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**AN EMERGENT THEORY OF HRM:  
A THEORETICAL AND EMPIRICAL EXPLORATION OF DETERMINANTS OF HRM  
AMONG IRISH SMALL TO MEDIUM SIZED ENTERPRISES (SMEs)**

Brian Harney and Tony Dundon

**ABSTRACT**

Utilizing data drawn from 18 in-depth case studies the authors explore in detail the factors shaping employment in a diverse range of Irish Small and Medium Sized Enterprises. Existing theory in HRM is deemed inadequate in capturing the complexity of HRM in SMEs especially as it treats organizations as hermetically sealed entities. In an effort to animate the criticism directed at normative models of HRM the authors use a conceptual framework with an emergent, open systems theoretical proposition to examine the parameters, dynamics and determining factors of HRM at each of the case study companies. The results show that the notion of a normative HRM model was not coherent in terms of actual practices but rather reactive, and emergent HRM related processes were often imposed to meet legislative requirements or to reinforce owner-manager legitimacy and control. The authors conclude that an appreciation of the interaction between structural factors both inside and outside the immediate work milieu is crucial if the heterogeneity of HRM in SMEs is to be adequately accommodated and understood.

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## INTRODUCTION

Recognition of the positive role that HRM plays in facilitating the attainment of competitive advantage is becoming ubiquitous (Boxall and Purcell, 2003; Tyson, 1997). Research contributions continuously extol the virtues of HRM and stress the imperative of introducing formal, sophisticated HRM to increase organizational performance (Huselid, 1995; Pfeffer, 1998). The theoretical debate around this nexus has been consumed by a contest between two normative models of HRM, namely 'best practice' and 'best fit' (Boxall and Purcell, 2000). Yet traditional accounts suffer from an obsessive concentration on *atypical* (i.e. large) firms, taking as their referent HRM interests as they have been articulated in these firms (Hendry et al., 1995; Wilkinson, 1999). Research in HRM is therefore extremely skewed to the periphery in terms of firm size as it provides little information as to the nature and form of practices, whether labeled HRM or not, adopted in Small to Medium Sized Enterprises (SMEs).

In this paper we address this imbalance by examining in detail the parameters, dynamics and determining factors of HRM among a sample of Irish Small to Medium Sized Enterprises. The espoused universalism which characterizes the HRM project rests on a homogenous projection of HRM across all settings. This assumed universal relevance of the findings derived from large firms to SMEs has been termed 'little big business syndrome' (Cassell et al., 2002; Welsh and White, 1981). Very rarely, however, has the applicability of normative frameworks been assessed, or an awareness of HRM in SMEs been considered, to inform broader debates (Baron, 2003). Through examining the determinants of HRM in SMEs we therefore hope to contribute in an "area where the debate has stalled and little advancement has occurred" (Barrett and Rainnie, 2002:426). Our approach focuses on exploring the influences that shape and condition HRM in the sample of SMEs as opposed to assessing the business performance effects of the HRM practices in place. In so doing our ultimate objective is to move beyond mere recognition of the heterogeneity of HRM in SMEs towards understanding, accommodation and explanation (Rainnie, 1989; Wilkinson, 1999:214). Arguably, until the type and form of HRM adopted by SMEs is recognized and explored more fully, and the complexity used to shape current debates, then theoretical models of HRM can only ever be partial (Dundon et al., 2001:449).

## CONTEXTUALISING THE SIGNIFICANCE OF SMES

The marginalization of SME from mainstream HRM research is both 'disheartening' (Heneman et al., 2000) and intriguing as it comes at a time when managerial discourse espouses the virtue of the small firm format, as evidenced by literature on core competencies, delayering and industrial clusters (Redman and Wilkinson, 2001:5). The numerical, social and economic importance of SMEs cannot be overstated (Storey, 1994). In Ireland and the UK it is estimated that 99% of firms have less than 250 employees (Cully et al., 1999; DTI, 2001; Forfas, 1999). Recent empirical studies show that SMEs contribute to over 55% of GDP and 65% of total employment in high-income countries (ILO, 2004; OECD, 2005). In the European Union (EU) it is estimated that SMEs represent two thirds of total employment, accounting for over 65% of EU financial turnover (OES, 2002). Comparative figures relating specifically to an Irish context are difficult to source (Lynch and Roche, 1995). In the UK SMEs are said to account for 37% of financial turnover and 44% of non-governmental employment. In contrast, the 7,000 largest businesses account for 45% of non-governmental employment and 49% of turnover (DTI, 2001). Yet rigorously defining SMEs and measuring their relative economic contribution has always been difficult, *even controversial* (d'Amboise and Muldowney, 1988:226, our emphasis). Moreover there are dangers in using figures in a homogenous and deterministic way. In reality SMEs are remarkably diverse in terms of size, sector, activity, ownership, location and the markets they serve (Fuller and Moran, 2001:18; Churchill and Lewis, 1983:30).

Accounts which might provide insights into HRM in SMEs have been plagued by size determinism and crude stereotypes (Barrett and Rainnie, 2002). Typically these have involved conflating the characteristics of SMEs along opposite ends of a continuum of practices and their associated effects either towards a 'small is beautiful perspective' or a 'bleak house perspective' (Sisson, 1993; Wilkinson, 1999). Although conceptually elegant such polarizations gloss over the complexity and dynamic nature of work and work relations in small firms. Surface level characteristics of SMEs, such as the extent of informality, cannot be judged to be indicative of the substance and effectiveness of HRM (Gunnigle and Brady, 1984). Informality is dynamic and often co-exists with more formal practices (Bacon et al.,

1996; Ram et al., 2001). Moreover, even from the 'small is beautiful' perspective the perceived surface level 'good practice' may not reflect the reality as experienced by employees. Control, for example, can be achieved through the simultaneous use of both paternalistic and authoritarian managerial styles (Dundon et al., 1999).

In practice the form HRM takes in SMEs is mediated through a web of economic and social relations and so HRM in this context is best noted for its 'high unevenness', 'marked heterogeneity' and complexity (Carroll et al., 1999; Duberley and Walley, 1995; Edwards et al., 2003; Storey, 1994). Based on these considerations and in an effort to advance our understating of this complexity the next section questions the 'best practice' and 'best fit' perspectives in much of the managerialist literature, assessing their utility in capturing the dynamic and contradictory nature of HRM in an SME context.

## **NORMATIVE MODELS IN AN SME CONEXT**

### ***APPLICABILITY OF BEST PRACTICE IN AN SME CONTEXT***

The best practice argument is best epitomized in Pfeffer's assertion that "the effects of high-performance management practices are real, economically significant, and general, and thus should be adopted by your organization" (1998:33-4). Yet while the universal appeal of best practice is intuitively attractive a number of conceptual and methodological issues draw caution to over emphasizing its promise (Legge, 2001; Sparrow, 1999; Wall and Wood, 2005). Specifically neither conceptual/prescriptive (e.g., Lawler, 1992; Pfeffer, 1998) nor empirical work (e.g., Arthur, 1994; Huselid, 1995) yields agreement as to what actually constitutes best practice HRM or how it should be measured (e.g., indexes, scales, clusters). Few studies provide details as to the precise mechanism(s) by which HRM-performance take effect. Yet in the absence of a specific theory as well as extensive consideration of employee attitudes and behaviors (for exceptions on both counts see Applebaum et al., 2000) alternative interpretations indicating negative implications of best practice HRM for employees and trade unions cannot be dismissed (Ramsay et al., 2000; Delbridge and Whitfield, 2001). Some have also questioned the very premise of identifying best practice bundles as one that compromises the scope for building competitive advantage as a result of firm specific HRM

(Duberley and Walley, 1995:892; Purcell, 1999). Research in this area has also been subject to a number of methodological criticisms in particular because it has pursued largely a cross-sectional survey based agenda directed largely at manufacturing establishments (e.g. Arthur, 1992, 1994; Applebaum et al., 2000). This raises difficulties in establishing the direction of causality and questions the relative generalizability of these studies. Moreover varying levels of analysis e.g. plant/workplace studies (Arthur, 1994) or firm level studies (Huselid, 1995; Lee and Johnson, 1998) and differing performance measures from direct productivity considerations (e.g. adjusted line up time Ichniowski et al., 1997) to more removed firm level performance data (e.g. Tobins Q Huselid, 1995) make comparison and reaching conclusive assertions difficult. Some have also questioned the reliability of single respondent self reported performance data. Notably only a few studies (Ichniowski et al., 1997; MacDuffie, 1995) have utilized multiple respondents and relied on objective productivity measures, and even in these cases it is unclear as to how the information was combined, and the extent to which it was consistent across sources.

Yet even in cases where best practice effects can be demonstrated, financial constraints and market changes may mean that they are simply overtaken by events (Stace and Dunphy, 1991, Mabey et al., 1998:507). Thus while intra level studies and sophisticated statistical techniques might control or allow for exogenous variables, in general, the impact of organizational size, technology and market conditions and the way that they may condition the adoption and sustainability of practices has been downplayed (Becker and Gerhart, 1996). Clearly, however, the magnitude of the economic benefits from adopting new systems will be qualified by the vagaries of market forces, contextual idiosyncrasies and institutional factors (Godard, 2004; Pil and MacDuffie, 1996:450; Purcell, 1999). In an effort to explain the sporadic diffusion and sustainability of best practices some work has directed more attention towards the role of sectoral and organizational variables (e.g. Ichniowski et al., 1996 327; Osterman, 1994; Pil and MacDuffie, 1996). Nonetheless contributions in this area tend to focus exclusively on factors conditioning *how* rather than *whether* best practice should be implemented, and by so doing are largely ignorant of the idea that what constitutes best practice may vary across time and place (Delaney and Godard, 2001).

These criticisms of best practice are ones which carry particular weight when the attributes of factors influencing HRM in an SME context are considered. Critically best practice assumes the ability and resource base for long-term investment in HRM practices (Kerr and McDougall, 1999:66; Marchington and Grugulis, 2000:918). Research has shown, however, that in many SMEs performance can be achieved with modest levels of training and wages (Brand and Bax, 2002; Hendry et al., 1995). In terms of recruitment Carroll (et al., 1999) found that SMEs effectively used 'tried and trust of methods' such as word of mouth as opposed to sophisticated techniques. Economies of scale clearly create unique challenges for SMEs and influence HRM investment decisions (Klass et al., 2002; Sels et al., 2006). Recently Cardon and Stevens (2004:297) noted reluctance among SMEs to engage in costly and restrictive practices, therefore questioning the viability, or even necessity, of best practice prescriptions. Casual factors for the slow adaptation of best practice in SMEs may include labor market conditions and product market contingencies (d'Amboise and Muldowney, 1988:237; Jackson and Schuler, 1995; McMahan, 1996). The 'hierarchically contracted' nature of SMEs also mitigates against the internal promotion prescribed by best practice authors such as Pfeffer (1998). Truss' (2001) criticism of HRM survey research for its biased imposition of preconceived ideals of HR practices therefore seems to find added weight in an SME context. Marchington (et al., 2003:20) notes that firms may utilize a range of '*intelligent*' formal and informal methods specific to their context which should not be necessarily castigated as unsophisticated or less effective. Moreover where more sophisticated practices are in existence in SMEs these may be directed solely at attracting and retaining a selected few or group of core employees (Cardon, 2003; Matlay, 2002). Evidently there may be variances in the type of HRM applied *within* as well as *across* firms (Lewin, 2001: 277; Osterman, 1994).

