

Management and Industrial Engineering

Carolina Machado
J. Paulo Davim *Editors*

Work Organization and Human Resource Management

 Springer

Management and Industrial Engineering

Series editor

J. Paulo Davim, Aveiro, Portugal

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Work Organization and Human Resource Management

 Springer

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ISBN 978-3-319-06375-1 ISBN 978-3-319-06376-8 (eBook)
DOI 10.1007/978-3-319-06376-8
Springer Cham Heidelberg New York Dordrecht London

Library of Congress Control Number: 2014939049

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Preface

Work Organization and Human Resource Management covers issues related to the new advances in work organization and human resource management that result from the continuous and highly complex process of change that today's organizations are facing. In the present, as a consequence of social, technological, political and economic changes, the field of work and organizations management becomes highly complex, claiming management for more effective strategies. Conscious of this reality this book looks to provide support to academics and researchers, as well as those operating in the management field, to deal with policies and strategies related to work issues and human resource management.

Effective work practices and good employee relations are a real necessity of today's organizations, as they can help to reduce absenteeism, turnover, organizational costs, conducting to high levels of commitment, effectiveness, performance as well as productivity. Addressing these questions, this book focuses on the implications of those changes in work organization and human resource management.

Drawing on the latest developments, ideas, research and the best practice, the book intends to examine the new advances in work organization and human resource management resulting from the recent changes that are taking place and how they affect the management as well as the commitment and motivation of these organizations' workers.

This book covers *Work Organization and Human Resource Management* in 11 chapters. Chapter 1 discusses "The Role of Responsible HRM Practices and a Culture-Related Capability on the CSR-Performance Association: A Small Firm Perspective". Chapter 2 contains information about "Managing High Performance Work Systems and Organizational Performance". Chapter 3 covers "The Role of the Line Manager in HRM-Performance Research". Chapter 4 describes "The Impact of Strategic Human Resource Management Practices on Australian Dairy Farm Performance". Subsequently, Chapter 5 covers "Exploring Change in Small Firms' HRM Practices". Chapter 6 contains information on "Effective Human Resource Practices in Family Businesses". Chapter 7 describes "The Gender of the Entrepreneur and the Politics of Entrepreneurship for Women: An Exploratory Study". Chapter 8 focuses on the "Influence of Organizational Flexibility in High Performance Work Practices". Chapter 9 discusses "Gaining or Losing? Projective Identification, Professional Identities and New Public Management". Chapter 10 focuses "Researching HRM to Enhance Understanding: The Neglected Role of Ontology".

In Chapter 11, “[Examining the Motivation to Work Within a Group of Gardeners with Mental Disorders](#)” is presented.

Finally, it is important to say that this book is designed to increase the knowledge and effectiveness of all those involved in human resource management and working conditions in all kinds of organizations and activity sectors.

Whether we are a human resource manager, a manager, an engineer, a policy maker, a strategist, a practitioner, an academic or a researcher, we need to know what is happening, on both national and international environments, to be able to understand and develop effective responses to meet all these new demands and challenges. This is why, today, the interest in this subject is evident for many types of organizations, namely, important institutes and universities all over the world.

The Editors acknowledge their gratitude to Springer for this opportunity and for their professional support. Finally, we would like to thank all the chapter authors for their interest and availability to work on this project.

Braga, Portugal
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The Role of Responsible HRM Practices and a Culture-Related Capability on the CSR-Performance Association: A Small Firm Perspective

Wayne O'Donohue and Nuttaneeya (Ann) Torugsa

Abstract This chapter focuses on the role that responsible human resource management practices (HRM) play in relation to proactive corporate social responsibility (CSR) and its impact on firm performance, using evidence from small firms in the Australian manufacturing industry. The empirical evidence reveals the critical moderating contribution of responsible HRM practices in the implementation of proactive CSR and enhancement of financial performance in small firms. The study findings indicate the need for managers of small firms, who wish to boost financial competitiveness through proactive CSR, to adopt responsible HRM practices that avoid a directive approach and which foster employee participation and engagement. It is suggested that this can be done by leveraging the relative informality of work organisation and familial ties that help engender trust and reciprocity in small firms.

