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1. Introduction

With Small to Medium Sized Enterprises (SMEs) accounting for over 99% of all businesses; their importance to the International economy is not in doubt. However, how to promote improved productivity, efficiency and overall long term sustainable growth within SMEs is. Little is known about how SMEs achieve success and even less is known about the practices and processes involved in business sustainability and growth. Although academic information on the area is growing the actual processes by which SMEs digest, understand and utilise such practices for improvement and growth is limited.

Such research is even more vital taking into consideration that the UK economy, in comparison to its international counterparts, is reportedly underperforming by up to 40% (Advanced Institute of Management Research, 2003). In the past the primary cause for this productivity has focussed around the under investment and under participation in workforce development. For instance, the mindset of UK manufacturing SMEs, and more widely reported ‘Anglo-Saxon’ management styles, has tended to focus on tangible investment such as technological advancements in machinery. This is reflected by the fact that for every £100 being invested per worker in the UK, £140 was reportedly invested in Germany, £150 in France, and £160 in Japan (Gilman, 1998).

Successive Governments remain committed supporters of the role of SME’s in the economy, not only because the SME ethos compliments a political and economic philosophy, but crucially it is believed that they avoid the complex industrial relations issues and conflicts of large firms whose poor management had such a damaging effect on the economy in the 1970s (Marlow & Patton, 1993). Current government literature promoting SME performance sits awkwardly with research evidence pointing to relatively low levels of skill and training and the limited development of the HR function in many SME’s. Some companies have made the leap from the traditional situation, but there is little evidence on the conditions that must be promoted to achieve such a result. This highlights the need for a much clearer understanding of the processes involved, not only in wealth creation through better productivity etc., but how companies can move from one phase/stage to another.

It is therefore important to consider the dynamics of the business growth process in order to understand the factors that impact on the productivity of SMEs as they adapt and grow. In the past there has been a growing recognition of the importance of supporting expanding enterprises to overcome growth constraints, and to promote established SMEs to maintain and improve their effectiveness (Storey, 1994). It is also well known that enterprises have a more significant impact as they grow and expand through the economical value and benefits they create (Churchill, 1997), such as through the creation of new jobs. Whilst much research has been published on firm growth, it is widely recognised that how SMEs achieve growth is not clear (Drummond & Stone, 2006). Such research has also tended to focus on growth quantitatively (Davidsson et al, 2005) and has therefore measured growth in terms of an output; an increase in sales, employment, market share or profits, neglecting the many inputs that effect the overall process of growth.

More recently the concept of the high performance work systems (HPWS) attempts to explain how and why some organisations may perform better than others. There are many differing theoretical variations of HPWS but all highlight the integration of integral process such as strategy, innovation, flexibility and human resource management as a source of competitive advantage. A standard HPWS model says that firms can implement appropriate human resource arrangements and that these contribute to success (Godard, 2004). The role of people and their skills are seen as key, supported by the integration of Supportive Employment Practices (SEP) and Management Operational Competences (MOC). Combining these raises the introduction of a number of strategically integrated HPWS practices and although such practices may vary, as will be highlighted below, information, technology, innovation, development, reward, work design and supportive processes are key (Paauwe, 2004).

HPWS, primarily a model of large organisations, is more recently being aligned with SMEs. The emergence of the flexible firm model (Atkinson 1986) and flexible specialisation model (Piore & Sabel, 1984) in the 1980s/90s also posited SME’s as vital components in innovative performance practices, many revolving around inter-related concepts such as TQM and HRM. With growth being posited as a key rationale for the introduction of HPWS, better understanding the role of HPWS in the growth of SMEs is important.

2.1 Theories and models of business growth

Business growth has in the past been classified in terms of frameworks; life cycle models, stage models, evolutionary models and transition models (Steinmetz; 1964, Kroeger; 1974, Churchill et al; 1983, Dodge & Robins, 1992, Mount et al; 1993 and Churchill; 1997). In doing so, these models developed the idea that an enterprise follows a predictable, determined pattern of stages (Dodge & Robins, 1992).

The life cycle theories make two key assumptions; firstly that enterprises pass through determined stages (such as a start-up or entrepreneurial stage, a growth or expansion phase, a domain protection and/or expansion stage and a stability phase (Dodge & Robins 1992)), and secondly that progressing from one stage to another is expected, enterprises develop from small and young to large and old and then potentially die (Mount et al, 1993).