The best practice literature also ignores broader societal and legislative issues, thereby neglecting factors that may condition the choice and implementation of practices (Godard, 2004). Such factors are critical in an SME context as it has been noted that SMEs are uniquely positioned in the face of environmental changes and have a consequent requirement for adaptability (Hendry et al., 1995). Furthermore in an SME context more immediate, short

ranged and pragmatic goals linked with issues of survivability and sustainability may carry more weight than the quest for competitive advantage (d'Amboise and Muldowney, 1988). Boxall and Purcell (2003:238), for example, suggest that there is merely a minimum HRM 'table stake' required to compete in each industry. By glossing over such factors the best practice argument presents a biased and over simplistic depiction of the realities of HRM (Marchington and Grugulis, 2000:922). Such accounts are inadequate in capturing the dynamic and diverse nature of HRM in SMEs. Given these limitations the next section reviews an alternative normative approach under the guise of 'best fit' which may better capture the importance of internal and external contingencies in the SME context.

### ***APPLICABILITY OF BEST FIT IN AN SME CONTEXT***

Best fit argues that different HRM responses may be appropriate in light of the strategy being pursued and the organization's environmental context (Baird and Mesaulham, 1988; Paauwe and Boselie, 2005). Much of this literature has focused on the vertical linkage between HRM and corporate strategy (e.g. Schuler and Jackson, 1987) or alternatively advocated matching HRM responses to the stage of development of the organisation (Baird and Meshoulam, 1988, Greiner, 1988). Youndt (et al., 1996) highlight the importance of looking at organisational phenomena to derive more situationally specific theories and prescriptions for management. Yet most criticisms of best fit argue that it overestimates the clarity and rationality of this process. The approach seems to be imbued with a level of determinism with the notion that HRM can simply be 'read off' strategy or stage of development, and indeed that suitable HR interventions can be found to 'fit' in the first place (Mabey and Salaman, 1995:7). While some extensive research claims to have demonstrated the mediating role of strategy in enhancing the HRM performance linkage (e.g. Youndt et al., 1996; Arthur, 1992) results have been subject to varying interpretations. Huselid and Rau (1997), for example, contend that Arthur's (1992) work indicates a significant association between HRM systems and business strategy choices, yet 40% of mills in Arthur's study with a strategy of differentiation did not have the commitment HRM system (Arthur, 1992: 502). Wood (1999) argues that the performance effects of a number of studies (e.g. Arthur, 1992, 1994; MacDuffie, 1995) may be attributable to *horizontal linkages* between HRM systems and



production strategies or 'organization logic' as opposed to emanating exclusively from HRM systems or their linkages with business strategy.

More critically accounts may founder conceptually on debates over the mutually exclusivity of Porter's generic strategies; quality and cost may not be necessarily antithetical (see Murray, 1988). Further within diversified firms it is questionable whether one specific strategy is pursued, so that level of analysis becomes crucial. The best fit literature therefore presents a very traditional, rational conception of strategy, often emphasizing vertical fit and the expense of horizontal interactions (Brewster, 1999:366). Further little research is directed at understanding how (HRM) planning really works in practice. Clearly Human Resource initiatives and the management of employees in SMEs may be crafted rather than designed (Mintzberg and Waters 1985; Wilkinson, 1999). Strategy may therefore not precede action but may only emerge retrospectively once action has taken, the classical sequence of form and then implementation reversed (Whittington, 2001). Thus HRM can be considered as an emergent, stepwise, iterative approach just as much as a series of grand rational leaps forward (Mintzberg, 1994). This is said to be particularly the case for SMEs as their environment is often too complex or unstable to comprehend or too imposing to defy (Mintzberg and Waters, 1985:271). Processes of strategy formulation are therefore not exercises in applied logic but rather are shaped by cognitive abilities and informational limitations (Mabey and Salaman, 1995:56). By failing to allow for the crucial processes of learning and adaptation best fit prescriptions seem to be wrapped in the straight jacket of classical orthodoxy (Deakins and Freel, 1998; Whittington, 2001). Ultimately in some cases it has been argued that SMEs have no strategy at all and therefore "if there is no coherent or unified strategy then no HR strategy can be integrated with business strategy" (Mabey et al., 1998:509).

Some have argued that notion of fit promoted by best fit contributions is a rather static and inappropriate metaphor (Redman and Wilkinson, 2001:12). Situational contingency theorists argue that change is the intervening variable and that one can predict more about HRM by "knowing the degree of change, than one can by knowing the corporate/business strategy"

(Stace and Dunphy, 1991:71). In this respect the other popular branch of best fit writings go way some towards accommodating change, in the form of life cycle models (e.g. Baird and Meshoulam, 1988: Greiner, 1988). Yet while serving as useful templates these models largely depict change as a one way sequential process synonymous with growth. The age of a firm however is not necessarily an indicator of growth stage. In practice drivers of change and change efforts will be uneven and complex so that organisations do not follow smooth growth trajectories and so cannot be forced into predetermined stages (Rutherford, et al., 2003). Indeed a recent empirical investigation of HRM in 2,903 family owned SMEs indicated vast diversity at perceived different stages therefore concluding that a traditional life cycle was not evident (Rutherford et al., 2003). In a similar vein Baron and Hannon's (2002) longitudinal research on high technology start ups draws to attention to the impact of founders' expectations and 'mental models' of proper human resource practices (termed 'organizational blueprints) as impacting the type, form and sequence of the adoption of HRM. This impact was said to be enduring *even after* taking account of age, size, access to venture capital, and the economic environment (2002: 19, our emphasis). Moreover even firms within industries and pursuing similar strategies were said to have 'striking differences' in organizational blueprints (2002: 13). This path dependency and potential diversity of approaches animates the potential limitations of over relying on simple 'matching models' of HRM.

The best fit literature also tends ignore social and legal norms by depicting a very simplistic and narrow notion of fit (Truss, 2001). Research by McMahon (1996), however, draws attention to how legislation in the form of the minimum wage, EU directives, and taxation can on impinge HRM decisions. Clearly HRM is heavily shaped by contextual contingencies (Boxall and Purcell, 2000). While best fit does acknowledge contingencies it does so in a deterministic way which may not fully capture SMEs proximity to the environment and resultant insecurity and vulnerability to external changes (Bacon et al., 1996, d'Amboise and Muldowney, 1988).

Overall dominant models of HRM offer little promise in fully capturing the varied and complex nature of HRM in SMEs. Extant approaches tend to view organizations from a largely closed,

rational perspective which captures only part of how HRM systems operate (Ferris et al., 1998:239). Moreover there is an inherent assumption that *formal* policies must prevail. Consequently investigation in SMEs presents dilemmas for people using traditional HRM paradigms (Katz et al., 2000). Clearly there is a requirement for accounts which capture emergent processes and more fully embrace broader market forces, societal norms and institutional settings (Lee, 1997). In an effort to animate the criticisms directed at dominant models of HRM and better accommodate the contextual determinants of HRM in SMEs, an alternative theoretical lens in the form of an emergent, open systems theoretical proposition is presented next.

### **EMERGENT HRM: A THEORETICAL PROPOSITION**

Open systems theory emphasizes two important features of organizations: their system characteristics, and their openness to environmental influences (Wright and Snell, 1991: 208). Of particular significance is the interdependence between existing internal structures of an organization and the conditions of the environment in which it operates and competes (Jaffee, 2001: 209). Recent research has suggested that a complex interaction of internal and external factors shape the parameters of HRM decisions in SMEs (Dundon et al., 1999; McMahon, 1996). An approach under the guise of an emergent open systems proposition may therefore be more appropriate for examining SMEs as they epitomize organizations which rely on flows of personnel, resources and information from their external environment and are often embedded in dependency relationships with larger capital (Scott, 2001:27). Moreover an emergent, open system approach does not presuppose or assume alignment, but rather by broadening the emphasis from goal achievement per se to survival acknowledges that the “relationships between organization and environment are variable” (Child, 1972:10).

In a rationale supportive of the application of an open systems approach to HRM Williamson and Cable (2003: 349) have argued that “social environmental factors should be incorporated into human resource management theory”. A more macro level perspective captures the determinants of HRM as it recognises that firms are embedded in a web of social, political

and economic relationships (Edwards et al., 2003; Ferris et al., 1998). Appreciation of environmental interdependency allows for consideration of the numerous factors simultaneously at play in organizations. Given that small firms have less control over their environment than larger organisations, research which considers SMEs in isolation is ultimately misleading (Barrett and Rainnie, 2002; Cassell et al., 2002). Indeed, it has been argued that human resource issues are part of open systems, and consideration is theoretically bankrupt unless placed in the broader context of organizations (Zedeck and Cascio, 1984:463). Similarly, others argue the importance of locating analysis in relation to wider macro factors that may shape managerial action in a micro-context, thereby acknowledging the tensions between external pressures and internal HRM structures, policies and practices (Kinnie et al., 1999; Dundon et al., 2001). Furthermore, strategic exploitation of external structural conditions may form the basis of managerial levers of control when managing paid employment in the SME context (Barrett and Rainnie, 2002). Previous literature has cited the 'exciting prospects' that a perspective grounded in organisational theory offers to further advance our understanding of HRM (Wright and Snell, 1991; Katz et al., 2000; Williamson and Cable, 2003). In order to accommodate the influence of contextual variables it has been suggested that drawing on an open systems approach in the form of both institutional and resource dependency theories helps to facilitate the linkage between external influences and their associated HRM effects as well as capturing the dynamics of the process by which organisations adapt (DiMaggio and Powell, 1983; Paauwe and Boselie, 2003).

