFA) was carried out to evaluate the reliability and validity of measures related to the HRM policies under the AMO model, firm performance, and CSR orientation. Results are shown in Table 2. Previously, one item linked to the AMO model (in particular, related to motivation policy) was eliminated since it fails to present enough factor loadings in the exploratory factor analysis. Having refined these scales, the CFA results indicate that each of the items loaded on its corresponding factor, with significant lambda parameters, as indicated in Table 2 (Cortina, 1993).

As regards the consistency of each factor, results in Table 2 show appropriate levels of average variance extracted as well as the Cronbach alpha and composite reliability values. The convergent validity of these scales was confirmed through the value of each item (the minimum must be greater than 0.5). Moreover, discriminant validity was also confirmed by calculating the confidence interval for each pair of factors and verifying that none contain the value 1. These results validate the internal consistency, multidimensionality, and validity of the three measurement scales representing our key research concepts.
### Table 2 | Validity and reliability of the AMO model and firm performance

<table>
<thead>
<tr>
<th>AMO model</th>
<th>Dimensionality and validity</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ability dimension</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Selection was in line with the specific requirements of the job</td>
<td>$\lambda_{\text{dimension}}=0.815$</td>
<td>KMO=0.642</td>
</tr>
<tr>
<td></td>
<td>$\lambda_{\text{model}}=0.664$</td>
<td>$\chi^2=1841.65^{***}$</td>
</tr>
<tr>
<td>2. The firm has provided ongoing training programmes</td>
<td>$\lambda_{\text{dimension}}=0.6856$</td>
<td>$\chi^2=191.06^{***}$</td>
</tr>
<tr>
<td></td>
<td>$\lambda_{\text{model}}=0.725$</td>
<td>$\sigma^2=75.52$</td>
</tr>
<tr>
<td>3. The firm has invested enough time and money in training</td>
<td>$\lambda_{\text{dimension}}=0.819$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$\lambda_{\text{model}}=0.836$</td>
<td></td>
</tr>
<tr>
<td><strong>Motivation dimension</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. The firm has evaluated performance, and feedback has been given</td>
<td>$\lambda_{\text{dimension}}=0.747$</td>
<td>KMO=0.694</td>
</tr>
<tr>
<td></td>
<td>$\lambda_{\text{model}}=0.733$</td>
<td>$\chi^2=919.06^{***}$</td>
</tr>
<tr>
<td>5. The firm has guaranteed equity in compensation</td>
<td>$\lambda_{\text{dimension}}=0.924$</td>
<td>$\chi^2=1839.95^{***}$</td>
</tr>
<tr>
<td></td>
<td>$\lambda_{\text{model}}=0.804$</td>
<td>$\sigma^2=68.90$</td>
</tr>
<tr>
<td>6. The firm has facilitated professional development</td>
<td>$\lambda_{\text{dimension}}=0.924$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$\lambda_{\text{model}}=0.785$</td>
<td></td>
</tr>
<tr>
<td><strong>Opportunity dimension</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. The firm has provided opportunities to participate in decision-making</td>
<td>$\lambda_{\text{model}}=0.771$</td>
<td>KMO=0.845</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$\chi^2=4272.43^{***}$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$\sigma^2=57.99$</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Firm performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. The firm offers higher quality products</td>
<td>$\lambda=0.696$</td>
<td></td>
</tr>
<tr>
<td>2. The firm has more efficient internal processes</td>
<td>$\lambda=0.770$</td>
<td></td>
</tr>
<tr>
<td>3. The firm has more satisfied clients</td>
<td>$\lambda=0.801$</td>
<td></td>
</tr>
<tr>
<td>4. The firm adapts to market changes before its competitors</td>
<td>$\lambda=0.798$</td>
<td>KMO=0.888</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$\chi^2=4809.59^{***}$</td>
</tr>
<tr>
<td>5. The firm is growing more rapidly</td>
<td>$\lambda=0.763$</td>
<td>$\chi^2=1306.72^{***}$</td>
</tr>
<tr>
<td>6. The firm is more profitable</td>
<td>$\lambda=0.782$</td>
<td>$\sigma^2=61.91$</td>
</tr>
<tr>
<td>7. The firm has more satisfied and motivated employees</td>
<td>$\lambda=0.802$</td>
<td></td>
</tr>
<tr>
<td>8. The firm has lower absenteeism</td>
<td>$\lambda=0.685$</td>
<td></td>
</tr>
<tr>
<td><strong>CSR orientation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Social value as well as economic value are achieved</td>
<td>$\lambda=0.813$</td>
<td>KMO=0.780</td>
</tr>
<tr>
<td>2. Effective recycling measures</td>
<td>$\lambda=0.785$</td>
<td>$\chi^2=1306.72^{***}$</td>
</tr>
<tr>
<td>3. Lower consumption of energy and other resources</td>
<td>$\lambda=0.778$</td>
<td>$\sigma^2=61.91$</td>
</tr>
<tr>
<td>4. Transparency with regard to customers and suppliers has improved in recent years</td>
<td>$\lambda=0.769$</td>
<td></td>
</tr>
</tbody>
</table>

