

Understanding events in SMEs: Insights and implications for Human Resource Management

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Summary

This research moves beyond traditional emphasis on the content of Human Resource Management (HRM) practices to explore the dynamic states of HRM transition in SMEs, and in particular the nature of events that determine these. Small and medium sized enterprises (SMEs) epitomise organisations that have to continuously navigate key events at the organisational-environmental interface. A novel application of event systems theory opens up greater understanding of how SMEs develop and grow via HRM. Specifically, findings from eight case studies point to the strength, origin and longevity of events as key dimensions determining the nature and form of HRM as a catalyst to growth in SMEs.

Research Study Overview

As a result of their labour intensive nature, the additional value added by each individual employee in smaller firms can be more transparent and telling. This, coupled with the 'resource poverty' inherent to SMEs, means that are likely to be particularly dependent upon an engaged and motivated workforce. Yet while sound management of employees can be a critical factor determining the survival and growth of SMEs, it is an area recognised as key challenge. The Expert Group on Future Skills Needs in Ireland found "distinct weaknesses and deficiencies in specific skills necessary to run a business, particularly in the spheres of human resource management" (2006: 31). Research continuously highlights people management is a key concern for owner managers.

In terms of what we already know about HRM in SMEs, a growing stream of research has assessed the applicability of best practice

HRM to SMEs, the likely impact of cost and resource constraints, in addition to the particularities of informality and the role of owner/managers in this context. Notably absent, however, is detailed consideration of why and how certain HRM interventions may have come about, and how they function in an SME context. The limited appreciation we have of change, comes from age-old organisational life-cycle models. Yet while these can be useful tools for discussion, they categorise HRM and growth in a very forced uni-linear manner; the actual mechanisms, origins and momentum behind changes and transitions in HRM practices and their relationship to firm growth remain largely unexplored.

This research applies the lens of event system theory in order to explore key changes and transitions in how people are managed. The sample is 8 firms from across

the UK and Ireland that have been identified as high-growth SMEs. In order to explore such issues we carried out interviews with both management and employees, totalling 55 interviews. While we did not track the firms to explore changes overtime, we explored the rationale underpinning key changes based on organisational histories and the reflection and assessment of respondents. Additional selection criteria were invoked to facilitate contextualised comparison including that the firms be non-unionised, and have no specifically designated HR manager.

Project Findings

- The project cases unpack the dynamics of growth, challenging dominant ideas that growth occurs as a linear sequence of predictive development stages. Growth should not only be understood as 'a change in amount' (e.g. number of practices) but as a qualitative change in the way things are done.
- The nature and strength of an event is significant as a catalyst shaping changes in HRM and firm growth. Event strength can be disaggregated to include the extent of event novelty (i.e., newness), disruption (i.e., impact) and criticality (i.e., importance).
- Those SMEs that best navigated the HR challenges of growth are ones that exhibited self-awareness and an ability to reflect on their own performance, especially performance deficiencies related to management style, finance and competitive intensity.
- The most significant changes occurred in SMEs when there was enhanced competitive intensity, coupled with the injection of new human capital.
- Skillsets and changes are frequently constrained by functional expertise.

Implications

- The authors have used an events oriented approach in their facilitation with high growth SMEs. First asking owner/managers to reflect on the key triggers and events that characterise the historic organisational life cycle of the firm. Second, then projecting forward by asking for detail of the key levers most likely to foster desired outcomes (be it performance recovery or sustainability, succession or growth).
- Critical is developing capability in active assessment, monitoring and evaluation of likely critical events, and coming up with strategies to pro-actively pre-empt them or manage them better. SMEs can pro-actively scenario plan to explore the likely impact of key events (e.g. succession, decline in market share, loss of talent, etc.).
- SMEs are less likely to find value in blanket solutions, but instead benefit from local and sector specific learning networks and targeted advice or tools which may enable them to diagnose their own specific requirements.
- HRM practices can induce change and growth in SMEs.

SME Management Development Insights is a collaborative initiative from Skillnets and Dublin Institute of Technology. Each Insight is based on academic research relevant to Irish SMEs and is intended to communicate the key implications, insights and recommendations of this research to a wide SME readership, providing opportunity for the research to contribute to improved decision making, practices and policy development for Irish SMEs.

For further information the Series editors are Dr Lorcán Ó hÓbáin of Skillnets (l.obain@skillnets.com) and Paul O'Reilly of the Dublin Institute of Technology (paul.oreilly@dit.ie).



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