

How effective are HRM alignments in small firms?

Exploring a configurations approach

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Abstract

At contrast to common research we focus on patterns in small firms' Human Resource Management (HRM), using a configurations approach. From competing values and role behavioural theory we draw four archetypical configurations, combining owner-manager's fundamental choices, HR intentions and HR practices. In a pilot of 20 in-depth case studies we succeeded in using this framework to outline their vertical and horizontal HR alignment properly. A clear and distinct profile of each entrepreneur's HRM could be found, all emerging types are recognised and subscribed by the owner-managers. Significant differences are shown between stronger and weaker HRM consistency.

We also present 10 new case studies in which we not only interviewed owner-managers but asked a large amount of their employees to fill in a questionnaire as well, enabling us to link the degree of various HR alignments in small firms to the degree of their HRM effectiveness.

Key words: Human Resource Management, small firms, configurations approach, alignments, effectiveness

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1. Introduction

During the last 25 years scholars are raising fundamental questions about whether, how and why Human Resource Management (HRM) could realise the claim that it creates 'competitive advantage through people'. Should all firms introduce the same 'best HR practices' or 'high performance work practices'? Does HRM only contribute to firm performance if its specific aims and practices are in line with the firm's strategy and goals? Or is it all about creating a coherent 'higher order HR system' (Becker & Gerhart, 1996)? Other issues in the ongoing debate concern the ways and channels by which HRM contributes to firm performance by means of employee outcomes (the 'black box' problem) and the theories to explain that (e.g. role behavioural, agency, transaction costs theory).

What is problematic here is that almost all of this theory and empirical research is related to the specific context of large firms. Just like elsewhere, Small and Medium-sized Enterprises (SMEs) in the Netherlands are the backbone of economic life and employment. Nonetheless studies about managing people in these firms '.... are rich in descriptions, but limited in sound descriptive data and sparse in analytical research' (Heneman et al., 2000, page 20). In their thorough review of studies about managing people in SMEs, Cardon & Stevens (2004) highlight that we still lack much of the theory and data necessary to understand how performance management, retention and ongoing employment issues as well as the integration and interaction of HR practices really work in SMEs from a synergetic and holistic point of view.

The objective of our study is to address this imbalance by examining the effectiveness of purposeful, coherent and consequently practised HRM in small firms, using a configurations approach. We argue that the HR mechanisms enhancing firm effectiveness don't fundamentally differ from those in large firms. But small firms are

not a scaled-down version of large firms, they are distinctive and so is the way their (HR) management is practised. We will address this issue first, because we tailor our in-depth investigation to the specific HRM situation in small firms.

The HRM context in small firms

As Blau (1970) already concluded, size matters in organising and that influences the specific context of (HR) management strongly. That's why we limit ourselves to one size class, i.e. small firms (10-50 employees and \leq 10 million turnover, according to the classification of the European Union, (http://ec.europa.eu/enterprise/enterprise_policy/sme_definition)). These firms already show patterns in their management and organisation, but the way in which they are organised and their HR is managed clearly differs from large firms.

Large organisations are characterised by a strong horizontal and vertical differentiation, standardisation of work processes, planning, control and formalisation (Mintzberg, 1983). Small firms are more proximate to the environment, depending on fewer clients, making them more vulnerable and responsive to external changes. So organising has to be flexible, facilitated by internal communication that mostly can be face-to-face and rather informal. Increasing formalisation is a main characteristic of HRM in larger growing firms, because there is an increasing need for objectivity and justice (Kotey & Slade, 2005). Instead of the precisely defined tasks in larger firms, jobs in small firms are broadly matched with the experience, skills, knowledge and interests of employees, enabling the necessary flexibility (Carroll et al.; 1999; Delmotte et al., 2002). In large firms HRM is a complicated game, with several hierarchic layers, HRM specialists and other parties involved, with formalised policies, systems and procedures. Small firms are clearly dominated by the

idiosyncrasy of the owner-manager, HRM is largely done by himself and dominated by his personal values and intentions (Kotey & Meredith, 1997)¹. These owner-managers value the employment relationship crucial for running their company (Nadin & Cassel, 2007), and the right fit between employee and company is essential (Heneman & Berkeley, 1999).

In many HRM studies SME's owner-managers are asked to tick whether they use named practices which can be labelled as 'best practices' because presumably these (single or combined) practices enhance performance in large firms (e.g. Way, 2002, Sels et al., 2006). But a telephone inquiry revealed that only two of these seven normative practices really fit in the context of small firms (De Kok & Telussa, 2006). Asking owner-managers whether they use 'teamwork' creates confusion and irritation ('we are a team, aren't we?'). Task rotation can't be found in three quarter of these firms, because it fits a complex organisation with firm prescribed standard tasks. Storey & Westhead (1999) found that more formal training doesn't show a significant link with performance in these enterprises. Other research also suggests that in many small firms performance can be achieved with modest recruitment practices, training schemes or wage adjustments (Hendry et al., 1995; Carroll et al., 1999; Brand & Bax, 2002). Harney & Dundon (2006) conducted case studies to investigate how HRM in small enterprises really works from an open systems perspective, and found owner-managers who made use of there small firm's situation to practise HRM in a deliberately pragmatic way.

We define HRM in about the same general way Beer et al. (1984) did, namely as: all management intentions, decisions and actions that affect the nature of the relationship between an organisation and its employees. The decisions and actions

¹ We say 'he' if we mean: he or she.