Note: aDimensionality and validity are measured through confirmatory factor analysis (CFA). In this way, in addition to checking the values of KMO and the Bartlett test ($\chi^2$), lambda parameters ($\lambda$) are reported. In particular, as regards the AMO model, we report the lambda parameters linked to each individual dimension ($\lambda_{\text{dimension}}$) as well as the lambda parameters linked to the general AMO framework ($\lambda_{\text{model}}$). Moreover, all items of each factor are grouped into this specific component and the average variance extracted ($\sigma^2$) values are shown.

bReliability is measured through Cronbach’s alpha ($\alpha$) and composite reliability ($\rho_c$), which are mainly based on the average inter-element correlation, and which assume that items measure the same construct and are highly correlated.

Source: authors

### 2.4 Models and analyses

To test the hypotheses, we used regression analysis on Equations 1–4. First, regarding the first hypothesis, we tested the influence of HPWP on firm performance. We thus developed Equation 1, whose dependent variable is firm performance (PERFORMANCE). The
independent variables are HPWP under the AMO model (AMO) and control variables. We expected β₁ to exert a significant and positive influence on firm performance. Specifically:

\[ \text{PERFORMANCE}_{it} = \beta_0 + \beta_1 \cdot \text{AMO}_{it} + \beta_2 \cdot \text{Control variables}_{it} + e_{it} \]  

(1)

We applied Equation 2 in order to test the moderating role of CSR orientation (Hypothesis 2). The dependent variable is also firm performance (PERFORMANCE). The independent variables are HPWP under the AMO model (AMO) and CSR orientation (CSR), the interaction term between AMO and CSR, and control variables. We expected β₃ to have a significant and positive impact on firm performance. Specifically:

\[ \text{PERFORMANCE}_{it} = \beta_0 + \beta_1 \cdot \text{AMO}_{it} + \beta_2 \cdot \text{CSR}_{it} + \beta_3 \cdot (\text{AMO}_{it} \cdot \text{CSR}_{it}) + \beta_4 \cdot \text{Control variables}_{it} + e_{it} \]  

(2)

Finally, to complement these hypotheses, we ran regression analysis to Equations 3 and 4, where we differentiate the three specific HRM dimension policies of the AMO model: abilities policies (ABILITY), motivation policies (MOTIVATION), opportunities policies (OPPORTUNITY). Specifically:

\[ \text{PERFORMANCE}_{it} = \beta_0 + \beta_1 \cdot \text{ABILITY}_{it} + \beta_2 \cdot \text{MOTIVATION}_{it} + \beta_3 \cdot \text{OPPORTUNITY}_{it} + \beta_4 \cdot \text{Control variables}_{it} \]  

(3)

\[ \text{PERFORMANCE}_{it} = \beta_0 + \beta_1 \cdot \text{ABILITY}_{it} + \beta_2 \cdot \text{MOTIVATION}_{it} + \beta_3 \cdot \text{OPPORTUNITY}_{it} + \beta_4 \cdot \text{CSR}_{it} + \beta_5 \cdot (\text{ABILITY}_{it} \cdot \text{CSR}_{it}) + \beta_6 \cdot (\text{MOTIVATION}_{it} \cdot \text{CSR}_{it}) + \beta_7 \cdot (\text{OPPORTUNITY}_{it} \cdot \text{CSR}_{it}) + \beta_8 \cdot \text{Control variables}_{it} \]  

