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Small firms, owner managers and (strategic?) human resource management

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Abstract

The focus of much strategic human resource management (SHRM) research has been on large firms and there are questions as to the applicability of the existing SHRM models in small firms that have different modes of operation, particularly where owner managers dominate and human resource (HR) specialists are largely absent. There is nevertheless growing evidence that SHRM can be effective in small firms. To develop understanding, this study uses qualitative data from a project that delivered HR support services to small firms to explore *why* HR practices exist and *how* they operate. Owner manager responses to cues prompted take up of HR support and developing their understanding and confidence led to the implementation of both routine and progressive HR practices. Owner managers engaged in sense making to navigate the associated dynamics of formality. We present a model of SHRM in the small firm context, incorporating HR support services as an important contribution.

KEYWORDS
business support, formality, owner manager, small firms, strategic human resource management

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Practitioner notes

What is currently known?

- Most strategic human resource management (SHRM) research focuses on large firms.
- It assumes adoption of integrated bundles of progressive human resource (HR) practices.
- An internal HR specialist designs these HR practices.
- HR practices are then implemented by line managers.

What the study adds?

- It explores the relevance of SHRM to small firms.
- It evidences the role of external HR support in design of HR practices.
- It demonstrates the importance of owner, rather than line, managers in implementation and cues they respond to
- It evidences the effectiveness of both routine and progressive HR practices.

Implications for practitioners?

- HR practice can be effective in small firms.
- Design may be internal or external to the firm.
- Routine and progressive HR practices, singly or integrated, can be effective.
- Building owner manager understanding and confidence is central to effective implementation.

1 | INTRODUCTION

Small firms with fewer than 50 employees (EU, 2011) form the backbone of economies across the globe, in many countries generating the majority of private sector employment and a substantial portion of gross domestic product (Bryson & White, 2019; Harney & Alkhalaf, 2021). They are a focus of international policymaker interest when seeking levers to improve national economic performance, which results in a variety of business support models (OECD, 2017). Here, we draw on findings from a UK-based project that offered human resource (HR) support aimed at improving small firm operations (Atkinson et al., 2017). This is novel as support services typically emphasise finance and marketing above other aspects of business function (Mole et al., 2016) and relatively little is known about how small firms obtain HR support (see Antcliff et al., 2020; Jarvis & Rigby, 2012; Kitching, 2016 for exceptions). Yet, people management is a vital aspect of firm operation, particularly for small firms who are highly dependent on their workforce (Harney & Alkhalaf, 2021).

Strategic human resource management (SHRM) research has, nevertheless, focused on larger firms to the relative neglect of small firms (Harney & Alkhalaf, 2021). This is despite their different modes of operation (Lai et al., 2017), given owner manager dominance and lack of internal HR specialist support. There is, however, growing evidence that SHRM approaches can be effective in small firms (e.g., Rauch & Hatak, 2016; Wu et al., 2015), but research is at an early stage and knowledge is lacking as to whether/how typical (large firm) SHRM models apply (Harney & Dundon, 2006). Informed by Harney and Alkhalaf's (2021) recent review of 25 years of SHRM research in small and medium-sized enterprises (SMEs), our aim is to develop understanding of small firm HR processes, which have been almost entirely overlooked, and the role of owner manager via their engagement with external HR support services, which is a valuable, and to date underutilised, lens. The study asks: *Why* do HR practices exist in small firms and *how* do these HR practices operate? *Why* examines the role of both cues for owner manager to take up HR support and their confidence

and understanding in implementing HR practice; *how* examines the type of practice implemented and the dynamics of formality within this.

We draw on a stream of research that argues focusing solely on firm size is overly deterministic (Timming, 2011) and exhorts analysis of both internal context and external context (Harney & Dundon, 2006). In considering, *why* and *how*, we return to an earlier strand of HR research (and a continuing one in the small business field) that emphasises the role of owner manager and their choices within structural constraints (Edwards et al., 2006). We use qualitative data to evidence how choices influence take up of external HR support in response to particular cues (Jones et al., 2007) and the role of owner manager understanding and confidence. Human resource practice ranged along a continuum from routine to progressive, and the degree of formality was owner-manager-dependent. We make a number of contributions. Theoretically, we adapt HR process theory to present a context-sensitive model that outlines the importance of both external HR support and owner managers in implementation and demonstrates that the theorised internally-focused intended/actual HR practice distinction (Purcell & Hutchinson, 2007) does not hold good in small firms. Empirically, we contribute to research on uptake of HR support (Mole et al., 2016). For policymakers, our research demonstrates that HR support services are important. Finally, for owner managers, we demonstrate the perceived benefits of taking up HR support and implementing HR practice.

The study proceeds by reviewing the literature on SHRM, small firms and the role of owner managers, before outlining research methods. We then present findings and discussion, before concluding as to the contributions of our research.

2 | STRATEGIC HUMAN RESOURCE MANAGEMENT: IN SMALL FIRMS?

Human resource management (HRM) generally describes ways of managing people (Harney & Dundon, 2006), which all firms must do regardless of size (Boxall & Purcell, 2000). Strategic HRM refers more specifically to adoption of synergistic sets ('bundles') of well-designed HR practices (Bowen & Ostroff, 2004) intended to drive improved organisational performance, however measured (Boxall et al., 2016). For its first 2 decades, SHRM research focused on content, that is, which practices to adopt (Harney & Dundon, 2006). More recently, however, SHRM has considered process, that is, how HR practices are implemented (Purcell & Hutchinson, 2007), although this remains under-researched (Fu et al., 2018). Most research is in large firms, and despite 25 years of SHRM research in SMEs, many questions remain unanswered in this context (Harney & Alkhalaf, 2021). Our focus is SHRM processes, and in particular, the small firm owner manager and HR support services. However, consideration of HR content is also necessary as it underpins processes and informs our research questions as to the *how* of HR practice. We begin with this, before moving on to discuss SHRM processes.

