

Employees' perceptions of human resource management practices and employee outcomes

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Employees' Perceptions of Human Resource Management Practices and Employee Outcomes: Empirical Evidence from Small and Medium-Sized Enterprises in China

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Employees' Perceptions of Human Resource Management Practices and Employee Outcomes: Empirical Evidence from the Small and Medium-Sized Enterprises Sector in Mainland China

Abstract

Purpose – The purpose of this paper is to examine the relationship between employees' perceptions of HRM practices and two outcomes, namely, employee commitment and turnover intention, in small and medium-sized enterprises (SMEs) in mainland China.

Design/methodology/approach – This paper adopts a quantitative approach based on a sample of 227 employees working in 24 SMEs in eastern and western China.

Findings – Employees' perceptions of HRM practices such as training and development, reward management, and performance management, are significant predictors of employee commitment. A negative direct relationship is found between employees' perceptions about the use of HRM practices and turnover intentions.

Research limitations/implications – Although data were collected from two representative provinces of eastern and western China, the size of the sample may limit the generalisability of the findings to the wider region.

Practical implications – The relationship between employees' perceptions of HRM practices and employee outcomes in Chinese SMEs provides an effective way for SME owners and HR practitioners to generate desirable employee attitudes and behaviours, which, ultimately contribute to improving organisational performance.

Originality/value – This is an original paper which makes a contribution by helping to address the dearth of studies which have explored aspects of the effectiveness of HRM in SMEs in China. In contrast to the majority of China-focused studies on this topic, it highlights HRM outcomes at the individual level rather than the organisational level. Further, the study involves SMEs in western China which is an under-explored region.

Keywords – commitment, HRM practices, perceptions, SMEs, turnover

Paper type Research paper

It has been well documented that small and medium enterprises (SMEs) make a considerable contribution to economic development, poverty reduction and job creation, especially in developing countries (Cooke, 2012; Maksimov *et al.*, 2017). The prominent role of SMEs in the national economy and social stability has also been recognised in China. Further, there is a body of HRM-oriented research which is focused on the SME sector (Bai *et al.*, 2017; Cegarra-Leiva *et al.*, 2012; Cunningham, 2010; Qiao *et al.*, 2015;

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3 Richbell *et al.*, 2010; Zheng *et al.*, 2006). It is apparent from this literature that HRM
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5 problems act as key constraints that hinder the development and profitability of
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7 organisations in the SME sector with debates arising among HR practitioners, SME
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9 owners, scholars and even policy makers about the meaning and promotion of effective
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11 HRM in the sector (Cooke, 2012; Cunningham and Rowley, 2008; Harney and Dundon,
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13 2006; Lai *et al.*, 2017). Yet, although HRM practices and performance linkages have been
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15 widely examined in HRM literature, most studies are western-based, and/or focused on
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17 organisational performance, multinational corporations (MNCs) and the public sector
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19 (Gould-Williams and Mohamed, 2010; Wright *et al.*, 2005). More, specifically, little is
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21 known about the relationship between HRM practices and employee outcomes at the
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23 individual level in the SME sector in China. In addition, there is some evidence that
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25 findings from empirical studies in Chinese organisational contexts are influenced by the
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27 contexts in question (Nazir *et al.*, 2016; Shen and Leggett, 2014; Hu *et al.*, 2018) which
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29 further necessitates the need for research which is focused directly upon the SME sector
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31 in China.
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38 The SME sector in China has undergone a unique and somewhat tortuous
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40 development path over the past six decades (Warner, 2009; Wang, 2016). This path
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42 commenced with the phase of early existence, then near disappearance, followed by
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44 primary growth, and currently to rapid expansion, promotion and upgrade. In essence,
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46 along with the raised status of the private economy in the national economic structure and
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48 a series of profound reforms across the nation, private enterprises (PEs), especially in the
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50 form of SMEs, have gradually gained legitimacy, recognition and encouragement.
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52 Evidence of this recognition can be seen from amendments to the Constitution during the
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54 period of 1988 to 2004, in which the status of the privately-owned enterprises was both
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56 acknowledged and raised; rather than privately-owned enterprises representing a mere
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3 supplement to the activities of state-owned enterprises, the development of PEs is now
4 encouraged, supported and guided by the State (PRC, 2004). Nevertheless, the
5 ideologically-driven discrimination against PEs which initially existed following the
6 formation of the PRC, coupled with the relatively short period of time during which their
7 development has been legitimised by the Chinese State, privately-owned SMEs tend to
8 be more vulnerable and have less access to support than other forms of enterprises, such
9 as state-owned enterprises, collective-owned enterprises and large-sized MNCs.