(HR practices') regard: the employee flow (recruitment & selection, contracting, socialization, streaming out); the training and development of employees; the work organisation and systems (including employee discretion and influence); the criteria and ways of appraising and rewarding employees. Like Taylor (2005) we consider HRM as a snark, a mythical creature that transforms itself to actual circumstances. We argue that from a theoretical point of view HRM in small firms doesn't differ fundamentally from HRM in large firms, but is practiced differently according to their specific organisational context. That's why we undertake in-depth case studies, interviewing small firm's owner-managers in a semi structured way, recording the ways in which they actually practise their HRM. Instead of measuring formalised practices using a normative framework we look for the way their practices reflect their intentions regarding employee qualities, employee behaviour and employment relations. Various HR intentions and practices could be effective as long as they are in line with each other and in line with the fundamental values of the owner-manager about the success criteria and organisational character of his firm.

Central question in our study is: *How effective are HRM alignments in small firms?*

2. Theory

Three kinds of alignment

In the 'best fit' approach different links or 'fits' are distinguished (Wood, 1999). We follow Gratton & Truss (2003) in their deliberate choice to refer to 'alignment' and not fit. The term alignment suggests a more fluid dynamic character, while fit implies a relationship between two discrete entities and a more mechanistic 'matching' exercise. In their ten years study of seven large UK organisations they argue the importance of three different alignments in realising effective HRM.

First of all, the HR policies and practices that make up an organisations' people strategy should reflect, reinforce and support the organisation's business aims and objectives. A strong linkage is needed between the overall vision that is held in the minds of the senior executives and the aims, objectives and underlying philosophy of the organisation's approach to managing people. This link between people strategy and business strategy they term *vertical alignment*.

The second dimension is *horizontal alignment*. They argue this is a distinct dimension operating at the level of HR policy, not at the practice level. A high degree of horizontal alignment means that an organisation is articulating a clear, coherent and consistent approach to managing people that permeates its entire HR activities. This way the firm is able to communicate consistent and mutual reinforcing messages to employees by way of the HR activities (Bowen & Ostroff, 2004, name that 'strong HRM').

The third dimension is *action or implementation alignment*, and concerns the experiences by employees of HR policies. The mere existence of HR policies and a people strategy in the eyes of (HR) management is not sufficient to conclude that their HRM is effective. Unfortunately this dimension has received scant attention in former studies. Yet, as their research clearly shows, it is fundamental that employees experience the HR policy as it is turned into action through the actual HR practices and management behaviour.

We investigate the same three kinds of alignment. But the way we draw them up is tailored to the specific situation of small firms.

Tuning the firm to the external environment ('strategy') is about fundamental choices the dominant coalition makes in what the company stands for or will be (Child,1972).

In small firms the owner-manager is the dominant coalition, and strategy is 'a pattern

in a stream of decisions' (Mintzberg, 1995). The underlying choices that shape this pattern, as dominated by the idiosyncrasy, personal values and perspectives of the owner-manager, we name his *fundamental choices*. We label his unwritten aims regarding employee behaviour and employment relations as his *HR intentions*. To the extent that these intentions are more in line with his fundamental choices, we call his HRM more vertically aligned.

The *direction of his HR practices* we derive from his decisions and actions in the four HR fields as mentioned earlier: the way he recruits and contracts employees and his salient selection criteria; training and employee development; the way he organises work and matches tasks and responsibilities with employees; the way in which he appraises and rewards employees and the salient criteria he has in mind doing so. His HRM can be horizontally aligned in two ways: the extent to which the overall direction of his HR practices is reflecting his intentions, and the amount of internal integration between the practices directions (how far do they point in the same direction, forming 'bundles', MacDuffie, 1995).

Like Gratton & Truss, we investigate the implementation alignment by questioning employees: to what degree do they recognise and experience the HR practices are echoing the owner-managers' intentions?

Theoretical model

Because we are looking for patterns of mutually related HR variables in a certain firm and argue that a coherent order in HRM is most effective, we stand for a configurational perspective. Configurational inquiry represents a holistic stance, an assertion that the parts of a social entity cannot be understood in isolation, because order emerges from the interaction of those parts of a whole. It is the patterning of

organisational elements that creates synergy and causes effectiveness. Nonlinearity is acknowledged, variables found to be causally related in one configuration may be unrelated or even inversely related in another. That's why we can't measure in a linear way how e.g. organisational strategy is linked to the use of certain HR practices.

Theory based on the ideal-type construct has to serve as an abstract model so that deviation from types can be noted and explained. In order to use this approach, we have to develop a theoretically driven classification system of various internally consistent archetypical HR configurations, accommodating the important concept of equifinality as well (Meyer et al., 1993; Delery & Doty, 1996).

Using competing values, role behavioral and classical contingency theory we draw distinct ideal-typical configurations, aligning specific fundamental choices, HR intentions and HR practices directions. In figure 1 our theoretical model is shown.

about here:

Figure 1

Theoretical model

Starting-point is *competing values theory* (Quinn & Rohrbaugh, 1983). Competing values are fundamental choices between opposite firm effectiveness criteria: what are the owner/ manager's values and aims regarding business, organisation and management? Does he want flexibility, room to manoeuvre and readiness, or stability and control? An internal focus and integration, or an external focus and differentiation? His choices on these two dimensions determine the character of his firm. In the spatial model of competing values these two dimensions are drawn as the two axes of a matrix, resulting in four quadrants. In each quadrant an ideal-typical organisation scores at the extremity of an axe. We label the four ideal-typical

fundamental choices as: low cost efficiency, quality enhancement, market based and innovative.

In linking the owner-manager's fundamental choices to his HR intentions, we share the tradition of *role behavioural theory*. Schuler & Jackson (1987) argue and detail how HR practices should be linked to a certain competitive strategy (based on Porter's classification), by means of needed employee role behaviours. They identify three different types of role behaviours along 12 dimensions they assume to be most instrumental in the implementation of the cost reduction strategy, the quality enhancement and the innovation strategy (ibid., page 209). We adopt their characterisation of these role behaviours. The role behaviours needed to realise the market based fundamental choice we formulated ourselves, using their dimensions. The relationship between employees and organisation is another keystone in small firm's HRM (e.g. Wilkinson, 1999). Therefore we add the distinct aimed *person-organisation (p-o) fit* (Chatman, 1989; Kristof, 1996) as next indicator of the HR intentions: why should someone choose this company to work for, why stay here or leave, what makes working here attractive? Together the critical needed role behaviours and intended p-o fit make up the HR intentions in our model.

