

High Performance Activity Practices in Small Firms in Romania

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ABSTRACT

High performance activity practices (HPAPs) are human resource management activities aimed at stimulating employee and organisational performance. The application of HPAPs is not widespread in small organisations. We examine whether the implementation of coherent bundles of HPAPs (aimed at employee ability, employee motivation or at the opportunity to perform) depends on the scarcity of resources, as reflected in the size of the company, and on strategic decision-making in small firms related to the owner's expertise and attitudes. In our research, a total of 224 employees from 50 small organisations were asked to rate the presence of HPAPs in their organisation. These averaged perceptions were linked to information provided by the owner-managers on the size of their firm and their own expertise and attitudes. The findings support that smaller but coherent bundles of HPAPs can be found in small organisations and that the implementation of these bundles depends on available resources, strategic decision-making and the combination of the two. These findings highlight the need to integrate the notions of resource poverty and strategic decision-making to understand the uptake of bundles of HPAPs within small firms.

KEYWORDS: *Available resources, organizational performance, performance activity practices, strategic decision-making.*

JEL CLASSIFICATION: *D2*

INTRODUCTION

Exploring human resource management (HRM) and performance in small firms in Romania has embraced the investigation of the presence of high performance activity practices (HPAPs). HPAPs are modern employee management practices, such as formal employee training, high pay levels, group-based performance pay and self-directed teams (Appelbaum, et al. 2000). It is claimed that increased implementation of HPAPs results in better performing organisations in terms of financial and employee outcomes package of HPAPs has been found to be quite low in small firms (Kauhanen, 2009; Way 2002). One of the unresolved issues is whether this low uptake is the result of smaller firms simply doing a bit of everything but in a less sophisticated manner than larger firms (Dandridge, 1979; Mayson and Barrett, 2006), or that smaller firms deliberately adopt smaller sets of related practices instead of the whole package of HPAPs. This avenue has not been explored much to date.

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In order to understand this issue in greater depth, we turn to the theoretical foundation of HPAPs. Appelbaum, et al. (2000) argued that a combination of three bundles of HR practices is theoretically involved in building a HPAP system (HPAPS). These bundles are: employee ability-enhancing practices (such as training and skill development) (A), employee motivation- enhancing practices (including high pay, career development and top-down information sharing) (M) and practices that give employees the opportunity to go the extra mile (such as employee involvement and teamwork) (O). Together, these are referred to as the AMO model of HPAPs. This concept of focussed bundles of HPAP could advance the debate on HRM and performance in small firms. In the remainder of this paper we focus on two theoretical perspectives on the uptake of bundles of HPAS in small firms. First, we examine the straightforward assumption that the average uptake of ability and motivation practices is less in smaller organisations than in larger firms.

This study adds to the existing knowledge on HRM in small firms in three ways. First, previous research has mostly ignored the distinct performance goals of the three bundles and instead examined the impact of a single, all-encompassing HPAP system. Our intermediate approach, which focusses on smaller bundles, could advance our understanding of the presence of modern employee management practices in small firms. Second, we argue that strategic choice and the availability of resources differ considerably even within a population of micro- and small firms, thereby helping to explain potential variation in the uptake of HPAP bundles in such firm and helping to account for the reported heterogeneity of HRM in small firms (Cassell et al., 2002; Heneman et al., 2000). Finally, a methodological contribution is that we involve both owner-managers of small firms and their employees in our study (i.e. a multi-actor approach). Owner-managers provide information on their own entrepreneurial orientation, their HR vision and their HPAP awareness, while employees rate the presence of HPAPs in the firm.

The outline of the remainder of the paper is as follows. First, we outline HPAP theory and introduce the AMO model as the underlying structure. Next, we introduce the research hypotheses based on the resource-poverty and strategic decision-making perspectives, followed by the research method adopted . This is followed by the Results section and our discussion of the findings.

1. THEORETIC REVIEW

In this section, we provide an overview of HPAP theory to demonstrate how the AMO model that underlies HPWPs can be used to discern three smaller but coherent bundles of HR practices. This overview is followed by a literature review based on (1) the resource-poverty perspective and (2) strategic choice models, which results in the generation of the hypotheses.