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The definition of an SME has been updated four times since the PRC was founded
in 1949 (Cunningham, 2011). The latest quantitative criteria were published in
'Provisions on the Standards for SMEs' in 2011 (PRC, 2011). Although the definitions
by the number of employees largely vary across sectors, we defined an SME as an
enterprise with fewer than 300 employees; this cut-off point is applicable to the most
sectors listed in the Provisions. Considering the facts that the majority of SMEs are
private enterprises and the degree of the development of HRM (Cunningham, 2011), this
paper focuses on urban-based privately-owned SMEs.

Given the need to facilitate the development of SMEs from an HRM perspective
and the lack of research in this area, the main aim of this study is to investigate the
relationship between employees' perceptions of HRM practices and employee outcomes
in SMEs in mainland China.

HRM Practices and Outcomes in SMEs

The potential relationship between HRM and its outcomes has been explicitly recognised
in seminal HRM theories such as the Harvard Framework (Beer *et al.*, 1984) and the
resource-based view (RBV) of the firm (Wright *et al.*, 1994). For example, the Harvard
Framework (Beer *et al.*, 1984, p.16) illustrates the complex connection between

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3 ‘stakeholder interests’, ‘situational factors’, ‘HRM policy choices’, ‘HR outcomes’ and
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5 ‘long-term consequences’ and has provided a fundamental reference point in HRM not
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7 only for theoretical development, but also for international and comparative studies (see
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9 Marchington, 2015). Similarly, while recognising various criticisms that have been
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11 levelled against it (see Boxall and Purcell, 2011; Saridakis *et al.*, 2017), RBV has offered
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13 a particularly helpful contribution to HRM empirical research as it justifies the strategic
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15 value of HRM to an organisation by highlighting the role of human resources in achieving
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17 sustainable competitive advantage and improving organisational performance (Hailey *et*
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19 *al.*, 2005). As such, HRM theories such as the Harvard Framework and the RBV provide
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21 a solid theoretically-based rationale for analysing the relationship between HRM
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23 determinants, choices and outcomes especially when this analysis is focused on
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25 geographical contexts and sectors such as SMEs in China which have yet to receive
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27 widespread attention in HRM literature.
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33 It is noted that the linkage between HRM practices and performance in various
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35 types of firms has been widely studied (Krishnan and Scullion, 2017; Lee *et al.*, 2010;
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37 Zheng *et al.*, 2009). Specifically, much attention has been paid to performance at the
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39 organisational level as measured by indicators such as productivity, turnover,
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41 profitability, sales growth, return on investment, firm innovation (Ceylan, 2013;
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43 Chowhan, 2016; Wright *et al.*, 2005; Zheng *et al.*, 2009). Employee outcomes focusing
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45 on individual attitudes and behaviours play a mediating role between HR-performance
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47 linkage, which is theoretically supported by the Harvard Framework and which has been
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49 empirically examined by previous literature. For example, Katou and Budhwar’s (2007)
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51 Greek-based research (N=600) found a positive relationship between staffing,
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53 development, compensation, involvement and job design and firm performance,
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55 mediating by staff skills, attitudes and behaviours. A recent study consisting of 448
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3 privately-owned SMEs in the UK found the positive relationship between formal HRM
4 practices and financial performance was moderated by employee satisfaction, but not by
5 organisational commitment (Lai *et al.*, 2017). In China, based on the analysis of 74 SMEs
6 in ten big cities, Zheng *et al.* (2006, 2009) found that the adoption of a set of high
7 performance and innovative HRM practices predicted enhanced financial and market
8 performance through improved HRM outcomes.
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19 **Employees' perceptions of HRM Practices**

