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# The Digital-Inclusive Nexus: How Technology-Mediated HRM Practices Foster Employee-Driven Social Responsibility in Smes

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A B S T R A C T

This paper grew out of a puzzle I encountered during fieldwork in three Chinese SMEs. Some employees in these firms volunteered for community projects and environmental initiatives. Others did not. What explained the difference? I set out to answer this question by looking at how inclusive HRM practices shape employees' voluntary social-responsibility behaviors. I also wanted to know whether digital technologies—which these firms had adopted at different levels—amplified or dampened those effects. I used stakeholder theory, self-determination theory, and digital embeddedness theory as my conceptual lenses. To test my ideas, I conducted a multi-case grounded-theory study of three SMEs in the Yangtze River Delta. I carried out 18 semi-structured interviews, reviewed internal company documents, and examined publicly available CSR materials. My analysis revealed a consistent pattern. Employees who experience inclusive HRM—characterized by equity, development, support, and participation—develop stronger psychological ownership of their organization. This leads them to perceive their employer as genuinely committed to social values. That perception, in turn, motivates them to act in socially responsible ways on their own initiative. Digital tools play a moderating role: when they make HR processes transparent and accessible, they strengthen the entire chain. When they are used for surveillance, the chain weakens. These findings contribute to CSR scholarship by showing the micro-level processes through which HRM affects employee behavior, and they offer practical guidance for SMEs with limited resources.

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## INTRODUCTION

### *Starting Point*

A conversation in early 2024 set me thinking. I was at a manufacturing plant outside Shanghai, talking with a line worker during a break. The firm, with about 210 employees, had been running a digital performance system for three years and encouraged staff to join community activities. I asked her why some colleagues participated in these activities while others stayed away.

She answered without hesitation: "It depends on whether you feel the company actually cares about you. If you think they're just using you, why would you go the extra mile for them?"

That remark stayed with me. It suggested that employee social responsibility is not simply a response to company policy. It is personal. It flows from how people experience their workplace—whether they feel valued, whether they see their employer as genuinely committed to something beyond profits.

Over the following months, I kept returning to this idea. I began to think that two factors might matter. First, how firms manage their people: do they treat employees fairly, invest in their development, support them, and listen to them? Second, whether and how firms use digital tools: do these tools make management practices more transparent and accessible, or do they primarily enable surveillance and control?

This paper reports my effort to investigate those questions systematically.

### *Why SMEs and Why Now*

I focused on SMEs for three reasons.

One: SMEs are not simply smaller versions of large firms. Their structures are flatter, their resources scarcer, their relationships more informal. CSR in SMEs cannot rely on formal departments or large budgets. It depends instead on how managers interact with employees on a daily basis. If we want to understand what drives employee social responsibility in this setting, we need to look at HRM.

Two: digital transformation has reached SMEs, but unevenly. Some have adopted tools enthusiastically; others have done so piecemeal, often for monitoring and control. How firms deploy technology matters for how employees experience their work and their employer.

Three: existing research on HRM and CSR has focused largely on large firms, using survey data collected at one point in time. We know little about how inclusive HRM shapes employee social responsibility over time, in real organizational settings, through mechanisms that employees themselves notice and describe.

***What I Did***

I conducted a multi-case grounded-theory study. I selected three SMEs in the Yangtze River Delta region. They represented different sectors: one manufacturing firm, one digital-technology services firm, and one business-support services firm.

I collected data in three ways. I conducted semi-structured interviews with 18 informants—founders, HR managers, supervisors, and frontline employees. I examined internal documents: policy manuals, meeting minutes, training records. I also reviewed publicly available CSR disclosures and media reports.

My analysis pointed to a consistent pattern. Inclusive HRM—which I define along four dimensions (equity, development, support, and participation)—influences employee social responsibility through a chain of psychological processes. These practices first build psychological ownership: employees come to feel that the organization is partly "theirs." That sense of ownership then shapes how employees perceive the organization's commitment to social values. When they see genuine commitment, they become more willing to act on social and environmental concerns themselves.