1 Introduction

In today's business climate, a singular emphasis by firms on management practices that maximise profitability, whilst ignoring their wider negative impacts over the long-term, is considered generally no longer acceptable. Increasingly, firms regardless of size are being expected to recognise their social responsibility, take the initiative, and contribute towards sustainability [1, 2]. This implies the necessity for firms in today's highly competitive business environment to adopt management practices

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that deliver not only superior financial performance but also create sustainable outcomes of value that meet societal expectations [3]. The role played by a firm's human resource management (HRM) practices in relation to sustainability and social responsibility, and its impact on firm performance has received broad research attention in the literature [4–6]. If HRM in general terms is considered to be the 'productive use of people in achieving the organization's strategic objectives and the satisfaction of individual employee needs' [7], there is still much to learn about the process through which a firm's HRM practices interact with other organisational practices to deliver performance outcomes that result in competitive advantage and superior financial returns for the firm [6].

This paper addresses that gap in understanding by examining the moderating contribution of a firm's HRM—considered in terms of responsible practices and a culture-related capability—to the implementation of corporate social responsibility (CSR) for generating an improvement in business financial performance, using evidence from small firms in the machinery and equipment sector of the Australian manufacturing industry. For the purpose of this study, the number of employees is used to determine firm size [8]; hence in line with previous research [9, 10], a small firm is defined as having an upper limit of less than 100 employees. Firms of this size are of interest because the role of HRM as a moderating influence on the CSR-performance association is under-researched when compared to medium and large sized firms [11, 12].

2 Role of HRM in the CSR-Performance Association

Many HRM scholars contend that effective management of a firm's human resource capability is fundamental to the achievement of sustainable and socially responsible outcomes; indeed, CSR sits at the very heart of their conception of HRM as an essential organisational practice. Advocates of this view contend that the three principles of sustainability form the nexus between high quality management of a firm's human resources and the creation of high quality transparent and ethical relationships both inside and external to the firm. This nexus is held to operate in all firms regardless of size [6, 13–16]. Before considering the role of HRM let us make clear some of the definitional boundaries within which the discussion will occur.

2.1 Corporate Social Responsibility and Financial Performance

Whilst definitions of corporate social responsibility and sustainability might originally have differed, there has in recent years been a convergence of meaning in the literature to the point where the terms may be used interchangeably [2, 17]. Given this convergence, in this paper we have chosen to use the term 'corporate social responsibility' (CSR) defined as responsible management practices that support the

three principles of sustainability: economic growth and prosperity, social cohesion and equity, and environmental integrity and protection [18]. Under this definition, if firms are to meet their societal responsibilities and deliver sustainability, a responsible management approach is required; one which acknowledges the need for profitability, but at the same time takes an integrated, holistic perspective that emphasises outcomes and practices that support the three principles of sustainability equally and satisfies a broad range of stakeholders [2, 18]. In a competitive business environment simply maintaining a reactive stance to CSR-related legal requirements, with management practices that aim solely at achieving regulatory compliance and maintaining legitimacy, arguably will not suffice; instead, adoption of a range of responsible proactive management practices that support the economic, social and environmental principles of sustainability has been advocated as being a significant priority for firms seeking a competitive advantage and enhanced performance [19–24]. It is this ‘proactive’ form of CSR (i.e. voluntary adoption of responsible management practices that go beyond regulatory and legitimacy requirements, in order to enhance firm performance as well as contribute broadly and positively to society) that is of interest in this study [25, 26].

Responsible management embracing the principle of economic sustainability connects most directly to a firm’s profitability [18]. Characteristically, such management practices eschew a narrow focus on managing short-term financial performance (profit maximising) and emphasize active management of long-term economic performance issues that are important, not just for the firm but for all stakeholders in its host community. In terms of purpose, economic-related CSR aims, for example, at encouraging innovation, efficiency, and the effective creation and sustainable management of a firm’s economic capital, thereby fostering longevity in profitability and growth. Firms engaging in proactive management of economic-related CSR issues deliberately pay attention to a range of matters such as innovative capability, product quality, fair pricing, and supply chain management from sourcing to final payment [27–29].