2.1 | SHRM: A content perspective

Strategic HRM is supported by a body of evidence spanning 30 years and, while sometimes contested, has gained widespread acceptance (see, e.g., a Special Issue of this journal, Boxall et al., 2016). Much research has focused on content, that is, which HR practices should be adopted, with debated concepts of best practice, where a specified bundle is argued to be effective in all contexts, and best fit, where a bundle is designed to reflect organisational context (Harney & Dundon, 2006). These normative SHRM models emanate from large firm research and presume that HR practices are formalised (Boxall & Macky, 2007), that is, written (Psychogios et al., 2016), well designed and sophisticated (Bowen & Ostroff, 2004). These are often termed 'progressive' practices (Atkinson & Lucas, 2013) and seek to reconcile employer and employee interests in a mutual gains approach (Kochan & Osterman, 1994) that has dominated since the 1980s. This contrasts with more routine practices prevalent in the 1950s and 1960s (Godard, 2010). While also formalised, these do not typically appear in SHRM practice bundles as they have an operational focus on communicating

organisational expectations, rather than a strategic emphasis on creating mutual gains (Kaman et al., 2001). Examples of each are detailed in Kaman et al. (2001), where routine practices comprise job descriptions, policy and procedure manuals, employee handbooks and disciplinary procedures. Examples of progressive practices include involvement, well-being, flexibility, development and reward related to organisational performance.

Until relatively recently, SHRM research drew on large firms, and despite limited evidence, it was generally supposed that small firms suffered a 'deficit' of progressive HR practice (Behrends, 2007). This flowed from employment relations/HR practice research that evidenced small firm approaches that were not strategic (e.g., Cassell et al., 2002) and largely relied on informal practice (Ram et al., 2007). While early assumptions that small firms are either 'bleak houses' or 'happy ships' (Wilkinson, 1999) have broken down, there remains a prevailing view that small firms have a tendency to informality of operation, in what Ram famously described as 'negotiated orders' (1994). Here, owner managers and workers accommodate the others' needs without reliance on formal practice. Ram et al. (2001) also, however, note that informality is dynamic, not fixed, and can combine with some degree of formality. Yet the resource constraints, both money and time, that small firms typically experience preclude SHRM approaches (Garavan et al., 2016; Georgiadis & Pitelis, 2012; Teo et al., 2011), with an absence of formal (Bacon & Hoque, 2005; Psychogios et al., 2016), progressive HR practices (Marlow, 2006). Strategic HRM was thus thought unlikely to operate in small firms and that a somewhat piecemeal approach to HR practices dominated (Cassell et al., 2002).

Perhaps somewhat unexpectedly then, research in recent years has evidenced that progressive HR practice exists and improves performance in small firms. For example, both ONS (2017) and Lai et al. (2017) have demonstrated consistent relationships between HR practices and improved productivity. Further, longitudinal studies have evidenced not just an association, but that HR practice predicts performance (Razouk, 2011). While small firms may be less likely to adopt progressive HR practices, it seems they are effective where implemented, perhaps because they are a substantial resource investment (Wu et al., 2015). Research is, however, at an early stage, and the heterogeneity across small firms is well-recognised (Lai et al., 2017), leading Timming, (2011), among others, to argue that considering size alone is overly deterministic and that a more nuanced understanding is needed (Rauch & Hatak, 2016). We address Harney and Alkhalaf's (2021) call for a wider view of HR practices and systems, not constrained by normative SHRM models. Wu et al. (2015) and Bacon et al. (1996) offer some (limited) insight, arguing that progressive practices may not be essential to performance improvement and that routine practices can be effective. Wu et al. (2015) also argue that single practices can be as effective as bundles. Strategic HRM research in small firms typically, however, draws on large firm content approaches predicated on bundles of progressive HR practice. In our consideration of *how* formal HR practices operate in small firms, we adopt a progressive/routine distinction and, within this, consider the dynamics of formality, moving beyond typical debates on formality versus informality (e.g., Lai et al., 2017).

2.2 | SHRM: A process perspective

More recently, SHRM research has shifted its focus from content to process, arguing that how practices are implemented is as important as which practices are implemented (Fu et al., 2018). Purcell and Hutchinson (2007), for example, propose a 'causal chain' that begins with the design of progressive HR practice by HR specialists and their implementation by line managers, followed by a series of stages ending in improved performance. Substantial attention has focused on the possible disconnect between intended HR practice, well designed by HR specialists as envisaged by Bowen and Ostroff (2004), and actual practices, as implemented by line managers (Purcell & Hutchinson, 2007). This disconnect is important as it has the potential to disrupt the 'causal chain' that creates mutual gains and improved performance (Fu et al., 2018). As noted above, while debates on HR content in smaller firms have been well rehearsed, if not wholly resolved, there has been no discussion of whether implementation of HR practices, as currently theorised, is applicable in the small firm context. Strategic HRM processes presume large firm professional management structures but small firms rarely have an HR specialist/department (Teo et al., 2011). It is owner managers, who typically lack HR experience, who shape and deliver HR practice (Steffensen et al., 2019). The intended (HR designed) and ac-

tual (line manager delivered) practice distinction may not then hold in small firms. Moreover, owner managers operate as what Nishii and Paluch (2018) refer to as 'sense givers' in relation to HR practice, where benefits result not just from having appropriate practices but also in having managers who can communicate the meaning of those practices. Owner managers are thus key actors in implementation of HR practice, which is under-explored in SHRM research (Psychogios et al., 2016), alongside a general lack of process research in small firms (Harney & Alkhalaf, 2021). Accordingly, we move beyond HR content, that is, *which* practices, to examine in-depth the owner manager role in HR processes, that is, their influence on *why* these practices are implemented (Harney & Alkhalaf, 2021). This reflects a shift in the broader SHRM field that suggests that implementation of HR practice is critical to achieving mutual gains and positive outcomes.