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21 The relative importance of contextualised research which explores employees'
22 perceptions of HRM practices is emphasised and succinctly summarised by Storey *et al.*
23 (2010: 305) when they draw attention, as follows, to the distinction between intended and
24 actual HRM practices: "*Intended practices may or may not lead to actual practices; the*
25 *effects of these actual practices are mediated by employees' perceptions and perceptions*
26 *shape employees' attitudinal and behavioural responses*". Similarly, when exploring
27 links between HRM system strength and employees' affective outcomes, Cafferkey *et al.*
28 (2018: online, p.1) highlight the importance of research that: "*brings workers back into*
29 *the debate by exploring employees' opinions of, and subsequent reaction to, HRM*
30 *initiatives*". Cafferkey *et al.* (ibid) contend that employees view, in an attributional
31 manner, HRM practices as indicators of organisational support; thus employees'
32 perceptions of HRM practices may influence the human relations climate and, as a result
33 lead to employee outcome behaviours.
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51 This attributional approach complements earlier work on HRM system strength
52 (Bowen and Ostroff, 2004: 207) which recognised HRM practices as "*communications*
53 *from the employer to the employee*". Bowen and Ostroff conclude, however, that research
54 on HRM practices has: "*typically relied on reports from a higher-level manager or HR*
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3 *executive... we suggest that a better alternative is to assess these characteristics of the*
4 *HRM system from employees themselves” (ibid: 216). In relation to the measurement of*
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6 the HRM system’s visibility and consistency, Bowen and Ostroff (2004) point to the value
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8 of perception-oriented research which involves employees indicating the extent to which
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10 they feel HRM practices are utilised in the firm, as well as the extent to which employees
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12 feel they have personally experienced these practices.
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17 Yet, despite the recognised association between employees’ perceptions of HRM
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19 practices and their behavioural responses to these practices (Nishii *et al.*; 2008), SME-
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21 focused research on this issue in China remains scarce in terms of scope and depth
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23 (Cooke, 2009). Thus, a body of emerging research has focused on, for example, the nature
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25 and the development of HRM in SMEs, HRM practices adopted in SMEs, the comparison
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27 of HRM practices between large/western firms and SMEs, factors in shaping HRM
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29 choices (Cooke, 2005; Cunningham, 2010; Cunningham and Rowley, 2008, 2010).
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31 Extremely limited attention has been paid, however, on examining employees’
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33 perceptions of HRM practices, especially with a focus on the individual level outcomes
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35 with the notable exception of the work of Zheng *et al.* (2006, 2009) though their research
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37 samples are not exclusive to privately-owned SMEs in China.
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43 We respond to these gaps in literature by exploring employees’ perceptions of
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45 HRM practices with reference to employee outcomes in the SME sector in China. For the
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47 purpose of this study, two specific employee outcomes have been placed under scrutiny,
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49 that is, organisational commitment and turnover intention. While recognising that a
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51 relationship may, in time, be shown to exist between these two outcomes (see Dhiman
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53 and Mohanty, 2010; Juhdi *et al.*, 2013), both of these outcomes have, on the basis of
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55 existing literature, the potential to reflect employees’ attitudes and behaviours in
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57 organisations at the individual level.
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Organisational Commitment (OC)

From a theoretical perspective, organisational commitment represents a multi-dimensional concept intended to capture complicated human psychological and behavioural response in the workplace (Meyer and Allen, 1991). For example, the three-component model developed by Meyer and Allen (1991) proposes that OC has three distinct components, that is, affective commitment (AC), continuance commitment (CC) and normative commitment (NC). The model has been widely adopted in different cultural settings despite the inconsistent reliability of results obtained when assessing the three components (Eisinga *et al.*, 2010; Kehoe and Wright, 2013). In addition, the literature has suggested that OC is closely associated with other predictors, such as absenteeism, job satisfaction, turnover and so forth (Eisinga *et al.*, 2010; Lambert and Hogan, 2009; Meyer and Allen, 1991). More importantly, considering SMEs' vulnerable nature and limited resources, OC appears to have potentially important implications to SMEs in terms of strengthening the bond between organisations and individuals.

From an empirical perspective, although OC has been extensively studied, relatively few research studies have been conducted involving SMEs (Saridakis *et al.*, 2013; Zheng *et al.*, 2009). It is noted that SME-focused studies have sought to shed light on the relationships that exist between OC and variables such as career development and performance appraisal (Meyer and Smith, 2000), autonomy and supervision (Newman and Sheikh, 2012); and participation in training (Pajo *et al.*, 2010). For example, the findings of one UK-based study indicate that the adoption of formal HRM practices increases OC in SMEs with low employee satisfaction (Saridakis *et al.*, 2013). More specifically, however, the nature of the relationship that may exist between OC and HRM practices in SMEs, particularly in China, remains vague and requires further exploration.

