HRM Practices in Internationalised SMEs and Their Sales Growth under Different Environmental Conditions

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ABSTRACT

Objective: This paper explores the patterns of human resource management (HRM) adopted by internationalised small and medium-sized enterprises (SMEs) and their business outcomes with respect to changing external contingencies. More specifically, it examines the link between HRM and sales growth under two different conditions: the relatively stable pre-pandemic period and the highly uncertain first year of the COVID-19 pandemic.

Research Design & Methods: Data stems from structured interviews with key decision-makers representing 200 Polish-based SMEs operating internationally. Methods of data analysis include k-means clustering, one-way and two-way mixed ANOVAs.

Findings: Cluster analysis revealed four distinctive patterns of HRM adopted by internationalised SMEs. The significant interaction effect suggests that with changing environmental conditions specific patterns of HRM adopted in these firms contributed to sales growth in different ways.

Implications/Recommendations: The study revealed that environmental shock can both dampen and enhance the contribution of HRM practices to sales growth in internationalised SMEs, depending on their initial mix and intensity of use.

Contribution: The study contributes to the development of a configurational perspective in HRM research within internationalised SMEs. It demonstrates that multiple pathways can lead to positive outcomes, although not all are equally effective, especially when exogenous factors change dramatically. Thus, it highlights the importance of the external environment in moderating the link between HRM and business performance in these firms.

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1. Introduction

Small and medium-sized enterprises (SMEs), considered as entities with fewer than 250 employees, have been widely recognised as the backbone of non-financial economies. This especially applies to the European context where they are major job providers (employing around 64% of all people working in non-financial sectors in 2020; Eurostat, 2022) and contribute significantly to total value added (52% in 2020; Eurostat, 2022).

Compared to large companies, SMEs are much more dependent on environmental factors and vulnerable to external crises (Harney *et al*., 2022; Miklian & Hoelscher, 2022). The above aspects seem even more important for those enterprises whose activities go beyond their home markets. Unlike domestic entities, internationalised SMEs experience greater complexity stemming from geographical dispersion and market differentiation (Lobo *et al*., 2020). This also entails more diverse challenges arising from global crises such as the COVID-19 pandemic. Like other global players, these enterprises require resources and organisational capabilities which allow them to successfully respond to these challenges and return to their development trajectory (Miklian & Hoelscher, 2022). However, as prior studies suggest, SMEs tend to utilise different human resource management (HRM) practices to overcome such difficulties (Lai *et al*., 2016; Hoke *et al*., 2022), which can be explained, at least partially, by the disadvantages of being small.

Limited resources and external context dependency which characterise SMEs translate into the specificity of HRM in these entities, described as less formalised, reactive, based on the competencies of owners-managers and previous experience of the company, using relatively simple methods and centralised decision-making processes (Festing *et al*., 2017; Harney & Alkhalaf, 2021; Harney *et al*., 2022). Importantly, the empirical studies emphasise rather a positive role of HRM in achieving superior performance in domestic SMEs (Rauch & Hatak, 2016), which in turn is consistent with the resource-based view (Wernerfelt, 1984; Barney, 1991).

However, there is a paucity of empirical studies that would comprehensively capture HRM practices and their outcomes in SMEs operating internationally, despite the increasing interest in this issue observed in the media and among business associations (Dabić *et al.*, 2020, p. 717). Unlike the multinationals, SMEs rarely enter foreign markets through direct investments, while their international activities usually take the form of export and/or inter-organisational collaboration (Kuivalainen *et al.*, 2012; Audretsch & Guenther, 2023). These unique features of internationalised SMEs create a different context for HRM, and thus constrain the applicability of abundant findings from IHRM literature, which is focused on large MNCs (Mendy & Rahman, 2019; Dabić *et al.*, 2020).