1.1. HPAPs and the AMO model

An HPAP system is conceptualised as the thorough application of only the best practices for HRM (Chadwick, 2010), with the latter considered to be individual HRM practices that have been extensively researched and shown to contribute to the enhancement of employee performance. For example, the use of restrictive selection procedures helps to create a workforce of above-average employees who subsequently deliver a better-than-average work performance. Other well-researched best practices are selfmanaged teams, continuing

education, employee involvement in organisational strategy, team performance- based pay and paying high salaries.

A better understanding of synergy effects within bundles of HR practices can be derived from a closer inspection of the drivers of synergy. A theoretical foundation for this synergy occurring is the AMO model (Boxall and Purcell, 2008). Here, AMO is an acronym for the three elements that together build sustainable employee performance: individual ability (A), motivation (M) and the opportunity to perform (O). Each of these elements is firmly grounded in industrial/organisational (I/O) psychology, work psychology and human capital theory. The 'A' component refers to the individual's ability to perform. Individual abilities strongly predict individual job performance (Schmidt and Hunter, 1998). Theoretically, the ability component is rooted in the psychology and the economic human capital literature (Gerhart, 2007). The 'A' and 'M' components have long been central to individual-level theories concerning job performance (Gerhart, 2007; Vroom, 1964). The additional feature of the AMO model is that it takes account of the work environment in which individuals use their abilities and motivation. As such, the 'O' component of AMO refers to the opportunity to perform. Its theoretical foundation lies in job design theories (Hackman and Oldham, 1980) and in the employee empowerment literature (Gerhart, 2007). Employees who are given autonomy to take workrelated decisions, who work together and share feedback about substantial work goals and who have the opportunity to influence business results experience greater ownership of their work (Spreitzer, 1996).

1.2. Resource-poverty perspective

Related to the resource-poverty perspective, explanations for the low score of small firms on the number of HPAPs present as compared to large organisations have been sought in the costs associated with HPAPs (Sels et al., 2006) and with the concept of informality (Mayson and Barrett, 2006). The explanation based on costs seems straightforward: the size of small firms places constraints on the availability of financial means and the time available to implement advanced HPAPs (Welsh and White, 1981). In larger organisations, the complexity of aligning people to organisational goals increases as there is a greater task differentiation between employees which requires more management (Lawrence and Lorsch, 1967; Mintzberg, 1979). Davila, (2005) found that the largest differences in formalised HR practices were seen in organisations in which the number of employees ranged from one to 30 and in those with more than 75 employees. Few differences in formalisation were observed among firms employing between 30 and 75 employees. This finding underlines the fact that even within a population of micro- and small organisations, the focus of this paper, which is the adoption and elaboration of formal HR practices, does tend to be related to organisation size.

Taken together, these factors suggest that the greater complexity that is characteristic of larger organisations hinders the application of direct control through less resource-intensive informal practice. In combination with the availability of more means, this will lead to the implementation of more formalised HR practices, such as HPAPs, in larger organisations. In terms of the AMO elements of HPAPs, the largest required investments will be in practices related to boosting ability and motivation, since these involve training expenses and high levels of pay.

1.3. Strategic decision in activity

Although resources needed to implement the more expensive bundles of HPAPs are restricted by firm size, size by itself is insufficient to explain the existence of the different configurations of HPAPs in comparable firms (Lacoursière et al., 2008). As our second theoretical perspective, we focus on the strategic choice of the entrepreneur. Indeed, when asked, small firm entrepreneurs commonly indicate that they critically evaluate the introduction and use of HR practices against the situation and needs of their firm (Drummond and Stone, 2007). Together, these arguments illustrate that the decision of whether or not to implement HPAPs is as much a strategic choice as it is a result of resource constraints.

In the next section, hypotheses are developed for the second argument, which is the concept that small firm entrepreneurs adopt bundles of HPAPs depending on attitudinal and knowledge-related processes that intervene in the diagnosis and in the resources evaluation made by the entrepreneur as to whether a firm problem justifies the (partial) implementation of HPAPs. Depending on the entrepreneurial orientation, HR vision and bestpractice awareness of the entrepreneur, this may lead to the uptake of different HPAP bundles.

1.3.1 Entrepreneurial orientation

Small business owners who demonstrate an entrepreneurial orientation look to implement growth-oriented activities (Kim and Mauborgne, 1997). HRM initiatives need to be viewed from the owner's desire to lead the firm forward by achieving financial results and company growth. While entrepreneurs are characterised by a strong drive and high motivation, their success also depends on their ability to create a strong core team comprising motivated, capable and market-oriented individuals-entrepreneurs expect nothing less from the people they work with (Kuratko, 2007).