Digital embeddedness matters for this chain. When technology enhances transparency and participation, it strengthens the links. When it enables surveillance and control, it weakens them.

***Contributions***

This study contributes to the literature in three ways.

First, it provides an empirically grounded account of how inclusive HRM influences employee social responsibility in SME contexts. Second, it shows that digital technology is not neutral—it actively shapes whether inclusive HRM practices translate into employee behavior. Third, it identifies the psychological mechanisms that mediate this process: psychological ownership and perceived organizational social responsibility.

For practitioners, the findings suggest that SME managers need to think about HRM and digital tools together. The two interact. Fair, supportive, participative HRM, enabled by transparent digital systems, can build employee commitment and initiative. Control-oriented HRM, enabled by digital surveillance, can undermine both.

## LITERATURE REVIEW

***Defining Inclusive HRM***

I went into this project thinking I knew what inclusive HRM meant. I was wrong. The term appears across several literatures—organizational behavior, sociology, diversity studies, business ethics—and scholars use it differently.

I settled on a definition that is broad enough to capture what I observed in my fieldwork. Inclusive HRM means management practices that support equitable treatment, respect individual differences, provide growth opportunities, enable employee voice, and foster supportive workplace relationships.

This definition works for two reasons. It connects to existing scholarship while staying open to SME realities, where formal HR policies are often minimal. And it directs attention to four dimensions that came up repeatedly in my interviews: equity, development, support, and participation.

*Let me unpack each one.*

Equity. People I interviewed talked a lot about fairness. Not in abstract terms—in concrete details. One worker told me: "I was passed over for training twice because I didn't know the manager socially. That changed after the digital system came in." Equity here means procedural transparency, consistent rule application, and freedom from arbitrary discrimination.

Development. Another interviewee said: "They sent me to a digital training course last year. First time anyone from the company had invested in me. I was surprised—and grateful." Development means giving employees chances to learn new skills, advance their careers, and build capabilities. In SMEs, this often takes modest forms: online courses, cross-training, project assignments. But employees notice whether their employer invests in them.

Support. A supervisor described it simply: "If someone's family situation is difficult, we try to be flexible. It's not complicated—it's about treating people like people." Support means work-life accommodations, health assistance, and responses to personal difficulties. It signals that the organization cares about employees as whole persons.

Participation. A long-time employee told me: "We used to be told what to do. Now we're asked what we think. It makes a difference." Participation means involving employees in decisions that affect them, listening to their concerns, and valuing their input. It is not just consultation—it is genuine influence.

These four dimensions emerged from my data as the most relevant for these firms. Other studies might identify others. For this paper, they serve as my analytic framework.

***What I Mean by Employee Social Responsibility***

I am interested in a specific kind of behavior: voluntary, self-initiated actions that individual employees take to promote social welfare, environmental sustainability, equity, or community development.

*Three features distinguish this behavior.*

First, it is voluntary. Employees are not required to act—they choose to.

Second, it is self-initiated. Employees spot opportunities and act on them, rather than waiting for instructions.

Third, it extends beyond organizational boundaries. Unlike organizational citizenship behavior, which typically benefits coworkers or the firm, proactive employee social responsibility reaches outward to communities, the environment, and broader social concerns.

In my fieldwork, I saw this in many forms. Some employees volunteered at local schools. Others organized recycling programs. Still others advocated for fair treatment of suppliers or customers. The common thread was initiative:

employees acting on their own, without managerial direction, to contribute to something they valued.

***Digital Embeddedness as a Concept***

The term "digital embeddedness" emerged from my fieldwork. Employees in firms with mature digital systems did not talk about technology as something they "used." They talked about it as something they "lived with"—woven into their daily routines, communication patterns, and decision processes.

That is what I mean by digital embeddedness: the extent to which digital technologies are structurally integrated into organizational life. It is not just the presence of digital tools. It is their integration into routines, habits, and assumptions.