(4)

3 Results

3.1 Descriptive statistics, sample characterization, and correlations

Table 3 shows the descriptive statistics, sample characterization and correlations. As regards implementing HPWP under the AMO model, processes related to knowledge, skills, and competencies are the most related processes in SMEs. At an aggregate level, the average (3.369 on a scale of 1 to 5) indicates a medium HR policy development level in SMEs. As for firm performance, the overall average is shown in Table 3 (3.871 on a scale of 1 to 5) suggests a medium-high range of results for SMEs. As for CSR orientation, the overall average is 3.762 (on a scale of 1 to 5), which also suggests a medium-high range of results for SMEs. As regards control variables, the average value of firm seniority is 29.95 years; specifically, 50.7% are considered to be young SMEs, whereas the rest are mature SMEs.

We also find that 56.3% of managers have a university education; specifically, 31.7% of managers hold a bachelor’s degree or advanced vocational training qualification, while the remainder only has secondary education studies or basic vocational training qualification. Regarding size, SMEs employ an average of 26.2 workers. Since the variation in workers is very high (standard deviation is about 37), it is interesting to know the median value, which equals 13 employees. Finally, the most represented economic activity in the sample is the
service sector (37.9%), followed by the industry sector (26.7%), the commercial sector (18.8%), and the construction sector (16.6%). As indicated in section 2.1, this implies that the final sample is representative of the population, with a maximum error in the estimation of 2.9% (at a confidence level of 0.95). In addition, Table 3 shows correlations among variables (firm performance, the AMO model, CSR policies, and control variables).

Table 3 | Descriptive statistics and correlations

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1. AMO</td>
<td>3.369</td>
<td>0.817</td>
<td>1.000</td>
</tr>
<tr>
<td>2. PERFORMANCE</td>
<td>3.871</td>
<td>0.668</td>
<td>0.480*</td>
</tr>
<tr>
<td>3. CSR</td>
<td>3.762</td>
<td>0.760</td>
<td>0.385**</td>
</tr>
<tr>
<td>4. SENIORITY</td>
<td>29.950</td>
<td>19.751</td>
<td>0.029</td>
</tr>
<tr>
<td>5. EDUCATION</td>
<td>0.563</td>
<td>0.496</td>
<td>0.085*</td>
</tr>
<tr>
<td>6. SIZE</td>
<td>26.220</td>
<td>37.039</td>
<td>0.031</td>
</tr>
<tr>
<td>7. SECTOR</td>
<td>2.680</td>
<td>1.228</td>
<td>-0.024</td>
</tr>
</tbody>
</table>

Note: *p<0.10; **p<0.05; ***p<0.01. *AMO, which is measured through a 7-item scale to measure HR practices in SMEs (Lozano-Reina and Sánchez-Marín, 2019), which includes the three dimensions of the AMO model (abilities, motivation, and opportunities); PERFORMANCE, which is measured through an 8-item scale (Quinn & Rohrbaugh, 1983; Choi & Lee, 2003); CSR, which is measured through an 4-item scale (Rubio-Andres et al., 2020); SENIORITY, measured as the number of years since the firm was founded; EDUCATION, measured using a dichotomous variable to differentiate between university-qualified managers and non-university qualified managers; SIZE, measured as the number of employees in the firm; and SECTOR, measured using a nominal variable that differentiates four categories (industry, construction, commercial, and services).

Source: authors

3.2 Hypotheses testing

Table 4 shows the regressions of Models 1 and 3 to test the first hypothesis. In particular, Model 1 jointly considers the impact of HPWP dimensions on abilities, motivation, and opportunities –through an AMO orientation– on firm performance, while Model 3 individually analyses the impact of each of these dimensions. Thus, when estimating the first model, we obtain a positive and significant impact of HPWP on firm performance ($\beta_{AMO} = 0.472$, p<0.01), thereby supporting the first hypothesis. Likewise, when estimating the third model, we also obtain a positive and significant impact of abilities ($\beta_{ABILITIES} = 0.284$, p<0.01), motivation ($\beta_{MOTIVATION} = 0.181$, p<0.01), and opportunities ($\beta_{OPPORTUNITIES} = 0.110$, p<0.01) on firm performance, thus reconfirming this first hypothesis. These results are highly conclusive and clearly show the importance of orienting HR policies towards the AMO model in SMEs due to its significant influence on firm performance.
Table 4 | Impact of the AMO model on firm performance