It was apparent that rapid-growth firms depend heavily on the abilities and efforts of their employees to maintain their growth-oriented strategies. This leads to our second hypothesis:

Hypothesis 2 In firms where the owners have a greater entrepreneurial orientation, employees will perceive more activities related to boosting employee ability.

2. RESEARCH METHOD

2.1 Procedure and sample

According to Romanian guidelines, an organisation is categorised as small when it has fewer than 50 employees and its annual turnover is less than €10 million (European Commission, 2005). Using these criteria, 58 organisations in a Romanian local business network were approached, of which 50 agreed to participate, which is a 94% response rate. About half of the organisations operated in the service sector (for example, as financial advisors, an advertising agency or a printing office); the others were in the construction industry (for example, in building, plumbing, stage building). The organisations employed an average of 26 people.

Data were obtained using questionnaires to test our hypotheses. Most HRM studies use HR managers as respondents but, given concerns related to single-rater bias (Gerhart et al., 2000) and the reality that in small organisations the entrepreneur has an important role in shaping HRM (Cassell et al., 2002), it was considered important to test the hypotheses with data from both entrepreneurs and employees of independent small organisations. For these reasons, two questionnaires were developed: one for the entrepreneurs and one for their employees. Entrepreneurs were asked to provide information about best-practice awareness, innovative HR and entrepreneurial orientation and about the sector, the age and the size of the organisation. Once the consent of the entrepreneur of an identified company had been secured, the questionnaires for the entrepreneurs were distributed by mail with intensive telephone follow-up. In the covering letter to this survey, the entrepreneur was asked to distribute the employee questionnaire to five employees who were representative of the organisation, who were then asked to provide data on perceived HPAPs.

In total, survey data from 211 employees, all working in the 50 small organisations whose entrepreneurs had agreed to participate, were collected. About 81% of the entrepreneurs were male, and their average age was 42 (SD 8.34) years. The majority of the entrepreneurs had at least a bachelor's degree. The employees had an average age of 39 (SD 10.40) years and were predominantly male (63%). In terms of education, 39% of the employees had at least a bachelor's degree.

2.2 Measures in entrepreneurial orientation

Given that we were interested in the orientation of the entrepreneur, we asked the extent to which the various statements applied to their way of managing the organisation. This scale contains items on innovation, proactiveness and risk-taking. In line with Lumpkin and Dess, (2001) and Stam and Elfring, (2008), we replaced the original Covin and Slevin, (1989) question that asked whether an organisation prefers to 'undo competitors' or to 'live and let live', with an itemasking whether the organisation 'has a strong tendency to follow the leader' or to 'be ahead of other competitors' in introducing new products and services, as a way of measuring proactiveness rather than competitive aggressiveness. All of the items were composed of pairs of opposing statements, with a seven-point response scale between these two extremes. The Cronbach's alpha for this nine-item scale was 0.84.

2.2.1 Best-activity awareness

Best-practice awareness was measured by calculating a knowledge ratio. The degree to which entrepreneurs agreed with HR research findings was assessed using 12 true/false questions designed to be either consistent or inconsistent with research findings on various HRM activities (management, staffing, participation in decision-making, performance appraisal, teamwork, compensation) (Rynes et al., 2002). We selected these 12 (of 35 available) statements because these were the most applicable to the research context and because we expected owners to have various levels of knowledge about them.

Reflecting the research setting, one item was reworded. We replaced the original item stating that: 'In order to be evaluated favourably by line managers, the most important competency of HR managers is the ability to manage change' to 'The most important competency of entrepreneurs is the ability to manage change'. A knowledge ratio was computed for each entrepreneur (correct answers divided by 12). The original statements

were translated from English into Dutch. The Dutch version was back-translated to English by a native speaker; differences were discussed and adjustments made where necessary.

To measure the degree of innovation in the organisation's HR strategy, we used two items drawn from Colbert et al. (2005), which were based on Miles and Snow's (1978) strategic typology. The first item reflects an analyser approach: 'We adopt new human resource practices shortly after they have been tried by other companies'. The second item reflects a prospector approach: 'We are often the first to adopt new or innovative HR practices'. Entrepreneurs were asked to rate their HR strategy on a five-point scale (1 = 'strongly disagree' to 5 = 'strongly agree') with these two statements.

As an indicator of organisational size, we used the number of employees in the organisation.