Stage model theories propose that whilst enterprises may pass through a determined number of stages, they contest the view that not all of them will necessarily be satisfied. A well-known stage model frequently referenced is that of Greiner (1972) who identifies five phases of development, each of which contains a calm period of growth followed by a managerial crisis relating to leadership, control and coordination and hence an opportunity for future growth. Churchills' (1997) six-stage model emphasises that along with size and age; complexity, diversity, and management factors also play a key role.

Whilst stage models place a greater emphasis than the life cycle models on the development requirements to be taken into consideration during the transition between stages, it is the work of the transition models (Mount et al, 1993) that aim to delve into such complexities. Transition models, due to the complex nature of change that occurs between stages are seen as inherently difficult to develop; as for every transition that occurs, a new model must be constructed. Research within SMEs has therefore tended to focus on the smoothing of a particular transition (reacting to the changes required) rather than the reasons for the transition occurring, or the need for such a transition to take place (planning for change).

Whilst growth theories and models draw our attention to some of the key development requirements that a firm should consider, they have been highly contested with the view that no one model or theory can adequately explain small business growth (Gibb and Davies (1990)). Growth is a complex process involving an interrelated range of factors occurring in differing amounts and at different times, and hence having differing affects (Smallbone et al, 1992). Such critique however, appears not to have led to better research, but to limiting further research in this area, which is unfortunate because it represents the type of knowledge that small firm managers typically need and demand (Davidsson, 2004).

2.2 Barriers to Growth

Growth theories and models also highlight key barriers and constraints to enterprise growth. These can be viewed both internally in terms of the strategic choice of the owner/manager and the organisations ability to make structural adaptations as it grows, and externally in terms of the structural characteristics of the external market, etc. (e.g. competition, market, regulation, finance, labour and legislation). Interestingly studies have recognised that whilst SMEs face a number of external barriers to growth, it is more that often the internal factors that determine growth (Arthur Anderson and Binder Hamlyn Pulse Survey, 1996). Such studies have found that 'a company's attitude to growth…as well as the structure, skills and age profile of management…dominates its ability to grow' (Smith & Whitaker, 1998; p179). It is also reported that particular routes to growth maybe act as a barrier with firms characterised as small and young most likely having to grow organically, in contrast to older, more mature business, most likely to grow through acquisition (Delmar &Davidsson, 1998).

Growth is a process that requires a considerable investment of resources in order to overcome growth crises and surpass particular thresholds or ‘growing pains’ (Flamholtz, 1986). Interestingly, studies have identified that the owner-managers ‘willingness to grow’ is not necessarily related to the performance outcome of growth (such as the potential economic benefits), but rather a decision taken as to the adverse effects on employee, ‘…which they interpret as fear of losing informal, family-like character of the small organisation’ (Davidsson. 2004).

2.3 Exploring the link: high growth and sustainability

Research on the sustainability of enterprises appears in its infancy. Those who have carried out research in this area have defined sustainable growth as continual growth achieved by enterprises over long periods of time (Sexton et al 1997, O’Gorman, 2001), and within financial and operating constraints (Sexton et al 1997, Olson, 2005). This creates the notion that long term growth is a managed process and would appear to be in contrast with the growth process of ‘high growth’ SMEs, being regularly held up as best practice examples of entrepreneurial success (Schreyer, 2000). A distinction that has been made between those enterprises growing within their ability to finance growth and new debt are likely to experience management controlled rates of growth, and those growing beyond their ability are likely to experience uncontrolled growth (Sexton et al, 1997).

Although the literature on the sustainability of growth is limited, research has developed an understanding of some key drivers including the environment (Starbuck, 1976; Dess, 1984; O’Gorman, 2001), strategic choice (Porter, date; O’Gorman, 2001) and competitive advantage (Porter, date; O’Gorman, 2001; Simpson, 2004; Gentle, 2005; Holvey, 2006; Jonash, 2000).