Responsible management supporting the environmental principle of sustainability focuses generally on eco-efficiency and pollution prevention, and aims at minimising the firm’s ecological footprint at all points in its product life cycle [30]. Such activity is often characterized by adoption of internationally standard environmental management systems (or a total quality environmental management approach) that ensure a firm’s environmental impacts are monitored and managed systematically rather than on an ad hoc basis [31]. Systematic environment-related CSR helps build a firm’s credibility among its external stakeholders, as well as ensure that the principle of environmental sustainability is institutionalized among employees [30].

Turning to the third CSR principle of social sustainability, responsible management in this dimension can be categorised as having either an external focus on the broader community, or an internal focus on the workplace and employees [18]. Accordingly, social-related CSR that focuses on the link between the firm and its external community, such as philanthropic and corporate citizenship initiatives, is informed by the general value systems, norms and pressures which dominate social community networks in which firms operate [3, 32, 33]. At the same

time, social-related CSR reflects a focus in the workplace on the health, safety, and personal and professional well-being of employees; it is the mechanism through which internal workplace human resource issues, such as work/life balance, employee participation in decision making process, and diversity and equal opportunity, are managed [18, 32, 34].

The amount of empirical research examining the effectiveness of the proactive form of CSR as a business management practice that delivers superior financial returns is limited but growing. To date, whilst the research overall has demonstrated that CSR can impact positively on financial performance, much of the research has been conducted with a specific and narrow focus on environmentally related CSR and mainly in large firms [35–37]. This focus is similar in the much less studied small firm context, where quantitative research has found a positive link between financial performance and proactive CSR (in its environmental dimension). In addition, a qualitative study of social- and environment-related CSR has reported that small firms can derive not only quantifiable benefits (e.g. cost savings and increased profitability) but also, and in the main, a range of intangible benefits (e.g. improved image and reputation, and enhanced trust) [34]. These research findings, in line with other studies of firm performance in the literature, show that embedding the economic, social and environmental principles of sustainability in proactive management practices, can accrue non-material benefits to the firm, such as social approval and reputation building, improved customer relationships, and increased access to resources, all of which together positively influence firm performance [2, 20, 21, 27, 38].

Most recently and of specific interest here, Torugsa and colleagues have presented evidence indicating proactive CSR has a positive effect on financial performance in small and medium enterprises (SMEs); they also found that the influence of each of the three CSR dimensions is positively moderated by an interactive process between the three dimensions of CSR [26]. Based on their results, they concluded that SMEs should pay primary attention to economic-related proactive CSR, while simultaneously and selectively focusing on supportive elements of social- and environment-related proactive CSR, if sustainable long-term financial performance is to be achieved [26]. In the light of these research findings, this study focuses on the role played by a firm's HRM practices—that is one of the two elements in social-related CSR outlined above—in the delivery of CSR performance outcomes that enhance financial returns. Drawing on the HRM and resource-based view literature, we will now discuss and develop some hypotheses regarding the links between responsible HRM practices and the effective adoption of proactive CSR across its three dimensions.

2.2 Moderating Role of HRM: Responsible Practice and Capability Perspectives

Basically, the centrality of human resources in CSR is argued on three grounds. Firstly, in terms of the sustainability principle of economic growth and prosperity, ongoing innovation is seen as the major factor that underpins a firm's performance.

In particular, evidence for the fundamental role and contribution of a firm's human resource capability in the creation and support of innovation as a competitive advantage has been well documented in the literature [3, 4, 16, 39, 40]. Similarly, there is much recent empirical research that supports the crucial role played by specific HRM practices (e.g. training and development, talent management, organisational culture and development) in stimulating innovation in support of sustainable outcomes linked to financial performance [14, 41, 42].

