Sustaining growth – the HR dimension
HR practices and management and leadership skills of High Growth SMES

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Oksana Koryak
Warwick University
Oksana.Koryak@wbs.ac.uk

Nicos Nicolaou
Warwick University
Nicos.Nicolaou@wbs.ac.uk

"So you create that vision, you have a culture that gives permission to people to do things and you have a very clear strategy with a number of milestones in that strategy and a number of things that you need to do. And I think if people understand that and if you have the right people, then you can do that. That links back into HR and the fact that you have to have the right people with the right skills and right attitude etc., which is why HR is at the core of strategy, it has to be. You can't achieve any of these things without people"

(Wholesale trade firm, EPCJ and EPRG, 150+ employees)

EXECUTIVE SUMMARY

HR drivers of sustainable growth

Prior business demographics research conducted by the ERC identified that only a small minority of UK SMEs experience sustainable growth over an extended period of time. For instance, of the firms that were newly established in 1998 just 6% showed an appreciable employee growth by 2013. What lies behind such a remarkable performance on the part of so few companies? In this paper, we investigate the leadership behaviours and high performance work practices (i.e. those HR practices that are intended to align employees' performance with organizational goals through self-regulation rather than sanctions) that are associated with growth.

Research Approach

This research complements and builds on the M2000 survey of UK high growth businesses. This survey polled these businesses on a wide range of issues related to their past growth such as their growth patterns, means of growth, access to finance, and the impact of the 2008 recession.

To arrive at our findings with regards to people management related practices, we conducted 30 in-depth interviews with the leaders of high

growth SMEs from the M2000 cohort - plus pilot interviews with 6 other firms.

Key Findings

We found that these high growth SMEs embraced informal practices that impact key HR outcomes. These practices demonstrate care for the wellbeing of employees and concern for creating a positive working environment as well as a financially sustainable enterprise. By creating and reinforcing an appealing company culture, these practices provide a sense of purpose and meaning to the employees and engender loyalty, commitment and performance. These informal practices are intended to create reciprocity and lead to positive discretionary behaviours on the part of the employees and greater employee engagement.

Formal practices are also important to long-term growth. Much of the success in generating growth hinges on recruitment. The firms uniformly agreed that recruitment is paramount to securing growth. Most firms have evolved a fairly sophisticated, multi-step recruitment process in response.

One specific challenge with respect to hiring was related to the difficulties of finding sufficiently technically qualified personnel. SME leaders have sought to put some remedies in place to address this challenge. These remedies included a reliance on apprentices, cooperation with educational institutions, and hiring from oversees.

Another key HR-related lever of growth relates to senior team development. Generally, internal promotion is seen as an effective avenue for creating a strong management team. The most salient benefits of internal promotions can be grouped in two broad categories – the existing employee's knowledge of the business, its culture and its ways of working, and a motivational effect of internal promotions on these employees and their peers. The latter was voiced in the context of the belief in the benefits of, and indeed the responsibility for employee development. In general, we also found that coaching and mentoring was quite prevalent and was often used to facilitate the internal promotion process. Several firms also pursued

more formal management and leadership skills training.

Overall, the interviews paint a picture of HRM in high growth SMEs as a complex phenomenon where a number of formal and informal HR levers interact, guided by a compelling vision, and creating a positive company culture in the process.

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1. INTRODUCTION

1.1 Background

High-growth firms – or gazelles – are the most fruitful source of new jobs in the economy (see Henrekson & Johansson, 2010 for a review). A Kauffman survey on the influence of high growth firms in leading the economic recovery in the US found that the top performing 1% of high growth firms generated 40 percent of all new jobs (Stangler, 2010).

The Enterprise Research Centre (ERC) has been tracking the incidence of High-Growth Firms in the UK since 2013 using a UK longitudinal business demography dataset which is constructed from the ONS' Business Structure Database (BSD). This work has examined the survival of firms that were newly established firms in 1998 over a 15-year period (1998-2013).

The authors of this work, Hart and Anyadike-Danes (2014a), found that only 11% of the start-ups that were in their first full year of operations in 1998 survived until 2013. Even a smaller proportion, a mere 6% or 1,248 firms, created significant employment. Indeed, these extraordinary prolific job creators (EPJCs) accounted for 90,000 added jobs, about 40% of job creation by all 15-year survivors. The data showed that these extra prolific job creators (EPJCs) grew around 16 times faster in terms of employee growth than the average surviving firm over the 1998-2013 period.

In parallel, the same authors looked at revenue generation as opposed to employment growth of 1998-born firms (Hart & Anyadike-Danes, 2014b). They identified another group of 1,224 firms that started out with sales of less than £100K in 1998. Their aggregate turnover in 1998 was £83m and by 2013 it exceeded £9.6bn. 40% of EPJCs also fall in this extraordinarily prolific revenue generators (EPRGs) group.

This remarkable performance of such a small minority of firms called for further research into their growth strategies. M2000 survey was administered to reveal the internal drivers of these firms' growth, their

access to finance and business support services as well as the ways in which they have attempted to mitigate the effects of the 2008 recession. This survey was instrumental in providing baseline information on these extraordinary high growth firms in terms of their growth trajectory and the main facilitators of their growth. To capture the richness of participants' perceptions of complex issues and relationships, particularly those related to the HR dimension of sustainable growth, it was decided to conduct a number of interviews with the leaders of these firms.

1.2 Aim and objectives

This research project set out to examine the drivers of EPJCs' and EPRGs' growth and particularly the role of management and leadership skills and high performance work practices in the companies' growth and development.

Additional research is required to better understand these high growth EPJC, which constitute one of the most significant parts of the economy. In fact, many researchers have emphasized that policy needs to refocus away from all new firms and focus of the high growth ones that drive the majority of job generation an wealth creation (Davidsson, 2008; Nightingale & Coad, 2013; Shane, 2008). As Holtz-Eakin (2000) argues, "the entrepreneurial virtues of new businesses are often assumed rather than examined" (p.284). This work is intended to make a significant contribution to policy and practice by highlighting a set of most effective HR practices used by high growth SMEs and the ways they are being implemented.

In particular, the objective of this research is to address the following questions:

i. How do these extraordinarily prolific job creators and revenue generators attract, retain, motivate and leverage their talent?
ii. Have there been significant changes in these firms' HR practices over time and if so, what triggered these changes?
iii. How do such firms ensure that their senior and middle management teams have the required management and leadership skills to

ensure firms' sustainability?

This report is structured as follows. Section 2 introduces the research streams used to guide this research. Section 3 describes the methodology. Section 4 discusses the findings of the research, grouped around 5 main themes. Section 5 provides the conclusion whilst Section 6 sets out the policy implications of this work.

2. HUMAN RESOURCE PRACTICES IN SMES

2.1 SME growth

There has been considerable interest in understanding the drivers of SME growth.