2.4 Theories and models of HPWS/HRM

While there is a growing body of evidence that certain types of HR practices are associated with high performance, the list of effective practices varies from study to study and the effects are argued to be not that strong. Practices such as teamwork, performance related pay, decentralised decision making are highlighted as key to achieving competitive advantage but from there the lists of effective practices vary widely and even contradict each other (Hiltrop 1996). The simplistic descriptions of HRM are based on the ‘hard’ and ‘soft’ dichotomies (Foster & Whipp 1995). To confuse matters even more there are various models of HRM (Hiltrop 1996). The ‘universal’ or ‘best practice’ model although arguing that there is no one best way to manage people says that successful organisation are characterised by similar sets of HR policies and practices. Examples include Schusters (1986) six innovative HRM practices and Pfeffers (1994) sixteen distinctive management practices. Jayoram et al (1999) list ten 'best practice' factors which they argue stem from consensus in most HRM literature. There are 'contingency' models that emphasise the idea of 'fit' with each organisations requirements such as Schuster and Jackson's menu of strategic choices.

The 'contextual approach' arguing that HRM as been a largely US specific concept which needs to be viewed in light of other countries. This would include the fact that HRM may be based on a shift in power between the various parties. This approach would also criticise the above two models on the basis that both HRM and strategy are complex and will differ from organisation to organisation. This means that a range of conceptual and process skills are necessary in order to both understand the importance of HRM and manage the change it implies. The 'multiple stakeholder' perspective (Beer et al 1984; Hendry & Pettigrew 1990; Poole 1990) which concentrate on the soft issues of strategic management stressing the human aspects of HRM and recognising the interests of all groups within the organisation.

Finally, the 'resource based' perspective revolves around the concept that each organisation possesses a unique source of talent within it (Wernerfelt, 1984). RBV is based on the idea that heterogeneous, hard-to-copy resources and capabilities provide the basis of strategic advantage and superior form performance". Sustained competitive advantage comes from a firm's resources and capabilities including management skills, organisational processes and skills, information and knowledge. There are four key attributes that a resource must have in order to yield a sustainable competitive advantage; a resource must be: valuable (worth something), rare (unique), imperfectly mobile (cannot be easily sold or traded), and non-substitutable (is not easily copied) (Barney, 1991; Lavie, 2006; Wilkinson and Brouthers, 2005; Kearns and Lederer, 2003). A competitive advantage often results from the ambiguity that arises from a firm's technical complexity and/or its social complexity (Eddleston, 2008).

Paauwe (2004) argues that HPWS mainly fall into the 'universalistic' approach. Despite this, more recently, the concept has been utilised from many theoretical perspectives. HPWS are conceptualised as a set of distinct but interrelated HRM practices that together select, develop, retain and motivate a workforce: (Way, 2002; de Menezes and Wood No 20) in a completely superior manner (Kerr, Way, Thacker, 2004). Generally they are characterised by a set of managerial practices that serve to enhance the involvement, commitment and competencies of the employee (Osterman (2002) by transforming employees from merely being workers into partners, with employers, in realising company goals (Caspersz, 2006).

Such practices are argued to occur in three 'bundles' although components of the bundles differ from author to author (Sung and Ashton, 2005; Shih, Yun-Hwa Chiang, Chu-Chun Hsu, 2005; Angelis & Thompson, 2007): high employee involvement practices, human resource practices, and reward and commitment practices. Practices could include self-managed work teams, job rotation, quality circles, TQM and performance management (Blasi & Kruse, 2006; Osterman, 2002) problem-solving teams, gain sharing, training and employment security (Denton No. 24), annual appraisal, systematically circulated information on organizational performance and strategy, sought formal feedback on job performance (Drummond & Stone, 2006). While virtually all authors work with a common set of variables (Whitfield 2000; Handel & Gittleman 2004; Balck, Lynch & Krivelyova 2004; Cappelli & Neumark 2004; Pil & MacDuffe 1996; Hunter & Lafkas 2002) evidence shows that it is the use of comprehensive systems of work practices in firms that is the true key to higher productivity and stronger financial performance (Denton No. 24).