To reduce the above gap in the extant knowledge, this paper focuses on patterns of HRM practices adopted by SMEs operating internationally. These patterns are defined as distinctive combinations of four basic sets of HRM practices – originally developed by Lepak and Snell (2002) – built around commitment, collaboration, compliance, and productivity. Due to the environmental dependence of internationalised SMEs, their sensitivity to external crises, and the multitude of contexts affecting them differently, it seems rather unlikely that a universal "best practice" approach would work in all such enterprises. Therefore, this study is aimed at identifying the real combinations of HRM practices adopted by these companies and analyse their business outcomes in two periods that differed in terms of uncertainty and dynamism in their external environment. It covers two consecutive years, namely 2019, when the conditions for conducting business activities, including exports were relatively stable and favourable, and 2020, which brought a significant increase in uncertainty and posed new challenges for international market participants resulting from the outbreak of the pandemic. As aptly noted by Clampit *et al.* (2022, p. 404), "extreme levels of environmental disruption and uncertainty allow the COVID-19 pandemic to serve as a «stress test»". This "test" demonstrated how well small and medium businesses were prepared to cope with such a challenge, which reflects the state of their resources and organisational capabilities including HRM.

Regarding business outcomes in SMEs, this study focuses on changes in sales dynamics in these entities. This is due to several reasons. Firstly, sales growth in the context of SMEs is used as one of the basic measures of business outcomes (Messersmith & Wales, 2011), financial performance (Rauch & Hatak, 2016) and firm growth (Delmar & Wiklund, 2008; Temel & Forsman, 2022). Secondly, sales growth also serves as an indicator of the success in entrepreneurship research (Delmar & Wiklund, 2008, p. 437). Thirdly, in times of crisis, SMEs resort to redundancies to a lesser extent than large entities (Lai *et al.*, 2016; Edvardsson & Durst, 2021), and due to limited financial resources, maintaining the sales dynamic may prove to be a greater challenge for them (Temel & Forsman, 2022, p. 1). Therefore, changes in sales dynamics in these entities seem to more accurately reflect their

actual condition and effective coping with the crisis than the second commonly used measure – employment growth (Delmar & Wiklund, 2008; Rauch & Hatak, 2016). Moreover, as found by Delmar and Wiklund (2008, p. 451), employment dynamics directly depend on the motivation of managers (e.g. avoiding layoffs due to previous and/or expected difficulties in hiring), while changes in sales result largely from the market situation and the adequacy of the company's response to the conditions in its environment, determined, among others, by its ability to adjust human resources). Based on the above gap and rationale, the study addresses the following research questions:

1. What patterns of HRM practices emerge in the context of internationalised SMEs?

2. Do these specific patterns translate into differences between their "users" in terms of sales growth?

3. Assuming that these differences exist, are they consistent regardless of changes in external conditions?

To answer the above questions, this study utilised the empirical data stemming from the randomly selected sample of 200 Polish-based SMEs that were active exporters in the European and/or global market.

2. Literature Review

The idea of valuable contribution of HRM to sustainable competitive advantage is emphasised in the resource-based view. It assumes that companies can compete successfully and continue their growth owing to their organisational capabilities to integrate and deploy valuable, rare, inimitable and non-substitutable resources, including those embedded in employees (Wernerfelt, 1984; Grant, 1991). Therefore, HRM can be also understood as an organisational capability contributing to a firm's performance. From a configuration perspective, this capability comes from a set of HRM practices rather than isolated solutions. In line with this view, Lepak and Snell (2002) distinguished four bundles of HRM practices: commitment-based, collaboration-based, productivity-based, and compliance-based.

The core theme of the commitment-based bundle is internal development manifesting in emphasis on skill-enhancing practices and other activities promoting long-term commitment and retention of employees, particularly knowledge workers (Lepak & Snell, 2002, p. 520). This involves, among others, hiring based on potential to learn, extensive use of flexible job descriptions, job rotation, and internal promotion, substantial investment in continuous training and developing firm--specific skills, encouraging learning at the workplace through appraisal and feedback information (Lepak & Snell, 2002; Morris, Snell & Lepak, 2005).

The collaboration-based bundle appreciates sharing information, mutual trust, and good interpersonal relationships that ensure the inflow of unique knowledge

from the outside. Consequently, HRM practices are aimed at supporting team-building, networking, knowledge-sharing, and joint efforts (Lepak & Snell, 2002; Morris, Snell & Lepak, 2005).

The main concern of the compliance-based set is to ensure as much alignment with job/task requirements as possible at the lowest cost (Lepak & Snell, 2002). The required compliance with the rules, standards and/or procedures is achieved through the detailed specification of the necessary skills, duration and expected results, combined with the limited scope of assigned tasks and minimum discretion of the jobholder.