Edith Penrose's Theory of the Growth of the Firm (Penrose, 1959) "remains the most comprehensive growth theory to date" (Lockett, Wiklund, Davidsson, & Girma, 2011, p. 48). The theory of the Growth of the Firm postulates that firms face adjustment costs – i.e. the costs of managing the growth process. These relate to the time and effort needed to integrate new operations and new human resources, managers in particular, in the process of identifying and exploiting firm's growth opportunities. Firm's productive opportunity set is "enacted" by firm managers' subjective assessment based on their interpretation of the environment in relation to the potential uses of their firm's resources (Foss, 1999).

Penrose identifies two key sets of firm-specific capabilities – entrepreneurial and managerial (Penrose, 1959, p. 35). Entrepreneurial capability refers to the ability to detect emerging expansion opportunities and recombine the existing resources in new ways to take advantage of these opportunities (Davidsson, Delmar, & Wiklund, 2006). Managerial capability tends to be associated with the application of resources and execution of the ideas (Lockett et al., 2011). Both of these capabilities delineate the limits to firm growth. On one hand, it is the rate at which firm can develop its managerial capabilities by training and integrating new employees that sets the ultimate limit to growth, a circumstance that is

known as "Penrose effect" (Marris, 1963). On the other hand, a firm's growth potential is also limited by its productive opportunity set. The latter, in turn, is ultimately based on firms' entrepreneurial capabilities in terms of the firms' managers' ability to perceive and choose to act on opportunities by effectively recombining their resources (Penrose, 1959).

Although research has offered insights into some of the levers firms use to enable growth as described above, we know relatively little about the nature of specific triggers of the development of entrepreneurial and managerial capabilities, and more importantly about the process of their development and dynamic coordination. Many scholars now argue that there is a need to better understand the processes that underlie entrepreneurial growth (Leitch, Hill, & Neergaard, 2010; McKelvie & Wiklund, 2010; Wiklund, Patzelt, & Shepherd, 2009; Wright & Stigliani, 2013). A more in depth, theory-driven understanding of the process of how HR influences growth will aid in the development of more fine-grained and relevant policies to promote growth (Wright & Stigliani, 2013).

2.2 Human resource management in SMEs

It has long been recognised that existing HRM theories need to be modified to suit SME context (Barber, Wesson, Roberson, & Taylor, 1999). Overall, the growing body of research into HR in smaller firms agrees that: (i) HRM in small firms can be characterised as ad hoc and informal (Storey, Saridakis, Sen-Gupta, Edwards, & Blackburn, 2010; Van Wanrooy et al., 2013); (ii) early HR choices impact subsequent firm performance and (iii) larger SMEs are more likely to develop formal HR practices (Cardon & Stevens, 2004; Matlay, 2002).

HRM systems and organizational culture tend to be mutually reinforcing (Hartog & Verburg, 2004). Indeed, corporate culture has been found to affect the process of HPWS implementation (Wei, Liu, Zhang, & Chiu, 2008). Some scholars argue that in the early years of organizations, founders' values influence the choices they make with respect of HRM practices (Baron, Hannan, & Burton, 1999). In other words, organizational culture, stoked by founder's values, precedes the development and

implementation of HRM practices.

2.3 High Performance Work Systems (HPWS) in SMEs

Well-crafted High Performance Work Systems (HPWS) can be seen as one of the ways in which adaptability to the environment is facilitated (Wei & Lau, 2010). High Performance Work Systems refer to "a human resource management approach that tries to elicit employee commitment to and involvement with the organizational goals so that people's behavior is self-regulated rather than controlled by sanctions and pressures" (Beltrán-Martín, Roca-Puig, Escrig-Tena, & Bou-Llusar, 2008, p. 1012). HPWS reflect "a specific combination of HR practices, work structures and processes that maximizes employee knowledge, skill, commitment and flexibility (Bohlander & Snell, 2006, p. 690) and in so doing affects "both the ability and the motivation of employees" (Patel, Messersmith, & Lepak, 2013, p.1421).

Significantly, the literature on HPWS emphasizes that the competitive advantage arises not merely by applying HPWS but by the human resources that are developed through their application (Huselid, 1995; Wright, Dunford, & Snell, 2001).

However, a granular account of how exactly SMEs leverage and galvanize their human resources to resolve the challenges inherent to growth is lacking. Furthermore, the literature does not address the role played by entrepreneurial leadership in ensuring the effectiveness of HPWS, whereas it is through leadership that HPWS, and other key resource structuring decisions are enacted.

Gaining insight into the way the HPWS become embedded in the human resources (or indeed, the way the chosen HR and leadership practices produce the required flexibility and adaptability in the work force) is best examined through qualitative research. We contribute to the literature and practice on HPWS by identifying which human resource practices are used by SMEs and how they are applied to produce the workforce that would facilitate these firms' survival and growth.

The most commonly used framework for explaining the impact of HPWS on performance is known as the ability, motivation and opportunity (AMO) model. It was initially proposed by (Bailey, 1993) and developed by (Appelbaum, Bailey, Berg, & Kalleberg, 2000). Indeed, most of the studies on high-performance working practices use the AMO framework (Macky & Boxall, 2007). The model proposes that HRM practices contribute to improved employee performance by developing employees' abilities (A) and skills to do their job, improving an employee's motivation (M) for discretionary effort, and providing employees with the opportunity (O) to make full use of their skills and be motivated.

The concept of discretionary effort is key to understanding the benefits of HPWS. Discretionary effort or discretionary behaviour refers to the degree of choice employees have over how they perform their tasks and responsibilities (Purcell, 2003). Positive discretionary behaviours could be described as 'going the extra mile' for one's organisation, performing beyond the basic job requirements. Crucially, discretionary behaviours are voluntary and cannot be forced. Examples of such behaviours include stepping in to resolve an urgent issue, taking on additional tasks, volunteering a solution to a problem, providing exceptional client experience, etc.

The way the AMO model explains the impact of HPWSs could be summarised as follows:

- Ability (A) can be influenced by selective recruitment designed to ensure that employees have requisite capabilities and attitudes to perform the required tasks well. It is further enhanced by training and development.
- Motivation (M) is influenced by extrinsic (such as pay-per-performance bonuses) and intrinsic rewards (such as interesting work, the sense of contributing to an important cause, etc.). A great number of factors influence employee's motivation, including employment security, feedback and performance reviews, work-life balance, the nature of responsibilities that need to be performed, etc.

- Opportunity (O) is influenced by team-working, autonomy, perception of being heard, job design and job rotation. In fact, some researchers see this element of HPWS as its distinguishing feature that separates HPWSs from the rest of HR practices.

Although HPWS have been investigated in some detail, the way firms trigger motivation for discretionary effort, particularly in the context of SMEs is still under-researched. We know very little about how high growth SMEs engender voluntary behaviour on the part of the employees; about the changes in firms' HR practices over time; and what triggers these changes.

There is also little research on how SMEs develop their top management teams. This potentially incorporates, recruitment, coaching, training and development to enhance the candidate's ability, various motivational triggers, as well as providing an opportunity for the current and potential members of the management team, or indeed, all key employees to showcase their skills and performance.