In the same way we draw the HR practices aligned to the ideal-typed fundamental choices and HR intentions. Characterising the work system we use *classical contingency theory* (Lorsch & Morse, 1974; Perrow, 1976). The particular direction of the other three practices is not only derived from Schuler & Jackson's HR practice menus (ibid.), we also included relevant insights of other HRM scholars (esp. Schoemaker, 1998).

Combining the four ideal-typical fundamental choices with the corresponding HR intentions and HR practices results in a framework of four archetypes, representing a

maximum vertical and horizontal alignment of HRM. Each archetype represents a distinct HRM configurational mode in which the fundamental choices, the HR intentions and the HR practices are in exactly the same line; we name them the *commitment, collaboration, market driven and compliance configuration*.

The four archetypical quadrants

In figure 2 a summary is shown of the detailed ideal-typical quadrants framework that is central in our inferences about HR coherence. We will draw out each of the four quadrants and illustrate them with some examples.

Quadrant 1: Commitment

A quality enhancement choice means delivering quality by way of more flexible organising, developing and maintaining broad craftsmanship. An entrepreneur that has chosen e.g. to deliver broad quality software systems consultancy, has to keep knowledge and skills of his employees up-to-date. Because there is a variety in jobs to be done, requiring different skills, it is most profitable they are multi skilled.

Although they are put to work individually, there are tasks demanding co-operation with colleagues. In their work they have to be accurate and cautious, focused on delivering quality for clients, coping with some discretion. The owner-manager has to select carefully and offer long term employment contracts because it takes a long time to work one's way in and deliberate investments in employee training and development are needed. Appraisal and rewards will be primarily focused on the quality delivered, on skills improvement and development. Immaterial rewards are in place, just as care for employees, the p-o fit is focused on a long term affective organisational relationship.

Quadrant 2: Collaboration

Innovative choices are focused on finding unique solutions for complex problems;

to quote an ideal-typical owner-manager of a firm delivering state of the art IT system solutions for traffic problems: '.... I don't accept projects that have been done before because I don't like tricks, no matter how profitable they are'. Each project is a voyage of discovery, a knowledge intensive tailor-made solution has to be found by an ad hoc team of experts in various disciplines. There has to be a careful selection, not just on expert knowledge but on team play capacities as well. Non conformists are needed, thinking out of the box, willing to take risks and having a high tolerance of ambiguity and unpredictability. To be successful, the owner-manager must give them a lot of discretion. Deliberate long term focused investments are necessary, in preserving state of the art expertise and in knowledge management. Team successes are celebrated and rewarded. Most valuable are employees that can play various team roles, including project leading if necessary, and employees attracting and requiring projects (next to the owner-manager) because of their well-known unique expertness. Ideal-typical HRM stimulates, facilitates and rewards these qualities in a proper way, included giving way to bootlegs, publications, study trips, presentations etc. The p-o fit is focused on in depth challenges and professional partnership.

about here:

Figure 2

Configurational framework of archetypical quadrants

Quadrant 3: Market driven

Market-driven choices stand for realising profitable commercial transactions in the market. Here autonomous and competitive hands-on professionals are needed, with clear commercial qualities. E.g. in particular consultancy firms employees have to gain their own clients and reach commercial targets. They have to be able to deliver

results quickly, investments in organisational commitment don't have priority.

Training decisions in such an ideal-typical firm are ad hoc and minimal. Profitable working hours and short-term commercial results are stimulated and rewarded, lasting better results lead to a growth in basic salary. Material incentives are important and often status related (company cars etc.), the remuneration package is very competitive. The p-o fit is transactional and symbiotic.

Quadrant 4: Compliance

Successful realisation of a low cost fundamental choice requires an emphasis on internal efficiency and control. A tightly regulated work process should result in reliable and low cost products and services. This demands employees executing routine tasks, simply carrying out what has to be done efficiently. A good ideal-typical example is a firm producing electronic print plates: tasks are simple and small, robots giving light signal commands about which components from which box in which order have to be placed on the print plate. Recruitment is done by an employment agency, candidates only have to meet a few fixed job demands and employees are hired by a payroll construction. They are put to work quickly, job training is minimal and there are no further investments made in training or development. Results are strictly monitored. Rewards are material and competitive, with room for results based incentives. The p-o fit is transactional, commitment is instrumental ('most people primarily work for the money here').

HRM effectiveness

By referring the fundamental choices, HR intentions and HR practices as we find them in a certain firm to the detailed characteristics of the four ideal-types, we determine the degree of its vertical, horizontal and implementation alignment.

Following Boxall & Purcell (2008) and in line with the role behavioural approach, we argue that HRM is more effective if employees recognize the most needed role behaviours and intended p-o fit, are motivated to really apply to them, and feel stimulated and supported in doing so.

3. The pilot study: research design, methods and main findings

Research design and methods

To find out whether our concepts and methods really make sense and how useful they are, we started a pilot study in 2007. We investigated 20 small firms, privately owned and independent (no franchising or settlement of a larger company) and at least five years old. They all had 15 to 55 employees, and were mostly situated in the east of the Netherlands. Two can be characterised as (mainly) manufacturing, 18 are delivering services. Only one enterprise had a professional HR officer employed.