High involvement management (HIM) represents the task-related practices, which aim to maximize employees' sense of involvement in their work, and HRM practices aim to maximize employees' commitment to the wider organization. But this would also involve the need to improve skills and encourage innovation (Bryson; J. Forth; S. Kirby, 2005). Whilst innovation may be product based, and there are arguments that product brands are often examples of imperfectly mobile resources (Runyan 2007), it also involves a human element. The diffusion of innovations is mainly a social process involving interpersonal networks. It is also suggested that social networks may influence innovation diffusion (Blasi & Kruse, 2006; Angelis & Thompson, 2007). Yet as Andrick (1998) notes innovation is inconceivable without the right/accurate information. In this respect SMEs generally have fewer information sources but in principle have greater needs for it. The main point to be noted from the above is that innovation relies predominantly on people: highly trained employees with initiative.
Some studies also make a strong case for managerial vision as a critical factor (Denton No. 24) and the presence of an HR manager (Kerr, Way, Thacker; ASAC 2004). Others argue that managers are limited in their ability to understand the sources of sustained competitive advantage (Lado, Boyd, Wright & Kroll, 2006). Many SMEs do not have enough internal resources to be able to increase firm performance but if businesses build alliance networks with other firms then they may successfully utilise a larger pool of resources. This requires a focus on interactions of partnerships and analysis of structural variables and the collection of actors and their connecting ties (Lavie, 2006). In order to achieve the above consideration must be taken for strategy and its linkage to wider business issues (i.e. HR, IT, Marketing, etc.) (Kearns 2003). Additionally, firms are more likely to benefit from HPWPs if they also pursue quality enhancing strategies (Angelis & Thompson, 2007).

There are suggestions that the external competitive environment, particularly globalization, foreign competition and other external performance pressures may also play a role in the incidence of work innovations (Blasi & Kruse, 2006). Other external factors that impact on a firm (sector, age, etc) can be considered in the process of determining if an internal resource is valuable, imperfectly imitable, and without a strategically equivalent substitute (i.e. a source of sustainable competitive advantage) (Way, 2002) On the other hand, Environmental hostility in the form of intense price, product and distribution competition, labour shortages and unfavourable demographic trends can be perceived as a threat to an organisation (Miller and Friesen,1983).

Most users of the term of HPWS are referring to a significant amount of behavioural change at the workplace level (Blasi & Kruse, 2006; Angelis & Thompson, 2007). Additionally, few question the effect of HPWS on the balance of power within the firm (Osterman, 2006). Real workplace change challenges the existing systems of distributing power, prestige, and rewards in social organizations and it is not likely to go as easily as convening an occasional quality circle (Blasi &. Kruse, 2006). Furthermore, the RBV could continue to grow in an ocean of anomalies, paradoxes and tautologies leaving RBV phenomena to be contested, emergent and complex. Researchers need to take the responsibility for the texts they craft and the language used, and encourage greater reflexivity. (Lado, Boyd, Wright & Kroll, 2006)

2.5 Critiques of HPWS/HRM models

The above presents a complex and confusing picture and has to be weighed against the substantial research on barriers to the adoption of what are variously termed high commitment or high involvement work practices (Ichniowski et al., 1996). While many see the problems with moving up the quality ladder as being associated with the lack of finance or knowledge others argue that the biggest problem is the ability of convincing the owner to get on board with such ideas because they have few resources, time or knowledge to utilise TQM models (Van der Wiele & Brown, 1998; Wilkes & Dale 1998).

Concerning the promise of innovative performance practices a number of inter-related factors bring confusion into the debate and lead to a need to discuss innovation in its broader meaning. The first of these is that innovative human resources seem to be a composite of innovation in either product or process innovation. The second is that due to the novelty and rhetoric surrounding the whole area there is much confusion concerning the precise terminology and direction within academic research. Third, SMEs are not a homogenous group and do not lend themselves to generic solutions.

Additional to arguments over which model is applicable HRM has more fundamental critiques. Most vehemently is the accusation that despite claims that innovative HRM practices can boost performance few studies have been able to show this empirically and fewer still have been able to systematically describe the manner in which HRM influences performance (Jayoram 1999). Usually practices are studied in a vacuum without understanding how the different practices inter-act (MacDuffie 1995). Forster & Whipp (1995) argue that while voluminous the literature is usually fragmented and often descriptive and lacks clear theoretical framework. Similarly Ogbonna & Whipp (1999) talking of the efforts to link strategy, culture and HRM say that attempts exhibit profound tensions.