2.3 | SHRM: Owner managers

Owner managers are key actors in small firms, and employment relations literature has long been dominated by consideration of how contextual factors, including product and labour markets, life cycle stage (Wu et al., 2015) and sector (Psychogios et al., 2016), influence their actions and decisions. This is also been reflected in recent consideration of HRM in SMEs, with Harney and Alkhalaf (2021) identifying a number of external determinants of HR practice. These include institutional context, sector, labour markets, trade unions, value chains and internationalisation. For example, HR practices change as firms grow (Gilman et al., 2015) and greater formality has been evidenced in smaller firms with skilled employees (Bacon & Hoque, 2005; Wu et al., 2015), manufacturing firms and those with international links (Psychogios et al., 2016). Yet even small firms in similar positions can adopt very different courses of action which is largely dependent on owner manager choices (Edwards & Sengupta, 2010). The capacity to influence their attitudes underpins provision of business support services that seek to develop owner manager skills (Kempster & Cope, 2010), yet what drives owner managers to engage with these services is under-researched. Elsewhere we have argued that fostering these external relationships is a form of dynamic capability that enables owner managers to learn and develop necessary competence, specifically in relation to HR practice (Antcliff et al., 2020). Business support is thus a surprising omission from Harney and Alkhalaf's (2021) external determinants; this may result, given their emphasis on the wider SME group, from an expectation of an internal HR department in medium-sized firms. In exploring contextual influences on HR processes, we place particular emphasis on external HR support in explaining the *why* of HR practice uptake.

We adopt, however, an integrative model of analysis (Harney & Dundon, 2006), which argues for the strong explanatory potential of combining contextual factors with internal influences in small firm HR practice, for example, Rauch and Hatak's (2016) meta-analysis of 56 studies across various countries. Owner managers are a critical internal influence, having capacity to exercise choice within structural constraints (Edwards et al., 2006) particularly in relation to HR practice (Garavan et al., 2016; Georgiadis & Pitelis, 2012; Harney & Alkhalaf, 2021). In broader employment relations literature, owner managers are positioned as key actors in navigating the external environment and shaping internal systems, structures and processes (Jones et al., 2007). Key themes within this are their dominance (Steijvers et al., 2017), preference for autonomy (Marlow, 2002) and their presumed desire for informality (Ram et al., 2007). Yet there is a gap in understanding around owner manager choices in shaping HR practice and processes, particularly given the lack of an internal HR department/specialist and the (potential) role of HR support services. Harney and Alkhalaf (2021) introduce the concept of 'presenting issues' that drive HR practice implementation, including change of ownership, succession, competition and the perception of HR as a problem. Yet, as they note, these are not included in any of the articles in their review. We, therefore, return to the wider business support literature to draw on Jones et al.'s (2007) concept of 'cues', that is, calls to action to draw on business support to implement HR practice. Current research suggests five main cues. First is the owner manager's perceived need for support (Mole et al., 2016). In relation to HR practice, this often receives very limited management attention (Phelps et al., 2007), not least because, as Timming (2011, p. 580) notes:

the complete lack of knowledge among owner/managers of what HRM means.

Understanding of HR practice is then vital. Second is the capacity to work with advisors and adopt advice (Mole et al., 2016). Taking advice on/implementing HR practice requires leadership skills and confidence that HR practice can be effective/do-able within a small firm (Psychogios et al., 2016). Third, owner managers who have worked in medium/large firms or have run businesses in other sectors are more likely to take up HR practice (Richbell et al., 2006) as previous experience is highly influential (Harney & Alkhalaf, 2021). Fourth, education, where those more highly educated are more likely to implement SHRM (Edwards & Sengupta, 2010; Psychogios et al., 2016). Finally, a perceived need for formalisation/compliance, which can have various triggers. These include growth, Phelps et al. (2007) demonstrating that once a certain size is reached, the importance of managing people is accepted; Employment Tribunal (ET) claims (see Marlow, 2002); or questions over firm survival (Mole et al., 2016). Our discussion here of cues is deliberately brief as there is little current research that relates to HR practice. We build understanding inductively via our analysis with a particular focus on owner manager responses to cues and decisions to engage with HR support.

To summarise, our review identifies a gap in understanding of how SHRM processes unfold in small firms, particularly given the absence of HR specialists and a professional line management structure. We argue that the owner manager role is critical, but under-researched, as is their propensity to engage with external HR support. We also know too little about the resulting types of HR practices and associated dynamics of formality. Drawing on this, and informed by Harney and Alkhalaf (2021), we ask: *Why* do HR practices exist in small firms and *how* do these HR practices operate? *Why* examines the role of both cues for owner manager to take up HR support and their confidence and understanding in implementation; *how* examines the type of practice implemented and the dynamics of formality within this.

3 | METHODS

We report here a subset of data from evaluation of a project delivering free HR support services to 449 small firms (Atkinson et al., 2017). A project manager worked with delivery partners in three locations in the South East, Midlands and Scotland. Each delivery partner appointed a coordinator, who managed local project delivery, and a team of freelance HR consultants, who worked on an individual basis with a nominated point of contact in each firm, usually the owner manager. This facilitated the design and delivery of bespoke 'interventions' delivering HR practices tailored to firm need. The project ran for around 18 months across 2015–2016, although firms 'rolled on' and 'rolled off' during this period.

The data subset offers rare insight as it focuses on 17 small firms, with up to 50 employees, who agreed to be in-depth case studies. Data are also included from the project manager, project coordinators (3) and HR consultants (19). Data collection comprised three focus groups at project launch events and 34 telephone/face-to-face interviews with the project team at the project mid and end points (see Appendix Table 1 in the Supporting Information S1). With the 17 firms, we conducted telephone/face-to-face interviews, 48 in total, at the beginning, (for some) mid and end points of an intervention with owner managers or their representatives. Three focus groups and 82 interviews offer rare, rich contextual data on HR practice in small firms. Our data draw on participant 'stories' (Harley, 2015), and the qualitative methodology allowed us to surface important issues in an area where little is known (Mayson & Barrett, 2017). All data capture was recorded, and data summaries were imported into NVivo software for thematic analysis (Braun & Clarke, 2006). We had a number of a priori codes and added others that emerged in analysis (Table 1).