Secondly, there is research highlighting the importance of human resources in the achievement of environmental sustainability and a firm's performance [14, 43, 44]. Human resource attributes, such as employee attitudes, environmental values, technical and managerial skills have been shown to be fundamental to the development and implementation of proactive environmental CSR [31, 45–47]. Across this research, there is general agreement that high quality HRM practices can motivate and assist employees to adopt and enact the principle of environmental sustainability in their work. The means to this end include managing organisational culture and development so as to integrate environmental sustainability into the firm's values and norms, and demonstration of a credible commitment by the firm to continuous improvement of employee environmental management skills and knowledge.

Thirdly, and perhaps most importantly, the case for the centrality of human resources in CSR is grounded on the significant commonality in issues that responsible HRM practices and social CSR practices in the workplace in particular seek to address. For example, scholars contend that a key human resources concern in today's business environment is internal diversity management; a concern they also identify as being *inter alia* central to sustainability and a firm's performance [14]. Research also maintains that regeneration of value and the renewal of wealth underpin sustainability; accordingly, issues such as equity, justice, respect, employee consultation, work-life balance, development, and employee well-being, all of which are grist for the HRM mill, must be addressed in the pursuit of sustainability and associated improvement in a firm's performance [13, 14, 48]. Building on the HRM literature [49, 50], Shen and Zhu [51] describe the CSR-related concept of socially responsible human resource management practices that embraces workplace health and safety, equity, work-life balance, employee development, and employee involvement and participation. Finally, Gond and colleagues [52] offer a model (see Fig. 1), which clarifies the relationship between CSR and responsible HRM practices.

Figure 1 indicates there are activities which form a focus solely for HRM or CSR, and these activities are differentiated from other activities that involve mutually supportive actions by one domain to the other. At the heart of the model are those activities common to both domains [52]. Given the consensus in both the CSR and HRM literature, we consider 'social CSR in the workplace' and 'responsible HRM practices' to be in effect one and the same thing; this implies responsible HRM practices are a key moderating factor in the relationship between CSR in all three of its dimensions and a firm's performance generally, and financial performance specifically.

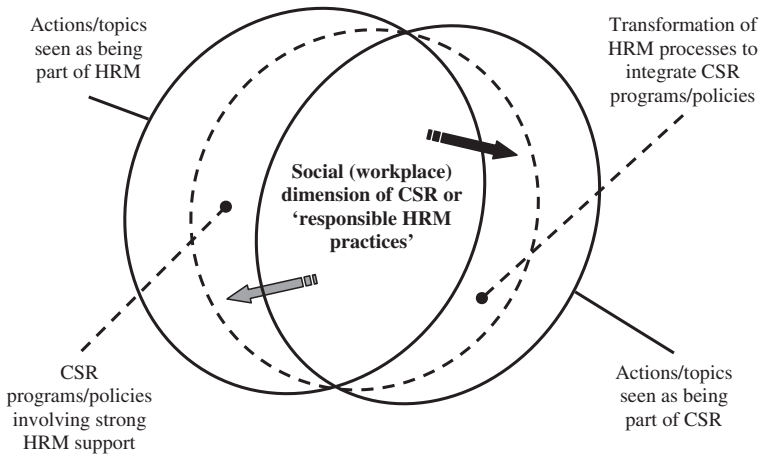


Fig. 1 Responsible HRM and social (workplace) CSR dimension (adapted from [52])

In line with the above discussion of the contribution of CSR to financial performance, and the distinction we draw between external social CSR in the community and internal CSR in the workplace (also called responsible HRM practices), we propose the following hypotheses for testing in relation to small firms:

Hypothesis 1: Economic and environmental CSR together with social CSR in the community (EcEnvSoC) is positively associated with financial performance

Hypothesis 2: Responsible HRM practices (RHRM) positively moderate the association between EcEnvSoC and financial performance in such a way that the positive association is significantly stronger at high levels of RHRM

