

SEWN AS A PATCHWORK
How bits and pieces from the HRM, HRD and OL perspectives
can improve performance in small enterprises

Essi Saru

Sarja/Series A-16:2009



TURUN KAUPPAKORKEAKOULU
Turku School of Economics

Copyright © Essi Saru & Turku School of Economics

ISBN 978-952-249-029-2 (nid.) 978-952-249-030-8 (PDF)

ISSN 0357-4652 (nid.) 1459-4870 (PDF)

UDK 65.012.122

658.31

65.017

65.012.2

621.39

Uniprint, Turku 2009

ACKNOWLEDGEMENTS

This research process began in 2001 when I had the privilege of being part of the CompLeN-research group funded by the Academy of Finland. The group consisted of researchers and doctoral students whose research topics linked to the theme of competence management in learning networks. In a research process there are many things that you need to learn the hard way but this group smoothed the way in the beginning and taught me many things that are essential in doctoral research.

I would especially like to thank my supervisor Professor Satu Lähteenmäki for inviting me into the research group and more importantly for providing me with supervision during the years. Your insightful comments on the manuscript were indispensable and your support during the entire process has made it possible to take this project to the end. I would also like to thank Professor Juha Laurila for your valuable comments on the earlier versions of the manuscript and the individual research papers.

I was privileged to have Professor Jaap Paauwe from the University of Tilburg and Professor Susan Meriläinen from the University of Lapland as the official pre-examiners of my dissertation. I appreciate your thorough examination and the pertinent comments on the thesis. I am also grateful for Professor Meriläinen for accepting the invitation to act as the official opponent of the thesis.

Many foundations and institutions have contributed financially to this research. I would like to express my gratitude to The Finnish Work Environment Fund, Foundation for Economic Education, Wihuri Foundation, Finnish Cultural Foundation's Varsinais-Suomi Regional Fund, Kaute Foundation, Turku School of Economics Support Foundation, and Foundation for Business Education in Turku. I am also grateful for the Graduate School of Management and Information Systems Studies (Gramis) for the possibility to conduct research with the help of the fulltime research grant.

The support from the Turku School of Economics has been of central importance. Therefore I would like to thank the school for the opportunity to concentrate solely on the research work for a semester and for the work facilities provided to me during the research process. Especially the Department of Management deserves my gratitude for the assistance provided to me over the years. I would like to thank Departmental Coordinator Eila Wilkman-Korkiamäki and Secretary Mari Jaakkola for your assistance and

Secretary Birgit Haanmäki for being an invaluable help with the practical arrangements.

The colleagues and coworkers at the department have been indispensable during every phase of the research process. I have especially enjoyed the informal and often times very humorous lunch and coffee discussion that have been the counterbalance for the lonely research work. Thank you all for your positive comments and laying confidence on me especially during the last phases of the process. I would especially like to thank Ph.D. Maarit Viljanen for your co-operation in writing conference papers and articles as well as for your friendship.

The co-operating companies have a central role in a research process and this one is no different. I am grateful for the two organizations that were involved in this research for giving me the opportunity to interview them and for the invaluable time that they have invested in this research process.

This project would have lasted longer than it already did if I did not have such a great support group in my family and friends. First I would like to thank my parents Riitta and Tapio Reponen for your encouragement and support. It has been invaluable important. My sisters Riina and Anna Maija and their families deserve thanks for their positive and humorous view on this project. Especially Jesper, Anni, Rosa, Lotta and Oskar are filled with the kind of never-ending energy that I often wished I had too. I would also like thank my parents-in-law Pirjo and Kari Saru for offering your help when ever it was needed.

And my friends, who have encouraged me along the way, thank you for your positive thoughts! I would especially like to thank Hanna for sharing the rocky road of doing a Ph.D. and Johanna for your friendship over the years.

Most importantly I want to thank my family that has been affected the most by this project. Sami, you probably know better than any one how tough this has been. On top of your own work load you have had to carry part of my load too and still always found a positive side in each new turn in the project. Thank you for your support. I could not have done this by myself. This book is dedicated to our three wonderful children Sanni, Elli and Elias. You made it easy to find the motivation to take this project to the end, and now we have more time for the truly important things in life.

Turku November 8, 2009

Essi Saru

TABLE OF CONTENTS

1	INTRODUCTION.....	9
1.1	The importance of SMEs to the economy	9
1.2	The importance of studying small businesses from the HR perspectives.....	12
1.3	The human resources perspectives.....	15
2	THE THEORETICAL FRAMEWORK.....	19
2.1	The science and practice of current HRM research.....	19
2.2	The young academic field of HRD	21
2.3	Organizational learning in small businesses.....	23
2.4	The links between HRM and HRD	25
2.5	The small business perspective on human resources.....	27
2.5.1	Formal – informal – small business HR	27
2.5.2	The models for HRM in SMEs.....	32
2.5.3	The learning environment in small firms.....	36
2.5.3.1	<i>The small business learning framework.....</i>	36
2.5.3.2	<i>The manager’s role as a catalyst for learning.....</i>	37
2.6	The empirical research questions and the outline of the study.....	40
3	RESEARCH DESIGN.....	43
3.1	The methodological underpinnings.....	43
3.2	The case study approach as a research strategy.....	45
3.3	The case study organizations	48
3.3.1	The IT organization	48
3.3.2	The expert organization	49
3.4	The data collection	51
3.4.1	Interviewing as a research method	51
3.4.2	The first round of interviews in the IT organization	52
3.4.3	The second round of interviews in the IT organization.....	54
3.4.4	Observations on the IT organization.....	56
3.4.5	The interviews in the expert organization.....	57
3.5	The data analysis	59

4	THE COMBINED EFFECTS OF THE HRM, HRD AND OL PERSPECTIVES ON THE ORGANIZATIONAL PERFORMANCE OF SMALL FIRMS	63
4.1	The role of the HRM, HRD and OL perspectives on the overall HR of a small firm.....	63
4.2	The specific contribution of the HRM, HRD and OL perspectives to the HR function of small firms	67
4.3	The relationship between the HRM, HRD and OL perspectives and the improved performance of a small firm	71
5	CONTRIBUTION AND EVALUATION	77
5.1	Small business HR: focal points and challenges	77
5.2	The contribution to the ongoing theoretical discussion	80
5.3	The contribution to the practice.....	82
5.4	The evaluation of the study	82
5.5	Future research possibilities	86
	REFERENCES	91
	Appendix 1. Interview themes for the managers (English translation).....	107
	Appendix 2. Interview themes for the employees (English translation)	109

TABLE OF FIGURES

Figure 1	Number of employees per company size and turnover per company size within SMEs in Finland in 2007 (Statistics Finland 31.5.2009)	11
Figure 2	The open systems model (Harney and Dundon 2006, 54)	33
Figure 3	Current business priorities (Cassell et al. 2002, 687)	34
Figure 4	The small business learning framework (Kelliher and Henderson 2006, 520)	37
Figure 5	The outline of the study	41
Figure 6	The connection between the HRM, HRD and OL perspectives and organizational performance.	65
Figure 7	The search for the linking mechanism between HR practices and improved organizational performance in small firms.	68
Figure 8	The link between the HRM, HRD and OL perspectives and small business performance.	75

LIST OF ORIGINAL PUBLICATIONS

Article 1

Saru, Essi (2009) HRM in SMEs – Linking embedded Human Resources practices to performance and employee wellbeing, In: Fink, Mathias – Kraus, Sascha (eds.), *The Management of Small and Medium Enterprises*, pp. 80–94, Routledge: New York. Republished with permission from Routledge.....113

Article 2

Saru, Essi (2007) Organizational learning and HRD – how appropriate are they for small firms? *Journal of European Industrial Training*, Vol. 31 No. 1. Republished with permission from Emerald Group Publishing Limited.....131

Article 3

Saru, Essi (2009) The element of a sustainable learning environment as the linking mechanism between HR and performance in small firms, Full refereed paper in *the Proceedings of the 10th International Conference on Human Resource Development Research and Practice across Europe*, Newcastle June 10.–12, 2009.....149

1 INTRODUCTION

1.1 The importance of SMEs to the economy

Small and medium sized enterprises (SMEs) are predominant in most economies (Katz, Aldrich, Welbourne and Williams 2000, 7). Therefore creating a theory of HRM (human resource management) for SMEs is important in the global context and not just for Finland or the EU, although larger organizations are of more interest in that respect. The relative importance of SMEs as employers and as contributors to the national economy is substantial, which raises the importance of human resource management in that context.

The official EU definition for small firms categorizes them into three groups based on the number of employees and their annual turnover. The definition is as follows: “The category of micro, small and medium sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. Within the SME category, a *small enterprise* is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million. Within the SME category, a *microenterprise* is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.” (Commission recommendation 2003/361/EY, emphasis added). This detailed definition is important because micro firms and small firms operate very differently to medium sized organizations and therefore need to be considered as their own entities, especially regarding human resource management.

The relative importance of the small business context for an economy can be conceptualized with the aid of table 1.

Table 1 Statistics about the importance of small businesses for the economy in Finland in 2007 (Statistics Finland 31.5.2009)

Company size	Number of companies	Number of employees	Turnover 1.000€	Turnover/employee
... 4	272 294	285 752	39 358 508	137 700
5... 9	18 669	119 263	21 252 164	178 200
10... 19	9 446	125 243	23 852 848	190 500
20... 49	5 445	162 743	36 368 762	223 500
50... 99	1 502	102 067	25 776 302	252 500
100... 249	918	141 395	38 958 110	275 500
Total 1...249	308 274	936 463	185 566 694	198 157
250... 499	355	121 782	38 915 065	319 500
500... 999	183	125 302	39 035 039	311 500
1000...	105	298 321	111 065 559	372 300
Total 250...	643	545 405	189 015 663	346 560

The table presents the data separately for different size categories of companies and then elaborates on the total figures for the SMEs and the larger organizations. The number of companies in each size category is presented in the second column. The third column presents the total number of employees in each size category. The two last columns address the turnover figures: first the total turnover of the companies in each size category and second the turnover per employee.

As the figures in the table underline, the total number of SMEs is on a completely different scale to the number of larger organizations. Altogether there are over 300 000 small firms in Finland while the number of large organization is 643. Despite the fact that the majority of SMEs employ less than four people, there is still double the amount of employees in the SMEs compared to the larger organizations. Also the turnover of SMEs is on the same level as those in the larger organizations. These figures emphasize the importance of small businesses as employers and as contributors to the Finnish national economy.

To take a closer look at the relevant figures within the SME category the following chart demonstrates how the number of employees and their turnover varies in each SME size category.

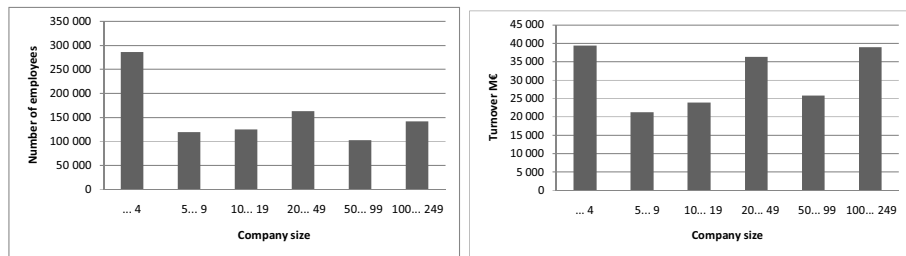


Figure 1 Number of employees per company size and turnover per company size within SMEs in Finland in 2007 (Statistics Finland 31.5.2009)

The first chart portrays how the number of employees varies within the different SME categories. As can be seen from the chart the small and micro firms employ over half of the total number of employees in the SME category. These organizations also produce over half of the turnover in the SME sector (see the second chart). These figures demonstrate the importance of the smallest organizations as employers in the Finnish economy. Small businesses are often found in innovation intensive businesses as well as in personnel intensive service industries. These types of firms are competence and knowledge intensive for the most part, and therefore the relative importance of every individual employee to the productivity of the organization is significantly greater than in the larger organizations. This adds an extra degree of difficulty to the management process in these organizations. The following quote descriptively depicts the context: “A small number of human beings engaged in a common endeavor can create very complex, subtle interactions. Unraveling the underlying meanings and patterns of these interactions can be far from straightforward.” (Curran and Blackburn 2001, 5). The quote emphasizes that there is a need to invest in the human resource management of the smallest organizations for them to be able to compete with other businesses of all sizes.

Furthermore, based on the figures in the table, productivity per employee in the small firms is considerably lower than in the larger organizations. The question therefore remains whether it would be possible to raise productivity in small firms by investing in the management of human resources and in that way raise the contribution of small businesses to the national economy closer to the level of the larger organizations. There is a huge potential in the small business group to contribute even more significantly to the national economy and the potential contribution could be gained through successful human resource management and investment. General HRM models are not directly applicable to this context and the context as such has not been overwhelmingly studied from the HRM theory perspective. Therefore it is important to gain a

deeper understanding of the small business context from the human resources (HR) perspectives.

1.2 The importance of studying small businesses from the HR perspectives

In general, human resource management theories in relation to the unique properties of small businesses have not been sufficiently considered or developed. Many of the HRM models and theories have been created and discussed by assuming that an organization has HR professionals, and that it has resources to invest in the development of human resources. (Heneman, Tansky and Camp 2000; Finegold and Frenkel 2006). This means that the focus of HRM research has mostly been on large corporations. However, ignoring small sized enterprises, and among them micro firms, in the theoretical discussions on HRM lacks justification because of the huge business potential that they represent. In small organizations every person is a key person whose relative importance to company performance is significantly greater than it is for larger companies. Therefore there is no room for failure. Moreover, researchers are also keen to find out whether the human resources concepts fit the small context, or to what extent these would be applicable. And if the models are not applicable, they aim to discover what the main differences between small and large organizations are and how that affects the choices a small firm has over its human resource management and development issues. (cf. Wagar 1998).

Until recently human resource scholars have only rarely examined small business research and small business researchers have avoided human resource issues (Katz et al. 2000; Shaw 1999). Nevertheless, during this decade small ventures have been seen as unique and valuable contexts for testing the principles and theories of HRM (Baron 2003). The previous lack of interest in the small business context can be explained through the ambiguity of the terms HRM and SME (Katz et al. 2000). Marlow (2006) referred to Markussen's earlier work and called HRM a 'fuzzy concept' when she referred to the contradiction in terms that is evident in the discipline of HRM. A more practical reason could be that human resource issues in general have previously been regarded as a large company phenomenon (Katz et al. 2000).

This fuzziness leads to the main challenge in researching human resources in the small business context. Almost any issue within human resources can be studied, and has been studied, from the small business perspective as well. (Curran and Blackburn 2001; Katz et al. 2000). However, this fragmentation makes it difficult to present results that would have a wider applicability. The

small business context is also a challenging area to conduct research in because small does not mean simple and small business is not just a scaled down version of a larger one (Curran and Blackburn 2001). Cassell and others (2002, 690) share this thought and argue that equating small firms with large ones creates a lack of understanding of the unique practices that have an impact on SMEs. It has been realized that research on small business HRM can potentially contribute to the HRM theory as well.

Through this research some of the company size related differences have already been recognized, however, the work in terms of developing SME tailored HRM theory is only in its infancy. It has traveled along the same path as HRM theory in general, and repeated the same developmental cycles (see Lähteenmäki 2000). The development of a general HRM theory began with the normative 'fit' models which emphasize external fit and suggest that HRM policies be matched with the strategic or business orientation, life cycle stage or management style of the organizations studied (Schuler and Jackson 1987; Fombrun et al. 1984; Legge 1995; Delery and Doty 1996; Lähteenmäki 2000). These models have been criticized as being overly simplistic and lacking in effectiveness (Truss and Gratton 1994; Luomanmäki and Lähteenmäki 1997). Thus, the research wave that attempts to apply or develop a one size fits all HRM theory for SMEs is seen as being equivalent to this school of external normative fit models. These one dimensional models can be criticized as being too simplistic, and bound to fail in the same way as attempts to build industry bound normative models failed to be applicable to all.

The second wave of HRM theory applied the 'best practice' or 'high involvement work practice' models (Vanhala 2006; Lähteenmäki 2000). Delery and Doty (1996, 803) labelled this approach as the universalistic perspective in which researchers see that some HR practices are always better than others and all organizations should adapt these practices. The focus then shifted from that of external fit to internal fit. The underlying philosophy in this line of thinking was that applying as many 'best HR practices' as possible would maximize company effectiveness (Becker and Gerhardt 1996; Delaney and Huselid 1996; Guest 1997). The composition was expected to improve performance by summing up the best practices in the field and building them into a whole. This wave is also recognizable in the SME HR theory, which keenly recommends that small firms apply best practices in the field from competitors or other small firms. However, as small businesses are not homogeneous in terms of their line of business, life cycle stage, leadership culture or strategy it is difficult to find two identical SMEs which could apply the same practices equally effectively. The success of HR is dependent on all of these aspects (Lähteenmäki 2000) and therefore it is not realistic to suggest that there could be a 'best practice' model for SMEs.

The third wave of HRM research emphasized internal fit and horizontal integration with other HR policies and it has been equated with the configurational approach of theorizing (Delery and Doty 1996). This wave can be labeled as the bundle approach in which the underlying idea is that sustainable competitive advantage can be gained only through resources that are valuable, rare, difficult to imitate and non-substitutable. This is called the resource based view of the firm (Barney 1991; Becker and Gerhardt 1996; MacDuffie 1995; Lähteenmäki 2000), which has become the dominant theory in the HRM and performance discussion (Paauwe and Boselie 2003). Rather than being a selection of best practices, a bundle is a unique composition of HR practices that form an internally consistent bundle (Becker and Gerhard 1996; Lähteenmäki, Storey and Vanhala 1998).

This relates to the ongoing discussion in the SME sector as well. The heterogeneity of the context has been identified (Harney and Dundon 2006) and it has been stated that the abbreviation 'SME' is far too contradictory to be applied to the research context without further clarification (Curran and Blackburn 2001; Harney and Dundon 2006). The definition is based on quantitative measures, as has been discussed in sub-section 1.1, because they would seem to be objective and transparent evaluation criteria (Curran and Blackburn 2001, 10–11). Nevertheless, with regard to human resources it is not sufficient to label the research context with the abbreviation 'SME'. This is because it is not possible to find two identical small firms that could apply the same practices as such. The HR practices need to be consistent with all the other elements in an organization's environment (Monks and Loughnane 2006) in both large and small firms, and this is especially so in the small business context where internal consistency alone is not sufficient. Human resources are managed in a different way in small and medium sized organizations, and these two types of organizations also vary in complexity and cannot be represented as one entity (Kotey and Slade 2005).

In addition to the size of an organization, its age, level of stability and orientation towards growth have an effect on human resource expectations and choices. Growth means that a small firm needs to employ more people, which results in a more formal style of human resource management (Mazzaroll 2003). Also, smallness and newness define the context of human resource management in two different ways. Some new small firms intend to grow when they become more established while others intend to stay small throughout their lifecycle (Cardon and Stevens 2004). Similarly the different learning orientations in small firms have an effect on human resource management. Zhang, MacPherson and Jones (2006) found that stable firms are generally more reactive and have a more adaptive learning process, whereas

more innovative firms were found to be more proactive and take into account the changes in their external environment in their learning processes.

Many scholars have pointed out that the distinctiveness of small firms from larger ones warrants further research on HRM in small firms (Cardon and Stevens 2004, 298). Taylor (2006, 480) suggests that it would be profitable to engage in HRM issues in organizations that are broadly defined. This is because he sees that it would not be especially profitable to concentrate on studies that emphasize smallness and growth, if the intention is to build a meaningful theory. Hence, instead of applying the normative models of HRM to the small business context, it is perhaps fruitful to find out what practices are actually used in small firms (Taylor 2006) and begin theory development from that perspective. This view is supported by Hornsby and Kuratko (2003) who point out that many HRM issues are different for small, medium and large organizations, but the critical one for small firms is applying HR practices comprehensively. This line of thinking matches the bundle perspective in HRM research. A bundle needs to have internal fit and comply with company strategy, organizational climate, employee image, psychological contract etc. This perspective therefore directs researchers towards the usefulness of conducting case studies in order to reveal the heterogeneity of the context.

Based on the arguments above, the research aims to contribute to the development of HRM theory for small firms by examining the relevance of ongoing human resources discussions for small firms. The guiding idea in this research is to examine the relevant ongoing HR discussions that can potentially contribute to building HR bundles for SMEs.

1.3 The human resources perspectives

HRM is a field that incorporates multidisciplinary research. It is a field that focuses on human action in organizations and that interests both researchers and practitioners in many fields. In the wider frame the discussion takes place in business studies, education science, organizational psychology, industrial relations and sociology and because people form the human aspect in organizations it is possible to study from multiple different viewpoints.

From the business studies perspective the possible HRM issues include strategic HRM, organizational culture, commitment, recruitment, employee selection as well as different aspects of diversity management and employment relations (Price 2007), not to mention international human resource management. Employment relations also bring legal aspects and equal opportunities into the discussion. The potential research topics are wide

ranging and it is not possible to cover all of these in one research project. The basic idea behind HRM is how to find competent people, keep them committed and make the most of their potential. This refers to the two central elements in human resource management, namely performance management and learning and development. The discussion on the connection between HRM and performance (see Guest 2001; Boselie, Paauwe and Jansen 2001; Wall and Wood 2005; Fleetwood and Hesketh 2006), at its broadest, links to the discussion on competitive advantage and strategic management.

The discussion about the development of human resources is prominent within the HRD perspective, which is a considerably narrower area than HRM. The basic division is between collective level strategic competence building (Hamel and Prahalad 1994; Athey and Orth 1999; Losey 1999; Capaldo, Iandoli and Zollo 2006) and individual level career management. The key question in career management in small firms refers to organizations' possibilities to offer employees internal career possibilities. If the motivation of an employee to advance in their career is strong but the small firm has no possibilities to offer these possibilities a firm faces the risk of losing a key employee (Lähteenmäki and Paalumäki 1993). This forms the greatest challenge for the small firm. The discussion about learning in organizations on the other hand refers to an organization's ability to develop and react to the changes in its environment. It combines the individual learning processes with organizational development and strategic renewal (Lähteenmäki, Toivonen and Mattila 2001). From the small business perspective leadership questions are central (Heinonen and Toivonen 2007) because the way a small business is engaged in human resource issues is dependent on an owner's or a manager's skills and interests because there are no human resource experts in these organizations. Their human resources competencies are acquired through partnerships and networks.

From the education science perspective the discussion about workplaces as learning environments has flourished during the past few years (e.g. Ellinger and Cseh 2007; Hicks, Bagg, Doyle and Young 2008; Billet 2004). It has also brought the element of learning in work to the HRD discussion. Organizations especially look for more effective types of learning and in relation to that the research conducted in education science is relevant. In particular, modern educational science aims at understanding the role of learning in work situations (Gruber and Palonen 2007) and sees that learning and working are very much intertwined. Moreover individual learning in work has implications for organizational development, which is another purpose of HRD.

The organizational psychology perspective, on the other hand, has contributed to the OL discussion. In the organizational psychology journals (e.g. European journal of organizational psychology and Journal of

occupational and organizational psychology) the current discussions probe the questions of organizational justice and fairness. These are linked to HR practices such as pay systems and feedback concepts as well as employee commitment and wellbeing. These concepts are not considered in depth in this research but they are part of the background of all human resources issues. The link to organizational learning derives from the realization that when HR processes are considered fair then a group of workers can concentrate on performing well and in that way a group learns to perform better collectively and also elevate the level of organizational learning (Saru and Viljanen 2007).

The most prominent HR discussions contributed by these fields of science relate to the HRM, HRD and OL perspectives. Each one of these provides explanations for different aspects and levels of human resource research in organizations. Therefore the perspectives of HRM, HRD and OL have been chosen as the lenses through which small business HR shall be explored. The direct applicability of the general HRM, HRD and OL theories to the small business context is questionable and demands further research effort.

2 THE THEORETICAL FRAMEWORK

2.1 The science and practice of current HRM research

Human resource management (HRM) emerged as a topic in the early 1980s (Taylor 2006), although its history dates back to the earlier half of the 20th century (Ruona and Gibson 2004). Unsophisticated forms of HRM have existed as long as there have been entrepreneurial activities, because even in the very first businesses owners had to recruit people and to compensate them for their effort. In the current literature HRM is, in a broad sense, referred to as the management of employment relationships in a firm (Boxall and Purcell 2003). This means that HRM is concerned with managing people individually and collectively in both small and large firms. In the more strategic stream of HRM it is conceptualized in terms of "...carefully designed combinations of [HR] practices geared towards improving organizational effectiveness and hence better performance outcomes" (Boselie, Dietz and Boon 2005, 67).

This characterization brings to the fore the discussion about the links between HRM and performance, which has been at the center of research for over ten years (e.g. Huselid 1995; MacDuffie 1995; Becker and Gerhardt 1996; Guest 1997, 2001; Lähteenmäki, Storey and Vanhala 1998; Boselie, Paauwe and Jansen 2001; Paauwe 2009). Despite this vast research effort, the link between these two concepts is still referred to as a 'black box' because a clear connection showing their interdependence still does not exist (Boselie, Dietz and Boon 2005). If seen as an equation it seems as if anything and everything could be placed in the middle of that equation and still it would not explain the correlations between HRM and performance satisfactorily. Despite that, recent studies have found a positive relation between investments in human resources and the overall performance of an organization (Sels et al. 2006 a and b). Truss (2001) argues that it is impossible to consider how these two are linked together if the practical effects are not considered as well. She suggests that the notion of informal organization is the key to the practical implementation. She also points out that the measurement of good performance is very ambiguous and it is not clear what exactly one intends to measure in human resource management. Guest (1997, 2001), for example, has argued that the connection between HRM and performance cannot be realized before there is adequate theory about HRM, performance and the linking mechanisms (see also Paauwe 2004; Paauwe and Boselie 2005).

In a recent literature review Paauwe (2009, 135) brought up that the field would need studies that apply such a research design that would be able to link HR practices both to the organization's past performance and subsequent performance. This way it would be possible to check if past performance causes HR outcomes and to see if these practices are causally related to subsequent performance. This also suggests that the direction of the causality should be addressed in the research as well. Already over ten years ago Guest (1997) called for some evidence about those situations where HRM mostly affects the performance of the organization. This is especially relevant considering the argument by Fleetwood and Hesketh (2008). They argue that empirical research on HRM and performance is seriously under-theorized and lacking in explanatory power. Due to this, the so called 'black box' problem is strongly evident in the writings on the HRM performance link. Another problem stemming from the present situation is the difficulty of measuring performance results without any coherent theory. Further, it is not possible to resolve the abovementioned problems simply by doing more and better empirical work (see also Hesketh and Fleetwood 2006; Fleetwood and Hesketh 2006).

One reason for this may be the fact that in prior studies the concept of HRM usually refers to the intended HRM, but as Paauwe and Boselie (2005) demonstrate little is known about the actual enactment or implementation of HR practices and employees' perceptions of them. However, most HRM studies start from the premise that employees' work attitudes and behaviours are important factors influencing organizational performance outcomes (see Podsakoff, MacKenzie, Paine and Bachrach 2000). Attitudes, in turn, depend on employees' perceptions of the policies and practices of the employing organization. Given that employees' perceptions have been identified as relevant performance indicators, the effect of HR related factors on performance has not been studied very extensively (c.f. Paauwe 2004; Boselie, Dietz and Boon 2005).

One stream of prior research on HRM and performance has focused on searching for so called high performance work practices (HPWPs). Combs, Liu, Hall and Ketchen (2006) conducted a comprehensive review on previous studies on HPWPs' effects on organizational performance. Based on the review they found, for example, a greater connection between a system of HPWPs and organizational performance than individual HPWPs and performance. Another recent example of these is the study by Tzafir (2005). That study revealed that several HRM practices have the potential to contribute to enhanced organizational performance and that this was especially so in firms that treated their employees as valuable assets because they exhibited higher organizational performance. In particular the association

between training and both organizational and market performance was strong and positive (Tzafrir 2005). In contrast, Godard's (2004) literature review concludes that high performance HR practices are likely to yield only marginal improved performance effects compared to more traditional HR practices. Instead, the adoption of a high performance paradigm can produce ambiguous, if not negative effects (Godard 2004, 371). This finding is significant especially for the small business perspective. There high performance work practices do not have a similar practical meaning to the more traditional HR practices. Comb et al. (2006) also bring forth that some combinations of HR practices may even reduce organizational performance if the practices are substitutes of each other. This point of view concerns especially the small enterprises where resources are scarce.

There are numerous organizational issues or phenomena that could be placed into the equation to solve the black box problem (Saru and Viljanen 2008). There is, for example, evidence showing that HR practices and the organizational climate in which they are introduced, represents the extent to which an organisation values its employees' contribution and cares for their well-being (Gould-Williams 2007; cf. Tzafrir 2005). There is still not much research on the effects of an organizational climate on the performance of an organization. It has been brought up in the literature as one possible explanatory factor, although the empirical evidence is still scarce. The small business context is though a place where this concept could have a broader meaning.

2.2 The young academic field of HRD

In a young academic field such as HRD the discussion about the theoretical grounds and boundaries of the discipline are intense. Debates over HRD's underlying theories and demands for more comprehensive discussion are currently flourishing. The resulting more coherent theoretical background has been seen to increase the credibility of the whole field as well as link the research and practice of HRD closer together (Lynham 2000). The field is searching for more professional status through debates over whether HRD is an academic discipline at all, or a field of study based on the combining of other disciplines (Kuchinke 2000, 2001; Swanson 1995, 2001; McLean 1999), and debates about the definition, knowledge and boundaries of the field (Garavan and Morley 2006; Lee 2001; Woodall 2001). Kuchinke (2001) has even argued that HRD is not a discipline in the academic sense.

This last argument is based on the broad division of sciences into physical and social sciences, humanities, mathematics and philosophy. In each of these

there exist disciplines and sub-disciplines which again are divided into different perspectives. Each perspective then includes numerous families of theories. Kuchinke includes HRD as a field in applied social sciences along with, for example, management and education. Therefore he sees that HRD does not count as a discipline but rather as a field with multiple disciplines as its roots or foundations (Kuchinke 2001, 292).

This argumentation is a counter argument to the debate between, for example, Swanson (1995, 2001) and McLean (1998). They have both been searching for theories underlying the discipline (as they call it) of HRD. Swanson's (2001) argument is that most disciplines are rooted in a set of theories that are blended together for the purpose of the discipline. These theories may well be shared with other disciplines. A similar argument can be found from McGoldrick, Stewart and Watson (2001) who argue that there is no single lens for viewing HRD. Kuchinke (2001) sees this positive side too and sees no point in restricting the number of disciplines that can be regarded as the roots of HRD since each of them provides a valuable lens through which to view organizations. As Kuchinke (2001) claims, that is the strength of a multidisciplinary field.

The multidimensionality of the discipline becomes visible through the various metaphors used to describe it (Short 2000). They reveal the fact that it is a discipline that seeks theoretical validation from a broad base. Swanson's (1995, 2001) notion of a three legged stool is probably the most widely recognized proposal of the theory underlying the discipline of HRD. According to Swanson (2001, 304) the discipline of HRD relies on three core theories in order to understand, explain and carry out its process and roles. These include psychological theory, economic theory and systems theory. The element that psychological theory brings is to capture the core human aspects of developing human resources. Economic theory, in turn, captures the efficient and effective utilization of resources and systems theory captures the dynamic interactions of environments, organizations, work processes and group or individual variables (*ibid.* 305). All of these theories represent one leg of the stool supporting the theoretical foundation of HRD in the original version of this metaphor (Swanson 1995). McLean (1999) criticized this version of the stool model by arguing that it is too simplistic and more legs were required. He proposed that HRD should be seen as an octopus, as this would represent the more ambiguous nature of the discipline.

In a later version Swanson (2001, 306) added ethics as the platform that the stool stands on, and which represents the integrity of both HRD and the host organization. He also added 'performance' (organization, process and individual) as the seat of the stool because this implies that during the time from 1995 to 2001 the discussion on HRD has seen it important to bring out

the role that an organization's people have on the overall performance of their organization. Swanson (2001) agrees that there is no universal agreement on the theory or theories that support HRD as a discipline.

This discussion can also be described as a discussion about the boundaries of the theory and practice of HRD. On the theoretical side it relates to the field's desire to define itself (Garavan and Morley 2006). Garavan and Morley contest that finding a uniform definition is almost impossible because of the multiplicity of lenses that are used to study the field. For example Lee (2001) even refuses to define it as that might somehow retard its development. It seems that some HRD scholars are more comfortable with the ambiguity of the field than others (Garavan and Morley 2006; Kuchinke 1998).

From the practical point of view of HRD, the discussions and debates concern the role of HRD in contributing to organizational learning (Garavan and Morley 2006). Grieves and Redman (1999, 87) argued that the philosophy underpinning HRD is to "...move from a position where training is something 'done to' employees on isolated and *ad hoc* courses to one where learning is an everyday experience". This implies that the practical goal of HRD in organizations is to promote learning cultures and aim at developing learning organizations.

The discussion about learning, both individual and organizational, has become a central element in HRD. This discussion has now shifted more towards the questions of how this type of learning is achieved and how the performance of the organization can be improved through its learning processes. The debate used to be more about whether HRD should be oriented primarily towards performance or towards learning (Kuchinke 1998; Garavan and Morley 2006) and not about their connection to each other (Simmonds and Pedersen 2006).

From the small business perspective this discussion does not seem very relevant, especially for practitioners. However, the intention with this theoretical discussion is to point out the debate that is taking place in the background of HRD research. The ambiguity of the definition of the field partly explains the difficulties in achieving cumulative research results or results that would aid in small business HR research.

2.3 Organizational learning in small businesses

It has been long recognized that learning occurs through work activities alongside formal training (Fenwick 2006). This type of learning can be facilitated through different organizational structures. Some of these were recognized by Fiol and Lyles in 1985. These are, for example, organizational

culture, strategy, structure and environment. In the small business context available resources can certainly be added to the list but this holds true for somewhat bigger organizations as well (Bapuji and Crossan 2004). Different combinations of these facilitators affect learning in organizations.

Organizational learning aims at improving organizational performance (Lee 1995, 39); therefore the two streams of discussion in HRD are actually connected to each other. Simmonds and Pedersen (2006, 123) argue that in the past HRD was often polarized as being focused primarily on either performance or learning but that this tendency has shifted in a direction where their interconnection has become the center of consideration. This is because the dichotomy is ineffective in its extreme forms, although a combination could be profitable. This dichotomy has been extended in more recent literature to include the element of workplace learning and quality. Both of these have connections to the overall performance of an organization and vice versa (Simmonds and Pedersen 2006). This again indicates that learning in organizations appears as a relevant element in the HRD discussion and it is therefore portrayed also in an independent section. The classical definitions of organizational learning are discussed in more detail in article 2 and therefore this section concentrates more on the small business aspect of the organizational learning discussion.

Learning is equally important for small and large organizations (Easterby-Smith et al. 1998) but research on organizational learning has concentrated on larger contexts despite the fact that the amount of small firms has increased. It has been claimed that the results from studies in large organizations cannot be applied directly to the small context (Hill and Stewart 2000). This is because the small context seems to demand more research on the context specific features of learning (Anderson and Boocock 2002).

Previous research on learning and development in small firms reveals similar issues to those of HR research (Hill and Stewart 2000) as learning and training are informal and aim at reaching short term goals. Often the conclusion from this type of depiction is that learning is also restricted (Sadler Smith, Gardiner, Bagder and Stuberfield 2000). Nevertheless, as learning is also essential for smaller organizations, because it forms the basis for keeping competitive advantage up to date and commits an organization to developing its human resources (Gibb 1997), it could be argued that some level of learning takes place, although it may not be structured or formalized.

Three basic things affect learning in small firms (Anderson and Boocock 2002). These are individual learning processes, an organization's inner context, and the operational environment. Firstly, individual learning includes formal training, informal learning in work, tacit learning through experiences and work assignments and unplanned learning. The individual learning

process has been linked to organizations learning in a previous conceptual model of OL (Lähteenmäki, Toivonen and Mattila 2001). From that perspective the key to organizational learning is an individual employee's learning and commitment to their organization. When an employee can identify his or her future in an organization it reduces their resistance to change and promotes learning and commitment. A similar idea can be found in entrepreneurship research where Heinonen and Toivonen (2007) show how entrepreneurial leadership can potentially create entrepreneurial individuals, which would seem to be relevant for the overall learning of an organization.

Secondly, an organization's inner context refers to communication structures in a company, organizational culture and key employee's earlier experiences. And thirdly, in the surrounding environment the central issues refer to business networks. Gibb (1997) has pointed out that different network relations are essential for small businesses (see also Anderson and Boocock 2002). Gibb (1997) calls this network a learning cycle. Taken together this is quite an extensive list of issues for a small firm to manage. Therefore it would be essential to find out what small firms actually do regarding employee learning and development, without belittling the small informal practices that small firms are able to apply. However, this has not been extensively researched yet.

One of the essential issues in a small firm is its organizational culture. It often affects how easy the learning in an organization will become. Such a culture that appreciates its personnel's competencies assists in creating a positive learning environment. Mankin (2001) regards the overall HRD forms as the intersection of an organization's culture, structures and HRM. Every organization has a culture that provides a certain direction and the interconnection between HRM and organizational culture will determine the type of learning culture as well. These issues may well be unconscious in small firms but they affect the decision making processes.

2.4 The links between HRM and HRD

Human resource development is currently a vibrant area of study (Garavan and Morley 2006, 4). This means that despite the seemingly short history of the scientific perspective, the development of the field has followed a similar path to HRM. In the beginning of its history HRD was equated with training, development and career development in organizations (Ruona and Gibson 2004; Garavan and Morley 2006). Since then, especially from the 1990s onwards, HRD as an academic discipline has been searching for its place in academic discussion and researchers have debated the definition and

boundaries of the whole discipline (Kuchinke 2000; Sambrook 2000; Garavan, Gunninge and Morley 2000; Lee 2001; Swanson 2001; McGoldric, Stewart and Watson 2001; Mankin 2001).

The theoretical debate in HRD flourished already in 1990s with Swanson's (1995) proposal for the theoretical foundation for HRD and McLean's (1999) response to that. This debate has been going on ever since (Swanson 2007; McLean 2007). Quite recently Garavan and Morley (2006, 10) introduced a new definition of human resource development in which HRD includes aspects of the development of learning in organizations and the enhancement of performance. This definition links the HRD discussion to the broader discussion about the connection between investment in human resources and organizational performance. Garavan and Morley (2006) also conclude that as a discipline HRD relies on theories that describe the process of learning and theories of organizational learning and change. This is significant because the focus on organizational learning in the HRD discussion is said to have the potential to be the hallmark of a strategically proactive HRD (Ruona and Gibson 2004, 58).