We choose a case-study design because more than just collecting data we wanted to get acquainted with the companies. A tight protocol was used in order to investigate every firm in the same way. In each company we interviewed the owner-manager (taking at least one hour) and one or two of his employees (about half an hour per interview). All interviews were conducted by two researchers, well informed about the information we were looking for.

Each case study was structured as follows. First the owner/ manager filled in the Organisational Culture Assessment Instrument (OCAI) questionnaire (Cameron & Quinn, 1999), based on the competing values of Quinn & Rohrbaugh (1983). This questionnaire forces to divide six times 100 points between four statements, each statement corresponding to characteristics of one of the four ideal-types. This results in a clear profile of his fundamental choices. By means of semi-structured questions

we then asked for his HR intentions, the direction of his HR practices, the employee absence and labour turnover rate. All interviews were taped and literally transcribed. The degree of correspondence of an owner-manager's fundamental choices to each of the four ideal-types was scored on a five points scale, from 1 point ((hardly) not corresponding a certain ideal-type) to 5 ((almost) completely corresponding).

The ideal-typical framework enables us to compare the HR intentions and HR practices direction as displayed in a given interview with the detailed characteristics of each ideal-type. Two expert researchers (the first author was always one of them) independently analysed and rated these variables, referring the outcomes of the interview to the characteristics described in the archetypical framework, also using the named five points scale. The differences between all of these scores then reveal the vertical and horizontal HRM alignment in a particular firm (the so-called 'fit as hybrid' method, Delery & Doty, *ibid.*, pages 812, 813).

The first column of the appendix shows the interview items we used to determine the HR intentions and HR practices direction of an owner-manager. The rating of his HR intentions was based on the two named most salient qualities needed in the firm (knowledge, skills, abilities), the outspoken most valuable role behaviour, the three most important role behaviours selected from a list of characteristic behaviours (e.g. 'comfortable with simple work', 'commercial and ambitious', 'broadly employable', 'solve complex problems'), the stated most attractive aspect of working here, the main reason for employees to leave this firm and to stay here (e.g. is it about money, in depth challenges, entrepreneurship, the pleasant working climate?).

To determine the direction of the four HR practices we had to develop an instrument specifically in line with our approach. During the pilot study we further fine-tuned it, scrutinising all ratings, comparing them with each other in several rounds of cross-

case analyses, making criteria more explicit and adjusting some scores, until every score was properly based.

The employee flow direction was rated by looking at the recruitment channels an owner-manager used, his two most important selection criteria, the way he contracts new employees and let them work their way in. E.g. a simple and cheap recruitment process, selecting on no other criteria than willing to work efficiently and carry out what has to be done, quickly put to work and not primarily a long term contract, points in the ideal-typical compliance direction.

To rate the direction of the work system in the primary process we examined four aspects. First are client contacts: e.g. do employees gain their own contracts and are they fully responsible for their own client contacts (market driven) or are client orders taken in and planned from a central point but do employees have direct client contacts with a certain degree of discretion (commitment)? Second are task characteristics; e.g. are the services standardised, the tasks routine, small and poor with minimal variation (compliance)? Third aspect is co-operation, fourth is co-ordination and control: are temporary project teams critical, is organising based on teambuilding, performance and output of teams (= collaboration), or are employees put to work individually while organising is based on their individual commercial performance and output (market driven)?

To determine the training and employee development direction we also used four indicators. First: how systematic and deliberate does the owner-manager deal with training and learning of his employees? Further: how much time and money does he invest in allowing all kinds of internal and external, formalised and informal employee learning activities? Next: what is the direction of these activities; are they e.g. focused on enhancing process quality or broadening employee skills

(commitment), or focused on deepening employee expertise and sharing knowledge (collaboration)? Finally: what are the ways to grow further in one's work, are they ad hoc or structural, and what are they based upon?

The appraisal direction we rated by examining its character and purpose, and scrutinising what is appraised, e.g. efficiency, effort, costs (compliance), quality, co-operation, skills (commitment), commercial results, reaching targets, margins (market driven) or expertness, problem solving quality, various team roles (collaboration)? The rating also depends upon the strength of the appraisal: how noticeable are the consequences for employees? The rewards direction we derive from the way in which employees are rewarded and the salient reward criteria: how does the salary system look like, is it a tight system with firmly classes and steps or how else, and what is rewarded to what extent: the job, experience, effort, knowledge, (multi) skills, results (individual, team, all)? What role do fringe benefits play? And are there other indirect ways of rewarding? The more the rewards direction is clear and consequent, the higher the scores on the quadrants are.

Summary of the results

We limit ourselves to a summary of the main findings as we described them earlier in more detail (see Knol & Van Riemsdijk, 2009).

All firms could be placed distinctively by rating their degree of correspondence to the characteristics in the archetypical framework in terms of their vertical and horizontal alignment. All 20 entrepreneurs were obviously concerned in creating and maintaining a pleasant working climate and good employee relations, almost all fundamental choices and HR intentions reflecting the commitment archetype at least to some degree (two points), often more. But on top of that we found clearly different

types, ranging from ideal-typical commitment oriented to mainly collaboration, market driven and compliance hybrids. The various owner-managers show a widely spread array of fundamental choices and HR intentions, but most of them clearly know what they want. Although they hardly use ‘high performance HR practices’ like psychological tests, assessment centres or extensive external formal training, many of them select their employees carefully and invest largely in employees learning, regarding their own small firm's context in practising HRM in a deliberately pragmatic way. Nevertheless significant differences were shown between stronger and weaker vertical and horizontal alignments and HRM consistency. Our analyses resulted in individual HRM profiles that revealed their strong and weak aspects. We discussed the findings with all owner-managers and other firm related insiders; they clearly recognised them and found them relevant.