Finally, the productivity-based bundle is aimed at attracting candidates with competences meeting the specific job requirements and capable of achieving the expected results in that job. It relies upon person-job fit recruitment based on various sources and selective hiring, adopting short-term orientation and focus on performance in employee appraisal, compensation and skills improvement (Lepak & Snell, 2002; Morris, Snell & Lepak, 2005).

The distinction between these configurations is based on the assumption that the diverse nature of human capital implies the use of different HRM practices within a company. Consequently, large employers utilise several configurations of these practices simultaneously, depending on the category of employees. However, in SMEs, a small number of employees (with a less rigid definition of tasks to perform) may translate into different ways of adopting and combining these sets of practices (e.g. flexible, situational, selective use of practices found in the configurations described above). Therefore, in this study, each of these configurations is considered as a set of practices addressed to core employees (current and future), reflecting the way of thinking about human capital in a small or medium-sized company in the context of its current and future situation/needs.

Referring to the contribution of HRM to sales growth, it is worth noting that in the 1950s, Penrose (1959) already claimed that the growth of an enterprise is determined by its capabilities to acquire, develop, and coordinate the bundle of resources, including those contained in people. This also applies to SMEs. Notwithstanding the common constraints of a limited resource base, SMEs are not a homogeneous group, which implies many ways to achieve superior performance and/or support their growth. More specifically, their growth can be boosted by various business strategies that, in general, follow the logic of cost leadership or differentiation (Lechner & Gudmundsson, 2014), or even a combination of these two (Parnell *et al.*, 2012). These options translate into different HRM-related priorities or needs that are met by different configurations of practices.

An increase in sales may be simply a consequence of selling more products, even without changing their specification or quality. This, in turn, can be obtained by: 1) additional employment of people needed to increase the sales volume (job holders

provided by productivity-based HRM or temporary workers supported by the compliance-based HRM), 2) reducing defective work effects through rigorous adherence to procedures, maintaining standards (supported by the compliance-based HRM), 3) improving work efficiency (ensured by the productivity-based HRM). Furthermore, a company can increase its sales due to changes to the offer that generate higher value for customers. In this case, greater sales dynamics result from higher prices paid for new products or their improved/unique attributes (Bahadir, Bharadwaj & Parzen, 2009). The driving force of this growth and the source of increased value provided to its customers may be derived from the firm-specific competencies (a primary concern of the commitment-based set of HRM practices), knowledge sharing and team innovations (promoted by the collaboration-based HRM).

The aforementioned variety of growth options for SMEs implies that any of the four configurations of HRM practices can actually contribute to an increase in sales, hence what matters is the intensive usage of any combination of these practices (assuming that their choice has solid business reasons). However, given the scope of SME activities considered in this study, it should be emphasised that their expansion in international markets requires them to adopt more formal and complex HRM practices in order to successfully compete with large employers for high-value job candidates and retain talented employees (Festing *et al*., 2017; Dabić *et al*., 2020). This requirement can be met to a greater extent by companies that widely use HRM practices belonging to various configurations, especially those focused on productivity and commitment. Therefore, we might expect that those internationalised SMEs whose HRM pattern is characterised by higher utilisation of practices within various configurations will achieve higher sales growth than other firms.

Nevertheless, the above considerations have so far omitted the issue of the external crisis and its implications for HRM. Meanwhile, some studies (e.g. Ketkar & Sett, 2010; Hauff, Alewell & Hansen, 2014) clearly suggest that environmental conditions that vary, among others, in terms of turbulence and uncertainty, require appropriate responses from HR architectures. In other words, the same combinations of HRM practices under different external conditions can produce entirely different results. It is also argued that in the highly volatile environment, greater HR flexibility and adaptability to changes can be provided by HR architectures built around the commitment-based bundle of practices, through their focus on in-house knowledge development, wide task variety, and employee empowerment (Lepak, Takeuchi & Snell, 2003; Hansen, Güttel & Swart, 2019). However, in a more stable and predictable environment, more rigid HR architectures that prioritise productivity can contribute more to business outcomes by better matching permanent employees to well-defined tasks (Lepak, Takeuchi & Snell, 2003).