Based on these descriptions of HRM and HRD, the main similarity between the two perspectives is that they aim at improved performance in organizations with the help of a competent workforce. HRM seeks to find the most appropriate HR practices that lead to better performance, while HRD aims at developing human resources through learning and training in order to reach better organizational performance.

In addition to these two perspectives, organization development (OD) has also had a role to play in the advancement of the whole HR field. Although the OD perspective is not in the focus of this research, it has contributed to the development of the HR discussion and is therefore mentioned here. It has developed side by side with the two other disciplines (Ruona and Gibson 2004) but it somehow seems to be in their shadows (Sammut 2001). First of all it has been debated in the literature as to whether or not OD is a distinctive profession (Grieves and Redman 1999) or a derivative of the HRD profession (Lynham, Chermack and Noggle 2004). OD practitioners seem to worry about becoming subsumed by HRM or HRD (Ruona and Gibson 2004; Sammut 2001; Church, Waclawsky and Seigel 1999; McNamara 1998) and call for a more comprehensive theoretical debate to clarify what exactly is included within OD in order to keep the field alive. A call for a clear definition seems to be a unifying aspect in all of the three perspectives.

Grieves and Redman (1999), on the other hand, argue quite extensively about how HRD is in the shadows of OD. Their argument is that this is because HRD has been slow in recognizing its roots and that it will not develop its whole potential until it identifies its core knowledge and skills. The

HRD academics have sought to tackle this challenge especially during the current decade (Lynham 2000; Swanson 1995).

To clarify the theoretical debate in these three perspectives Ruona and Gibson (2004) conducted a vast historical review over the three disciplines from a competitive advantage perspective. They analyzed HRM, HRD and OD along the dimensions of strategic/operational and reactive/proactive (their analysis was based on Brockbank's (1999) earlier work) from the beginning of each discipline's history up to 2004. The main conclusion from this extensive study was that despite "growing up" as distinctive fields, the key current trends in each of these fields include the centrality of people to organizational success, a focus on whole systems and integrated solutions, strategic alignment and impact, and the capacity for change. Therefore it would seem logical for these fields to combine together to consider how they are able to comprise the HR of the 21st century (ibid. 60). Ruona and Gibson (2004, 60) even suggest that HR, despite the fact that it is normally associated with HRM, could serve as a unifying concept for all three fields because of their possibilities for advancing research on human resources together.

Out of these three perspectives HRM and HRD are the most intriguing ones for this research and therefore the OD perspective plays only a background role. This is partly because during the past decade, or so, it has become a common habit to list, for example, globalization, changing workforce demographics, the pressure for innovation and the pressure for financial performance as the challenges facing organizations (Ruona and Gibson 2004, 49). The perspectives of HRM and HRD have sought to undertake this challenge by seeking solutions from the human resource function in organizations. It has been argued that the realization that people are the primary source of competitive advantage is the change that has mostly affected organizations during this time (Ruona and Gibson 2004). This comprehension has offered many interesting research possibilities, but despite the vast research efforts made during the history of these two perspectives there are no definitive answers on how to manage strategically important human resources. The multidimensionality of the research problem is a challenge that intrigues both scientists and practitioners.

2.5 The small business perspective on human resources

2.5.1 Formal – informal – small business HR

Hornsby and Kuratko (1990, 2003) conducted a study about critical HRM issues for small firms in the 1990s and replicated it this decade to see how

human resource management had changed over the decade. The results of the first study showed that small firms do apply quite sophisticated HR practices, although previous literature had presumed otherwise. The surprise with the follow-up study was that small firms' HR practices had declined in the subsequent ten years. This result can be explained by general trends in HRM research as HRM was a fashionable subject to study back then and that was also reflected in the small business context in the beginning of the 1990s. Despite this explanatory factor the results gained from the replication of the studies by Hornsby and Kuratko call for further clarification of the reasons behind the findings (see also Heneman et al. 2000).

One of the broadest and most significant discussions in human resource research within SMEs is the degree of formality in the application of particular human resource practices. This needs to be elucidated in more detail partly because the degree of formality manifests itself differently in every organization and because different practices are prioritized depending on an organization's intentions and resources. Small businesses are described as informal and *ad hoc* for the most part (Cardon and Stevens 2006), but researchers have pondered whether small firms should formalize their practices or not. There are arguments both for and against formalization.

First, the researchers who see the positive effects of formalization argue that formalization is necessary if an organization wishes to grow (Mazzarol 2003; Kotey and Sheridan 2004; Barrett, Neeson and Billington 2007). Mazzarol (2003, 27) argues that when employee numbers increase the complexity of HRM is bound to deepen. He argues that with less than 100 employees a firm is able to manage without a full time HR manager but as the business grows it becomes necessary for the owner to learn to delegate. This is not always easy because small firm owners may find it difficult to let someone else decide strategically important issues for their firm.

More formal HR practices have also been linked to better performance. The potential for performance improvement has even been used as a justification for the formalization of HR practices (Nguyen and Bryant 2004). Gray and Mabey (2005) made a similar finding and identified that those firms participating in their study who adopted structured management development policies also reported higher growth. These structured practices are not the same as the formal systems of the larger organizations but they are also far removed from the informality associated with small firms. Gray and Mabey especially discuss management development but the same finding could apply to other HR practices as well. This finding suggests that there can be different variations of informal and formal practices in small firms and therefore this issue is not necessarily an easy one to explicate. Therefore Gray and Mabey (2005) raise an interesting point and argue that firm growth should not only be

measured in terms of sales but also in terms of the development of an internal culture and structure which supports an organization's development. This again opens a new path for further research.

The opposing argument in the formalization debate is that in smaller sized organizations formalization will become counterproductive and reduce flexibility and creativity, and therefore make it difficult to respond to changes quickly (Kotey and Slade 2005; Cardon and Stevens 2004; Kotey and Sheridan 2004). Formalization often refers to the formal recruitment and selection practices that are used in larger organizations. These formal practices are sometimes mistakenly seen as ideal for small firms as well (Behrends 2007), although their suitability for the context in question is not considered in enough detail. Informality then is associated with practices, such as recruitment, selection, and appraisal, which are not written down, regularly applied or guaranteed to take place (Barrett, Neeson and Billington 2007). This means that the small firm may apply these above mentioned practices but there are no written rules about how to do it, they are not practices that would appear in certain intervals, and there are no guarantees that these practices would take place for example after a one time trial. But it does not mean that the practices would be nonexistent.

This debate seems to lack a clear right or wrong answer. Gilman and Edwards (2008) see that a balance between informality and formality could be positive for organizational efficiency. This view suggests that informality is not entirely negative and some formal practices could aid effective human resource management in small firms. The appropriate balance between formal and informal practices is dependent on the size of a firm (Kotey and Sheridan 2004). As a result SMEs cannot be treated as a single type that would allow similar practices to apply in different contexts. This debate also indicates that more empirical examples are needed of successful informal and formal HR practices in small firms. Many of the studies have investigated this issue without considering industry effects and therefore suggestions have been made that this could also be a challenge for future research (Kotey and Slade 2005).

The recruitment and selection practices in small firms have received considerable research interest because they are the most crucial HR practice for the survival of a small business. These are also the ones that are at the center of the formality debate. Barrett, Neeson and Billington (2007) and Taylor (2006) addressed these issues in their recent articles. Barrett and others (2007) investigated the level of formalization in the recruitment practices in the organizations they studied. They argued that the sustainability of informal practices during growth periods could be problematic. Their conclusion was that poor employment decisions through informal channels can be costly and therefore formal practices should be recommended because of the links to

better performance. Their study therefore confirmed the findings by Nguen and Bryant (2004, 611), who suggested that formal HR practices are linked to higher organizational performance. Barrett and others (2007) studied very small organizations employing from one to ten employees. This finding makes their results significant also in the light of this research. It is surprising that even in organizations this small it was evident that formalization produced better results since it is often seen as being more relevant for medium sized organizations.

The central question in the recruitment and selection decisions in small firms is how well a new employee fits socially into a current team of employees. This also affects an organization's ability to retain a new employee and therefore it is one of the reasons small firm owners tend to recruit informally (Nadin and Cassell 2007). While informality is regarded as an advantage in small firms, it can also become a burden if an organization wishes to grow. This refers to the issue that informal recruitment channels can run out of potential recruits (Barrett, Neeson and Billington 2007), which then also complicates the search for employees who can fit into a team.

Besides recruitment and selection, training and learning are also controversial issues for small firms. Kelliher and Henderson (2006) have constructed a model that describes the context of learning in small firms and it will be introduced in more detail in section 2.3.3. Kelliher and Henderson conclude that learning in small firms is a combination of effects from external and internal environments, which both need to be considered in the small context. From the internal point of view Birdthistle (2006) examined the training and learning strategies adopted by small family firms. She identified a number of issues that constrain the training efforts of small firms, such as difficulties in accessing training, difficulties in finding time for training, and the cost of training, especially for off-site training sessions. All of these factors point to the fact that in small firms there is potential for taking advantage of the internal possibilities to learn in work.

The importance of the meaning of the internal learning process is made evident in the dissertation research by Tuomi (2005) who sought to find out how key employees in a small firm are identified and what the role of strategic HRD is in the SME context. Employees in managerial positions were considered the key employees in this study. Tuomi found that the key employees have a significant role in constructing a fit between the actual and the interpreted realities of HRD in SMEs. The actual reality refers to the strategy process in a firm and its connection to the individual and firm level learning processes. The interpreted reality then refers to the key employees interpretations of that actual reality. The fit between these two was found to be essential for a small firm due to the dynamic nature of the SME environment.

Tuomi argues that the role of all key employees is crucial with regard to the survival of a firm. The study concluded that it would be essential to widen the scope of the group of key employees to cover other positions than leaders because in SMEs the number of leaders is quite small. This supports the idea that every employee in a small firm contributes to the performance of an organization and the creation of a positive and productive environment, thus, everyone can be regarded as a key employee. The challenge for further research is therefore to widen the scope from leaders to employees and from strategic HRD to both the HRM and HRD perspectives.

The studies on HRM in SMEs tend to be divided into two. On one side researchers are attempting to figure out what is the 'science' and 'practice' of HRM (Mayson and Barrett 2006; Marlow 2006) and on the other side there are studies that look into individual HR practices in small firms (Taylor 2006; Cardon and Stevens 2006; Barrett, Neeson and Billington 2007). On the 'science' side Mayson and Barrett (2006) link the theoretical discussion on HRM in SMEs to the strategic HRM (SHRM) discussion and especially to the resource based view of the firm (Wright et al. 1994; Barney 1991). Their argument is that because SHRM is concerned with how HRM contributes to firm performance it is a more enveloping viewpoint to adopt than looking at individual HR practices. With the SHRM perspective, they argue that employees are seen as a source of strategic value and their development and deployment contributes to firm performance and sustainability (p. 448). They end with the conclusion that although the strategic approach to managing human resources has been widely acknowledged as vital for the success of firms, it is still unclear how the strategic approaches of HRM contribute to small business survival (p. 452). From the small business perspective the resource based view could be significant because all of the difficulties in them originate from the available amount of resources, especially human resources, which are strategically significant and were discussed above.

This theoretical discussion shows that a research contribution could be found by forming a holistic view of small business HR. This means that employee well-being needs to be addressed (Gilbreath and Montesino 2006). That discussion has been overlooked in the performance literature (Babstite 2007) but it is especially essential for small firms where a small number of people need to be able to work together. Well-being refers to job related well-being i.e. employees satisfaction with their jobs.

Because of the fragmentation of the studies in human resource theory and research in small firms some authors have made an effort to model the small context. The next sections will present three of these models. Section 2.4.2 will discuss them from the HRM perspective and section 2.4.3 from the HRD perspective and more specifically address the small business learning context.

The intention with presenting these models is to provide foundations for and clarify the discussion that is taking place in the different small business human resource studies. The models guide the discussion towards a synthesis of the theoretical debate and bring the challenges for further research to the surface.

2.5.2 The models for HRM in SMEs

The need for an explanatory model of small business HR is evident. Harney and Dundon (2006) present an open systems model (figure 2), which takes into account that small firms are embedded in the social environment they operate in (see also Cassell et al. 2002; Taylor 2006). This means that internal HR decisions cannot be studied without relating those to the demands of the external environment. With this model they aim at understanding the situational factors in SMEs and aim to move away from the stereotypes of 'small is beautiful' and 'bleak house'. The underlying conclusion in their study is the necessity to understand that SMEs operate in a very plural and complex world and therefore realize that HRM is a distinct mix of policies and practices. While homogeneity is sometimes desperately sought it would be wise to acknowledge that it does not exist and try to figure out why that is so (p. 69). Harney and Dundon used a sample of six case studies and interviewed 19 people and spent time in the target organizations. Their intention was to gather a representative sample of companies from different sectors, with varying sizes and occupational classifications. The number of employees varied in these organizations from 27 to 185. Although the majority of the cases are medium sized in this study, it is applicable to the smallest organizations as well. For the study, managers and some employees were interviewed.

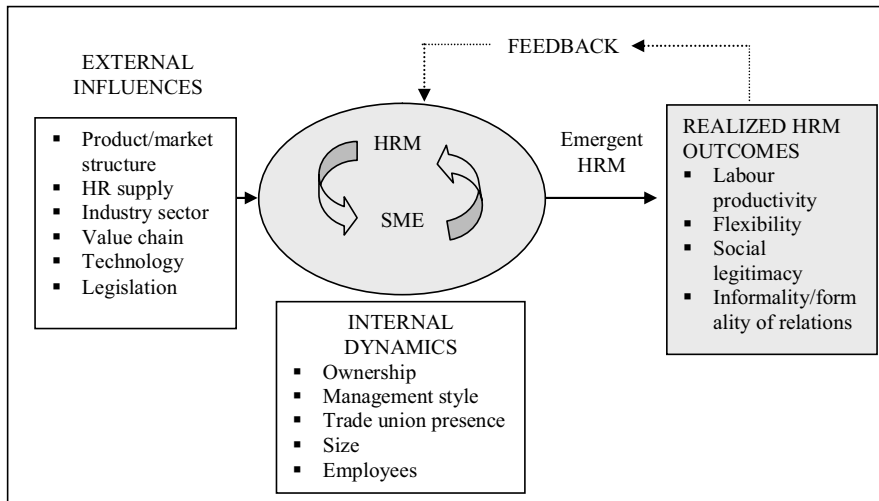


Figure 2 The open systems model (Harney and Dundon 2006, 54)

The basic idea behind this model is to take into account every aspect that could affect the HR decisions in small firms. The use of an external environment takes into account operational environment issues and the internal dynamics refer to the ownership questions, company size and management style questions. The HRM suitable for the particular organization then emerges based on these background factors (emergent HRM). This then affects outcomes such as flexibility, productivity and the formality of relations. The feedback loop represents the idea that based on the outcomes of the HRM a small firm will then be able to develop its practices further.

One of the models Harney and Dundon consulted while conducting their research is the model by Cassell, Nadin, Gray and Clegg (2002) whose intention was to explore HR practices in small firms. They also applied a multi-method approach to generating in depth data. During the first stage of the research they conducted a telephone survey of 100 companies and secondly undertook face-to-face interviews with senior managers in 22 companies. Their criterion for an SME was less than 250 employees which falls very strongly into the medium size category. The aim with this study was to examine ways in which SMEs use HR practices. They defined HR practices as functional practices, such as selection, appraisal, reward and development, as well as the strategic dimension of formal HR strategy. They justified this definition as being ‘SME friendly’ (p. 676) which means that these practices are easy to understand and are also in use in SMEs either explicitly or implicitly. These practices are also among the most popular practices in larger firms (see Paauwe 2009).

The significant findings from this study fall into the same categories as numerous previous studies. These include for example a wide range of different training possibilities, fairly *ad hoc* appraisals, informal recruitment, problems with committed staff and considerable diversity in how HR practices were implemented. One of their findings sounds especially interesting; they found that one third of the interviewed companies claimed to have a formal HR strategy and half of the companies suggested that they had a designated person to deal with HR issues. These numbers seem relatively high when one considers how SMEs are regarded as not being overly strategic or as having designated HR people. One explanation for these figures undoubtedly results from the size of the organizations researched. The result would presumably be different with a sample of smaller firms as was the case in Harney and Dundon's (2006) study where the organizations were smaller and none of them had an explicit HR strategy.

Based on their findings Cassell et al. presented a model that describes the application of an HR practice in SMEs (figure 3).

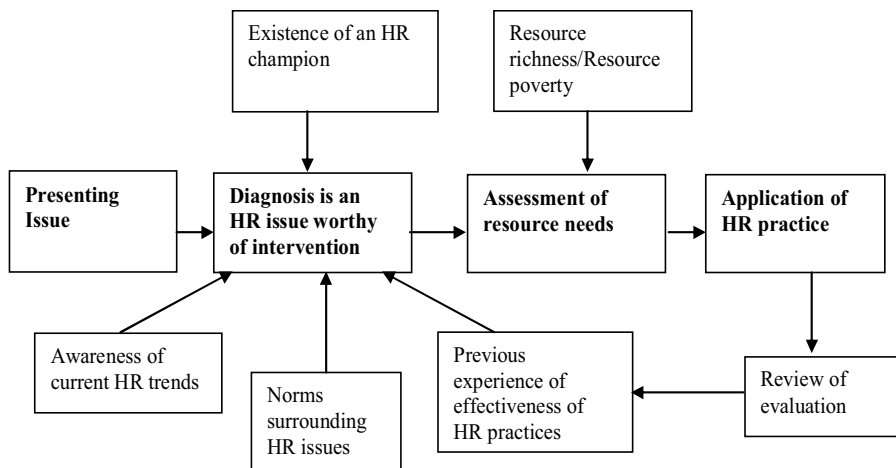


Figure 3 Current business priorities (Cassell et al. 2002, 687)

The basic idea behind the model is that the organization applies a certain HR practice based on a specific need. According to this model an organization goes through four stages in its decision making chain. The outcome of a decision is affected by an organization's awareness of HR practices, its resources and previous experiences in applying different practices. It is not a strategic decision and it is an internal decision.

The decision does not seem to take into account the external factors that Harney and Dundon (2006) raised as an important factor in the decisions concerning HR in small firms. A link to the external world could be found

from the box indicating that an organization's awareness of current HR trends affects the decision to apply an HR practice. Still the more recent model by Harney and Dundon includes a more comprehensive effect of the environment in the model. This model by Cassell and others describes the internal process in more detail and therefore the combination of these two models gives a comprehensive picture of HRM in SMEs.

One could also argue that the decision chain that Cassell and others present is actually present in every small firm. For most it is a very informal and probably even intangible process but it still exists. So the question remains, do we need a model for this type of decision making? If this model was shown to an entrepreneur he would probably identify the decision making chain but this most likely happens without specific modeling or planning in real life. The same may not be true for researchers and therefore it could be argued that this type of modeling is essential for advancing theory development in the field of SME studies. This is the foundation stone which other models can be built upon. With this model Cassell and others sought, as they themselves point out, to rise to the challenge presented by Heneman et al. (2000) regarding theory development in HRM by taking into account SMEs.

These two models point out the context of human resource management in SMEs. The context is different for all firms and therefore these models need to be adjusted to the purposes of each individual firm. In fact, the model by Harney and Dundon does not portray very deeply the actual HR work inside a small firm besides the context that it takes place in. The model by Cassell and others begins to explain the issues that need to be considered in more detail and on a more practical level. Their model was built based on the interview data which described more or less whether the interviewed companies had certain practices in use and what were their experiences of those. The model is a characterization of the use of HR practices as Cassell and others point out.

A general HRM model that draws these two ideas together has been presented in Lähteenmäki (2000). The model combines external factors, such as economic and market situations, with internal HR strategy issues which form the basis of building a unique bundle of HR practices for an organization, which then affects the output of the organization in question. It appears that the discussion about learning in work in small firms could represent the internal context. It therefore complements these HRM models and emphasizes the importance of employee development within an organization. The next section will present a depiction of a learning environment in the small context.

2.5.3 The learning environment in small firms

2.5.3.1 The small business learning framework

From the HRD point of view the training and development of a workforce are an organization's central concerns. Cassell and others (2002) found in their study that recruitment and selection were the most often used HR practices in the studied firms. Most of the firms also had some level of training for employees but that function also appeared relatively informal rather than systematic. All of the organizations interviewed by Harney and Dundon (2006) also claimed to have training schemes for employees. Therefore, training and development most likely means that employees are also learning new things or updating their professional knowledge. Consequently, it is also important to consider the context of learning in small firms, and the effects a learning environment has on learning and performance.

Recently Kelliher and Henderson (2006) put forward a small business learning framework. They sought to model the learning context of a small firm and brought up issues that are essential to take into account when learning (including training) in the small context is discussed. This model could be regarded as an answer to Chaston, Badger and Sadler-Smith's (2001) call for further research on actual mechanisms for utilizing higher order levels of learning and for giving guidance to owner-managers wishing to acquire an understanding of the actual learning process.

This model was based on a single in-depth interpretive case study with an observation period. They had selected an IS implementation as a learning catalyst to observe. It was termed a change process that required learning and change in employees' behavior and therefore it was appropriate for the study. Kelliher and Henderson applied the learning framework from the large organizations' context developed by Crossan, Lane and White (1999) as a foundation for their model development. They eventually came up with the following model (Figure 4).

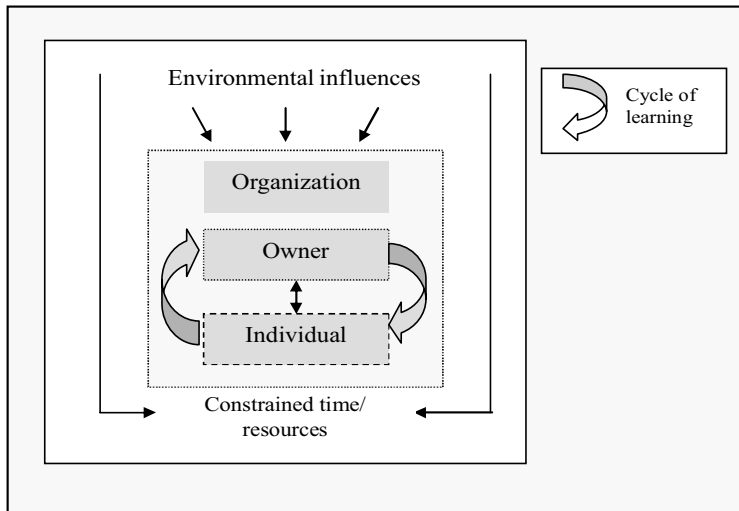


Figure 4 The small business learning framework (Kelliher and Henderson 2006, 520)

The model also seeks to illustrate the micro level issues in the small business learning environment. Environmental factors as well as constrained time and resources form the external environment affecting learning. These are the issues that have been identified in many other previous studies as the main constraints or enablers for learning in small firms (e.g. Sadler-Smith, Gardiner, Bagder, Chaston and Stuberfield 2000). The more intriguing issues and findings concern the internal processes in the small firm. Kelliher and Henderson (2006, 521) bring up three issues that shape interaction: the dynamic role played by the owner, the need for an adequate communication infrastructure to be in place to support learning, and recognition that learning takes place at the owner and individual level in a more integrated manner than in the large organization setting. All three of these together shape the learning environment in small firms. More evidence is needed to bring forth their role as elements in the HR performance equation. Moreover there is not enough evidence about how these are manifested in practice.

2.5.3.2 The manager's role as a catalyst for learning

The role of an owner is pivotal in shaping the general atmosphere and attitudes towards learning. He or she must be able to motivate employees to learn. An adequate communication infrastructure refers to open internal communication (the bi-directional arrow in the model in figure 4) that flows both ways. In the model learning is depicted as a collective process involving the organization,

the owner and the individuals. It reveals that individual level learning needs to be fed forward from an individual to their organization so that it does not stay solely on the individual level. The learning cycle in the model represents the need for continuous learning to produce long term value for the firm. Time and resource constraints are significant in the learning process because they can result in individual learning remaining on the individual level rather than becoming embedded in the organizational level, if they are not managed correctly. (Kelliher and Henderson 2006, 523).

Small firms can have too narrow a conception of HRD and training since small business managers may not regard on-the-job training and learning as means or form of HRD (Coetzer 2006). Birdthistle (2006) claimed a reason for this is that informal learning occurs so naturally that employees are not aware that they are in a training experience. This forms a difficulty in researching learning in work since knowledge and skills build up gradually, which leads to difficulties in explicating the learning process. Fortunately, this traditional view that only formal training is real training is increasingly being questioned (Coetzer 2006). Coetzer (2006) points out that the role of the manager as a facilitator of informal learning is quite central. The model developed by Kelliher and Henderson also points in this direction and emphasizes the central role of the owner in the small business learning framework. The manager is able to provide learning opportunities and support for learning and in providing incentives for people to learn (Coetzer 2006; see also Billett 2004). These portrayals indicate that this is a significant issue but more empirical evidence would convey this finding more saliently.

The notion of informal on-the-job learning is an issue that can be raised as the pivotal concern in small business learning and development affecting performance. At least it is expected to have as positive an effect on performance as formal training (cf. Bryan 2006). This aspect is still missing from the model developed by Kelliher and Henderson. The interaction they depicted between the manager and employees could be interpreted as referring to the social network inside an organization. This type of network has an extensive effect on the formation of the learning environment which Billett (2004) asserted as being of central importance in workplaces that strive to create a learning environment. In essence, social networks inside a firm may enhance the networks' members' performance.

The notion of network embeddedness has been used to describe these social relationships in organizations (van Emmerik and Sanders 2004). The discussion of embeddedness is of more importance in sociological literature (Granovetter 1985; Uzzi 1996; Sparrowe, Liden, Wayne and Kraimer 2001). There it has been discussed with regard to how embeddedness affects the economic performance of an organization and its individuals. But there the

concept is broader than in the management literature where Mitchell, Holtom, Lee, Sablinsky and Erez (2001) introduced a specific form of embeddedness – namely job embeddedness. This refers to a broad constellation of issues that influence an employee's decision to stay in an organization or leave it. This concept becomes especially significant when the organization wishes to grow and seeks new employees through formal recruitment channels. Then it is not easy to determine the 'fit' of the person beforehand and the organization needs to seek ways to retain the employee through other elements than personal informal relations.

This concept of job embeddedness is closely related to other more commonly referred to concepts of job satisfaction and organizational commitment. The discussion about commitment is based on the well known three component model of commitment developed by Allen and Meyer (1990) that presents the modes of affective, continuance and normative commitment. They argue that strongly committed employees are less likely to leave an organization. Similarly Mitchell et al. (2001) argue that the more embedded a person is in their job the less likely they are to leave. The problem with making comparisons between these two concepts is that there are so many definitions available. However, Mitchell and others point out that organizational commitment is concerned with organizational issues and therefore half of the job embeddedness construct is not covered by it. The same goes for the construct of job satisfaction, which has similarities but also differences with the construct of embeddedness.

Mitchell and others (2001, 1104–1105) present three critical aspects of job embeddedness that differentiate it from the previous constructs of job satisfaction and the different modes of commitment. They label these aspects as 'links', 'fit' and 'sacrifice'. Links refer to formal and informal connections between a person and institutions or other people. These include both family and friends as well as work relations. Fit then refers to an employee's perceived compatibility or comfort with an organization and with his or her environment. This means that an employee's personal values, goals and future plans need to fit with the corporate culture and the demands of his immediate job. Mitchell et al. also argue that a person's fit with the job and organization relates to attachments to the organization they work for. The third aspect, sacrifice, refers to the cost of material or psychological benefits that may be forfeited by leaving a job.

The concept of embeddedness was raised in this research because it describes the small business context in accordance with the commitment discussion. In small firms the employee's non-work life and connections seem to affect their work significantly and therefore it seems essential to at least mention the issues that also, among many other issues, affect small business

human resource management and development. It is therefore suggested that this conception is missing from previous models of HR in small businesses and could be an explanatory factor in the retention of employees for small firms.

2.6 The empirical research questions and the outline of the study

The purpose of this dissertation is to contribute to the research on human resources in small firms. The theoretical discussion argued that the human resource function in small firms is seen as informal but that some degree of formality would bring better results. It also argued that recruitment and selection practices as well as the training function are important basic HR practices that are in use in small firms. These issues are central to the HRM discussion. Still the discussion often does not take into account the effects a changing environment has on the choices a small firm has over human resource practices. This has been considered in the SME models presented in the previous sections. The combination of internal and external issues affects organizational performance, which is at the center of the academic HR discussion at the moment.

Based on the above arguments and theoretical underpinnings, the main research question asks whether one single perspective of HRM, HRD or OL is adequate for improving HR performance in SMEs. The question will be discussed through these following three sub questions.

1. What is the role of the HRM, HRD and OL perspectives in the HR development of small firms?
2. In which areas of the HR function do the HRM, HRD and OL perspectives contribute the most?
3. In which ways do the HRM, HRD and OL perspectives relate to improved performance?

The research strategy involves applying one, two or three of these perspectives within the small context and finding out which of these combinations actually forms the HR of a small organization. One single perspective seems too narrow to explain the whole field of HR in the small context and it seems that to a certain extent all three of them are needed to form a more complete understanding of small business HR. The three articles represent these individual experiments. Article one deals with HRM literature, article two with HRD and OL literature, and article three combines all three of these perspectives.

The overall outline of the study is presented in figure 5. The figure illustrates how the three perspectives were added to the different articles one by one.

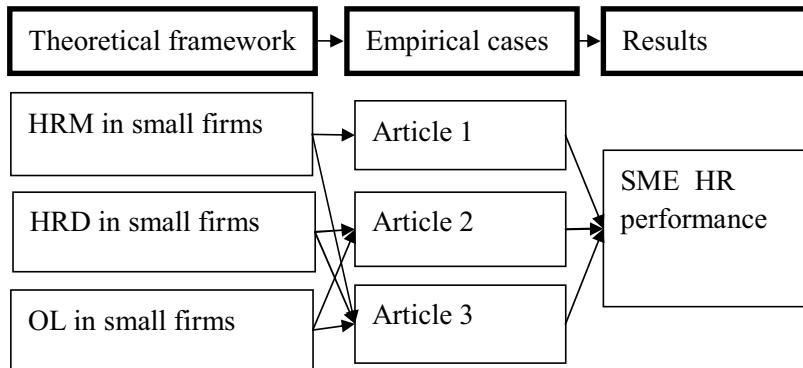


Figure 5 The outline of the study

The HRM perspective demonstrates how the functional HR practices are relevant for small firms and how these are also applied. The HRD and OL perspectives on the other hand bring out the meaning and importance of competence development for small firms. The combination of these three then illustrates that HR in the small context is more complicated than the application of a single HR practice. It shows that a combination of these three is essential and feasible for a small firm's performance.

The literature review partly preceded the empirical work in order to function as an aid in data collection. But as in any qualitative research the process is not as straightforward as the figure leads one to believe. The theoretical framework was developed throughout the research process as significant explanatory issues were constantly being discovered from the empirical cases. In the small context the management activities are connected to others and therefore a combination of HRM, HRD and OL theories were able explain the small businesses' HR more completely. HRD and OL bring to the fore the element of individual performance improvement while HRM presents a broader picture of HR practices.

3 RESEARCH DESIGN

3.1 The methodological underpinnings

The study was conducted as a qualitative study. In the previous literature the multiple different perspectives on small business human resources and learning have been studied from both the qualitative and quantitative approaches. The studies have yielded results that vary from portrayals of how well the human resource function is organized in small firms (Sels et al. 2006a and b; Hornsby and Kuratko 1990 and 2003) to specific models or descriptions of the actual HR practices in use in small firms (Cassell et al. 2002; Harney and Dundon 2006; Kelliher and Henderson 2006). The qualitative studies tend to strive for a more complete understanding of the contextual factors at play in a small number of SMEs and allow for a holistic approach to be applied (Creswell 200; Zalan and Lewis 2004), while the quantitative approach aims at providing a wider perspective on the actual state of the whole SME field in the particular research areas.

The contribution of a quantitative study on the theoretical development of HRM and HRD is more transparent because of the broader data base that allows for generalizations to be made. However, these types of studies reveal little about how an HR system is constructed within a company (Monks and McMackin 2001). An example is the study by Cassell and others (2002) in which they applied a combination of qualitative and quantitative approaches which allowed them to present results in the form of ‘a majority of...’ or ‘most of...’ or ‘none of the...’. This permitted them to characterize the use of HR practices in SMEs on a more general level that comprises a model for SMEs.

Qualitative research topics often stem from these quantitative studies and, in that way, advance the theoretical development of the disciplines. An example of this is the study by Harney and Dundon (2006) that went a step further than the model developed by Cassell and others (2002) when they applied a qualitative approach with only six case examples. This allowed them to test the open systems model of HRM in SMEs and move towards understanding and explaining the situational factors in play in small firms.

Because the target organizations in this particular study were relatively small and employ less than 30 employees, the qualitative approach seemed to be a relevant approach for this study. It also allowed the explaining and describing of the formation of a positive learning environment in detail,

because that particular aspect in small businesses had not been comprehensively addressed in previous studies (Miles and Huberman 1994). The extreme form of qualitative approaches is to analyze a single case in depth. This allows, for example, the establishment of the existence of a phenomenon in a small firm. This is how Kelliher and Henderson (2006) sought to contribute to the knowledge of organizational learning in small businesses and to build a model which depicts the learning context in small firms. In depth qualitative data allows for a researcher to understand different phenomena in small firms from both the employee and the manager perspectives. The challenge lies in succeeding in presenting results that are convincing even with a small number of cases.

Creswell (2003) claims, that qualitative research is interpretive by nature, because in qualitative research the researcher needs to make interpretations based on collected data. Interpretation also means that a phenomenon needs to be looked at holistically and that several issues that affect the interpretation need to be taken into account. This is especially the case in small business research. In that context the researcher needs to take into account external demands as well as the internal relations to be able to draw conclusions.

One way to look at the premises of interpretive research is through the matrix developed by Burrell and Morgan (1979). They divided the research paradigms into four quadrants according to the subjective-objective continuum and regulation-radical change continuum. The four quadrants in the matrix are labeled as functionalist (objective, regulation), interpretivist (subjective, regulation), radical humanist (subjective, radical change) and radical structuralist (objective, radical change). The nature of knowledge and the nature of reality in a research process can be clarified through these four paradigms.

Lynham (2000) has looked at theory building in HRD through this matrix. According to Lynham the functionalist paradigm intends to find relationships, causation and generalization. The interpretivist paradigm, on the other hand, is characterized by a subjective view of organizations. It sees reality as socially constructed and it seeks interpretations (ibid. 172–174). Of these two, this research falls into the interpretivist paradigm because it is subjective in nature and aims at interpreting the situations in the case study organizations. Reality is seen to be socially constructed and data is seen as a description of reality as it is. Subjectivity derives from the fact that the subjective comprehensions of the employees and managers form the basis of the data. The interpretations are also the subjective interpretations of the researcher about the organizations and the issues discussed.

Grant and Perren (2002) have also applied the same matrix to the small business and entrepreneurship research. They present an overview (based on

Burrell and Morgan 1979) of the philosophical assumptions underlying the subjective and objective dimensions. Grant and Perren (2002) used this framework to classify journal articles in small business research. The articles were collected from recent peer reviewed journals from the year 2000 and in total 36 articles were included in the sample. According to their criteria, most of the research in that area falls into the functionalist paradigm, which means that positivistic epistemology was applied. Out of the 36 articles only four were classified as interpretivist. One explanation for this is that the articles were sought from high status entrepreneurship or small business journals. These types of journals may publish more studies that have larger samples and generalizable results rather than research which is more interpretive. This also reveals that a more interpretive research is called for in small business research (cf. Grant and Perren 2002).

Based on the study's aim of constructing a deeper understanding of the small business human resource management and the learning environment the case study approach was chosen as the research strategy. That strategy is presented in the following section.

3.2 The case study approach as a research strategy

Qualitative research methods have gained acceptance in the small business research (Perren and Ram 2004). Of the available methods case studies are quite popular because they are relatively easy to conduct and they involve small samples (Curran and Blackburn 2001). This is also the reason that case studies have confronted criticism and there has been a vigorous debate over the appropriate number of cases in one research project (Eriksson and Kovalainen 2008). Both single and multiple case studies have their own advantages and disadvantages.

A case study can be seen as a research strategy or a choice of object to be studied and it is most suitable in situations where the aim is to optimize understanding rather than provide generalization (Eriksson and Kovalainen 2008; Ghauri 2004; Scapens 2004; Hartley 1994; Yin 1994). This view is also supported by Piekkari, Welch and Paavilainen (2009) who conceive case study to be a research strategy that "...examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of 'confronting' theory with the empirical world". In the classical or intensive case study (as an opposite of the extensive multiple case studies) the nature of the case is the research interest which means that the case can be either a unique or critical example of a phenomenon (Eriksson and Kovalainen 2008). In this research the case organizations are two different but unique examples

of the management of human resources in these firms. Therefore this study can be labeled as a classical case study based on the number of cases as well as the aim to gain deeper understanding of this phenomenon.

A case study can, therefore, be almost anything and everything, but normally, in Hartley's (1994, 209) words, it "consists of a detailed investigation, often with data collected over a period of time, of one or more organizations, or groups within organizations, with a view to providing an analysis of the context and process involved in the phenomenon under study". She then points out the central element of case research, namely its connection to the context. Phenomena in case research are not isolated from the context but are of interest because of their relation to their context. This is one of the central elements in this study as well. The context where the two organizations operate in is the key to understanding their choices in the human resource management as well. The small enterprises cannot be studied independent of their surrounding environment.

Eisenhardt and Graebner (2007) see the popularity of case study in theory building to be the direct consequence of its role in between inductive case research and more deductive mainstream research. They explain this by stating that a case study that produces rich empirical data is likely to produce accurate and testable theory which makes it a natural complement for deductive research. Marlow (2006, 475) brings up that the previously expressed argument that human resource management is not found in small enterprises has gradually been replaced by a tendency to finding out how the concept is operationalized in them. This opens up possibilities to the theory development. Although the phenomena in case studies are studied from the inside it does not remove the possibility to generate theory as well (Eriksson and Kovalainen 2008).

The case study approach is an appropriate way of studying organizational behavior that is quite informal (Hartley 1994). The small firms' HR practices are inherently informal. This also means that this strategy can be used if the intention is to explore unusual features and less typical phenomena. In the small business context the cases are more likely to be unusual than typical because of the heterogeneity of the context and because small businesses tend to find their own ways of surviving competition rather than applying a general management model. Informality is another central element in this research. The human resource function in the small case organizations is very informal but still it includes elements of the HRM and HRD perspectives. These informal elements were found through an in-depth study which the case study made possible.