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3 Thus, it is rational and necessary to employ OC as one of the focused employee outcomes
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5 in this paper.
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8 Based on the preceding discussion of the Harvard Framework suggesting the link
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10 between HRM practices and their outcomes, and prior empirical evidence, three research
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12 hypotheses in relation to OC in the SME sector in China have been formulated and are
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14 presented below.
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19 *Hypothesis 1a:* The greater use of HRM practices will lead to higher affective
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21 commitment.
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24 *Hypothesis 1b:* The greater use of HRM practices will lead to higher continuance
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26 commitment.
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29 *Hypothesis 1c:* The greater use of HRM practices will lead to higher normative
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31 commitment.
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33 34 ***Turnover Intention (TI)*** 35

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38 Existent literature has documented that high level of turnover can increase HR costs,
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40 decrease productivity, lose experienced employees and their established business
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42 network, and lower employee morale (Kuean *et al.*, 2010; Lambert and Hogan, 2009).
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44 Given the lower levels of job security, lack of training and lack of growth opportunities,
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46 and less comprehensive compensation package compared with large scale enterprises,
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48 there is higher level of employee voluntary turnover in the SME sector in China; in turn,
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50 this turnover acts to constrain the growth of SMEs (Warner, 2011). The widespread
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52 labour shortage and imbalanced structure of the workforce in the Chinese labour market
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54 serve to worsen further the situation (Cooke, 2012; Cunningham and Rowley, 2008).
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56 Thus, it is necessary to explore further the issue of turnover in this context.
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3 Turnover intention (TI) is widely considered to be a reliable and accurate predictor
4 of voluntary turnover behaviour (Kim, 2014; Sun and Wang, 2017). As such, the turnover
5 process can be composed of four levels, beginning with '*thinking of quitting*', followed
6 by an '*intention to search*', an '*intention to quit / stay*' and eventually leading to the
7 decision to '*quit / stay*' (Mobley *et al.*, 1978, p.410). Empirically, substantive evidence
8 exists to explain the relationship between HRM practices and turnover at the
9 organisational level (Eriksson *et al.*, 2014). However, TI at the individual level remains
10 relatively underexplored particularly within the SME sector. What evidence that has
11 emerged across a range of countries and sectors, tends to suggest that there is a direct or
12 indirect negative relationship between TI and HRM practices (see Cegarra-Leiva *et al.*,
13 2012; Dhiman and Mohanty, 2010; Fabi *et al.*, 2015; Juhdi *et al.*, 2013). Inconsistent
14 results are found in the SME sector. A study consisting of 232 family-owned SMEs in
15 Austria and Hungary concluded that the strengthening of family status and influence,
16 when coupled with the adoption of high performance work practices, exerts a positive
17 influence on employee retention (Pittino *et al.*, 2016). Similarly, Cegarra-Leiva *et al.*'s
18 (2012) work with a sample of 110 SMEs suggests that the work life balance supportive
19 culture negatively predicts TI rather than the actual practices. Pajo *et al.* (2010) concluded
20 that participation in more formal T&D activities tends to lower employee TI. However,
21 with the notable exceptions of the above studies, there is a paucity of evidence relating to
22 HRM and TI in the SME sector, especially in SMEs in China. Therefore, the research
23 hypothesis in relation to TI has been formulated as below.

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54 *Hypothesis 2:* The greater use of HRM practices will lead to lower turnover
55 intention.
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Methodology

Sample

Given that China is a relationship-based society, a non-probability sampling method, snowball sampling, was adopted to help to overcome the documented difficulties involved in identifying, gaining access to, and sampling SMEs in China. This method has been widely used in HRM research in Chinese contexts (Cai *et al.*, 2011; Cunningham, 2010; Kim and Gao, 2010; Zheng *et al.*, 2006). We sampled in two provinces, Jiangsu and Shaanxi. Jiangsu is located at eastern coastline, which is the centre of the Yangtze River delta. It is one of the most economically developed regions in China. Shaanxi is in western inland China. It is the centre of the five north-western provinces, which is typical in the north-western region. These two provinces are representative of eastern coastal and western inland China.

343 questionnaires were distributed to employees working at various levels in 24 privately-owned SMEs. 284 questionnaires were returned and 227 were valid, representing a response rate of 66%. On average, nine valid questionnaires were collected per firm ($SD = 4.4$). The questionnaires were delivered and collected in groups either by the researchers or by the HR managers while the researchers were present at the firms. Envelopes were provided to keep the responses anonymous. 58.6% of the respondents were between 21-30 years old, followed by the group of 31-40 (32.2%). The average tenure of the respondents was 31.3 months ($SD = 30.3$). 78.9% of the respondents had a professional college degree or a higher qualification. 12 of the 24 SMEs were located in Shaanxi and the other half were in Jiangsu Province; 38% of them were in the manufacturing sector and 62% were in the service sector. The longevity of the SMEs ranged from three to 18 years with a mean of 10.2 years ($SD = 4.7$).