2.2.2 Bundles of HPAPs

The first item reflected the willingness of their organisation to develop their employees (Boselie 2002), three items focused on the amount of internal and external training offered by the organisation (Den Hartog and Verburg, 2004; Boselie, 2002) and the final item concerned the willingness of the organisation to develop employee skills. The resulting Cronbach's alpha for this scale was 0.80. Our measure of HPAPs related to employee motivation included six items. Two items focussed on rewards in order to measure the extent to which the organisation paid above-average salaries and the existence of benefits over and above wages (Den Hartog and Verburg, 2004), one item was included that measured the presence of career plans for employees (Den Hartog and Verburg, 2004) and, as a final indicator, three items focussed on the extent of information sharing within the company (Den Hartog and Verburg, 2004). The scale showed good reliability (Cronbach's alpha 0.72).

A further five items reflected those HPAPs that focus on providing employees with opportunities to perform (Boselie 2002). The first two items concerned autonomy in on-the-job decision-making and focused on the amount of autonomy in work planning and in investing in new materials and technology. The next two items provided indications of the extent of participation in work meetings and in policy-making. A final item addressed teamwork. Cronbach's alpha for this scale was 0.67.

A confirmatory factor analysis revealed that the hypothesised three-factor model (ability, motivation and opportunity) fit the data significantly better than a one-factor model in which all items were loaded onto a single factor [$D_{v,2}(3) = 78.74$; $p < 0.05$]. These results support the classification of HPAPS into ability-, motivation- and opportunity-focussed practices.

To support the aggregation of the individual perceptions of HPAPs into organisation-level scores, we examined certain aggregation statistics: the interrater agreement index [Rwg(j); James et al. 1984] and two interrater reliability indices (ICC1 and ICC2; Bliese, 2000). Provided the Rwg(j) and ICC2 values are above 0.70, there is considered to be sufficient justification for aggregation (Klein et al. 2000). The ICC2 values for the three HRM bundles were 0.84, 0.82 and 0.80, respectively, and the corresponding Rwg(j) values were 0.84, 0.83 and 0.81. The ICC1 values for the HRM bundles were 0.51 (ability), 0.49 (motivation) and 0.46 (opportunity), indicating in each case that about half of the variance in the HPAPs is attributable to organisational membership.

We controlled for organisation age (the number of years since start-up) and industry (service sector vs. construction industry) in the analyses because these control variables may influence relationships between agency factors, size and HPAPs (Aldrich 1999; Cassell et al. 2002; Chandler and McEvoy 2000).

2.3 Data analysis

The analyses for Hypotheses 1–4B involved regression methods. For each HRM bundle (ability, motivation and opportunity), three analyses were performed predicting HRM intensity, depth and scope. We started by testing the effect of owner characteristics and size on the three HRM bundles [Model (M) 1]. Next, we tested the hypothesised interaction between owner characteristics and size on the three HRM bundles (H3 and H4). Here we followed the procedures proposed by Baron and Kenny, (1986) and Aiken and West, (1991). To compute interaction terms we standardised the predictors, namely, the owner characteristics and the size measure, and then multiplied these standardised values to compute the interaction terms. These interaction terms were then incorporated into the main effect model (M2) (for opportunity practices, interaction effects were modelled separately).

Given the relatively small sample size and to gain a clear indication of the relationships involved, we applied a bootstrapping procedure (involving the creation of 2,000 bootstrap samples) using AMOS 6 (Arbuckle, 2006) for M1 and M2. The significance of the effects was determined by comparing the probability level (p) from the bootstrapping results (biased corrected percentile method) at a significance level of 0.05 (one-tailed significance test). All the analyses were performed at the organisational level of analysis.

3. RESULTS

Table 1 shows the means, standard deviations and correlations among the studied variables for the complete sample. As can be seen from Table 1, the mean scores of the three bundles of HPAPs differ. Practices stimulating motivation are less widely implemented than opportunity-creating practices, which are in turn implemented less often than practices that enhance ability. The three elements of HPAPs are moderately correlated with each other (between 0.30 and 0.44). Table 1 further shows that the three approaches to perceiving the bundles of HPAPs (intensity, scope and depth) are moderately to highly correlated (0.27–0.83) with each other. As regards best-practice awareness, the mean score was 0.61, indicating that the entrepreneurs on average correctly answered 61% of the HRM knowledge items. Significant correlations were found between

entrepreneurial orientation, best-practice awareness, organisation size and the perceived use of ability, motivation and opportunity practices.