### **Institutional Theory and Resource Dependency Theory**

Institutional theory depicts normative and isomorphic pressures that arise from social and economic inter-relations among firms and in so doing provides a thorough base for inclusion of the context of HRM (Paauwe, 2004: 5). Specifically institutional and political forces coupled with the 'table stake' requirements necessary to compete in an industry mean that specific HRM practices are introduced or imposed not as a direct result of market forces but rather as legitimacy enhancing actions (Di Maggio and Powell, 1983; Kinnie et al., 1999; Wright and McMahon, 1992). Thus HRM may be introduced in an effort to seek approval from a

subordinate entity or alternatively HRM practices maybe imposed coercively as mandated by legislation, or as a consequence of pressures exerted by other organizations. This provides explanation for practices that are not the result of pre-determined strategies but rather derive from institutional and political influences (Wright and McMahon, 1992; Jaffee, 2001:227; Godard, 2004).

Complimentary to this approach a resource dependency perspective captures the dynamics of power relations inherent within 'the political economy' of SMEs as they experience pressures exerted by larger suppliers or dominant customers (Imrie, 1986; Katz et al., 2000; Rainnie, 1989). By focusing on the nature of resource exchange it is evident that HRM initiatives can reflect the distribution of power and dynamics of the system within which the organization operates (Fuller and Moran, 2001; Jackson and Schuler, 1995:10). Research in SMEs has invariably hinted at the power that can be exerted by various stakeholders: suppliers, large customers, employees and owner-managers themselves (see for example typologies offered by Rainnie, 1989 and Goss, 1991). In extreme cases the adoption of new practices can be imposed from outside the immediate work environment (Cassell et al., 2002). Appreciation of such issues negates the criticism directed at HRM frameworks whose failings often derive from exaggerated conceptions of strategic choice (Purcell, 1993). To date, however, inter-firm relationship effects and blurred organisational boundaries have been largely excluded from explorations of HRM issues (Rubery et al., 2002).

Evidently "we need theoretical models and accompanying research design that take into account the institutional setting and allow reality to emerge and enable us to analyse the underlying processes" (Paauwe, 2004:69). In an effort to animate the criticism directed at normative models of HRM the following section presents a conceptual framework as a contextual lens which attempts to accommodate the heterogeneity of HRM by detailing the determinants of HRM in an SME context.

## **EMERGENT HRM: A CONCEPTUAL FRAMEWORK**

While research has indicated that a plethora of variables that may shape HRM in an SME context such arguments have not been underpinned by any sort of integrative theoretical framework (Barrett and Rainnie, 2002:416; Fuller and Moran, 2001; Wilkinson, 1999). Scase argues “evidence is so fragmentary and theories so empirically specific that there are severe limitations to the development of cumulative theory” (1996: 580). In terms of HRM *in SMEs* some have looked at individual practices; recruitment (Carroll et al., 1999); training (Brand and Bax, 2003); new management techniques (Bacon et al., 1996); employee relations (Matlay, 1999); or specific contextual features such as non union establishments (Dundon et al., 1999); relations with larger firms (Kinnie et al., 1999); owner manager characteristics (Entrialgo, 2002) and social networks (Ram, 1991). Research attempts have focused on the determinants and aspects of HRM in SMEs in isolation at the expense of a more holistic perspective which addresses the whole domain of HRM in context (notable exceptions include Arthur and Hendry, 1992; and McMahon, 1996).

The conceptual framework presented in Figure 1 is an effort to provide a more holistic perspective for considering the determinants of HRM in SMEs. The framework accommodates the complex interaction of variables that may serve to influence HRM in an SME context (Duberley and Walley, 1995). The emergent theoretical underpinning animates the criticisms directed at dominant models of HRM, while at the same time provides a solid base for understanding *how* and *why* organizations have adopted various aspects of HRM. Such an approach is by no means novel but rather it draws on historic perspectives from strategy and industrial relations (e.g. Dunlop, 1958; Kochan et al., 1986; Pettigrew, 1985). These approaches similarly emphasize the importance of institutional and environmental forces, the role of strategic choice, and the role of values and ideologies in shaping HRM policies. This form of modeling also echoes similar work by Lewin (et al., 1988), MacDuffie (1995), and more recently Paauwe (2004). The framework facilitates a move beyond rational and planned approaches to HRM towards emergent processes which embrace both market and institutional factors.

An inherent part of an emergent open systems approach is an appreciation of the dynamics of change and the neglected processes through which HRM outcomes emerge (Arthur and Hendry, 1992). This provides a mechanism to capture issues of survivability and adaptability and the more immediate objectives of managing paid employment in the form of labor productivity, organizational flexibility and societal legitimacy (Boxall and Purcell, 2003). It is important to note that while the framework emphasizes that external structural factors shape the parameters of HRM it suggests the actual form HRM takes is likely to be contingent on idiosyncratic firm responses. This is an important qualification against the criticisms of environmental determinism sometimes directed at open systems theory, as it draws attention towards Child's (1972) notion of strategic choice and more recently Paauwe's (2004) concept of 'leeway'. Overall, the purpose therefore is not to debate the *existence* of choice but rather the *conditions* that enlarge or restrict its breadth (Mintzberg, 1994). In this way the analysis should aid in capturing complexities while developing a more integrated approach to understanding why HRM in SMEs has been noted for its 'marked heterogeneity, complexity and high unevenness' (Duberley and Walley, 1995; McMahon, 1996; Cassell et al., 2002).

The validity of the emergent conceptual framework stems from the fact that it graphically depicts and surmises existing research contributions in this area. Specifically, the conceptual framework facilitates moving beyond size determinism by indicating how firm size interacts with other factors such as labor and product market influences, ownership, managerial style, dependency and relations with customers and suppliers to shape HRM. It is important to acknowledge that while the internal and external factors identified are identical to those affecting large firms, given SMEs proximity to the external environment, it is "the way in which these factors impact on small firms that makes the situation for small firms different from that of large firms" (McMahon, 1995:199, original emphasis). Research on HRM in SMEs has shown that typically people issues have top priority in SMEs as they play a vital role in sustaining their competitive advantage (Brand and Bax, 2002). Yet, in general, SMEs face resource deficiencies of time, finance and expertise which is thought to inhibit the use of sophisticated management strategies, appointment of HR specialists, and the development of unions (Storey, 1994). Resource constraints often mean SMEs spend more time adjusting to

turbulence than predicting or controlling it (d'Amboise and Muldowney, 1988:227). Consequently SMEs are often noted for their direct and informal approach to people management. Even where formalisation does occur this is often alongside the informal organic nature of management in small organizations (Bacon et al., 1996).

Methodologically it has been argued "in order to formulate meaningful theories... *common conceptual frameworks must be established* and researchers must examine *total organisations as opposed to parts*" (d'Amboise and Muldowney, 1988:237 our emphasis). This presents the rationale for the current study. To advance our understanding we therefore need to understand not the form HRM takes in SMEs *per se*, but rather why it takes that particular form. In applying the conceptual framework it will therefore be necessary to firstly detail the nature and form of HR practices adopted in the sample of SMEs. Following on from this depth of analysis will stem from considering the role of external structural factors in shaping the parameters of HRM decisions prior to considering the role internal influences in determining the actual form HRM takes. Crucially, in operationalising the framework the focus is on understanding and explaining rather than prediction, thereby appreciating that the nature of the interactions between open systems can create novel and unpredictable patterns (Fuller and Moran 2001; Truss, 2002:20).

**FIGURE 1 HERE**

## **RESEARCH METHODOLOGY**

Given the inherent limitations of HRM's dominant research paradigm a case study approach was chosen as the most appropriate method for exploring what was contextually unique in SMEs. The objective of the case study method was to enable a more holistic understanding of the critical contingencies influencing the nature of work and employment in a smaller social setting, whether labelled HRM or not. Our emphasis was on understanding behavior from participants' own frame of reference thereby seeking insight and meaning rather than patterned regularities of behavior (Legge, 2001). The research was exploratory in nature given the proposed challenge to existing theory and the dearth of research in an SME context. The



conceptual framework (Figure 1) with its emergent, open systems theoretical proposition served as a sensitizing framework in capturing the parameters, dynamics and determining factors of employment and work in SMEs. Critically, the purpose of exploratory research informed by this framework was not to derive formal hypothesis for future testing but rather to garnish an understanding of what was contextually unique and why it was so (Brewster, 1999).

Guided by the conceptual framework research instruments focused on the extent to which structural factors and internal influences characterized how and why SMEs have adopted aspects of HRM. To this end the conceptual framework was operationalized by considering four key areas

- The type of HRM practices being used and their degree of sophistication. This was done by means of a 'twenty point profile of HRM in SMEs'.
- The nature and extent of strategic, planned and emergent HRM decisions influencing the development and adoption of aspects of HRM.
- 'Dependence'- determinants of HRM in terms of environmental factors; and,
- 'Internal Influences'- determinants of HRM in terms of selected organizational characteristics.

Careful attention was given to operationalizing variables in an 'SME friendly' way (Cassell et al., 2002). In order to facilitate this we conducted a series of exploratory interviews with two owners of SMEs to explore key trends and issues impacting upon their management of HRM. Informed by these considerations we attempted to build on and extend research instruments utilized in previous research on SMEs (e.g. Bacon et al., 1996; Cassells et al., 2002; Dundon et al., 2001; McMahon, 1996). The twenty point profile is based on the 11 HRM practices in SMEs researched by Bacon et al (1996) amended by Dundon et al (2001) for their research into the use of 'new management techniques' in SMEs, with the addition of outsourcing given its contemporary significance. In examining HRM grouped functionally as recruitment and selection, training and development, performance appraisal and reward mechanisms we follow a rationale akin to that of Cassell et al., (2002) and Hornsby and Kurakto (1990).

Reflecting the emergent, theoretical underpinning multiple embedded cases were utilized in order to provide variety so that the nature of work, and in particular normative models of HRM, could be examined in a range of contexts. Definitions of SMEs was taken from the current European definition (DTI, 2001): *micro* (less than 10 employees), *small* (10-49 employees) and *medium-sized enterprises* (50-249 employees). The logic of case selection related to the open systems theoretical underpinning of the research in that the sample of case studies was purposefully random and dissimilar. It is important to note however, that the majority of the cases fall under the medium sized firm category. Thus while there is clearly a need for research into SMEs, the use of this term as an aggregate category may in itself be problematic (Cardon and Stevens, 2004: 299). Reflecting our critique and theoretical approach HRM was defined broadly as the management of employment, subject to a number of context specific, contingent choices (Boxall and Purcell, 2000).

Data was collected from eighteen case studies in the Republic of Ireland between August 2002 and November 2003. Detailed interviews were conducted with managers with responsibility for HRM in all of the companies. As a result of resource and access constraints the time spent and numbers of people interviewed naturally varied. At 11 of the companies (Nursing Co, Manu Co, Packaging Co, Property Co, Ent Co, Law Inc, Hotel Co, Airline, Clinic Co, Recycle Co, and Sports Centre) multiple interviews took place. In seven of the case studies (Property Co, Sports Centre, Manu Co, Hotel Co, Packaging Co, Nursing Co and Airline) multiple site visits were conducted and owners/managers and employees interviewed on more than one occasion. Workers were interviewed in only ten companies owing to access difficulties. In total, 41 people were interviewed at various stages in the research project. In addition documentary evidence (where made available or in existence) such as mission statements, personnel handbooks/policies were examined. Details and contextual information on the eighteen case study companies as well as interview subjects is provided in Table 1.