Next to the owner-manager we interviewed two employees in every firm. Especially since these two often appeared to be the owner-managers’ two most preferred employees, this information was insufficient to draw decent conclusions. So we could not determine the implementation alignment nor the HRM effectiveness of these firms in a proper way.

4. The further study: research design, methods and preliminary results

Research design and methods

A year ago we started a further study, conducting case studies amongst 25 other small firms. This time we not only interviewed owner-managers in the same way about the same items as we did in the pilot, we also asked a large amount of their employees working in the primary process to fill in a structured questionnaire.

In the second column of the appendix the items we raised in the employee

questionnaire are listed. Employees are questioned about the same HR intentions items as the owner-manager, we also made some items firm specific by copying the statements made by the owner-manager, asking his employees how much they (dis-) agree, using a five points scale. The questionnaire contains the same HR practices direction items as in the interview, but stated in such a way that employees score on a five points scale according to their degree of (dis-) agreement or the perceived (ir-) relevance. We also asked employees whether they apply to the role behaviours they say to be most needed in their firm, and how supported and facilitated they feel in realising them. Finally we asked for their intention to leave and their organisational commitment.

Again two independent researchers scored and scrutinised all ratings of the HR intentions and HR practices in the same way we mentioned above, this time not only rating the owner-managers' HR direction but the direction as perceived by his employees as well.

Now we are able to determine all three kinds of HR alignment in a certain firm and to link them to the degree of the firm's HR effectiveness. In figure 3 the research model of the further study is shown.

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Figure 3

Research model of the further study

We explained how we transferred the information as given in the owner-manager's interview and the employee questionnaires to the archetypical or hybrid configurations representing the owner-manger's fundamental choices, his HR intentions and HR practices, as well as the configurations representing the HR

practices and HR intentions as perceived by his employees. We compare the similarities and differences between these configurations to determine the vertical, the horizontal and the implementation alignment.

Because the configuration profiles we draw are the result of our processing of information from different sources and different perspectives, we use a rather rough classification to label the degree of alignment. If two configurations show about the same profile (e.g. two hybrids both mainly representing collaboration mixed with some commitment) we classify the alignment between them as sufficient. In case the two configurations are both containing the same archetypical characteristics but nevertheless show another hybrid profile (e.g. the other is mainly commitment mixed with some collaboration) we score the alignment as moderate. The alignment between two configurations showing clearly different profiles is rated as insufficiently.

Our primary aim is to relate the three alignments in a certain firm to the effectiveness criteria we draw in the box at the right side of the research model. Secondary is the exploration of a possible relationship between the HRM effectiveness of an owner-manager on the one hand and HR outcomes like absence or employee outcomes like the intention to leave and organisational commitment on the other.

Preliminary results

Since it is rather time consuming to transfer the collected data to proper drawn alignments, by date we finished this process for only 10 of the 25 enterprises.

In table 1 these firms and their main characteristics are shown. Just like in the pilot study, most of them are delivering services, one firm can be characterised as manufacturing, two are nurseries. They all are at least five years old, the number of employees varies from 21 to 55, only one hires a part-time professional HRM officer

and three apply to a collective labour agreement. A significant amount of their employees filled in the questionnaire, a total of 170. Again we notify that the HR intentions of most owner-managers have a hybrid character but at the same time clearly vary, from mainly commitment to mainly collaborative or compliance oriented (mainly market driven HR intention configurations we didn't find so far in the further study).

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Table 1

Overview of the 10 independent small firms we analysed in the further study

We have to be cautious in interpreting the results of only these first ten cases. Nevertheless we found some striking preliminary results we want to share with you. The vertical alignments we found, vary along our insufficient, moderate and sufficient classification. All horizontal alignments are sufficient or at least moderate (mostly because the appraisal and rewards direction was not strongly reflecting the HR intentions), indicating that most owner-managers practise their HR intentions in a consistent way. But in only three enterprises the owner-manager's HR intentions are so well recognised by his employees that we label them as sufficient, in five firms this alignment is moderate and in two it is insufficient.

In three firms HRM is really effective: in the software consultancy firm, the plumbing, gas and electric fitting firm and the supply and logistics management service firm the owner-manager's HR intentions are clearly recognised by his employees, a fast majority of them saying they really apply to the needed role behaviours, and feel supported and facilitated in applying them. In the first company the horizontal and the implementation alignment are moderate, in the other two firms

both alignments are sufficient.

In two firms HRM is ineffective. In the IC's reliability and quality control service firm the employees don't really recognise their owner-manager's HR intentions and about half of them doesn't feel supported nor facilitated in applying the needed role behaviours. The employees of the convenience products engineering firm moderately recognise the HR intentions, but less than 50% feels supported or facilitated in realising them. In both companies the implementation alignment is insufficient, and it is interesting to notice that while both owner-manager's HR intentions are predominantly commitment or collaborative oriented, a vast majority of their employees agree with the statement that money is the most important way of rewarding in their company.

5. Conclusion

We are investigating patterns in small firms' HRM, arguing that more coherence between an owner manager's fundamental choices, HR intentions and HR practices, clearly recognized by his employees, will lead to more HR effectiveness.

We showed how we used competing values and role behavioral theory to build up an archetypical framework of four ideal-typical configurations, and how we used that framework to study their HRM coherence in a genuine way.

In a pilot of 20 in-depth case studies we examined how proper our approach and methods are and how useful they can be. We visited all companies, extensively interviewing owner-managers about their fundamental choices, HR intentions and HR practices direction. Since we tailored HR practices to the small firms context, we had to develop an own instrument to measure their ideal-typical direction. We succeeded in placing every firm distinctively in terms of its vertical and horizontal alignment by

rating the degree of correspondence of the owner-manager's fundamental choices, HR intentions and HR practices to the characteristics of each archetype.

