

**INSIGHTS FROM THE PERIPHERY OF HRM RESEARCH:  
PRACTICES, PATTERNS AND DETERMINANTS OF  
HRM IN SMALLER FIRMS\***

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Assertions that human resource management (HRM) is crucial to competitive success are commonplace. Research contributions continuously stress the imperative of introducing formal, sophisticated HRM practices as a means to increase organisational performance (e.g. Huselid, 1995). What is problematic here is that 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. 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 smaller firms. It is important to redress this imbalance, not simply because smaller firms dominate the industrial landscape, but equally because the maxim that people are our greatest assets finds extra importance in this context; smaller firms tend to be labour intensive and the additional value added by each individual employee is more transparent and telling. Indeed, sound management of employees can be a critical factor determining the survival and growth of smaller firms (Barrett and Mayson, 2006).

Much of the neglect of smaller firms can be attributed to the conceptual and theoretical deficiencies that have historically characterised the smaller firm and HRM literature retrospectively. Within the small firm literature there has been a tendency for crude stereotypes and size determinism. Most notably, a 'small is beautiful/small is bleakhouse' polarity still forms the frame of reference for many studies. This does little to help us capture the diversity of small firms and the complex and dynamic nature of employment relations therein. The HRM literature, on the other hand, has largely proceeded on the basis that smaller firms are simply 'little big businesses' thereby assuming that the findings derived from large firms can be readily transposed onto this context. Linked to this, dominant HRM theory tends to treat organisations as closed, hermetically sealed entities exhibiting formal characteristics in the pursuit of rational, predetermined goals. This leaves much HRM theory ill-equipped to capture the key characteristics of smaller firms e.g. informality, proximity to environmental forces, centralised control, familial relations, and embedded networks (Hamey and Dundon, 2007). As captured by Marlow "*small firms should not be excluded, there should be a greater critique of the narrowness, or poverty, of so called global theories or meta-narratives of HRM*" (2006: 468).

Guided by an open systems sensitizing framework which animates some of these criticisms, the current research seeks to investigate the realities of people management in smaller firms. Specifically, the research explores the range and extent of HRM practices in use in smaller firms, how practices are used, and critically, the key determinants of HRM. In commencing this task, the research draws from a national descriptive survey to compare HRM in large and smaller organisations. Cognisant of the limitations of 'surface level' surveys, especially in a context where informal practices are more likely to prevail this method was complemented by more context sensitive approaches which could better explore what actors actually do. In particular, exploratory interviews were conducted with 10 owner managers from a diverse range of SMEs followed by four in-depth organisational case studies. These involved interviews with management and employees in order to provide a rounded

picture of HRM in context. In this research depth of analysis stems from exploring not only the nature of HRM adopted by SMEs, but critically, by considering the structural parameters and internal dynamics that provide an explanation of why HRM takes that form. The meta-theoretical vehicle for this task is one which draws upon critical realism. This allows for emergence, discontinuities, and contingencies by privileging contextual understanding and explanation over prediction (Godard, 1994).

The findings indicate a striking diversity in the nature and form of HRM practices deployed, with informality and emergence as key undertones. Where HRM initiatives were introduced this was not as a result of strategic foresight, but often as a consequence of certain 'triggers' such as environmental change or attempts by owner managers to secure greater control. Nonetheless, in bringing together structural determinants and internal dynamics broad patterns in how various firms managed HRM can be identified. These lend support to recent attempts to build a model of small firm relationships (Edwards and Ram, 2006; Edwards et al., 2006) although it is founded on a notion of coherency and logic that differs from that suggested in the dominant literature. Informality for example, was found to be dynamic, routinised and deployed to meet strategic ends, so that formality and informality are not necessarily antithetical. Likewise, contrary to prior assumptions (Rainnie, 1989), all the firms studied, even those in intense conditions and embedded in dependency relationship, exhibited zones of manoeuvre enabling them to alter structural conditions, shift emphasis in HRM practices, draw upon/exploit environmental changes or selectively use discursive levers to shift the conflicted-collaboration of the employment relationship in their favour.

In summarising these insights it is suggested that HRM researchers typically falsely equate *specific* HR structures with the overall functional necessity of managing people (evident in the determinism of 'little big business syndrome', whereby small firm agency gives way to large firm structure). Similarly, in contrast to environmental determinism (cf small is bleakhouse), the notion of zones of manoeuvre recognises the import of intention and interpretation but does not privilege these to an isolated enactment or constitution of reality (whereby structure would give way to agency) (Taylor, 2006). These insights enable us to appreciate the interaction between structural forces both inside and outside the immediate work milieu. Such recognition is critical if the heterogeneity of HRM in smaller firms is to be adequately accommodated and understood. Going forward, this task may be best advanced through systematic investigation of the impact of specific HR changes or challenges of the type facilitated by methods such as critical incident techniques and supported by more longitudinal analysis.

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