**TABLE 1 HERE**

## **FINDINGS**

### **20 POINT PROFILE OF HRM IN USE**

Initial analysis of the range of practices reported by managerial respondents at the case study companies immediately suggests heterogeneity in terms of the HRM practices in use (see Table 2). Ten of the companies had less than half of the twenty practices in use and among these companies many practices were implemented on a relatively informal basis (Clinic Co, ICT Co, Manu Co, Packaging Co). Clinic Co, for example, had only 6 of the practices on the twenty-point profile and most of these were implemented informally. This evidence does not lend support to Bacon's 'beyond bleak house' argument (et al., 1996). Of those companies exhibiting a larger range and sophistication of practices (i.e. devolved management, team working, performance appraisal, psychometric testing) these seemed to reflect the service nature of their interactions and the imperative of quality control for customer (client) satisfaction (Hotel Co, Airline Co, Law Inc, Leisure Co, Property Co).

### **Nature and Extent of HRM Planning: Emergent HRM**

Each of the case study companies had a unique way of planning for HRM related issues. In none of the cases did this involve an explicit HR strategy. Indeed the findings indicate that relatively little formal strategic planning took place. At Manu Co, PC Co and QualTech, for example, strategic planning consisted of brief and infrequent chats between the GM/Director and the Financial Controller. Packaging Co did not undertake any formal planning. The owner manager attributed this to pressing nature of immediate business concerns; *"I'm too busy trying to keep our heads above water"*. Similarly at Recycle Co the HR manager commented:

*"I suppose were fire fighting at the moment, were not getting the chance to look forward to see what we want. For the moment our policies are quite disjointed"* (HR Manager- Recycle Co).

The reactive nature of HRM attempts was captured by the Director of QualTech who noted *"HR issues are dealt with as they arise"*, this was also said to be the case at TeleCom. This unstructured, ad hoc and reactive nature of planning seriously calls into question the best fit

arguments. Put simply, there is no significant evidence of a coherent strategic approach upon which HR can be integrated. There were exceptions to this pragmatic approach however. At Medical Co the HR manager attended weekly management meetings while at Law Inc and Airline Co HR managers had seats on management committees albeit in a 'co-opted capacity' with no direct impact on decisions. More integrated decision making occurred at Hotel Co as HRM policy decisions were said to reflect the direct input from line managers. At ICT Co and Clinic Co strategic planning initiatives were minimal to the extent that they were seen as inherent part of the owner managers' day to day efforts to manage the business.

A common feature was the terminology employed by the managers which suggested a focus on survivability and dependability in terms of HRM decisions. The owner manager of Packaging Co used the analogy of *'plodding along'* noting *"we might start off pro-active but always end up reactive"*. Despite Property Co's recent efforts at consolidating and formalizing procedures for HRM practices recruitment was still described as *'haphazard'*. Likewise although training was increasingly essential at Sports Centre the HR Manager commented that training schemes were *'fragmented and uneven between stores'*. At Manu Co HRM issues were dealt with as they emerged or warranted attention. Such connotations of survival, adaptation and subsequent minimal HRM efforts seem to replicate findings in other areas (Hill and Wright, 2001).

SMEs therefore seem to spend more time adjusting to turbulence than trying to predict it or control it (d'Amboise and Muldowney, 1988). This was seen to be the case not merely for those firms exhibiting relatively little strategic planning but also for those with more structured and formal strategic planning initiatives. This is exemplified at Hotel Co where it was found that HR planning was more complex and contradictory, at times forward looking and strategic in nature (e.g. performance appraisal) although also reactive as issues emerged or gaps were identified (recruitment and training). Documenting the contradictory and dynamic nature HRM planning evident at the case study companies sets the context for a more informed consideration of the heterogeneity of specific HRM practices.

## **Recruitment & Selection**

In terms of recruitment the findings suggested that most of the companies utilised informal practices. Informal word of mouth recruitment was seen as *'reliable'* at Packaging Co and cost effective at ICT Co: *"the first port of call for a company of this size is always informal contacts. This radically reduces our recruitment costs"* (Financial Manager, ICT Co). While some companies had adopted a more systematic approach to recruitment, including psychometric testing (Hotel Co, Ent Co, Waste Co) these methods were complimented by more informal approaches for lower level staff, for example the HR Manager at Hotel Co noted *"employees also bring their friends with them"*. Other approaches can only be understood with respect to specific labor market contingencies. Those companies requiring a more specific skill set tended to use specialist agencies (PC Co, Medical Co, and Property Co). At Law Inc the more formalised and structured approach to recruitment was a reflection of the tight labor market for specialised tax expertise to represent client companies competing in the UK and US markets. Other companies noted that they also received *'CV's on spec'* as a result of the seasonal nature of the industry (Hotel Co, Ent Co, Sports Centre) or as a consequence of an established reputation (Airline).

## **TABLE 2 HERE**

## **Training and Development**

While all but two (Clinic Co, Recycle Co) of the companies indicated that they had training schemes for all staff, the level and extent of such training was highly uneven across the case study companies. At Airline, Hotel Co and Property Co significant resources had been devoted to new areas of quality and customer service training while extensive *'in house'* training programs were available for graduates. Similarly PC Co had a detailed induction program for new recruits while Law Inc offered monthly *'soft skills development'* programs and was devoted to facilitating Continuous Professional Development. At the other end of the spectrum at Manu Co, Packaging Co and Recycle Co training was less structured determined *'on the job'* as skills were generally *"easy to pick up yourself"* (General Manager (GM)- Manu

Co). At Clinic Co there was no training provided what so ever as the owner manager relied on external agencies such as the Irish Nurses Organisation (INO) to ensure that nurses were fully qualified and trained.

### **Performance Appraisal and Reward Mechanisms**

At Airline, Hotel Co, Property Co, Law Inc and Telecom Co performance appraisals were conducted annually, with employees eligible for rewards and bonuses based on their performances. Reflecting a more informal approach towards HRM at Manu Co, Packaging Co, PC Co, and Temp Co there was a tendency for *'on-going systems of appraisals'* (PC Co) or what the GM of Manu Co referred to as *'continuous conversations'*. Such approaches involved appraisal as a regulative mechanism rather than as a developmental tool explicitly evident in the discourse of management as appraisal at Packaging Co took the form of *'mid course corrections'* (Owner- Packaging Co). Similarly at Temp Co the aim of appraisal was *"to eliminate the fat and waste and become more productive"* (Line Manager- Temp Co). In the more extreme cases such as Clinic Co the owner manager enthusiastically noted that there was 'no need' for appraisal systems as this was an implicit part of his day to day activities while at Recycle Co the only notion of performance appraisal evident was *"managers come to me because someone is not working out, and we can get rid of them or whatever"* (HR Manager- Recycle Co).

Yet although in many cases formal appraisals were largely absent that is not to say employees who worked particularly hard or were in need of motivation were not rewarded. Informal methods of linking individual remuneration to performance included Christmas Bonuses (Packaging Co, PC Co) special staff discounts (Ent Co) or being taken out for dinner (Manu Co). The rationale for this undercurrent of informality was provided by the GM of Manu Co who noted: *"informality makes things feasible and gives you options"*. Furthermore the HR Manager of Ent Co commented *"often formal methods make employees uncomfortable"*.

Overall it was evident that certain HRM practices were deemed as simply not viable or necessary at some of the case study companies (Clinic Co, Ent Co, Hotel Co, ICT Co, Manu Co, Nursing Co, Packaging Co, Recycle Co, Sports Centre, and Temp Co). These

arguments surfaced in particular with respect to attitude surveys, sophisticated recruitment methods and formal company wide meetings. These sentiments were probably best captured by the GM of Manu Co *“you have to keep HRM simple, if I was to follow what was prescribed I would be out of Business”*.

Although useful the inadequacies of such surface level reporting by managers must be acknowledged. Taking into account more qualitative dimensions the way such policies were implemented was at times found wanting. At both Hotel Co, and Waste Co, for example, psychometric testing had been utilized on only one occasion for a managerial level position. At Law Inc, Property Co, PC Co and Airline Co teams had very little autonomy in terms of deciding how to perform a given task or input into the appointment a team leader. Furthermore there was evidence of work intensification at Airline and Property Co as a result of dramatic growth and extended work rotas. Dissatisfaction was becoming manifest at Hotel Co and Sports Centre through high levels of employee turnover (circa 15%) as employees often moved to rival firms. In contrast despite the dearth of formalized HRM practices in use at Clinic Co and Packaging Co, and to a lesser extent Manu Co, staff turnover was minimal and employees reported that they were loyal to their respective companies. This serves to undermine simplistic categorizations which attempt to predict the nature and impact of HRM in SMEs based on checklist profiles of HRM practices. In order to appreciate such dynamics and contradictions it is necessary to appreciate how structural factors both directly outside and inside of the work milieu have shaped the parameters of HRM decisions.

## **DEPENDENCE (EXTERNAL FACTORS)**

### **Product/Market Structure**

The competitive market forces faced by the case study companies heavily informed the extent and type of HRM adopted. Those companies operating at the more mature stage of their life cycle were seen to have a dedicated emphasis on controlling costs and increasing productivity (Manu Co, Packaging Co, PC Co). Packaging Co, for example, experienced extreme cost pressures in its main ‘bread and butter low margin’ market and had been forced

to initiate layoffs for the first time. At Manu Co intensified competition had sparked investment in technology and the introduction of strict job descriptions. Many of the companies experiencing rapid growth had attempted, with varying degrees of success, to consolidate and formalize HR policies (Airline Co, Law Inc, Sports Centre, Waste Co). The HR Manager at Airline Co noted *“growth and expansion demanded full time HR positions”* while Sports Centre began to develop a clear HR agenda as a consequence of growth by acquisition and the subsequent need to *‘amalgamate various micro businesses’*. Growth trajectories were not necessarily smooth, however, as Airline suffered from global economic pressures in air travel, particularly the proliferation of ‘budget airlines and on-line booking’ technologies. Furthermore the experience of rapid growth at Recycle Co and ICT Co involved extreme competitive pressures in their relatively new markets which meant that capital and infrastructural investments took precedence;

*“It’s more important that we spend money on the operations level at the moment than spend money on training or HR policies, because we need to update our equipment” (HR Manager-Recycle Co).*

### **Industrial Sector**

Those companies operating in a service capacity tended to take a more proactive approach to meeting market pressures through emphasizing the ‘people side’ as evidenced through staff and customer quality initiatives at Hotel Co, Sports Centre, Law Inc, and Property Co. Some of the explanations for discrepancies in terms of the HRM practices developed by each of the companies are therefore attributable to industrial sector. For example Hotel Co, Property Co and Airline Co, and to a lesser extent Ent Co and Sports Centre, are illustrative of high contact services whose attempts at delivering service are dependent on relatively sophisticated and pro-active application of HRM practices. In contrast at manufacturing companies such as ICT Co, Manu Co, Packaging Co, TeleCom, Temp Co the impact of competitive pressures mitigated against investment in HRM, evidenced by the fact that none of these companies had- a dedicated HR specialist. Evidently at the case study companies placement along industrial trajectories and market forces were seen to shape the broad parameters of HRM decisions (Barrett and Rainnie, 2002). Closely interrelated to industrial



sector and more explicitly leveraged by management, however, was the nature of the labor market as an active determinant of HRM investment decisions.