*I conceptualize digital embeddedness as having four dimensions:*

Breadth. The range of processes in which digital systems are routinely deployed.

Depth. How proficient organizational members become and how spontaneously they use digital tools.

Institutional integration. How deeply digital platforms are embedded in formal rules and procedures.

Transparency. How open and traceable information flows are within digital systems.

When digital embeddedness is high, technology is not peripheral. It is inseparable from how work gets done, decisions get made, and people interact.

***Three Theoretical Lenses***

*Three perspectives guided my study.*

Stakeholder theory provided the normative foundation. It reminded me that organizations have responsibilities to multiple parties—employees, communities, customers, the environment—not just shareholders. CSR is not optional; it is constitutive of organizational legitimacy.

Self-determination theory explained the psychological mechanisms. People are intrinsically motivated when their needs for autonomy, competence, and relatedness are met. Inclusive HRM, I reasoned, should satisfy these needs and foster the intrinsic motivation that drives voluntary social action.

Digital embeddedness theory added a crucial contextual dimension. Technology can either amplify or suppress the effects of inclusive HRM, depending on how it is designed and used.

Together, these perspectives allowed me to attend to normative, motivational, and technological dimensions of employee social responsibility.

## METHODOLOGY

### *Methodology Choice*

I chose a multi-case grounded-theory methodology because the phenomenon I was studying was not well captured by existing theory. I needed to build theory from data, not simply test hypotheses.

*Three considerations guided this choice.*

First, the dynamics I was exploring—how inclusive HRM shapes employee behavior in digitally transforming SMEs—are emergent and context-dependent. Deductive theories from large-firm settings are unlikely to capture them fully.

Second, the SME context requires qualitative attention. Surveys cannot capture the informal relationships, daily routines, and personal meanings that shape HRM in small firms.

Third, my interest in psychological processes—how employees perceive, interpret, and respond to management practices—requires methods that allow employees to speak in their own terms.

The multi-case design strengthened the generalizability of findings beyond any single firm while preserving analytical depth.

### *Case Selection*

I selected three SMEs using theoretical sampling. All are headquartered in China's Yangtze River Delta region. They represent different sectors.

Firm A is an automotive parts manufacturer with approximately 210 employees. It implemented a digital performance management system three years before my fieldwork and maintains regular community engagement programs.

Firm B is a software development firm with about 95 employees. It uses cloud-based collaboration tools extensively and has a formal employee volunteer program.

Firm C provides logistics and supply-chain services, with approximately 160 employees. It has deployed digital training platforms and participates in regional environmental initiatives.

Each firm met my selection criteria: demonstrable digital HRM systems, documented CSR initiatives, willingness to provide research access, and diversity in operational type.

### *Data Collection*

*I collected data through three channels*.

Interviews. I conducted 18 semi-structured interviews distributed across the three firms. Informants included founders, HR managers, departmental supervisors, and frontline employees from different functional areas. Each interview lasted 45-90 minutes. I recorded and transcribed every interview.

Documents. I collected internal documentary materials: HR policy manuals, meeting minutes, training records, activity summaries, internal circulars, digital-system operation logs, and internal survey outputs.

Public sources. I gathered information from corporate websites, CSR disclosures, media coverage, industry regulatory documents, and public sustainability ratings.

I continued data collection until theoretical saturation: until I stopped encountering new conceptual insights relevant to my emerging categories.

***Data Analysis***

*I followed established grounded-theory procedures.*

Open coding. I labeled raw empirical materials line-by-line to generate an initial inventory of concepts. I did this manually, reading each transcript and document carefully, annotating with preliminary codes.

Axial coding. I established relational linkages among conceptual categories along causal, contextual, intervening, and conditional dimensions. This phase organized categories into a coherent structure.

Selective coding. I identified an overarching core category and integrated all subordinate categories into a unified theoretical model.

Throughout, I used constant comparison and memo writing. My memos recorded analytical insights, emerging hypotheses, and connections between categories.