<table>
<thead>
<tr>
<th>Variablesa</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent variable</td>
<td>Model 1</td>
</tr>
<tr>
<td>AMO</td>
<td>0.472&quot;&quot;&quot;</td>
</tr>
<tr>
<td>ABILITIES</td>
<td>0.284&quot;&quot;&quot;</td>
</tr>
<tr>
<td>MOTIVATION</td>
<td>0.181&quot;&quot;&quot;</td>
</tr>
<tr>
<td>OPPORTUNITIES</td>
<td>0.110&quot;&quot;&quot;</td>
</tr>
<tr>
<td>Control variables</td>
<td></td>
</tr>
<tr>
<td>SENIORITY</td>
<td>0.014</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>0.036&quot;</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.020</td>
</tr>
<tr>
<td>SECTOR</td>
<td>-0.081&quot;&quot;</td>
</tr>
<tr>
<td>R2 adjusted</td>
<td>0.230</td>
</tr>
<tr>
<td>R2</td>
<td>0.241</td>
</tr>
<tr>
<td>ΔR2</td>
<td>0.231&quot;&quot;&quot;</td>
</tr>
<tr>
<td>F value</td>
<td>49.321&quot;&quot;&quot;</td>
</tr>
</tbody>
</table>

Note: "p<0.10; ""p<0.05; """p<0.01. aThe dependent variable is PERFORMANCE, which is measured through an 8-item scale (Quinn & Rohrbaugh, 1983; Choi & Lee, 2003). Independent variables are AMO, which is measured through a 7-item scale to measure HR practices in SMEs (Lozano-Reina & Sánchez-Marin, 2019), which includes the three dimensions of the AMO model: ABILITIES, MOTIVATION, and OPPORTUNITIES. Control variables are SENIORITY, measured as the number of years since the firm was founded; EDUCATION, measured using a dichotomous variable to differentiate between university-qualified managers and non-university qualified managers; SIZE, measured as the number of employees in the firm; and SECTOR, measured using a nominal variable that differentiates four categories (industry, construction, commercial, and services).

Source: authors

As regards control variables, we obtain a positive and significant influence of managers education level in both models (Model 1: $\beta_{\text{EDUCATION}} = 0.036, p<0.10$; Model 3: $\beta_{\text{EDUCATION}} = 0.070, p<0.05$): managers with university studies generate greater firm performance. Moreover, the activity sector has a significant and negative impact on firm performance, while the impact of firm seniority and size is not significant.

Table 5 shows the regressions of Models 2 and 4 to test Hypothesis 2 in order to test the moderating role played by CSR policies. Similar to the first hypothesis, Model 2 jointly considers the impact of HPWP under the AMO framework, and Model 4 individually analyses the impact of each of its three dimensions. As with the first hypothesis, we also find that the AMO model's orientation on HRM policies – together with motivation and opportunities dimensions – positively impacts firm performance ($\beta_{\text{AMO}} = 0.300, p<0.01$, $\beta_{\text{ABILITIES}} = 0.004, \text{n.s.}; \beta_{\text{MOTIVATION}} = 0.109, p<0.01; \beta_{\text{OPPORTUNITIES}} = 0.158, p<0.01$). Moreover, although we find that the direct effect of CSR orientation on firm performance is negative and significant in both models (Model 2: $\beta_{\text{CSR}} = -0.089, p<0.10$; Model 4: $\beta_{\text{CSR}} = -0.191, p<0.01$), when we consider its moderating role, we find a positive and significant impact in the fourth model (Model 2: $\beta_{\text{AMO} \times \text{CSR}} = -0.066, \text{n.s.};$ Model 4: $\beta_{\text{AMO} \times \text{CSR}} = 0.404, p<0.01$), partially supporting the second hypothesis that a CSR orientation reinforces the positive impact of HPWP under the AMO model on SME performance. Finally, as regards the control variables, as with the first and second regressions, the activity sector has a significant and negative impact on firm performance, whereas the other variables are not seen to have any significant impact.
Table 5 | Moderating role of SMEs’ CSR policies