All entrepreneurs were obviously concerned in creating and maintaining good employee relations. But on top of that we found clearly different types, mostly hybrids as could be expected. Although hardly using 'high performance HR practices', the entrepreneurs try to practise HRM in a purposeful, deliberate and consequent way. Nevertheless significant differences were shown between stronger and weaker HRM consistency. We discussed the findings with all owner-managers, they recognised and subscribed them and found them relevant. As our analyses clearly revealed the strong and weak aspects of their HRM, we apparently are developing a strong instrument for well based HR advising.

In the further study we not only interview owner-managers in the same way about the same items as in the pilot, we also asked a large amount of their employees working in the primary process to fill in a structured questionnaire. This enables us to determine the implementation alignment of each firm next to the vertical and horizontal, and we can link these three alignments to the firm's HR effectiveness.

By date we finished this process for only 10 of the 25 enterprises, but some striking findings can be notified. The employee recognition of their owner-manager's HR practices direction clearly varies between the different companies. We found three firms HRM in which HRM is really effective. In two enterprises employees don't really recognise their owner-manager's HR intentions and most of them don't feel supported nor facilitated in applying the needed role behaviours. In both companies the implementation alignment is insufficient.

We have to be cautious in interpreting the preliminary results of the further study.

We have to analyse much more firms to draw well based conclusions, and it will take

much more research to generalise the findings of our study properly. We also have to continue the scrutiny of the instruments we developed. They were obviously suitable to determine the various alignments but that doesn't imply they are reliable yet; we have to apply them at a larger scale and preferably to other kinds of small firms as well, maybe we have to fine-tune them further. Another point of discussion is our sample. We found the firms by means of networking, in a snowball sampling way. Since it is costing owner-managers a few hours to join our investigation, allowing their employees to fill in the questionnaire, we might assume we have a rather selective (biased) sample, consisting of owner-managers having a certain care for their HRM. Nevertheless, if we ever could find characteristics of successful and effective HRM in privately owned small firms, it should be in our sample. So we did and we succeeded in measuring them.

HRM is far too complicated to be reduced to (high performance) practices. And small firms are far too important to put them off by surveys asking owner-managers to tick a prefab list of formal HR practices that fit a large firm context, or simply advise them to copy these practices. Harney and Dundon (2006, page 49) conclude that '... HRM in small firms is neither beautiful nor bleak but rather is best understood as complex'. The way we study HRM in small companies proves to be proper and useful to unravel some of that complexity. Really understanding HRM in small enterprises is an ongoing journey of discovery along winding roads, but apparently we are moving in the right direction.

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Appendix

Overview of the items we raised to determine the HR intention direction, the HR practices direction and the employee outcomes.

Interview owner-manager (both studies)	Employees questionnaire (further study)
<p>HR intentions owner-manager:</p> <p><i>Needed skills, knowledge, abilities and needed role behaviours:</i></p> <ul style="list-style-type: none"> • Most needed knowledge, skills, abilities? Most valued behaviour? • The 3 most important role behaviours? (prefab list) <p><i>Fit employee-company:</i></p> <ul style="list-style-type: none"> • What makes it attractive to work here? • If employees leave, why? • Is material rewarding the main reason to work here? If not, then what is it? 	<p>HR intentions perceived by employees:</p> <p><i>Needed skills, knowledge, abilities and needed role behaviours:</i></p> <ul style="list-style-type: none"> • Importance of knowledge, skills, abilities and behaviour as mentioned by owner-manager? • The 3 most important role behaviours? (same prefab list) <p><i>Fit employee-company:</i></p> <ul style="list-style-type: none"> • What makes it attractive to work here? • Is money the main way of rewarding here? • The main reason to stay here for me is (as mentioned by owner-manager)?
<p>HR practices direction owner-manager:</p> <p><i>HR flow direction:</i></p> <ul style="list-style-type: none"> • How recruiting? By what channels? Selection process? • Most important selection criteria? • How long to work one's way in? • Short term or long term contracts? <p><i>Work systems characteristics:</i></p> <ul style="list-style-type: none"> • How much discretion, room to manoeuvre do employees have in their work? And in client contacts? Degree of formalisation, regulation? Control, co-ordination? • In how far do employees need each other in their work? • Ad hoc project teams? • How fixed or variable are tasks/ jobs, how flexible are job arrangements? • How detailed are job descriptions? <p><i>Training and development direction:</i></p> <ul style="list-style-type: none"> • How much formal training, how much time and money spent? Selection criteria, policy, limitations? • Possibilities and intensity (time spent) of learning on the job, knowledge management? • Further employee development possibilities? <p><i>Appraisal and rewards direction:</i></p> <ul style="list-style-type: none"> • Most important appraisal criteria? Regularly appraisals? How, whatfor? Appraisals on other occasions? How? Are results stimulated and/ or measured, how? Appraisal consequences? • Rewards according a collective labour agreement, or sector agreement? How does the salary system look like? What is rewarded to what extent: job, experience, effort, knowledge, (multi) skills, results (individual, team, all)? Fringe benefits to reward? Other ways to show one is valued? 	<p>HR practices direction perceived by employees:</p> <p><i>HR flow direction:</i></p> <ul style="list-style-type: none"> • How recruited? • Most important reasons to select you? • How long to work your way in? • How contracted? <p><i>Work systems characteristics:</i></p> <ul style="list-style-type: none"> • Amount of work discretion and autonomy on different aspects? How much formalisation, regulation, routine, variety, complexity? Direct control, results continuously measured, performance control? • How necessary is co-operation in your work? Necessity to work in ad hoc project teams? • Client contacts? Discretion in solving client problems? • Gaining your own contracts? <p><i>Training and development direction:</i></p> <ul style="list-style-type: none"> • Does this firm invest deliberately in training? How many days you had a training? • Stimulated to learn other tasks? Regularly meetings with colleagues to learn from each other? • Possibilities to develop further in your work? <p><i>Appraisal and rewards direction:</i></p> <ul style="list-style-type: none"> • How often are you appraised? How? • How important are appraisal criteria work results, commercial results, way of working, team roles, skills? Appraisal consequences? • What is influencing your rewards to what extent: your job, experience, effort, own results, team results, knowledge, (multi) skills, results (individual, team, all)? Same fringe benefits as colleagues?
<p>HR outcomes:</p> <ul style="list-style-type: none"> • Turnover rate? • Sickness leave? 	<p>Employee outcomes:</p> <p><i>Application of needed role behaviour:</i></p> <ul style="list-style-type: none"> • To what degree do you apply to the (selected) role behaviours needed here? <p><i>Opportunity:</i></p> <ul style="list-style-type: none"> • Do you get enough room and support to meet the firms' work demands? • Are you facilitated to learn enough to keep up with your work demands? <p><i>Motivation:</i></p> <ul style="list-style-type: none"> • Organisational commitment: scale of 2 validated items (WEBA/ TNO, derived from De Gilder et al., 1997) • Intention to leave?