2.4 Psychological contract

Another important concept within the area of HRM that might help shed light on HR practices within high growth SMEs is that of psychological contract. This concept was first introduced and conceptualized as

"*a set of unwritten reciprocal expectations between an individual employee and the organisation*" (Argyris, 1957).

It was later reconceptualised as "in the eye of the beholder" view of what is expected of an employee:

"Individual beliefs, shaped by the organisation, regarding terms of an exchange between individuals and their organisation" (Rousseau, 1995)

Psychological contract operates through transactional (e.g. pay) and relational contracts. The latter are more intangible (loyalty in exchange for more flexible work arrangements, etc.). It is this aspect of the psychological contract we will be drawing in investigating the way SMEs engender

discretionary behaviours.

And although by research design, we were not able to capture the employee's interpretation of their psychological contract, some interviewee responses allude to it (e.g. "in our exit interviews, we often hear…."). Therefore, we will refer to this construct in our subsequent discussion.

This construct is particularly instrumental in understanding the way firms may enhance employees' motivation and engender discretionary behaviours. Fulfilment of the psychological contract results in employee commitment, satisfaction and motivation, which in turn, leads to a positive effect on employees discretionary behaviour and business performance (Sturges, Conway, Guest, & Liefooghe, 2005).

3. METHODOLOGY

The project set out to answer the following broad research questions:

- How do HGFs attract, retain, motivate and leverage their talent?
- Do HR practices evolve over time in terms of the set of practices used as well as the way they are implemented?
- As firms grow, how do they ensure that their emerging middle management / senior employee pool develops the required management and entrepreneurial capabilities?

To address these issues, we interviewed 30 senior leaders of HGF from the M2000 survey to understand how they view their HR policies. In addition, an initial interview protocol was piloted on 6 other firms. These semi-structured, in-depth interviews were typically conducted face to face, although a number of telephone interviews were done. The face-to-face interviews were conducted at the interviewee's business premises and lasted between 35 and 90 minutes, with the vast majority exceeding 1 hour. Additional information from company's websites as well as other archival information that occasionally was given to the interviewer was used in order to triangulate and contextualise the interview data.

3.1 Participant selection

A selection of potential interviewees from among the 362 respondents to the M2000 survey was made based on the following criteria: (1) agreed to be approached for further research, (2) are not a plant or a subsidiary of another firm and (3) were between 10 and 150 employees in size at the time the survey was administered. This resulted in a selection of 138 firms. Given preference for face-to-face interviews, a selection was further reduced on the basis of geographical location being confined to Greater London, Eastern and Southern England and West Midlands. This preliminary selection included 97 firms that are widely distributed across sectors. From this selection, 26 interviews could be secured, most of which were face-to-face. To secure those, over 500 phone calls were made and countless additional information and follow up mails were sent. This original selection was augmented to include wider geographical areas as well as wider range of firms in terms of the employee numbers so as to increase the number of interviews. An additional 4 interviews were secured.

3.2 Interview Protocol

Interviews were conducted following an interview protocol to enhance data reliability. At the start of the interview, open-ended questions were put forward informants regarding their growth story and particularly, its main milestones, particularly recent ones. Asking about specific and recent developments limits recall bias and enhances accuracy (Golden, 1992; Koriat, Goldsmith, & Pansky, 2000). This discussion was followed by more specific questions related to HRM, and particularly HPWPs policies used by the firm as well as the development of the management and entrepreneurial capabilities within the middle management team. (See Appendix 1 for the initial invitation to engage and Appendix 2 for the interview protocol). We probed the interviewees to express their views as to (i) the drivers of motivation of their employees, (ii) the way their management team has developed and what steps were taken to ensure successful transitions of employees through their roles, and (iii) whether their HR policies changed over time.

Once relevant narratives began to emerge, the interviewees were probed to elaborate on their initial responses to identify specific triggers, strategies and mechanisms that underpinned their HRM and more broadly, people management approaches.

An initial research protocol was piloted on a group of 6 firms that form part of the Enterprise Research Centre Work Package 2. As data collection progressed, an iterative approach of data analysis was followed, focusing on the development of concepts and constructs associated with the emerging themes. Subsequent interview protocols progressively tried to corroborate emerging findings.

3.3 Sample

The sample represents a fairly well balanced distribution of firms across the following industrial categories: (1) professional services, (2) manufacturing, (3) trade, (4) IT and communication services and (5) other sectors. The industrial distribution of the firms is as follows:

Figure 1: Industrial Distribution of the Achieved Sample
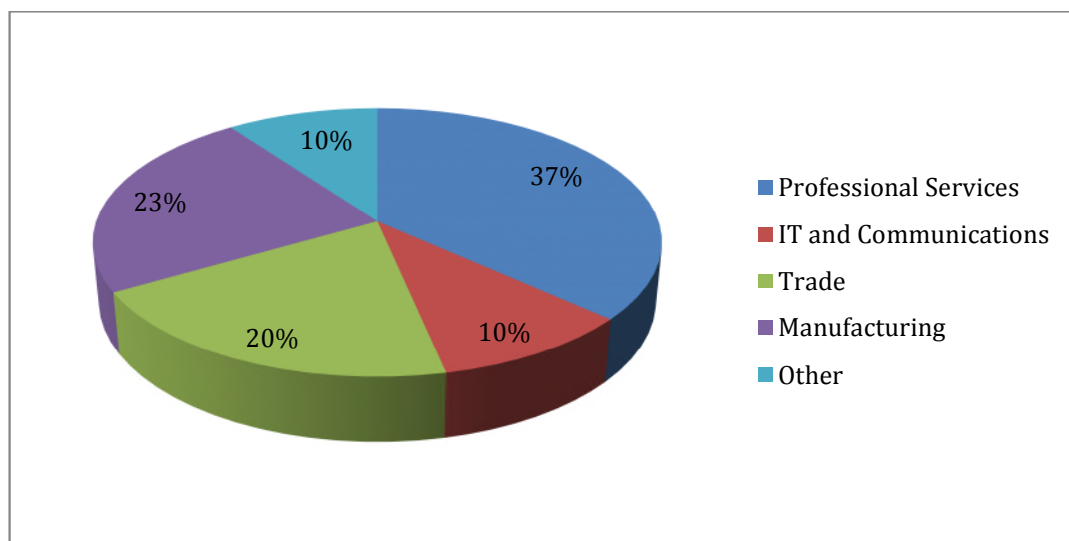
The M2000 respondents included firms that are extraordinarily prolific job creators, extraordinarily prolific revenue generators, or both. In our samples the final distribution is as follows:

Figure 2: Nature of growth of the achieved sample
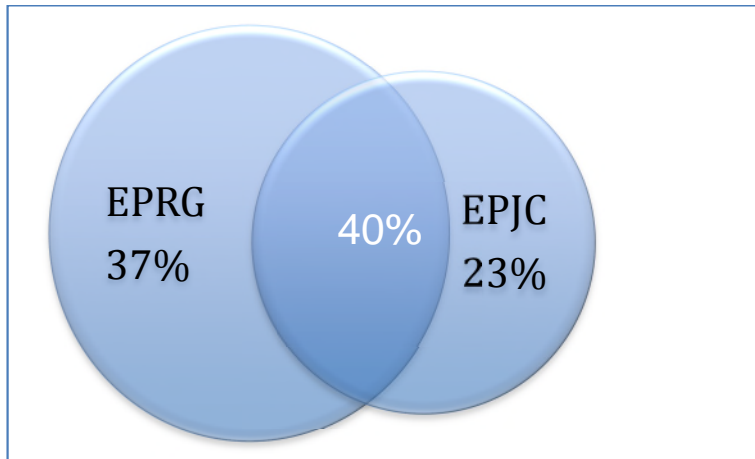
70% of the interviewees (21 out of 30) were founders. Table 1 below provides an overview of the sample.