First-order coding focused on cues to engagement with HR support (Jones et al., 2007) and type of formal HR practice that resulted. We coded as routine HR practices that supported day-to-day operations, for example, employee handbooks; progressive HR practices were those aimed at business development and growth, for example, performance management and training (Kaman et al., 2001). We inductively arrived at a third category where firms implemented both routine and progressive HR practices, labelling these 'mixed'. We recognise that there is variation within each grouping but use these clusters to map empirical complexity (Edwards et al., 2006). We then undertook sec-

TABLE 1 Thematic coding

	A priori codes	Emergent codes
Themes: First order		
Cue to engage	Owner manager's perceived need for support	
	Capacity to work with advisors and adopt advice	
	Large firm experience	
	Education	
	Perceived need for formalisation/ compliance	
		Change in ownership/succession
HR practice	Routine	
	Progressive	
		Mixed
Themes: Second order		
Institutional context/external determinants	Employment regulation	Professional bodies
		Funding and procurement processes
	Sector	
	Labour markets	
	Trade unions	
	Value chains	
	Internationalisation	
Owner manager choice	Philosophy/attitudes	
	Autonomy	
		Understanding
		Confidence
		Sense giving and dynamics of formality

Note: A priori theoretical concepts not found in the data are presented in italics.

ond-order coding to explore how context/external determinants and owner manager choices influenced engagement and practices. We started with typical a priori codes such as attitudes and philosophy and added emergent codes including understanding and confidence, the latter reflecting owner manager perceptions that HR practice was effective/do-able (Psychogios et al., 2016). We also coded for sense giving (Nishii & Paluch, 2018) and dynamics of formality (Ram et al., 2001). We coded at the three data collection points and denote this in the findings, T1, the beginning of an intervention; T2, its midpoint; and T3, its end point. This provides for illustration of developments across the intervention period. We recognise the limitations of involving only 17 small firms and seek to generalise only to theory. Nevertheless, our findings have powerful explanatory potential that can be tested in future research.

4 | THE WHY AND HOW OF HR PRACTICE IN SMALL FIRMS SECTION

Here, we consider *why* (formal) HR practices existed and *how* these HR practices operated. Both resulted from engagement with external HR support services (hereafter HR support), but it is important to note that a relatively small proportion of firms accessed this. Typical time and financial constraints were cited, with HR being '*a luxury*' and '*you don't have the time or the head space*' (*Project Manager [PM, T2]*) to think strategically as an owner manager. We move beyond this well-trodden ground, however, to explore 17 firms that took up support and went on to implement HR practice. Findings are summarised in Table 2 and explored in depth below.

4.1 | Why do HR practices exist?

None of the 17 small firms in our study had an HR specialist or department and we argue that uptake of HR practices resulted from both contextual influences (or external determinants Harney & Alkhalaf, 2021) and owner manager choices (Edwards et al., 2006), particularly in response to cues to engage with HR support and their understanding and confidence.

4.1.1 | External determinants

Small firms are argued to be at the mercy of their external context. Sector and skill level are often considered particularly influential for HR practice, but there was limited evidence of this in our data (see Appendix Table 2 in the Supporting Information S1). Within sectoral groups, size of firm varied with few patterns by routine, mixed or progressive HR practice. For example, of the professional services firms, three had mixed HR practices and the others routine; for frontline services, the figures were one progressive and two routine; and in IT and communications, both were routine. In construction, one firm had progressive practices and one mixed; in the third sector, two were mixed and one routine. There was then limited support for more progressive HR practice being found in higher skilled sectors.

The external determinants of most significance were institutional context and labour markets. Institutional context took a number of forms. At Architecture Co, for example, the profession's qualification structure required performance and career practices related to qualification stage, and at Comms Co, the highly regulated nature of the sector meant that the owner manager sought more formalised HR practice. Care sector regulation created the same effect at Care Co and Support Co. Finance was also important, and changing government procurement processes meant that Building Co faced financial insecurity and a move into private sector work, which increased desired for formal HR practice. Funding instability at Arts Co meant a reliance on fixed-term contracts and frequent redundancy programmes. This combined with the perceived threat of employment legislation, another important institution, particularly given recent risk of an ET claim, led the owner manager to engage with HR support because a claim could '*bring a small business down*' (*Arts Co, Director, T1*). Finally, education and business support were influential. At Learning Co, for example, shortcomings in the qualifications system led the owner manager to establish an apprenticeship framework and lack of wider business support in the retail sector led Retail Co to engage with HR support for coaching and development.

Labour markets were another important external determinant. Three firms, Bar Co, Insurance Co and Learning Co, noted the competitive nature of their sectors and tight labour markets. HR practice ranged from routine through mixed to progressive, but in all resulted from a desire for processes to support improved recruitment and retention. At Bar Co, the intervention focused simply on improving job descriptions and interview processes. At the other end of the continuum, Learning Co developed a learning academy that offered qualifications, training and career pathways that supported workforce development in a very competitive sector. At the end of the intervention, the owner manager reflected:

TABLE 2 Overview of findings

Firm	Sector	Employees	Led by	External determinant	Owner manager: Cues to engagement	Type of HR practice	Detail of HR practice
10–49							
Creative Co.	Professional services	38	Owner manager Delegated to business manager	Tight labour markets	Change in ownership (buy out of a director by existing directors)	Mixed	Contract and policy review Leadership development
Architect Co.	Professional services	30	Practice manager Partial OM support	Tight labour markets Professional body structures	Previous large firm experience	Mixed	Contract and policy review Performance appraisal and coaching
Bar Co.	Hospitality	25	Practice manager Limited OM support	Tight labour markets	Previous large firm experience	Routine	Contract and policy review Recruitment and training
Comms Co.	Telecomms	26	Accountant OM support	Sector regulation	Perceived need for compliance/ formality	Routine	Contract and policy review Disciplinary and grievance handling
Packaging Co.	Wholesaler	24	Owner manager	Employment regulation	Previous large firm experience Change in ownership (family member joining)	Routine	Contract and policy review Legislative advice

(Continues)

TABLE 2 (Continued)