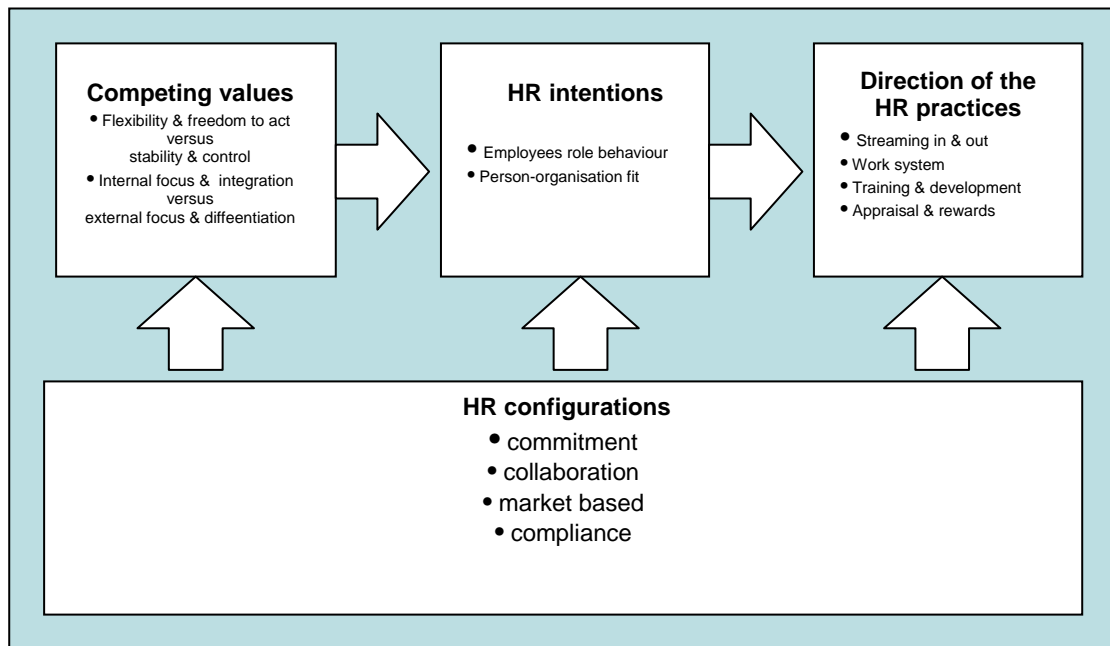


Figure 1
Theoretical model

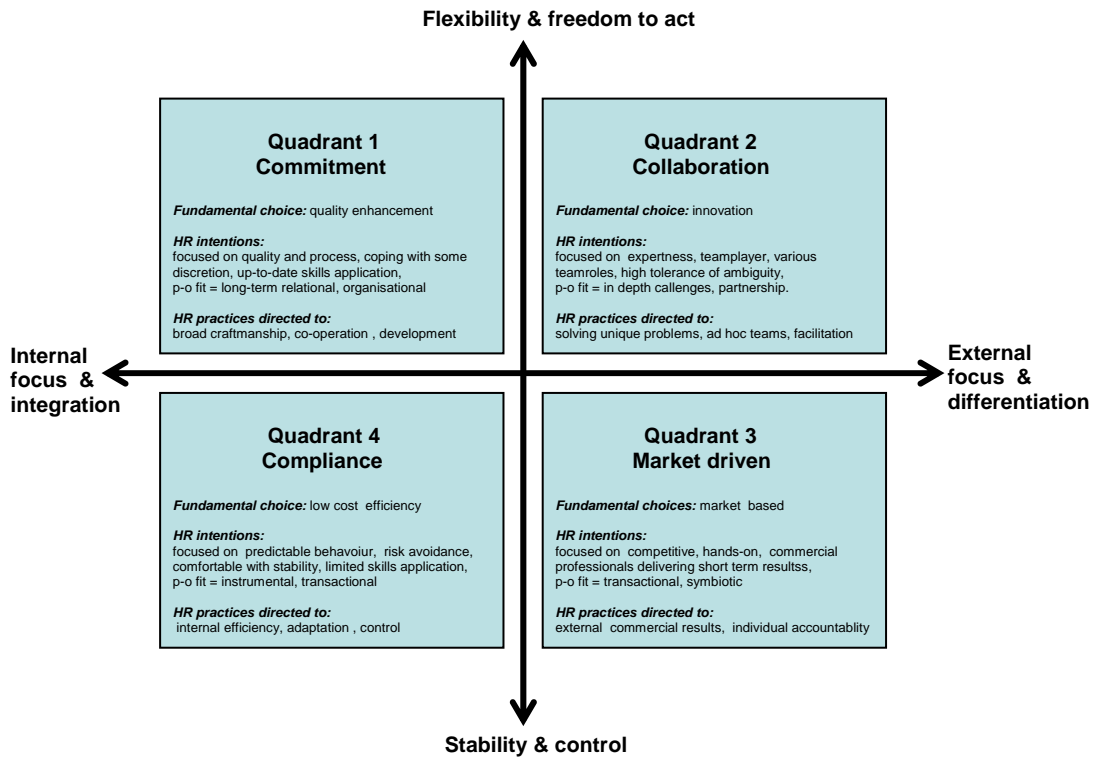


Figure 2

Configurational framework of archetypal quadrants

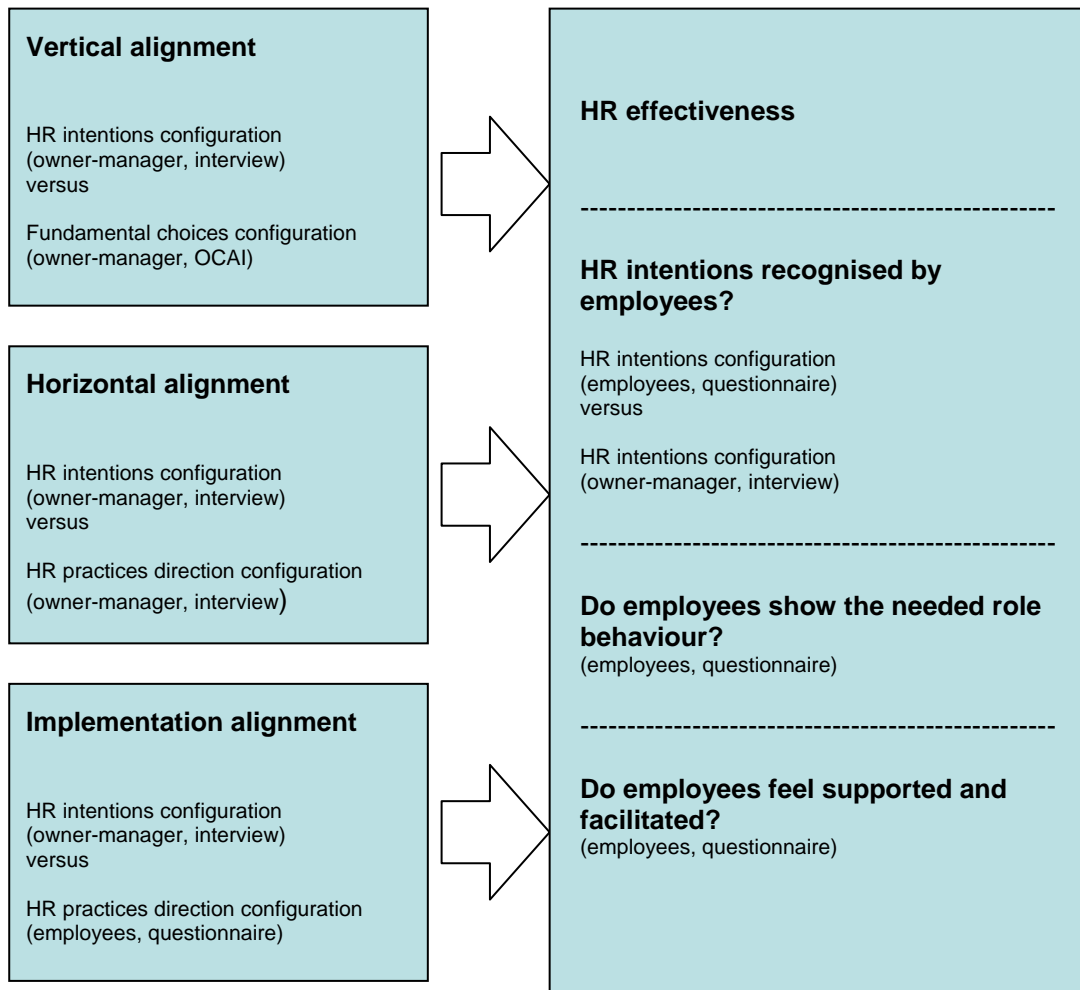


Figure 3

Research model of the further study

Nr.		HR intentions Configuration	Firm age	Size (empl's)	N *	HRMer?	Collective labour agreement ?
1	Software consultancy	Mainly commitment (4) Moderate collaboration (3) Some market based (2)	5 yrs	25	13	No	No
2	Plumbing, gas & electric fitting services	Mainly commitment (4)	16 yrs	25	10	No	Yes
3	IC's reliability & quality control services	Mainly commitment (4) Some collaboration (2)	15 yrs	40	25	No	No
4	Supply & logistics management services	Mainly commitment (4)	8 yrs	18	10	No	No
5	Welfare arrangements consultancy	Mainly collaboration (4) Moderate commitment (3) Some market based (2)	6 yrs	55	33	No	No
6	Convenience products engineering	Mainly collaboration (4) Some commitment (2)	20 yrs	35	12	Partly	No
7	Specialised ventilation systems manufacturing	Mainly commitment (4) Some collaboration (2)	22 yrs	46	28	No	Yes
8	Perennial plants & trees nursery	Moderate compliance (3) Moderate commitment (3)	37 yrs	30	8	No	Yes
9	Inbound call centre	Mainly compliance (4) Some commitment (2)	13 yrs	40	15	No	No
10	Season plants nursery	Mainly compliance (4) Moderate commitment (3)	33 yrs	21	16	No	No

*) N = number of employees that filled in the questionnaire, in total: 170

Table 1

Overview of the 10 independent small firms we analysed in the further study