Table 1: Sample firms

Interview number	Industry sector	Founder / job role if not founder	ERJC	EPRG
1	Wholesale and retail trade	Founder	No	Yes
2	Wholesale and retail trade	Founder	No	Yes
3	Wholesale and retail trade	Finance Director	Yes	No
4	Wholesale and retail trade	Founder	Yes	Yes
5	Wholesale and retail trade	General Manager	Yes	No
6	Wholesale and retail trade	Chairman	Yes	Yes
7	Transport and storage	Founder	No	Yes
8	Transport and storage	Founder	Yes	Yes
9	Professional Services	Founder	No	Yes
10	Professional Services	MD	Yes	Yes
11	Professional Services	Founder	No	Yes
12	Professional Services	Founder	Yes	Yes
13	Professional Services	Founder	No	Yes
14	Professional Services	Founder	Yes	Yes
15	Professional Services	Founder	Yes	Yes
16	Professional Services	Founder	Yes	Yes
17	Professional Services	Founder	No	Yes
18	Professional Services	Founder	Yes	Yes
19	Manufacturing	Business Development Manager	Yes	No
20	Manufacturing	Director	Yes	Yes
21	Manufacturing	Founder	Yes	No
22	Manufacturing	Accounts Manager	No	Yes
23	Manufacturing	Founder	Yes	Yes
24	Manufacturing	MD	Yes	Yes
25	Manufacturing	Founder	No	Yes
26	Information and communications	Finance Director	Yes	No
27	Information and communications	Finance and HR manager	No	Yes
28	Information and communications	Founder	Yes	No
29	Education	Founder	Yes	No
30	Community, social and personal service activities	Founder	Yes	Yes

3.4 Analysis

Interviews were recorded and professionally transcribed. The transcripts were analyzed with the support of NVivo 11 (a qualitative data analysis software). The data was analyzed in light of existing literature, whilst allowing for new interpretations to emerge.

4. FINDINGS

4.1. Informal HR practices, geared towards employee wellbeing and engagement

One MD described a particularly wide and varied range of informal practices designed to provide a sense of purpose and meaning to the employees. This statement highlights the importance of culture and cultural fit of a new hire:

"I think our company's got a pretty progressive HR policy. You know, we are a small business so that family culture is important and making sure that every employee feels part of that family. It's been actually critical and we've had occasions in the past where we've had people that didn't culturally. I know, you know, they didn't last very long. And I think that having a strong family culture has been definitely one of the reasons why we have had a good retention rate at our company.

With the culture, we are talking about, you know, whether someone could take off a day's to go to see a doctor's. And that's been supported by lots of guiding and mentoring and coaching in the day job as well as things like we have a really nice office space where probably about a third of our space is put towards kind of kitchen use. We have a big kitchen, lots of relaxing areas for staff, we put free tea and coffee but also free breakfast, we do weekly food shop for fruit. We do free alcohol on Friday afternoons, we do a monthly social event where everyone in the company is kind of encouraged to get together and do something fun and that ranged from, you know, more traditional activities through to meals out in London, through to social good cause events like planting trees and various

fundraising activities, things like...we did Macmillan coffee morning and most people were encouraged to bake and we raised £550 or something, you know, through running that. We run it in our building on the ground floor. So, we do...and that is important. That kind of culture is in everything we do. When we hire someone, we want them to kind of get into that culture very quickly"

(Professional services firm, EPJC & EPRG, 25-49 employees)

Clearly, the specific informal measure would not be universally effective and would need to be tailored to the profile of the employees. In this particular instance, most of the employees were young professionals, many of who have moved locations to take their job in this London-based firm. In this context, socials provided a sense of connection for the employees. Anecdotally, serious relationships and even marriages ensued. Some other firms, in contrast, held social events but did not consider them particularly instrumental in boosting employee engagement, given a very different make up of their work force.

Apart from its focus on building and reinforcing the company culture, there was also genuine care for the wellbeing of employees. This care for the employees as a cornerstone of the approach to HR, albeit to engender loyalty, commitment and performance has been aptly expressed by another MD:

"My policy on human resources generally is to solve my employees' problems. So, this is the way I run my business. So if my employee has an issue with their husband's tax return – our employees are mainly female – I give them my accountant to sort it out. If they want to borrow a van to move to a new house, if they want to store goods, if they need a home office, they can sort it out. With the migrant workers, they want to go to a doctor and have an English-speaking person with them. I'll do all of that and this is how I see my way of engendering loyalty about work. And people don't leave. You know, we're a popular place to work and I'm sure it's part of that."

The same MD stated,

"*But now, my office manager is…she's come from the shop floor so to speak. We guaranteed her mortgage on her flat. And my operations manager, the same. She's come from the shop floor and we guaranteed mortgage on her house."*

(Wholesale trade company, EPRG, 25-49 employees)

The importance of a creating nice working environment for employees and open positive culture is aptly described by one SME founder as follows:

"But people would come and they'd say, "My goodness! That atmosphere is amazing!" It's a small company and everybody seems motivated. And that doesn't happen automatically. It happens from the way you treat people right from the start, you've got the right types. You're always going to get individuals, and I don't want clones, but people who will fit in so that everyone can see the part they play and there's mutual respect. I'm not talking about everyone's patting everyone on the back all the time, but to recognise that people do their job well and it's nice to work with people who you know are good."

(Professional services firm, EPCJ and EPRG, 25-49 employees)

However, embedding caring culture should not come top-down. The previously cited MD continues:

"*Our socials, they used to be led by management, going back for five years and then we devolved the responsibility of social activities to staff and we created a rolling six months kind of presidency, if you like, in a social committee. So, now, every six months, they have like an election for somebody to stand up to become the next person with control over the next month and they're given a monthly budget and they get the autonomy to do what they like with that budget and I think that is quite important, that empowers the...makes everyone in the company feel like that's part of how they money is spent, where they go, where do we get fruits or, I mean, they*

can spend those funds to a fancy coffee machine or spend it on a pinball machine or whatever they want to do so there is all that kind of autonomy to go and do what they like to create a nice atmosphere for them but I think that is quite a crucial actually. But to that point, we always tried to instil that culture but it a bit kind of conceited when it comes top down and so we felt actually devolving and that was...and I think since then, that was in 2010, so this is post-recession. Since that time, I think we've had a much greater level of engagement in the company at a kind of social level."