In line with the resource-based view of the firm, it is not only a firm's resources (e.g. financial, human and physical) but also its capabilities (i.e. the integrated application of its resources) that drive firm performance [53, 54]. While a wide variety of specific capabilities that support proactive CSR and financial performance have been discussed in the research literature (such as 'shared vision and employee involvement' [2, 55, 56]; 'stakeholder management' [57]; 'innovation' [58, 59]; 'strategic proactivity' [31]; and 'higher-order learning' [60]), much of the discussion has focused predominantly on capabilities in relation to only one dimension of CSR—the environmental dimension—and its management in large firms. In contrast, in their study of Australian manufacturing SMEs, Torugsa and colleague [25, 26] examined three specific capabilities ('shared vision', 'strategic proactivity' and 'stakeholder management') and the association between those capabilities, the adoption of CSR in its three dimensions, and financial performance. They found that these organisational capabilities underpinned the adoption and implementation of proactive CSR as a business strategy that linked to improved financial performance in SMEs.

Given our focus on responsible HRM practices in small firms, we restrict our discussion specifically to those two capabilities considered by [25, 26] which have been identified most closely in the literature with HRM [3, 4, 61]. The first of the capabilities—‘*Shared Vision*’—exists when the members of a firm have a shared feeling that the firm’s objectives are important and that all of its members may contribute to defining them. Such a capability is held to be fundamental to the different parts of a firm being able to bond together and integrate or combine resources effectively [62]. Creating a shared vision that supports proactive CSR entails recognition by a firm of the essential role of responsible HRM practices, and the need for a deep commitment to empowering social processes that generate consensus and significant employee involvement [56, 63]. Indeed, many scholars argue that the creation of a shared vision must be a primary goal of responsible HRM practices [64, 65].

The second capability—‘*Strategic Proactivity*’—is realised when a firm, rather than merely reacting to changes in its business environment, uses responsible management practices to shape the environment to its own advantage, and identify and capitalize on new emerging opportunities [1, 31, 59, 66–68]. As with the case of shared vision, a strategic proactivity capability is closely linked to a firm’s organisational culture which is derived in large part from a purposeful strategic approach to managing its human resources [61]; strategic proactivity requires a commitment to responsible HRM practices that empower, develop and involve employees, as well as encourage and guide employees to think and act proactively in line with the firm’s CSR business strategy [31, 68]. Given the complementarity of these two capabilities and their importance as a focus for responsible HRM practices, for the purposes of this study we consider them as forming a single organisational culture-related capability which we will call a ‘*Shared Strategic Vision*’ capability.

In accord with other scholars [13, 14, 69], we suggest the alignment of a shared strategic vision capability and responsible HRM practices with the economic, social and environmental principles of sustainability is ‘natural’, and creates the potential for responsible HRM practices to be the ‘tipping factor’ that leads to the successful execution of CSR as a business strategy producing superior financial performance. Consequently, we propose the following hypothesis for testing:

Hypothesis 3: The association proposed in Hypothesis 2 is positively moderated by a firm’s capability of shared strategic vision (SSV) in such a way that the positive interaction effect of EcEnvSoC and RHRM on financial performance is greater at high levels of SSV.

3 Method

The sample population comprised 1,278 Australian small firms, in the machinery and equipment manufacturing sector, drawn from a commercial database [70]. Small firms in this sector were attractive as a focus of study for three main reasons.

First, while the role of responsible HRM practices in the implementation of CSR has been well researched in larger enterprises, smaller firms have received far less research attention [12]. Second, in theory the more flexible and less bureaucratic organisational structures of small firms might make such firms more proactive in their engagement in CSR [68]. Finally, the significant socio-environmental impacts of firms in this sector (due to the nature of processes used to transform raw materials into finished manufacturing products) make them more likely to experience pressure to engage 'explicitly' in CSR activities.

This study employed a survey-based method for testing the research hypotheses. A survey questionnaire was developed based on the extant literature and existing published questionnaire items, and was pretested with owner-managers of three small firms to ensure content validity. As in small firms decision-making is often highly centralized, surveying a single experienced well-qualified informant is argued to better capture a firm's approach than surveying several informants [71, 72]. Hence, a single informant in each firm (either the business owner and/or CEO, managing director) was used in this study. The survey was administered by mail in April, 2009 (Time 1) and November, 2009 (Time 2), providing a six-month time lag between the measurements of predictor/moderators (EcEnvSoC, RHRM and SSV) and the dependent variable (financial performance). Such data collection allowed us to perform a bivariate correlation analysis between the same variable at the two different time points, thereby enabling reliability of the data to be evaluated. The six month delay in the data collection process also increased the likelihood that sufficient time would have elapsed to require informants to provide updated responses rather than simply repeat previous Time 1 responses.