Firm	Sector	Employees	Led by	External determinant	Owner manager: Cues to engagement	Type of HR practice	Detail of HR practice
Insurance Co.	Professional services	22	Owner manager	Tight labour markets	Previous large firm experience Change in ownership (family member joining)	Mixed	Contract and policy review Competency matrix and training
Learning Co.	Construction	20	Owner manager	Tight labour markets Education and qualification frameworks	Previous large firm experience Change in ownership (family member joining)	Progressive	Establishment of a learning academy
Arts Co.	Social enterprise	20	Director Delegated to office manager	Financing systems	Desire for compliance/formality (employment tribunal claim)	Routine	Contract and policy review Job roles and structures
Building Co.	Construction	19	Business manager Limited OM support	Employment regulation	Education: CIPD qualified	Mixed	Contract and policy review Leadership coaching
IT Co.	Communications	17	Owner manager	Tight labour markets	Change in ownership (buy out) Previous large firm experience	Routine	Contract and policy review Absence management
Ark Co.	Charity	11	Chief executive Delegated to office manager	Sector regulation	Perceived need for compliance/formality	Mixed	Job descriptions and person specifications Performance management scheme Wellness policy
Support Co.	Charity	10	Chief executive Delegated to HR officer	Sector regulation	Perceived need for compliance/formality	Mixed	Contract policy and review Induction programme Development review process

TABLE 2 (Continued)

Firm	Sector	Employees	Led by	External determinant	Owner manager: Cues to engagement	Type of HR practice	Detail of HR practice
0–9							
Photography Co.	Professional services	8	Owner manager	Employment regulation	Desire for (limited) compliance/ formality (Employment tribunal claim)	Routine	Contract and policy review Employment law support
Care Co.	Social care	6	Owner manager	Sector regulation	Desire for compliance/formality Previous large firm experience	Routine	Contract and policy review
Design Co.	Professional services	5	Owner manager	Employment regulation	Previous large firm experience Change in ownership (family member joining)	Routine	Contract policy and review
Rental Co.	Property	4	Owner manager	Employment regulation	Perceived need for compliance/ formality	Routine	Contract and policy review
Retail Co.	Retail	4	Owner manager	Lack of business support for the retail sector	Previous large firm experience	Progressive	Coaching and personal development

Abbreviation: HR, human resource.

[It's] really easy to run the business, people just do their job. It feels really good and it feels like we've got the right team of people in place. (Learning Co, OM, T3)

4.1.2 | Cues to engagement with HR support

We explored why these 17 firms engaged with HR support and then implemented HR practice. This was prompted by a series of cues, across which there was considerable intersection. They included perceived need for HR practice; ability to work with advisors; triggers for compliance/formality (in two cases linked to ET claims); previous large firm experience; and changes in ownership (succession or buy out). Each is discussed below.

Perceived need for HR practice was lacking in many firms. Project members suggested that '*we have had to explain what HR is*, *which is a challenge*' (*Scotland Coordinator, T2*). Initial engagement typically resulted from workshops around 'hot topics', existing networks and trusted advisors in other business support services. These created opportunities to communicate the importance of HR practice, but for some it was nevertheless only '*picked up in a crisis*' (*Scotland HR Consultant [SHRC] 4, T2*) relating to a particular issue. Capacity to work with advisors and adopt advice also informed whether owner managers moved from engaging with HR support to implementing HR practice:

Some [owner managers] really got it. Had their eyes opened, illuminated challenges and issues in their businesses that they hadn't thought about in that way. [HR support] made a lot of difference. Some don't get it. It doesn't matter what you do. They run their business their own way and they don't want other people telling them what to do. (PM, T3)

This desire for autonomy is often suggested but does not feature strongly in our data. This is perhaps reflective of the owner manager sample and their choice to work with HR support. Others ceased to engage with HR support because of the scale of the challenge, one, for example, fearing that the recommended intervention was '*too big*' a job. Creating perceived need and building the capacity for owner managers to work with HR support was critical to its success.

Perceived need for compliance/formality was another important cue, often resulting from the external determinant of employment legislation. Two firms (Arts Co and Photography Co) had, for example, experienced threat of ET claims and sought protection through formalised policies and procedures. Formalisation also resulted from business growth:

When we were small, we perhaps let things lapse. Now we've got bigger [HR consultant] has helped us set it up for the future … . Handbooks and things like that. It's really helpful. (Rental Co, OM, T3)

While Rental Co was a micro firm, formalisation was also important in larger firms, for example, Comms Co and Ark Co. Others, particularly those with previous large firm experience (Care Co, Design Co, IT Co and Learning Co), had better understanding of the need for HR practice and wanted the reassurance of formal practice:

[In education] the HR department was very well structured, … all the information was already there … . (Design Co, OM, T1)

Large firm experience was very influential, being an important cue in around half of the firms. For some, as above, it led to a desire for increased formalisation and routine practice. For others, it meant recognition of HRM's more strategic contribution and a desire for progressive practice (Learning Co and Retail Co). Large firm experience also intersected with changes in ownership. In our sample, these changes related mainly to succession and the arrival of family members who had worked at larger firms. There were various triggers. At Packaging Co, the sudden death of

the founder led to his daughter joining the firm at a time of crisis and she sought to disrupt the status quo, led by her brother who was an existing owner manager. At Insurance Co, rapid growth led the founder to bring his sister into the firm to add business experience. Again, there were family tensions as she sought to formalise HR practice despite his failure to recognise the benefits. Only at IT Co did change of ownership relate to the buyout of the firm. Here, the owner manager wished to formalise basic policies and procedures based on his previous experience. In all cases, a new owner manager was the catalyst for engagement with HR support.

4.1.3 | Understanding and confidence

Human resource practices implementation also resulted from owner manager understanding and confidence, and working directly with HR support was central to developing this. Exposure to HR support triggered insight into their lack of understanding of people management practice. At the outset, one noted:

> I came out of college and I knew exactly how to build an opera house or a ballet school or a cemetery. …. Learned nothing about HR. Nothing at all. (Architect Co, OM, T1)

At the end of an intervention, another observed that '*until I engaged in [project], I think I was quite naïve to the requirements of HR*' (*Design Co, OM, T3*). In 13 of the 17 firms, owner managers led engagement with HR support and this understanding was critical. This was readily apparent in family firms with more than one owner manager. Incoming family members at both Insurance Co and Packaging Co, for example, expressed frustration over other family member attitudes of '*we don't have to do that [formal HR practice], we're only a wee business*' (*Packaging Co, OM, T1*).