### **Labor Markets (HR Supply)**

Many of the case study companies relied primarily on local labor markets where there was a supply of labor readily available (Manu Co, Packaging Co, PC Co, Qual Tech, Recycle Co, TeleCom, Temp Co and Waste Co). Such loose and static labor markets served to limit the constraints on managerial autonomy in terms of HRM-related decisions and may aid in understanding the limited investment in HRM practices at these companies. At Manu Co these conditions were explicitly leveraged by the GM who emphasised the availability of replacement labor through deskilled '*easy to pick jobs*' which kept employees '*on their toes*'. Similarly at Recycle Co the HR Manager pointed to the '*limited skills set required*' due to the simplistic nature of the business model. Despite the fact that Hotel Co and Airline Co also seemed to have a readily available supply of national and non national labor, they did exhibit more investment in sophisticated HRM. This may be attributable to the high contact nature of the service offered which meant that at Airline cabin crew employees required more training in terms of customer service skills and quality initiatives, as was the case for staff at Hotel Co.

Those companies operating in specific segments of the services sector were subject to, and dependent on, the irregularities of transient labor market and product markets (Ent Co, Sports Centre and Hotel Co). The impact of this became manifest in a large staff churn. The HR Manager of Sports Centre, particularly reliant on a student workforce noted how it was difficult to retain employees; "*they use us for two years and then leave*". Hotel Co had other difficulties particular to the sector, with trainee managers being poached by rival hotels. The HR Manager at Hotel Co summed-up the general situation: "*we do suffer, they go to other hotels, mainly for money*". More specialised companies such as Law Inc, Medical Co, Property Co had occasional difficulties attracting skilled labor amidst buoyant markets given the small pool from which to choose from and so utilised external agencies.

At PC Co and Medical Co given the more technical and specialist nature of jobs recruitment of engineering and appropriately qualified graduates proved an onerous task as the skills they desired were in short supply. This was also said to the case for Clinic Co and Nursing Co and they turned their focus on foreign labor markets (through recruitment agencies) to supply adequately qualified nurses. Clearly therefore, labor markets were not undifferentiated (Jackson and Schuler, 1995:15). All of the case study companies had experienced difficulties in recruiting and retaining certain staff. This was particularly the case for professional and more specialised, higher salary occupations such as lawyers (Law Inc), pilots (Airline), I.T. specialists (Manu Co, Hotel Co, Medical Co) and nurses (Clinic Co, Nursing Co).

### **Value Chain and Technology**

None of the case study companies were operating at the leading edge in terms of technology. Thus, although the extent to which firms had invested in technology varied somewhat, technological developments did not directly impact the HRM employed at the case study companies (see also Duberley and Walley, 1995: 901). For the most part, the technology employed by the case study companies (and associated HRM effects) related to pressures emanating more indirectly from the firm's value chain. Specifically, at Medical Co, Packaging Co and Manu Co dependency on a small number of (large firm) customers serves to render defunct a notion of over exaggerated strategic choice. The GM of Manu Co noted of their dependency on a particular customer:

*"[large company customer] came and viewed the plant, checking our quality procedures, we had to have everything documented"*

In response to this Manu Co had introduced new automated machinery in an effort to boost productivity and accountability. Yet it transpired that pressures emanating from the 'political economy' of SMEs to implement HRM came not *only* from specific larger companies but *also* through managerial attempts to gain legitimacy and consolidate control. This is illustrated in the comment by the HR manager at Hotel Co about its HRM audit in order to obtain the Irish Hotel Federation (IHF) Quality Employer Award. The HR manager explained that this award was "a *have to have* to be luxury hotel in an industry driven by image, even though it's not

actually required". In some cases HRM practices were seen to be more directly imposed by the immediate business environment. The HR Manager of Recycling Co noted how *"business is dictating to the company what policies are needed"*.

At Airline, Manu Co, Property Co, Packaging Co, Qual Tech, Temp Co and Waste Co training schemes were devised for employees in order to meet standards for ISO accreditation. The HR manager of Waste Co noted of the ISO accreditation procedure *"it involved a lot of work in terms of quality management, there were a number of policies, procedures and standards to implement in order to comply"*. At Airline and Property Co ISO accreditation attempts neatly overlapped with pro-active attempts at consolidating and formalizing HRM. At other companies such as Manu Co, Packaging Co, Qual Tech, Temp Co and Waste Co such initiatives were seen to be more imposed and implemented in an ad hoc fashion, not as a strategic measure, but rather tactically as a survival mechanism to meet expectations for quality initiatives as dictated by specific industrial sectors. In this sense, the elements of HRM at each of the case studies were introduced to reflect the dynamics of the system within which each organization operated, akin to the suggestions of Fuller and Moran (2001).

## **Legislation**

In an Irish context there are approximately 40 pieces of primary legislation relating to employment matters, that must be dealt with, irrespective of whether a Company employs 1 or 1,000 people (SFA, 2003). At most of the case studies such legislation was seen as a necessary burden. When questioned about upcoming acts and amendments with specific implications for HRM (e.g. Data Protection Amendment Bill 2002) HR managers at Property Co, Law Inc, Airline Co and Medical Co exhibited extensive expertise. This knowledge of obligations/rights under various acts, however, was not matched elsewhere as none of the other case study companies were aware of the ramifications of this specific Amendment Bill. Such knowledge deficiencies were attributed to administrative and timing constraints. These sentiments are best reflected by the owner-manager at Packaging Co who expressed a difficulty in keeping track of legislation and a skepticism as to the benefits of doing so:

*“it could all be very positive, but I don’t have time to scratch my ass, never mind all those procedures and paperwork, if it’s not broke why should I fix it”.*

Similarly those companies with a reliance on a non-national workforce (Hotel Co, Ent Co, Nursing Co and Clinic Co) referred to the work permits as a ‘legislative nightmare’. At ICT Co and Waste Co the cost implications of a rise in the national minimum wage was a particular concern. Perhaps more alarming were hints at non compliance, for example, at TeleCom Co the Financial controller noted that the company had *“no generic policies- not even in terms of health and safety”* while at a number of the companies there was no anti-harassment/bullying policy (Clinic Co, ICT Co, Recycle Co, TeleCom and Temp Co). Further, there was evidence that in some cases taxation and social insurance costs influenced the propensity to recruit in a formal manner. At those companies dealing in low skilled operations with fluctuating demand, dependent on a local labor market, freelance workers or ‘old reliables’ were drafted in and paid in a ‘tax efficient manner’. This practice was evident at Manu Co, Packaging Co, Qual Tech and Recycle Co and to a lesser extent, and usually for more qualified staff, at Hotel Co and Ent Co. At Airline Co employees were ‘encouraged’ to opt out of the working time regulations owing to pressures for extended work rotas. The most extreme stance on the role of legislation was taken by GM at Manu Co who remarked *“legislation is there to be abused”*.

Clearly external structural factors at the case study companies have had major effects in terms of shaping the parameters of HRM decisions. This highlights the inadequacies of closed system approaches which focus exclusively *within* SMEs in order to explain HRM (e.g. Goss, 1991) and supports those who advocate a more holistic approach (Duberly and Walley, 1995; Fuller and Moran, 2001; McMahon, 1996). Indeed Barrett and Rainnie note that the inherent limitation in research on SMEs is “the partial dislocation of the small firm from its totality as approaches taken focus attention *within* the small firm” (2003:416). Moreover this highlights the problem of divorcing debates about the nature of HRM in SMEs (i.e. small is beautiful vs. bleak house) from the structural conditions that condition and set the parameters of HRM decisions. More attention should therefore be given to the institutional and political

dynamics of the system in which SMEs operate or what Wood (1999) terms 'environmental fit' (Wood, 1999) (see for example Gooderham et al., 1999; Lee and Johnson, 1998; Sparrow, 1999). Significantly this view resonates with the emergent, open systems theoretical proposition. Ultimately, however, while external factors shape the broad parameters for action the *actual form* HRM will take depends on the 'internal dynamics' which determine the unique organization responses to structural factors.

## **INTERNAL INFLUENCES (SELECTED ORGANIZATIONAL CHARACTERISTICS OF SMES)**

### **Ownership**

Arthur and Hendry (1992) contend that varying SME ownership arrangements will yield alternative HRM implications. As one moves from a spectrum from family-ownership, to private and then publicly owned organizations one might expect increasingly sophisticated HRM (Reid and Adams, 2001). De Kok and Uhlaner (2001), however, caution this determinism and suggest far from being homogenous, there is diversity in terms of the HRM practices in use under each ownership arrangement. At the case study companies various ownership structures and management styles clearly influenced the HRM responses to intensified competition. At Packaging Co, Clinic Co, Nursing Co and ICT Co the owner-managers engendered loyalty from employees by maintaining a high degree of informality. Employees, in turn, were offered flexible working terms in the form of '*banked hours*' (Packaging Co), part-time attendance (Clinic Co) or team based projects (ICT Co). The banked hours system at Packaging Co was fundamental in meeting customer demands and also served the owner managers' interests as when they were working late employees often opted for banking hours rather than over time pay. At Clinic Co part-time employees provided greater control over evening attendances while at ICT Co although the informality of team based project working was stressed this was increasingly being subjected to tighter monitoring. More severe reaction to intensified competition was evident at Airline Co, Manu Co, Hotel Co, and Property Co centering on attempts to develop a more formally regulated workplace. At Manu Co this took the form of automation of processes through technology

while at Airline there was a distinct move towards shift-working. At Property Co HRM practices had been formalized as a mechanism to control both the performance and development of staff.