The case study approach is also suitable for longitudinal approach (Ghauri 2004; Jensen and Rodgers 2001). The type of case study may vary from a

single case snapshot study to a patchwork of studies or comparative studies that integrate or compare several cases (Jensen and Rodgers 2001). This research process began as a snapshot study of a single organization at a single point in time but, it gained credibility and external validity from the second case organization which was acquired during the research process (cf. Leonard-Barton (1990). Most significantly it was possible to collect longitudinal data from one of the organizations which allowed for a deeper understanding to develop along the way. This allowed the overcoming of the common problems associated with a single case study and prevented it from being purely descriptive (Siggelkow 2007).

In many research processes the choice of the target organizations may not be an easy task. Access can be difficult to gain (Curran and Blackburn 2001) and maintain (Hartley 1994). This is especially the case in the small business context as managers may not see how they would benefit from the research and are therefore reluctant to invest time for interviews or other means of data collection. Also, since research processes are normally relatively long the situation in a small firm may change dramatically during the process and cause disruptions to the process. The heterogeneity of the small business context complicates choices as well (Curran and Blackburn 2001).

The case organizations of this study are introduced in the following section. There are two organizations, one of which is a sales organization in the IT field and the other is a design agency in the heating and plumbing systems (HPAC) field. Both of them struggle with challenges caused by ensuring the commitment, training and motivation of their employees. In the HPAC business problems with the general appeal of the business itself form the greatest challenge. In contrast, in the IT field fast changes in the environment are the most challenging factors. The two organizations serve as examples of different types of a firm, one is a firm with a less formalized HR and the other has a more sophisticated HR policy. These organizations were chosen based on the access they allowed to their organizations and because human resource issues were problematic or relevant for them at that time. In particular, the manager in the IT organization has an ongoing personal interest in developing his employees and the organization. It was therefore a theoretically interesting organization to study.

3.3 The case study organizations

3.3.1 The IT organization

The first case organization is a small information technology (IT) organization. It operates in the business of selling and marketing IT equipment and software to private and public sector organizations. The organization is structured as a concern: it includes a sales unit, two small affiliations and an independent technical service unit which offers technical services on all IT matters. This service organization was founded just before this research process commenced and the affiliations were acquired during the research process. These newly acquired affiliations were not included in the data collection because their role in the whole concern was not very established at the time. The data was gathered from the *sales unit* and the *technical service unit*.

The whole organization has been under the same current ownership for five years but it has a history of over 20 years in the IT business. During that five years time the organization has grown significantly because it has acquired the affiliations, but also because it has recruited several new employees. In particular, the technical service side of the business is gradually growing because their client organizations require more and more technical assistance and service for their information technology systems. This organization employs just fewer than 30 employees. The employees are mostly young people in their thirties and the majority of them are male.

In the beginning of the research process the company structure was quite straightforward. The owner-manager was in charge of the leadership of the whole organization, although much of the responsibility for the work had been shifted to individual employees to keep the organization flat and flexible. At this time there were 8 sellers and 6 service workers. The manager had brought in new work values such as respect for others, togetherness and the joy of working. This had already resulted in improved performance. The manager's principle for the whole business in his words is: "*We are a local company with long traditions – an old time store. The customer is important which means that we keep in close contact with the customer and are not faceless suppliers on the internet.*" The first part of the data collection took place when the organization was at this stage.

Due to the growth intentions of the organization the structure of the company was reformulated during this research process. The reformulation refers to the formalization of certain activities and to the construction of a new middle management level. The new management level includes a sales manager responsible for the sales unit, a service manager responsible for the

technical service unit, and a new financial manager. These three managers are part of the newly appointed board of directors together with the owner-manager and the managers of the affiliate companies. This management grouping is now learning how to lead the company. The second part of the data collection took place at this transition stage about a year after the first round.

The relatively recent change in management and the structural change have affected the human resource management in this organization. The change in management, and therefore also the change in the management style, took place recently enough for the employees to be able to remember the changes and compare the before and after situations. On the other hand, enough time had passed so that the changes had already begun to show. There were also new workers there that have only seen the 'after' situation but they serve as good examples of learning in work and its effects on performance.

The purpose with this new structure was to create a clear and visible structure for the organization in order for it to be able to grow even more. This structural change reflects the classical growth phases presented by Greiner (1998, original work from 1972). The organization has plans to expand the business even further in the future. The prerequisite for growth is that the organizational structure is clear and that the responsibilities are clear for everyone. This is what they were looking for with this construct.

The fact that the second round of data gathering took place in the middle of this structural change was both challenging and interesting. Changes had happened during the year and it was interesting to be able to observe the changes and see how they became manifest in the daily routines of the employees.

3.3.2 The expert organization

The second case organization operates in the field of heating and plumbing systems (HPAC). It is a design agency and can therefore be classified as an expert organization. It is also referred to as an expert organization in the following. This case organization has long traditions and it is locally well established. The company employs about 10 experts and falls therefore into the micro-organization category. This also affects the human resource management demands and possibilities in the organization. The group of employees is so small that the daily management of the organization is also expected to cover the human resource issues.

The work in the organization includes mainly HPAC design tasks. The work requires a high basic training and some learning in work to internalize

the design work. The more experienced designers pass on their tacit knowledge to the younger designers and they also consult each other on projects that are someone's specialty. In a small organization they need to be able to master several different design tasks but some specialization still occurs depending on the projects the experts are involved in. The workers are also able to learn from each other. Formal training sessions often involve new regulations that have been passed with regard to HPAC systems. These regulations need to be followed and therefore they need to be aware of them at all times.

The problem of finding young talented workers is the main challenge in this organization. The same situation applies to the whole field. An extra challenge derives from competitive bidding for work in the industry, which forces small firms to compete against each other with as low a bid as possible. That makes it complicated to maintain continuity in the organization.

This organization operates in a field which has suffered from a lack of interest among students and employees for some time now. This has had an effect on the number of students interested in education in the field. The reduced number of students had directly affected the amount of workers available in the employment market and also the quality of potential employees. The lack of interest in this field has led to a situation where current employees in many organizations are close to retirement age and it is crucial for the survival of these organizations to be able to transfer their tacit knowledge to younger workers before the older workers retire. The organizations in this field specialize in very narrow market niches. Due to this specialization they are able to gain competitive advantage over other small firms and in that way attract new employees interested in that particular specialization niche. Most of the small organizations suffer from a lack of resources to train their employees which leads to problems in the employees' commitment to the organization.

The manager in this firm wanted to find a solution to the recruitment and commitment problem that has troubled this organization for a while. The organization clearly struggles with issues that are different to those of the IT organization. The pressure for keeping the organization alive and in business is enormous compared to the IT organization. Therefore it was harder for it to find time for the interviews and the amount of data collected from this organization was smaller than that from the IT organization.

3.4 The data collection

3.4.1 Interviewing as a research method

Interviews are the most common means to gather data in small business research (Curran and Blackburn 2001). This is probably because it is an efficient way to gather rich data (Eisenhardt and Graebner 2007, 28) although not an easy one by any means. Kvale (1996) calls conversations the basic mode of human interaction. An interview can be regarded as a one type of conversation but a rather odd kind, as Curran and Blackburn (2001) have pointed out. This is because in a research interview there are people unknown to each other who need to engage in a complex social encounter. In these situations information usually flows only one way.

The data collection began with the interviewing of the case organizations' owner-managers. The interviews with the owner-managers are important (Ekamen 2007) because they are able to elaborate on the choices that have been made in the organization about HRM and also describe how HR practices are constructed. The intention with this first interview was to familiarize the researcher with the organizations' operations, their history, the nature and structure of the work conducted there, future plans as well as the problems they face. These interviews helped in the 'story telling' part of the data analysis (Ghauri 2004). This refers to the first stage of data analysis where an understanding of the phenomenon is sought. In this case it meant familiarizing oneself with the general human resource management and development cultures in these two organizations as well as sketching the environment in which these organizations operate.

With this pre-interview it was possible to formulate the interview questions for the employees. In small business research employees are too often neglected as a research target and research concentrates only on the entrepreneur (Curran and Blackburn 2001). In HR research the intended practices can be very different from the actual implemented practices (Paauwe and Boselie 2005), and this difference can be detected by interviewing both the managers as well as the employees. The real implemented situation can be traced from the employees' views, and the 'ideal' intended state of the HRM from the manager's view. Therefore the material from the pre-interviews with the managers formed the context for the 'story' (see Ghauri 2004) against which the employee's answers were analyzed. In the expert organization it was unfortunately not possible to conduct those employee interviews that were originally planned. This was due to the organizations' pressures to keep to productive work at all times.

In the IT organization two rounds of interviews were conducted to add a longitudinal aspect to the research. This data allowed the investigation of the changes that had taken place in it and more importantly enabled the discovery of individual and organizational learning processes. The data collection rounds are described in more detail in the following sections. These include the two rounds of interviews in the IT organization, the observations made of the IT organization and the manager's interview in the expert organization.

3.4.2 The first round of interviews in the IT organization

In this organization both the owner-manager and employees were interviewed. As was mentioned above, the first interview was conducted with the manager. The employees that would take part in the interviews were selected during this first interview. The manager was responsible for selecting these employees because he had the best knowledge about them. This is quite a normal procedure for selecting the employees to be interviewed, although it is not totally satisfactory (Curran and Blackburn 2001). Curran and Blackburn point out that this may influence the sample in the wrong way, either by giving the wrong signal to the employees about having a choice to freely decide whether they are willing to take part in the interview or by biasing the sample in some direction.

In this particular case this was avoided by selecting different types of employees for the sample. The selection criteria included work tasks, the duration of the employment relation, the employee's attitudes towards changes and work motivation. The interviewees included new and old employees (measured by the duration of their current employment contract), male and female employees, sellers and technical workers, people with a very positive attitude towards work as well as people with a less positive attitude. The manager's intention was to get as representative a sample of the workers as possible in order to gain something out of this study. The potential interviewees were then contacted and their permission for the interview was acquired. All of the pre-selected employees agreed to be interviewed. It is not known if the manager's role influenced this agreement or not, but my sincere belief is that they would have said no if they had had something against being interviewed.

Because the group was very heterogeneous it could be expected that negative issues would also have arisen if any existed. The manager advised the employees to talk about their work honestly because he was also interested in how his workers experience their work and how they see that the work environment in the organization could be developed.

In total there were eight employee interviews consisting of five sales people and three technical service people. The interviews lasted from 30 to 60 minutes depending on the employees' willingness to talk about their job, as well as the time they were able to invest in this interview. In a small organization time is always a constraint and this case is no different. The time spent in this interview was away from the productive work and not all of them were willing to invest much time away from their desks.

The interviews were conducted at the company premises in one of the meeting rooms. This is quite typical for a qualitative study (Creswell 2003). In this case the place was suitable for the interview although the same place served as a lunch room for the employees. The room was also next to the manager's office and people would occasionally walk by the place during the interview. The manager's door was closed for the most part during the interviews which ensured a peaceful setting for the interview.

The intention with these first interviews with the employees was to gather as much data about their daily work as possible. The organization was not familiar to the researcher and therefore it was essential to gather an understanding of the work tasks and the daily routines in the organization. This added the employees' perspective to the initial 'story'. In the interviews their work and training history, current work tasks, training in work, competence development and learning in work, work environment and well-being in work as well as future plans were discussed. The company in general was also discussed with every one of them. This included the company's values, work practices and habits. The meaning with these interviews was to gather as accurate a picture about this organization as possible. Also the different employees' attitudes towards working, particularly in this organization, were discussed. They described the challenges of their work as well as how interesting they experienced the work to be and talked about the social network they have within the company.

The interviewed people talked about quite similar issues. Some of them were clearly more talkative, especially the sales people who are more extrovert by nature. The technical service workers were more reserved and clearly more used to handling computer problems than discussing their work. The data seemed at the same time both unanimous and ambiguous. This reveals the fact that in the organization they have been able to create common practices, which can also be seen in their daily routines, but at the same time differences of opinion about the organization could be detected. The feeling after the interviews was that these people enjoy what they do and more importantly they seem to belong to a fair-minded and inspiring work group.

This first round of interview data formed the basis for the first article in this dissertation. Based on this data it was possible to discuss HR practices in use

in this company and to take a human resource management point of view on the discussion.

3.4.3 The second round of interviews in the IT organization

A follow up round of interviews was conducted about a year after the first interviews. The manager was interviewed first to update the current situation in the organization and to discuss the changes that had happened in the organization during that time. During that interview it was also discussed how the manager felt the changes had succeeded or failed. This new interview was necessary and valuable because there had been so many changes that affected the organization's performance, as was discussed in sub-section 3.3.1. From the second round it was found that the structure in the organization had changed; it had grown and become more formal. Also the job descriptions had changed for some of the workers due to structural changes. These structural changes did not affect the sellers' or the technical service workers' normal work very much but it did change the communication structures and also management relations.

After the structural change there was a clear middle management level in the organization which had not existed before. The structural change makes the organization an interesting research target. Clear changes occurred that had an effect on the performance of the whole organization. It also brought up issues that a growing small firm faces. For example, when the number of employees rises the organization needs to form more formal structures to keep the business working (Kotey and Slade 2005; Kotey and Sheridan 2004). Despite this structural change the company remains a small firm with small firm benefits and has been able to sustain a family-like atmosphere and its open communication structures. This change also makes it easier to detect those issues that have an effect on the organization's performance overall.

The interviews were also carried out on the company's premises. It turned out to be a suitable place during the first round because it was easy for the workers to attend the interview. During the second round the manager was not present and therefore the employees did not need to worry about him or any others hearing their conversations. This was not a problem during the first round either but I believe it still affects the interview situation if someone feels that they might be overheard. Therefore the door was again kept closed to ensure a peaceful setting for the interviews. It may seem irrelevant to discuss the interview settings but a small firm's premises are often small and it is not self-evident that there would be a suitable place available for conducting this type of interview. If had not had one, the interviews would have had to have

taken place outside the company premises. That would have significantly affected the number of interviewed employees because they would not have had so much time to take off from their productive work. This way they were present at the company premises the whole time and if a customer tried to contact them or if there was a problem the interviewee was able to deal with it. These interviews caused as little inconvenience as possible this way, although one of the seller's interviews was cut short because he was needed at customer service. This describes the reality of small business research and is an issue that needs to be taken into account when data is gathered.

The intention with the second round of interviews was to talk to as many of the same people interviewed during the first time as possible. The interviewees were again selected during the managerial interview. Four of the five salespeople were re-interviewed and all three of the service people were re-interviewed. In addition two new managers were interviewed because their position had become central in the company during the year and it would have been an oversight not to include them this time as well. One of them was on maternity leave during the first round and she had just now returned to work. The other manager had been in the company during the first visit but was not selected then. One of the sales people was not interviewed again because there were enough sales representatives and a fifth interview was not required. One of the sellers had become the financial manager during the year and therefore was interviewed in both roles.

Altogether ten interviews were conducted during this round. The main aim with these interviews was to make the changes visible. Secondly, the intention was to follow up on how the work environment had developed, and also follow up on how their competencies had developed during the year. Competence development has an effect on the kinds of work assignments they are able to conduct which then has an effect on the performance of the whole organization. The employees were also asked to elaborate on the structural changes in the organization and how that had affected their work and well-being at work.

The main goal was to concentrate on learning in work and the changes in the organization, and to find those factors that had had most effect on the employees' work. Therefore they were asked to elaborate on a successful and unsuccessful work experience that they had had during the year or any time during their work careers. This was done to make it slightly easier to talk about the abstract issue of learning in work.

This interview material along with the data from the first round has been used mainly for the third article in this dissertation. That article is about learning in work and its effects on performance and therefore this longitudinal data was suitable for that type of research.

3.4.4 Observations on the IT organization

In the IT organization some observations were made during the interview visits. The observations provided valuable extra information and data on this company. The interview visits made it possible to familiarize the researcher with the work premises and to observe the employees interaction with each other. Also the informal relations with the manager became apparent during the visits. This data can be regarded as additional information which enables the obtaining a more thorough picture of the organization and which aids in placing the interview material into a more complete context.

For example, the interaction between the employees is an issue that was observed during the visits. As was described earlier the meeting room where the interviews were held was not an isolated location and other employees could walk by the location during the interviews. Therefore it was possible to observe how they communicated with each other. These observations took place in-between the interviews while notes from the previous interview were being written.

The interview times were agreed on beforehand with everyone in person and they were sent a reminder via e-mail. The interviewees were keen to help me find the next person to be interviewed. Some general discussions took place after the official interviews. It was normally the sales people that were more social and definitely used to making sure that their customers were served. This attitude was also visible in the interviews.

Because these people were not used to analyzing their work it is sometimes difficult to describe the different issues related to for example learning in work. Therefore the observations help in this respect. Based on these observations one cannot interpret whether the employees are learning in their work or not, but the work environment and the general climate in the organization is a key factor in learning and by observing that it is possible to draw conclusions about that part of the learning process.

Based on these observations the co-operation between the sales unit and the technical service unit became more concrete. In the interviews they all described and talked about this relationship because it is a central part of the organization's operation. This co-operation was regarded as the best part of the work as well as the part that needs the most development. In the office building the sales unit operates on a different floor to the service unit. This leads to the fact that these two units are not totally aware of the other units' work tasks, workloads or their ways and habits to operate. This causes misunderstandings and quarrels between them. Without the observations the interview notes about the co-operation between the units would have been

given significantly less attention because it would not have become so concrete.

Also the fact that the door to the manager's room is always open for anyone to pop in and have a chat about issues that are in their minds became clear during these visits. The manager is not an expert in the sales job or the technical service work and therefore he does not try to help with those problems, but the more general issues that he is able to form an opinion about are more than welcome discussion topics. Since the structural changes in the organization he has become more distant from the employees because they now have another manager to discuss with. Still the communication channel there is open.

A third issue that became apparent is that the people very easily confront each other on issues that they happen to have in mind. They do not hold back on anything. They ask about things that they do not understand or give feedback to each other on issues that should have been taken care of in a different manner. They are very open and it seems to be acceptable to get angry and show how you feel. On the other hand, they are ready to help each other out and the general atmosphere seems friendly. This becomes instantly apparent when you enter the premises. You are greeted and asked how they could be of assistance. This is probably partly due to the fact that it is the sales unit that you meet first and the people walking through that door could be potential customers that need to be given proper attention.

Observations in general would have been interesting to conduct in a more comprehensive manner as, for example, participant observation (Waddington 1994). This would have produced a different kind of data that would have brought up many other issues related to the organization's way of operating. Observations are not so simple to organize in the small context. And that was one of the reasons that these were not considered more. The interviews already took up enough time.

3.4.5 The interviews in the expert organization

The data collection in the expert organization began with a pre-discussion with the manager. This discussion was informal and the intention with that was to see if there was potential for co-operation in this research process. After agreement was found the formal interview was conducted a year later. The time period in-between these two discussions was again beneficial as it was possible to make observations about the changes. The situation during the pre-discussion was somewhat different than a year later when the official

interview took place. Both of these interviews took place outside company premises.

The original intention was to interview some of the employees in this organization. This would have ensured the collection of a more complete data set. This part of the data collection was not realized. This was due to that fact that they were not able to invest any time away from productive work because their project schedules were tight and for a small firm 30 minutes away from their real work can be crucial. This is an issue that one needs to prepare for when researching small firms. It is not always self-evident that there will be time for an interview. This then affects the results that can be obtained and the conclusions that can be drawn. Therefore the material from this organization is more descriptive and gives an overall image of what the work situation in a small firm can be like. This is very typical of qualitative research. The data collection process and the research questions may well change when doors open and close (Creswell 2003, 181) and therefore qualitative research is emergent in nature.

Nevertheless, the small amount of data from this organization has a clear role in the whole research. It describes the situation of a small firm in a very different field of operation and therefore is an excellent example of the SME sector and the fact that it cannot be described as homogeneous group of organizations. Thus, there is no such thing as a general SME research. When you state that you are doing SME research it does put the research into a certain context but, in addition, you need to define more accurately whether it is about small or medium firms, and what is the field of operation, and whether it is about stable or growing firms (Cardon and Stevens 2006). It is always context specific research although the resource limits are similar for most of them.

This data is used in the second article. The aim in the paper is to describe the challenges facing small firms in human resource development. It brings forth the effects of the business field on the choices a small firm has and ponders the feasibility of human resources for them.

With the expert organization the possibility of observations was discussed as well but the manager did not think it was a relevant issue to consider. The premises at that company are significantly smaller than in the IT firm, where everyone works in the same open office, and it would probably have been a bit awkward to observe their work there.

3.5 The data analysis

In case studies the data collection and analysis are closely interconnected and there is no definite phase of data analysis (Ghauri 2004; Creswell 2003; Miles and Huberman 1994; Coffey and Atkinson 1996). The data analysis began with the first managerial interview in the HPAC organization. That interview data gave a snapshot (Jensen and Rodgers 2001) of the organization's situation at that point in time. The interweaving of the data collection and analysis right from the beginning seems to be the best and most productive policy in case studies (Miles and Huberman 1994). This allows for theory to develop and the research problem to be formulated and reformulated (Ghauri 2004; Hartley 1994). This view is supported by Creswell (2003) who sees the thinking process to be iterative in data analysis with a cycling back and forth from data collection and analysis to problem reformulation and back.

The data from the manager's interview in the expert organization was transcribed and organized according to themes (Hartley 1994). These themes were based on the literature. The intention was to find evidence from this case organization about the issues brought up in the previous literature about the informal or even missing human resource development in small firms. This data was relevant for proving some findings from previous literature to be true. It was actually a good thing for this research that it began with just this one narrow case because it allowed the theoretical framework to develop further and allowed for the most central issues to emerge for the next round of data collection.

The first round of interviews in the IT organization took place at the same time as the interview in the expert organization. Similarly, these interviews were recorded with the permission of the interviewees. These recordings were then transcribed. The first step in analyzing this set of data was also the construction of a case description or a story (Ghauri 2004). This means gaining an understanding of the 'something' that one wants to explain or describe. Ghauri points out that this is important especially if the attempt is to develop longitudinal explanations. This data deepened the knowledge gained about the first case and proved useful for the purposes of this research. It brought up issues about the small firms that challenged the view of informal or nonexistent HR in small firms. This data was analyzed from the HRM literature point of view.

The themes of recruitment, training and communication were present in the analysis of the first round of IT organization interviews. These three themes have been identified as being significant for a small firm's success in the previous HRM literature. These themes were chosen as the ones through

which the human resource management practices in this organization could be discussed.

The analysis of this set of data raised the idea of going back to this same organization and re-interviewing the same people again to be able to gain a more thorough understanding of the organization and also to track the changes that had happened. This was because the fact that the organization was in the middle of a restructuring process which meant that the data that could be collected with a second set of interviews was very intriguing.

Therefore moving from this first stage of analysis to the second with this new set of data involved changing the style of analysis to a more conceptual categorization. This phase is sometimes referred to as coding the data (Coffey and Atkinson 1996). However, the intention was not to count the appearance of different themes in the data. The data is too narrow for that type of analysis and that would not have been significant for the purposes of this stage of the research. Therefore content analysis (Tuomi and Sarajärvi 2002) is a more suitable term to describe what was done with the data at this phase. This phase of analysis can be seen as a stage that enables the researcher to identify meaningful pieces of the collected data and begin interpreting it and drawing conclusions (Miles and Huberman 1994).

The analysis began by reading the transcriptions through several times. The data was seen to describe the reality that these IT people work in. The different passages in the text were marked with themes that represented the content of the passage and some remarks and observations were written on the sides of the pages to link the different passages to each other (Coffey and Atkinson 1996). These pieces of text were then placed in a table along with the data from the first round of interviews for the purpose of being able to compare them together. The intention with this analysis was to find theoretically significant issues from the data that would be able to explain the HR process in this particular firm.

The central theme in the second round of interviews in the IT organization was learning in work. This theme includes both formal and informal learning as well as learning from successful events as well as errors. In the second round of interviews the employees were asked to describe situations where they felt that they had learned something and what they had learned and how that new competence affected their following work assignments. The possibilities for learning were also discussed during the first interviews, but then the discussion was too broad and therefore this theme was re-implemented for the second round of interviews. The employees could somehow better elaborate their learning through this question but still some of them could not find a single thing from their work that they had learned during the year. This reveals the abstractness of the learning issue and the fact that

competencies build up gradually and that for employees it is just work as usual and not a learning situation. The new skills learned through a formal training session are easier to conceptualize as new skills or knowledge that has been learned.

The data was gathered into tables according the themes of 1) Learning and training, 2) Communication, 3) Interaction, and 4) Organizational climate. The tables included a column for the two units in the IT organization, which were the sales unit and the technical service unit, and these columns were then further divided into two columns, one for each round of interviews. The pieces of data were then placed into these tables under the appropriate heading. As the analysis proceeded the sub-themes began to develop and the tables were horizontally divided according to these sub-themes.

In addition to these tables, there was a separate table for managerial level interviews as well as the themes of recruitment and company values, which included columns for the managerial level and the employee level instead of the technical service unit and the sales unit. In these themes the unit that the employees worked in was not significant because the recruitment policies and values were the same for the whole organization. The managerial level table draws together the managers' views on learning and training, communication and interaction during both rounds of interviews. The tables for recruitment and organizational values were formulated because these issues are significant for small firms and the comparison with managerial and employee interviews shows that the people in this organization think very similarly about these issues. It also reveals much about the company in general. The employees know what the company policies are and they have also internalized the values of the organization and therefore are able to act accordingly. Thus, the new manager in the organization has been able to leverage this information throughout the organization.

This analysis forms the basis for a more broad analysis that includes the theme of organizational climate. It is a discussion that has recently emerged in HRM literature. Organizational climate has been introduced as one of the linking mechanisms between HRM and organizational performance. There is also evidence in this data that organizational climate has a central role in employee well-being in the IT organization. That then has an effect on their performance and therefore the overall performance of the organization.

The next chapter presents the findings from the three articles and draws the findings together.

4 THE COMBINED EFFECTS OF THE HRM, HRD AND OL PERSPECTIVES ON THE ORGANIZATIONAL PERFORMANCE OF SMALL FIRMS

4.1 The role of the HRM, HRD and OL perspectives on the overall HR of a small firm

As has been discussed in the theoretical framework, the current ongoing dialog in the HRM literature concerns the HR elements that have an effect on an organization's performance, or more precisely the intermediate or linking issues between HRM and performance. A vast amount of issues have been suggested as the links in the equation, ranging from environmental factors to organizational issues and unexpected events (Brewster 2006). Despite considerable research efforts, research on HRM performance linkage has not produced results on the causality and the link has been labeled the 'black box'. Wall and Wood (2005) portray this as the result of the overload of cross-sectional research as well as research with too narrow a data set and only individual respondents. Therefore, the broader question of how HRM contributes to firm performance still remains (Bowen and Ostroff 2004).

In HRD literature the discussion about the performance effects of, for example, investments in training and learning has been discussed as well. Overall the HRD discipline is divided into two debates: one which seeks to find the underlying assumptions, values and philosophies and the other, which seeks explanations to broaden the understanding of the role and contribution of HRD in organizations (Garavan, Gunnigle and Morley 2000). The philosophical debate includes the debate over whether HRD should promote performance or learning. Garavan et al. (2000) argue that questions of performance are addressed more by practitioners and learning issues are addressed more by academics. In more recent literature these two have been seen as parts of the same debate and the question has moved to, how is learning in organizations able to improve performance? (Simmonds and Pedersen 2006).

Still these perspectives of HRM and HRD have remained separate, despite the unique contributions these two could bring to the overall discussion on human resources in organizations. This is also evident in the literature review

conducted by Cardon and Stevens (2004) which shows that the amount of research on particular HR practices of staffing and compensation is disproportionately bigger than on the other HR issues. This conclusion is drawn from HRM literature, but if seen from the HRD side the research on training and learning in small firms specifically addresses those parts that are missing in the HRM perspective (e.g. Birdthistle 2006; Bryan 2006). Therefore, the argument is that the training function in small organizations is not under-researched, but that the gap in HRM literature suggests that closer co-operation between the disciplines of HRM and HRD in the small business context could be beneficial.

The previous literature also argues that the theoretical development of the field of human resources would benefit from co-operation between the disciplines of HRM and HRD (Ruona and Gibson 2004) to overcome their distinctiveness. This view is supported by Lam and White (1998) who, already at the end of the 1990s, claimed that HRD can play a strategic role in organizations if it is combined with effective HRM practices, such as recruitment and compensation policies. Therefore the challenge facing human resources research lies in the current fragmentary nature of the theory in both of these HR disciplines. It makes it difficult to see how context (firm size in this case) affects the way in which HR is articulated (Marlow 2006, 470).

Based on this current state in human resources research the finding from this study is that the role and contribution of the HRM perspective in small business research is to bring a broader discussion of the links between HRM and performance into the discussion and depict the issues that are relevant in the debate. Small business HRM research is not separate from the general HRM discussion and therefore performance effects are considered relevant also in the small context as previous research has suggested (Sels et al. 2006a and b). The role of HRD in small business research is more about how competence development can produce positive results for an organization and how the competence development of key employees may result in competitive advantage for the organization.

The OL perspective can offer small businesses insight into how collective learning could be integrated into the human resource management process. This is partly evident in the study by Kelliher and Henderson (2006), which is discussed in the chapter 2.4.3. Their model portrays the collective aspect of learning in organizations because it emphasizes social relations in an organization and sees the interaction between a manager and employees as being one of the central micro-level issues at play in the small business learning environment. This is a pertinent point regarding the findings from this research and adds an important element to the overall small business HR framework in this dissertation.

Given the argumentation above the finding from this research is that all three of these perspectives have a role to play in an organization's performance. Therefore the equation between HR and performance should be drawn as depicted in the figure 6 below. This contradicts previous portrayals which only consider these perspectives individually.

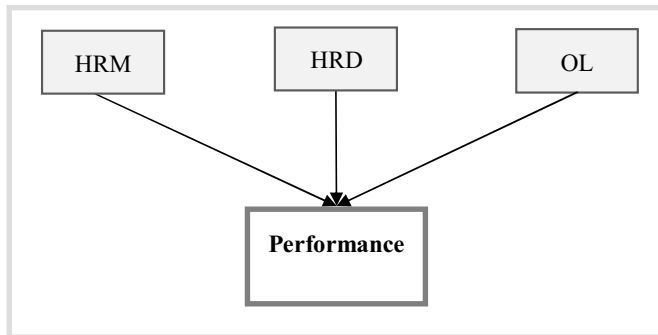


Figure 6 The connection between the HRM, HRD and OL perspectives and organizational performance

The figure is a relatively simplistic portrayal of the relationship but the meaning is to show that these three perspectives are equally relevant in the HRM performance debate. This is especially the case in the small business context where these disciplines interact in daily management practices. The one way arrows from the three perspectives to the performance element represent the contribution each one of them is able to bring to the small business HR performance discussion.

The direction of the arrows in-between the perspectives and the performance box can be debated, as the previous literature has indicated (Pauwe 2009; Boselie, Pauwe and Jansen 2001; Monks and McMackin 2001). If an organization is able to improve performance, it most likely has more resources to invest in the human resource function. This means that the arrow could also run from the performance box towards the three perspectives. In that situation it would seem logical that human resources would be well managed but there is also a time lag between an investment in human resources and its performance effects (Hope Hailey, Farndale and Truss 2005). This makes the evaluation slightly challenging, especially in the small firm context. The other side of the coin could be that, during a fast growth period human resource development is, in a way, forgotten and the organization believes that every function in the organization is in good shape and stops development efforts. The contribution of this dissertation to small business human resources research derives from this holistic view of the HR field.

The OL perspective has been elevated in the discussion to be equal with HRM and HRD because it links the disciplines of HRM and HRD together and brings the element of collective development to the surface. The organizational learning literature seeks to understand how learning in organizations occurs (Huber 1991; Easterby-Smith 1997; Crossan, Lane and White 1999; Bapuji and Crossan 2004). The underlying assumption is that an organization has learned if, through new knowledge, the organization's behavior changes and produces better results (Saru 2006). The connection between these three perspectives is evident from the cases and the findings from the individual articles.

Article one applies the HRM perspective and deploys data from the IT organization to argue that small firms do have HR practices in use although it is not specifically addressed as HRM. The data in the article consists of the first round of interviews in the IT organization and the data is a description of the organization's operations at that particular point in time. The role of this article in this thesis is to describe a small firm which has a positive and proactive role regarding human resources. It is therefore an example that challenges the view of previous literature about small firms not having sophisticated HR practices in use.

In this particular small IT firm, HRM is embedded in the daily management practices of the owner-manager. They have visible and detectable HR practices in use, which clearly have a connection to the overall performance of the organization. The connection can be seen in improved financial results and the employees' positive attitudes towards this organization. The manager has applied different HR practices from the large organization context to the small firm and tested their suitability in that context. An example of this is the official appraisals that they intended to apply but at the end found not to be suitable to the context as such. Appraisal discussions are not that common in small firms such as this one because communication is clear due to it occurring on a daily basis and official discussions are not seen as relevant. This is a significant finding because it implies that general theory about HRM can also contribute to the small context, although practices need to be adjusted to the context. This describes what happened in the small IT firm. In the end, the manager introduced informal gatherings for the employees, which now replace the missing appraisals to a certain extent. However, an official appraisal discussion is available for anyone who seems to need one but the initiative for that has to come from the employee and not be an order from the management level.

The manager's decisions to apply certain HR practices have been strategic and taken into account the company's environmental constraints and the organization's needs. This type of management process can be equated with

the model presented by Harney and Dundon (2006) which depicts HRM in small firms as emergent, which means that it is not formally planned but takes into account both internal and external factors. The aim in their model is to gain a deeper understanding of the situational factors involved in small business HRM. This model serves as an example of how elements of general HRM can be used in the SME context in order to draw a broader picture that is also applicable to the small business management. However, this model still does not address how HRM inside the small firm should be organized, although it justifies the need for the HRM perspective to be included in the small business HR framework.

Article two brings the HRD and OL discussion into the small business context. It looks at the appropriateness of HRD practices for small firms from the perspective of a micro firm that continually struggles to find new employees. The important finding from this case is that, especially in the small business context, the field of operation is particularly significant when human resource issues are considered. This case organization operates in a field that has suffered from the reputation of being uninteresting. This is an external issue that very much affects the appropriateness of investing in competence development and learning. When a small firm struggles to find employees and is forced to invest all available resources into finding new staff the question of training existing staff could seem as inappropriate and even unfeasible. These types of examples of small firms raise the question of whether HRD is appropriate for the smallest organizations.

The third article then presents a counter example of this and demonstrates that a combination of elements from all of these three perspectives can lead to an improved performance. It justifies developing the framework further and searching for those specific elements that can be extracted from each of these perspectives that are central for performance improvement in small firms.

4.2 The specific contribution of the HRM, HRD and OL perspectives to the HR function of small firms

Each of these three perspectives could bring a number of elements to small business HR. The ones that are the most significant, functional and feasible depend first of all of the size of the small firm and secondly on the external and internal peculiarities of the firm. As has been mentioned several times in this dissertation, the heterogeneity of the research context makes it challenging, if not impossible, to find a combination that would apply to the entire population of small firms. The intention with the following representation is therefore to illustrate one possible combination and to argue

for its relevance based on the two case examples and the previous literature. Guest (1999) has called for more thorough theoretical development of the entire HR field. He has argued that the field would benefit from a more thorough knowledge of those situations where HRM contributes the most to performance improvement. Therefore, the following framework suggests three particular elements from these three perspectives and argues that these three contribute the most to the performance improvement of the small firms in question.

Figure 7 builds on figure 6, which only portrayed a connection between the perspectives and organizational performance.

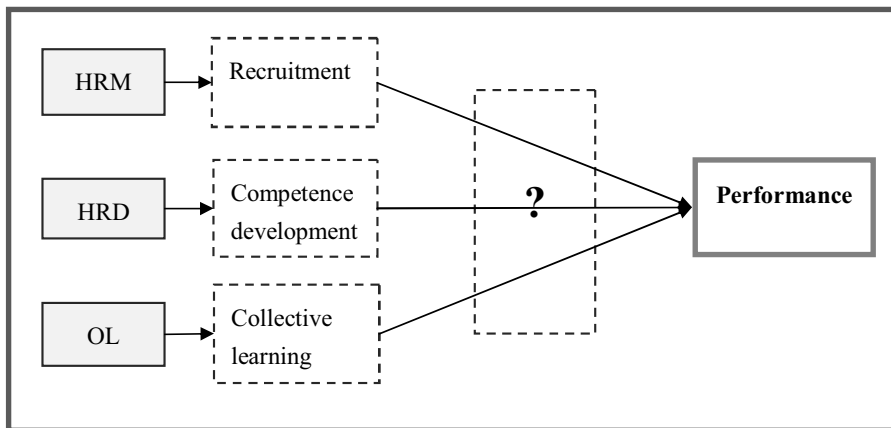


Figure 7 The search for the linking mechanism between HR practices and improved organizational performance in small firms

Here the elements of recruitment from the HRM perspective, competence development from the HRD perspective and collective learning from the OL perspective have been elevated as particular practices or elements that have a significant role in the performance of a small firm. The previous literature has also proved that those HR practices that are valued by employees appear to be linked to commitment and job satisfaction and through those to improved performance (Conway and Monks 2008). This representation in the figure is based on the findings from the three articles, and indicates that these practices are also valuable for employees. The boxes have dotted lines to represent examples of practices that have a role in this equation. The boxes could include other HR practices or elements depending on the above mentioned complexities that the heterogeneity of a context brings. The arrows from these three elements to the performance box indicate that the combined effect of these three affects the productivity of an organization. The effect is not straightforward though. There are a number of issues that complicate the

relationship between these HR elements and performance. The question mark box represents the linking mechanism between them (Brewster 2006). One of the contributions of this study to the theoretical development of small business human resources lies in this linking mechanism. However, before that can be clarified the three elements have to be discussed in the light of the findings from this study.

First the HRM perspective and the element of recruitment needs to be discussed. This finding is based on the first article which asserts that recruitment is one of the HR practices that small firms need to engage in. Other HR practices such as compensation and training could also have been placed in the framework but these practices are more dependent on an organization's available resources and therefore more subject to changes and variation among small firms. Moreover the recruitment process is important for small firms from the resource perspective as well. The resource based view of the firm links human resources to the framework as a strategically important source of competitive advantage for the firm (Mayson and Barrett 2006). That resource is seen to add value to an organization if it is unique, rare, difficult to imitate and non-substitutable (Barney 1991 as referred by Mayson and Barrett 2006). This requirement raises the value of this HR practice because it is given a strategic role in HRM. As Mayson and Barrett (2006) conclude, based on the literature they reviewed, the contribution of strategic HRM to small firm survival is not fully understood but, as the findings from this study show, employees are the resource that most of all affects a small firm's performance. Therefore the element of recruitment appears to be the most significant element to pick out and concentrate on from the findings.