Human resource support also built confidence and enabled, for example, tackling of family resistance to implementation of HR practice. The owner manager at Packaging Co had been '*struggling*' and developed confidence via the consultant being '*a sounding board to take that course of action'*. Care Co was established very rapidly because of local authority pressure to outsource its social care delivery and the owner manager was anxious about people management when first engaging with HR support. She derived substantial benefit from it and at the end of the intervention reflected on how much her confidence had developed:

> We would have muddled along, and gone from past experiences … but it has been wonderful. [HR Consultant] has been more than helpful, adaptable. (Care Co, OM, T3)

The most effective interventions were owner manager-led, even if then delegated (e.g., Creative Co and Arts Co), as their understanding and confidence grew:

> Much more confident, suit of armour around us; would have never been able to do that [implement HR practice] on my own. (Ark Co, OM, T3)

Indeed, in three of the four firms where engagement was manager-led, owner managers lacked understanding and confidence about the value of HR practice. Managers in Architect Co, where there was partial owner manager support, and Bar Co and Building Co, with limited owner manager support, all expressed frustration and questioned the intervention's sustainability. In Architect Co, for example, the practice manager initially suggested that involvement in the project was for '*someone to hold our hand and reduce directors'' resistance to change (T1)*' but later that the impact could be '*relatively short-lived*' (T3), as the owner managers had limited commitment to the HR practices implemented.

4.2 | How HR practices operate

Here, we consider *how* HR practices operated, as owner managers worked with HR support to design and implement tailored HR practice. We draw on Nishii and Paluch's (2018) concept of sense giving in relation to owner managers in two ways. First, outlining the implications of owner manager understanding and confidence for routine and progressive HR practices. Second, considering dynamics of formality, with many owner managers expressing a desire to minimise, or for 'light touch', formality to preserve their firm's existing ethos.

The understanding and confidence discussed above were fundamental to *how* HR practices were implemented. Working with HR support to develop understanding often started at a basic level with routine practices. Indeed, in nine firms, HR practices were wholly routine, focused on day-to-day operations and centred on handbooks, employment contracts, job descriptions, maternity leave and similar. In some cases, HR practice was operationally driven, issue-based and '*firefighting*', serving to '*fix a problem*' (*South East HR Consultant 3, T2*), with little wider understanding of HRM's benefits. Photography Co and Arts Co were examples of this. In the former, the owner manager accessed support to deal with a problem arising from dismissal of a pregnant member of staff. In the latter, a staff grievance and dismissal had created difficulties. Both had raised concerns over potential ET claims. Having solved these problems and established some routine practices, the owner managers went little further.

Developing understanding, however, created confidence in other owner managers to progress further. Having initially expressed a desire to ensure legal compliance, the owner manager at Packaging Co later felt that routine practices had reduced '*chaos and firefighting (T2)*' and created the space and '*courage*' to deal with underperformance and exit two employees. A contract and policy review at Rental Co developed owner manager confidence and led to recruitment of two new staff. At Bar Co, improved recruitment practices and interview skills training helped the manager to realise that he had been '*asking all the wrong questions (T3)*' and reduced staff attrition. Developing confidence, even around routine practices, thus created positive perceptions of the benefits of HR practice. Nevertheless, some owner managers expressed a desire to protect the firm's ethos and avoid over-formalising (Design Co, IT Co and Care Co). At the end of the intervention, for example, one observed:

> We didn't want to become social services. We … are an independent. We wanted [HR practices] tailored to us, and not to be so structured. We wanted it to be a little more formal, but we wanted it to work for us. (Care Co, OM, T3)

For the nine firms working with HR support on routine practice, developing understanding and building confidence was thus essential. Perceptions of positive outcomes resulted, even though some were anxious to avoid over-formalisation. As one HR consultant noted, getting the basics right and improving operations could:

> … transform the business while being [routine]. (SHRC3, T3)

Routine practices could also create a foundation for progressive HR practice. As owner manager understanding and confidence developed, HR consultants working on routine practice could take the:

> opportunity to widen the discussion into improving processes and practices, things like performance management, and you can move up the scale [from routine practice]. (PM, T2)

At Ark Co, for example, initially routine work on job descriptions had supported the recruitment of two better performing staff. This supported design of a new appraisal system, which helped focus priorities and target underperformance. At Creative Co, routine policy review was followed by progressive practice on company values and performance appraisal. Over the period of the intervention, this created greater staff involvement and reduced the '*tumbleweed moments*' that had taken previously place during staff meetings. Finally, the owner manager at Insurance

Co described how they had '*muddled through*' (T1) prior to working with HR support. They started with routine work on policy development but then developed a competency matrix and training programme that offered internal career pathways. They moved on from '*creating our own chaos*' and being '*caught up in the day-to-day*' (*Insurance Co, OM, T3*) to a more effective way of developing and retaining staff. In total, six of the firms exhibited this type of progression.

The transition from routine to progressive practices did, however, raise even greater concerns around over-formalisation. Owner managers wanted to '*keep the fun*' (OM, Care Co, T3) and formalise only to the extent needed. One felt, for example, that HR support's tailored offering had helped maintain the essence of the firm:

> Had we not had this [light touch formality] we'd start to lose a lot of unique quality that we have in the practice …. This allows us to keep on growing and to keep people feeling happy. (Architect Co OM2, T3)

Another described how the HR consultant had amended the policy initially proposed so that '*it fitted culturally and tried to balance protection with a "come to us and chat" approach*' (OM, Creative Co, T3). Again, for the six firms adopting mixed practices, HR support developed owner manager understanding and confidence which underpinned a shift from routine to progressive practice with clear perceptions of positive outcomes. Retaining the firms' ethos and avoiding over-formalisation remained priorities and the dynamic nature of formality was apparent.