Measures

In this study, we adopted the approach of Cafferkey et. al. (2018: online p.17) which, in a Malaysian context, placed: “*the employee and their perceptions of HRM as the basis of understanding*” in order to overcome: “*bias in terms of traditional/orthodox Westernized research paradigms through privileging organizational and managerial vested interests over other stakeholder groups*”. Employees’ perceptions relating to the use of HRM practices were measured by 39 items (Cronbach’s $\alpha = 0.95$). The respondents were asked about the use of particular HRM practice in their organisations. These items were designed using HRM literature with a focus on SMEs (Cunningham, 2010; Kotey and Slade, 2005; Zheng *et al.*, 2006). They reflect key aspects of HRM practices including recruitment and selection, T&D, performance management, reward management and HR planning, such as the presence of written HRM documents and the use of forms, selection methods, induction programmes, T&D frequency, performance appraisals, feedback, incentive schemes, pay level and non-monetary rewards, and HR planning techniques. An example item is “To get my job here, I needed to take an interview”. A five-point Likert scale was used to assess each item (1 = strongly disagree, 5 = strongly agree). In order to avoid multi-collinearity and to identify the underlying clusters of practices, factor analysis was performed prior to multiple regression analysis (Field, 2013). By adopting the criterion of eigenvalues (>1) and considering the scree plot, five factors were retained, explaining 52.4% of variance in total. After rotation and examination of items’ loadings on factors, these factors reflect five clusters of HRM practices by function, they are, staffing, training and development (T&D), performance management (PM), reward management (RM) and HR planning (HRP) practices respectively. The Cronbach’s α reliability coefficients of the sub-scales were 0.84 (staffing), 0.91 (T&D), 0.76 (PM), 0.86 (RM), and 0.82 (HRP).

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3 AC, CC and NC were measured by three items for each using a five-point Likert
4 scale (1= strongly disagree, 5= strongly agree). An abridged version of the scale
5 developed by Meyer *et al.* (1993) was adopted. The scores of these individual variables
6 were taken as the average of scores of three items. An example item for AC is: “I would
7 be very happy to spend the rest of my career with this organisation”. Nazir *et al.* (2016,
8 p. 605) note that Meyer *et al.*'s (1993) commitment scale has been: “... *extensively used*
9 *in numerous geographical and organizational context, including those involving Chinese*
10 *subordinates ...and has been well accepted for representing high reliability and validity*”.
11 The reliability coefficients of sub-scales of AC, CC and NC were 0.83, 0.60 and 0.79
12 respectively provide further support for Nazir *et al.*'s (2016) assertion though, in order to
13 maintain confidence in the reliability of the findings, the CC variable was not included in
14 the following analysis and Hypothesis 1b was not tested.
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30 Turnover intention was measured by three items (Cronbach's $\alpha = 0.94$) reflecting
31 the first to third mental stages of turnover identified by Mobley *et al.* (1978). An example
32 item is “I am thinking about quitting my current job in the near future”. A five-point
33 Likert scale was applied with response categories ranging from 1 (strongly disagree) to 5
34 (strongly agree).
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42 Firm size, length of service, rank, and gender were controlled for the prediction
43 of employee outcomes since it has been suggested that these variables may exert a
44 potential impact on OC and TI (Kuvaas, 2008; Zheng *et al.*, 2006). In this study, size is
45 the number of full-time employees hired by organisation. Rank indicates whether a
46 respondent is managerial or non-managerial staff. Dummy variables were created for
47 gender and rank.
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56 As the data are cross-sectional and self-reported, common method variance
57 (CMV) may be a potential threat to the interpretations of relationships among variables
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3 (Podsakoff *et al.*, 2003). Thus, some actions were taken to minimise common method
4 bias such as emphasising to respondents that their responses would be anonymised and
5 also the need for them to respond honestly; these actions have been highlighted as
6 procedural remedies to reduce respondents' evaluation apprehension (ibid, 2003).
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8 Further, the widely employed statistical technique, Harman's single-factor test, was also
9 conducted to diagnose potential bias. The result shows that more than one factor was
10 extracted and no general factor accounted for the majority of the variance, indicating
11 CMV is unlikely to be a problem in the current study (ibid, 2003).
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23 **Results**