This finding was evident especially with regard to the first article and the IT organization. The manager of the IT organization is proactive in the management process and makes plans for the future as well. A clear focus and forward looking style for the management process can be ascertained from his thoughts and actions. For example, he would hire two people at once if they were both competent and could add to and fit in with the group dynamic, even if they would only have needed one new employee at the time of the recruitment. The manager sees such action as an investment for the future because there are no guarantees that both of the new recruits would stay with the company for a longer period of time. He believes that if the company is lucky both of them would stay and learn the job and contribute to the performance of the organization. This is a strategic decision which the organization is able to make because of their good financial resources.

This example would suggest that the model presented by Cassell and others (2002), which claims that SME human resource decisions are more need based

than strategic (see chapter 2.4.2), does not describe the HR process in this organization. This finding then indicates that more research on the applicability of the model to different types of organizations is needed. The need based model refers to a more reactive style of management which could be found for example from the second case organization in article two. In that organization there has been almost a desperate need to recruit new competent and committed employees for some time now. The experiences that this organization has had with previous recruitment have not been positive. The newly recruited employees have not stayed with the company and the investment and effort put into the recruitment process have gone to waste. This type of experience does not encourage a manager to engage in the process again, especially if resources are scarce and the result of the process is unfavorable. This is a finding that brings the reality of many small firms to the surface. It shows that even if the manager would have the desire to be strategically proactive, external factors may work against this and a small firm will be left with the need to be creative in filling its vacant job positions. This is a negative aspect of the work environment as well.

From the HRD perspective competence development was found to be the most crucial aspect for small firms. It is also a very controversial issue because it often includes training which requires scarce financial resources. Recent HRD literature has discussed the aspect of workplace learning as an element of competence development (Ellinger and Ches 2007). Workplace learning includes both formal and informal learning and therefore may constitute a variety of different forms of training. In the small business context the main issue with learning and development deals with how improvement in the competencies of one employee could benefit the whole organization without causing unnecessary disputes between the employees.

The third article especially addresses the training and learning function in a small firm. The main finding from that is in line with Cardon and Stevens (2004) who claim that training in small firms could usefully address both formal and informal learning and training practices. For example, in the IT organization informal learning and training are part of the socialization process for socializing newcomers quickly into the work group. The employees are dedicated to helping each other and that is also the basis of the organizational culture in this organization. Formal training once a year is a necessity to keep their sales licenses valid. In the expert organization the employees are required to have formal training before they enter the organization. After that, and especially in the beginning of their professional career, informal learning is a prerequisite for learning in order to carry out the job. Both of these examples prove that formal and informal learning are intertwined and necessary for a small firm. Therefore this finding is in line

with Gilman and Edwards (2008) who argued that a combination of formal and informal learning will produce the best results.

The challenge with researching learning situations in small firms derives from the finding by Birdthistle (2006) that the learning situations in small firms are often so informal that employees do not notice that they are in a learning situation. Learning in a daily work situation easily becomes a natural part of the work routines, and was especially so in the IT organization. In fact, it was so embedded in their daily routine that the employees were unable to describe their learning. In such an informal learning situation knowledge builds up gradually. New skills or knowledge acquired through a formal training course are easier to conceptualize than new skills and therefore also easier to describe. This finding confirms the notion that more research on the mechanisms through which learning in the workplace occurs is needed (Ellinger and Cseh 2007). Based on the findings here the above issue appeared significant enough to be elevated to the framework as a contributing element. This is especially evident in the IT employees' interviews where they could not name one situation during the year where they had learned something, but clearly some learning had occurred because the performance of the individuals had improved. For both of these case organizations learning in work is a way to either improve personal performance or their organization's performance.

The third element, collective learning, emerged as a significant element based on the findings from the third article. With the longitudinal data it was possible to detect how the two units in the IT organization had learned to cooperate and, in that way, learned to collectively strive for better customer service and better performance. This aspect also arose as a significant element in the formation of a productive work environment. That aspect is discussed more thoroughly in the next subsection which also addresses in more detail the framework's question mark box in figure 7.

4.3 The relationship between the HRM, HRD and OL perspectives and the improved performance of a small firm

The third research question deals with the relationship between the three examined perspectives and the improved performance of an organization. Overall the elements of recruitment, competence development and collective learning are characterized by informality and reactivity as is typical for firms of this size (Cassell et al. 2002; Nadin and Cassell 2007; Gray and Mabey 2005). These traits have been stapled to small firms as a group without

considering the possible differences between these heterogeneous contexts. Harney and Dundon (2006) therefore argue that the HRM research in small firms does not adequately capture the complexity of the context. The findings from this study aim at presenting one way of conceptualizing the complex context, and also aim at describing the connections to performance. The intention is not to suggest that these practices should be formalized in small firms. Formalization does not seem a trait that small firms should strive for (Cardon and Stevens 2004) because it may cause the organization to spend too much time on unnecessary bureaucracy. However, informality does not need to be equated with negativity either (Gilman and Edwards 2008) and it should not be assumed that informal practices are totally unstructured. The following discussion will present evidence for this.

The first article argues that the HRM practices are embedded in the daily routines of a small business manager. This means that the practices are not formally written down as in larger organizations but many so called functional or traditional HR practices that, as Cardon and Stevens (2004) point out, are relevant for small firms still exist. The functional approach to human resources in small firms was argued to be relevant because this approach is widely understood among academics and practitioners. This approach has also been called the 'SME friendly way to operationalize HRM' by Cassell and others (2002). The functional approach to HR refers to recruitment, training, appraisal, and compensation practices (see Fombrun et al. 1984) i.e. practices that are actually applied in small firms.

In the IT organization the owner manager has an interest in and the capabilities to develop the human resources he has. Therefore the company is not a typical example of a small firm as portrayed in previous literature. It belongs to the group with informal but structured (Gray and Mabey 2005) HRM. This means that the manager takes responsibility for equal and transparent human resource management practices. Every employee receives equal treatment as regards training, compensation and appraisals. With these management practices embedded in the organization's everyday routines they have been able to create an environment where employees are willing to learn and develop.

However, because it is a small firm, the manager's actions only form half of the environment there. The individual employees and their attitudes towards these management practices form the other half (cf. Heinonen and Toivonen 2007). Consequently the significance of the individual employees' behavior to their overall performance is essential. The environment in the organization is dependent on every single individual and therefore one 'bad apple' can easily undermine the manager's efforts in this job. A main finding from this organization (based on findings from the first and third article) is that the base

for a productive environment is laid with transparent, equal and fair human resource practices that are well communicated and accepted within the group of employees. After that the relationships between employees and their attitude towards the work community is the key to a productive and positive climate. This means that the role of the HRM practices, such as recruitment, to overall performance are especially concerned with how well the recruited employees fit into the organization and to the group of employees. Both of the case organizations' managers pointed this out as a significant issue. This is especially important for the expert organization because of the small size of the organization and the relatively higher resource scarcity compared to the IT organization.

From the HRD perspective the element of competence development is linked to the overall performance of the organization in combination with the recruitment of employees. An organization is seen as being able to develop its human resources either through recruitment or by developing the competencies of its existing staff. Often both of these forms are in use and the organization needs to consider what the competencies are that it needs, what competencies it possess at the moment, and how to go about acquiring those that it currently lacks. This relates to short term versus long term planning in the strategic HRM discussion (Gratton, Hope Hailey, Stiles and Truss 1999), in which the underlying idea is to align different HR practices in order to improve performance. Therefore, short term investments should support long term plans. Often in small firms the emphasis is on finding a person that fits the existing group since many of the work skills required can be acquired through learning on the job.

The human resource development challenge that was found to arise from informality in the expert organization is the competence management problem. In that organization half of the experienced designers were due to retire within the next couple of years. Cardon and Stevens (2004) have pointed this out as a problematic situation that would require more research efforts. The factors influencing employee turnover or employee retention in small firms has not been researched, even though it is significant for the survival of organizations. Gray and Mabey (2005) have also pointed this out and recognized that small business managers are unwilling to train employees due to the fear of losing them right away to bigger organizations.

This expert organization case shows that the greatest challenge for research is to find a way to convince this type of small firm to engage in human resource development in order to be able to prepare for this type of situation. Williams (2002, 217) has stated that the values of an organization define the organizational culture and that this serves as bonding mechanism between workers. If these values are properly defined the organization stands a better

chance of creating a solid foundation for their strategic business plans and to keep the workforce committed and creative (Williams 2002). In relation to these two case organizations and their different attitudes towards the development of the organization I tend to agree with the finding by Williams. The values of an organization form the basis for organizational culture that either supports or inhibits learning and development. This is also supported by the finding in article three which addresses the learning context in a small firm in more detail. It combines the HRM, HRD and OL perspectives in order to argue for their combined relevance for small firms.

The third article applies data from the IT organization because it provided the longitudinal data. The organization had developed a management process that does not fit the prevailing description of small business informal and reactive management. The processes that the organization had developed could have something to offer to both the practice and the theory development of small business HR. This article looks at both the employee and management perspectives but the employee perspective is slightly more dominant. The paper concentrated on finding out how learning in work improved first of all the individual performances of the employees and secondly the organizational performance and the organizational climate.

The findings on the central role played by a manager in a learning process confirm the similar findings by Coetzer (2006) and Kelliher and Henderson (2006). Coetzer argued that a manager plays a significant role in providing employees with incentives and opportunities to learn as well as promoting communication about learning possibilities. Learning in this case refers to learning in work (Sambrook 2004) that would then prove central to an organization's improved performance. This also brings the collective learning aspect into the performance discussion. In small firms the development of every employee especially alters their competencies and relationships in the collective entity, and therefore is a significant performance indicator.

The other central finding from this case was the co-operation between the sales unit and the technical service unit. The co-operation provides visible advantages to both of the units and therefore significant efforts have been invested in the development of this social relationship. The relationships between the two units, as well as the personal relationships inside both of the units, and between them, form the basis for a family-like, open and supportive environment. This environment has also been called an organizational climate in previous literature (Bowen and Ostroff 2004; Gelade and Ivery 2003). Therefore, based on the findings from the articles, the framework is completed by adding organizational climate and making it the linking mechanism between the perspectives and organizational performance (figure 8).

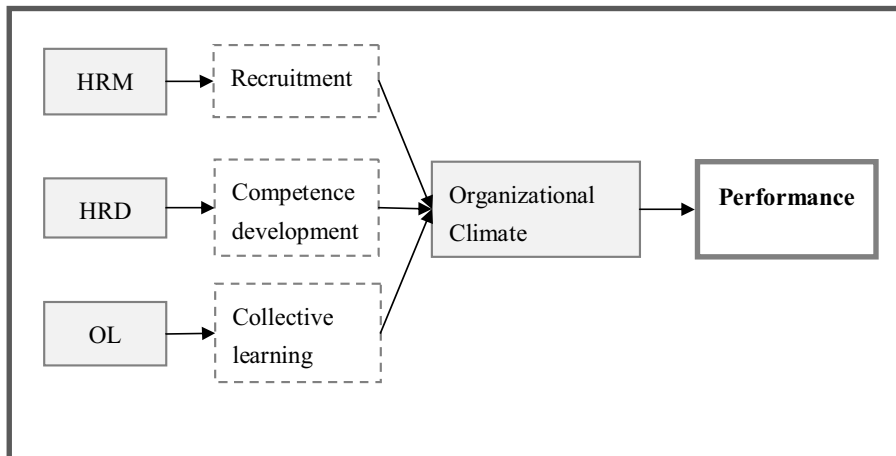


Figure 8 The link between the HRM, HRD and OL perspectives and small business performance

It would be tempting to draw an extra line around the whole figure to portray how an environment affects the choices a small firm has over its HR decisions. The environment as well as the amount and quality of resources play a central role in human resource issues. Environmental effects have already been presented elsewhere (Harney and Dundon 2006) and therefore these are not included in the figure 8, although it should be kept in mind that they feature in the background of every decision in small firms.

The formation of a positive climate seems to depend on the perceived fairness of the human resource practices and employee treatment in the organization (Saunders and Thornhill 2003; Cohen-Charas and Spector 2001; Molm, Collett and Schaefer 2006). The importance of fairness was also confirmed in this study. It became especially apparent when regarding the communication between the IT employees and their manager. The overall atmosphere in the organization was kept very open so that everyone would be aware of the goals of the organization and could work to achieve those.

This finding confirms that the model about SME learning developed by Kelliher and Henderson (2006) has a point. This is because it emphasizes the relationships inside the organization as being significant for learning. The structural change in the IT organization has affected the way the two units (the sales unit and the technical service unit) co-operate. To them this might seem as if nothing has changed, but one of the sellers pointed out that after the structural change he has not had to yell to the service guys at all for a while.

He may not have noticed that it is due to the structural change but he has been happy with the new situation where the relationships are more professional.

Employee perceptions seem to be a critical element in the HRM performance equation. Bowen and Ostroff (2004) argue that employee interpretations of the work climate affect their attitudes and behavior, which then affects organizational outcomes. But Paauwe and Boselie (2005) argue that in order for this to hold true the messages communicated through HR practices must be clear, consistent and uniformly applied. For this to work in the small context as well a more than just informal and reactive management style is required. It can be argued that in the IT organization the systematic work of the owner-manager in this regard has produced positive results. The employees are aware of the organizational policies and they feel that the messages communicated are uniform and consistent. This has partly affected their perceptions of the organizational climate and their positive attitudes towards work and the organization. These positive attitudes are the basis for the overall positive organizational climate (Saru and Viljanen 2008).

Organizational climate can be described as the aspects of a social environment that are consciously perceived by organizational members (Denison 1996). Organizational climate is seen to be largely based on the individual perceptions of HR practices, policies and procedures (Ostroff and Bowen 2000). Bowen and Ostroff (2004, 2005) build on earlier climate definitions and emphasise the view that organisational climate is employees' *shared* perception of what an organisation is like (see also Gelade and Ivery 2003; Rondeau and Wagar 2001).

Bowen and Ostroff (2004) put forward climate as an important mediating variable in the HRM performance relationship and introduce the concept of "the strength of the HRM system", which acts as a linking mechanism between HRM and employees and builds shared, collective perceptions, attitudes and behaviours among employees. The underlying idea is that instead of individual best practices or HPWPs certain characteristics or metafeatures of the HRM system encourage strong situations in which unambiguous messages are communicated to employees (Bowen and Ostroff 2004).

Therefore, based on the findings from the two cases, the argument is that in the small context the creation of a positive, communicative and fair organizational climate could replace some of the formal or missing HR practices and lead to better performance.

5 CONTRIBUTION AND EVALUATION

5.1 Small business HR: focal points and challenges

The purpose of this study was to contribute to the small business HR debate by examining the relevant ongoing discussions on human resources that potentially could contribute to the small business context. Three perspectives were examined as potentially useful and from each of these three one element was singled out as being most significant for small firms based on the empirical cases. These three elements together are seen as stimulating the formation of the organizational environment, or climate as it is referred to in previous literature, and through that they affect an organization's performance. In the previous literature small business human resources and workplace learning has been studied quite extensively but the combining of these three perspectives has not been, to the best of my knowledge, studied before.

The purpose of this chapter is to sum up the main findings from the study and present implications as well as future research possibilities. The findings specify that the research brings new knowledge to the subject of small business research but also raises new research possibilities. This shows that the small business context is not a simple one for conducting research in.

The metaphor of a kaleidoscope or a hologram describes small business HR function quite precisely. The metaphors refer to an image where a slight turn will alter the picture to something very different. The same descriptive image was first applied to HRM by Keenoy (1999; see also Vanhala 2006) and then to HRD by McGoldric, Steward and Watson (2001), who were inspired by the work of Keenoy. Both of them desire to bring to the fore the multiplicity of research in the areas of HRM and HRD and criticize the search for one best and right way to conceptualize the scientific disciplines. The same applies to small business HR research. The context can be observed from many different directions and therefore the models and conceptions about it are often idealized images that do not have a more generic applicability. Part of this hologram nature originates from the fuzziness of the concepts (Markusen 1999 as cited by Marlow 2006). As long as the disciplines of HRM and HRD find it difficult to define the field on their own then more accurate conceptions about small business human resource management or development cannot be expected either.

The challenge of drawing conclusions about how small business research originates arises from the heterogeneity of the research context. This makes it difficult to determine whether the research results are specific to just a given type of small firm or are they more generic (Gilman and Edwards 2008; Harney and Dundon 2006). A very common conclusion in SME studies is that the results are only applicable to the given population but could be more generally applied if more research were to be conducted in different settings. In SME research there is often a gap between the idealized models and the reality of the small business (Gilman and Edwards 2008; Taylor 2006). More research efforts are therefore called for to conduct qualitative small sample SME studies, although these may not cross the publication boundaries of the mainstream journals (Heneman et al. 2000). Researchers are also challenged to prove that small firms have human resource development practices in use because those clearly have helped them survive in the competition for business (Hill 2004). What these practices are and how are they structured in small firms is the major question which this study attempted to solve by presenting one alternative conceptualization of the context.

One of the main conclusions from this study is that small businesses cannot be separated from the context they operate in. The firms are embedded in their wider environment as many scholars have argued (Gilman and Edwards 2008; Mayson and Barrett 2006; Edwards and Ram 2006; Edwards, Ram, Gupta and Tsai 2006; Cassell et al. 2002). This study agrees with the point made by Mayson and Barrett (2006) that too often HRM issues inside a small firm are described without consideration for the external environment that has an effect on their internal issues. Harney and Dundon (2006) have contributed to the advancement of this type of research with their open systems model, which captures external as well as internal issues in the same model. As was discussed in chapter 2.4.2 the model advances our understanding of the different aspects relevant in small business HR research. The case examples in this study prove the relevance of the context because the organizations operate in very different environments, which, in different ways, affect their possibilities to invest in human resource management. The concept of the context also incorporates a company's economic situation, which has been indicated as having an impact on the HRM performance issue (Lähteenmäki, Storey and Vanhala 1998; Monks and McMackin 2001).

This study also suggests that the organizational climate could be the explanatory factor linking the applied HR elements to the improved performance of small firms. Cardon and Stevens (2004, 318) concluded that studies which address the less researched areas of HRM, such as training or performance management in small firms might be able to shed light on what those factors are that actually keep employees engaged in a certain firm and

what are the factors that drive their performance. In this study the training function was examined through the HRD perspective and especially the competence development aspect. It was combined with the recruitment questions in the small firm context in order to be able to construct a more comprehensive view of the relevant practices for small firms. In the small context one single perspective does not explain the whole human resource management process because in that context different practices are very much linked to each other and need to be studied as a whole system.

Earlier studies have suggested that in organizations that apply profound and systematic HR practices employees are more satisfied and less likely to leave (Viljanen 2006). This finding could be applied to the small business context as well and it could be argued that those small firms that are able to construct a systematic way of managing their human resources can benefit from it. The employees would most likely appreciate it because it raises their feeling of fairness and satisfaction with respect to their workplace, and therefore also their well-being. In recent literature employee well-being has been raised as a significant issue in employees' satisfaction with their work (Babtiste 2008; Vanhala and Tuomi 2006). That is an issue that the small firms are compelled to consider as well.

This view of combining the three perspectives to explain the small business human resource function is like the bundle perspective in general HRM literature, but the bundle here is constructed of practices from both the HRM and HRD perspectives. Resource scarcity sets certain limits on the possibilities for adapting or implementing HR practices. The situation is similar to public sector organizations in which financial resources are limited, therefore the possibilities to compensate an employee's efforts with a high salary is often out of the question (Viljanen 2006). Challenging work tasks are a way to retain employees in a small firm and the possibilities for personal development are able to compensate for lower salaries. This is one of the issues that small firms could turn to their advantage and strive to use as a competitive advantage rather than competing on pay.

Due to the fact that the attitude in small firms towards human resource management is relatively negative due to resource scarcity, the challenge is to find a way to convince the managers of the positive effects it has on performance. The state of the stability of a firm is one explanatory factor in this. In a stable, well established firm in which traditions have deep roots this is difficult to change. In this type of firm the attitude seems to be that the work itself should be the inspiring thing and all unnecessary so called soft HR is out of the question. The IT organization provides a counter example to this. It is a well established organization but because of the change in management the organization is more growth oriented and it seeks new ways to manage its

human resources. This suggests that in their organization the overall atmosphere seems to have a significant effect on employee well-being and as result of that organizational performance is improved.

In small and emerging firms managers regard HR activities as just regular activities that concern employees (Cardon and Stevens 2004). Cardon and Stevens refer to this approach as the “muddle through” approach which does not easily fit with the traditional conception of HRM. This approach is the informal and perhaps more common way to manage human resources in a small business. It also links the discussion to the broader leadership discussion (Heinonen and Toivonen 2006) because the leadership skills of a manager have a central role in how human resources are managed and developed, even if a manager lacks vast human resource expertise. Based on the findings from this research small firms could benefit from a more structured attitude towards the human resource function and therefore, as the following implications will show, there is still a lot research work to be done in this context.

5.2 The contribution to the ongoing theoretical discussion

The contribution to the ongoing theoretical discussion derives from the combination of the three perspectives. In general there is a tendency in organizational research to widen the scope of topics (Buchanan and Bryman 2007) to explain different phenomena. These three perspectives have not been combined into one study before and therefore their combined effect on organizational performance forms the contribution to research on small business human resources. The three perspectives add value for this study because they bring elements to the discussions that are essential in constructing a comprehensive view of small businesses. Small business HRM research on the other hand is able to contribute to general HRM research by introducing practices or combinations of practices that can potentially improve the HRM performance link in larger organizations. Those too are comprised of small units and teams of employees to which the small business practices could very well apply. This is in line with Gilman and Edwards (2008) who found that linear benchmarks such as HR, RBV and HPWS applied as measurements of SME success are inadequate because they do not consider the contextual embeddedness of small firms.

Given the holistic nature of the research background the framework in figure 8 intends to follow the instructions by Edwards and Ram (2006, 900) in considering what a new framework would need to incorporate. The instructions include 1) the incorporation of internal and external influences, 2) the consideration of resources in terms of bargaining, contest and uncertainty,

3) empirical application, and 4) an understanding of the firm in its specific environment. All of these four issues have been addressed in the light of human resources within small firms in the framework.

Also the perspective of organizational learning is at the centre of the theoretical contribution. It is the perspective that helps combine the two other perspectives together. Every employee in a small firm has a significant role in the collective. As was argued in the findings section, the professional development of an employee affects the way a collective behaves. The intention with training employees in a small firm is to preserve or raise the level of competencies in the firm. Competence development may be directed to one or several employees and the improvement in professional knowledge always affects the way the collective group behaves. The problem that may arise from this is how the group is managed so that no one withholds information gained from the new training and regards it as a tool solely for their benefit. It is especially important for a small firm to be able to spread new knowledge around an organization. Co-operation in this type of situation needs to be kept alive. This is where the OL perspective can contribute to the HRD discussion and therefore justify the existence of both of these perspectives in this research.

This competence development discussion is closely linked to the resource based view of the firm (cf. Mayson and Barrett 2006). In general human resource management literature the resource based view is well understood but in the small context it is not that well understood and it is given a totally different meaning. In the very smallest firms every individual is unique and irreplaceable. The retention, recruitment or loss of a single employee may alter the collective group significantly. This makes recruitment issues the most significant for a small firm. The implications for resource balance are significant which also leads to considerable performance effects as well.

The study shows that the mediating link between all three perspectives and organizational performance could be organizational climate in the small context. It brings the three perspectives together and links their contribution to performance. Cardon and Stevens (2004, 318) have recognized that several scholars allude to the importance of a relaxed and friendly relationship based work environment for small firms. However, these factors or their influence on individual or organizational performance outcomes have not been modeled. This study attempted to take on this challenge and examine the effects of a positive environment on the performance of small firms in more detail.

5.3 The contribution to the practice

A practical implication from the study that can be emphasized is the finding that human resource investments in small firms do not need to be overly expensive. With investments in the work environment it is possible to compensate for the missing formal practices. The key question seems to be to figure out how to find employees for an organization that fit into the current team and are able to contribute to the success of the organization. But recruiting the right people is not enough. The small firm has to be able to offer the new employees some tools to cope with their work. This means that they need to have some form of competence development in place because in most cases the new employees need training, even if they are professionals in their field, at least in their new organization's work routines.

The realization of how a bad or good recruitment can affect an organization's environment is at the center of the practical contributions. A challenge for a small organization is to figure out whether they are searching for a person who complements the existing group knowledge in some way but maybe breaks the harmony, or if they would like to keep the harmony in their organization and find the person that best fits it. This means that some forms of work community analysis need to be conducted to solve this problem. When this is solved recruitment can proceed in the right direction.

Some forms of managerial training for small firm owners could help them solve the problems of recruitment and the problem of how to leverage their employees' knowledge for their organization. This is where human resource theories could be of use to them. The theories could help in practical human resource management problems, if they were presented understandably and in a down to earth style.

5.4 The evaluation of the study

The evaluation of a qualitative case study is not as simple as in quantitative studies. This is mostly because there are no definitive criteria for the evaluation. Small sample case studies often encounter criticism on the generalizability of the results, or more specifically the lack of it. It is not even possible to determine how well the results would hold in other cases (Tsoukas 2009). But it is possible to provide general understanding on how well the results are applicable to similar individuals, groups or events even without drawing wider conclusions (Berg 2004).

A relatively common way to evaluate research is to discuss its validity and reliability. These concepts are not especially developed for qualitative

research. The central issues in the validity and reliability discussion concern the chosen cases, method and data analysis. These are the points in a piece of research that affect the outcomes the most. The popularity of qualitative research is, for the most part, due to the flexibility of the approach. It does not mean that anything goes in this approach, but rather it refers to the many choices a researcher has in how the research is presented (Coffey and Atkinson 1996). It also increases the demand for explanations of all choices made.

The issue that mostly affects the results of the study is that the results are interpretations of a reality (Curran and Blackburn 2001). Two different researchers may look at the same data from a different point of view and end up with distinct conclusions and see the connections to previous literature from a different viewpoint. Therefore the argumentation and explanation of a research process and of its results and conclusions are important in qualitative research. Curran and Blackburn (2001) list several issues that affect the validity of the results in qualitative small business research. Most of these have to do with how the process of the research is described and rationalized. Hartley (1994) points this out and calls for explanations of first of all the relationship of theory and method in the research, and secondly, how the potential weaknesses of the method are addressed. She argues that by doing that it is possible to avoid simplistic arguments such as the lack of reliability and generalizability (see also Miles and Huberman 1994) in qualitative research.

The other central issue in validating the research is methodological adequacy. The size of a sample is not indicative of qualitative research but the reasoning surrounding how it was selected is. The target organizations in this research are not representative of the whole small business context (cf. Curran and Blackburn 2001) but the choice of the two target organizations was based on access to these organizations and their suitability for this research. The organizations were chosen because through these organizations it was possible to present two different small business contexts and two different attitudes towards human resources. The rationalization behind the choice of the sample was that in a qualitative case study it is difficult to handle a large sample and two organizations seemed an appropriate number, especially because it was possible to gather longitudinal data from one of them. In qualitative small business research it is difficult to reach a representative sample, due to the heterogeneity of the small businesses, unless a certain profession or a field of operation is researched. Then the size of the organizations, their level of stability and growth orientations would make the sample heterogeneous. A representative sample would be appropriate if the aim was to test theory but

because the purpose of this research is not to test theory this type of theoretical sampling is appropriate (Eisenhardt and Graebner 2007).

The validity of this type of study is strengthened through, for example, a longitudinal aspect. A snapshot of one organization at a single point in time can be interesting (Jensen and Rodgers 2001) but if it is possible to take a longitudinal look at an organization it allows a better understanding to develop during the process. The point of the snap shot studies is to describe certain phenomenon in the small context but that type of data does not allow for deeper conclusions to be made. Thus, the longitudinal data permitted the examination of how the employees learn in their work. Learning is a difficult concept to first of all define and secondly to measure. With longitudinal data and by interviewing the same people twice it is possible to grasp the surface of learning in organizations. It still does not allow a thorough understanding to develop of the mechanisms through which learning in organizations occurs, but it is possible to detect whether the particular individuals have learned something.

The way to test the methodological adequacy is through triangulation (Curran and Blackburn 2001). If the interpretations are supported by data from different kinds of data collection strategies it always increases the validity of the interpretations. Triangulation also refers to the idea that there are multiple different versions of the reality and approaching the phenomenon through these different viewpoints will increase understanding of this phenomenon (Eriksson and Kovalainen 2008). This aim was realized in the IT organization where both the manager and the employees were interviewed. These provided two different views of the reality in the organization and are therefore complementing sources of data. The findings from the managerial interview were supported by the employee interviews and vice versa, which raises the credibility of the findings to a higher level.

In this research the interviews were the main source of data but some observation also took place. It was not a systematic data collection strategy but the observations during the interview visits provided additional evidence about the issues the employees talked about in the interviews. Longer periods of observation would have aided in understanding the processes on a deeper level but there is also a danger of losing objectivity in that type of study (Leonard-Barton 1990). This means that if the researcher becomes too involved in an organization it is difficult to be objective anymore. This could easily be the case especially in small firms if longer periods of time were spent in the organizations. However, on the other hand, a longer observational period could provide very interesting data and would allow deeper conclusions to be made. The problem with observations in small firms derives from the size of the organization. If there are only ten people working in an open office an

observer could cause uneasiness amongst the subjects and produce unreliable data.

The strength of having more than one target organization is that they lay the ground for multiple conclusions and affect the reliability of the results (Leonard-Barton 1990; Yin 1994). One or two more of these cases would have broadened the scope of the research even further, but due to time and resource constraints it was not possible to include more than two in this research. The number of cases in one study is always a debatable issue. What is the right number? There is no straightforward answer to that question but Creswell (1998) sees that the more cases there are in a study the more the individual cases will lack depth. I think that this study would have benefitted from the opportunity to include the employee interviews from the expert organization into the data. Those would have brought another dimension to the analysis. But another case organization would not have been needed. Taking a look at this issue through a third case is an option for further studies.

Qualitative research tends to avoid making universally applicable claims but it is able to make suggestions for further research. What these concern is also a question of validity (Curran and Blackburn 2001). Hartley (1994, 225) proposes that case studies can be useful because, with a detailed examination of a particular phenomenon, they are able to reveal a process that can be proposed as general or peculiar to that organization. This means that this type of detailed analysis will help to specify the process underlying the behavior and can help to specify the conditions under which the behavior can be expected to occur. It is generalization about theoretical propositions not about populations (cf. Yin 1994).

Similarly as the selection of the target organizations is a subjective procedure so is the selection of the interviewees in the organizations. Curran and Blackburn (2001) bring up two negative issues that are rather common in small business research. First of all, too often the employee interviewees are selected in agreement with the manager. This gives the employees the wrong message about the interviews because they are then aware that they have been approached with the consent of the manager and this may subsequently inhibit them from expressing themselves freely. Secondly, the sample may become biased if the manager is only willing to nominate certain types of employees. Opposing or negative views may then be excluded from the data, which then affects the validity of the results.

The first one of these two drawbacks applies to this research as well. The employees in the IT organization were selected by the manager during the first interview. The criterion he used for selecting the interviewees was to gather as representative a sample as possible. Therefore, the interviewees were chosen from both of the units in the organization, both long and short-term

employees (measured by their professional experience), and people with different roles in the organization. These criteria were also suitable from the research perspective and there is no reason to doubt that the sample would not have been representative of the organization.

The employees were aware that they had been selected for the interview by their manager. This may have affected their response to the interview query. It is possible that if the manager had not been involved in the process of selecting the interviewees they would have declined from it but now they may have felt obligated to take part in it. This is something that cannot be explicitly known but since their attitudes were positive towards the interviews when they were interviewed it seems that they would have declined if they had wanted to do so, or if they did not have time for it. The positive side of the manager's involvement is that it allowed the efficient arrangement of interviews, the company premises were made available, and the sample was as representative as possible. It would have been almost impossible for an outsider to determine who in the organization is worth interviewing. The interviewees were advised by the manager to talk about their work as it was and not to hide any unpleasant issues. Therefore it can be presumed that the interviewees did not need to be overly cautious when they talked about their work. They were given consent from the manager to talk about their work.

5.5 Future research possibilities

This research raised new research possibilities. It seems that the more you look into the small business context the more issues appear as relevant or interesting to study. This is part of the hologram nature of the research context.

First of all, the study showed that there would be a need to do comparative research. The comparison could be between stable and growth firms to find more examples of how an organizational climate has different implications for these different types of firms. Stable and growth firms, new and established firms (Cardon and Stevens 2004), or small and large firms are not the same (Curran and Blackburn 2001). There are numerous possibilities for comparison due to the different fields of operation. As this study showed, the field of operation, to a certain extent, determines what the most critical human resource practices are for a firm because the practices are not equally important within a firm or between two different firms (cf. Monks and Loughnane 2006). In the heating and plumbing business the most critical HR practices were most definitely the recruitment and retention problems and for the sales organization the issue was more about creating a friendly but

competitive work environment. Adding different types of firms to the study would make it possible to see if different types of attitudes towards human resources could be found or if they do actually fall into one of these two approaches.

These two case studies showed that the general atmosphere in an organization may have an effect on employee well-being and suggested that organizational climate could be one explanatory factor. The organizational climate regarding human resources has not been overly studied. The issues that affect the formation of the organizational climate include, for example, the distinctiveness, consistency and consensus of the HR system (Bowen and Ostroff 2004; Ostroff and Bowen 2000). Bowen and Ostroff have aimed to advance theoretical development with their concept of the “strength of the HRM system” which they argued could affect organizational climate. In the small business context it is easier to detect whether this is true or not. The IT organization is an example of a company that has intended to create a climate that supports the organization’s actions and therefore serves as a mediating link between HRM and performance. More evidence about this in other contexts could complement this finding and add value to the theoretical development of the HRM field.

In HRM research age management is a prominent research area at this point. This question would be essential to study in the small context as well. It was a question that became especially apparent in the expert organization, in this particular study. There the age division between employees is large, which makes the management process challenging. They have employees close to retirement age and very young workers who are at the beginning of their professional career. The natural middle age group is missing which leads to the situation that they are in a hurry to find committed young designers who would take over the work load when the experienced designers retire. This age division makes the organization’s continuity a big question mark. Age management research could offer small firms the tools to overcome this type of employee retention and commitment problem. Therefore, a future research possibility would be to apply the age management theory to the small business context, especially in industries that do not have much appeal among job applicants or students.

The questions surrounding strategic HR are an interesting future research possibility as well. Strategic HR is often associated with the resource based view of a firm. The term ‘strategic’ is quite ambiguous (Wright and Boswell 2002) because it is difficult to determine what it includes and what the non-strategic issues actually are which are not included in the concept. Especially in small firms, almost every business decision is strategic, even though the concept of ‘strategic’ may not be used. In future research projects this could be

studied in more detail by comparing, for example, the recruitment process in a large and small firm. For a small firm the recruitment of a new worker is strategically more important and also financially a risky operation. In the small firm one 'bad apple' can spoil a good atmosphere and affect everyone else's desire to work to the best of their ability.

This is one of the reasons for small firms to rely on informal recruitment and hire someone they know from previous contacts. This type of recruitment may lead to a situation where the firm runs out of potential recruits or they may exclude someone well qualified for a job because they do not use official recruitment channels and advertise the job to a wider audience. The official channels can result in a large amount of applications, which can then burden the manager who needs to choose and interview potential candidates and then make the final decision about hiring a new employee. If the organization is lucky it will gain a competent and committed employee who fits well with the team and is also productive. These difficulties in the recruitment process were issues brought up by both the interviewed managers. For the expert organization it is even more crucial to be aware of the bad apples because the organization is so small. There the question of finding any interested applicants also raised the level of difficulty of the process. In the IT organization the problem is more about the extra work load that the recruitment process brings.

This brings the capability discussion into the small business context, which is another research area requiring more study. Small firms seek capable people who would fit into the current team of employees. The question then remains, how can bad recruits be avoided and how do new recruits affect an organization's atmosphere and overall climate.

This study offers also the possibility for future research to take advantage of the elements that were found to be relevant for small enterprises' human resource function. The elements such as the central role of the manager, the embeddedness of the HR practices, and the informality of HR practices could form the base for building a new research design. New data could be collected from other small firms to either confirm the findings or to find evidence of some other elements that would be more appropriate for small firms.

The holistic approach of this research can be criticized. One can ask whether it was necessary to include all three of these perspectives in one study although there are a lot of un-researched areas in each of these three perspectives. The argument on behalf of taking all three into consideration is that in the field of human resources all of these can make a contribution to the future of HR, as Ruona and Gibson (2004) thoroughly argue. This is the case in large organizations but more so in the small context. The daily management of small firms involves all the possible elements of managing a business

successfully. Therefore, including all of these elements matches the reality of small business development in that anything you do affects everything else in the business. As a concluding remark I quote Harney and Dundon (2006). The quote illustrates how the human resource management in small enterprises can be like a patchwork – sewn together from many different pieces:

“HRM in SMEs is not a seamless garment but rather a quilt composed of a distinct mix of policies and practices.”

REFERENCES

- Anderson, Valerie – Boocock, Grahame (2002) Small firms and internationalization: learning to manage and managing to learn, *Human Resource Management Journal*, Vol. 12 No. 3, 5–24.
- Athey, Timothy R. – Orth, Michael S. (1999) Emerging competency methods for the future, *Human Resource Management*, Vol. 38 No. 3, 215–226.
- Allen, Natalie J. – Meyer, John P. (1990) The measurement and antecedents of affective, continuance and normative commitment to the organization, *Journal of Occupational Psychology*, Vol. 63, 1–18.
- Babstiste, Nicole Renee (2008) Tightening the link between employee wellbeing at work and performance, *Management Decision*, Vol. 46 No. 2, 284–309.
- Bapuji, Hari – Crossan, Mary (2004) From Questions to Answers: Reviewing Organizational Learning Research, *Management Learning*, Vol. 35, No. 4, 397–417.
- Bacon, Nicolas – Hoque, Kim (2005) HRM in the SME sector: valuable employees and coercive networks, *International Journal of Human Resource Management*, Vol. 16 No. 11, 1976–1999.
- Bacon, Nicolas – Ackers, Peter – Storey, John – Coates, David (1996) It's a small world: managing human resources in small businesses, *The International Journal of Human Resource Management*, Vol. 7 No.1, 82–100.
- Barney, Jay (1991) Firm resources and sustained competitive advantage, *Human Resource Management*, Vol. 36 No. 1, 39–47.
- Baron, Robert A. (2003) Editorial: Human resource management and entrepreneurship: some reciprocal benefits of closer links, *Human Resource Management Review*, Vol. 13, 253–256.
- Barrett, Rowena – Neeson, Robyn – Billington, Leo (2007) Finding the “right staff” in small firms, *Education + Training*, Vol. 49 No. 8/9, 686–697.
- Becker, Brian – Gerhardt, Barry (1996) The impact of human resource management on organizational performance: progress and prospects, *Academy of Management Journal*, Vol. 39 No. 4, 779–801.