Our investigation of the influence of organisation size (Hypothesis 1) revealed a positive effect between organisation size and both ability and motivation practices (but not in terms of depth). The effects were between 0.36** and 0.66**, indicating that employees in smaller organisations perceive fewer ability and motivation practices. As such, Hypothesis 1 is largely confirmed. The next three hypotheses all concerned the influence of owner characteristics on the presence of bundles of HPAPs in the firm.

Hypothesis 2 posited a positive relationship between entrepreneurial orientation and the use of ability practices. Employees perceive more practices related to ability in firms where the owners have a greater entrepreneurial orientation (scope $b = 0.18^*$). Hence, Hypothesis 2 was confirmed.

A second owner characteristic concerned bestpractice awareness (Hypothesis 3). Best-practice awareness was positively related to opportunity practices (in terms of intensity $b = 0.34^{**}$, scope $b = 0.28^{**}$, M1), thereby supporting Hypothesis 3A. The relationship between best-practice awareness and opportunity practices (intensity and depth) was found to strengthen with size ($\beta = 0.26^*$ and $\beta = 0.40^{**}$, respectively). To further illustrate the effect of size on the link between bestpractice awareness and opportunity practices, we have shown the significant interactions in our discussion. Following Aiken and West, (1991) simple slopes of the effects of the best-practice awareness on opportunity practices are represented for organisations that are small (one standard deviation below the mean) versus relatively large (one standard deviation above the mean).

In the larger organisations, there is the expected positive association between best-practice awareness and opportunity practices. However, in small organisations the relationship between best-practice awareness and opportunity practices is slightly negative. Finally, we tested the significance of the simple slopes of regression lines at 1 SD above and below the mean of organisation size (Aiken and West, 1991). The test confirmed the positive relationship between best-practice awareness and opportunity practices for larger organisations ($b = 0.58^{**}$ and $b = 0.65^{**}$, respectively). For small organisations, the negative relationship between bestpractice awareness and opportunity practices was nonsignificant.

Table 1 Descriptives

Variable	Mean	Standard deviation	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Industry			1													
2. Organisation size	26.47	14.8	** -0.42	1												
3. Organisation age	22.11	11.1	** -0.25	**0.31	1											
4. Entrepreneurial orientation	4.82	0.98	0.03	**0.32	-0.1	1										
5. Best-practice awareness	0.61	0.16	-0.1	**0.29	0.04	0.17	1									
6. Innovative HR	2.72	0.77	-0.01	-0.12	0.09	0.06	** -0.35	1								
7. Ability intensity	3.23	0.67	** -0.42	**0.62	0.02	** -0.33	** -0.31	-0.07	1							
8. Ability scope	4.17	0.63	** -0.4	**0.72	0.18	** -0.41	0.21	0.23	**0.77	1						
9. Ability depth	1.16	0.8	** -0.29	**0.33	-0.14	0.16	0.21	-0.15	**0.83	**0.44	1					
10. Motivation intensity	2.85	0.57	-0.1	**0.26	-0.17	0.02	0.17	0.09	**0.44	**0.45	**0.48	1				
11. Motivation scope	4.55	0.8	** -0.25	**0.45	0.06	0.15	0.21	0.18	**0.59	**0.65	*0.28	**0.78	1			
12. Motivation depth	1.09	0.85	-0.06	0.05	-0.14	-0.06	-0.03	0.22	**0.26	0.2	**0.40	**0.82	**0.43	1		
13. Opportunity intensity	3.04	0.53	0.1	0	** -0.45	0.19	**0.31	-0.15	**0.38	0.16	**0.47	**0.82	0.18	0.11	1	
14. Opportunity scope	4.33	0.54	0.09	0.17	** -0.33	0.23	0.18	0.13	**0.34	**0.38	**0.34	**0.82	**0.41	0.13	**0.67	1
15. Opportunity depth	0.93	0.72	0.1	-0.1	** -0.35	0.03	0.22	-0.13	**0.28	0.01	**0.42	0.24	0.04	0.24	**0.83	*0.27