Interestingly, that decision to devolve responsibility for social events was done when the company were coming out of the financial crisis, having let some of its people go and having reduced the working weeks for all the remaining staff including the directors to four days a week. So at the point, the management felt the need to revive the employee's perception of positive and caring culture in the business and reignite the employee engagement.

Employee engagement is certainly beneficial not only from the point of view of creating a nice working environment but also in terms of reinforcing the psychological contract with the employees and engendering reciprocity. This is particularly relevant in the context of seasonal nature of a company's work and the high level of professionalism required.

"*I mean, we're about six times busier in our peaks which is...from a small business perspective, it's very difficult to manage because for our work, it's sort of a very high service type of work. Extreme level of service, it means that it takes about six to nine months to train somebody to do the job effectively, which means that you can't find short term work coming just to cover the peak periods. That's been very difficult for us.... You know, we looked at various training schemes and using external companies to expedite things but every year, we try something different and it doesn't quite work. […] So we're talking about introducing next year a kind of a holiday vacation time market where you can buy and sell your vacation days*".

The above quote also illustrates the continuous search for new creative

people management solutions. In this context, celebrating teams' achievements remains effective:

"We won the quality award for last night. And when you text your staff and say, 'Look, it's all done. You've been part of it. Thanks so much.' You really can sense the pride they feel in it."

(Wholesale trade firm, EPRG, 25-49 employees)

One interesting observation is related to the concept of psychological contract and the expectations with regards to employee's contribution. Although it has never been stated by the interviewees in terms of expectations in return for the care provided by the employer, there is certainly evidence of firms enjoying a high degree of commitment from their employees, particularly in the events of seasonal or project-related peaks of demand.

"It's more when the job is done people go home. So, nobody goes home early. So, if we have to stay till 10 o'clock, everybody stays till 10 o'clock. There's no 'I need to go at six'. So it's very team work environment"

(Wholesale trade company, EPRG, 25-49 employees)

Evolution of HR practices

In terms of the evolution of HR practices, when asked whether the approach to HR changes with growth, one MD replied:

"Well, to some extent, it hasn't. And to other extent, it has. Because actually you can put people into slots a little bit more easily if you're larger in terms of numbers. So it is possible now to have people that technically write good reports but are not necessarily winning new clients. I mean you can that find someone else who is winning new clients and that doesn't matter."

Other founders were able to recall the early days of the HR practices in his firm, stressing that the focus was placed on administrative and compliance

rather than strategic issues:

"Originally, we would have had effectively my secretary or PA, if you like, who did some HR. And HR really at that time was more what you call "personnel" a little around the hiring. […] Gradually it became more strategic, I suppose, the first strategic thing we started doing was around performance management of people. So trying to get the best out of people. And after that we've done lots of different things. […] So it is working out whether we've got the right people who can take us forward, whether we've got people that we can improve their skills, do you have to have new skills and if so what are they and how do you get the right people.

(Wholesale trade company, *ECJP and EPRG, 150+ employees*)

This SME leader described a typical state of HRM in an early-stage SME:

"I think it is very typical of more with a kind of entrepreneurial types of organisations. They are so busy trying to create a business that actually there is no particular will actually to look at how you can get more out of people have you got the right people etc,. and also you don't have much management as such in those kinds of organisations. It tends to be pretty flat there".

The link between leadership (vision), HRM and culture

"So you create a vision of where you want to be, share this vision with people in the organisation and get them to buy into that vision. So that is around what's in it for them, why should we do it, what's the reason, why should we try and grow instead of staying the same.

So you create that vision, you have a culture that gives permission to people to do things and you have a very clear strategy with a number of milestones in that strategy and a number of things that you need to do. And I think if people understand that and if you have the right people then you can do that. That links back into HR and the fact that you have to have the right people with the right skills and right attitude etc. etc. which is why HR

is that the core of strategy, it has to be. You can't achieve any of these things without people, well, we can't anyway. "

4.2. Team development

4.2.1. Importance of strong team

Another feature of high growth firms that could be traced on numerous occasions is the realization that it is necessary for the founders to surround themselves with people with complementary skills and capabilities:

"So what I do for 31 yea years – that's a long time – I surround myself with people. I've got five key people who are my rocks, if you like and they fill my holes."

(Wholesale trade firm, EPRG, 10-24 employees)

4.2.2. Recruitment is a high stakes game

Looking back at the history of firms' evolution, it is the first hire that seems to be one of the most high stakes decisions for a young firm, and the one that most founders remember vividly. The right hire certainly pays off. And these first recruitment decisions may well impact future growth:

"And we got to be really careful if we're truly pushing the boat out in term of spending this money and we got to grow the work into them. And not only is there 50% chance of failure in terms of who you recruit but actually if we don't bring the work in to cover what they're doing then in six months, we're either went out of cash or will have to let them go. […]And I remember thinking at the time that the difference between someone that annoys your client and someone that actually can do the work and your clients will be pleased with in terms of salary is probably small in the large scheme of things. But the difference in terms of impacting the business is significant. So actually what you got to do is pay the good salary to get someone that […] can, look after your clients. So [in that case] it turned out very well. He's now a director. He's now a shareholder. And he's a magnet for

bringing new business."

(Professional services firm, EPJC & EPRG, 10-25 employees)

Recruitment continues to be a high-stakes decision as the company grows, perhaps reflecting a potential impact of, in hindsight, poor hiring decision on the company.

"It is very expensive getting the wrong person. It wastes a lot of time, and a lot of opportunity actually because you get somebody in and realistically, you are going to give them an initial 3 month or 6 months. Anyway, before you know where your heading, it is 6 or 9 month and you are thinking "well, actually this isn't the right person" And these 6 or 9 months you pay them salary so I think it's worth making sure that this processes is as good as you can achieve even if it costs a bit of money to do it upfront."

(Wholesale trade firm, EPCJ and EPRG, 150+ employees)

Another reservation with regards to recruitment is that inducting and getting a new person up to the level where they can contribute diverts a valuable time and attention from the existing senior and supervisory employees:

"… resisting the temptation to recruit too early. I don't like to recruit too early because that can create as much problems as it solves. You've got to do it very, very carefully. You've got to make sure you don't overload people and sometimes some people will, they will work really, really hard and they won't notice when they need help until too late. Because when you take someone else on it's more work initially before it gets better. So part of my job is looking for that."

Therefore this process needs and tends to be carefully managed by the leaders of high growth SMEs.

4.2.3. Focus on internal promotion and related key employee development

Internal promotion is usually seen as an effective avenue of creating a strong management team, given these employees' knowledge of the

company's product, operations and culture.