***Strategies for Trustworthiness***

*I employed several strategies to strengthen validity and reliability.*

Triangulation. I drew data from interviews, documents, and public sources, allowing cross-verification.

Peer debriefing. I discussed preliminary findings with senior researchers not involved in data collection.

Evidence trails. I maintained explicit documentation connecting each conceptual category to its original data segments.

Member checking. I shared preliminary findings with selected participants to verify that my interpretations accurately reflected their experiences.

## RESULT AND DISCUSSION

***Initial Categories***

Open coding generated over 300 initial concepts from interview transcripts and documentary evidence. I progressively consolidated these into more abstract preliminary categories.

Representative categories included: impartial performance appraisal, equitable remuneration allocation, barrier-free access to training, flexible-work accommodations, employee-voice conduits, digital volunteer-enrollment functionality, perceived organizational sincerity, psychological sense of proprietorship, willingness to engage in community participation, environmental-protection initiative, algorithmic transparency within digital HR systems, digital-skill assistance for vulnerable employee groups, and managerial role modeling in social responsibility.

***Relating the Categories***

*I kept each conceptual category closely tied to its empirical source.*

Axial coding connected categories along causal and contextual dimensions. Four stable and mutually reinforcing dimensions of inclusive HRM practice emerged.

Equity inclusion. This involves assurance of non-discrimination, procedural fairness in performance evaluation and compensation, transparent advancement criteria, and equal treatment regardless of background, age, gender, or tenure.

Developmental inclusion. This involves universally accessible skills training, career counseling, and promotional opportunities, without arbitrary exclusion based on seniority or informal connections.

Supportive inclusion. This involves work-life balance accommodations, mental health assistance, economic aid for employees facing hardship, family-friendly policies, and targeted support for vulnerable groups.

Participative inclusion. This involves formal and informal channels for employee voice, involvement in policy formulation and CSR activity design, and genuine valuation of constructive feedback.

Two mediating variables emerged: psychological ownership and perceived organizational social responsibility. Digital embeddedness was identified as a contextual moderator.

***The Core Story***

Selective coding identified the core category as the digitally supported activation of proactive employee social-responsibility behavior through inclusive HRM. Subordinate categories synthesized around this core produced this theoretical model:

Inclusive HRM practices → psychological ownership → perceived organizational social responsibility → proactive employee social-responsibility behavior

Digital embeddedness moderates the linkages from inclusive HRM practices to each mediating variable.

The model reveals a sequential psychological dynamic. Inclusive HRM practices satisfy employees' basic psychological needs, enhancing psychological ownership. This strengthened sense of ownership deepens employees' perception of the organization's authentic social commitment. This perception, in turn, motivates voluntary proactive social-responsibility conduct.

***Evidence from the Cases***

Cross-case comparative analysis revealed consistent patterns across all three firms.

One pattern stood out. Employees in units with mature inclusive HRM and higher digital integration consistently showed stronger inclinations to initiate and participate in environmental, charitable, and equity-promoting activities.

Digital platforms reduced coordination time for collective volunteer actions. At Firm B, a digital volunteer system let employees sign up for community events, track contributions, and share experiences. Several interviewees said this visibility created positive peer pressure and reinforced participation's social value.

Digital performance and welfare systems enhanced transparency. At Firm A, the digital performance system made promotion criteria visible to all employees. A production supervisor told me: "Now everyone knows what they need to achieve. It's no longer about who you know—the system makes things clear." This transparency reduced perceptions of managerial hypocrisy and strengthened trust in the organization's fairness.

Interviewees frequently drew connections between fair treatment, developmental support, participative voice, and their sense of moral obligation toward colleagues, customers, and the wider community. One Firm C employee put it simply: "When the company supports us—gives us training, listens to our ideas—I feel I should give something back, not just to the company but to the society around us."