Only two firms implemented wholly progressive practices, that is, coaching and mentoring at Retail Co and establishment of a learning academy at Learning Co. Given this, we must proceed with caution, but both offer interesting insights. For each, established understanding of the value of HR practice supported adoption of progressive practice from the outset, and the primary focus was development of confidence around these. Retail Co was a recent start up, but the owner managers, having worked in large firms, '*knew what they didn't know (T1)*', and coaching and mentoring set a strong basis for more strategic operation. In Learning Co, an owner manager had joined her husband's long-established firm, having taken redundancy from a large firm. She had sound understanding of the value of investing in people but lacked confidence in developing HR practice. Human resource support helped establish a learning academy offering training, career and pay progression, and she noted its vital role and that '*we couldn't have done it on our own (T3)*'. Concerns about over-formalisation did not surface here, possibly because Retail Co was very small and the Learning Co's owner manager had long-established large firm experience and was used to working in a more formal environment. Understanding and confidence were central to type of HR practice implemented, whether routine or progressive, indeed our analysis suggests that these were more influential than context or firm size. This was particularly so in firms employing 10–49 employees, where few patterns were evident by either routine or progressive practice. In the micro firms, three of the four adopted only routine practices, albeit the fourth implemented progressive practice.

5 | DISCUSSION

Our findings offer much needed insight into *why* HR practices exist and *how* they operate in small firms (Harney & Alkhalaf, 2021). We use them to develop a model of HR processes (Figure 1) that is contextually sensitive, offering analysis of not only external context but also internal context (Harney & Dundon, 2006), the latter having been somewhat neglected amid assumptions that small firms are at the mercy of their external environment. Through analysis of internal context, we foreground owner manager role and their capacity to make choices within structural constraints (Edwards et al., 2006).

External context was particularly influential in relation to institutional context and labour markets. Employment legislation, for example, tended to prompt defensive owner manager reactions focused on routine HR practice to avoid litigation. Labour markets occasioned more proactive responses to recruit and retain staff using both routine and progressive practices. Our findings, however, offer limited support for the influence of sector (contra Wu et al., 2015). Neither were there particular patterns by size, other than most of the micro firms engaged in only routine practices.
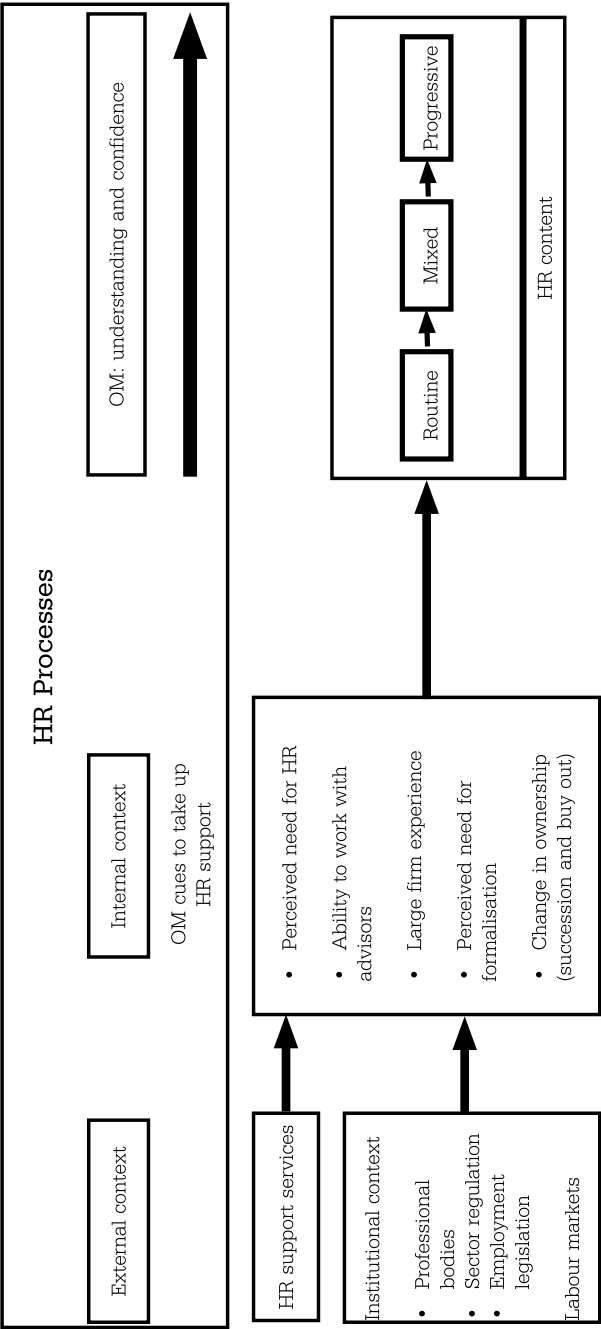
HR Processes

FIGURE 1   Strategic (?) human resource management in small firms

A second, highly influential, aspect of external context was HR support services. This does not appear as an external determinant of HR practice in extant research (Harney & Alkhalaf, 2021) and is an important element of the model, as HR support provided a highly valued mechanism for design and implementation of HR practice.

As we have argued elsewhere, owner manager engagement with HR support is a form of dynamic capability that enables owner managers to learn and develop competence (Antcliff et al., 2020). Their choices were a key aspect of internal context, and our model reflects that engagement with HR support resulted from their responses to particular cues. Cues sometimes intersected with external determinants, a desire for compliance/formalisation often resulting from concern over employment legislation and potential for litigation. Cues also reflected attitudes to previous experiences, those who had worked in larger firms, for example, often seeking reassurance from routine practice or aspiring to more progressive practice. Responses to cues and owner manager individualised decision-making (as per Edwards & Sengupta, 2010) were key determinants of uptake of HR practice. In some firms, for example, owner managers operating within the same context had very different views on HR practice. Our findings did not reflect a significant role for autonomy, as others have found (Marlow, 2002), although this may result from the sample comprising owner managers who had chosen to work with HR support. Understanding and confidence underpinned their choices. For example, while project partners reflected that some owner managers were reluctant to take advice, more typically disengagement resulted from lack of confidence that suggested HR interventions were not manageable (Psychogios et al., 2016). The *why* of HR practices thus resulted from owner manager reactions to external determinants and, in particular, from their responses to cues to engage with HR support and their understanding and confidence. We reflect both in our model.