Hansen, Güttel and Swart (2019) propose that in a highly volatile environment the approaches to HRM that combine the commitment-based and collaboration-based HRM practices are more likely to succeed. They also claim that, in stable and moderately volatile conditions, an appropriate architecture includes compliance-based practices supplemented by productivity-based, and some elements of the collaborative--based set. Although the above stance has not yet received empirical support, the relevance of environmental factors in this context cannot be underestimated. This especially applies to "exogenous shock" caused by the pandemic situation (Miklian & Hoelscher, 2022), which has become a difficult test of the existing approaches to HRM in SMEs operating internationally in terms of the contribution to their performance and firm growth. It is worth noting that during previous economic crises, it was innovation that allowed small businesses to maintain growth or even increase their dynamics (Temel & Forsman, 2022). Importantly, when it comes to HRM practices, both sets – focused on commitment and collaboration – have been found to be factors that contribute significantly to business innovation (Zhou, Hong & Liu, 2013).

Prior research suggests that SMEs, contrary to large companies, seem less prone to benefit from flexibility in human resources. More specifically, they seldom use redundancies to overcome difficulties arising from external shocks or economic crises (Lai *et al*., 2016; Edvardsson & Durst, 2021) and seek less radical measures of cost cutting to survive (Hoke *et al*., 2022). This can be explained by prior efforts in recruiting employees, which discourage the loss of these investments and seeking new recruits again, when the situation improves.

Hence, one would reasonably anticipate that amidst abrupt and substantial deteriorations of exogenous conditions, such as those caused by the COVID-19 outbreak, enterprises that adopted HRM approaches emphasising enhanced flexibility in harnessing their internal knowledge resources – particularly those focused on employee commitment – may attain better results. On the other hand, in arduous business circumstances, approaches that prioritise current performance and efficiency may be more effective in supporting endeavours of companies aimed at sustaining their sound economic condition. Thus, two different HRM patterns can actually be considered as a potentially good choice for SMEs coping with the pandemic crisis, one emphasising the use of commitment-oriented practices and the other focusing more on ongoing productivity/efficiency.

3. Methodology

The study was conducted in Poland, and its respondents were key decision-makers from SMEs operating in international markets. SMEs were defined as independent businesses that employed between 10 and 249 individuals, aligning with the staff headcount criterion outlined in Recommendation 2003/361/EC, while international activities means exporting, mainly to other European countries.

During the COVID-19 pandemic, SMEs exhibited a fairly strong resilience to adverse conditions. This was substantiated by a relatively small decline in value added in 2020 compared to the previous year, as well as positive employment dynamics contrasting with the negative trends observed in larger firms (Eurostat, 2022). As for Poland, the state of epidemic lasted from March 20, 2020, until May 15, 2022. In the first year of the pandemic, there was a slowdown in the growth rate of sales revenue, with the least severe impact observed in small firms (0.1% decrease), while medium and large firms experienced a more significant decline (approx. 2%). Similar changes were observed in employment dynamics (PARP, 2022). Importantly, no differences were noted between exporters and non-exporting firms in this regard.

Data analysed in this paper cover the period from 2019 to 2021 and come from the research project supervised by the author[1]. The empirical material stems from structured interviews (CATI) conducted with key decision-makers (founders/CEOs/ top executives) acting as single key informants representing Polish-based SMEs. The selection procedure, preceded by testing the questionnaire, consisted of two stages: 1) random selection of small and medium-sized exporting enterprises from the national database (Statistics Poland), 2) qualifying them for the study by telephone contact to apply two filtering questions. These questions were aimed to confirm that the company performs export activities and achieved at least the level of 25% FSTS. Out of 1,395 selected firms, 308 (22.1%) did not meet the above criteria, while 887 (63.6%) refused to participate in the survey. The final sample size was 200 with the overall response rate at 14.3%. Non-response bias was tested by comparing the differences in the responses between early and late respondents, i.e. first 20% and last 20% of the respondents. As no significant differences were observed in mean values (regarding age, size, export intensity, sales growth), non--response bias does not appear as a problem.

The research instrument, a structured questionnaire, was based on prior literature review, and contained items adapted from the prior empirical studies. As for the analysis of quantitative data, several methods (available in IBM SPSS version 29) were applied, including *k*-means cluster analysis; one-way and mixed two-way ANOVAs.