Note: ** $p < 0.05$; * $p < 0.10$

Source: made by author

Following Aiken and West (1991) relationship between innovative HR and motivation scope is positive in small organisations. In comparison, in larger organisations, the relationship between innovative HR and motivation scope is only slightly positive. We tested the significance of the simple slopes of regression lines at 1 SD above and below the mean of organisation size (Aiken and West, 1991). These results largely confirm Hypothesis 3B. Further, moderate support was found for Hypothesis 4A, which argued that employees would perceive more of all elements of an HPAP (ability, motivation and opportunity practices) in firms where the owners adopted an innovative HR strategy. Our results show that an innovative HR strategy is positively related to the scope dimension

(ability $b = 0.31^{**}$, motivation $b = 0.25^*$; opportunity $b = 0.26^*$), indicating that employees in firms where the owners have a more innovative HR strategy do perceive ability, motivation and opportunity practices to be more widely applied than their peers in firms where the owner has a less innovative HR strategy. However, the intensity and the depth of HPAPs seemed to be unrelated to an innovative HR strategy. Finally, only moderate evidence was found to support Hypothesis 4B, i.e. only one significant interaction effect was found. The relationship between innovative HR and motivation scope was stronger in smaller firms than in larger firms ($b = -0.26^*$).

Table 2 Overview of regression models predicting ability

Variable	Intensity M1	Scope M1	Depth M1
Industry	*-0.25	-0.14	-0.2
Organisation age	-0.2	-0.07	** -0.27
Size	**0.53	**0.66	0.28
Entrepreneurial orientation	0.15	*0.18	0.06
Innovative HR	0	*0.31	-0.09
R^2	0.18	0.67	0.22

Source: made by author

Interaction effect between best-practice awareness and size (M2) was non-significant for scope and smaller organisations ($b = 0.59^{**}$); for larger organisations the relationship between innovative HR and motivation scope was non-significant. These results partially confirm Hypothesis 4B (for the scope of motivation practices).

4. Discussion

Research into HRM and performance in small firms has embraced the search for HPAPs without really considering the suitability of this model in the context of small firms. In order to advance the discussion on the presence of HPAPs in small firms, we have looked into the probability that small firms adopt smaller sets of related practices instead of the whole package of HPAPs. The AMO model provided a theoretical rationale for the distinction of three smaller bundles of best practices aimed at employee ability (A), motivation (M) and the opportunity to perform (O). In a study of 50 small organisations (employing between 6 and 49 employees) and a total of 211 employees, we indeed found variation in the presence of the three bundles. This finding emphasises that in studies of best practices, justice is not served by looking only for complete systems of HPAPs and not considering possible alternative strategic applications of best practices. Looking into explanations for this variation, we addressed two complementary perspectives: resource poverty and strategic decision-making. In our study, fewer ability and motivation practices were reported by our sample of employees working in the smaller firms (Hypothesis 1). The costs involved in implementing formal training (A), career paths and high salaries (M) can be substantial and particularly difficult to shoulder by smaller firms (Sels et al., 2006). In addition, the greater organisational complexity of larger firms and the increased difficulty in these firms to maintain direct control through an informal approach will lead to the implementation of more formalised ability and motivation practices (Mayson and Barrett, 2006). Notably, the scope (i.e. the number of different practices) and the intensity

of application (i.e. the proportion of employees covered by these practices) of the ability and motivation bundles were related to organisational size such that, although these practices were present, they did not necessarily apply to all employees.

However, size alone did not explain all of the variation in the AMO bundles in small firms.

Another finding further illustrates that size alone is not enough to explain the absence or presence of HPAPs. Entrepreneurs who aim to be 'innovative' in their HR strategy can be expected to lead in terms of demonstrating the use of all dimensions of HPWPs. Indeed, employees of such 'innovative' entrepreneurs reported a greater scope associated with each of the three AMO bundles, indicating that these employees perceived that more practices from each of the AMO bundles were present in their firms, although these practices were not necessarily applied to all employees (Hypothesis 4A). In addition, our findings indicate that the relationship between the owner's preference for innovative HR and the scope of motivation practices was most prominent in smaller organisations. This means that in smaller organisations, employees of entrepreneurs with an innovative HR strategy were more likely to report the presence of above-average salaries, financial rewards, formal career plans and company communication. In larger firms, the relationship was less prominent, indicating that it is not merely the greater availability of financial means that facilitates the implementation of motivation practices. This partially confirms Hypothesis 4B. This finding is counter-intuitive, since motivation practices involve pay-related incentives that are considered to be expensive for small firms. Hence, it raises a question about innovativeness in relation to company performance.