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26 Table 1 reports descriptive statistics and Pearson product-moment correlations among
27 variables. The results showed that AC, NC and TI were significantly related to
28 employees' perceptions of all HRM practices, indicating the predictions of this study are
29 supported. In addition, rank showed significant correlations with all employee outcome
30 variables and T&D and HRP practices. Size had significant relationship with staffing
31 practices but not with others. Gender and length of service showed no statistically
32 significant correlations with other variables.
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49 To test the research hypotheses, multiple regressions were performed. The results
50 are outlined in Table 2. The analyses showed that all three models had statistically
51 significant predictive power, suggesting all five groups of employees' perceptions of
52 HRM practices were significant predictors ($p < 0.01$) for AC, NC and TI, thus supporting
53 Hypothesis 1a, 1c and 2. The tolerance values were greater than 0.1 and VIF values were
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3 less than 10, indicating multicollinearity was not a concern for the models (Orme and
4 Combs-Orme, 2009). The adjusted R^2 values indicated that 65.3% of the variation in AC,
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6 58.7% of the variation in NC and 60.7% of the variation in TI were explained by the five
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8 groups of HRM practices. It is reasonable to say that employees' perceptions of HRM
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10 practices adequately explain the variation in three employee outcome variables.
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22 Regarding to the predictive strengths of independent variables, the regression
23 analyses further suggested that T&D (AC: $\beta = .484, p < .001$; NC: $\beta = .471, p < .001$; TI:
24 $\beta = -.469, p < .001$) and RM practices (AC: $\beta = .371, p < .001$; NC: $\beta = .335, p < .001$;
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TI: $\beta = -.336, p < .001$) were the most important predictors for AC, NC and TI in the
models. PM practices (AC: $\beta = .186, p < .001$; NC: $\beta = .167, p < .001$) had the weakest
strength for AC and NC. As for TI, staffing practices ($\beta = -.196, p < .001$) were the
weakest. All control variables showed non-significant effects with all p values of T tests
greater than 0.05.

In summary, the results support the research hypotheses: the greater the perceived
use of HRM practices, the higher level of employees' affective commitment and
normative commitment, but the lower level of their turnover intention.

Discussion and conclusions

This study examines how employees' perceptions of HRM practices impact on employee
outcomes in Chinese privately-owned SMEs. The findings reveal that employees'
perceptions of all five groups of HRM practices including staffing, T&D, PM, RM and
HRP are significant predictors of AC, NC, providing a strong indication that the perceived

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3 use of sophisticated HRM practices increases employees' AC and NC. These results are
4 partially in line with Meyer and Smith (2000)'s findings based on small firms in Canada,
5 which suggested AC and NC were predicted by career development, benefits and
6 performance appraisal practices but not by training practices. The findings are also
7 partially consistent with Chew and Chan (2008) who found a positive relationship
8 between OC and compensation, but a non-significant association with training and career
9 development in large Australian firms. The inconsistency could be due to size, sector, and
10 national differences, though size shows a non-significant effect in the current study. In
11 the Chinese context, similar results were obtained by Zheng *et al.* (2009), who argued
12 that the adoption of innovative HRM practices had positive effects on commitment. This
13 study also compared and revealed the varying strengths of five clusters of HRM practices,
14 suggesting employees' perceptions of T&D and RM practices are likely to have a stronger
15 relationship with employee commitment than others.

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33 Another key finding indicates that employee TI can be reduced by greater
34 perceived use of the five groups of HRM practices in the SME sector. This finding is in
35 line with previous studies which suggested a negative direct/indirect relationship between
36 TI and actual/perception of HRM practices, especially between TI and compensation
37 practices (Chew and Chan, 2008; Dhiman and Mohanty, 2010; Juhdi *et al.*, 2013). The
38 results further show that employees' perceptions of T&D practices have the strongest
39 relationship with TI, followed by RM practices and others. Interestingly, this finding
40 contrasts with Juhdi *et al.* (2013) who suggested T&D-related practices are not a
41 significant predictor of TI, but supports Chew and Chan (2008) and Kuvaas (2008) who
42 found a significant effect. A possible explanation for the contrasting findings might be
43 the different nature of the organisations in the various samples and varying contextual
44 factors.