Hiltrop (1996) poses four major questions concerning the nature of best practice. First, are there significant differences between HRM policies and practices of high performing versus low performing organisations? Second, if so, what are the key internal and external contextual factors that affect the design and implementation of these HRM practices? Third, to what extent, and how, can HRM practices of high performing organisations be introduced in to low performing organisations. Finally, what does all this mean for the way the organisation attracts and motivates people. Although Guest & Hoque (1994) argue that the best way of doing this is strategic integration Marchington (1995) warns against a diet of simple solutions. As Purcell (1999) argues organisations which successfully manage change are those which have integrated their HRM policies with their strategies and the strategic change process.

Whilst a number of studies argue that there is a link between HPWS and performance. Goddard (2004) suggests that claims of 'superior performance may be unwarranted' and that 'the problems of these systems may run deeper than proponents assume'. Most studies have been unable to show a consistency in the strong effects from all outcome variables between HR practices and performance, it may be premature to associate flexible working systems unequivocally with high performance (de Menezes and Wood No 20). Flexible work practices are only likely to have significant effect if they are allied with supporting HR management practices. (Angelis, & Thompson, 2007)

2.6 High performance: An SME phenomenon?

Despite the above, it is now being argued that concepts such as HPWS may be even more applicable at the level of the SME than their large counterparts. The success of HPWS in SMEs is supposedly based on them being more innovative, informal, flexible, in touch with their employees, etc. Goss (1991) argues that the enterprise culture now transcends the SME and provides lessons which are supposedly directly applicable to industry and society in general. However, such practices remain weakly diffused and misunderstood even though they may bring performance benefits. Although some (Bacon et al. 1996) argue that small firms are implementing HRM type policies, other research suggest that small firms very rarely have any coherent strategy for managing employment relations (Scott et al, 1989;) never mind one aimed at developing employee flexibility, commitment and trust. Thus leaving questions concerning the extent to which these alleged characteristics of small firms exist and, if so, to what extent they are the intended outcome of an HRM style or arise out of management informality and limited channels for collective opposition (Marlow & Patton, 1993). A recent study highlights that SMEs may lack the capabilities to develop HRM practice but are more likely to adopt them if highly skilled workforce and are networked to other organisations (Bacon and Hoque, 2005).

Marlow & Patton (1993; p59) argue that the concentration on financial criteria for SME success “has led to an imbalance in research towards financial investigation and away from human capital” and reinforced the argument that HRM within SMEs may not be real. Finally, Klaas et al. (2000) found that the costs of hiring a HR specialist on a full time basis are highly prohibitive to SME’s.

Andrews & Welbourne (2000) argue that “although the fields of entrepreneurship and HRM are well developed and recognised disciplines of study by themselves, the combination of the two have been overlooked”. The result is an acute shortage of research identifying and validating HRM practices in SMEs, with even less focusing on the relationship between strategy, HR practices and performance in SMEs. Only recently has this been done in large companies (Chandler & McEvoy, 2000). Chandler et al. (2000) argue that little is known about how organisations can successfully promote and manage individual and organisational creativity. They found that there are significant differences among organisations with respect to the degree of support for innovation and argue that managerial systems seeking to control employees actually reduce opportunities for innovative, creativity and individual contribution.

Heneman et al. (2000) in an attempt to move away from the largely static approaches of ‘fit’ or ‘best practice’ that the needs and procedures for staffing vary across growth stages. They conclude that “the literature appears to be rich in prescription, limited in sound descriptive surveys and sparse in analytical research” (2000).

Others remark that there has been little ‘serious work’ on Human resources in SMEs (Katz et al., 2000: 7) and that the field needs ‘discipline and structure’ (Chua et al., 2003: 333). They have yet, however, to identify different types of firm, to show for example how some kinds of resources are important in some contexts but not others. The now huge literature on performance and human resources faces a central problem of identifying the mechanisms linking the two. An approach in terms of the embeddedness of firms can help to address the differing contexts of different types of firm, and hence when one mechanism or another might be expected to work. Recently there has been an obsession with performance which has been a distraction from the task of understanding more fundamentally how firms behave. As March (2000: 55) has remarked, what is important in management research for practice ‘is not the numerous studies attempting to relate performance to one thing or another’ but rather more fundamental issues of how organizations respond to the environment, develop strategies, and deal with ‘conflict of interest’. The complex ways in which productivity is identified, the contested definitions of the process, and the ways in which organizations manage the pursuit of performance need to be central themes. To date there is very little research that ‘peals back the onion’ and describes the processes through which HRM systems influence the principle intermediate variables that ultimately affect performance (Paauwe, 2004; 55).