The direct influence of ownership on HRM related decisions was readily apparent at Clinic Co and Nursing Co. Despite the semi retired status of the owner manager of Clinic Co staff noted that he was heavily involved in the day to day running of the organization. The director at Nursing Co played a similar role as the locus of control in determining and '*dictating*' policy. In such cases the informality of relations was emphasised. In contrast at the other case study companies the direct influence ownership was less prominent. At Hotel Co, for instance, almost all decision-making powers rested with the HR manager rather than directly with the owners while line managers had responsibility for HRM at Temp Co. The HRM set up at Law Inc and Property Co also allowed for autonomy in terms of HRM decisions, although there were hints that the historical legacy of Partners at Law Inc and founding Directors at Property Co exerted some degree of influence on policy related decisions. Hotel Co, Property Co, Airline Co and Law Inc displayed a sophisticated paternalism and a unitarist outlook evident in references to '*working together*' and creating of a '*strong happy culture*'. How this more sophisticated approach to HRM operated in practice, however, remained questionable as evidence from employees suggested practices were either loosely applied (teamwork- Hotel Co), were seen as 'token gestures' (employee representatives structures- Hotel Co, Law Inc) or led to work intensification (Airline, Property Co). At Manu Co the General Manger exercised autonomy on all decision matters "*it has to be one person in charge otherwise control is an illusion*".

### **Managerial Style**

A number of the companies emphasized the paternalistic nature of their managerial style, albeit in different ways. This paternalism was often associated with informal relations and was explicit in the discourse deployed by managers. At Ent Co, for example, the HR Manager noted that "*informal communication is crucial in maintaining the family style atmosphere and*

*harmony of the organisation*". This 'family' analogy was also deployed at PC Co and Recycling Co where the HR Manager referred to the atmosphere as *'very easy going'*. Similarly at Sports Centre the HR Manager commented:

*"We are like a family here. The retail sector is not a high stress business. I think this is apparent in the relaxed management style and subsequently this impacts on the atmosphere"*.

Despite such assertions however, there was an inherent tension at Sports Centre between efforts at maintaining this informal management style and attempts to consolidate practices in order to effectively integrate new acquisitions and address the relatively large staff turnover (circa 15%). At Packaging Co informality and paternalism generated a sense of loyalty and was utilized to ameliorate the harshness of working conditions and long working hours. Yet this surface level harmony of a relaxed social atmosphere and 'craic' identified by the employees at Packaging Co was at times juxtaposed by an authoritarian streak evident in particular from the nickname ascribed to the owner manager as 'The General'. Thus informality did not disguise or smooth away the power relations that shape the management process (Ram et al., 2001:846). The owner-manager was clearly the locus of control and decision making, evident in his assertion that *'the buck stops with me'*. Likewise despite the semblance of harmony at Recycle Co and ICT Co competitive pressures had served to alter the dynamics of informality. At Recycle Co managers had become *'very hands on'* closely monitoring performance and *'ensuring that things were getting done'*. While at ICT Co monitoring of attendance and contribution had moved from a standard clocking card system to being measured in more specific detail by hours worked on particular projects. Informality, therefore, is a matter of degree rather than kind, and operates in a dynamic and context specific manner (Ram et al., 2001).

At Manu Co there was a more explicit intention to reassert managerial prerogative as the GM introduced new automated machines and tight to job descriptions to exert closer control and increase productivity. The GM explained that the purpose of these 'levers of consistency and predictability' was *'to take the witchcraft out... stop people hiding behind jobs that weren't*

*there*'. Less extreme but similar authoritative managerial styles were evident at Nursing Co, Qual Tech, and Waste Co. At Nursing Co it was noted that the Director *'dictated all major policies'* and the general ethos of the organization was driven around the dictum *'stick by the rules and you can't go wrong'*. At Waste Co a focus on operational efficiency and cost minimization had led to a particularly narrow and regulative view of the people management role.

## **Unionization**

The manifestation of ownership type and managerial style was clearly apparent in managerial attitudes towards trade unionism and the role of employee voice at the case study companies. At Manu Co *'dealing with the unions'* was an explicit part of the GM's attempt to reassert managerial prerogative. Indeed the GM continuously demonised trade unions by attributing the company's current financial predicament to the negative influence of trade unions commenting: *"they hold up the place with their rights, what about management rights and responsibilities"*. This explicit opposition of trade union presence was softened at the edges for employees, however, through use of team working and a staff suggestion schemes which had resulted in a TV and coffee machine being introduced in the canteen. Similar explicit non-union sentiments and 'policies' were evident at Ent Co, ICT Co, PC Co, and QualTech. At Clinic Co the owner openly expressed his disapproval for collective representation even though he relied on the nurses union, the Irish Nursing Organisation (INO) to supply qualified nurses in times of labor shortage.

At Nursing Co and Airline unions were begrudgingly accepted as something that reflected the professional status of nurses and pilots rather than something that directly undermined managerial prerogative. Thus the HR Manager of Airline noted of the pilot's membership of IMPACT (Irish Municipal, Public and Civil Trade Union) *"it's less about industrial relations but more about the perks of membership such as issues to do with licences"*. Overall both Airline Co and Nursing Co still maintained an 'official' non union policy and regarded these specific incidents of union membership as 'unfortunate features' of their respective industries. These



approaches to unionization resonate with Gall's (2004) revision of Roy's (1980) typologies, as indicative of a combination of 'sweet and awkward stuff'.

Clinic Co and Law Inc were more reminiscent of Guest and Hogue's (1994) 'lucky' non-union employer, in that direct representation and recognition had never emerged as an issue among employees. In contrast, at Packaging Co and Recycling Co the evidence points more towards crude 'fear and evil stuff' as management were openly anti-union in that collective representation was viewed as an affront to the owner's prerogative. Justification for this stance was made through a combination of economic arguments; *"if we were unionized we couldn't be competitive in the market place"* (Owner Manager- Packaging Co) and also deeper ideological sentiments;

*"We're a non-unionized company and we would like to stay that way. I come from a background where it was unionized and it's more difficult to cope, unions will stick their nose in... restrict freedom and frustrate processes"* (HR Manager- Recycle Co).

At Hotel Co, Law Inc and Medical Co, Property Co there was also a disdain for union activity although this became manifest through HRM practices as substitution mechanisms rather than a suppression of collective organisation among workers. These 'substitution mechanisms' included employee of the month schemes (Hotel Co), extensive training schemes (Law Inc, Hotel Co, Property Co), 360 degree feedback appraisal (Property Co), family friendly working (Law Inc, Medical Co, Hotel Co) and employee representative structures (Law Inc, Hotel Co). At Hotel Co the HR Manager explicitly emphasised the need for *'proactive'* attempts to alleviate the *'risk of union activity'*. Furthermore such approaches were underpinned by a unitarist conception of the organisation which emphasised a non-conflictual, familial atmosphere. For example the HR Manager of Property Co noted of any attempts at unionization

*"We would not accept it, professionals are treated exceptionally well receive a huge amount of recognition. We deal with problems and listen to staff; there would be no role for a union"*.

Attitudes to trade unions were therefore underpinned by various levels of ideological opposition to trade unions as a constraint on managerial legitimacy or control (Airline, Clinic Co, Ent Co, Manu Co, Nursing Co, Packaging Co, PC Co, QualTech, Recycle Co) (Chamberlain, 1948) and/or deemed unnecessary as a result of a unitarist conception of the organization (Clinic Co, Hotel Co, Law Inc, Medical Co, Packaging Co, and Property Co). How these attitudes became manifest in specific approaches and efforts 'to deal' with unions, however, can only be made sense of with respect to the organizational context and resource constraints at each company. This issue is elaborated upon below in the context of a consideration of the role of organizational size and the characteristics of size in informing and shaping HRM.

### **Characteristics of Size**

The findings clearly indicate the heterogeneous nature of HRM across case study companies. Akin to suggestions by Osterman (1994) size therefore cannot be considered as an isolated determinant of the adoption of practices. Looking at the twenty point profile of HRM in SMEs, for example, indicates that two of the firms with the lowest number of HRM initiatives, Nursing Co (8) and Recycle (7) are among the three largest firms, each with over 200 employees. Nonetheless there are a number of characteristics stemming from size which might be seen to play a mediating role in shaping the interplay between internal and external variables and therefore informing the actual form of HRM adopted. Economies of scale and resource constraints meant that in some cases practices were not viable, or even necessary. The Director of QualTech explained the company had few documented HRM policies because of the *"fundamental nature of the business which does not have critical mass"*. Further, time constraints and lack of expertise made dealing with administrative issues, particularly legislation, extremely burdensome (this was especially the case at Clinic Co, Nursing Co, Packaging Co and TeleCom Co).

In terms of the proceeding discussion size and resource constraints meant that Manu Co and Packaging Co, and PC Co were limited in that they could not afford the sophisticated union substitution strategies (e.g. employee representative structures) evident at Hotel Co, Property

Co, and Medical Co. This draws attention, however, to the ability of these firms to leverage loyalty from employees through informal policies and more direct, flexible management. In this sense, as a result of hierarchically constrained organizational structure, management had more of a direct role in shaping HRM. This proximity to employees is best captured by the GM at Manu Co who commented about attitude surveys *“there are 70 people working here if I don’t know what the attitude is and need a survey to tell me I have no chance”*. Packaging Co is also exemplar in this respect, as the authoritative ‘buck stops with me’ stance of the owner manager and poor working conditions were in some way ameliorated by the informal friendly relations. The owner manager noted of relations with employees *“we roar at each other, slag each other, and tell each other to get lost... after working together for so long is probably natural but not polite”*. Moreover tinkering around the edges of the flexible ‘banked hours’ work system was tolerated, as the system still served managerial prerogative in meeting fluctuating customer demands, paying less overtime, while at the same time leveraged loyalty and motivation from employees. Informality was therefore utilized to provide some scope in the application of practices. In a similar vein flexible, informal reward systems used on a ‘quiet basis’ including cash bonuses at PC Co, employee discounts schemes at Ent Co or being taken out for dinner at Manu Co served this function. As the GM of Manu Co noted practices were *“flexible and informal...if you formalise something you are dead”*. Thus where management is more direct and flexible working rules can be varied to suit the individual this may go some way in diminishing employee demands for more sophisticated practices or union representation (Bacon et al., 1996). This may explain the loyalty as exhibited by low turnover at companies such as ICT Co, Manu Co, Packaging Co, PC Co, and Recycle Co despite the dearth of formal practices in place, thereby serving to undermine any simplistic surface level categorizations of HRM in SMEs on this basis.