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3 The vulnerable nature of SMEs in China, the widespread labour shortage and
4 structural conflict in Chinese labour market is noted above. As such, SMEs in China,
5 especially those which are privately-owned, are often likely to struggle with limited
6 budgets, employee commitment and the retention of a well-motivated and highly
7 qualified workforce. The findings of this study provide some evidence that employees'
8 perceptions relating to the application of HRM may offer a positive contribution to
9 providing an effective approach to these problems. The findings have indicated that all of
10 the HRM practices under scrutiny were positively related to employee commitment and
11 reducing turnover intention. Given that the findings are based on the self-reported
12 perceptions of employees, they emphasise the importance that SMEs should place on not
13 only adopting and using the HRM practices in question but also communicating this use
14 to their employees.
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30 Researchers have pointed out that HRM systems achieve better outcomes when
31 different HRM practices are effectively integrated (Guest, 2001). Nevertheless, it should
32 be highlighted that SMEs may not have sufficient resources to implement a complete
33 bundle of practices. Thus, it may be necessary to prioritise those practices in order of
34 importance. Our findings emphasise the relative importance of how employees perceive
35 training and development activities in SMEs. However, earlier evidence shows that SMEs
36 are unlikely to take T&D into account due to factors such as associated costs, long-term
37 orientation, possible job hopping of well-trained employees and unperceived skill
38 shortages by employers (Cunningham, 2010; Richbell *et al.*, 2010). In essence, the
39 perceived benefits of T&D may not be given due value in the short term by, for example,
40 owners of SMEs. Yet, on the basis of our findings, T&D should be seen as a particularly
41 useful activity for SMEs to engage in and internally market, not only to build competence,
42 but also to increase commitment and retain employees.
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3 Another key HR function in SMEs tends to be reward management. The positive
4 impact of RM on commitment and turnover intention has been widely supported by
5 previous research (Chew and Chan, 2008; Juhdi *et al.*, 2013; Nazir *et al.*, 2016). This is
6 not surprising as compensation appears to be a key issue to employees in the SME sector.
7
8 The reason might be related to SMEs' informal nature; in another words, their reputation,
9 prospects for development, personal T&D opportunities and job security are hardly
10 comparable to those in large firms. For example, in their study of N = 195 SMEs based
11 in Pakistan, Khan and Khan's (2012) found that compensation-related practices were
12 considered by owners/managers as the most crucial part of HRM activities. The
13 expectation of people working in SMEs may tend to focus on compensation rather than
14 other aspects of the employment relationship. The findings of the current study indicate
15 that increases in the perceived use of RM practices may help to contribute to improving
16 employee outcomes with reference to OC and TI among employees of SMEs based in
17 China.
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35 At a more theoretical level, the findings of the current study provide strong
36 support and add empirical evidence to the theoretical propositions underpinning the
37 Harvard Framework. By revealing the relationship between employees' perceptions of
38 HRM practices and HR outcomes, the findings demonstrate the importance and value of
39 employing and, importantly, publicising the use of, formal HRM practices specifically in
40 SMEs in China. The findings also echo the RBV by highlighting that affective aspects of
41 the SMEs' workforce capacity can be enhanced by means of effective HRM practices. In
42 addition, the current research provides a set of scales with conventionally acceptable
43 reliability to measure HRM practices in the SME sector which could be used as a
44 reference for future SME studies.
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3 Hypothesis 1b was not tested because of the low reliability of CC sub-scale
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5 (Cronbach's $\alpha < 0.7$). The adopted sub-scale of CC seems to be problematic and not
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7 readily applicable to a Chinese sample. Such a result is consistent with prior studies in
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9 the Asian context, which suggested the reliability of CC data was relatively low while
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11 that of AC was relatively high (Cheng and Stockdale, 2003). Although Meyer and Allen's
12
13 (1991) OC model and its measurement scales are well-established and widely employed
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15 in different settings, the findings of this paper provide evidence that the applicability and
16
17 transferability of the model are likely to differ in Chinese contexts. In particular, measures
18
19 of AC and NC are likely to transfer to Chinese cultural settings while data collection of
20
21 CC using fixed response questionnaire scales may be more problematic. There could be
22
23 two possible explanations. One is whether CC is commonly understood as a necessary
24
25 component of OC; the other is how the CC concept is interpreted in the Chinese contexts.
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27 It would be interesting for future studies to explore if these three components are
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29 interpreted differently in western and Asian contexts and, if so, why.
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35 **Conclusion**