- Behrens, Thomas (2007) Recruitment practices in small and medium size enterprises: An empirical study among knowledge-intensive professional service firms, *Management Revue*, Vol. 18 No. 1, 57–74.
- Berg, Bruce L. (2004) *Qualitative Research Methods Fifth Edition*, Pearson: USA.
- Billet, Stephen (2004) Workplace participatory practices: Conceptualizing workplaces as learning environments, *The Journal of Workplace Learning*, Vol. 16 No. 6, 312–324.
- Birdthistle, Naomi (2006) Training and learning strategies in family businesses: an Irish case, *Journal of European Industrial Training*, Vol. 30 No. 7, 550–568.
- Boselie, Paul – Dietz, Graham – Boon, Corine (2005) Commonalities and contradictions in HRM and performance research, *Human Resource Management Journal*, Vol. 15 No. 3, 67–94.
- Boselie, Paul – Paauwe, Jaap – Jansen, Paul (2001) Human resource management and performance: lessons from the Netherlands, *International Journal of Human Resource Management*, Vol. 12 No. 7, 1107–1125.
- Bowen, David E. – Ostroff, Cheri (2004) Understanding HRM–firm performance linkages: The role of the “strength” of the HRM system, *Academy of Management Review*, Vol. 29 No. 2, 203–221.
- Boxall, Peter – Purcell, John (2003) *Strategy and Human Resource Management*, Palgrave Macmillan: New York.
- Brewster, Chris (2006) HRM and performance: the effects of geography, *Key note presentation at the Cranet Conference ‘HRM – Between Performance and Employees’ in Helsinki November 16, 2006*.
- Brockbank, Wayne (1999) If HR were really strategically proactive: Present and future directions in HR’s contribution to competitive advantage, *Human Resource Management*, Vol. 38, 337–352.
- Bryan, Jane (2006) Training and Performance in Small Firms, *International Small Business Journal*, Vol. 24 No. 6, 635–660.
- Buchanan, David A. – Bryman, Alan (2007) Contextualizing Methods Choice in Organizational Research, *Organizational Research Methods*, Vol. 10 No. 3, 483–501.
- Burrell, Gibson – Morgan, Gareth (1979) *Sociological Paradigms and Organizational Analysis*. Ashgate: England.
- Capaldo, Guido – Iandoli, Luca – Giuseppe, Zollo (2006) A situationalist perspective to competency management, *Human Resource Management*, Vol. 45 No. 3, 429–448.

- Cardon, Melissa S. – Stevens, Christopher E. (2004) Managing human resources in small organizations: What do we know?, *Human Resource Management Review*, Vol. 14, 295–323.
- Cassell, Catherine – Nadin, Sara – Gray, Melanie – Clegg, Chris (2002) ‘Exploring human resource management practices in small and medium sized enterprises’, *Personnel Review*, Vol. 31 No. 6, 671–692.
- Chaston, Ian – Badger, Beryl – Sadler-Smith, Eugene (2001) Organizational Learning: An Empirical Assessment of Process in Small U.K. Manufacturing Firms, *Journal of Small Business Management*, Vol. 39 No. 2, 139–151.
- Church, Allan H. – Waclawski, Janine – Siegel, Wes (1999) Will the real O.D. practitioner please stand up?, *Organization Development Journal*, Vol. 17 No. 2, 49–59.
- Coffey, Amanda – Atkinson, Paul (1996) *Making sense of qualitative data*, Sage Publications: Thousand Oaks.
- Cohen, Aaron (2007) Commitment before and after: An evaluation and reconceptualization of organizational commitment, *Human Resource Management Review*, Vol. 17, 336–354.
- Cohen-Charash, Yochi – Spector, Paul E. (2001) The Role of Justice in Organisations: A Meta-Analysis. *Organisational Behavior and Human Decision Processes*, Vol. 86 No. 2, 278–321.
- Coetzer, Alan (2006) Managers as learning facilitators in small manufacturing firms, *Journal of Small Business and Enterprise Development*, Vol. 13 No. 3, 351–362.
- Combs, James – Liu, Yongmei – Hall, Angela – Ketchen, David (2006) How much do high-performance work practices matter? A meta-analysis of their effects on organizational performance, *Personnel Psychology*, Vol. 59, 501–528.
- Commission recommendation of 6 May 2003 concerning the definition of micro, small and medium enterprises (2003/361/EY) *Official Journal of the European Union*, <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:EN:PDF>> retrieved 30.5.2009.
- Conway, Edel – Monks, Kathy (2008) HR practices and commitment to change: an employee-level analysis, *Human Resource Management Journal*, Vol. 18 No. 1, 72–89.
- Creswell, J.W. (2003) *Research Design Qualitative, Quantitative and Mixed Methods Approaches*, second edition, Sage Publications: Thousand Oaks.

- Crossan, Mary M. – Lane, Henry W. – White, Roderick E. (1999) An organizational learning framework: from intuition to institution, *Academy of Management Review*, Vol. 24 No. 3, 522–537.
- Curran, James – Blackburn, Robert (2001) *Researching the small enterprise*, Sage Publications: London.
- Delaney, John T. – Huselid, Mark A. (1996) The impact of human resource management practices on perceptions of organizational performance, *Academy of Management Journal*, Vol. 39 No. 4, 949–969.
- Delery, John E. – Doty, D. Harold (1996) Modes of theorizing in strategic human resource management: tests of universalistic, contingency, and configurational performance predictors, *Academy of Management Journal*, Vol. 39 No. 4, 802–835.
- Denison, Daniel R. (1996) What is the difference between organizational culture and organizational climate? A native's point of view on a decade of paradigm wars. *Academy of Management Review*, Vol. 21 No. 3, 619–654.
- Easterby-Smith, Mark (1997) Disciplines of Organizational Learning: Contributions and Critiques, *Human Relations*, Vol. 50 No. 9, 1085–1113.
- Easterby-Smith, Mark – Snell, Robin – Gherardi, Silvia (1998), “Organizational Learning: Diverging Communities of Practice?” *Management Learning*, Vol. 29 No. 3, 259–272.
- Edwards, Paul – Ram, Monder (2006) Surviving on the Margins of the Economy: Working Relationships in Small, Low-Wage Firms, *Journal of Management Studies*, Vol. 43 No. 4, 895–916.
- Edwards, Paul – Ram, Monder – Gupta, Sen Sukanya – Tsai, Chin-ju (2006) The Structuring of Working Relationships in Small Firms: Towards a Formal Framework, *Organization*, Vol. 13 No. 5, 701–724.
- Eisenhardt, Kathleen M. – Graebner, Melissa E. (2007) Theory building from cases: opportunities and challenges, *Academy of Management Journal*, Vol. 50 No. 1, 25–32.
- Ekamen, Ignatius (2007) “Insider accounts”: a qualitative research method for small firms, *Journal of Small Business and Enterprise Development*, Vol. 14 No. 1, 105–117.
- Ellinger, Andrea D. – Cseh, Maria (2007) Contextual factors influencing the facilitation of other's learning through everyday work experiences, *Journal of Workplace Learning*, Vol. 19 No. 7, 435–452.

- Eriksson, Päivi – Kovalainen, Anne (2008) *Qualitative Methods in Business Research*. Sage Publications:London.
- Fenwick, Tara (2006) Toward Enriched Conceptions of Work Learning: Participation, Expansion, and Translation among Individuals With/In Activity, *Human Resource Development Review*, Vol. 5 No. 3, 285–302.
- Finegold, David – Frenkel, Stephen (2006) Managing people where people *really* matter: the management of human resources in biotech companies, *International Journal of Human Resource Management*, Vol. 17 No. 1, 1–24.
- Fleetwood, Steve – Hesketh, Anthony (2006) HRM–performance research: under-theorized and lacking explanatory power, *International Journal of Human Resource Management*, Vol. 17 No. 12, 1977–1993.
- Fombrun, Charles J. – Tichy, Noel M. – Devanna, Mary Anne (1984) *Strategic Human Resource Management*, John Wiley and Sons: New York.
- Garavan, Thomas N. – Gunnigle, Patrick – Morley, Michael (2000) Contemporary HRD research: a triarchy of theoretical perspectives and their prescriptions for HRD, *Journal of European Industrial Training*, Vol. 24 No. 2/3/4, 65–93.
- Garavan, Thomas N. – Morley, Michael J. (2006) Re-dimensionalizing boundaries in the theory and practice of Human Resource Development, *International Journal of Learning and Intellectual Capital*, Vol. 3 No. 1, 3–13.
- Gelade, Garry A. – Ivery, Mark (2003) The impact of human resource management and work climate on organizational performance. *Personnel Psychology*, Vol. 56 No. 2, 383–404.
- Ghauri, Pervez (2004) Designing and Conducting Case Studies in International Business Research, In Marschan-Piekkari, Rebecca – Welch, Catherine (eds.) *Handbook of Qualitative Research Methods for International Business*, Edward Elgar: Cheltenham UK.
- Gibb, Alan (1997) ‘Small Firms’ Training and Competitiveness. Building upon the Small Business as a Learning organization’, *International Small Business Journal*, Vol. 15, No. 3, 13–29.
- Gilbreath, Brad – Montesino, Max U. (2006) Expanding the HRD role: Improving Employee Well-Being and Organizational Performance, *Human Resource Development International*, Vol. 9 No. 4, 563–571.

- Gilman, Mark W. – Edwards, Paul K. (2008) Testing a framework of the organization of small firms: Fast-growth, High-tech SMEs, *International Small Business Journal*, Vol. 26 No. 5, 531–558.
- Godard, John (2004) A Critical Assessment of the High-Performance Paradigm, *British Journal of Industrial Relations*, Vol. 42, No. 2, 349–378.
- Gould-Williams, Julian (2007) HR practices, organizational climate and employee outcomes: evaluating social exchange relationships in local government. *International Journal of Human Resource Management*, Vol. 18 No. 9, 1627–1647.
- Granovetter, Mark (1985) Economic Action and Social Structure: The Problem of Embeddedness, *The American Journal of Sociology*, Vol. 91 No. 3, 481–510.
- Grant, Paul – Perren, Lew (2002) Small Business and Entrepreneurial Research, *International Small Business Journal*, Vol. 20 No. 2, 185–211.
- Gratton, Lynda – Hope-Hailey, Veronica – Stiles, Philip – Truss, Catherine (1999) Linking individual performance to business strategy: the people process model, *Human Resource Management*, Vol. 38 No. 1, 17–31.
- Gray, Colin – Mabey, Christopher (2005) Management Development: Key Differences between Small and Large Businesses in Europe, *International Small Business Journal*, Vol. 23 No. 5, 467–485.
- Greiner, Larry E. (1998) Evolution and Revolution as organizations grow, *Harvard Business Review*, May-June, 55–67.
- Grieves, Jim – Redman Tom (1999) Living in the shadows of OD: HRD and the search for identity, *Human Resource Development International*, Vol. 2 No. 2, 81–102.
- Gruber, Hans – Palonen, Tuire (2007) Learning in the workplace: New developments in the relation between working and learning, In: Gruber, H. – Palonen, T. (eds.), *Learning in the workplace – new developments*, 11–18, Turku: Finnish Educational Research Association.
- Guest, David (1997) Human resource management and performance: a review and research agenda, *The International Journal of Human Resource Management*, Vol. 8 No. 3, 263–276.
- Guest, David (2001) Human resource management: when research confronts theory, *The International Journal of Human Resource Management*, Vol. 12 No. 7, 1092–1106.
- Hamel, Gary – Prahalad, C.K. (1994) *Competing for the future*, Harvard Business School Press: Boston.

- Harney, Brian – Dundon, Tony (2006) Capturing complexity: developing an integrated approach to analyzing HRM in SMEs, *Human Resource Management Journal*, Vol. 16 No.1, 48–73.
- Hartley, Jean F. (1994) Case Studies in Organizational Research, In Cassell, Catherine – Symon, Gillian (eds.) *Qualitative Methods in Organizational Research: a practical guide*, Sage Publications: London.
- Heinonen, Jarna – Toivonen, Jouko (2007) Approaching a deeper understanding of corporate entrepreneurship – Focusing on co-evolutionary processes, *Journal of Enterprising Culture*, Vol. 15 No. 2, 165–186.
- Heneman, Robert L. – Tansky, Judith W. – Camp, S. Michael (2000) Human Resource Management Practices in Small and Medium-Sized Enterprises: Unanswered Questions and Future Research Perspectives, *Entrepreneurship Theory and Practice*, Fall, 11–26.
- Hesketh, Anthony – Fleetwood, Steve (2006) Beyond Measuring the Human Resources Management – Organizational Performance Link: Applying Critical Realist Meta-Theory, *Organization*, Vol. 13 NO. 5, 677–699.
- Hicks, Elizabeth – Bagg, Robert – Doyle, Wendy – Young Jeffrey D. (2007) Canadian accountants: examining workplace learning, *Journal of Workplace Learning*, Vol. 19 No. 2, 61–77.
- Hill, Rosemary (2004) Why HRD in small organizations may have become a neglected field of study, In Stewart, Jim – Beaver, Graham (eds.) *HRD in Small Organizations: Research and Practice*, Routledge: Oxon.
- Hill, Rosemary – Stewart, Jim (2000) Human resource development in small organizations, *Journal of European Industrial Training*, Vol. 24 No. /2/3/4, 105–117.
- Hope Hailey, Veronica – Farndale, Elaine – Truss, Catherine (2005) The HR department's role in organizational performance, *Human Resource Management Journal*, Vol. 15 No. 3, 49–66.
- Hornsby, Jeffrey S. – Kuratko, Donald F. (1990) Human resource management in small business: Critical issues for the 1990's, *Journal of Small Business Management*, July 1990, 9–18.
- Hornsby, Jeffrey S. – Kuratko, Donald F. (2003) Human Resource Management in U.S. Small Businesses: A Replication and Extension, *Journal of Developmental Entrepreneurship*, Vol. 8 No. 1, 73–92.
- Huber, George B. (1991) Organizational Learning: the Contributing Processes and the Literatures, *Organization Science*, Vol. 2 No. 1, 88–115.

- Huselid, Mark A. (1995) The impact of human resource management practices on turnover, productivity, and corporate financial performance, *Academy of Management Journal*, Vol. 38 No. 3, 635–672.
- Jensen, Jason L. – Rodgers, Robert (2001) Cumulating the Intellectual Gold for Case Study Research, *Public Administration Review*, Vol. 61, No. 2, 235–246.
- Katz, Jerome A. – Aldrich, Howard E. – Welbourne, Theresa M. – Williams, Pamela M. (2000) Quest Editor's Comments Special Issue on Human Resource Management and the SME: Toward a New Synthesis, *Entrepreneurship Theory and Practice*, Fall, 7–10.
- Keenoy, Tom (1999) HRM as a hologram: A polemic, *Journal of Management Studies*, Vol. 36 No. 1, 1–23.
- Kelliher, Felicity – Henderson, Joan B. (2006) A learning framework for the small business environment, *Journal of European Industrial Training*, Vol. 30 No.7, 512–528.
- Kotey, Bernice – Sheridan, Alison (2004) Changing HRM practices with firm growth, *Journal of Small Business and Enterprise Development*, Vol. 11 No. 4, 474–485.
- Kotey, Bernice – Slade, Peter (2005) Formal Human Resource Management Practices in Small Growing Firms, *Journal of Small Business Management*, Vol. 43 No. 1, 16–40.
- Kuchinke, Peter K. (1998) Moving Beyond the Dualism of Performance versus Learning: A Response to Barrie and Pace, *Human Resource Development Quarterly*, Vol. 9 No. 4, 377–384.
- Kuchinke, Peter K. (2000) Debates over the nature of HRD: an institutional theory perspective, *Human Resource Development International*, Vol. 3 No. 3, 279–283.
- Kuchinke, Peter K. (2001) Why HRD is not an academic discipline, *Human Resource Development International*, 4:3, 291–294.
- Kvale, Steinar (1996) *InterViews: An Introduction to Qualitative Research Interviewing*, Sage Publications: Thousand Oaks.
- Lam, Long W. – White, Louis P. (1998) Human Resource Orientation and Corporate Performance, *Human Resource Development Quarterly*, Vol. 9 No. 4, 352–364.
- Lee, Monica (2001) A refusal to define HRD, *Human Resource Development International*, Vol. 4 No. 3, 327–341.
- Legge, Karen (1995) *Human Resource Management – Rhetorics and Realities*, McMillan Business Press: London.
- Leonard-Barton, Dorothy (1990) A dual methodology for case studies: synergistic use of a longitudinal single site with replicated multiple sites, *Organization Science*, Vol. 1 No. 3, 248–265.

- Losey, Michael R. (1999) Mastering the competencies of HR management. *Human Resource Management*, Vol. 38 No. 2, 99–102.
- Luomanmäki, Päivi – Lähteenmäki, Satu (1997) Does the Integration of Business Strategy and Human Resource Management Reach the Everyday Level of HRM-Practices in Finnish Companies? A Study Based on the Rousseau and Wade-Benzoni Model, *Proceedings of the IIRA HRM Study Group, IIRA Regional Conference Dublin*.
- Lynham, Susan A. (2000) Theory Building in the Human Resource Development Profession, *Human Resource Development Quarterly*, Vol. 11 No. 2, 159–178.
- Lynham, Susan A. – Chermack, Thomas J. – Noggle, Melissa A. (2004) Selecting Organization Development Theory from an HRD Perspective, *Human Resource Development Review*, Vol. 3 No. 2, 151–172.
- Lähteenmäki, Satu (2000) Building competitive Advantage by looking inside – the internally integrated HRM ‘bundle’ of Oras Ltd, In: Reponen, Tapio (ed.) *Management Expertise for the New Millennium In commemoration of the 50th Anniversary of the Turku School of Economics and Business Administration*, 129–144, Publications of the Turku School of Economics Series A-1.
- Lähteenmäki, Satu – Paalumäki, Anni (1993) The retraining and mobility motivations of key personnel: dependencies in the Finnish business environment, *The International Journal of Human Resource Management*, Vol. 4 No. 2, 377–406.
- Lähteenmäki, Satu – Storey, John – Vanhala, Sinikka (1998) HRM and company performance: the use of measurement and the influence of economic cycles, *Human Resource Management Journal*, Vol. 8 No. 2, 51–64.
- Lähteenmäki, Satu – Toivonen, Jouko – Mattila, Merja (2001) Critical Aspects of Organizational Learning Research and Proposal for Its Measurement, *British Journal of Management*, Vol. 12 No. 2, 113–129.
- Mankin, David P. (2001) A model for human resource development, *Human Resource Development International*, 4:1, 65–85.
- Marlow, Susan (2006) Human resource management in smaller firms: A contradiction in terms?, *Human Resource Management Review*, Vol. 16, 467–477.
- Mayson, Susan – Barrett, Rowena (2006) The ‘science’ and ‘practice’ of HRM in small firms, *Human Resource Management Review*, Vol. 16, 447–455.

- Mazzarol, Tim (2003) A model of small Business HR growth management, *International Journal of Entrepreneurial Behaviour & Research*, Vol. 9 No. 1, 27–49.
- MacDuffie, John P. (1995) Human Resource Bundles and Manufacturing Performance: Organizational Logic and Flexible Production Systems in the World Auto Industry, *Industrial and Labour Relations Review*, Vol. 48 No. 2, 197–221.
- McGolgrick, Jim – Stewart, Jim – Watson, Sandra (2001) Theorizing human resource development, *Human Resource Development International*, 4:3, 343–356.
- McLean, Gary N. (1999) Get out the drill, glue and more legs, *Human Resource Development International*, Vol. 2 No. 1, 6–7.
- McLean, Gary N. (2007) Déjà Vu, All over again, *Human Resource Development International*, Vol. 10 No. 4, 459–463.
- McNamara, Carter (1998) Holistic OD: A paradigm for the future, *Organization Development Journal*, vol. 16 No. 4, 85–87.
- Miles, Matthew B. – Huberman, A. Michael (1994) *Qualitative Data Analysis*, Sage Publications: Thousand Oaks.
- Miller, Jody – Glassner, Barry (1997) The ‘Inside’ and the ‘Outside’ Finding Realities in Interviews, In: Silverman, David (ed.) *Qualitative Research, Theory, Method and Practice*, Sage Publications: London.
- Mitchell, Terence R. – Holtom, Brooks C. – Lee, Thomas W. – Sablinsky, Chris J. – Erez, Miriam (2001) Why people stay: Using job embeddedness to predict voluntary turnover, *Academy of Management Journal*, Vol. 44 No. 6, 1102–1121.
- Molm, Linda D. – Collett, Jessica L. – Schaefer, David R. (2006) Conflict and Fairness in Social Exchange. *Social Forces*, Vol. 84 No. 4, 2331–2352.
- Monks, Kathy – Loughnane, Michael (2006) Unwrapping the HRM bundle: HR system design in an Irish power utility, *International Journal of Human Resource Management*, Vol. 17 No. 11, 1926–1941.
- Monks, Kathy – McMackin, John (2001) Designing and aligning an HR system, *Human Resource Management Journal*, Vol. 11 No. 2, 57–72.
- Nadin, Sara – Cassell, Catherine (2007) New Deal for Old? Exploring the Psychological Contract in a Small Firm Environment, *International Small Business Journal*, Vol. 25 No. 4, 417–443.

- Nguen, Thang V. – Bryant, Scott E. (2004) 'A Study of the Formality of Human Resource Management Practices in Small and Medium-Size Enterprises in Vietnam', *International Small Business Journal*, Vol. 22, 595–618.
- Ostroff, Cheri – Bowen, David E. (2000) Moving HR to a Higher Level, HR Practices and Organizational Effectiveness, In: Klein, Katherine J. – Kozlowski, Steve W.J. (eds.) *Multilevel Theory, Research, and Methods in Organizations*, 211–266, Jossey-Bass: San Francisco.
- Paauwe, Jaap (2004) *HRM and Performance, Achieving Long Term Viability*. Oxford University Press: Oxford.
- Paauwe, Jaap (2009) HRM and Performance: Achievements, Methodological Issues and Prospects, *Journal of Management Studies*, Vol. 46 No. 1, 129–142.
- Paauwe, Jaap – Boselie, Paul (2003) Challenging 'strategic' HRM and the relevance of the institutional setting, *Human Resource Management Journal*, Vol. 13 No. 3, 56–70.
- Paauwe, Jaap – Boselie, Paul (2005) HRM and performance: what next? *Human Resource Management Journal*, Vol. 15 No. 4, 68–83.
- Perren, Lew – Ram, Monder (2004) Case-study Method in Small Business and Entrepreneurship Research, *International Small Business Journal*, Vol. 22 No. 1, 83–101.
- Piekkari, Rebecca – Welch, Catherine – Paavilainen, Eriikka (2009) The Case Study as Disciplinary Convention: Evidence from International Business Journals, *Organizational Research Methods*, Vol. 12 No. 3, 567–590.
- Podsakoff, Philip M. – MacKenzie, Scott B. – Paine, Julie Beth – Bachrach, Daniel G. (2000) Organizational Citizenship Behaviors: A Critical Review of the Theoretical and Empirical Literature and Suggestions for Future Research. *Journal of Management*, Vol. 26 No. 3, 513–563.
- Price, Alan (2007) *Human Resource Management in a Business Context*, 3rd Edition, Thompson Learning: London.
- Ruona, Wendy E. A. – Gibson, Sharon K. (2004) The making of twenty-first-century HR: an analysis of the convergence of HRM, HRD and OD, *Human Resource Management*, Vol. 43 No. 1, 49–66.
- Rutherford, Matthew W. – Buller, Paul F. – McMullen, Patric R. (2003) Human resource management problems over the life cycle of small to medium-sized firms, *Human Resource Management*, Vol. 42 No. 4, 321–335.

- Sadler-Smith, Eugene – Gardiner, Penny – Bagder, Beryl – Chaston, Jan – Stubberfield Jane (2000) Using collaborative learning to develop small firms, *Human Resource Development International*, Vol. 3 No. 3, 285–306.
- Sambrook, Sally (2000) Talking of HRD, *Human Resource Development International*, 3:2, 159–178.
- Sambrook, Sally (2004) E-learning and small organizations, In Stewart, Jim – Beaver, Graham (eds.) *HRD in Small Organizations: Research and Practice*, Routledge: Oxon.
- Sammut, Andrew C. (2001) HR & OD turfwar: Highlighting the need to establish a clear definition for OD, *Organization Development Journal*, vol. 19 No. 2, 9–18.
- Saru, Essi (2006) Henkilöstövoimavarojen kehittäminen ja organisatorinen oppiminen Kirjallisuuskatsaus henkilöstön merkityksestä pk-yritysten tuloksellisuuteen, *Työelämän Tutkimus*, 2/2006, 97–107.
- Saru, Essi (2007) Organizational learning and HRD: how appropriate are they for small firms, *Journal of European Industrial Training*, Vol. 31 No. 1, 36–51.
- Saru, Essi (2009) HRM in SMEs Linking Embedded Human Resources Practices to Performance and Employee Wellbeing, In: Fink, Mathias – Kraus, Sascha (eds.) *The Management of Small Enterprises*, 80–94, Routledge: New York.
- Saru, Essi (2009) The element of sustainable learning environment as the linking mechanism between HR and performance in small firms. *Proceedings of the 10th International Conference on HRD Research and Practice across Europe, Newcastle 10.-12.6.2009*.
- Saru, Essi – Viljanen, Maarit (2007) What is fair? The role of constructing a fair organizational climate. Presented at the *IIRA 8th European Regional Congress 2007, Manchester 4.–6.9.2007* and published on the on-line based working paper series of IIRA HRM Study Group, <http://www.zagelmeyer.com/pageID_3782045.html> retrieved 6.6.2009.
- Saru, Essi – Viljanen, Maarit (2008) Climate as a mediating construct in the HRM – performance equation. *Proceedings of the HRM Global 2008 conference, Turku 27.–29.8.2008*.
- Scapens, Robert W. (2004) Doing Case Study Research, In: Humbrey, C. – Lee, B. (eds.) *The Real Life Guide to Accounting Research*, Elsevier: Oxford.
- Schuler, Randal S. – Jackson, Susan E. (1987) Linking competitive advantage with human resource management practices, *Academy of Management Executive*, Vol. 1, 201–219.

- Sels, Luc – De Winne, Sophie – Delmotte, Jeroen – Maes, Johan – Faems, Dries – Forrier, Anneleen (2006a) Linking HRM and Small Business Performance: An Examination of the Impact of HRM Intensity on the Productivity and Financial Performance of Small Businesses, *Small Business Economics*, Vol 26, 83–101.
- Sels, Luc – De Winne, Sophie – Maes, Johan – Delmotte, Jeroen – Faems, Dries – Forrier, Anneleen (2006b) Unravelling the HRM–Performance Link: Value-Creating and Cost-Increasing Effects of Small Business HRM, *Journal of Management Studies*, Vol. 43 No. 2, 319–342.
- Shaw, Eleanor (1999) A guide to the qualitative research process: evidence from a small firm study, *Qualitative Market Research*, Vol. 2 No. 2, 59–70.
- Short, Darren C. (2000) Analysing metaphor in human resource development, *Human Resource Development International*, Vol 3 No. 3, 323–341.
- Siggelkow, Nicolaj (2007) Persuasion with cases, *Academy of Management Journal*, Vol. 50 No. 1, 20–24.
- Simmonds, David – Pedersen, Cec (2006) HRD: the shapes and things to come, *Journal of Workplace Learning*, Vol. 18 No. 2, 122–134.
- Sparrowe, Raymond T. – Liden, Robert C. – Wayne, Sandy J. – Kraimer, Maria L. (2001) Social Networks and the Performance of Individuals and Groups, *Academy of Management Journal*, Vol. 44 No. 2, 316–325.
- Spicer, David P. – Sadler-Smith, Eugene (2006) Organizational Learning in Smaller Manufacturing Firms, *International Small Business Journal*, Vol. 24 No. 2, 133–158.
- Statistics Finland (2009) Statistical databases, <http://pxweb2.stat.fi/Database/StatFin/yri/syr/010_yr_tol08/010_yr_tol08_fi.asp> retrieved 29.5.2009.
- Suliman, Abubakr (2002) Is it really a mediating construct? The mediating role of organizational commitment in work climate-performance relationship, *Journal of Management Development*, Vol. 21 No. 3, 170–183.
- Swanson, Richard A. (1995) Human Resource Development: Performance Is the Key, *Human Resource Development Quarterly*, Vol. 6 No. 2, 207–213.
- Swanson, Richard A. (1999) HRD theory, real or imagined?, *Human Resource Development International*, Vol. 2 No. 1, 2–5.

- Swanson, Richard A. (2001) Human resource development and its underlying theory, *Human Resource Development International*, 4:3, 299–312.
- Swanson, Richard A. (2007) Defining Intergalactic Human Resource Development (IHRD), *Human Resource Development International*, Vol. 10 No. 4, 455–457.
- Taylor, Scott (2006) Acquaintance, meritocracy and critical realism: Researching recruitment and selection processes in smaller and growth organizations, *Human Resource Management Review*, Vol. 16, 478–489.
- Truss, Catherine (2001) Complexities and controversies in linking HRM with organizational outcomes, *Journal of Management Studies*, Vol. 38 No. 8, 1121–1149.
- Truss, Catherine – Gratton, Lynda (1994) Strategic human resource management: a conceptual approach, *The International Journal of Human Resource Management*, Vol. 5 No. 3, 663–686.
- Tsai, Chin-Ju – Sengupta, Sukanya – Edwards, Paul (2007) When and why is small beautiful? The experience of work in the small firm, *Human Relations*, Vol. 60 No. 12, 1779–1807.
- Tsoukas, Haridimos (2009) Craving for Generalizability and Small-N Studies: A Wittgensteinian Approach towards the Epistemology of the Particular in Organization and Management Studies, In: Buchanan, David A. – Bryman, Alan (eds.) *The Sage Handbook of Organizational Research Methods*, (285–301), Sage Publications: London.
- Tuomi, Jouni – Sarajärvi, Anneli (2006) *Laadullinen tutkimus ja sisällönanalyysi*, Tammi:Jyväskylä.
- Tuomi, Lauri (2005) *Strategic Human Resource Development in SMEs: The Identification of Key Employees and Their Discourses on Human Resource Development*, Acta Wasaensia No. 135.
- Tzafrir, Shay S. (2005) The relationship between trust, HRM practices and firm performance, *International Journal of Human Resource Management*, Vol. 16 No. 9, 1600–1622.
- Uzzi, Brian (1996) The sources and consequences of embeddedness for the economic performance of organizations: the network effect, *American Sociological Review*, Vol. 61 No. 4, 674–698.
- Van Emmerik, Hetty – Sanders, Karin (2004) Social embeddedness and job performance of tenured and non-tenures professionals, *Human Resource Management Journal*, Vol. 14 No. 1, 40–54.

- Vanhala, Sinikka (2006) Korkean tuloksellisuuden ja työhyvinvoinnin kytkennähenkilöstövoimavarojen johtamisen tutkimuksessa, *Työelämän Tutkimus*, 2/2006, 69–82.
- Vanhala, Sinikka – Tuomi, Kaija (2006) HRM, Company Performance and Employee Well-being, *Management Revue*, Vol. 17 No. 3, 241–255.
- Viljanen, Maarit (2006) “Täytyykö töissä niin viihtyäkään?” *Henkilöstövoimavarojen tuloksellisuus tietotekniikka-ammateissa (Human resource management effectiveness in information technology professions)*, Publications of the Turku School of Economics A-9:2006.
- Waddington, David (1994) Participant observation, In: Cassell, Catherine – Symon, Gillian (eds.), *Qualitative Methods in Organizational Research*, 107–122, Sage Publications: London.
- Wagar, Terry H. (1998) Determinants of Human Resource Management Practices in Small Firms: Some Evidence from Atlantic Canada, *Journal of Small Business Management*, April, 13–23.
- Wall, Toby D. – Wood, Stephen J. (2005) The romance of human resource management and business performance, and the case for big science, *Human Relations*, Vol. 58 No. 4, 429–462.
- Wilkinson, Adrian (1999) Employment relations in SMEs, *Employee Relations*, Vol. 21 No. 3, 206–217.
- Williams, Sandra L. (2002) Strategic planning and organizational values: links to alignment, *Human Resource Development International*, 5:2, 217–233.
- Williamson, Ian O. (2000) Employer Legitimacy and Recruitment Success in Small Businesses, *Entrepreneurship Theory and Practice*, Fall, 27–42.
- Woodall, Jean (2001) HRDI special issue: defining HRD, *Human Resource Development International*, Vol. 4 No. 3, 287–290.
- Wright, Patric M. – Boswell, Wendy R. (2002) Desegregating HRM: A Review and Synthesis of Micro and Macro Human Resource Management Research, *Journal of Management*, Vol. 28 No. 3, 247–276.
- Wright, Patric M. – McMahan, Gary C. – McWilliams, Abigail (1994) Human resources and sustained competitive advantage: a resource-based perspective, *International Journal of Human Resource Management*, Vol. 5 No. 2, 301–326.
- Zalan, Tatiana – Lewis, Geoffrey (2004) Writing about Methods in Qualitative Research: Towards a More Transparent Approach, In: Marschan-Piekkari, Rebecca – Welch, Catherine (eds.) *Handbook of*

Qualitative Research Methods for International Business, Edward Elgar: Cheltenham UK.

Zhang, Michael – Macpherson, Alan – Jones, Oswald (2006) Conceptualizing the Learning Process in SMEs, *International Small Business Journal*, Vol. 24 No. 3, 299–323.

Yin, Robert K. (1994), *Case study research – Design and methods*, 2nd ed., Sage Publications: Newbury Park.

Appendix 1. Interview themes for the managers (English translation)

First round of interviews

1. History of the company:
 - What type of organization is this?
 - When was it established?
 - How has the company ended up where it is today?
2. Description of the field:
 - In what field does the organization operate?
 - What are the special features of the field of operation in this area?
 - What is the business environment like at the moment?
3. Description of the personnel and their educational background:
 - How many people are working for the company?
 - What is their basic education?
 - What types of work tasks do they do?
 - Are there some special competence requirements for the jobs?
4. The business aims of the organization:
 - Are there growth intentions?
 - What are the plans for the future?
5. Specialties of the organization:
 - What makes this organization unique?
 - How is it different from other similar organizations?
6. Organizational culture:
 - How would you describe the organizational culture in this organization?
7. Human resource practices:
 - Can you identify certain human resource practices in your organization?
 - Which ones do you apply regularly?
 - How is the recruitment of new employees organized?
 - What type of process is that? Do you find it easy? Why?
 - What type of training is required in the job?
 - How is the employee training organized in this firm?
 - How is the internal communication organized?
8. The existence of written strategic or human resource management plans:
 - How do you plan for the future?
 - What is your role in this organization?

Second round of interviews

1. Description of the changes:
 - How has the organization changed during the year?
 - Have there been changes in the numbers of the employees?
 - Has the business environment changed?
 - How has that affected your work?
2. The structural change:
 - What has happened?
 - How has it affected the work relations in the organization?
 - Can you already tell how it is working?
 - Why was this change conducted?
 - How has your role changed during this process, or has it?
3. Human resource practices:
 - How have these changed?
 - What are the main practices that you have in use? Why?
 - Are they formal or more informal?
 - What is the role of the social relations in the organization?
4. Learning and commitment:
 - How important is competence development for your firm?
 - How do the employees learn in their work?
 - What type of learning is essential?
 - How do you recognize the learning and development in the work?
 - Are there concrete examples of or measures on competence development?
 - Would you describe one successful and one unsuccessful work event from the past year?
 - How have those affected your work or the firm?
5. What are the main strengths of the organization at the moment?

Appendix 2. Interview themes for the employees (English translation)

Themes for the first round of interviews

1. Background information
 - a. In which unit do you work at?
 - b. What is your job?
 - c. What type of working hours do you have?
 - d. What is the basis for your salary? Monthly salary or provisional pay?
2. Work history
 - a. How long have you worked for this firm?
 - b. What is your work history before joining this firm?
 - c. What were the main reasons for you to join this particular firm?
 - d. How was the recruitment process organized in your recruitment?
 - e. Did you respond to a newspaper add or did you hear about this job from some one?
 - f. What are your career plans for the future in this organization?
3. Training and learning
 - a. What is your basic training?
 - b. Are you in some kind of training at the moment?
 - c. Do you do the kind of work that you were trained for?
 - d. How do you develop your professional competencies here? In training sessions/ through trial and error/ learning from coworkers?
 - e. In what types of situations or work tasks do you feel that you learn the best?
 - f. How do you feel about attending professional training? Do you find it beneficial to attend professional training?
 - g. What is the most important skill in this job?
 - h. Is competence development seen important in this organization? Why?
4. Communication
 - a. How is the daily communication structured in this firm?
 - b. What types of goals do you have in your job?
 - c. Are those goals clearly articulated and visible?
 - d. Can you describe what the goals of your unit and the whole firm are? Are those goals clear to you?
 - e. Can you influence on your own work issues?
5. Work satisfaction
 - a. How would you describe the work environment here?
 - b. What are the main things that make you enjoy your work?
 - c. How does the firm invest in employee wellbeing?

- d. How or from whom do you get feedback about your work? Positive and/or negative?
 - e. How would you describe the relationship between the employees and the manager?
 - f. Do you feel that employees are treated equally in this organization? How is that expressed?
6. Responsibilities and rewards
- a. What types of responsibilities do you have in your work?
 - b. In your opinion are your responsibilities in line with the rewards?
 - c. Would you be willing to take more responsibility?
 - d. How demanding is the job you are currently doing?
 - e. How are you rewarded from your job or the goals you are able to reach?
 - f. Do you work in a team or is it more individual work?
 - g. Do you feel that the the reward policies in this firm are clear and fair?
 - h. If you could change one thing here what would it be?
7. What are the values of the firm? And how do they manifest in the daily work?