A cluster analysis was applied to identify patterns of HRM in the surveyed SMEs. At this stage, four variables informing about the degree sets of practices were used, i.e. HRM based on commitment, cooperation, compliance and productivity, served as clustering variables. Their measurement was based on 51 questionnaire items adopted from the study by Lepak and Snell (2002, pp. 527–528). Following their approach, these variables were operationalised as the additive indices of HRM

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[1] A full presentation of this project, including the research design and empirical results, can be found in the monograph by Purgał-Popiela, Pauli, and Pocztowski (2023).

practices, where each index was calculated by taking the mean value of the items belonging to the given bundle (Lepak & Snell, 2002, p. 526). Importantly, instead of a 5-point scale, a 7-point Likert-type scale was introduced, as recommended by Finstad (2010). It was also necessary to adapt the original questionnaire items to the context of the study through the back translation procedure, which ensures their linguistic equivalence. Respondents were asked to assess practices addressed to core employees/job candidates that were adopted before the pandemic and consistently applied in their organisations. The creation of indices for individual bundles was preceded by an analysis of the reliability of the scales. For the commitment-based, the collaboration-based, and the productivity-based HRM, standardised Cronbach's alpha coefficients were well above the acceptable level, reaching 0.871, 0.812, 0.806, respectively, while for the compliance set, this level was slightly lower, yet still acceptable, and amounted to 0.663.

Following Messersmith and Wales (2011, p. 123), sales growth was used to measure business outcomes. This study actually included two indicators, one of which referred to the first year of the pandemic (sales growth in 2020 vs. 2019 = 100), and the other reflected the pre-pandemic period (sales growth in 2019 vs. 2018 = 100).

The measurement of all variables was based on data from one source, hence it was necessary to take measures to alleviate the problem of common method bias. Following recommendations by Podsakoff *et al*. (2003, pp. 897–898), all the procedural remedies related to the questionnaire were implemented, and the anonymity of respondents was guaranteed. As for the independent – dependent variables concerns, the methodological separation (variety of scales, and forms of responses required) of measurement was applied. Finally, Harman's one-factor test was used, resulting in 23.52% of all variance in the data explained by a single factor. Thus, the common method bias does not arise as a major issue in this study.

4. Results

The presentation of the findings begins with the results of cluster analysis and the characteristics of companies according to the identified categories. The discussion then turns to the results of mixed ANOVA used to examine the sales growth in these clusters over the two periods, thereby including the effect of the changing external circumstances.

Initially, the k-means clustering algorithm was applied to define three, four and five clusters, resulting in correct classification for 98.0%, 96.5% and 94.5% of all cases, respectively. However, only the outcomes concerning four clusters were considered in further analyses, as they simultaneously ensured the high level of properly classified cases, the sufficient size of each cluster that met the assumptions of other statistical tests, and F statistics values significant at $p < 0.001$ for each

set of HRM practices. Table 1 provides information on overall differences between individual clusters. More specifically, it shows that HRM practices in clusters "Efficiency if anything" (EA) and "Everything matters" (EM) are the most distant from each other (above 3 standard deviations). A relatively large distance also separates clusters EA and "Efficiency first" (EF), as well as clusters "Bit of everything" (BE) and EM, which is of approximately 2 standard deviations. In other cases, the distances between individual clusters vary by around 1.5 standard deviations.

Table 1. Distances between Final Cluster Centers in Four-cluster Solutions

Cluster	BE	EA	EF	EM
Bit of everything	–	1.590	1.613	1.961
Efficiency if anything	1.590	–	2.145	3.231
Efficiency first	1.613	2.145	–	1.514
Everything matters	1.961	3.231	1.514	–

Source: the author.

Results of ANOVA and *post-hoc* tests (Table 2) provide a detailed picture of these clusters in terms of differences in using four sets of HRM practices and average use of these practices combined. This average utilisation value in the sample amounted to 4.88 on a 7-point scale. However, its levels in individual clusters differed significantly, starting from the lowest (4.01) in EA and then 4.73 in BE. An above-average level of using all HRM practices was recorded in the EF cluster – 4.99, while the highest was in EM – 5.66. As for the average utilisation of the considered sets of HRM practices, in the entire sample it hovered around 5. The lowest average value pertained to the commitment-oriented bundle, while the highest average value belonged to the productivity-based set. Interestingly, these two sets most strongly discriminated between clusters, as indicated by the highest values of F statistics, 138.26 and 122.44, respectively. At the cluster level, the largest differences in mean values concerned the collaborative-based set, for which the lowest level was achieved in EA – 3.77, and the highest in EM – 5.7.