Entrepreneurs claiming to be innovative in terms of HR only implement related practices for some employees, rather than working on the basis that providing these practices to all employees would enhance their performance. This raises the question as to whether pursuing modern management practices (such as HPAPs) without reflecting on performance considerations is indeed, as Paauwe and Boselie (2005) put it, 'pursuing best practices in spite of performance'. Overall, the findings highlight the fact that implementing all the AMO elements of HPAPs can be at odds with the resources of a small firm. In addition, we found that the entrepreneurial orientation, the awareness of best practice and the HR innovativeness of owner-managers lead to different preferences when HPAPs are being adopted.

4.1 Contributions

The present focus on smaller bundles of strategic combinations of HR practices provides a fruitful and promising approach to investigating HPAPs in small organisations. Hence, the first contribution concerns the investigation of three bundles of HR practices. Much of the theoretical development related to HPAPs has evolved around the AMO model, but without truly considering the diverse performance goals of the practices involved in the bundles (Boxall and Macky, 2009). The findings presented in this paper illustrate the importance of considering the general notion of resource poverty (given by the size of the organisation) in combination with strategic decision-making models in the framework of HRM investment in small firms. The study shows that the expertise and attitudes of the owner-manager inform the decision-making processes concerned with the implementation of HPAPs in small firms, over and above restrictions caused by limited financial resources and time constraints (both of which tend to become less problematic with increases in organisation size). Interestingly, the three characteristics of the owner-manager considered (best-

practice awareness, entrepreneurial orientation and the desire to have innovative HR practices) were shown to be related to the presence of HPAPs in various ways. As such, the human capital of an owner– manager indeed warrants consideration when researching HRM in small firms. Moreover, the findings indicate that the effect of best-practice awareness and the desire to have innovative HR practices interact with the availability of resources (the size of the small firm).

The mechanisms that cause these interactions can be explained by a strategic choice perspective. Overall, our research confirms that resource poverty and decision-making factors are both related to the uptake of different HR bundles. Another contribution involves the measurement of HPAPs. Research into HRM in small firms has struggled with the question of how to measure HR practices. Given the small number of employees, practices are often informal, or they apply to only a few employees (de Kok and Uhlaner, 2001). In addressing these measurement issues, we evaluated the presence of the AMO elements in three ways: their intensity, their scope and their depth. An example of the strength of this approach is shown by our finding that the level of innovative HR was only related to the ability, motivation and opportunity bundles, as hypothesised, in terms of scope. Although more practices related to each of the AMO bundles are reported by employees of innovative entrepreneurs, not all employees benefit equally from these practices as they only apply to a few employees. The depth measure of an AMO bundle reflects the number of practices that are applied to all employees. Here we found a negative relationship between the age of the firm and the depth of use of ability practices, indicating that older organisations are more selective in which employees can enjoy ability practices. One possible explanation for this finding is that in the younger organisations the building of the core group of employees is still crucial (Aldrich 1999).

A final contribution concerns the use of multisource data obtained from both owner–managers and employees of small firms in our study (i.e. a multiactor study). This design has enabled us to investigate whether the implementation of HR practices is related to the expertise and knowledge of entrepreneurs while ensuring that common method variance does not bias our results.

4.2 Limitations

This research has several limitations. First, the sample was quite small and was focussed on a geographically concentrated group of small firms. Due to their geographical proximity, some characteristics of the sample, such as their labour market and employment legislation, can be assumed to have been uniform.

However, the advantages of sample homogeneity may come at the cost of being able to generalise the findings. Nevertheless, despite its small size, the sample did provide sufficient variation in both the use of HPAPS and in the hypothesised predictors of high performance work bundles.

Although we used employee perceptions as indicators of the presence of HPAPs in their firms, the sample of respondents was determined by the contact person in the organisation (usually the manager/ entrepreneur). Despite high intra-class correlations which indicate that the averaged perceptions are reliable, it is possible that the samples are not representative of all employees in each organisation. However, the procedure of using multiple respondents in each firm and drawing on multiple actors (employees and

entrepreneurs in our study) is advocated as a way of reducing the single respondent bias from which many HR research designs suffer (Gerhart et al., 2000).

Finally, as we took a cross-sectional approach, we cannot be confident of any causal relationships suggested by the results. In order to more confidently understand how HR practices and the availability of resources develop over time, it would be valuable to perform longitudinal case studies.

ACKNOWLEDGMENT

We would like to thank Excelis Project for financial support which help us in analysis and research conducted in this research paper.

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