Themes for the second round of interviews

1. How has your work changed during the year?
 - a. Could you tell about your current work tasks?
 - b. Have your work tasks changed/do you have new work tasks due to learning and competence development?
 - c. What are the effects of the new organizational structure to your job?
 - d. Who is your superior at the moment?
 - e. What is the role of the previous manager (the owner manager) in the leadership at the moment?
 - f. How has that changed the work routines or the leadership in the organization?
 - g. If you compare the old and the new structures how would you describe the benefits and weaknesses of them?
2. Has your work unit changed during the year?
 - a. Do you have new co-workers?
 - b. Has some one left the firm during this time? Why?
 - c. How has that affected your work load?
 - d. What is the co-operation like between the two work units?
 - i. What are the best sides of it?
 - ii. What would you develop in that relationship if you could?

3. What are the most important factors in your work at the moment?
 - a. Do you value professional development?
 - b. Higher pay?
 - c. The work group?
 - d. The firm?
4. Learning in work
 - a. Could you describe one successful work event during this year?
 - i. What made it so successful?
 - ii. What did you learn from it?
 - iii. Were you able to transfer that new knowledge into the next work assignments?
 - iv. How was it rewarded?
 - b. Could you describe one unsuccessful work event from the past year?
 - i. What did you learn from that?
5. Additional questions for the new members of the board
 - a. What is your new role in the organization?
 - b. How has the new structure worked out so far?
 - c. What additional work tasks are involved in the managerial work compared to your previous work tasks?
 - d. Have you been trained for the managerial position?
 - e. What issues do you find most challenging in the job?
 - f. What do you see as the most rewarding issues?
 - g. What are the values of the firm and how do those manifest in your work?
 - h. What is the role of the new board of directors?
 - i. How would you describe the responsibilities that are involved in the managerial work?

ARTICLE 1

Saru, Essi (2009) HRM in SMEs – Linking embedded Human Resources practices to performance and employee wellbeing, In: Fink, Matthias – Kraus, Sascha (eds.) *The Management of Small and Medium Enterprises*, pp. 80–94, Routledge: New York.

Republished with permission, Routledge.

HRM IN SMES – LINKING EMBEDDED HUMAN RESOURCES PRACTICES TO PERFORMANCE AND EMPLOYEE WELLBEING

Essi Saru, Turku School of Economics

INTRODUCTION

At the end of 1990s research on human resource management (HRM) was ignored in many writings on small and medium-sized enterprises (SME) (Wilkinson 1999). However that situation has now changed and HRM within smaller contexts has attracted considerable research interest (Bacon and Hoque 2005). First of all, the theoretical foundations in general were concentrated on by researchers and academics (eg. Hornsby and Kuratko 1990 and 2003; Bacon *et al.* 1996; Heneman *et al.* 2000; Nguen and Bryant 2004; Cardon and Stevens 2004; Bacon and Hoque 2005; Harney and Dundon 2006; Marlow 2006) as were the unique features of small but growing firms (Mazzarol 2003; Kotey and Sheridan 2004; Kotey and Slade 2005; Barrett and Mayson 2007). Questions about recruitment and staffing have since become one of the most studied SME topics (e.g. Carroll *et al.* 1999; Taylor 2006; Kotey and Folker 2007; Barrett *et al.* 2007). This growing interest can also be seen in the fact that special issues of academic journals have been devoted solely to the discussion of HRM in SMEs (eg. Entrepreneurship Theory & Practice Fall 2000 and Human Resource Management Review 2006 vol. 16).

Previous literature on the subject has aimed at describing the current state of HRM in small firms as well as finding ways to show that human resource management also matters in the small context. One of the difficulties of this research subject is that defining the terms of HRM and SMEs is problematic (Katz *et al.* 2000). Katz *et al.* (2000) claim that the multitude of definitions makes the management of human resources confusing for both scientists and practitioners. Therefore for the purposes of this paper the term small firm refers to an organization with over 10 but less than 50 employees. In addition, a small firm is regarded as an established and growing firm. This further clarification is needed because there is a difference in HRM between new and established firms as well as between stable and growing firms (Cardon and Stevens 2004).

HRM on the other hand is a more complicated concept to define. It is often characterized as informal, which indicates that there are no written HR procedures and that HR is the responsibility of the manager (Hornsby and Kuratko 2003: 74; de Kok and Uhlaner 2001). Furthermore, it is restricted by scarce resources such as time

and money. To overcome this difficulty Cassell *et al.* (2002) call for a SME-friendly way to operationalize HR practices. They propose that we talk about practices that are actually applied in SMEs e.g. selection, appraisal, rewards and development. These functional forms of HRM derive from the work of Tichy and others (1982) and have been applied to the small context by Sels *et al.* (2006a) and Cassell *et al.* (2002). It can be argued that these functional forms of HR remain valid because there is a broad understanding of the meaning of these concepts among practitioners and scholars (Cardon and Stevens 2004: 296).

Therefore, HRM in this paper is also referred to through these functional forms of HR, although it must be kept in mind that these practices can be well-developed and include new management initiatives (cf. Bacon *et al.* 1996). In addition to these functional forms of HR, open communication and the availability of competent and committed staff are also relevant factors for small firms (Finegold and Frenkel 2006; Bacon and Hoque 2005; Mazzarol 2003; Rutherford *et al.* 2003; Cassell *et al.* 2002; Hornsby and Kuratko 1990 and 2003).

The aim of this research is twofold. Firstly, the aim is to briefly review a few HRM models for small firms and point out the affects of HRM on the overall performance of an organization. Secondly, the aim is to describe existing human resource management practices in one small but growing firm and to make explicit those practices' connection to employees' well being in that organization. The underlying construction is that the meaning of HRM can be explained through the concept of embeddedness. This refers to the observation that in a small company the manager responsible for the success of the company may not see any of his/her basic daily management initiatives as being especially human resource practices. Nevertheless, HRM practices are present and applied regularly. Therefore it is argued that HRM is embedded in the daily business routines of a manager and in consequence difficult to explicate.

LITERATURE REVIEW

HRM models for small firms

HRM in SMEs can be studied by modeling or by concentrating on a bundle of HR practices. HRM in SMEs has also been characterized as small is beautiful but also as a bleak house (e.g. Bacon *et al.* 1996). Harney and Dundon (2006: 49), on the other hand, have stated: 'HRM in SMEs is...neither beautiful nor bleak but rather is best understood as complex'. They refer to previous studies which indicate that HRM research does not adequately capture the complexity or heterogeneity of HRM in SMEs. By complexity they refer to the close link of an SME to its external environment and the complexity of its internal dynamics. Heterogeneity on the other

hand refers to the multitude of different SMEs and their different ways of coping with the competition. With these factors in mind Harney and Dundon (2006) present an open systems model to describe HRM in SMEs.

In their model Harney and Dundon (2006) argue that both external factors such as market structure, HR supply and industry or sector and internal factors such as ownership, management style and size affect emergent HRM in small firms. Emergent HRM means that it is not formally planned but is based on and takes its form from the current external and internal factors of the firm. Harney and Dundon (2006) state that this emergent HRM can lead to better labor productivity, flexibility, social legitimacy and the informality/formality of relations. This means that although HRM emerges from the interaction of external and internal factors, Harney and Dundon's (2006) model can be regarded as strategic because it aims at improving our understanding of the situational factors involved in HRM.

The difficulty of their model is that all of these factors are complex to measure and it is challenging to show the link to improved performance. However, Harney and Dundon (2006: 68) make the important conclusion that in the case of small firms one needs to pay more attention to the issue of survivability and should not only discuss competitive advantage. Therefore managers often work on an intuitive basis and apply more informal measures such as ensuring that there is work to do all the time (the "keeping busy" measure). (Jarvis *et al.* 2000) As Jarvis *et al.* (2000) point out the amount of cash available is also often regarded the most relevant performance measure.

Cassell *et al.* (2002) present a different model which assumes that the application of a single HR practice is need based rather than being the result of a strategic decision. They propose that the decision to apply a HR practice in a small firm is affected by prior HR experiences, resource availability and a managers' interest in HR (see also Finegold and Frenkel 2006). If a certain HR practice is implemented its outcomes are monitored and its subsequent evaluation then possibly affects the next application of a different HR practice. This model may not be visible in a small organization but HR practices are often unconsciously applied just as this model suggests, especially in the early stages of a new firm.

Previous studies on HRM in SMEs tend to examine the existence of HRM practices without examining the impact of the HRM practices on SME performance (Zheng *et al.* 2006). Zheng *et al.* (2006) argue in their model that HRM affects outcomes which have a direct effect on performance. All three models capture the complexity of managing a small firm's human resources. Furthermore, despite the complex environment, the small context makes it easier to see the effects of HR practices on a firm's performance and the small context is therefore at least suitable for this type of study (Sels *et al.* 2006a).

Formal and embedded HR practices as performance drivers

One of the most crucial issues in the HRM performance discussion is the problem of hiring employees who are competent and would also fit into an organization's current team of employees and the work culture (Marlow 2000; Finegold and Frenkel 2006). As Marlow (2000: 143) points out, the benefits of choosing a new employee who fits outweighs the potential costs of employing someone well qualified who does not fit into the company work culture (see also Heneman *et al.* 2000). The selection process is important for a small firm because the costs of a selection error are very high (Heneman *et al.* 2000) and it is very difficult for a company to unburden itself of the wrong choice. The better the choices that are made when choosing new employees, the more the organization is likely to benefit.

Investments in training have direct and indirect effects on total performance. However, as Patton and Marlow (2002: 261) argue there are reasons why small firm owners are reluctant to invest in training. These include ignorance of potential benefits, time issues, fear of increased employee mobility and a lack of evidence for enhanced firm performance. Informal training is therefore preferred.

The role and importance of formal and informal HR practices is growing in SMEs because it is essential to keep employees satisfied with their work. They need to compete with larger organizations for competent workers. Therefore questions of wellbeing and the work climate become essential to consider when attracting and retaining employees. There is no single thing that affects SME performance but the elements discussed here would seem to be the ones SME managers show concern about. The question of whether HRM is embedded in daily routines or formally planned practices does not really matter, if a link to performance can be detected.

For all organizations it is ultimately the performance of the organization that is the driver for business decisions. Therefore the link between HRM and performance is at the top of such discussions. It has been stated and to certain extent also proved that HRM has an effect on performance in large organizations (e.g. Delery 1998; Lähteenmäki 2001; Guest, 2001 and 1997), as well as small ones (Chandler and McEvoy 2000; Sels *et al.* 2006a and 2006b). However, this area still needs more research to be fully demonstrated.

METHODOLOGY

HRM in SMEs has been studied through a variety of approaches and methods. There have been quantitative surveys (eg. Horsnby and Kuratko 1990 and 2003; Carroll *et al.* 1999; Nguen and Bryant 2004; Bacon and Hogue 2005; Kotey and Slade 2005) as well as qualitative case studies such as those by Harney and Dundon (2006), Barrett *et al.* (2007) and Cassell *et al.* (2002). Both forms of research have been able to bring

important issues to researchers' attention, but so far research has not been cumulative enough and there is no common agreement on what the most central factors are with regard to HRM within small firms. This is why there is a need to take a closer look at a single small company to see how they deal with human resources and in doing so try to verify some of the findings from previous research. Therefore this is a qualitative case study with a practical perspective. Case research has been popular in small business research for some time (Curran and Blackburn 2001) and it has a long history in the social sciences (Perren and Ram 2004). This is very understandable because the small context makes it is easier to keep the approach simple. Moreover, the case study's ability to provide descriptive results (Eisenhardt 1989) is appropriate in this context.

Data Collection

The data for this study has been gathered from interviews with the case organization's owner-manager and some of its employees. In total ten interviews were conducted during December 2006 and January 2007. They lasted from 30 to 60 minutes and they were recorded (with the permission of the interviewees) and transcribed afterwards. The aim of the interview with the manager was to develop a thorough picture of the organization, its values and development plans. The employees on the other hand talked about their work and about the social side of the work environment. The aim in their interviews was to gather their views on the management process and discover possible areas of agreement and disagreement.

The overall purpose of the interviews was to find out if the functional forms of HR are relevant for this organization and which elements of HR the employees value. This was carried out by analyzing the transcribed interviews according to three functional HRM elements: recruitment, training and communication. These three elements have been regarded as central for SMEs (Finegold and Frenkel 2006). The connection to overall performance can be discerned from the interviewees' impressions and descriptions. Financial performance is not considered here.

Case Description

The case organization is a sales organization in the IT-field. The company sells and markets IT-equipment and software to public and private sector organizations. It consists of a group of organizations with two new affiliations and a separate service organization. The parent company and the service organization together employ about 20 people. There are about 10 more employees in the affiliations but they are not included in this study.

The organization is led by a young owner-manager who acquired the company 5 years ago. The company had been in operation for over 20 years and it was locally well established but it needed a new and fresh management style. The new manager started to train the workers and demand more of them. New work values such as respect for others, togetherness and the joy of working were brought in. The cumulative effect of the new values resulted in improved performance. The values also serve the purpose of keeping the organization flat and flexible and therefore give employees clear areas of responsibility for their own work.

Since the change in management the number of employees has grown, financial results have improved, a service oriented organization has been established and new affiliations have been acquired. All those changes have taken the business to a new level. Crucially, a straight link between the applied management practices and company performance can be detected. These practices are described in more detail in the following section and the results can be linked to the HRM models presented earlier.

FINDINGS

Recruitment Channels

The factor which separates this particular organization from other organizations operating in the same field (either large or small) is their attitude towards new recruits. The company does not require that the new workers be professionals when they begin their career in this organization. Instead, they educate people that seem to have the potential to grow and develop and who enjoy the sales job. They are happy to recruit young people as interns or recruit someone they know from previous contacts who is seeking their first or second permanent job. The newcomers start with smaller projects and then continue to bigger ones when they have acquired enough skills. This organization is in a fortunate financial position to be able to operate like this. The manager describes it like this:

'I do not care whether the sellers are highly educated or not. If you have the right sales attitude and human relations skills you can do the job.'

The company has recruited many new employees within the past two years. The recruitment process has been both need-based (cf. Cassell *et al.* 2002) as well as strategic. The field of information technology is growing and clients are demanding more high quality services. Therefore to be able to offer competitive services and stay in business the organization needs to have new talent that is developing all the time as well as be willing to invest in recruitment and training.

Their recruitment process is very typical for small firms (eg. Cardon and Stevens 2004). They have chosen to use informal networks and word of mouth (Cassell *et al.* 2002) as their major recruitment channel, although they have also tried formal recruiting through newspaper ads. The manager also sees the difficulty in finding the right people to fit the current team of employees and states that there is valuable time and money lost if...

'...the one you have recruited proves to be unsuitable to the profession and you have to start the recruitment process all over again. If you see potential in someone it is wise to bring that person into the company so that they can grow with the company, even if you would not need any new employees at that moment.'

Although informal recruitment methods are typical for small companies, some recent studies show that as a firm grows formality actually brings better results in finding people with the right attitude (Barret *et al.* 2007). Another negative side to informal recruitment is that it tends to be exclusive (Carroll *et al.* 1999), which means that there are many potential competent recruits who do not get a chance to apply for the job. Hence, it can also be costly because there are no guarantees that the person selected is going to cope in the job and bring in the results that are expected.

The idea behind informality in recruitment is that a network recruitment will find employees about the same age, who think similarly about their work and are highly competitive. That makes the group very productive and it also increases their performance. This is how one of the employees describes it:

'I did an aptitude test before I came here because it was clear from the beginning that they wanted a guy that can fit in and gets along with the others. We all get along well, which is important, even more so than I thought in the beginning.'

Training and Learning

Some training and personnel development is essential for the success of every firm (Cardon and Stevens 2004: 308). For the case company this means formal class room training and also learning at work. Learning at work refers to socializing the newcomers in the culture of the work place and also learning to do the job. The company aims at training employees regularly. This again supports the results of the study by Cassell and others (2002). In their study they found that the training that small companies attended was tailored to specific, identified needs.

In the case company here most of the training was carried out by the representative heads of the product lines. In addition to product training some of the employees also attended leadership courses. Product training is seen as a prerequisite for keeping the sales licenses valid and the business in operation but it demands

resources from the company. When an employee is in training he misses a day at work, which means a reduction in sales. This has been dealt with by assigning individual product lines to different sellers to ensure a more even distribution on training days. The company has had positive experiences with this type of training. It was noted that in their line of business the products change so fast that constant retraining was necessary in order to keep knowledge up-to-date.

'When you train several times a year you do not necessarily see the benefits of that training but if you miss training for two years in a row then you are automatically out of the game. You always learn something even though you do not notice it right away.'

As training is time consuming and requires resources (both money and time) (Kotey and Folker 2007: 216) the question raised is: How well can a company take advantage of the training provided and benefit from it without losing any valuable income or wasting resources? The solution to this equation affects the performance outcome.

Open Communication

The importance of open communication was one of the most significant findings gained from the interviews. All the employees interviewed emphasized that this was a prerequisite for a good work environment and the development of the willingness to perform to the best their ability. In a small organization communication is usually easy to do and a natural part of daily work. This is because of the inherent informality and close relationship between the manager and the employees. Information flows naturally up and down and there is no question that the employees would not know the meaning of their own work and its importance to the whole performance of the firm. Therefore formal meetings are seldom needed in the company. The employees sense this:

'One thing that is good here too is the openness. The management does not have any big secrets and we talk very openly inside the company about business issues.'

Appraisals can be regarded as a part of the communication in an organization as well as an opportunity for performance evaluation. An appraisal discussion is a formal management practice that in a bigger organization is an established procedure. Small firms tend to talk informally but in this organization the manager was aware of and interested in the human resource management side of business and introduced formal appraisals at the beginning of his career as a manager.

At first the discussions were held twice a year but that turned out to be too often and they changed it to once a year. Having tried this for a while he decided that it would be more profitable to let the employees choose a time for discussion when

they felt that they needed to discuss something. According to the manager, ‘...the initiative has to come from the employee because they need to want to talk and be interested in the discussions’. At this point only one or two have wanted to have an official discussion. The conclusion drawn from this was that the company is so small that the employees talk with their manager about their work and problems anyway and it does not need to be at a set time and place. They still conduct appraisals in the company but on a voluntary basis.

In brief, they went from official appraisal to a more informal and voluntary discussion. This supports the finding by Cassell *et al.* (2002) that appraisals are used in small companies but formal systems are rare. Although the small company manager is aware of different HR practices and their value, these practices are not necessarily worth applying in a small company. The conclusion drawn here is that the manager had a positive attitude towards the appraisals but the experience was not as good as the intention behind it, and therefore they were not formally applied after the trial round.

Instead of conducting discussions officially the manager has introduced some unofficial practices that make up for the missing or rare appraisals to some extent. One unofficial practice is a lunch provided for the employees by the company on the last Friday of every month. They sit down and relax together and talk about what is going on with their work. These Friday lunches take care of the more informal side of inter-company communication quite well and it also increases solidarity and togetherness among the employees. The manager says:

‘I try to take advantage of these events and talk to everyone and be part of the team. It is very informal and everyone feels that there you can bring up issues about work that you need to talk about.’

Thus it would appear clear that the appraisal discussion is embedded in the informal meetings but official discussions are also available for those who feel they need them. The more the employees in the case company receive feedback the better they tend to perform. Ultimately, there is a clear link between company performance and the open communication style of the company.

Company strengths as prerequisites for good economic performance

This company has taken its main strength from its pay structure. Pay is based on sales commission, which means that it is tied to performance. This has the effect of ensuring that people are hard-working and self-motivated and the manager does not need to get involved in supervising staff.

The basic driving force behind the whole business is that they do things together. This means that they are able to rely on each other for help. Their competitive advantage stems from their good customer service and respect for the customer. They

try to get better at what they do all the time and also develop as people. The bottom line supporting everything they do is that the work must be fun. Thus, it is possible to state that the company's HR practices have emerged from a combination of internal and external demands (cf. Harney and Dundon 2006).

In general, the workers are very happy with the company. The social network that they have there is excellent and it makes them want to work for the company. This is how the employees describe the atmosphere.

'It somehow feels like the atmosphere is the thing that keeps people here. We are a group of young, ambitious and competitive people. It is easy to be here.'

'It never bothers me to come to work. We understand each other quite well. I know that in some other companies the situation is not this good but here no one tries to steal your customers if you are gone.'

They are embedded in the organization and feel that it is their responsibility to do their share of the work in order for the company to meet its objectives. The sales job itself is not something that ties them to this particular company rather it is the feeling of enjoyment gained from being part of the job's social network and the work itself. It seems that they are thriving in their work. This concept of thriving is associated with social embeddedness in an organization (Spreitzer *et al.* 2005). When people feel that they are learning and have a sense of being alive and vital they are said to be thriving at work. Thriving is the subjective experience an employee has with regard to how they feel they are doing in a job if it is experienced as leading them in a positive direction (Spreitzer *et al.* 2005).

'I could not imagine working in a bigger company. I need to have a manager to look after me at work and to ask advice from if I need suggestions on another way of working.'

DISCUSSION

The successful performance of the company can be explained through the concept of embeddedness. It is a concept taken from economic sociology and it has gained popularity since the publication of Granovetter's (1985) writings. When Granovetter (1985: 481) introduced the concept of embeddedness he argued that behavior and institutions are constrained by ongoing social relations and they can not be studied independently. Later Uzzi (1996) argued that organization networks operate with a different logic to those of markets and this logic is referred to as embeddedness. It has been called network embeddedness and these networks are said to be related to both individual and group performance (Granovetter 1985; Uzzi 1996; Sparrowe *et al.* 2001; van Emmerik and Sanders 2004). The spread of this concept into economic sociology has been questioned and criticized by Krippner (2001). However, at the

beginning of 1990s the need to understand the effect of social structures on economic performance was increasing (Uzzi 1996) and the concept became relevant.

Network embeddedness can be seen as a relationship between employees in one company (van Emmerik and Sanders 2004) or between several companies (Granovetter 1985; Uzzi 1996; Sparrowe *et al.* 2001). An employee may also become embedded in the job he or she is doing. Job embeddedness was introduced by Mitchell, Holtom, Lee, Sablinski and Erez (2001). They describe it as being like a net or web in which an individual can become stuck.

Job embeddedness consists of three aspects: first, the formal and informal connections between a person and institutions or other people (links); second, an employee's compatibility or comfort with an organization and with his or her environment (fit); and third, the cost of material or psychological benefits that may be forfeited by leaving a job (sacrifice) (Mitchell *et al.* 2001). This means that the more an employee is connected to the organization he works for and the better he fits in then the more embedded he will be and thus less likely to leave. Moreover, if leaving involves a major financial sacrifice (loss of vacation days, loss of benefits etc.) then employees usually do not leave. Job embeddedness includes elements that tie employees together as a group both on and off the job and this is seen as a key mediating construct in employee retention (Mitchell *et al.* 2001: 1107–1108).

This conception of embeddedness is close to the modes of commitment introduced by Allen and Mayer (1990). The affective, continuance and normative components of commitment are similar to the definition of job embeddedness. It is important to note that embeddedness could have been labeled commitment. However, the concept of embeddedness was chosen because it covers a wider range of issues (cf. Mitchell *et al.* 2001: 1106) and it better fits with the idea of an employee being embedded in a social network and the embeddedness of HR practices in a manager's routines. Therefore the concept has been applied to this paper instead of commitment.

These two forms of embeddedness explain the case company performance. First of all, the HR practices are embedded in the daily routines of the manager, which makes the management process informal and flexible. In brief, the HR practices are part of the recruitment, training and communication decisions. Second, the employees are embedded in the social network as well as the job they are doing. Professionalism is the main driver of their work as it requires a high level of expertise. However, the social network has become the driver for good employee performance and a reason for staying in the company. This means that the manager has a role in creating forward-looking drive and a positive atmosphere within a company and therefore embedded management practices have a significant role to play in HRM.

CONCLUSIONS

One theoretical implication to be drawn from this study is that functional forms of HR are important and relevant for small firms and should be made the foundation stones of any small firm's HRM. In theory it is tempting to create rational models to describe HRM in the small context but in reality exact models are not that relevant for small business owners. Also Cassell *et al.* (2002) argue that management in small firms is not so straight forward and rational as the models lead us to believe. Some practices may be implemented first and justified afterwards. In addition, new practices are sometimes introduced without thorough consideration. Harney and Dundon (2006) also make the important point that employees' attitudes and behavior are crucial to the equation and can be influenced by HR practices.

As can be seen from the case company study, employees seem to appreciate good communication and openness. This would seem to be of central importance to HRM as the more these employees know about their company's goals the better they can apply that information to their work.

Informality seems to be the key in small business HRM as has been stated in many previous writings. The conclusion that can be drawn from this is that official HR practices are easier to cope with if they are embedded in daily management processes. However, HRM is a combination of both internal and external factors and there is no single practice or model that would fit all small companies because they operate in a very complex and heterogeneous world (cf. Harney and Dundon 2006). Nevertheless the better a company mixes and matches a set of practices and work values to fit its context the better the employees will perform.

More practical implications gathered from the research are that the work environment is an important factor in employee wellbeing in small firms. This can be concentrated on as it demands fewer resources and is therefore available to all firms. The case study suggests that HRM has a role to play in creating that environment. Essentially, the things that affect employee wellbeing are good communication, challenging work assignments, the possibility to learn and develop and a good work atmosphere. HRM has a role to play in fostering all of those things.

As HRM is further considered in the SME context it is important to take into account the effects of the field of operation and also the state of maturity of the firm. The field of operation forms a basis for HR possibilities. In some fields remaining competitive is easy and in some others it is more challenging. Also newly established firms operate with a different logic to growing or stable firms. The case organization here is in the fortunate position of being able to invest in the wellbeing of its workers, which in turn, is something that also affects HR decisions. A final point that should be emphasized is that the case company has been able to create an environment where its employees are willing to learn and develop. Thus, to take this

study a step further and increase its relevance the effects of workplace learning on overall firm performance would need to be researched more thoroughly.

References

- Allen, N.J. and Mayer, J.P., (1990) 'The measurement and antecedents of affective, continuance and normative commitment to the organization', *Journal of Occupational Psychology*, vol. 63: 1–18.
- Bacon, N., Ackers, P., Storey, J. and Coates, D. (1996) 'It's a small world: managing human resources in small business', *International Journal of Human Resource Management*, vol. 7: 82–100.
- Bacon, N. and Hoque, K. (2005) 'HRM in the SME sector: valuable employees and coercive networks', *International Journal of Human Resource Management*, vol. 16:1976–99.
- Barrett, R. and Mayson, S. (2007) 'Human resource management in growing small firms', *Journal of Small Business and Enterprise Development*, vol. 14: 307–320.
- Barrett, R., Neeson, R. and Billington, L. (2007) 'Finding the "right staff" in small firms', *Education + Training*, vol. 49: 689–97.
- Cardon, M. and Stevens, C. (2004) 'Managing human resources in small organizations: What do we know?', *Human Resource Management Review*, vol. 14: 295–323.
- Carroll, M., Marchington M., Earnshaw, J. and Taylor, S. (1999) 'Recruitment in small firms Processes, methods and problems', *Employee Relations*, vol. 21:236–50.
- Cassell, C., Nadin, S., Gray, M. and Clegg, C. (2002) 'Exploring human resource management practices in small and medium sized enterprises', *Personnel Review*, vol. 31: 671–92.
- Chandler, G.N. and McEvoy, G.M. (2000) 'Human Resource Management, TQM, and Firm Performance in Small and Medium-Size Enterprises', *Entrepreneurship: Theory & Practice*, vol. 25: 43–57.
- Curran, J. and Blackburn, R. (2001) *Researching the Small Enterprise*. London: Sage Publications.
- de Kok, J. and Uhlaner, L. (2001) 'Organization context and human resource management in the small firm'. *Small Business Economics*, vol. 17: 273–91.
- Delery, J.E. (1998) 'Issues of fit in strategic human resource management: Implications for research', *Human Resource Management Review*, vol. 8: 289
- Eisenhardt, K.M. (1989) 'Building Theories from Case Study Research', *Academy of Management Review*, vol. 14: 532–50.

- Finegold, D. and Frenkel, S. (2006) 'Managing people where people really matter: the management of human resources in biotech companies', *International Journal of Human Resource Management*, vol. 17: 1–24.
- Granovetter, M. (1985) 'Economic Action and Social Structure: The Problem of Embeddedness', *The American Journal of Sociology*, vol. 91: 481–510.
- Guest, D.E. (1997) 'Human resource management and performance: A review and research agenda'. *International Journal of Human Resource Management*, vol. 8: 263–76.
- Guest, D.E. (2001) 'Human resource management: When research confronts theory', *International Journal of Human Resource Management*, vol. 12: 1092–106.
- Harney, B. and Dundon, T. (2006) 'Capturing complexity: developing an integrated approach to analyzing HRM in SMEs', *Human Resource Management Journal*, vol. 16: 48–73.
- Heneman, R.L., Tansky, J.W. and Camp, S.M. (2000) 'Human Resource Management Practices in Small and Medium-Sized Enterprises: Unanswered Questions and Future Research Perspectives', *Entrepreneurship Theory & Practice*, vol. 25: 11–26.
- Horsnby, J. and Kuratko, D. (1990) 'Human resource management in small business: Critical issues for the 1990's', *Journal of Small Business Management*, July: 9–18.
- Horsnby, J. and Kuratko, D. (2003) 'Human resource management in U.S. small businesses: A replication and extension'. *Journal of Developmental Entrepreneurship*, vol. 8: 73–92.
- Jarvis, R., Curran, J., Kitching, J. and Lightfoot, G. (2000) 'The use of quantitative and qualitative criteria in the measurement of performance in small firms', *Journal of Small Business and Enterprise Development*, vol. 7: 123–34.
- Katz, J., Aldrich, H., Welbourne, T. and Williams, P. (2000) 'Guest Editor's Comments Special Issue on Human Resource Management and the SME: Toward a New Synthesis', *Entrepreneurship Theory and Practice*, Fall: 7–10.
- Kotey, B. and Folker, C. (2007) 'Employee Training in SMEs: Effect of Size and Firm Type – Family and Nonfamily', *Journal of Small Business Management*, vol. 45: 214–38.
- Kotey, B. and Sheridan, A. (2004) 'Changing HRM practices with firm growth', *Journal of Small Business and Enterprise Development*, vol. 11: 474–85.
- Kotey, B. and Slade, P. (2005) 'Formal Human Resource Management Practices in Small Growing Firms', *Journal of Small Business Management*, vol. 43: 16–40.

- Krippner, G.R. (2001) 'The elusive market: Embeddedness and the paradigm of economic sociology', *Theory & Society*, vol. 30: 775–810.
- Lähteenmäki, S. (2001) 'Building competitive advantage by looking inside – the internally integrated HRM 'bundle' of Oras Ltd', in T. Reponen (ed.) *Management expertise for the new Millennium, In commemoration of the 50th anniversary of the Turku School of Economics and Business Administration*, Turku: Publications of the Turku School of Economics and Business Administration.
- Marlow, S. (2000) 'Investigating the use of emergent strategic human resource management activity in the small firm', *Journal of Small Business and Enterprise Development*, vol. 7: 135–48.
- Marlow, S. (2006) 'Human resource management in small firms: A contradiction in terms?' *Human Resource Management Review*, vol. 16: 467–77.
- Mazzarol, T. (2003) 'A model of small business HR growth management', *International Journal of Entrepreneurial Behavior & Research*, vol. 9: 27–49.
- Mitchell, T.R., Holtom, B.C., Lee, T.W., Sablinski, C.J. and Erez, M. (2001) 'Why People Stay: Using Job Embeddedness to Predict Voluntary Turnover', *The Academy of Management Journal*, vol. 44: 1102–21.
- Nguen, T.V. and Bryant, S.E. (2004) 'A Study of the Formality of Human Resource Management Practices in Small and Medium-Size Enterprises in Vietnam', *International Small Business Journal*, vol. 22: 595–618.
- Patton, D. and Marlow, S. (2002) 'The determinants of management training within smaller firms in UK. What role does strategy play?' *Journal of Small Business and Enterprise Development*, vol. 9: 260–70.
- Perren, L., and M., Ram. (2004) 'Case-study Method in Small Business and Entrepreneurship Research: Mapping Boundaries and Perspectives'. *International Small Business Journal* 22:83–101.
- Rutherford, M.W., Buller, P.F. and McMullen, P.R. (2003) 'Human Resource Management Problems Over the Life Cycle of Small to Medium-Sized Firms', *Human resource management*, vol. 42: 321–35.
- Sels, L., De Winne, S., Delmotte, J., Maes, J., Faems, D. and Forrier, A. (2006a) 'Linking HRM and Small Business Performance: An Examination of the Impact of HRM Intensity on the Productivity and Financial Performance of Small Businesses', *Small Business Economics*, vol. 26: 83–101.
- Sels, L., De Winne, S., Delmotte, J., Maes, J., Faems, D. and Forrier, A. (2006b) 'Unravelling the HRM–Performance Link: Value-Creating and Cost-Increasing Effects of Small Business HRM', *Journal of Management Studies*, vol. 43: 319–42.

- Sparrowe, R.T., Liden, R.C., Wayne, S.J. and Kraimer, M.L. (2001) 'Social Networks and the Performance of Individuals and Groups', *Academy of Management Journal*, vol. 44: 316–25.
- Spreitzer, G., Sutcliffe, K., Dutton, J., Sonenshein, S. and Grant, A.M. (2005) 'A Socially Embedded Model of Thriving at Work', *Organization Science*, vol. 16: 537–49.
- Taylor, S. (2006) 'Acquaintance, meritocracy and critical realism: Researching recruitment and selection processes in smaller and growth organizations', *Human Resource Management Review*, vol. 16: 478–89.
- Tichy, N.M., Fombrun, C.J and Devanna M.A. (1982) 'Strategic Human Resource Management', *Sloan Management Review* vol. 23: 47–61
- Uzzi, B. (1996) 'The sources and consequences of embeddedness for the economic performance of organizations: The network effect', *American Sociological Review*, vol. 61: 674–98.
- van Emmerik, H. and Sanders, K. (2004) 'Social embeddedness and job performance of tenured and non-tenured professionals', *Human Resource Management Journal*, vol. 14: 40–54.
- Wilkinson, A. (1999) 'Employment relations in SMEs', *Employee Relations*, vol. 21: 206–17.
- Zheng, C., Morrison, M. and O'Neill, G. (2006) 'An empirical study of high performance HRM practices in Chinese SMEs', *International Journal of Human Resource Management*, vol. 17: 1772–803.

ARTICLE 2

Saru, Essi (2007) Organizational learning and HRD – how appropriate are they for small firms? *Journal of European Industrial Training* (Vol. 31, No. 1).

Republished with permission, Emerald Group Publishing Limited.



The current issue and full text archive of this journal is available at
www.emeraldinsight.com/0309-0590.htm

JEIT
31,1

Organisational learning and HRD: how appropriate are they for small firms?

36

Essi Saru

Turku School of Economics, Turku, Finland

Abstract

Purpose – The purpose of this paper is to study human resource development (HRD) and organisational learning issues in a small expert organisation.

Design/methodology/approach – This is a qualitative single case study conducted in one Finnish SME. It is part of an ongoing study. It is descriptive in nature and the aim is to find out whether the existing HRD and OL practices are relevant and appropriate in the small context.

Findings – The results reveal that small organisations do consider HRD to be an issue, even though it may not be as visible or official as in larger companies. The HRD, OL or strategy issues merge into the territory of just one man. The case organisation represents the small firm sector very well.

Research limitations/implications – Current literature has established that the models designed for larger organisations are not directly applicable to the small context. Future research should concentrate on finding out what model SMEs use for the development of human resources. This study cannot be generalised because, at this point, it is a single case study.

Practical implications – From the SME perspective, the paper suggests that there is a lot a small organisation can do in terms of human resource practices, even without vast resources.

Originality/value – The paper examines the HRD and OL issue from a practical point of view.

Keywords Human resource development, Learning organizations, Small enterprises, Small and medium-sized organizations, Finland

Paper type Research paper

Introduction

Human resource development (HRD) is equally central for both small and large companies, but it manifests itself differently in them. As early as the beginning of the 1990s, Hornsby and Kuratko (1990) found that the size of a firm does affect the formality of human resource practices. It also affects the sophistication of the personnel methods used. Small organisations do not have the same kind of resources to implement official human resource practices, but they still need to keep employees satisfied and productive. The HRD practices in them are more informal, reactive and short-term in outlook, and, especially in micro firms, they are in the hands of just one or two people. HRD is important to study in SMEs because the effect of their employment is great. Over 95 per cent of Finnish companies are SMEs (Tilastokeskus, 2003) and, as in other parts of Europe and North America, they are crucial to the national economies (Sadler-Smith *et al.*, 2000). SMEs are places where people are the key to competitive advantage. That is why the issues of HRD and also organisational learning need to be discussed and researched more thoroughly in the small context. HRD is closely connected to organisational learning and that is why they are both dealt with in this paper.

The field of HRD has developed side-by-side with HRM (human resource management) and OD (organisational development) from the 1960s. They all share



Journal of European Industrial
Training
Vol. 31 No. 1, 2007
pp. 36-51
© Emerald Group Publishing Limited
0309-0590
DOI 10.1108/03090590710721727

similar roots in the human aspect of organisations (Sammut, 2001). Despite the long roots of these disciplines, HRD is seen as a young academic field, which still is looking for its theoretical foundations (Lynham, 2000; Swanson, 2001; McGoldrick *et al.*, 2001; Ruona and Lynham, 2004). Because of this, HRD is seen to be in the shadow of OD or HRM (Grieves and Redman, 1999; McGoldrick *et al.*, 2001). On the other hand, OD theories have been discussed from an HRD perspective (Lynham *et al.*, 2004), which would suggest that HRD is an established academic discipline. According to one view HRD can be seen as a strategically focused organisational development (Grieves and Redman, 1999).

Organisational learning has become an important strategy to create competitive advantage in organisations, because competent employees are a scarce and valuable resource for them. Organisational learning has been a prominent feature of discussions on human resource management for a long time. Garrat (1995) even claims that, all the necessary conditions to create both an intellectual and practical basis of a learning organisation were in place in 1940s. Many decades later, there was still no agreement on what organisational learning meant or how it should have been managed in practice (e.g. Fiol and Lyles, 1985). Several recent studies present conceptual clarifications about learning in organisations (Sun, 2003). There have also been suggestions about how the existing ways of learning could be integrated into a new unifying model (Elkjaer, 2004) as well as numerous attempts to define this abstract concept (Huber, 1991; March, 1991; Kim, 1993). The groundbreaking work of Argyris (since 1970s) has made the learning loops (single loop and double loop learning) familiar to researchers and practitioners. The theory-building models of sources such as Easterby-Smith (1997) and Crossan *et al.* (1999) have clarified the different aspects of learning in organisations. These references provide a few examples of studies that have made valuable contributions to organisational learning research. The field is very abstract and makes research less coherent and especially challenging for SMEs.