Utilising notions of embeddedness and institutional theory, contextually based human resource theory (primarily a large firm model) looks at the role of strategy, structure, actors and choice (Paauwe, 2004). Under this model actors are important in the three main components that make up an institution: meaning systems and behavioural patterns; constitutive and normative rules; and regulatory processes. Drawing on the well-known framework of DiMaggio and Powell (1983), organisations are argued to change as a consequence of three forces: coercive mechanisms which are the political influences and problems of legitimacy such as formal and informal pressures exerted by other organisations the firm is dependent on; mimetic forces, described as imitating the strategies and practices of competitors as a result of uncertainty and fashionable hype in the field of management; and normative pressures, which are the relationships between management policies and the background of employees in terms of educational level, job experience and professional networks. These are all important factors which have not been developed or examined in great detail regarding SMEs.

The idea of embeddedness highlights that small firms often operate across different 'domains' (Whittington, 1994) while the resource-based view of the firm and identifies distinct sets of resources that small firms can deploy, again stressing that there are 'positive' and 'negative' aspects at work (Chua et al., 2003; Sirmon and Hitt, 2003). This kind of explanatory approach, embracing a preference for inductive over deductive logic, attention to history and context, and emphasis on the limits of economic models, characterizes much of the industrial relations field (Edwards, 2003). This tradition is important because it gives central attention to the mix of conflict and co-operation inside firms (Kochan, 1998). Economic sociologists have noted the need for their brand of institutionalism to address 'interests and power' and 'conflict and contestation' (DiMaggio and Powell, 1991: 27, 28). Examining the ways in which behaviour in small firms is shaped by institutional contexts is key. Institutionally oriented analysis (reviewed in general by Rubery, 1997) suggests an answer (Gilman et al., 2002).

Utilising the above theories greater understanding is required of key internal development issues, key growth promoters & Growth barriers. Contextually based HR theory incorporates contingency, configurational approaches and utilises the RBV and strategic market and institutional perspectives. The introduction of the concept of 'dominant coalitions', takes the model away from a 'systems' approach. 'Dominant coalitions' are influenced by 3 factors: Product market combinations and appropriate technology (PMT), social, cultural and legal (SCL) and configuration of the organisation and its administration. The dominant coalitions are involved in shaping and selecting HRM, etc. through four fits

- Strategic – HRM and strategy
- Organisational – HRM processes and other processes
- Environmental – HRM strategy and environment

- Internal - coherent and consistent.

A case study approach can highlight whether companies made optimal use of PMT and SCL and whether they possess unique competitive advantage.

3. Project methodology

The research formed part of a comparative Interreg IIIA funded research programme entitled ‘Sustainable Business and Productivity Growth for SMEs’ carried out in the Cote d’Opale/Nord Pas de Calais and Kent/Medway regions. The research utilised a multi-methodological approach and drew on four data collection stages: a survey stage (SS), a face-to-face interview stage (F2F), a detailed case study stage (CSC), and a conference/workshops stage (WS). It was believed that such an approach, which allowed the findings of each stage to inform the design of the next, adding to methodological rigor.

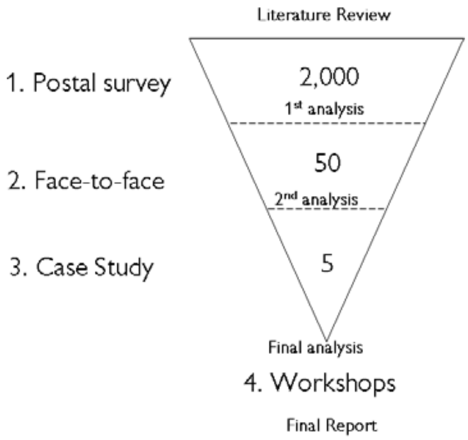

Figure 1: Project methodology

An comprehensive overview of the subject area was taken and identified key factors associated with growth, these were: business market and competition; growth and aspiration; management of the organisation; organisational change; product/service and process innovation; information and communication technology; performance measurement; employment relations practices; training and skills development; sources of information and advice; and networks and relationships.