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37 Overall, this paper extends knowledge about the effects of HRM practices in SMEs in
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39 China. It makes a contribution by helping to address the dearth of studies which have
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41 explored the effectiveness of HRM in this context by involving SMEs in both eastern and
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43 western China. Unlike more mainstream studies, the present study highlights that there is
44
45 a relationship between employees' perceptions about the use of HRM practices and
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47 employee outcomes at the individual level. The findings are useful for SME owners and
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49 HR practitioners. This relationship between employees' perceptions of the use of HRM
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51 practices and employee outcomes in Chinese SMEs can be applied as a mechanism for
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53 generating desirable employee attitudes and behaviours, which, ultimately are likely to
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55 improve organisational performance. The findings also provide robust justification for
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3 attaching importance to implementing HRM in SMEs. The varying strengths of the five
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5 groups of HRM practices explored in this study could be used by resource-constrained
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7 SMEs to help inform HRM choices and optimise resource allocation.
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10 Four important limitations of this research need to be acknowledged. First, the
11
12 study examined five main groups of HRM practices; it is not claimed that these practices
13
14 represent HRM in its entirety. Others HRM practices, linked more directly to topics such
15
16 as work-life balance and the employment relationship could be investigated in future
17
18 studies. Second, the methodology relies on self-report attitudinal scales relating to
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20 employees' perceptions about the use of HR practices by their employers; while valuable
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22 in their own right, the extent to which these perceptions are shared by SME owners and
23
24 are reflective of actual HRM practices within the SME merits further research. Third, the
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26 study is not designed to determine issues of causality relating to the employees'
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28 perceptions of HR practices and employee outcomes such as turnover and commitment.
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30 For example, it may be hypothesised that relatively high levels of commitment may lead
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32 employees to hold relatively positive perceptions of HRM practices or, alternatively,
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34 employees' relatively positive perceptions of HRM practices may lead to relatively high
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36 levels of commitment. Fourth, the data were collected from two provinces and this may
37
38 limit the generalisability of the findings (Sheldon and Sanders, 2016). While these two
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40 provinces tend to be representative of eastern and western China, future research could
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42 involve a larger number of SMEs drawn from more regions in China.
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Table 1. Descriptive statistics and Pearson product-moment correlations among variables.

	1	2	3	4	5	6	7	8	9	10	11	12
1. Size	1											
2. Gender	-.044	1										
3. Service length	.120	.070	1									
4. Rank	.024	.060	-.346**	1								
5. T&D	-.105	-.014	.094	-.314**	1							
6. RM	.002	-.068	-.013	-.095	.092	1						
7. Staffing	.342**	-.059	-.034	-.046	.067	.052	1					
8. PM	-.013	-.013	-.042	-.001	.037	.050	.072	1				
9. HRP	.040	-.107	.025	-.171**	.090	.003	.022	.025	1			
10. AC	.083	-.035	-.017	-.252**	.565**	.441**	.353**	.250**	.307**	1		
11. NC	-.019	-.047	.029	-.300**	.574**	.409**	.327**	.228**	.236**	.791**	1	
12. TI	.020	.067	.035	.250**	-.556**	-.405**	-.258**	-.275**	-.352**	-.829**	-.730**	1
Mean	100.62	.533	31.30	.727	.000	.000	.000	.000	.000	3.629	3.427	2.797
SD	99.498	.50	30.322	.447	.908	.882	.877	.886	.896	.775	.765	.901

Notes: **. Correlation is significant at the 0.01 level (2-tailed). *N* = 227.

Gender (male = 0; female = 1); Rank (managerial staff = 0; non-managerial staff = 1).

Table 2. Results of multiple regression on three employee outcomes.

Variables	<i>Model 1</i>				<i>Model 2</i>				<i>Model 3</i>			
	<i>Affective commitment</i>				<i>Normative commitment</i>				<i>Turnover intention</i>			
	β	<i>t</i>	Tolerance	VIF	β	<i>t</i>	Tolerance	VIF	β	<i>t</i>	Tolerance	VIF
Size	0.46	1.083	.838	1.193	-.065	-1.391	.838	1.193	.037	.822	.838	1.193
Gender	.051	1.287	.971	1.030	.024	.548	.971	1.030	-.014	-.337	.971	1.030
Service length	-.069	-1.610	.842	1.187	-.022	-.472	.842	1.187	.076	1.672	.842	1.187
Rank	-.038	-.842	.768	1.302	-.085	-1.749	.768	1.302	.037	.787	.768	1.302
T&D	.484	11.561***	.877	1.140	.471	10.324***	.877	1.140	-.469	-10.540***	.877	1.140
RM	.371	9.363***	.977	1.023	.335	7.745***	.977	1.023	-.336	-7.980***	.977	1.023
Staffing	.265	6.257***	.855	1.170	.281	6.073***	.855	1.170	-.196	-4.348***	.855	1.170
PM	.186	4.720***	.989	1.012	.167	3.895***	.989	1.012	-.215	-5.135***	.989	1.012
HRP	.251	6.256***	.956	1.046	.173	3.962***	.956	1.046	-.297	-6.975***	.956	1.046
Adjusted R^2	.653				.587				.607			
<i>F</i>	48.227***				36.669***				39.863***			

Notes: Standardised β coefficients are reported. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

Gender (male = 0; female = 1); Rank (managerial staff = 0; non-managerial staff = 1).