SMEs are a very heterogeneous group of organisations. Small firms operate in various fields and are influenced by a number of factors, which make the context complex (Anderson and Boocock, 2002; Wagar, 1998; Mazzarol, 2003). On the other hand, SMEs can be seen as ideal ground for the development of human resources. First of all, the close relationship between the manager and employees usually replaces the formal control systems and reduces the need for documentation. This also gives the manager an opportunity to influence the activities directly. Second, the impact of each employee's work on the organisation's performance is clearer. (Kotey and Sheridan, 2004; Bacon *et al.*, 1996; Jennings and Beaver, 1997; Keogh and Stewart, 2001). That way every employee can see the strategic value of his/her own work, which increases that employee's motivation and interest in the overall success of the organisation. The manager is a real link between strategic planning and employees, but what makes it complicated is that he/she may not have time or HR competencies to manage or train employees (Bacon *et al.*, 1996).

The biggest fear among managers of small organisations is that young talented, newly hired employees use the small company as a stepping stone on the way to larger companies and challenges. Smaller firms educate them and then they move on to bigger ones. It seems that younger people lack a certain kind of stamina to work for one company or in one position for many years. They seem to need new challenges and work places every now and then. This is partly due to the fact that, in today's economy, there is no guarantee that the company or the job will exist in the future because of the rapid changes in the business environment. This is a burden for a small firm because

JEIT
31,1

38

resources are scarce. A small firm cannot afford to lose employees. One of the most central aspects of HRD is to get key personnel committed to the organisation. Long-term competitiveness can be built through HRD and especially through competence management. A company can build competencies with the workers they have, and, if the workers change rapidly, it makes this harder.

This paper will focus on human resource development (HRD) and organisational learning (OL) issues from the perspective of small firms. These two theoretical perspectives can explain the human resource issues in a small firm. The target organisation in this study is a small expert organisation, which operates in the field of heating and plumbing systems. The organisation finds it difficult to manage its human resources, and it has a special problem finding new designers as well as keeping them. Part of that problem arises from a scarcity of competent employees, and the other part from the employees' tendency to change jobs. This is a qualitative single case study and the results presented here are part of an ongoing study.

The paper begins with a literature review on HRD, organisational learning and special features of small organisations. The literature review is conducted mainly on articles from the 1990s onwards. The paper then provides a description and analysis of the case company and interview data. Finally, conclusions and future research proposals are presented.

Literature review

HRD as a facilitator of learning

There seems to be a desire to find HRD's place in the academic map of dealing with human resources. The reason behind the need to define the discipline more thoroughly comes from the realisation that people are the primary source of competitive advantage for any type of organisation. In order to survive, organisations need to take advantage of the strategic potential and competencies of employees for the benefit of the organisation (Ruona and Gibson, 2004). This article deals with HRD, but I see HRD as part of the larger human resource aspect of organisations and not only as a training function. As Ruona and Gibson (2004) see it, HRD, HRM and OD together will form the human resource function of the future.

HRD has been explained by debating its theoretical foundations (Swanson, 1999; Lynham, 2000; McGoldrick *et al.*, 2001; Kuchinke, 2000), by finding an exact definition (Swanson, 1999; Lee, 2001), by talking in metaphors (e.g. Short, 2000; Swanson, 1999; Keenoy, 1999), by modelling it (Mankin, 2001) or by explaining it through different perspectives (Garavan *et al.*, 2000). These areas of debate are all needed to build a thorough picture about this very intriguing discipline. This debate can be summed up in two paralleled debates about HRD (Garavan *et al.*, 2000). One of the streams is concerned about the underlying assumptions and philosophies in HRD. Major debate in this is whether HRD should promote performance or learning. The other debate seeks to understand the role of HRD in organisations and to try to find explanations from other fields of the discipline like HRM, psychology and general management. Despite this, the philosophy, purpose, location and language of HRD are still under construction (McGoldrick *et al.*, 2001), and, as long as this is the case, it is difficult to point out what the central elements in HRD are or how they differ from HRM or OD.

Kuchinke (2000) criticises the theoretical debate that is going on, because he sees it to be too normative. He feels that the field of HRD would benefit more from empirical observations and descriptions. Lynham (2000), on the other hand, sees theory-building

research as essential for the development of the profession. To be of use to everyone, theory needs to be both scholarly and successful in practice (Swanson, 2001).

For the purpose of this article, I see the model by Mankin (2001) as being suitable. He has defined the nature and role of HRD through a model, which consists of elements of HRM, culture, strategy and structure. He claims that HRD comprises a variety of activities and processes and it is connected to all of the above-mentioned elements of an organisation. In the model the elements of HRM, culture and strategy and structure overlap each other and form the HRD element. It brings up the central elements of communication and information, leadership and management and actions and behaviour which are essential in developing human resources. This model is useful because it is also applicable to the small firm context. Skinner *et al.* (2003) criticise Mankin's HRD model or actually its HRD continuum. They see that, although it presents the organisational perspectives involved in HRD quite thoroughly, it does it from a single organisational perspective. They see it to be more network activity and socially constructed. They do, however, agree with Mankin that HRD is a change agent in organisations. I also agree that knowledge is socially constructed especially in a small firm and that aspect should be included in the model as well.

The most interesting feature of HRD is its connection to organisational learning. It almost seems as if discussions about learning have taken some of the HRD space in the literature. It has been stated that the facilitation of learning and development can only take place in a supportive environment where there is a clear link between HRD and corporate strategy. Therefore every management level must work with other levels as partners to support the learning process (McCracken and Wallace, 2000, p. 432). Learning is about developing the organisation or its individuals, and therefore it is closely connected to the HRD-processes.

Organisational learning: individual or group effort

The 1990s has also been significant for OL research. The growth in the importance of OL can be explained by three widely cited factors affecting overall business environment. These are the speed of technological change, the advance of globalisation and growing corporate competition (Easterby-Smith *et al.*, 1998). It is also due to the realisation that, in order to remain competitive, organisations need to be ready to change when the business environment changes. These changes happen fast and sometimes without warning, and that way a reactive style to manage is not the best way to succeed. One of the answers to keeping up with the changing environment is to create an organisation capable of learning. As Easterby-Smith *et al.* (1998) state: "Firms can no longer rely on established practices . . . but they need to learn new ways of doing things". In particular, the value of people and proper management of human resources generally affects organisational performance (Babuji and Crossan, 2004, p. 402).

The concepts of organisational learning and learning organisation are sometimes confused with one another, but as has been presented previously, they form a dichotomy in literature (Tsang, 1997). The differences between the terms can be explained by the linguistic backgrounds of the words (Sun, 2003) or by their contents. Organisational learning (OL) is more descriptive and analytical in trying to understand learning processes (how an organisation learns). Learning organisation (LO) literature is prescriptive and action-orientated (how organisations should learn). LO can also be described as a more idealistic approach. (Tsang, 1997, p. 74; Easterby-Smith, 1997, p. 1086). Interest in the concept of learning organisation grew after the publication of Peter Senge's (1990) *The Fifth Discipline*. It has been of special interest to practitioners

JEIT
31,1

40

as has *The Learning Company* by Pedler *et al.* (1991). The concept was in danger of becoming a bandwagon, because there was no researched evidence about its practical relevance (Kuchinke, 1995, p. 307; Easterby-Smith *et al.*, 1998). These concepts are often used interchangeably because the difference in their definitions is probably not so clear. Easterby-Smith (1997) sees that this makes the creation of a comprehensive theory of organisational learning very unrealistic. After academics became interested in this discussion this perspective also gained some credibility (Kuchinke, 1995).

Many researchers have concentrated on the theoretical side of explaining organisational learning (e.g. Easterby-Smith, 1997; Huber, 1991; Crossan *et al.*, 1999; Fiol and Lyles, 1985). But as Babuji and Crossan (2004) have found, the amount of empirical research has grown phenomenally since the beginning of the 1990s. They constructed a literature review on articles published in 1990-2002. They noted in their literature review that writings about organisational learning have been dominated by the application of a learning perspective to study strategic issues. The application of a learning perspective means that various organisational phenomena such as performance are explained using organisational learning concepts (Babuji and Crossan, 2004, p. 400). This means that the learning perspective influences the organisation's performance and thereby also learning in organisations.

Organisational learning is not a new concept. Its roots can be traced back to as early as the 1950s when March and Simon mentioned it in their classic book *Organisations*. After that, many well-known definitions of OL have been presented (e.g. Argyris and Schön since 1970s; Fiol and Lyles, 1985; Huber, 1991; DiBella *et al.*, 1996). These definitions describe the contents of organisational learning quite clearly. I find Huber's (1991) definition – an entity learns if, through its processing of information, the range of its potential behaviour is changed – most suitable for the small firm context. He widens the definition by stating that “an organisation learns if any of its units acquires knowledge that it recognises as potentially useful to the organisation”. This means that an organisation has to be able to identify information that it needs both now and in the future. Huber (1991) also stresses that learning does not always need to be conscious or intentional. This means that learning can occur without formal training, for example. This is very relevant in the small context because there the value of tacit knowledge is a significant part of the socialisation process (e.g. Nonaka and Takeuchi, 1995). Tacit knowledge has to be moved around and this does not happen in formal training.

When we talk about organisational learning, it must be remembered that learning happens through individuals. An organisation cannot learn without people and that is why the individual learning processes also have to be considered. One of the thorough attempts to explain the connection between organisational learning and individual learning is by Kim (1993). The organisational learning framework by Crossan *et al.* (1999) also demonstrates how learning occurs at individual, group and organisational levels. Kim (1993) has stated that organisations can learn, independent of any specific individuals, but not independent of all individuals. He sees that the transfer mechanism between organisational and individual learning is very central in explaining learning in organisations. Transfer means the process through which individual learning becomes embedded in an organisation's memory and structure. The key question remains that how this connection or transfer mechanism is made visible in the organization and especially in a small context. This is a remarkable theoretical finding but needs more empirical testing. Learning as a concept is very abstract issue, and that way difficult concept to deal with in small companies.

The capacity to learn is clearly an attribute of individuals and a large part of it is unsystematic and random (Anderson and Boocock, 2002, p. 7). Because of this connection to individual learning, one of the great challenges in researching learning in organisations is that people learn very differently. It can be difficult to trace a change in behaviour because people may not be able to implement new ways of doing things to their daily routines right away. Huber (1991) brought this perspective to academics' attention by stating that learning does not always increase learners' effectiveness or result in visible changes in behaviour. New skills or knowledge can become visible later in a different context or situation.

Lee (1995, p. 39) has come to the same conclusion. She states that the benefits of a course, for example, can become visible long after the course has been completed. This is why it is important to separate the long- and short-term effects of learning in organisations. Because of fierce competition, organisations are forced to look for immediate results from learning and to be able to show a link to business performance (e.g. Lee, 1995, p. 39; Hill and Stewart, 2000). In the case of human resources and learning, this is seldom the case and therefore it is hard to present the benefits of it to the managers. This is a huge challenge in the small firm context because most likely the manager is not willing to invest in something that does not show positive results fast.

No matter what the size or operational field of the organisation is, it is impossible to do business without engaging in learning processes – consciously or not. It must be remembered, however, that in a small firm little things matter and there is no point in applying fancy terms and formulating strategies and definitions on paper if they cannot also be realised in practice. Based on these definitions and aspects of organisational learning, it can be stated that, no matter how the concept of learning is defined, learning must be coherent with the overall strategy and structure of the organisation. Learning also means that change must occur at some level.

Specialities of small expert organisations

In expert organisations – design agencies, law firms, professional sports teams, hi-tech firms, etc. – people are the primary source of value creation. Nevertheless, the workforce is usually not very professionally managed and the function of human resources is very small or even absent (Finegold and Frenkel, 2006, p. 1). Finegold and Frenkel (2006) suggest that there are three areas where managers in expert organisations are expected to make a contribution. These are hiring staff, motivating and managing their performance, and building the individual and organisational capabilities needed to support the business strategy. As they continue (Finegold and Frenkel, 2006) there is a continuing problem of hiring employees who are competent and who would fit into the organisation's current team of employees and the work culture.

It has been established that small firms differ from their larger counter-parts in their human resource development expertise, infrastructure and general resources (Hill and Stewart, 2000, p. 105). Both SMEs and their HRD activities are often informal, reactive and short-term in outlook. This does not mean that HRD in small firms is necessarily ineffective but that the SMEs are unique in composition and culture (Hill and Stewart, 2000, p. 114). Uncertainty may also foster reactive management (Keogh and Stewart, 2001). This is due to a lack of resources and time to manage the environment. This gives rise to a situation where the only opportunity is to react to changes and not to prepare for them.

It has also been established that firms implement more formal procedures as they grow (Kotey and Sheridan, 2004). The bigger the company, the more hierarchical and

JEIT
31,1

42

formal it gets (Kotey and Sheridan, 2004). This is an apparent result of the fact that, the more people work together, the more rules and procedures are needed. As Hill and Stewart (2000) state, there is a need to understand more explicitly how and why small organisations generate their own models of HRD practice.

According to Sadler-Smith *et al.* (2000, p. 288) the link between learning and smaller firms' performance is proving difficult to establish. This lack of empirical evidence on profitability is probably inhibiting small firms from investing in the development of learning issues in their organisations. Sadler-Smith *et al.* (2000) argue, however, that managerial and organisational learning are two areas in which there is scope for potentially valuable work in the smaller-firm sector. It has to be remembered, however, that a focus on organisational learning is a means to an end and not an end in itself (Kuchinke, 1995, p. 309). As Kuchinke argues, it has to be supportive of organisational outcomes.

The complexity of the small business environment demands unique skills to succeed in exploiting competitive advantage (Jennings and Beaver, 1997). Training is one of the central elements in human resource development and also organisational learning. Despite this, in many small organisations training does not take place at all, or, if it does, it often is reactive, informal and short-term. This means that training is for solving work-related problems and not for the development of the personnel. (Hill and Stewart, 2000, p. 108) Patton and Marlow (2002) point out that there are a number of reasons why small firm owners are reluctant to invest in training. These include ignorance of benefits, time issues, fear that training will enhance employee mobility and that there is little evidence to indicate that investment in training and development leads to enhanced firm performance. Informal training is therefore preferred. (Patton and Marlow, 2002, p. 261). Training for the sake of training is never desirable to pursue. Training needs to have an impact on the professional skills of the employee and that way improve performance.

This leads to the future research questions. Marlow (1998) points out that research should find answers to how the sector and market position of a firm influence a small organisation's training and development initiatives. This is a central question in the case organisation in this research. It operates in a field where the sector affects the choices that the company has in the market. It affects the choice of specialisation and also the size of the projects undertaken. As Marlow (1998) points out it would be interesting to find out why some firms decide to invest in training and some firms do not, and to find out if it is a conscious strategy or not. This is also considered here.

Research design and methodology

This is a qualitative single case study. The case-study approach has a long history in social sciences, but is only now gaining acceptance (Perren and Ram, 2004). There has also been very limited discussion about the philosophical consequences of applying the case-study approach to the small business area (Perren and Ram, 2004, p. 84). The case-study approach has been used for single and multiple cases and with quantitative as well as qualitative methods (Yin, 1984). This means that a case may be very simple or very complex (Stake, 1998). The case-study approach is a research strategy rather than a method for gathering or analysing data (Eisenhardt, 1989, p. 534; Eriksson and Koistinen, 2005, p. 4; Stake, 1998, p. 86). As Eisenhardt (1989) states, it focuses on understanding the dynamics of a single setting, or, as Yin (1984, p. 14) states, complex social phenomena. It is a choice of object to be studied (Stake, 1998).

Case study can be used to test theory, generate theory, and provide descriptions (Eisenhardt, 1989) and it can be classified as explanatory, descriptive or exploratory (Yin, 1984). A definition for case study is complicated because of the nature of the approach. There is no single definition that could be applicable to all studies (Eriksson and Koistinen, 2005, p. 4). One of the very often cited definitions is by Yin (1984), which defines it as empirical inquiry that studies current phenomena when the boundaries between that phenomena and context are not evident, and when multiple sources of evidence are used.

The aim in this research is to describe the target organisation's human resource development needs and explore the options for new ways of developing human resources. This study is descriptive in nature. Descriptive case study attempts to describe what happens in a case setting. It is often considered as a less valuable approach for studying cases because it is seen as reporting other reports or summarising issues that have already been discussed (Gummesson, 1991). It can, however, be argued that there is no description without analysis and interpretation, so it is equally as valid as explanatory or exploratory research (Gummesson, 1991), for example. The case-study approach has been criticised for providing few possibilities for scientific generalisation, for being time-consuming and for being biased (Yin, 1984, p. 21). It has also been criticised as having no statistical validity and hypotheses that cannot be tested (Gummesson, 1991). However, as the case here is qualitative and single, the intention is not for it to be generalised to other contexts. The aim is to describe the situation in the company and give ideas about how human resources can be developed in a small context. Because, however, the case organisation is an expert organisation, the results can also be applicable to other similar contexts. The problems are similar in many other small firms.

Case research has been popular in small business research for some time (Curran and Blackburn, 2001). This is very understandable because, in a small context, it is easier to keep the approach simple. As Curran and Blackburn (2001) state, small business owners are the target audience for this type of research, but, unfortunately, they seldom have the time to familiarise themselves with the research findings or even the ability to read scientific writings. The information should flow both ways while research is being done. The researcher should get information from the company and the company should benefit from the findings.

The data has been gathered from interviews with the case organisation's owner-manager. The analysis of the data reveals the current state of HRD and OL and, in particular, problems with employment in and commitment to the organisation. There are some quotations from the interview in between the narrative passages. These quotations show that the company deals with the same issues that have been described in previous literature. It is searching for answers about how to deal with human resources with limited time and financial resources.

As Watkins-Mathys and Lowe (2005, p. 664) point out, "Research in small business and entrepreneurship research is still largely based on practice, and is, therefore, not yet bounded by concept of absolute 'truths'". This is also the case here and, the aim is to describe the case setting in order to make the situation more clear and informative.

Findings and discussion

Description of the field

The case organisation in this research is a small expert design agency that specialises in designing HPAC-systems (Heating, Plumbing and Air-Conditioning). The agency can be

JEIT
31,1

44

regarded as a small or even a micro firm. SMEs are firms which employ less than 250 employees and the line between small and micro firm is somewhere around ten employees. Most of the companies operating in this field in Finland are small or micro organisations. There is a concentration of large companies in the capital region of Finland, but the competition there is very different and that is why the focus here is on small companies in other parts of Finland. The problems and solutions described in this paper can have implications for other organisations in the field and in most cases are similar to them.

The case organisation was chosen because human resource development issues are problematic in the organisation. The organisation finds it difficult to find new employees who would be competent designers committed to the work for a longer period of time. This problem is quite common in the HPAC-field in Finland in general. The field itself does not attract highly educated workers because it can be described as uninteresting. This makes the HRD-issues even more complicated. The educational institutions have had difficulties attracting enough competent students. The drop-out rate has also been high. HPAC-field as a training field or as a profession has been the least attractive among students in Finland for a long period of time, especially at the polytechnic level. This means that the competencies and motivation of the students are not as high as expected and hoped for. This has a direct effect on their performance at school and also at work. The field has been in the shadow of the ICT-field, especially during the last decade of the twentieth century. During the last couple of years, the image of the field has improved a little due to extensive investments in marketing it to students at polytechnics. The impact of employment in the field is estimated to be significant in the future. That should attract many new students to it. Many design and mechanical jobs will be available, due to extensive renovation work needed in the suburbs built 30 to 40 years ago.

Due to the significant and prolonged lack of interest in the field, a whole generation of workers is missing. There are designers close to retirement age and also very young workers who are at the beginning of their career. This causes a problem because the work requires some on-the-job training before it can be done. A young designer who has just graduated from a polytechnic or university starts working with an older designer who acts as his/her tutor. Therefore it would be vitally important to find more of these younger designers before the professionals retire. Their knowledge and competencies should be transferred to the younger designers bit-by-bit in order not to lose their valuable knowledge and experience when they retire. The manager of the case company describes the situation as follows:

The workforce is clearly divided into two groups: old and young. I am missing the natural middle-aged group. If the young designers suddenly decide to leave the company, it is difficult to find a replacement. This makes the company very vulnerable.

We are a very homogeneous group of workers although the age differences are huge. It is not divided into groups of young and old and they work well together. But that is only the current situation, and it can change very rapidly.

The age division of workers in the fields leads to the fact that many small companies have to fight with larger ones to get workers to work for them rather than for a large corporation. The situation applies to every small company in this field. Every one of them is trying to solve the problem better than its competitors do.

Half of my employees will retire within the next five years. That is a huge percentage of my workforce. It's a challenge but I'm not too worried about it now. The situation needs creative solutions and I believe that I will find one when the time comes.

The management process

The firm is managed and run by the owner who does not take part in the actual designing of the systems but controls all day-to-day management issues and tries to make sure the company has the prerequisites to survive competition. He is in charge of the firm's economy and is actively trying to find new employees to fill the gap between old and younger designers. He is also the one who is in charge of deciding what kind of training is offered to the employees. So it can be said that the firm is very much dependent on the personality and opinions of the manager.

The workers can very freely suggest courses they would like to attend and then we decide together if it is worth attending and if it will really improve their professional skills. I feel that it is not worth sending people to courses they do not want to attend. It is wasting money and time.

There also needs to be a balance between our workers. I cannot send one designer to every course he wants to attend if the others do not get the same chance. Sometimes the others do not even want to attend any courses but they still get envious if someone else does. It is like dealing with small children: you need to be very even-handed.

The manager's goal is to find larger work projects for the company, to form the basis of income for many years at a time. Then smaller projects are needed to fill the gaps. The project nature of the work makes it impossible to plan ahead, and gives the work an unstable and unpredictable nature. This is how the manager describes the situation:

It is difficult to assign jobs for different designers in our company because the workload is difficult to estimate. There is no point in planning ahead and it is like juggling; I move people around very flexibly from one project to another according to their expertise.

The different firms in the field specialise, as do different designers within a firm. The firms choose a field of expertise where they think that they can succeed and compete in quality and cost with larger companies. Larger companies are able to compete on price but do not necessarily possess the expertise of specialised smaller firms. Specialisation is the key to competitive advantage and the small firms need their experts to do the job. The manager's responsibility is to stay alert and feel the upcoming changes that could affect the day-to-day business.

I work on the principle that every one of the designers does their work very independently, but every day I talk with them and make sure they know what they are doing and try to help if there is a problem. I give them all the information about the budgets and timetables that I have, so that they know the limits and possibilities in that particular project.

The importance of the workers

Because small organisations are so vulnerable to losing a designer, they need to find a way to solve the recruitment and commitment problem. One way to overcome this problem could be to co-operate with the schools that train engineers. These schools could then be regarded as belonging to the firm's stakeholder network. As part of the network the schools would be part of the firm's learning circle (see Gibb, 1997) and that way they would need to learn how to benefit from each other. This is quite a simple method, which could result in fruitful co-operation, but it only works in areas where a school and a design agency coexist. The problem remains, however, that there are no guarantees that, once the designers are trained and possibly recruited, they will also be motivated to work for the organisation and be committed to its success and well-being

JEIT
31,1

for a longer period of time. One way to promote work satisfaction is to communicate with the employees and share information.

I meet with the younger designers yearly to discuss with them about their jobs and their well-being and also to find out if they are still satisfied with their work. Then I know what the situation is and it does not come as a big surprise if someone decides to leave. On a large scale, I want to know how my workers feel and think. It is communication both ways.

46

In order to make sure that the employees are satisfied with their work and feel that they are getting something in return for their efforts, there needs to be at least some development possibilities. The employees need to feel that they are valuable and that the value of their work is noticed. This is difficult for a small organisation because it is always a financial problem. As I see it, however, it would help if the manager first and foremost made sure that every employee was aware of the strategic meaning of his/her work and its affects on the business performance of the firm. But it seems that, in an engineering company, this is not seen as worthwhile.

In a company full of engineers I feel that a kind of unnecessary waffling does not fit in. The engineers just want to do their job and if there is a problem, it is discussed and then they continue working. That way the manager's job is quite clear. I feel that the appreciation comes from good quality equipment and the possibilities to attend courses once in a while.

Planning and learning

For a small organisation, it is difficult to think ahead and plan for the long term. Usually the manager does this kind of planning without even noticing. It can be unconscious. But as the manager from the case company said, planning is very relevant for a small business too. You need to know what kind of people and equipment you have and what kinds of jobs can be done with them. You also need to know the future possibilities and what you need to do to achieve them. This kind of thinking fits in very well with the idea of long- and short-term planning, which is done in larger companies.

People are the most valuable resource for an organisation and investments have to be made to keep their skills up-to-date. The manager needs to accept that, although some of the investment may not benefit the firm fully, that is not a reason not to do it. After a company has been in business for a longer period of time, certain management and development procedures will establish themselves without any formal planning. A company cannot operate without these systems. They may very well be very sophisticated systems but they are not officially written down. The issues of human resources, culture and strategy and structure should be in place, otherwise business will not be profitable. The thing that is typical of small firms is that every one of them is dependent on or concentrates on the owner's or manager's talent or skills.

There are many connections to the HRD model presented by Mankin (2001). It takes into account both the strategic questions and the communication aspect to deal with human resources. Also the concept of leadership is central in small firms. The firm is lead and managed by one person and his expertise effects the work culture as a whole. As can be seen from these quotations these issues are important in the small context also. One can argue that the issues from the model exist at the small company, but the model itself is not applicable to the small context.

One of the central features of the model is communication. The firm's culture and habits are transferred to the younger employees through communication. As they work

with their more experienced colleagues, they acquire tacit knowledge both about the designing job and company culture.

The issues of learning in the organisation are also crucial. As described above, the workforce is moving towards retirement age. It is essential to transfer the competencies and experiences of the senior designers to the younger designers. This is also a question of creating competitive advantage. If the organisation can figure out a way to make the competencies and tacit knowledge visible, it would also gain some advantage over the other firms that have not been able to do the same thing. This is a very complicated issue, which requires further investigation. It is clear, however, that the owner is not willing to use senior designer knowledge for teaching in the firm, because all their knowledge is considered essential for short-term economic success in a highly competitive environment.

Young people want to be fully paid right from the beginning and I can not afford to keep a young designer and a tutor in the same project for a long time. It is not financially possible. This is one of the challenges in our firm.

The competitive advantage is a group effort, and, especially in projects that involve more than one designer, it stems from their group effort. As Huber (1991) stated, the company learns whether, through its processing of information, the range of its potential behaviour is changed. Information processing is central in this line of work, and it can be said that learning occurs both consciously and unconsciously. It is both tacit and explicit knowledge that is transferred.

Conclusions

To conclude this analysis I would like to make some suggestions for further research. As can be understood from this description, human resource development or organisational learning issues are not simple or directly applicable to the small firm context. Still, for the sake of the survival of the small firm, it would be very important to think about how it could benefit from implementing these different approaches to HRD or organisational learning. Competencies and learning in organisations are ways to overcome some of the problems related to the highly tacit nature of the expert work.

It has been stated in literature that the HRD or OL models designed for larger companies do not apply to the small context. This is true to the extent that there are no models especially designed for that, but still the same issues must also be dealt with in the small ones. They do not talk about strategy or culture or human resource development, but the manager at least needs to deal with the issues in the same way as large companies do. It has even been suggested in literature that large companies' HRD can be seen as a collection of small firm HRD operations (Hill, 2002, according to Skinner *et al.*, 2003). Based on this, it could be that a more thorough picture of HRD could be formed by using SMEs as an example. Hornsby and Kuratko (1990) found that, in small firms, personnel practices are much more sophisticated than the literature leads one to believe. Obtaining and retaining the quality of the workforce seems to be the central concern.

In small organisations the exploitation of competitive advantage is rarely visible. Strategic management is seldom consistent and planned. It is difficult for an owner-manager of an SME to favour formal HRD practices if the link between investments in training and improved business performance cannot be realised (Hill and Stewart, 2000, p. 109). The next step is to figure out how the development of human resources or the learning of an organisation affect its overall performance. The

JEIT
31,1

48

challenges here are numerous. First, it is almost impossible to tell when an organisation has learned something, and if by a chance this could be detected, its measurement would still be abstract. Second, it is almost impossible to know how economic growth or decline affects the company's performance. In small organisations in particular, the effect could be substantial.

Academic terms like strategy, vision and learning are terms that are rarely used in small companies when managers talk about human resource issues and general strategies. One could even ask if the concepts related to the terms can be used when the realities in a small organisation are so different from larger corporations for whom the terms and concepts have been created. One very interesting research question would be to find out what the human resource development models in small firms could look like and what aspects could be included in them.

Movement in that direction, however, requires a great effort to consider what aspects of HRD could be effectively integrated into a model for small firms using terminology that would communicate the message to both owners or managers and other stakeholders. Further research could benefit from answering the following questions when developing a human resource model for small firms. First, to what extent is something formally possible, and, second, to what extent is something feasible given the internal and external realities. Then third, to what extent is something appropriate for all the stakeholders, and fourth, are there already enough case studies to suggest how human resource development is done, actually performed and what its doing entails?

This is why it is important to consider the context, the field of operation and the whole social and political environment in which an organisation operates, to be able to outline the whole process of dealing with human resources and learning. As Levitt and March (1988) state:

Organisational learning is viewed as routine-based, history-dependent and target-oriented. Organisations are seen as learning by encoding inferences from history into routines that guide behaviour.

Is this still the case? Learning should be seen as a future-orientated, ongoing development process with different options for different economic situations.

It could be argued here that organisational learning and HRD are appropriate for small organisations if they are properly adopted and fit the general context of the company in question.

References

- Anderson, V. and Boocock, G. (2002), "Small firms and internationalization: learning to manage and managing to learn", *Human Resource Management Journal*, Vol. 2 No. 3, pp. 5-24.
- Babuji, H. and Crossan, M. (2004), "From questions to answers: reviewing organizational learning research", *Management Learning*, Vol. 35 No. 4, pp. 397-417.
- Bacon, N., Ackers, P., Storey, J. and Coates, D. (1996), "It's a small world: managing human resources in small businesses", *The International Journal of Human Resource Management*, Vol. 7 No. 1, pp. 82-100.
- Crossan, M., Lane, H. and White, R. (1999), "An organizational learning framework: from intuition to institution", *Academy of Management Review*, Vol. 24 No. 3, pp. 522-37.
- Curran, J. and Blackburn, R.A. (2001), *Researching the Small Enterprise*, Sage Publications, London.

- DiBella, A., Nevis, E. and Gould, J. (1996), "Understanding organizational learning capability", *Journal of Management Studies*, Vol. 33 No. 3, pp. 361-79.
- Easterby-Smith, M. (1997), "Disciplines of organizational learning: contributions and critiques", *Human Relations*, Vol. 50 No. 9, pp. 1085-113.
- Easterby-Smith, M., Snell, R. and Gherardi, S. (1998), "Organizational learning: diverging communities of practice?", *Management Learning*, Vol. 29 No. 3, pp. 259-72.
- Eisenhardt, K. (1989), "Building theories from case study research", *Academy of Management Review*, Vol. 14 No. 4, pp. 532-50.
- Elkjaer, B. (2004), "Organizational learning: the third way", *Management Learning*, Vol. 35 No. 4, pp. 419-34.
- Eriksson, P. and Koistinen, K. (2005), *Monenlainen tapaustutkimus*, Kuluttajatutkimuskeskus, Helsinki.
- Finegold, D. and Frenkel, S. (2006), "Managing people where people really matter: the management of human resources in biotech companies", *Int. J. of Human Resource Management*, Vol. 17 No. 1, pp. 1-24.
- Fiol, M. and Lyles, M. (1985), "Organizational learning", *Academy of Management Review*, Vol. 10 No. 4, pp. 803-13.
- Garavan, T.N., Gunnigle, P. and Morley, M. (2000), "Contemporary HRD research: a triarchy of theoretical perspectives and their prescriptions for HRD", *Journal of European Industrial Training*, Vol. 24 Nos 2/3/4, pp. 65-93.
- Garrat, B. (1995), "An old idea that has come of age", *People Management*, Vol. 21, pp. 25-8.
- Gibb, A. (1997), "Small firms' training and competitiveness. Building upon the small business as a learning organization", *International Small Business Journal*, Vol. 15 No. 3, pp. 13-29.
- Grieses, J. and Redman, T. (1999), "Living in the shadow of OD: HRD and the search for identity", *Human Resource Development International*, Vol. 2 No. 2, pp. 81-102.
- Gummesson, E. (1991), *Qualitative Methods in Management Research*, Sage Publications, Newbury Park, CA.
- Hill, R. and Stewart, J. (2000), "Human resource development in small organizations", *Journal of European Industrial Training*, Vol. 24 No. 2/3/4, pp. 105-17.
- Hornsby, J. and Kuratko, D. (1990), "Human resource management in small business: critical issues for the 1990s", *Journal of Small Business Management*, July, pp. 9-18.
- Huber, G.B. (1991), "Organizational learning: the contributing processes and the literatures", *Organization Science*, Vol. 2 No. 1, pp. 88-115.
- Jennings, P. and Beaver, G. (1997), "The performance and competitive advantage of small firms: a management perspective", *International Small Business Journal*, Vol. 15 No. 2, pp. 63-75.
- Keenoy, T. (1999), "HRM as hologram: a polemic", *Journal of Management Studies*, Vol. 36 No. 1, pp. 1-23.
- Keogh, W. and Stewart, V. (2001), "Identifying the skill requirements of the workforce in SMEs: findings from a European Social Fund project", *Journal of Small Business and Enterprise Development*, Vol. 8 No. 2, pp. 140-9.
- Kim, D. (1993), "The link between individual and organizational learning", *Sloan Management Review*, Fall, pp. 37-50.
- Kotey, B. and Sheridan, A. (2004), "Changing HRM practices with firm growth", *Journal of Small Business and Enterprise Development*, Vol. 11 No. 4, pp. 474-85.
- Kuchinke, P. (1995), "Managing learning for performance", *Human Resource Development Quarterly*, Vol. 6 No. 3, pp. 307-16.

JEIT
31,1

50

- Kuchinke, P. (2000), "Debates over the nature of HRD: an institutional theory perspective", *Human Resource Development International*, Vol. 3 No. 3, pp. 279-83.
- Lee, M. (1995), "Learning for work: short-term gain or long-term benefit", *Personnel Review*, Vol. 24 No. 6, pp. 29-43.
- Lee, M. (2001), "A refusal to define HRD", *Human Resource Development International*, Vol. 4 No. 3, pp. 327-41.
- Levitt, B. and March, J. (1988), "Organizational learning", *Annual Review of Sociology*, Vol. 14, pp. 319-40.
- Lynham, S. (2000), "Theory building in the human resource development profession", *Human Resource Development Quarterly*, Vol. 11 No. 2, pp. 159-78.
- Lynham, S., Chermack, T. and Noggle, M. (2004), "Selecting organization development theory from an HRD perspective", *Human Resource Development Review*, Vol. 3 No. 2, pp. 151-72.
- McCracken, M. and Wallace, M. (2000), "Exploring strategic maturity in HRD – rhetoric, aspiration or reality?", *Journal of European Industrial Training*, Vol. 24 No. 8, pp. 425-67.
- McGoldrick, J., Stewart, J. and Watson, S. (2001), "Theorizing human resource management", *Human Resource Development International*, Vol. 4 No. 3, pp. 343-56.
- Mankin, D. (2001), "A model for human resource development", *Human Resource Development International*, Vol. 4 No. 1, pp. 65-85.
- March, J. (1991), "Exploration and exploitation in organizational learning", *Organization Science*, Vol. 2 No. 1, pp. 71-86.
- Marlow, S. (1998), "So much opportunity – so little take up: the use of training in smaller firms", *Journal of Small Business and Enterprise Development*, Vol. 5 No. 1, pp. 38-48.
- Mazzarol, T. (2003), "A model of small business HR growth management", *International Journal of Entrepreneurial Behaviour & Research*, Vol. 9 No. 1, pp. 27-49.
- Nonaka, I. and Takeuchi, H. (1995), *The Knowledge Creating Company: How Japanese Companies Create the Dynamics of Innovation*, Oxford University Press, New York, NY.
- Patton, D. and Marlow, S. (2002), "The determinants of management training within smaller firms in the UK. What role does strategy play", *Journal of Small Business and Enterprise Development*, Vol. 9 No. 3, pp. 260-70.
- Pedler, M., Burgoyne, J. and Boydell, T. (1991), *The Learning Company: A Strategy for Sustainable Development*, McGraw-Hill, London.
- Perren, L. and Ram, M. (2004), "Case-study method in small business and entrepreneurial research", *International Small Business Journal*, Vol. 22 No. 1, pp. 83-101.
- Ruona, W. and Gibson, S. (2004), "The making of twenty-first-century HR: an analysis of the convergence of HRM, HRD and OD", *Human Resource Management*, Vol. 43 No. 1, pp. 49-66.
- Ruona, W. and Lynham, S. (2004), "A philosophical framework for thought and practice in human resource development", *Human Resource Development International*, Vol. 7 No. 2, pp. 151-64.
- Sadler-Smith, E., Gardiner, P., Badger, B., Chaston, I. and Stubberfield, J. (2000), "Using collaborative learning to develop small firms", *Human Resource Development International*, Vol. 3 No. 3, pp. 285-306.
- Sammut, A. (2001), "HR & OD turfwar: highlighting the need to establish a clear definition of OD", *Organization Development Journal*, Vol. 19 No. 2, pp. 9-18.
- Senge, P. (1990), *The Fifth Discipline: The Art and Practice of a Learning Organization*, Doubleday Currency, New York, NY.

-
- Short, D. (2000), "Analyzing metaphor in human resource development", *Human Resource Development International*, Vol. 3 No. 3, pp. 323-41.
- Skinner, J., Pownall, I. and Cross, P. (2003), "Is HRD practiced in micro-SMEs?", *Human Resource Development International*, Vol. 6 No. 4, pp. 475-89.
- Stake, R.E. (1998), "Case studies", in Denzin, N.K. and Lincoln, Y.S. (Eds), *Strategies of Qualitative Inquiry*, Sage Publications, Newbury Park, CA.
- Sun, H. (2003), "Conceptual clarifications for 'organizational learning', 'learning organization' and 'a learning organization'", *Human Resource Development International*, Vol. 6 No. 2, pp. 153-66.
- Swanson, R. (1999), "HRD theory, real or imagined?", *Human Resource Development International*, Vol. 2 No. 1, pp. 2-5.
- Swanson, R.A. (2001), "Human resource development and its underlying theory", *Human Resource Development International*, Vol. 4 No. 3, pp. 299-312.
- Tilastokeskus (2003), "Suomen yritykset – Yritysten määrä kasvaa hitaasti mutta tasaisesti", pp. 1-3, available at: www.stat.fi/til/syr//2003/syr_2003_2004-12-15_tie_001.html (accessed 3 October 2006).
- Tsang, E. (1997), "Organizational learning and the learning organization: a dichotomy between descriptive and prescriptive research", *Human Relations*, Vol. 50 No. 1, pp. 73-89.
- Wagar, T. (1998), "Determinants of human resource management practices in small firms: some evidence from Atlantic Canada", *Journal of Small Business Management*, April, pp. 13-23.
- Watkins-Mathys, L. and Lowe, S. (2005), "Small business and entrepreneurship research", *International Small Business Journal*, Vol. 23 No. 6, pp. 657-77.
- Yin, R. (1984), *Case Study Research – Design and Methods*, Sage Publications, Newbury Park, CA.