The "Bit of everything" (BE) cluster comprised 48 companies. This group stood out for its above-average and relatively balanced usage of all bundles of HRM practices, with ratings for commitment-based and collaboration-based packages notably higher than other groups of firms. This latter feature was also found in the cluster "Everything matters" (EM); however, in BE, the average utilisation levels for both commitment-based and collaboration-based sets were significantly lower than in EM.

53 companies belonging to the cluster "Efficiency if anything" (EA) adopted an HRM pattern characterised by moderately low utilisation of HRM practices focused

on commitment and collaboration, as well as an average level in the case of two other sets. In comparison to the other clusters, utilisation levels of HRM practices were significantly lower, except for the compliance-based set, where the level was similar to the corresponding value in the BE group.

Table 2. Group Means, Results of ANOVAs and *post-hoc* Tests in Four-cluster Solution

Variable	Sample Mean	ANOVA *F* value	BE Mean	EA Mean	EF Mean	EM Mean
Commitment-based	4.76	138.26	4.83$_c$	3.82$_a$	4.45$_b$	5.67$_d$
Collaboration-based	4.87	110.88	4.88$_b$	3.77$_a$	4.90$_b$	5.79$_c$
Compliance-based	4.96	62.59	4.30$_a$	4.53$_a$	5.59$_b$	5.46$_b$
Productivity-based	5.00	122.44	4.66$_b$	4.19$_a$	5.54c	5.64$_c$
HRM practices in total	4.88	255.90	4.73$_b$	4.01$_a$	4.99$_c$	5.66$_d$
Number of cases	200		48	53	36	63
% of total	100.0		24.0	26.5	18.0	31.5

Notes: Levene's tests confirmed that the assumption of the variance homogeneity in these clusters is met. Each subscript letter (i.e. a, b, c, d) denotes mean value in a given cluster which, at the 0.05 level, does not differ significantly from the values in other clusters in Tuckey *post-hoc* tests.

Source: the author.

The "Efficiency first" (EF) cluster consisted of 36 enterprises. The pattern of HRM used by these entities focused on achieving high efficiency through an emphasis on compliance and productivity. The utilisation level of these practices was above average (5.6 and 5.5, respectively) and significantly higher than in the BE and EA clusters. The application of the collaboration-focused bundle in this cluster did not deviate from the average level, while practices oriented towards commitment were at a lower level.

The "Everything matters" (EM) cluster was the largest in the sample, including 63 entities. The pattern of HRM in this group did not favour any specific set of practices, as the average levels of utilisation for each of them ranged between 5.5 and 5.8. Generally, this level was higher than the sample average. The unique feature of this cluster was significantly higher (than in other groups) average values of the indices related to collaboration- and commitment-based, exceeding 80% of the maximum scale value.

A mixed-ANOVA was carried out to check how individual patterns of HRM affect the change in sales growth. The first stage focused on the effects of time and a pattern of HRM, and the interaction between them. Then, the simple main effects of the considered factors were examined. Statistical tests confirmed the significance of the main effect for one factor, i.e. pattern of HRM ($F(3, 195) = 16.019, p < 0.001$) and the interaction effect ($F(3, 195) = 3.687, p = 0.013$), whereas the main effect

of time appeared insignificant ($F(1, 195) = 0.0002$, $p = 0.987$). It can be therefore concluded that the average sales growth in the sample did not change significantly over time, while the companies belonging to different clusters of HRM practices varied in this respect. However, the significant value of F statistics for interaction effect means that with time specific patterns of HRM affect sales growth in different ways (more specifically, sales growth in the period before and during the pandemic changed in different ways in individual clusters).