We then considered *how* HR practices operated. We evidence that external HR support stood in lieu of an internal HR department, operating across organisational boundaries with owner managers to design tailored HR practice. The model reflects both that HR processes spanned the internal/external context and that the theorised (larger firm) distinction between intended/actual HR practice does not hold good (Purcell & Hutchinson, 2007). Owner managers were not line managers following organisational edict; they chose whether adopt HR practice and, for the most part, designed *and* implemented it. The process was more successful where owner manager-led (even if then delegated). Working with HR support helped owner managers, at the most basic level, to understand how to design and implement routine HR practices. Developing understanding and confidence supported a shift to more progressive practice, and where understanding already existed, progressive practice was the starting point, suggesting that the well-designed practices envisaged by Bowen and Ostroff (2004) are possible in small firms. While an explicit consideration of their impact on performance is beyond the scope of this study, owner managers expressed positive perceptions that HR practices had, where routine, improved operations and helped tackle difficult issues and, where progressive, supported development and growth. Our findings support Wu et al. (2015), in that these benefits were perceived to result from only one or a limited number of HR practices, whether routine or progressive, rather than the bundles of progressive practices exhorted by current SHRM models (Harney & Dundon, 2006). While piecemeal in nature (Cassell et al., 2002), practices were nevertheless perceived to be effective, suggesting that how HR practice is implemented is as important as what practices are implemented (Fu et al., 2018).

Our focus was on formal HR practice, and a routine/mixed/progressive continuum, rather than more typical debates on formality/informality (Bacon & Hoque, 2005; Psychogios et al., 2016). We return, however, to the notion of owner manager as sense giver (Nishii & Paluch, 2018) and the dynamics of formality (Ram et al., 2001). Most expressed a desire for formality to be light touch, and owner managers wanted to implement ostensibly formal HR practices in a way that protected the firm's ethos (Bryson & White, 2019), especially when moving from routine to progressive practice, and preserve space for mutual accommodation (Ram, 1994). For many, getting things right and being a good place to work were as important as formalised HR practice (as per Edwards & Sengupta, 2010). Our model draws together these aspects of HR processes and content in small firms and makes a significant contribution, as we now outline.

6 | CONCLUSIONS

In this study, we have explored the *why* and *how* of HR practices in small firms (Harney & Alkhalaf, 2021). Strategic HRM processes have been examined through the vehicle of small firm engagement with HR support, moving away from a large firm paradigm and responding to Lai et al.'s (2017) call for a model that affords more nuanced and contingent understanding of small firms. Our findings demonstrate that this is much needed, the heterogeneous nature of the sample supporting Timming's (2011) assertion that a reliance on size alone is overly deterministic. *Why* results from contextual influences, owner manager responses to cues and their understanding and confidence. *How* from working with HR support to develop routine and progressive HR practices and from owner manager sense giving (Nishii & Paluch, 2018) that informs the formality dynamic (Ram et al., 2001). We argue that SHRM processes can operate in small firms, but that these may differ from large firm models. We outline key aspects of difference below, outlining how these serve to develop SHRM theory (Figure 1).

First, we question whether implementation of HR practices, as currently theorised, is applicable in the small firm context. Strategic human resource management processes currently suppose that internal HR specialists design practices that are then implemented by line managers (Purcell & Hutchinson, 2007). This does not hold good in small firms where owner managers dominate (Marlow, 2002) and internal HR specialists are rare (Teo et al., 2011). We adapt theory to reflect this in two ways. First, our model includes external HR support as a determinant of HR practice. This was influential in our study but is absent from current discussions of SHRM in small firms (as per Harney & Alkhalaf, 2021). Second, our model reflects the role of owner manager as designer and implementer of, and sense giver around (Nishii & Paluch, 2018) HR practice. Current causal chains (e.g., Purcell & Hutchinson, 2007) have a wholly internal focus and presuppose that line managers comply via organisational mandate with HR specialist-designed policy. We evidence that (some) owner managers chose to cross organisational boundaries to draw on external expertise, a form of dynamic capability (Antcliff et al., 2020), and that action resulted from their individualised decision-making (Edwards & Sengupta, 2010) in relation to particular cues. Our work also contributes in combining content and process, which are typically considered separately. We argue that SHRM's theoretical emphasis on content in relation to progressive HR practice (Bowen & Ostroff, 2004) may hold good in larger firms but is too narrowly conceived for smaller firms. We demonstrate that levels of owner manager understanding and confidence influence HR content and that routine practice had positive effects alongside progressive practice. While the relationship of each to performance needs further investigation, owner managers perceived benefits from both. Nevertheless, implementation was a very different process to larger firms, the owner manager role acted as sense giver (Nishii & Paluch, 2018) and there was a frequently expressed desire for formality to be 'light touch', reflecting a dynamic that balanced the need for formal practice with maintaining a family or friendly ethos.

Our study makes other important contributions. Empirically, we advance understanding in the neglected area of why small firms take up external HR support services (Mole et al., 2016). Our theoretical and empirical contributions also combine to inform policy. We demonstrate that investment in HR support (Jones et al., 2007) delivered by external HR specialists can reap dividends but that, to gain uptake, policymakers should target development of owner manager understanding (Kempster & Cope, 2010) and build their confidence (Rauch & Hatak, 2016). Routine and progressive HR practices can result and both can be effective, with routine practice having important effects in its own right and providing a platform for more progressive work. This runs contrary to much policy support that focuses on progressive HR practice (Mole et al., 2016), and our research suggests to policymakers that support should be designed to deliver both. Finally, for small firm owner managers, our research demonstrates the value of taking up HR support and the perceived benefits of implementing HR practice.

Our work is important in exploring SHRM in small firms, although it draws only on those firms that chose to engage with the HR support project, which is an important limitation, but it nevertheless facilitates understanding of the potential for SHRM in this context. We recognise that it focuses on the initial stages of SHRM processes and explores neither the impact of HR practice on employee perceptions, attitudes and behaviours nor their impact on firm performance. We suggest these are important avenues for future research. We also argue for further exploration of HR

content. For example, do progressive practices work in similar ways in large and small firms to offer mutual gains, or does the (often) high trust context of small firms affect these processes? Importantly, how do routine practices serve to deliver performance outcomes and is mutual gains relevant here, and if so in what way? Finally, given the key role we identify for owner managers, we suggest that much more detailed exploration of the influence of factors such as their work backgrounds, length of tenure in firm, and so on is important. Our work provides an important starting point for these investigations.

DATA AVAILABILITY STATEMENT

Research data are not shared.

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