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 2</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMO</td>
<td>0.300***</td>
<td>0.004</td>
</tr>
<tr>
<td>ABILITIES</td>
<td>0.004</td>
<td>0.109**</td>
</tr>
<tr>
<td>MOTIVATION</td>
<td>0.109**</td>
<td>0.158***</td>
</tr>
<tr>
<td>OPPORTUNITIES</td>
<td>0.158***</td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td>-0.089'</td>
<td>-0.191***</td>
</tr>
<tr>
<td><strong>Moderating variable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMO*CSR</td>
<td>-0.066</td>
<td>0.404***</td>
</tr>
<tr>
<td><strong>Control variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SENIORITY</td>
<td>-0.008</td>
<td>-0.011</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>0.037</td>
<td>0.044</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.023</td>
<td>0.026</td>
</tr>
<tr>
<td>SECTOR</td>
<td>-0.069'</td>
<td>-0.062**</td>
</tr>
<tr>
<td>R² adjusted</td>
<td>0.115</td>
<td>0.120</td>
</tr>
<tr>
<td>R²</td>
<td>0.120</td>
<td>0.127</td>
</tr>
<tr>
<td>ΔR²</td>
<td>0.009***</td>
<td>0.009***</td>
</tr>
<tr>
<td>F value</td>
<td>22.062***</td>
<td>18.128***</td>
</tr>
</tbody>
</table>

Note: *p<0.10; **p<0.05; ***p<0.01. *The dependent variable is PERFORMANCE, which is measured through an 8-item scale (Quinn & Rohrbaugh, 1983; Choi & Lee, 2003). Independent variables are AMO, which is measured through a 7-item scale to measure HR practices in SMEs (Lozano-Reina & Sánchez-Marín, 2019), which includes the three dimensions of the AMO model: ABILITIES, MOTIVATION, and OPPORTUNITIES; and CSR, which is measured through an 4-item scale (Rubio-Andres et al., 2020). Control variables are SENIORITY, measured as the number of years since the firm was founded; EDUCATION, measured using a dichotomous variable to differentiate between university-qualified managers and non-university qualified managers; SIZE, measured as the number of employees in the firm; and SECTOR, measured using a nominal variable that differentiates four categories (industry, construction, commercial, and services).

Source: authors

**Conclusions and discussion**

A growing interest in exploring HPWP in SMEs has not been accompanied by increased knowledge of the effects and effectiveness of HRM policies oriented towards the AMO model (Lozano-Reina & Sánchez-Marín, 2019). This paper thus examines the effects of SMEs’ HRM policies under the AMO model as well as the role of CSR orientation in the HRM-performance nexus. Application of the theoretical foundation of the AMO model – which has its roots in the RBV (Barney, 1991) and the human capital theory (Becker, 1964) as the main theoretical frameworks – may emphasize the advantages of the synergistic nature of bundles of HRM policies. In this sense, this paper provides an interesting context that may help to better understand the key role played by implementing HPWP in coordination with an appropriate socially responsible orientation in order to obtain a positive return in terms of form performance. This is based on a sample of 1,136 Spanish SMEs – with particular idiosyncrasies oriented to low investments in innovation, limited productivity, and reduced international orientation, together with the already-known low degree of formalization, professionalization, and flexibility – (Merino et al., 2015).

Our findings show that SMEs improve their performance when they orient their HRM practices towards the AMO model. These results are particularly important for SMEs, where HRM practices have traditionally been characterized by their informality and their lower level of management development compared to large companies (Mayson & Barrett, 2006;
Demortier et al., 2014). This new evidence contributes to the still scarce knowledge about HRM in SMEs (Nolan & Garavan, 2016), confirming that these companies, despite their informality and lack of policy regulations, are able to design appropriate HPWP – following the AMO model – which positively impacts firm performance. Our evidence also shows the importance that the synergistic effects of HRM policies (i.e. the coherence of abilities, motivation, and opportunities policies beyond their individual consideration) have in terms of their effectiveness.