"I haven't had to hire from the outside. What I've done is watch people grow and try and meet their aspirations really.[…] and sometimes they come to you because somebody leaves and [they say] "I can do that job". And you know, I am a big believer in giving people a chance if they show that much enthusiasm for something"

(Wholesale trade firm, EPRG, 10-24 employees)

"I am always keen to promote internally"

(Wholesale trade firm, EPRG, 10-24 employees)

Across firms, there seems to be a realization of drawbacks of recruiting based on prior collaboration rather than a more objective selective recruiting process:

"We recruited who the manager knew. And they were people you know and they were startlingly unsuccessful"

(Wholesale trade firm, EPRG, 10-24 employees)

The management of this particular firm learned from the experience and the subsequent wave of recruitment at the company was done using recruitment agencies with better success. This opinion is echoed by another firm:

I think people tend to try and get people from their network, people they might already know and we've done a lot of that in the past. And you think well, that's the way to do it because, you kind of know what you're going to get and actually, you do not have to pay the consultant, it is cheaper way of doing things. In my experience, it is actually... typically, unless you are a real expert at recruitment, it's very easy to hire the wrong person. And I think if you find a really good recruitment consultant who understands what it is you're trying to achieve and you can work in a partnership, I think that could be beneficial but it costs money."

(Wholesale trade firm, EPCJ and EPRG, 150+ employees)

However, there are circumstances when external hiring is preferable, such in the case of gaining access to specialised knowledge and capability sets as well as particular candidate' potential to contribute to further growth:

"*And then I employed somebody that knew that London market very well. And so, he came on as really senior business development manager but was engaged to also develop the product portfolio or to have input from the market perspective. So again, bringing in that sort of specialist…not specialist knowledge but that knowledge in the market they're operating in but not in the sectors of the market we're operating in. So that was an investment really in him. The product range at that time wasn't good enough for the relationships he had in place.*"

(Manufacturing firm, EPCJ and EPRG)

The development of the team members' capabilities to make them a natural choice for promotion is described below in great detail:

"*I suppose with [employee X], I saw him as a very good salesperson but, yeah, I just felt that he had the personality and the ability to build relationships and get the best out of people even though they weren't reporting to him in some areas. And in other areas, because of his salespersons characteristics, he could rub people like the production people up the wrong way. So, having identified [employee X], then it was really embarking upon how do we make his transition from a salesperson to a sales director ultimately.*

So, we started with one person in London and developing that person and did that deliberately in terms of limiting his exposure. One, so he could get a flavour for it. And also, to maintain the culture of not alienating some of the more established salespeople, one of whom – the long-term one – who also thought himself to be the sales director at that time. But he is just a

good salesperson and could never be a manager at all. But I got this matrix of what the characteristics of an effective manager are. So, I was able to say to [employee Y] on one hand, 'Look, [employee Y], these are the characteristic. Now, no disrespect to you. Here're the characteristics and this matrix of a top salesperson. Look at all these that you possess. You don't possess these characteristics. And notice that it's going to be very difficult – not impossible – for you to make your personality and character fit here.' But even so, with [employee X], I could do the same with him and say, 'Look, [employee X], you demonstrate some of these characteristics already. So you've got a very good chance of succeeding as a sales director.' So, there was a process and a structure around it that they gave him exposure to managing one person. He thought, 'Well, actually I like this. I enjoy developing others and I get a lot of satisfaction out of seeing somebody else come into the organisation, appoint them, mentor them grow then see them succeed. So, that was as much about developing him. And then there were training courses that we put him on about leadership and management and so on. The NLP course came in during that period. And then he recruited a second person from the A&D sector. And then there was somebody, one of the salespeople who was already down in London that was reporting to me and I asked [employee X] to look after him as well. So now, he's got three people in London. So it's all quite self-contained here. He's now developing and working with and seeing them progress. And then the next stage was really appoint him as a sales director of the group with all the external sales team and having like a seat around the senior management team. And that's where he needed to develop his relationships with the production manager, with the product development manager, particularly the product development manager. So, again, we set out before we announced that he was going to be the sales director probably…certainly nine months beforehand. He and I sat there and agreed that if he achieved these milestones over the next nine months – so basically, beginning of January – that we would appoint him, confirm his appointment of sales director in September and this would be his remuneration structure. So it was all quite clear he gets that."

This is perhaps the most deliberate approach to internal promotion. Most

other firms tend to identify high potential employees and engage in coaching and shadowing activities to develop them, rather than assigning them specific developmental tasks.

Recognising employees' strengths and leveraging them accordingly

Although there is a view that SMEs cannot afford to employ those whose contribution is not their best, it may certainly pay to give employees a benefit of a doubt and assist them in turning around their performance. One current leader of an SME, who was not the original founder, exemplified it like this:

"The production manager, again, was I would say a month away from being sacked. And now, he's got a workforce of 50 that he's now leading and recognised as a good manager.'

(Manufacturing firm, EPCJ and EPRG)

Facilitating such transformations is a deliberate and potentially lengthy process:

"The production manager we have today and one of the salespeople who've been with the company probably at that time 18 years and they're probably the two of the most transformed people as individuals I've ever worked with. And the salesperson was never negative. He always worked hard, always had the right attitude. But where we wanted him to go in terms of understanding his customers, their strategies, their profiles, where they were in the market, different products, et cetera, it was a massive transformation for him. He had his moments but generally, he's made that transition brilliantly and he's performing magnificently. And he's our top salesperson still and we reduced his area and all of these things. But he's now performing and earning much more than he ever did.

(Manufacturing firm, EPCJ and EPRG)

When asked to articulate exactly how such a transformation was achieved, this MD stated:

"I think always setting very clear expectations of what's required. So in that sort of where are we, where do we want to be, and how do we get there? Then; […]the values and the culture of the organisation. So, for me, it's all about communicating very clearly to people where they are, where the expectation is, and supporting them in making any transition. And whether that's time I've spent with them coaching them, visiting customers with them, having those in-class sessions with them. So there was a lot of, if you like, personal communication, giving, putting in performance development reviews. We did NLP training […] where I brought in an NLP coach and put them through two programmes of NLP, which was really about maximising their personal capabilities. So, there was quite a lot of training and development that went into them. Some people responded to it well and got a lot out of it. Others did respond to it well but didn't get as much out of it as others. Well, that's fine."

This vivid account illustrates that difficult HR decisions need to be accompanied by other changes in the company for them to be perceived as fair. And it is also important to consider whether the positive espoused goals behind certain reorganizations decisions are indeed perceived that way:

"So I think belief in the company had to come back. So, by committing to the marketing development, the product development, investing in new sales team members as well, people could see that actually, no, a change is happening here. And then the fact that people that weren't prepared to make that change were no longer in the organisation or dealt with fairly but you know, clearly. Then people could see, 'Well, actually, this is now a serious business and we either to get on board and we help make the future what the vision is.' Or, 'Actually, we should go and work somewhere else.' So, I think it was through that combination of areas."

It is important to recognise employees' strengths and leverage them accordingly, which may imply assigning them to a different role:

"There's one salesperson who is still with us but hated being a salesperson but he was brilliant for customer service. So, we actually changed his role.