Initially a postal/survey was taken of a representative sample of 2,000 SMEs, being at least five years in age, from both regions for all key private industry sectors.

Of the 233 SMEs (11.7%) that responded to the first stage, 187 were subsequently selected for the personal interview (face-to-face) stage. These SMEs were identified using a selection model designed from the findings of the survey stage which identifying key growth criteria. The SME owner-manager at least had to have an aspiration to grow, and in addition satisfy at least one of a further five criteria, either:

1. Grown in sales turnover over the last 3 years, or
2. Grown in employee size over the last 3 years, or
3. Have a business plan/strategy, or
4. View that product innovation is important, or
5. View that process innovation is important, or

The above selection model was also used to identify the five case studies; however the case studies had to satisfy all the above growth criteria. In addition to this the case studies also had to be; an interesting example, demonstrating key growth related changes; open to the research, and hence would provide suitable research access; from different industry sectors, providing a cross sector comparison; and of different age and size profiles, providing a growth model comparison.

The analysis to date, and upon which this paper is based, has involved a frequency and cross tabulated analysis using SPSS (Statistical Package for Social Sciences) for the postal survey and the face-to-face interview datasets combined with more qualitative analysis techniques for parts of the face-to-face interview, case study and workshop datasets.

Table 1: Case Study Companies (CSCs)

No	Sector	SIC	Description	Age	Size	Why Interesting?
1	Manufacturing (1)	36	Manufacturer of kitchens	12	23	Management succession, communication, productivity – lean,
2	Construction	45	Installer of CCTV equipment	19	12	Decline/growth patterns, nearly went bust, professional outlook
3	Wholesale	51	Distributor of bearings	18	16	Professional outlook, large company image, reducing market, nationalisation,
4	Financial Services	67	Commercial mortgage	17	46	Management succession, structure and systems development, quick expansion/growth, supply chain integration
5	Manufacturing (2)	32	Manufacturer of cable markers	63	28	Management succession, decline/growth patterns, product diversification, internationalisation, supply chain integration

4 Results

In what follows below a number of areas will be highlighted that could be described as contributing to the PMT, SCL and configuration of the companies. This will then be followed by an examination of the HRM elements. Paauwe (2004) argues that using this framework of ‘forces’ allows a better identification of critical factors.

Each section will follow a logical structure being broken down into the sections highlighted within the methodology, and then into the three data collection stages. This will provide a review of the key findings for all companies from the survey stage analysis (all companies took part in this stage) and then the face-to-face interview stage (F2F) and case study company (CSC) analysis will be highlighted.

4.1 Background

The majority of companies surveyed described themselves as limited companies (82%), with a further 15% being partnerships. Interestingly, two thirds of SMEs involved some level of family ownership with 48% being wholly family owned. Only a third of the SMEs described themselves as being privately owned.

Two thirds of companies surveyed were small (10-49), with 17% medium (50-249). Interestingly 15% (35 companies) of companies had reduced in size in the previous year and therefore fell within the micro (below 10) employee size category, with only 2 companies having moved into the large (above 250) employee size category. The majority of companies fell between £500k - £4 million turnover categories (60%), with the largest proportion of companies falling in the £1 - 2 million turnover range (25%).Three quarters of companies surveyed reported having no exports at all, with 90% of companies limited or no exports and 15% of companies reporting less than 10% of their annual sales turnover coming from exports.

4.2 Business Market & Competition

Two thirds of companies faced ‘many’ competitors. This was most intense amongst family owned firms and less intense amongst those companies that exported. Half of the companies competed in local or regional markets, rather than national or international, and were more likely to face ‘many’ competitors. The F2F revealed that two thirds (69%) of companies reported facing a threat(s) to their current market position from increased competition, followed by increased costs. Whilst CSCs reported similar threats to other companies they appeared to be more aware of such issues and were attempting to tackle them proactively in order to progress past such issues.

Companies were largely competing in either growing markets or mature markets; where more intense competition was found. Small companies were more likely to compete in mature markets and medium companies more likely to compete in growing markets. Family owned companies were more likely to compete in mature or declining markets, while private companies were more likely to compete in growing or turbulent markets

The F2F revealed that despite the fact that nearly ¾ of the companies said that they carried out research into market opportunities (73%), the development of their products or services (73%), or competition (70%) further investigation highlighted that companies were in the main not proactively and formally researching such issues. In most cases companies reported that they 'think' they know what market opportunities exist, they 'think' they are developing the right products and services for their markets or new markets, and they 'think' they know how their competitors are performing.