## **Employees**

Evidently the type of workers employed and their reaction to practices will also inform and shape the nature and type of HRM adopted. Thus at Manu Co, for example, high absenteeism had resulted in poor productivity which prompted the GM to introduce tight job descriptions and new technology as a mechanism of control. The return on this investment,

however, was constrained by a skill shortage in IT and hints of worker dissatisfaction manifested through a 'go slow'. Employee efforts to operate new machinery therefore seemed to counter the GM's notion of automatically increasing productivity, a machine operative noted "*now it's computerized and all...., it might make things better if we really bothered*". Employee discretionary behavior in relation to 'managing' working hours to their benefit was also evident at Clinic Co (Nurses), Recycle Co (Truck Drivers) and at Packaging Co (Machine Operatives). Similarly at Hotel Co and Sports Co, resistance to work intensification may have been in the form of covert action manifest in the relatively high turnover (Gunnigle and Brady, 1984). Furthermore in many cases there was evidence that employees may be making a conscious trade off accepting the limitations of their current employment as a trade off in order to 'stay local' (Nurse at Clinic Co), because there was a lack of alternatives (Pilot at Airline), or because of the informal atmosphere (Clinic Co, Packaging Co) (see McMahon and Murphy, 1999). These issues point to the danger of treating labor simply as a residue in studies of HRM in SMEs (see for example Goss's typology of managerial control in SMEs).

Interestingly, the informal relations evident at many of the case study companies did not necessarily imply that information was shared freely with *all* employees. Application of HRM and practices can therefore vary within as well as between firms (Lewin, 2001). At a number of the case studies there was a reluctance to involve employees in decisions fundamental to the strategic thrust of operations, save for the exception of a 'trusted elite' (e.g. the Financial Controller at Packaging Co, operational managers at Airline and 'two long term aids' at Qual Tech). There were notable exceptions to this at companies exhibiting more sophisticated employee representative structures (e.g. Airline, Hotel Co, Law Inc). How these voice mechanisms operated in practice however was questionable. Overall therefore characteristics of SMEs are helpful in facilitating understanding of HRM although not in a deterministic manner. This draws attention to the importance of a holistic perspective for examining HRM in SMEs and the utility of the emergent open systems theoretical proposition in this respect.

## DISCUSSION AND CONCLUSION

Previous research and literature on HRM has been extremely skewed to the periphery in terms of firm size. Clearly the role of SMEs on the world economic stage stands in stark contrast to our limited knowledge of HRM within them (Arthur and Hendry, 1992: 246). The current research has strived to address this imbalance while at the same time facilitate a move away from the crude stereotypes which assume that HRM in SMEs takes a particular form be it either 'small is beautiful' or 'bleak house'. Utilizing a conceptual framework with an emergent open systems theoretical proposition we have attempted to accommodate the issue of small firm heterogeneity by capturing the determinants of HRM in an SME context.

Evidence from across the case study companies indicates a remarkable diversity in terms of the nature and form of HRM adopted. More critically the findings suggest that while size constraints and resource limitations clearly had a role in delineating feasible parameters in terms of HRM decisions, size *per se* did not determine HRM. Rather HRM was determined through a complex interplay of structural forces and power relations both outside and inside the immediate work milieu. The sophistication and relative formality of HRM at Airline, Ent Co, Law Inc, Hotel Co, and Property Co, for example, can only be adequately appreciated by reference to their competitive environments, the nature of their service offering, as well as managerial structure and power relations. Furthermore each company utilised a specific approach to '*deal*' with unions which only made sense with respect to their organisational context and in comparison to how these efforts differed to the approaches of other companies. Similarly the nature of informality evident at Clinic Co, Packaging Co, PC Co, ICT Co, and Recycle Co was not indicative of the substance of HRM but rather informality was dynamic, reflecting unique responses to the structural forces that shaped the parameters of feasible HRM options. This dialectical relationship between agency and broader structural factors exposes the limitation of considering SMEs in isolation from their totality (Barrett and Rainnie, 2002).

Reflecting the multiplicity of intervening variables and their vulnerability to environmental forces the approach to HRM by the case study companies was at times piecemeal and

reactive. This is best summed up in the terminology utilized by management of dealing with HRM issues 'as they emerge or warrant attention' (Manu Co), 'plodding along' (Packaging Co), and 'fire fighting' (Recycle Co). This uneven approach was also evident at those firms exhibiting more structured and formal strategic planning. At Property Co recruitment was noted as being 'haphazard' while at Sport Centre training was 'fragmented and uneven'. Thus the notion of a normative HRM model was not coherent in terms of actual practices, as is often portrayed in best practice and best fit literatures (Cardon and Stevens, 2004, Duberley and Walley, 1995). Linked to this HRM at the case study companies was heavily shaped by the institutional and political contexts in which the firms operated. Reactive and emergent processes were imposed as a consequence of relations with larger capital (e.g. Medical Co, Packaging Co) legislative requirements or to reinforce owner-manager legitimacy and control (Manu Co). Similarly the findings point to the importance of 'non strategic determinants' of HRM such as ISO accreditation (Airline, Property Co, Manu Co, Qual Tech, Temp Co and Packaging Co), quality employer awards (as at Hotel Co) and external agency influences/accreditations (e.g. Irish Nurses Organization at Clinic Co). As noted by the HR Manager of Recycling Co "business is dictating to the company what policies are needed". This highlights the limitations of over exaggerated conceptions of strategic choice and the points to potential of institutional and resource dependency approaches in understanding the type and form of HRM adopted. Such factors also suggest that more attention should be given to issues of survivability and 'table stake HRM' practices required to compete rather than the literature simply being consumed by the rhetoric of sustainable competitive advantage (Boxall and Purcell, 2003).

The emergent open systems theoretical framework therefore draws attention to the external structural factors that shape the parameters of HRM decisions. However as the case studies illustrate, the *actual form* HRM takes will reflect a complex interaction of internal dynamics and external determinants. Specifically at Manu Co the introduction of a new GM coupled with intense competitive pressure had served to alter the *character* of informality and create a more formally regulated workplace as evidenced by the introduction of tight job descriptions and new technology. At Airline Co and Property Co the impact of competitive pressures

involved work intensification through shift work and extended rotas. In contrast, despite similar competitive pressures, at other companies efforts were made to keep the informal nature of relations intact (Clinic Co, ICT Co, Nursing Co, Packaging Co, PC Co, and Recycle Co). The system of 'banked hours' at Packaging Co and part-time and flexible attendance at Clinic Co, for example, helped leverage loyalty and motivation from employees while at the same time served managerial prerogative meeting fluctuating customer demands. This approach of generally investing relatively little in HRM reflected the autonomy provided by a reliance on loose and local labor markets. At companies such as Airline Co, Ent Co, Hotel Co, Law Inc, Medical Co, Property Co and Sports Centre, however, a more sophisticated approach to HRM was evident reflecting the imperative of quality control for customer (client) satisfaction. Sophistication and formalization of HRM, however, did not necessarily imply good working conditions as there was evidence of work intensification and stress among employees. The complexity of HRM was further advanced through varying placement along industrial trajectories as less established companies, such as Recycle Co and ICT Co, faced intensive competitive pressures in their relatively new markets which meant that capital and infrastructural investments took precedence over HRM. This mutual inclusiveness in terms of determining factors lends weight to the emergent, open systems theoretical perspective.

Overall the findings highlight the validity of a holistic approach in accommodating the contextual determinants of HRM in SMEs. Moreover, the evidence animates the criticisms directed at best practice and best fit theories of HRM. In pursuing a largely rational agenda, emphasizing formal practices, with a narrow appreciation of environmental forces such approaches do not adequately accommodate the complex nature of HRM in SMEs. Further, dominant HRM theories impose a biased preconceived ideal of HRM in a context where a range of '*intelligent*' methods, a lot of the time grounded in informality, may suffice (Marchington et al., 2003). Consequently the universal HRM project is somewhat misplaced as the homogeneity so desperately sought does not exist (Purcell, 1993, Rainnie, 1989:52). Evidently SMEs operate in a contextually plural world and there is a necessity to develop holistic approaches which accommodate this heterogeneity. A recent review of HRM in SMEs argued that "not only are more studies needed but there is also a need for developing theory

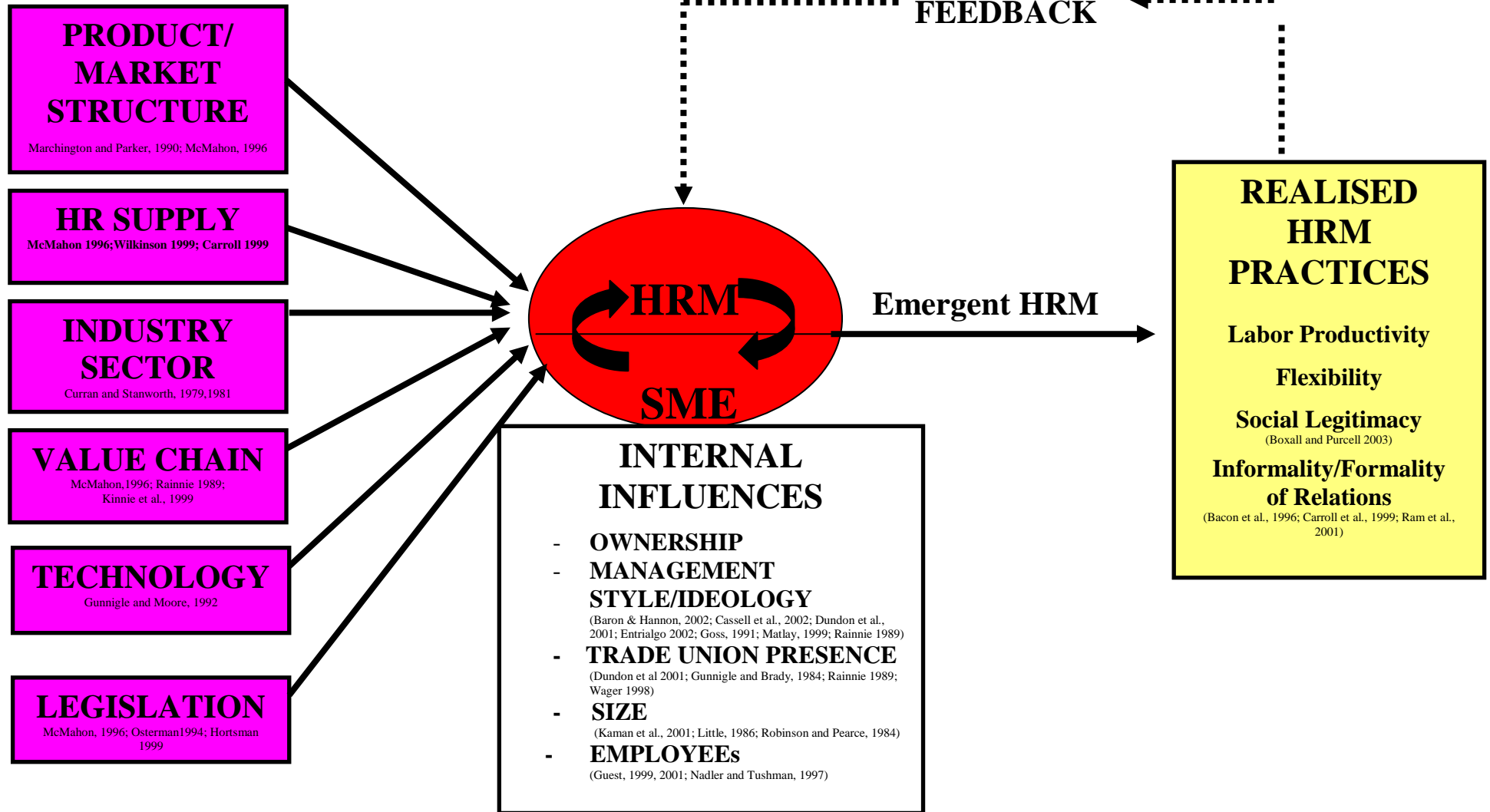
that better applies to SMEs” (Tansky and Heneman, 2003:299). This research was an exploratory step along this path indicating that critical to these efforts is an adequate appreciation of the dialectical relationship between structure and agency in shaping HRM. Research into SMEs should therefore be forthcoming, not merely because of the economic importance of SMEs, but critically because without detailed consideration of SMEs theoretical models of HRM can only ever remain partial.