So he now goes and does all the demonstrations of products, if there's any repairs to be, done because he had good customer interaction but didn't like the pressure of selling, anyway seemed to be quite good at it. So again, we moved some roles around to put people in the right position that played to their strengths."

With growth, the company's needs with regards to the scope of the responsibilities of their employees changes:

"One of the things that stuck in my mind from the [university X] Business Growth Programme was 'Don't recruit when somebody leaves. Don't recruit to replace. Step back and see actually what we need going forward.' That was a key point."

(Professional services firm, EPJC & EPRG, 50-99 employees)

4.3. Skills gaps

One key area of concern for manufacturing, engineering and other technically specialised firms is that of shortage of suitably qualified personnel. One senior manager in a highly technically sophisticated manufacturing firm explains the nature of the problem:

"The reason we're not growing it at the moment is a lack of human resource-there is simply not the engineers around that can do the design and the quotations. Obviously, before you can quote, we have to completely understand what you're selling and building. So, you pretty much have to design it at that stage, you're not quoting something that's off the shelf as everything we do is bespoke-engineered. So, it's finding people with those skills that experience, that knowledge, to join the business. […] And that's the difficulty we have as a company in going forward, that skills are just not available."

He continues:

"…If someone comes along with the right skills, and we would probably snap them up. But I can say we've been looking for years, really."

(Manufacturer, EPCJ, 25-49 employees)

This problem is quite pervasive and is felt just as keenly by another specialised manufacturer who explains the underlying causes of the problem:

"And there's a shortage of skilled machinists anyway. And this area has a lot of companies that do machining. So although there are a fair few machinists in the area, there are also a lot of people chasing them as well."

Describing the problem, this founder stated:

"And you suddenly have this period where you didn't have anybody coming into the industry, what I call sort of grassroots level. Everybody wanted to go in and work in the office. At the same time, the big manufacturers all shut their apprentice schemes down. […] So what's happening at the minute, you got companies that are losing their staff through retirement and what have you. And so, they're all struggling around trying to replace them and there's not the pool to replace them with.

Aside from technical skills, SME leaders are also concerned about employee's attitudes to work and basic skills.

"I think one of the issues that this country has is definitely around the skills agenda. It is increasingly, well I think it is increasingly difficult to get people with the right skills and the right attitudes and… to be honest, it is one of the reasons that we employ people from all sorts of different parts of the world. […] I think there is a whole thing around the skills agenda and whether that'd be the languages, whether that'd be around people's motivation to do things, the communication... I definitely think something has to happen in terms of skills. I don't think that it is the problem with universities. I think it's a problem of schools and parents."

(Wholesale trade firm, EPCJ and EPRG, 150+ employees)

A similar sentiment is expressed by another firm that produces products for wholesale market:

"We had an apprentice last year from the local catering college and we had to teach him so many life skills. It's only basic stuff. You're almost like a parent to a certain extent"

(Wholesale trade firm, 25-49 employees)

This skills shortage is creating problems for the affected SME firms, particularly in the context of the crucial importance of ensuring the right hire. Several adaptive mechanisms have been put in place, such as hiring from overseas and in some occasions reducing their own production.

5. CONCLUSIONS

In this study, we have set out to investigate the nature of HR practices within HGFs. Overall, the extant literature argued that many small firms do not tend to adopt formal HR procedures and practices (Storey et al., 2010; Wanrooy et al., 2013). The working relations in such firms, instead, are governed by informal and often unwritten rules and tacit understandings (Kitching & Marlow, 2013). There is evidence to suggest that not only recruitment, pay-setting training and development but also grievance handling, disciplinary and dismissal matters are often handled informally (Kitching, 2008; Ram & Edwards, 2010). Even if more formal rules and policies are in place they may not be adhered to in practice (Moore & Read, 2006). Reflective of this, much of the research into HPWS has been done in the context of larger firms.

We wanted to see whether the observations were reflective of UK-based HGFs, and if so, was informality an impediment as some scholars suggested (Kitching and Marlow, 2013) or a sign of adaptability to the changing environment, as argued by others (Storey & Greene, 2010). Indeed, informal practices might enable human resource flexibility that has been shown to be a critical mediator between HPWS and performance (Beltrán-Martín et al., 2008). In addition, even within the HPWS literature, there has been recognition that whilst most of the research has focused on formal practices, non-financial rewards, tools and techniques as a method of garnering commitment, motivation and a sense of culture are much less

researched (Posthuma, Campion, Masimova, & Campion, 2013).

We have found that virtually all leaders of the high growth SMEs we interviewed embrace key HPWS such as selective hiring, the need for training and development of the employees, appropriate job design, communication, compensation, and a varying degree of performance management and employee participation. SME leaders show interest in tapping into employee's intrinsic motivation to enhance their performance or potentially to develop a close bond with employees based on direct personal trust and reciprocity (Marlow, 2002). Whether it is to easing the task of managing human resources (Kitching & Marlow, 2013) or out of genuine concern for employee's wellbeing and the sense of purpose in their work, most of the SME leaders we have interviewed do recognize the importance of creating such a bond and an open and positive company culture.

These informal levers are based on understanding employee's preferences and main motivational levers, albeit flexible working, opportunity to develop relationships through social activities, endeavouring to resolve employee's difficulties, etc. Some of these measures are relatively unique even in a flexible and informal SME setting and could potentially contribute to the employees' perception that the firm over-fulfils its side of the psychological contract. Psychological contract is subject to changes in the context of firm growth given that individuals' roles change and new employees tend to be recruited, potentially altering existing understandings (Martin, Janjuha-Jivraj, Carey, & Reddy, 2008).

Uniformly, the case study companies devoted significant attention to hiring right employees. Firms provide feedback to employees through near real-time communications and regular performance reviews, although the latter is not always seen as effective in the context of interviewees' business or indeed, in the context of specific employees. Performance reviews is one of the last HPWSs to get formalized. Although most firms realize the importance of training and development, in practice, given the contingencies of running a business, approach to training is somewhat ad hoc. In contrast, coaching seems as a very effective way of improving

employee's capabilities. Recognising employees' strengths and leveraging them accordingly can considerably enhance the pathway to growth.

We also found that internal promotion is espoused as a preferred avenue for building up the management team, with some interviewees expressing it as a preference to develop, nurture and motivate their employees. However, SME leaders also recognise the need to hire externally, when required skills cannot be found within the company.

In contexts where the company relies on technical or other rare or specialized skills, firms experience significant skill shortages. This creates problems for high growth SMEs that, despite the use of several adaptive mechanisms, hinders production and firm growth.

In conclusion, HPWS provide an interesting lens for examining HR practices in SME. In particular, using HPWS as a starting point, enabled us to delve into less well researched areas of informal practices that are designed to enhance employee's intrinsic motivation and engagement by generating positive discretionary behaviours.

6. IMPLICATIONS FOR POLICY AND PRACTICE

The findings of this study provide a comprehensive understanding of the formal and informal HR practices applied by high growth firms and how they underpin growth.