Further reading

- Gratton, L., Hope-Hailey, V., Stiles, P. and Truss, C. (1999), "Linking individual performance to business strategy: the people process model", *Human Resource Management*, Vol. 38 No. 1, pp. 17-31.
- Kuchinke, P. (1998), "Moving beyond the dualism of performance versus learning. A response to Barrie and Pace", *Human Resource Development Quarterly*, Vol. 9 No. 4, pp. 377-84.
- McLean, G. (1999), "Get out the drill, glue and more legs", *Human Resource Development International*, Vol. 2 No. 1, pp. 6-7.

About the author

Essi Saru is a Doctoral Student in the department of Management and Organization at the Turku School of Economics where she currently works as researcher. Essi Saru can be contacted at: essi.saru@tse.fi

ARTICLE 3

Saru, Essi (2009) The element of a sustainable learning environment as the linking mechanisms between HR and performance in small firms, Full refereed paper in the *Proceedings of the 10th International Conference on Human Resource Development Research and Practice across Europe*, Newcastle June 10.–12, 2009.

The element of a sustainable learning environment as the linking mechanism between HR and performance in small firms

Essi Saru
Researcher
Turku School of Economics
Department of Management
Rehtorinpellonkatu 3, 20500 Turku, Finland
tel. +359 2 481 4259
e-mail: essi.saru@tse.fi

Stream: SMEs and Entrepreneurship

Submission type: Refereed paper

Key words: small organizations, human resource development, performance, learning environment, information technology field

Introduction

In the academic discussions in both human resource development and human resource management the linking mechanisms from HR to performance have been under debate during the past decade. By investing in human resources it is possible to gain positive performance effects, but the linking mechanism is still under debate. The small businesses have been researched in this respect as well and the researchers have sought to find out how do small firms survive in the competition and how do they do things differently than the larger organizations (Nadin and Cassell 2007; Hill 2004). The quality and quantity of small firm's resources have been described as too scarce to invest in human resources and therefore the small firms have been assumed not to have HR-practices in use (Saru 2009). Moreover, SMEs are often described as being informal and unstructured when human resources are concerned. The opposing view suggests that HR in SMEs is more sophisticated and therefore research in the small context could advance the HR theory in broader sense as well.

One stream of research within HRD addresses learning as the explanatory element in improving performance in organizations (Simmonds and Bedersen 2006). To reveal this in the small context would require an understanding of how a productive, informal and positive learning environment is structured (Billet 2004; see also Coetzer 2006). The previous literature has suggested that managers in small firms have a central role in promoting an environment where learning is valued (Smith, Sadler-Smith, Robertson and Wakefield 2007; Ellinger and Cseh 2007; Kelliher and Henderson 2006; Coetzer 2006). In addition also the context that the small firm operates in either promotes or impedes the possibilities for supporting learning (Ellinger and Cseh 2007; Kelliher and Henderson 2006). The research on the learning facilitators in small firms is still underdeveloped and more research efforts are needed.

Therefore the purpose of this study is to contribute to the discussion of HRD and performance in small firms. The aim is to investigate how a positive learning environment serves as the linking mechanisms in the equation. This links the discussion to the human resource management as well and strives to bring forth what are the actual practices that affect the daily survival of a small firm.

The study is a longitudinal qualitative case study of a small IT firm. The data was gathered from management and employee interviews and observations during 2006–2008. The purpose of choosing a single case was to be able to acquire a deeper understanding of an organizational learning process in a small firm and that way advancing the theoretical discussion. From a practical point of view the intension is to emphasize that vast resources are not a prerequisite to invest in the learning and wellbeing of its workers.

First the theoretical framework discusses in more detail the small business learning framework and the concept of learning in work. The research method section describes the case organization, the data collection and analysis systems. In the case analysis section the findings are presented. The final discussion and conclusions discusses the contribution of the study, and also evaluates it and identifies paths for further research.

Theoretical framework

In small firms HRD and learning are intertwined (Hill 2004) and the actual work becomes a process of learning. This line of thinking implies that the HRD practices in small firms are intertwined with the daily work routines (cf. Fenwick 2006). Therefore small business managers have a central role in creating a productive work environment (Coetzer 2007). Coetzer found that this happens when managers offer employees first of all learning opportunities, secondly support for learning and thirdly incentives to learn. Learning opportunities include formal training or challenging work tasks, support for learning refers to provision of learning resources or peer support, and incentives, on the other hand, refer to recognition and rewards for learning. All of these three include elements that are possible to apply also to the very smallest organizations. This also implies that the way how the social environment inside the company is formulated has an effect on the overall learning environment.

In the previous literature the concept of networks has gained popularity as a means of enhancing learning in SMEs (Clarke et al. 2006). A social network can refer to a network of individuals inside the company (van Emmerik and Saunders 2004). This network measures how embedded and attached an employee is to the particular organization (s)he works for or the job (s)he is performing (Granovetter 1985; Uzzi 1996; Mitchell et al. 2001; Sparrowe et al. 2001; van Emmerik and Sanders 2004). Embeddedness means that the more employees are connected to their work organization and the better they fit in, the more embedded they are and less likely to leave. Therefore the social network between employees, employees and the manager and employees and their customers plays a significant role in explaining the employees' work-related learning (Saru 2009)

Work related learning can be separated into three different types (Sambrook 2004): *outside work* (learning that takes place away from work), *at work* (formal courses at the work place) and *in work* (learning embedded in work processes through coaching or on-the-job activities) (see also Bauer, Rehrl and Harteis 2007, 27). Learning can occur at individual, group and organizational levels. All of these levels can be found from the following framework by Kelliher and Henderson (2006). In the framework the small business is seen as a part of the surrounding environment which sets the boundaries for learning. It depicts learning to be a comprehensive phenomenon which includes environmental and resource constraints and the effects created by different individuals within an organization (Taylor, Shaw and Thorpe 2004). A changing environment forces small firms to learn (Zhang Macpherson and Jones

2006), but the flatter an organization structure is the more it enables a manager to communicate to employees and to build the learning environment (cf. also Birdthistle 2006). Still, if it is possible to train someone, the difficulty of leveraging that individual learning into their organization is an issue that needs the attention of the employee's manager. (Kelliher and Henderson 2006)

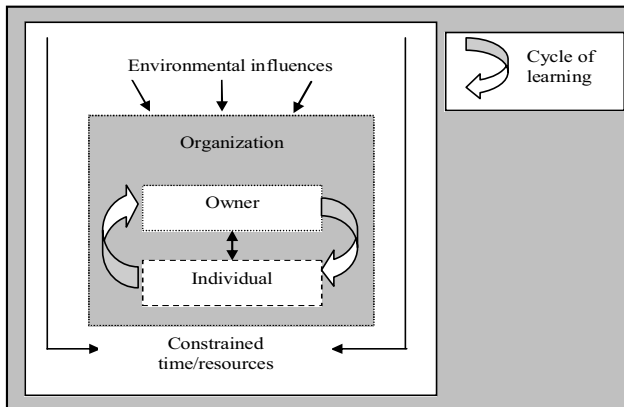


Figure 1. Small business learning framework (Kelliher and Henderson (2006, 520)

Three particular issues from the framework guide this research and bring forth elements that structured the data analysis. First, as also pointed out by Coetzer (2007), the role played by the owner and/or manager is central because the owners' attitudes towards learning will affect an organization's point of view on learning. An example of this is that the owner either motivates people to learn or inhibits learning by denying any training requests. Second, learning needs to be supported by an adequate communication infrastructure. This means that open and positive internal communication is the basis for a good and productive environment where learning is encouraged and employees feel respected. An open and communicative learning environment is expected to have a positive effect on the overall performance of the organization (cf. Spicer and Sadler-Smith 2006). The literature on small firms presents an expectation of this positive relationship at least between training and performance, although evidence is still scarce (Bryan 2006). Third, the interaction between the owner and the employees is integral compared to larger organizations. Their closer co-operation makes work more flexible and is the basis for the social relations in the organization. This is presented as the learning cycle in the framework.

Learning in small firms occurs through successful events as well as the less successful ones. People are normally more willing to analyze the work events that were successful. The possible errors are kept secret if they do not affect other people or require action from the organization's side. Errors are often seen as undesirable events although they can lead to both individual and organizational learning. In general an error can be defined as failing to reach a predefined goal. (Harteis, Bauer and Haltia 2007, 119). In some work tasks errors at work are more crucial than others and they can also be easier to detect (Bauer and Mulder 2007). From the learning perspective it would be central to be able to take advantage of both of these situations and learn from them. This would be possible if a trust-promoting, positive

organizational environment existed. Building trust in a small context is easier because of informal and communicative relationships. It also enhances the formation of social networks. Research on learning from errors is not widely discussed within HRD. It relates to having a positive orientation towards learning and being able to see it as creating opportunities for competitive advantage and survival (Sambrook 2004).

These issues have been discussed in the previous literature as enhancing learning but yet their combination as elements of a positive learning environment has not been fully delineated. Three elements can be brought up from the previous literature, which call for further clarification within the small context. These are 1) How does learning in work promote individual and group performance? 2) What constitutes an adequate communication structure?, and 3) What is the role of social relations in promoting a positive environment?. These ideas will be discussed through the empirical case described in the next section.

Research design

Data collection

Research on HRD and learning in small firms has been quite diverse in a sense that the researched topics and methods vary substantially. Moreover, the heterogeneity of SMEs has not been taken into account enough. In many studies SMEs are assumed to be homogeneous for the easy of analysis and therefore our understanding of small firms has not advanced as far as it could have during the past decade (Ekamen 2007; Curran and Blackburn 2001). Consequently more in-depth empirical case studies could help in advancing the small business research.

A longitudinal single case study approach was chosen for this study. The advantage in case study is that it allows gaining a deeper understanding of the phenomena in question (Hartley 1994; Ghauri 2004). The data was acquired through semi-structured interviews because the intention was to explore the employees' experiences (Miller and Glasner 1998, 100). In addition some auxiliary observations took place. The observation included taking field notes during the interview visits to the company premises. They provided additional information regarding the organizational environment and the social relations in the organization, and also allowed placing the findings in more complete context.

Two rounds of interviews were conducted in 2006–2008. The first round took place in December 2006 and January 2007 (owner-manager, eight employees) and the next round in February and March 2008 (owner-manager, three managers, and six employees). Mostly the same people were interviewed both times to be able to detect the improvements in their professional competencies. The first round of interviews served the purpose of forming an overall conception of the whole organization. The data from the second round allowed a more comprehensive understanding of learning at and in work to develop, and brought the changes in the organization to surface. All of the interviews lasted 30–90 minutes depending on an employee's willingness to discuss their work and also the time they were able to invest in the interview. The interviews were recorded and transcribed afterwards.

The interviewees found it difficult to describe the abstract terms of 'learning' and 'change'. The work skills build up gradually and the process of learning remains abstract. Therefore, to make it easier to conceptualize the learning situations, the

employees were asked during the second interview round to describe one successful and one unsuccessful work event that they felt that they had learned something from and had applied that new skill into their next work assignments. This helped them reflect on recent developments in their work.

The data analysis began with a structuring content analysis. This meant reading the transcriptions over several times and marking specific passages in the text that addressed either *learning in work*, *communication structures* or the *social relations*. These predetermined themes were divided into sub themes along the way as those began to emerge from the transcriptions. The sub themes structured the text in more detail. The second phase of the analysis was to collect these specific passages of text to tables – first under the main themes and then the sub themes. The last phase included the comparison of the information gathered from the two different rounds of interviews to discover the differences and similarities between them (Ragin 1994). The results presented in the Case analysis -section are based on these comparisons.

Case organization

The case organization is a small information technology (IT) organization. It operates in the business of selling and marketing IT-equipment and software to private and public sector organizations. The organization is structured as a concern: it includes a sales unit, two small affiliations and an independent technical service unit which offers technical service on all IT-matters. This service organization was founded just before this research process commenced and the affiliations were acquired during the research process. These newly acquired affiliations were not included in the data collection because their role in the whole concern was not very established at the time. The data was gathered from the *sales unit* and the *technical service unit*.

The whole organization has been under the current ownership for five years but it has a history of over 20 years in the IT-business. During the five years time the organization has grown significantly first of all because it has acquired the affiliations, but it has also recruited several new employees. Especially the technical service side of the business is gradually growing because their client organizations require more and more technical assistance and service around their information technology systems. This organization employs just fewer than 30 employees all together. The employees are mostly young people in their thirties and the majority of them are male.

During the first round of interviews the company structure was quite straightforward. The owner-manager was in charge of the leadership of the whole organization, although much of the responsibility of the work had been shifted to the individual employees to keep the organization flat and flexible. At this time there were 8 sellers and 6 service workers. The manager had brought in new work values such as respect for others, togetherness and the joy of working. This had already resulted in improved performance. The manager's principle for the whole business in his words is: *"We are a local company with long traditions – an old time store. The customer is important which means that we keep a close contact with the customer and are not faceless suppliers in the internet."*

By the time of the second round of interviews the company had changed significantly. New technical service workers had been recruited and the structure of the company had been reformulated. The reformulation refers to formalization of the structure – a new middle management level was created to prepare for future growth intentions.

The new management level includes a sales manager responsible for the sales unit, a service manager responsible for the technical service unit, and a new financial manager. These three managers are part of the new board of directors together with the owner-manager and the managers of the affiliate companies. The group of directors is now learning how to lead the company and they are building their new work routines.

The findings will be reported in the next section in three parts: *learning in work*, *communication structures* and *social relations*. The theory and quotations from the interviews are intertwined in the exploration (Eisenhardt and Graebner 2007) and the *sales unit* and the *technical service unit* are compared.

Case analysis

Learning in work takes place mainly in everyday work situations. It occurs so naturally that the employees are not aware of it (Birthistle, 2006) and therefore it is difficult to illustrate. In the case organization learning in the individual level is about improvement of the employees' professional skills. In the group level, learning refers to how the sales unit and the technical service unit learn to interact and work together. And in the organizational level, learning in work refers to the processes through which this organization learns to operate in the new structure.

The findings from this research confirm the previous finding that the most valuable learning occasions seem to be informal (Lehesvirta, 2004; Birdthistle 2006) which is evident from the citation as well: *"I have no formal training. I have learned everything I know by doing."* In addition to learning-by-doing product trainings are important for the newcomers to learn the job and for everyone else for keeping the professional knowledge up-to-date in the fast developing information technology. The importance of gaining experience in the technical service work is evident from the following citations:

"I have been here only 6 months and I think it takes a year or two to learn the systems here." (technical service worker 2007)

"Now that I have more experience I can take more challenging work and I am able to solve the problems faster which means that I have time to do more work during one day than before." (technical service worker 2008)

For the sellers the experience they have gained reflects on the successful sales situations. They themselves see that in the beginning of the career it is important to find customers and to build a solid base for income. This was especially evident during the interviews in 2007 with the newcomers. Then a year later they were able to describe how that work is gradually beginning to be productive:

"I have worked hard for the past couple of years and now it is beginning to be productive. I am kind of proud of that because building trust between a customer and a seller takes a long time." (seller 2008)

"No one here has a good customer that would have been easy to acquire. The trust needs to be earned." (seller 2008)

"The more experience you have the better you become at judging people and their intentions in the sales situation. You are then able to offer the right price for the right people and make a better profit." (seller 2008)

Every one of the interviewed sales employees pointed out that the aim with all learning is to reach a higher personal paycheck. It was referred to as the most appealing reason to develop in work. This reveals something of their competitive nature, which is a requirement of a sales job. The technical service work is more problem oriented in nature – they do the work out of love and not money. More challenging work assignments as well as better company performance were pointed out as the second most appealing reasons for learning in both of these units during both rounds of interviews. These employee conceptions are compatible with the rewards that Coetzer (2007) pointed out as a central element in creating a learning environment. In this particular case the monetary reward seems to generate a desire to work efficiently and learn because it directly increases their provisional pay.

The learning situations were especially difficult for the employees to describe and a very common reply to the question was that: “No occasion comes to mind right now.” (seller 2008) or “I cannot think of any occasions where I had learned from an error.” (service worker 2008). The most successful situations related to big deals that they were able to close but they could not conceptualize the learning effects. Work related errors are not that crucial in this line of business if compared to those, for example in the health care sector (Bauer and Mulder, 2007) therefore not much attention is paid to them. And yet especially the technical service workers pointed out in both interviews that trial and error is the way to learn. They saw that theory can be learned from books but the actual work teaches you the best. The main improvement in the work had been the sharing of information through a database:

“We have created a database which includes information on different solutions to customers’ problems. There you might find the answer and you do not need to invent the wheel all over again.” (service 2008)

Learning in work is evident also by looking at the quantitative financial numbers. For younger sellers an increased paycheck indicates that they have improved their sales skills and product knowledge. Ultimately, they are able to sell more complicated packages since they have acquired more experience and more knowledge through their work assignments as well as through co-operation with other sellers (their social network). The sellers’ sales margins have increased during the year by 50% at best but 20% to 30% is average. Due to learning in work also the technical service unit has been able to increase its invoicing. In January 2007 the percentage of the higher billing rate, which they call the rate for special higher competence tasks, was 4% of all the invoicing and a year later the percentage had risen to 21%. This clearly indicates an increase in professionalism among the workers but also about the growth of the unit in the employee numbers. It also reveals that they are now able to take on more challenging work because their professional competence is at a higher level due to learning in work. All of the interviewed service employees identified with this increased professionalism and were able to describe how their work tasks had changed during the year.

It should be remembered that part of this increase is due to the positive economic cycle (Vanhala and Tuomi, 2006) and learning only explains part of this increase.

Communication structures in this organization aim at keeping everyone in the organization informed about the business issues and also keeping the employees work atmosphere positive and encouraging. The organization is very open and communicative and most of the communication is informal. Small organization, such as this, does not need many formal meetings because they talk openly anyway as is

evident also in the citation: *“It does not need to be anything special I can go and sit on the manager’s sofa and chat with her about anything.”* (seller 2008). The manager’s attitude towards communicating is in central role. This also affects the learning in group level as well as in the organizational level. The importance of communication for learning was also highlighted by Kelliher and Henderson (2006).

During the first round of interviews the employees described that the basic principle in the organization is that the individuals work independently and do not need supervision. Several of them pointed out that the lack of clock cards is valued and that is seen to indicate the manager trust – everyone does their share without supervision. They also highlighted the importance of open communication and having a manager who is truly interested in the employees’ work.

“It is important to get feedback also from the positive issues. You need to know that you are doing your work right. It does not help if the manager once a year gives you feedback and then tells you that you should do the work differently.” (technical service worker 2007)

The employees are informed openly about business issues and yet some complaints arouse about what seemed as unequal treatment of the two units in regards the communication. Especially the service workers felt that they do not know as much about the company’s plans than the sellers do and one of them even claimed that he had heard about the company’s issues first from an outsider and then from the management. That caused some uneasiness among the workers. During the second round of interviews it became apparent that the new structure has taken care of at least a part of this problem. The employees had internalized the meaning of the change and for the most part regarded it as a positive thing. It seems that in this case the bit more formal structure has cleared the communication structures as well. One of the sellers and technical service workers describe it like this:

“If there is a problem we now talk first to our own manager who then brings the issue up at company level. We no longer immediately send an angry e-mail to the whole staff about a problem.” (seller 2008)

“Our manager communicates with the sellers now. We have differentiated our two organizations a bit and the sellers’ gimmickry does not affect us so much anymore. They do not invade our privacy here upstairs.”(technical service worker 2008)

The designated person to take care of communication to the other unit seems to have somehow relaxed the atmosphere between the units and the whole environment therefore seems better. One of the technical service workers had experienced that: *“In the new organization more information is given to us and it is not as unstructured and free as it used to be. Maybe it is better that way.”*

The way how both formal and informal communication works is central in building the learning environment. As can be seen from the quotations the employees value open communication. This is also the central point in the small business learning framework (Kelliher and Henderson 2006). A positive learning environment can be achieved with the support of an adequate communication structure. More formal structures are needed with growth to keep the communication flowing openly, as this organization here did.

Social relations refer to the co-operation between the sales and technical service units. Social relations are especially relevant in building the positive learning

environment. In both of the interviews one of the sellers described the co-operation between the units as the best and worst work issue in the company. Several of them also claimed that it is getting better all the time. This implies that they are learning to interact and also to take advantage of each others' competencies.

In practice both of these units are dependent on each other for support because the sellers sell the customer companies their products and the service organization then assembles them and provides service if an up-date is required or if there is a problem. The sellers are also able to consult the technical service experts if they need more technical information. The benefits that this brings are that the sellers are able to sell more comprehensive packages to the customers and the service organization faces more challenging projects through these sales activities. These two organizations form a social network that gives them an advantage over other companies in the field. It also creates extra value for their customers because the service this company can provide is more comprehensive. They have realized this in the company also and therefore this co-operation is a focus of the company's development. Still it causes quarrels between them every day as they themselves state. They seem to think that the two units are from totally different worlds. The sellers describe the technical service people as IT-nerds and see them as coke-drinking coders with no social skills. The service people then see that anyone can sell but not everyone is expert in the technical side. These are quite heavy acquisitions and a not very good starting point for co-operation. Some improvement can be detected in between the interview rounds:

“Of course there are issues that cause quarrels, for example when a seller needs something done for their particular customer and we have a two weeks queue then we need to figure out what are the real priorities. The sellers do not understand that.” (technical service worker 2007)

“We agreed with the sellers that they do not bring work to us without signing it to our system. It has worked quite well although still we do things past the line.” (technical service worker 2008)

Despite that observable criticism, everyone in the interviews stressed that they do have an excellent group of people in the organization, and the work atmosphere is very inspiring. This tells about their embeddedness to the particular organization. One of the employees described like this: *“I value the good atmosphere here. There is no need to be on sick leave.”* This is important because being able to improve organizational level learning requires improvement in this co-operation. The two units are on different floors in the building and therefore they are unaware of events taking place in the other unit. It is an upstairs–downstairs setting which they refer to all the time. At times there seems to be more than just a set of stairs between them and these two organizations would benefit from more knowledge and understanding of the other's job. One way to achieve that understanding would be to have the sellers spend some time with the technicians at their job and vice-versa. They would also develop a more accurate picture of the other's work and they would not need to assume what is going on in the other unit. This is apparent also in the citation:

“After I became the financial manager of the company and moved my office upstairs I have realized what the actual work is like in the technical service unit. We sellers do not understand the whole story.”

In the interviews almost every one of the employees replied that their co-workers, and interesting and challenging work tasks, plus rewarding pay keep them in this

particular organization. A seller pointed this out in the first interview: *“It somehow feels like the atmosphere is the thing that keeps people here. We are a group of young, ambitious and competitive people. It is easy to be here.”* Thus it is clear that the social network, which one of them described as “family-like”, is important for their job satisfaction. Gruber et al. (2007, p.232) claim that learning at work involves workers’ access to, and embeddedness in, adequate networks of practice inside or outside organizations. This social network is defined as a set of actors and the relationships that hold them together. This is evident especially in the technical service unit:

“We can appreciate each others’ work because we know how much work needs to be done to get a system working. The work is in a way ungrateful because we get noticed only when the systems are not working. That is the down side of this nerd work.” (technical service worker 2007)

According to the network approach the actors are linked together via resource (e.g. information) exchange (Gruber et al., 2007). This indicates that the people recruited need to fit in the group already working in the organization. The better they fit to the social group the better and faster they become embedded in the organization, which then affects the way they perform and learn to perform. The last citation sums up the attitude that seems to prevail in the organization:

“Just recently I thought about how much money I would need to be offered to transfer to another firm. I came to the conclusion that it would have to be quite substantially more than my salary is now. The people and the good atmosphere keep me here.” (seller 2008)

The findings would suggest that this particular organization is an example where the positive environment has affected the learning and interaction in a way that also is visible in the performance of the whole group. They still have a lot to learn but they seem to have found a way that fits their style.

Discussion and conclusions

The purpose of this study was to investigate how a positive learning environment serves as the linking mechanisms in between HR and performance in small firms. The main framework in the research was the small business learning framework developed by Kelliher and Henderson (2006) which captures the complexity of the context in small business learning. Also the points made by Coetzer (2007) about the role of the manager in creating a learning environment in small firms were applied.

Many different issues are associated with learning in work. Others see it as a threat for job security (Hicks, Bagg, Doyle and Young 2007) and others as full of potential research issues (Ellinger and Cseh 2007; Kock, Gill and Ellström 2008). The general agreement is that there is much work to be done (Coetzer 2006) and that is a challenge this research sought to contribute to as well.

The main contribution from this research is that based on the case example the positive learning environment in a small firm serves as one linking mechanism between HR and performance. This brings the discussion to the broader discussion within human resource management about the multiple issues that can be places in the middle of the equation. The positive learning environment has not been widely discussed in the previous literature as one of these links but Spicer and Sadler-Smith (2006) concluded that there is a causal relationship between learning and

performance in small firms. The improvement in the case organization's employees' individual learning and competence development in work elevated the organizational level learning to a higher level which improved the performance of the organization. More competent individuals facilitated others learning as well. This finding therefore agrees with Ellinger and Cseh (2007) that the outcome of facilitating others learning can be a more productive group of employees.

The other conclusion is that the role of the manager in facilitating and creating a positive learning environment is salient. This has previously been identified by Coetzer (2006). This is evident in the case organization because the manager has given the employees an opportunity to work independently, develop their professional competencies as much as they desire as well as kept an open and communicative relations with all of the employees. The interesting further research possibility would include investigating how in this particular organization the new more formal organization structure has affected the positive issues associated with small firms such as informality, flexibility and family-like atmosphere. It would offer an opportunity to follow up on how they are able to keep up the positive environment that seems to be the key to the employees desire to develop and work for just this particular organization. As a practical implication, the findings suggest that a small firm does not need to invest resources to HR that are disproportionate to their available resources.

This study is too narrow to make any generalizations to apply to the whole small business context. On the contrary the aim was to make a contribution to the HR theory by investigating a single small case in more detail. Nevertheless, it is evident that more longitudinal research should be conducted to reveal the heterogeneity of the small business contexts and the nature of learning in them (Zhang, Macpherson and Jones, 2006). This study opens up further research possibilities that still need considerable research efforts in the small firms. These include conducting research in a different context than the appealing IT-field (cf. Saru 2007).

References

- Bauer, J. and Mulder, R. (2007) Hospital nurses' learning from errors Comparison of two research methods for assessing learning from errors at work, *Learning in Health and Social Care*, Vol. 6, No.3.
- Bauer J., M. Rehl and Harteis, C. (2007) Measurement of learning culture: A motivational approach In: Gruber, H. and Palonen, T. (eds.), *Learning in the workplace – new developments* (pp.21–50), Turku: Finnish Educational Research Association.
- Billet, S. (2004) Workplace participatory practices Conceptualizing workplaces as learning environments, *The Journal of Workplace Learning*, Vol. 16, No. 6, pp.312–324.
- Birdthistle, N. (2006) Training and learning strategies of family businesses: an Irish case, *Journal of European Industrial Training*, Vol. 30, No.7, pp.550–568.
- Bryan, J. (2006) Training and Performance in Small Firms, *International Small Business Journal*, Vol. 24, No. 6, pp.635–660.
- Clarke, J., Thorpe, R., Anderson, L. and Gold, J. (2006) It's all action, it's all learning: action learning in SMEs, *Journal of European Industrial Training*, Vol. 30, No. 6, pp.441–455.

- Coetzer A. (2006) Managers as learning facilitators in small manufacturing firms, *Journal of Small Business and Enterprise Management*, Vol. 13, No. 3, pp.351–362.
- Curran, J. and Blackburn, R.A. (2001) *Researching the small enterprise*. London: Sage Publications.
- Eisenhardt, K.M. and Graebner, M.E. (2007) Theory building from cases: opportunities and challenges, *Academy of Management Journal*, Vol. 50, No. 1, pp. 25–32.
- Ekamen, I. (2007) “Insider accounts”: a qualitative research method for small firms’, *Journal of Small Business and Enterprise Development*, Vol. 14, No. 1, pp.105–117.
- Ellinger, A.D. and Cseh, M. (2007) Contextual factors influencing the facilitation of others’ learning through everyday work experiences, *Journal of Workplace Learning*, Vol. 19 No. 7, 435–452.
- Fenwick, T. (2006) Toward Enriched Conceptions of Work Learning: Participation, Expansion, and Translation Among Individuals With/In Activity, *Human Resource Development Review*, Vol. 5, No. 3, pp.285–302.
- Ghuri, P. (2004) Designing and Conducting Case Studies in International Business Research, *In: Marschan-Piekkari, R. and Welch, C. (eds.)*, (pp.109–124), Celtaham: Edward Elgar Publishing Limited.
- Granovetter, M. (1985) Economic Action and Social Structure: The Problem of Embeddedness, *The American Journal of Sociology*, Vol. 91, No. 3, pp.481–510.
- Gruber, H., Palonen, T., Rehl, M. and Lehtinen, E. (2007) Understanding the nature of expertise: Individual knowledge, social resources and cultural context, *In: Gruber, H. and Palonen, T. (eds.)*, *Learning in the workplace – new developments*, (pp.227–250), Turku: Finnish Educational Research Association.
- Harteis, C., Bauer, J. and Haltia, P. (2007) Learning from errors in the workplace – insights from two studies in Germany and Finland, *In: Gruber, H. and Palonen, T. (eds.)*, *Learning in the workplace – new developments*, (pp.119–138), Turku: Finnish Educational Research Association.
- Hartley, J.F. (1994) Case Studies in Organizational Research, *In: Cassell, C. and Symon, G. (eds.)* *Qualitative Methods in Organizational Research: a Practical Guide* (pp. 208–229) London: Sage Publications.
- Hicks, E., Bagg, R., Doyle, W. and Young, J.D. (2007) Canadian accountants: examining workplace learning, *Journal of Workplace Learning*, Vol. 19 No. 2, 61–77.
- Hill, R. (2004) Why HRD in small organisations may have become a neglected field of study, *In: Stewart, J., and Beaver, G. (eds.)*, *HRD in Small Organisations, Research and practice*, (pp. 8–25), London: Routledge.
- Kelliher, F. and Henderson, J.B. (2006) A learning framework for the small business environment, *Journal of European Industrial Training*, Vol. 30, No.7, pp.512–528.
- Kock, H., Gill, A. and Ellström, P.E. (2008) Why do small enterprises participate in a programme for competence development? *Journal of Workplace Learning*, Vol. 20 No. 3, 181–194.
- Lehesvirta, T. (2004) Learning processes in a work organization, *Journal of Workplace Learning*, Vol. 16 No. ½, 92–100.
- Miller, J. and Glassner, B. (1998) The ‘Inside’ and the ‘Outside’ Finding Realities in Interviews, *In: Silverman D. (ed.)* *Qualitative Research, Theory, Method and Practice*, (pp.99–112), London: Sage Publications.

- Mitchell, T.R., Holton, B.C., Lee, T.W., Sablinski, C.J. and Erez, M. (2001) 'Why People Stay: Using Job Embeddedness to Predict Voluntary Turnover', *The Academy of Management Journal*, Vol. 44, No. 6, pp.1102–1121.
- Nadin, S. and Cassell, C. (2007) New Deal for Old? Exploring the Psychological Contract in a Small Firm Environment, *International Small Business Journal*, Vol. 25 No. 4, pp.417–443.
- Ragin, C. (1994) *Constructing Social Research*, Thousand Oaks: Pine Forge Press.
- Sadler-Smith, E. and Lean, J. (2004) The practice of HRD in smaller firms. In: Stewart, J. and Beaver, G. (eds.), *HRD in Small Organisations, Research and practice*, (124–148), London: Routledge.
- Sambrook, S. (2004) E-learning and small organisations, In: Stewart, J. and Beaver, G. (eds.), *HRD in Small Organisations, Research and practice*, (pp.185–214), London: Routledge.
- Saru, E. (2007) Organizational learning and HRD: how appropriate are they for small firms?, *Journal of European Industrial Training*, Vol. 31 No. 1, 36–51.
- Saru, E. (2009) HRM in SMEs, Linking Embedded Human Resource Practices to Performance and Employee Well-Being. In: Kraus, S. and Fink, M. (eds.) *The Management of Small and Medium Enterprises*, London: Routledge.
- Siggelkow, N. (2007) Persuasion with case studies, *Academy of Management Journal*, Vol. 50, No. 1, pp. 20–24.
- Simmonds, D. and Pedersen, C. (2006) HRD: the shapes and things to come, *Journal of Workplace Learning*, Vol. 18 No. 2, 122–134.
- Smith, P.J., Sadler-Smith, E., Robertson, I. and Wakefield, L. (2007) Leadership and learning: facilitating self-directed learning in enterprises, *Journal of European Industrial Training*, Vol. 31, No. 5, pp.324–335.
- Sparrowe, R.T., Liden, R.C., Wayne, S.J. and Kraimer, M.L. (2001) Social Networks and the Performance of Individuals and Groups, *Academy of Management Journal*, Vol. 44. pp.316–325.
- Spicer, D.P., and Sadler-Smith, E. (2006) Organizational Learning in Smaller Manufacturing Firms, *International Small Business Journal*, Vol. 24, No. 2, pp.133–158.
- Taylor, S., Shaw, S. and Thorpe, R. (2004) Neither market failure nor customer ignorance The organizational limitations or employee training and development, In: Stewart, J., and Beaver, G. (eds.), *HRD in Small Organisations, Research and practice*, (pp. 26–47), London: Routledge.
- Uzzi, B. (1996) The sources and consequences of embeddedness for the economic performance of organizations: The network effect, *American Sociological Review*, vol. 61, No. 4, pp.674–698.
- van Emmerik, H. and Sanders, K. (2004) Social embeddedness and job performance of tenured and non-tenured professionals *Human Resource Management Journal*, Vol. 14, No. 1, pp.40–54.
- Vanhala, S. and Tuomi, K. (2006) HRM, Company Performance and Employee Well-being, *Management Revue*, Vol. 17, No. 3, pp.241–255.
- Zhang, M., Macpherson, A. and Jones, O. (2006) Conceptualizing the Learning Process in SMEs, *International Small Business Journal*, Vol. 24, No. 3, pp.299–323.

**TURUN KAUPPAKORKEAKOULUN JULKAISUSARJASSA A OVAT
VUODESTA 2008 LÄHTIEN ILMESTYNEET SEURAAVAT JULKAISUT**

- A-1:2008 Maria Alaranta
”This has been quite some chaos.” Integrating information systems after a merger – a case study
- A-2:2008 Maija Vähämäki
Dialogi organisaation oppimisessa. Itseohjautuvan muutoksen mahdollisuus tuotantotyössä
- A-3:2008 Lauri Salmivalli
Governing the implementation of a complex inter-organizational information system network –The case of Finnish prescription
- A-4:2008 Harri Terho
Customer portfolio management – The construct and performance
- A-5:2008 Aki Koponen
Essays on technological development and competition in local bank markets
- A-6:2008 Minna Halonen-Rollins
Customer information usage and its effect on seller company’s customer performance in business-to-business markets – An empirical study
- A-7:2008 Anne Linna
”Se on niin väärin!” Kokemus johtamisen oikeudenmukaisuudesta ja sen muuttaminen kuntaorganisaatiossa
- A-8:2008 Jussi Hätönen
Managing the process of outsourcing – Examining the process of outsourcing product development activities in software firms
-
- A-1:2009 Teppo Rakkolainen
Essays on optimal control of spectrally negative Lévy diffusions in financial applications
- A-2:2009 Murat Akpınar
Understanding primary stakeholders of a firm response to market integration in the European Union – Volkswagen, 1960-2005
- A-3:2009 Johanna Österberg-Högstedt
Yrittäjänä ammatissaan sosiaali- ja terveysalalla – yrittäjyyden muotoutuminen kuntatoimijoiden ja yrittäjien näkökulmasta
- A-4:2009 Samil Aledin
Teenagers’ brand relationships in daily life – a qualitative study of brand meanings and their motivational ground among teenagers in Helsinki and London metropolitan areas.

- A-5:2009 Kati Antola
Customer-supplier integration in the forest industry
- A-6:2009 Harri Lorentz
Contextual supply chain constraints in emerging markets –
Exploring the implications for foreign firms
- A-7:2009 Pekka Koskinen
Supply chain challenges and strategies of a global paper
manufacturing company
- A-8:2009 Tuomo Kuosa
Towards the dynamic paradigm of futures research – How to
grasp a complex futures problem with multiple phases and
multiple methods
- A-9:2009 Hannu Makkonen
Activity based perspective on organizational innovation
adoption. A contextual approach to five adoption processes
within the food industry
- A-10:2009 Svein Bergum
Management of teleworkers – Managerial communication at a
distance
- A-11:2009 Vili Lehdonvirta
Virtual consumption
- A-12:2009 Helena Turunen
The internationalisation of location-bound service SMEs –
Resources and networks in Finnish tourism companies
- A-13:2009 Markus Granlund
On the interface between accounting and modern information
technology
- A-14:2009 Laura Heinonen
On the pursuit of growth in technology-based companies – The
role of public financing in the start-up process of Finnish drug
development companies
- A-15:2009 Mélanie Raukko
Key persons' organisational commitment in cross-border
acquisitions
- A-16:2009 Essi Saru
Sewn as a patchwork – How bits and pieces from the HRM,
HRD and OL perspectives can improve performance in small
enterprises

Kaikkia edellä mainittuja sekä muita Turun kauppakorkeakoulun julkaisusarjoissa ilmestyneitä julkaisuja voi tilata osoitteella:

KY-Dealing Oy
Rehtorinpellonkatu 3
20500 Turku
Puh. (02) 481 4422, fax (02) 481 4433
E-mail: ky-dealing@tse.fi

All the publications can be ordered from

KY-Dealing Oy
Rehtorinpellonkatu 3
20500 Turku, Finland
Phone +358-2-481 4422, fax +358-2-481 4433
E-mail: ky-dealing@tse.fi