Figure 1 illustrates this interaction effect along with the estimated marginal means of sales growth for clusters in the pre-pandemic and pandemic periods. Simple effects, which show the influences of one factor (i.e. pattern of HRM) at each level of the other factor (i.e. period of time for which the sales growth was measured), provide more precise information on the nature of the interaction between the considered factors. SMEs in the EM cluster reported the highest sales growth in both considered periods when compared to other groups. The lowest dynamics of sales was found in the "Efficiency if anything" cluster, where three out of four HRM bundles were applied at significantly lower levels when compared to the others. These findings support the RBV assumptions and prior research concerning the positive contribution of HRM to superior business performance in SMEs (Rauch & Hatak, 2016).
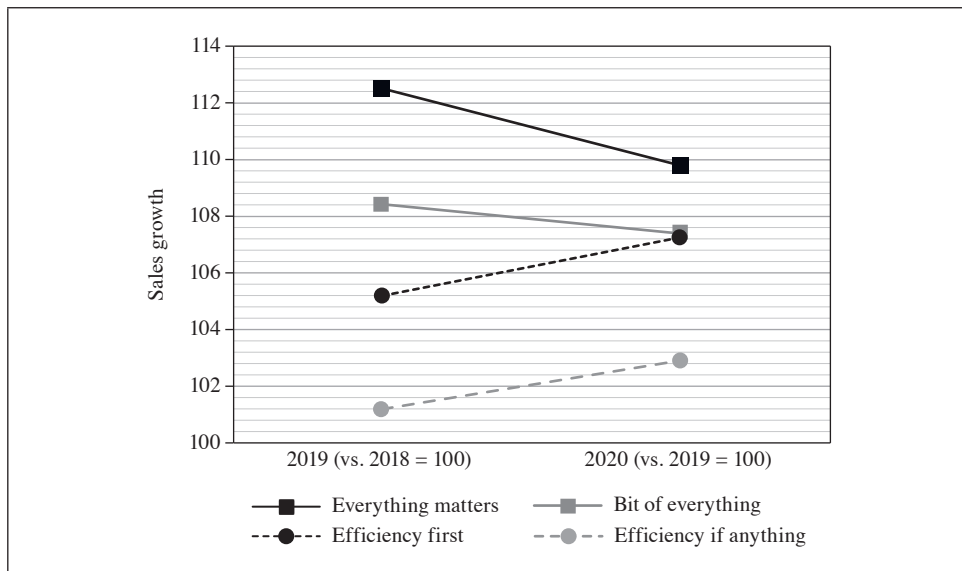

Fig. 1. Interaction Effect on Sales Growth in Clusters
Source: the author.

As Figure 1 demonstrates, before the pandemic differences in sales growth between clusters were generally greater than in the subsequent period. More precisely, during the pandemic the indices of sales growth tend to converge, most strongly in the case of the BE and EF clusters. Another important observation refers to directions of change. More specifically, two groups, namely "Efficiency if anything" and "Efficiency first" reported greater sales growth in this critical time, while the opposite effect was found in other clusters.

To examine the differences between these groups, additional tests (pairwise comparisons) were conducted. They confirmed that before the pandemic, indicators of sales growth were significantly higher in clusters EM and BE compared to EA (mean differences: 11.3 at $p < 0.001$ and 7.2 at $p = 0.002$, respectively), and in the EM cluster compared to EF (mean difference: 7.3 at $p = 0.002$). As for the next year, sales growth remained significantly higher in clusters EM and BE compared to EA, yet the mean differences were slightly smaller (6.9 at $p < 0.001$, and 4.4. at $p = 0.015$, respectively). Additionally, a significant difference (mean difference: 4.5 at $p = 0.022$) in this respect appeared between clusters EF and EA, while the significant difference between EM and EF reported in the previous year vanished (mean difference: 2.4, at $p = 0.601$). Finally, a significant negative change in sales growth (in 2020 compared to 2019) was found only in the EM cluster (mean difference: –2.7 at $p = 0.014$), whereas for other clusters no significant differences were found. Further comments regarding the above results are provided below.

5. Discussion

As this study has revealed, internationalised SMEs do not constitute a homogeneous group and therefore they adopt different approaches to HRM. Referring to the first research question, four patterns were found, of which two, namely "Everything matters" and "Bit of everything", represent more balanced combinations of HRM practices, and the other two, i.e. "Efficiency first" and "Efficiency if anything", favour certain sets of these practices. Furthermore, there are significant differences in the utilisation levels of individual HRM configurations between balanced and selective HRM patterns. They differ most in the presence of a commitment-based set of practices, which is consistent with the findings of Hauff, Alewell and Hansen (2014) on HRM clusters in German companies.