The findings suggest that some informal practices, when applied in the right context, can boost loyalty and engagement, without creating unnecessary administrative or financial burden to SMEs. Formal HPWS are also instrumental in enabling SMEs to attract and engage their employees, particularly those that relate to recruitment, employee training and development, and performance management.

Particular attention needs to be dedicated to developing a strong managerial team, which would be able to effectively take on greater managerial responsibilities, provide leadership to their teams and other employees and to become dexterous in identifying viable new growth

opportunities.

The findings have a number of implications that would potentially be relevant for policy and practice.

6.1. The importance of informal practices in generating employee engagement

High growth SMEs' active application of formal and informal HR practices diverges from the dominant viewpoint on HPWS in SMEs – these practices are not typically being embraced by smaller firms as they may be too costly or time consuming to apply. This research shows that creative approaches to engaging employees need not be prohibitively difficult to implement to be effective. The attributed effectiveness of informal, reciprocity-generating HR practices underscores the importance of understanding the needs, motivational drivers and preferences of all employees. Communicating the benefits of better engagement, some of the levers to achieve that, and the need to align specific measures to the nature of the workforce would stimulate better workforce commitment, employee wellbeing and business performance.

6.2. Coherent practices to create high performing management teams

It is important to have a well thought out and coherent set of HR practices that, together, contribute to key HR outcomes. The best practices identified during the interviews included comprehensive recruitment and talent development practices, which were aligned with the company's overall vision and growth strategy. Talent development practices included tying employee's performance objectives to the company's vision and strategy, engendering the feeling of contribution to performance when team-based KPIs are met, investing time and potentially, resources in employee development. Recruitment needs to address the company's current and future growth requirements and be robustly selective.

6.3. Skill shortages

Policy makers might need to consider how to assist SMEs that experience significant technical skills shortages. Renewed emphasis on apprenticeship schemes appears to be a solution that might be helpful to some SMEs, although others would struggle to accommodate such an arrangement (lack of constant work flow, need for highly qualified skills, etc.). In addition, a perceived lack of "life skills" and foreign languages also needs to be addressed as more UK firms, SMEs included, compete globally.

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APPENDIX 1

Invitation to Engage

Human Resource Practices in SMEs: Does HR management drive firm growth?

We would like to extend our thank you to you for having taken part in our recent telephone survey of high growth businesses in the UK conducted on behalf of the Enterprise Research Centre. In this survey, you have indicated that you would be happy to be approached again for the purposes of follow-up research. We are delighted that you have offered us this opportunity and we'd like to discuss your potential involvement in our new research project.

We are now launching a new research project sponsored by the UK Commission for Employment and Skills (UKCES) aimed at gaining a better understanding of how human resource management practices evolve over time as the a company grows.

We are interested to find out which HR practices and combinations thereof have been most beneficial to your firm and why have you chosen to adopt them when you did. Overall, we'd like to know how the high-growth companies such as yours shape their HR practices as they grow and whether and if so, how, these practices contribute to firm growth.

Why get involved?

To execute this highly practically relevant research, we are planning to interview a number of SME leaders to be able to gather a comprehensive picture of the use of HR best practices in high growth SMEs. The results of this research will be used to inform policymaking and discussions around business support in the UK and as such, are expected to help other firms.

Confidentiality and engagement process

We are looking for about an hour of your time for a member of our research staff to be able to conduct a face-to-face interview with you. It is our intention to engage with you in a way that that accommodates you workload and availability. We hope that your firm's involvement in this project will provide an interesting opportunity for reflection and learning.

In terms of confidentiality, we would like to assure you that all confidential information provided to us to help develop our research will be treated as such. All information will be anonymised in any documents produced. The interviews will be recorded and transcribed to facilitate the data analysis, in keeping with the best practices of qualitative research.

Who are we?

The Enterprise Research Centre (http://enterpriseresearch.ac.uk) is an independent research partnership between UK's leading business schools including Warwick Business School, Aston Business School, Imperial College Business School, Birmingham Business School and de Montfort University. ERC is set up to provide independent commentary on SME research and policy. It is funded by the Economic and Social Research Council (ESRC), the Department for Business, Innovation and Skills (BIS), the Technology Strategy Board (TSB) and the British Bankers Association (BBA).

The research project on high growth SMEs is being led by Professor Mark Hart of Aston Business School, with support from Professor Stephen Roper, Professor Nicos Nicolaou, Professor James Hayton and Dr. Oksana Koryak.

Further information

If you'd like to know more about the project, please do not hesitate to contact us via Oksana.koryak@wbs.ac.uk.

APPENDIX 2

Preliminary interview protocol:

Introduction:

Many companies - SMEs included - consider their human resources their greatest asset. Much research has gone into understanding which HR practices lead to improvement in performance and why. However, this research is mainly based on large firms, which are in a position to dedicate significant resources and systematic attention to the HR function.

In the SME context, typically, the HR function is very different. There may be less resources and managerial attention available to dedicate to HR decisions. Smaller companies may be less attractive to potential applicants, the jobs could be quite specialised but at the same time job descriptions can be quite broad. However, as SMEs grow, HR becomes more formal and a number of best practices get adopted.

In this project, we set out to understand the evolution of HR in high growth SMEs companies at the backdrop of its growth. Has HR assumed greater importance in the company over time, and if so, in what way? What were the main triggers of HR becoming more strategic?

During the interview, I would like to discuss two main issues – (i) the company's growth and (ii) its HR practices and leadership and management skills. More specifically, we'd like to get an insight into

- The main milestones in the company's growth – events, developments and decisions that have altered its course of development. *Such milestones may include new significant hires or departures; new contracts gained or lost, important changes in the industry, important business opportunities being identified, etc.*

- Given our particular interest in HR, leadership and management, I would like to use this opportunity to try to understand how HR practices have evolved during the life of the company and what impact, if any, they had on the company's growth.

  When we talk about HR practices, we tend to refer to those practices that are designed to ensure that the company can attract, retain motivate and leverage their employees.

  (*Prompting if required*):

  More specifically, would you be able to recall how HR issues such as staffing, performance management, training etc. were treated in the earlier days of the company? Who took such decisions? Did you feel you had enough time to consider and plan your HR moves? With a benefit of hindsight, how would you compare the role of HR and the way HR strategy is designed and implemented now and in the first few years of the company's operations.

- Which practices or changes to practices were most effective in your view? How did they lead to growth (greater job satisfaction, improved information sharing and cooperation among employees, etc. etc.).

  If you were to recommend a specific set of HR practices to companies aspiring to grow, which practices or their bundles would you recommend as a first priority?

- How do you ensure that the new hires provide a good fit for the company?

- *When referring to leadership and management skills we tend to mean the ability to motivate and influence people as well as organize resources and coordinate tasks.* Would you consider

that these management and leadership skills embedded in the top management team changed over time? In which way? What were the triggers for these changes? What were the main consequences?

- Has your company experienced mayor setbacks? What were its positive and negative consequences? How were these setbacks dealt with?

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