## CONCLUSION AND RECOMMENDATION

### *Four Dimensions of Inclusion*

My findings corroborate a four-dimensional architecture of inclusive HRM practice adapted to SMEs undergoing digital transformation. The architecture emphasizes practical viability under resource constraints and digital integration into routine operations.

Equity inclusion matters because informal relationships can dominate personnel decisions in SMEs. Transparent, objective criteria guard against this.

Developmental inclusion matters because resource-constrained SMEs often overlook training. Online learning platforms and project assignments can provide development at modest cost.

Supportive inclusion matters because employees in SMEs often lack the formal support structures—HR departments, employee assistance programs—that large firms offer.

Participative inclusion matters because SMEs have flatter hierarchies, which can either enable meaningful voice or leave employees without formal channels to express concerns.

The digital environment enables each dimension to function more efficiently and fairly by mitigating bias, broadening access, and reducing participation costs.

### *The Psychological Chain*

The sequential mediation trajectory illuminates the psychological process through which employee-driven CSR unfolds.

Inclusive practices do not immediately elicit social conduct. They first reconfigure employees' psychological relationship with the organization by satisfying needs for autonomy, competence, and relatedness. When employees experience fair treatment, developmental support, and participative voice, they develop stronger psychological ownership.

As psychological ownership strengthens, employees become more attentive to organizational values. This leads to perceptions of the organization's genuine social commitment. When employees perceive sincere commitment—rather than symbolic CSR—they become more willing to invest effort in voluntary prosocial undertakings.

Organizations cannot simply mandate social responsibility. They must build the psychological conditions that make such behavior intrinsically appealing.

***Technology's Dual Role***

*Digital embeddedness functions as an amplifying factor, not a direct cause.*

Digital systems enhance transparency and credibility. When performance systems make evaluation criteria visible, training platforms document opportunities, and communication channels enable participation, employees gain objective evidence of organizational fairness. This reduces skepticism and strengthens psychological ownership.

Digital systems broaden accessibility of developmental and supportive resources. Online training, digital mental health resources, flexible work arrangements enable employees to access support regardless of location or schedule.

Digital platforms provide convenient conduits for social-responsibility participation.

But the moderating effect depends on design and deployment. When systems augment transparency and inclusiveness—making information accessible, participation easy, contributions visible—they strengthen the HRM-psychological mediation linkage. When systems are deployed primarily for surveillance and control, they erode trust and suppress intrinsic motivation.

*This study makes three contributions.*

First, it provides an empirically grounded, theoretically informed account of how inclusive HRM shapes employee social responsibility in SME contexts. The four-dimensional framework—equity, development, support, participation—offers a practical way for managers to conceptualize inclusive practice.

Second, it demonstrates that digital technology is not neutral. Whether digital embeddedness amplifies or dampens the effects of inclusive HRM depends on how technology is designed and used. Transparency and participation strengthen the process; surveillance and control weaken it.

Third, it identifies the psychological mechanisms that mediate the relationship: psychological ownership and perceived organizational social responsibility. These processes explain why inclusive HRM leads to social behavior, and why this pathway is not automatic.

*Practical Guidance*

For SME managers, the implications are clear. Transition from control-oriented HRM toward inclusive systems that prioritize fairness, development, support, and participation. Deploy digital instruments to enhance transparency and inclusiveness, not merely to intensify surveillance. Align organizational practices with genuine social values to cultivate lasting intrinsic motivation.

For policymakers, the results highlight the value of supporting digital literacy and inclusive HRM capacity-building among SMEs. These investments improve regional social governance and sustainable-development performance.

*Limitations*

The sample is limited to SMEs in one geographic region. Cross-context generalizability is therefore uncertain. The research design is qualitative; large-scale quantitative surveys could validate the theoretical model. Cross-industry comparative designs could illuminate contextual boundary conditions.

Future research might explore long-term dynamic repercussions of digital inclusive HRM on sustainability outcomes, algorithmic fairness within digital HRM, and intersections with diversity, equity, and inclusion frameworks.

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