The second research question concerned implications of HRM patterns for the surveyed firms in terms of their sales growth. In both considered periods, there were significant differences in sales growth achieved by SMEs belonging to different clusters of HRM practices. Overall, patterns characterised by higher levels of HRM practices were associated with better business outcomes in both periods, though the differences between clusters converge during the pandemic. In the pre-pandemic year, significantly higher sales growth were recorded by SMEs with balanced

patterns of HRM, although the level of using these practices also mattered. More specifically, the greatest growth was achieved by SMEs whose HRM pattern was characterised by greater use of these practices. These findings are in line with the results of Rauch and Hatak (2016, p. 497), who found that a stronger presence of practices concerning employee commitment, participation and training was significantly associated with superior business performance, while selection, job description and compensation was either insignificant or weakly correlated with these outcomes.

This study also showed that in terms of average sales dynamics, the differences between the "Bit of everything" and "Efficiency first" clusters were insignificant, and during the pandemic they actually reached the same level – still higher than the cluster with a low level of practices (i.e. "Efficiency if anything"). This observation seems vital as these two different patterns of HRM turned out to be equivalent in terms of their corresponding business outcomes. Thus, it confirms the usefulness of the configuration theory emphasising "multiple ways to reach the same outcome" in understanding the role of HRM in SMEs (Kroon & Paauwe, 2022, p. 3227). On the other hand, what connects BE and EF clusters and at the same time strongly differentiates them from the EA cluster is a moderately high level of collaboration-oriented practices. This common component seems particularly important due to the specificity of SME internationalisation, which is largely based on formal and informal networks "compensating" for limited own resources (Dabić *et al*., 2020; Audretsch & Guenther, 2023).

As for the third research question, this study clearly demonstrates the importance of external factors for SMEs when investigating HRM practices and their contribution to sales growth. The interaction effect confirmed that under different circumstances individual patterns of HRM work differently. The sharp increase in uncertainty and difficulties in conducting business during the pandemic reduced the previous advantage of companies with more balanced HRM patterns, although more strongly in the EM cluster. Interestingly, in this period, SMEs that adopted selective patterns, i.e. focused on efficiency, achieved slightly higher sales dynamics than in the previous year. This may mean that, paradoxically, relatively more "frugal" patterns allowed them to react more quickly to current challenges. At the same time, the entities whose approach involved greater and continuous efforts to expand their own knowledge base, might have needed more time to adapt to changing conditions, which in turn could temporarily weaken the pace of growth. Another possible explanation may be the stronger impact of non-organisational factors during the pandemic period, including those related to the situation in foreign markets, which the surveyed companies experienced in different ways. Nevertheless, it is worth emphasising that despite the "suppressive" effect of the pandemic, differences in the

level of sales dynamics between companies with a low and relatively high level of various HRM practices persisted, in favour of the latter.

6. Conclusion

By examining various combinations of HRM practices in the context of internationalised SMEs, and considering the impact of external environmental factors, this study responds to calls for empirical research and relevant inquiries emerging from recent studies (Dabić *et al*., 2020; Harney & Alkhalaf, 2021; Kroon & Paauwe, 2022). It provides evidence supporting the applicability of the configuration approach in examining human resource management in SMEs, showing that there are multiple ways to achieve a positive outcome, although not all are equally effective, especially when the exogenous factors change dramatically.

The relevance of the findings for practice stems from several considerations. Firstly, this study provides a more comprehensive portrait of HRM in SMEs operating in foreign markets, emphasising the use of different configurations of HRM practices. Secondly, it highlights the issue of the diverse effects of individual patterns of HRM on business performance in terms of their total sales growth. Finally, this study provides a new insight into SMEs operating in times of turbulence and crisis.

The present study has some limitations. These include the homogeneity of companies in terms of country-of-origin, and selection criteria, which limit the general applicability of the findings. Moreover, quantitative research that focuses on the level of utilisation does not provide sufficient insight into the content of HRM practices. Furthermore, the retrospective character of the study, which allows for a more complete capture of ongoing HRM practices, creates difficulties in recalling events distant in time. Therefore, two directions for further research are proposed. First, large-scale studies are recommended to validate these findings and compare them in different institutional settings, and thus enhance their applicability. Regarding the second direction, multiple case studies seem worth considering because they enable us to capture the complexity of HRM practices in their natural context, and better understand their multifaceted contribution to the growth of the firm.

Conflict of Interest

The author declares no conflict of interest.

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