The survey received 183 responses (from a possible 1,278 responses), representing a 14.3 % response rate. After responses with missing data were eliminated, a total of 158 firms remained for analysis. Of the firms that did respond, the majority employed between 10 and 49 employees (75.3 %) and had annual turnover between \$AU1 and \$AU10 million (66.5 %). Business owners (67.1 %) and respondents who had more than 5 year experience (74.7 %) in their firms were the majority of respondents.

Based on previous literature [73, 74], it was recognised that data reported by single informants may be subject to common method bias. To test whether this was a problem, Harman's single-factor test was performed on the final sample through an exploratory factor analysis [75]. Results of the analysis showed no single general factor as accounting for most of the covariance in the variables, thus suggesting the interpretation of our results would not be confounded by common method bias. Moreover, an advantage of the moderated hierarchical regression analysis method employed in this study, was that common method effects are dealt with (along with main effects) before inspecting any interaction terms [76]. We also assessed non-response bias through the time-trend extrapolation procedure [77]; and no significant difference was detected between early and late respondents in terms of their demographic characteristics.

3.1 Measures

3.1.1 Corporate Social Responsibility (EcEnvSoc) and RHRM

In the absence of any publicly available data on CSR in small Australian manufacturing firms, respondents' perceptions of their firms were measured using an instrument comprising 27 survey items based on: the extant literature [18, 27, 28, 34, 59, 78]; and feedback received from pre-test participants. Respondents were asked to indicate the extent to which their firms voluntarily engaged in CSR activity compared to similar firms in their industry sector, using a five-point scale (1 = 'not addressed issue at all' to 5 = 'we are leaders on this issue'). A bivariate correlation analysis revealed the high correlation between Time 1 and Time 2 CSR data ($r = 0.95$), thus confirming our confidence in the reliability of the CSR scale.

An exploratory maximum likelihood factor analysis with varimax rotation was conducted and seven factors with eigenvalues greater than 1 emerged. The factors were related to different groups of CSR practices, and each of the 27 measured variables had a significant factor loading on one of these factors. Cronbach's alpha (α) ranged from 0.716 to 0.873 for each factor. A confirmatory factor analysis of items pertaining to the seven underlying identified factors (see Table 1) showed a good fit to the data ($\chi^2 = 358.67$; $df = 274$; RMSEA = 0.039; CFI = 0.99; IFI = 0.99; and NNFI = 0.99) and convergent validity (all standardized factor loadings above the value of 0.50).

Factors 1–6 (as shown in Table 1) were considered indicators of a single factor, which we labelled '*economic and environmental CSR, together with social CSR in the community*' (EcEnvSoC). A second-order confirmatory factor analysis showed that the model fitted the data well ($\chi^2 = 16.06$; $df = 11$; RMSEA = 0.057; CFI = 0.99; IFI = 0.99; and NNFI = 0.99), and all six factors were significantly ($p < 0.01$) related to EcEnvSoC with standardized loadings ranging from 0.66 to 0.92. The final measure of EcEnvSoC was a weighted average of the six factors using the standardized loadings obtained from the second-order confirmatory factor analysis, and a high score was indicative of a high degree of EcEnvSoC. Factor 7 (as shown in Table 1) was considered an indicator of '*responsible HRM practices*' (RHRM) given the internal focus of the constituent items. The final measure of this variable was a weighted average of five underlying identified factors (SOC1-5) using the standardized loadings obtained from the confirmatory factor analysis, and a high score was indicative of a high degree of RHRM.

3.1.2 Shared Strategic Vision (SSV)

A culture-related organisational capability was measured using a compilation of the three shared vision capability items from [78], and the three strategic proactivity capability items from [31]. All six items were presented as statements related to the