In addition, we obtain some evidence on CSR as a moderating factor that exerts a positive influence on HPWP-firm performance relationships. This evidence emphasizes the importance for SMEs of considering CSR issues when implementing HRM policies (Vazquez-Carrasco & Eugenia Lopez-Perez, 2013; Berk, 2017). Our results also provide a new interesting point of view about CSR policies in SMEs: while we first report a direct negative impact of a CSR orientation on firm performance, if a CSR orientation is considered when implementing HPWP, we then find a positive influence on firm performance. This unexpected result can be explained by the need for complementarity between HRM and CSR policies in order to obtain real effectiveness. It seems that a CSR orientation itself is not capable of stimulating employees to reach higher performance standards since this can be perceived as a ‘void’ policy. There is thus a need to complement CSR orientation with real and balanced HRM policies under the AMO model in order to emphasize significant improvements in SME performance.

Our findings also highlight the importance of the synergistic effects of HPWP in order to have a significant impact on performance. SMEs in our sample can be characterized as good designers and implementers of HRM systems and, in particular, of those oriented to HPWP – selective selection, intensive training, comprehensive performance appraisal, performance-based pay, and active participation (Nola & Garavan, 2016; Sánchez-Marín et al., 2019). Consistency in HRM policy orientation guarantees a significant impact on SME performance which can be augmented as they focus on more responsible corporate practices (Davies & Crane, 2010; Vo, 2011).

Thus, from an academic perspective, this paper contributes to complementing HRM-related literature by adding new evidence exploring the impact of the AMO model on firm performance as well as the role played by CSR orientation within the SME context. In addition, it complements the growing number of scholarly works concentrating on factors that modulate the effectiveness of HRM (such as organizational climate, work environment or manager-owner characteristics), focusing on the importance of CSR policies within SMEs. Our results add new knowledge about the effectiveness of HRM policies in SMEs where contexts of informality and de-regulation pose no obstacle to reaching a high level of effectiveness. In addition, we thus contribute to an emerging line of research, not only focusing on HRM literature in SMEs but also unpacking the ‘black box’ of the HPWP-firm performance nexus by analysing CSR policies.

Moreover, our findings offer three important practical implications: first, managers (and, particularly, HR managers) in SMEs should be aware of the importance of considering and implementing HRM practices oriented to high-performance, since these prove vital to firm success; second, the AMO model framework – with its ability, motivation, and opportunity policies – should be considered as one of the patterns to follow in HRM orientation, since it allows a balance of informality with HRM effectiveness in SMEs. Managers should thus...
carefully design, implement and evaluate HRM policies to cover these goals, thereby encouraging greater entrepreneurial growth. Finally, this paper underlines the importance of adopting a CSR orientation, which should be considered by companies in order to ensure their commitment to stakeholders and the environment. This CSR orientation should also be considered when SMEs seek to pursue their strategic fronts, such as the development of formal systems for creating learning organizations, strategic deployment of HRM to maximize firm returns, and overall establishment of workforce competencies. The findings to emerge from this paper may thus also assist entrepreneurs and SME owners to focus the efforts of their SMEs on their particular contexts.

This paper has certain limitations, which, in turn, also offer interesting opportunities for future research. First, the data used for this paper were self-reported, where managers in a questionnaire gave their assessment of HR practices and firm performance. This should be taken into account when interpreting the results. Second, this paper focuses on Spanish SMEs. It would be interesting to expand the analysis to other contexts where the specificities regarding HRM practices or corporate governance are different in order to generalize and complement these findings. Third, further studies should examine other outcomes derived from the AMO model framework since the orientation of HRM policies towards this approach has more implications apart from just firm performance. For example, further research might study how the orientation of HRM policies towards the AMO model impacts employee performance, employee motivation, or the work environment. Finally, fresh studies might include new factors that moderate the impact of the AMO model on firm performance. There might well be other specific factors within SMEs that modulate the effectiveness of HRM, such as the propensity to innovate, environmental factors, strategic/external orientation, or the structure of corporate governance.

Acknowledgement

This work was supported by the Spanish Ministry of Science, Innovation and Universities (under Project ECO2017-84209-P), the University of Murcia (under the FPU programme), and the Fundación Cajamurcia.

References


---

**Central European Business Review**

Volume 11 | Issue in press | 2022

https://doi.org/10.18267/j.cebr.279


---

The research article passed the review process. | Received: February 12, 2021; Revised: April 18, 2021; Accepted: May 4, 2021; Pre-published online: July 31, 2021; Scheduled release in the regular issue: 1/2022.