**FIGURE 1- CONCEPTUAL FRAMEWORK OF FACTORS DETERMINING HRM IN SMEs**

The skeletal frame is based on Arthur and Hendry's (1992) model, supplemented from similar propositions from McMahon (1996) and more recently Cassell et al (2002).

**EXTERNAL INFLUENCES  
(DEPENDENCE)**



**Table 1a Background Information on the case study companies**

<u>Organization</u>	<u>No Employees</u>	<u>Industrial Sector</u>	<u>Locus of HR Decisions</u>	<u>Unionized</u>	<u>Background/Market Context</u>	<u>Interview Respondents</u>
Airline	135	Passenger and Freight travel	HR Manager and GM	Yes	Founded in the early 1970s as a one plane entity serving a limited market under its owner manager Airline has expanded rapidly into European routes. Reflecting this a HR Department was set up in 2001 to formalize policies.	HR Manager Clerical Operative Pilot
Clinic Co	27	Medical and Professional Services	Owner-Manager	Yes	Clinic Co is run by one owner manager who established the company in 1992. The organization focuses on a niche market. Turnover is very low. There is no HR department or HR policies. People management activities are dealt with by the owner manager.	Owner Manager Nurse Receptionist
Ent Co	190	Retail Services	HR Manager	No	Established in 2000 Ent Co is a state of the art leisure centre, providing conference facilities as well as two restaurants, a bar and a nightclub. It is a non-unionised firm with relatively sophisticated HRM policies although the informal nature of relations is emphasised. Ent Co employs a large number of part time staff on a seasonal basis.	HR Manager Bar Staff
Hotel Co	185	Hotel/Retail Services	HR Manager	No	Hotel Co is a luxurious three star hotel re-opened in the mid 1990s by two owners. A HR department was recently established. Hotel Co exhibits relatively sophisticated HRM policies but suffers from high labor turnover (circa 15%).	HR Manager Front Desk Staff Waitress Bar Man
ICT Co	20	Technology Solutions	Financial Manager	No	ICT Co is privately owned and commenced operations in 1995 providing Technology Solutions to multinational clients. It is currently experiencing intense competition. HR issues are dealt with by the Financial Manager. The company has no formally documented HR policies, even in areas such as health and safety.	Financial Manager
Law Inc	210	Professional Services	HR Manager	No	Law Inc is a partnership of lawyers established in the 1980's by two owners. The company has a HR department and the HR manager is a member of the firm's management committee.	HR Manager Senior Partner
Manu Co	72	Engineering Manufacturing	General Manager	Yes	Manu Co which produces engineering products such as gas cutting torches initiated a turnaround strategy in 1999 as the owner manager stepped down and a new GM was hired from outside. The change programme has involved job losses and the introduction of automated technology, as well as attempts to reduce union power.	General Manager Machine Operative Clerical Staff
Medical Co	106	Medical Device Manufacturing	HR Manager	No	Founded in 1966 Medical Co started as a research and design medical devices provider. The company has a HR department that is staffed by a HR manager and an assistant. HR policy is developed with the board of management at meetings every Friday. The company has relatively formalized HR policies and practices.	HR Manager
Nursing Co	210	Medical and Professional Services	HR Manager	Yes	Set up in the 1970s Nursing Co is privately owned limited company caring for elderly patients. The company is unionized and has a large number of relief staff and increasingly employs non-nationals on a fixed term contract basis.	HR Manager

**Table 1b Background Information on the case study companies**

<u>Organization</u>	<u>No Employees</u>	<u>Industrial Sector</u>	<u>Locus of HR Decisions</u>	<u>Unionized</u>	<u>Background/Market Context</u>	<u>Interview Respondents</u>
Packaging Co	65	Print supplies and manufacturing	Owner Manager	No	Packaging Co was founded by its present owner in 1975. Despite progression recent times have seen intense competition resulting in layoffs and attempts at diversification. The owner manager has retained familial control over all issues and this has resulted in loyalty exhibited by the low labor turnover.	Owner Manager Machine Operator(x2) R&D Expert Secretary
PC Co	80	Technology Manufacturing	HR Manager and General Manager	No	PC Co remanufactures and remarkets computer products to sell in the European market place. The company employs a part-time HR manager and has formal policies as well as an explicit policy of non-union recognition.	General Manager
Property Co	160	Property Mgmt/ Consultancy	HR Manager	No	Property Co has 50 years experience in dealing in commercial, home and professional services. It experienced dramatic growth in late 1990s, and is now market leader. A new HR department has recently been established.	HR Manager Property Consultant Office Staff
Qual Tech	120	Service Provider	Director	No	Established in 1988 QualTech is a value added service provider for the telecommunications and high technology industries. The company serves a range of customer sectors. The company has no HR department and very few documented policies.	Director
Recycle Co	203	Waste Mgmt Solutions	HR Manager	No	Established in 1995 by four entrepreneurs Recycle co has grown through acquisition and now has eight recycling facilities around the country serving both domestic and commercial customers. The company has an explicit non-union policy and is in the process of centralizing and formalizing its HR policies	HR Manager Truck Driver Maintenance Staff
Sports Centre	200	Sports/Leisure	HR Manager	No	Originally established as one shop by two brothers in 1983 Leisure Co has grown rapidly by acquisition and now has 20 shops across a large geographical spread. Leisure Co is attempting to formalize and develop HR practices.	HR Manager Purchasing Staff Sales Staff
Temp Co	185	Manufacturing Temperature Solutions Provider	CEO/Line Managers	No	The company was founded in 1983 by an Irish American and deals with temperature control measurement specifically in the medical, aerospace and communication industries. The company has entirely devolved HRM to line managers although policy decisions are made by the CEO.	CEO Line Manager
Telecom Co	143	Telecommunications	Financial Controller	No	Telecom Co is a privately owned Irish company providing cable assembly, box build and end-to-end telecommunication solutions. Subcontracting is a growth area. The company has limited HR policies with the financial controller managing HR issues.	Financial Controller
Waste Co	150	Waste Mgmt Services	HR Manager	Yes	Founded in 1978 as family venture Waste Co has evolved into an expert in waste management and renewable energy. The company has benefited from government policy and growth in environmental concerns and has recently hired a HR Manager.	HR Manager

**Table 2: Twenty Point Profile of HRM in the Case Study Companies**

√= Practice in Use  
 X= Practice not in use  
 INF= Implemented on an informal basis

<u>Practice</u>	<u>Airline</u>	<u>Clinic Co</u>	<u>Ent Co</u>	<u>Hotel Co</u>	<u>ICT Co</u>	<u>Law Inc</u>	<u>Manu Co</u>	<u>Medical Co</u>	<u>Nursing Co</u>	<u>Packaging Co</u>	<u>PC Co</u>	<u>Prop-erty Co</u>	<u>Qual Tech</u>	<u>Recycle Co</u>	<u>Sports Centre</u>	<u>Tele Com</u>	<u>Temp Co</u>	<u>Waste Co</u>
1) Cultural Change Programme	√	X	X	√	X	X	INF	INF	X	X	X	√	X	X	INF	X	X	INF
2) Devolved Management	√	X	X	√	X	√	X	X	X	X	X	√	X	√	X	√	√	X
3) Teamworking	√	X	√	√	√	√	√	√	√	X	√	√	√	X	X	X	X	X
4) Performance Appraisal	√	INF	√	√	INF	√	INF	√	√	INF	INF	√	INF	INF	√	√	√	√
5) Mission statement	√	√	√	√	X	√	X	√	√	√	√	√	√	√	√	X	√	√
6) Team briefing	√	X	X	X	√	√	X	√	X	X	√	X	X	X	INF	X	X	X
7) Quality circles	X	X	X	√	√	X	X	√	X	X	√	X	X	X	√	X	X	X
8) Harmonized terms and conditions	X	X	√	X	X	X	X	X	√	X	X	√	√	X	√	√	X	√
9) Psychometric Tests	√	X	X	√	X	X	X	X	X	X	X	X	X	X	X	X	X	√
10) De-layering	X	X	X	X	X	√	X	X	X	X	X	X	X	X	X	X	√	X
11) Increased Job Flexibility	√	INF	√	√	X	X	X	X	√	√	√	X	√	√	√	√	√	X
12) Customer quality Schemes	√	X	√	√	X	√	√	X	X	√	X	√	√	√	√	√	√	√
13) Training pgmes for all employees	√	X	√	√	√	√	√	√	√	√	√	√	√	X	√	√	√	√
14) Staff suggestion schemes	X	INF	INF	√	INF	INF	INF	INF	X	INF	INF	X	INF	INF	X	√	√	√
15) Company wide Meetings	X	INF	X	X	√	X	X	√	X	X	√	X	X	X	INF	X	X	X
16) Staff attitude Surveys	√	X	√	√	X	X	X	X	X	√	X	X	X	X	X	X	X	√
17) Employee Welfare	X	X	√	√	X	X	X	X	X	X	X	√	X	X	X	X	X	X
18) Family friendly Working	√	X	X	√	X	√	X	X	X	√	X	X	X	X	INF	X	X	√
19) Social Events	INF	INF	INF	√	INF	√	INF	INF	√	INF	√	INF	INF	√	INF	INF	INF	√
20) Outsourced Practices	√	X	X	√	X	√	√	X	√	X	√	√	X	X	X	√	X	√

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