Ninety five percent of F2F companies reported that their company possessed a competitive advantage. When further investigated, nearly a quarter (23%) of companies reported customer loyalty as a competitive advantage based on service levels, reputation, or the trust generated between them and their customers. Other areas cited as competitive advantages were expertise and skills of the company (15%), the company's size and flexibility (14%), and its location (11%). Very few companies believed that their competitive advantage revolved around key issues such as product innovation (9%), market niche, process innovation (7%) or product range/diversity (6%). Asked what factors led to competitive success, companies' first key factor was offering quality and reliability followed in the main by a second key factor of offering a high level of customer service. Interestingly despite the pressures faced by many companies to cut the cost of their product or service very few (5%) reported competing using a low price/no frills approach.

CSCs were more likely to compete in national/international markets and concentrated on quality. All argued that in one way or another they had a niche based on either their product or service quality. Companies generally had a better knowledge of what they were supposed to be doing, but not always sure of how to approach it, or how to do it. There was evidence of the use of, and integration with, customer and supplier networks/relationships to improve such areas.. CSCs highlighted evidence of management qualifications and experience and appeared to be making decisions in relation to utilising these to better develop their products and processes. CSCs were all undergoing internal development and structural changes. The use of ICT to develop the company was also clear.

Over two thirds (70%) of F2F companies reported making a change to their competitive strategy. The most important factors mentioned were process and internal development (47%), followed by changes made to their product or service offering (22%). Interestingly expansion of a company's personnel and premises (16%) was also reported as an important change in that expansion of premises etc. had lead to growth rather than growth leading to expansion.

The majority of companies reported competing on price 'often' or 'sometimes', very few 'never'. Small companies were more likely to compete on price, but nearly all companies reported competing on quality. An interesting dilemma potentially raises its head as the majority of companies were competing on both price and quality. The majority (81%) of F2F firms reported that the price of their product or service was subject to some control by the company. This appears to indicate that companies have much more say over the price of their products and services than neo classical economic theories would have us believe.

It is interesting that small companies did not seem to be under the control of large firms. Only 15% of companies reported trading with a customer for more than ½ of their business. Just over ½ (52%) of companies reported having a customer who contributed 10% or under to their sales turnover, with over ¼ (27%) of companies reportedly having no 'one' large customer.

4.3 Business Growth & Aspirations

The majority of companies reported increasing their turnover in the last year (58%), over the last 3-5 years (56%), and reported their general sales turnover trend as stable (72%). A general relationship was identified between sales turnover trends and size, age, competition, market, long term turnover, growth, price strategy and quality. Companies reported quality (52%), business strategy (48%) and operating in a niche market (48%) as key reasons for their growth success. It is interesting that 48% of companies reporting operating in a niche as a key success factor while only a third of companies reported having few or no competitors. This raises the question of what companies mean by a 'niche'. The competition faced by the company was clearly the greatest reason for a lack of growth. Other important factors included reduced markets, government/external factors or a decline in customers.

Companies reported aspirations to expand (80%) either rapidly (16%) or at a steady pace (63%). Those who were keen to expand either steadily or rapidly were more likely to be in the larger in size. Family owned companies less likely to have an aspiration to expand and more likely to have an aspiration to reduce in size. The top three barriers to growth were reported to be competition intensity, availability of skills, and availability of labour.

F2F companies reported that their growth was more likely to have come from established customers (54%). Rarely had new products or services (21%), new markets (11%) or maximising availability/minimising delivery times (3%) resulted in growth. This is interesting as companies are more than likely to stay within established markets (which tend to be difficult to break out) and hence correlates with the lack of wider management skills and knowledge.

Fifty three percent of companies reported that no sales turnover had come from new products or services in the last 3 years, further reinforcing the fact that established products and services contributed significantly to the majority of companies' sales turnover.

F2F companies reported that expansion (51%) had been a key transitional stage undertaken followed by internal development (31%) and product/service development and/or change (30%). Whilst it may seem obvious that expansion is a key growth driver (i.e. how could one grow without expanding?) companies reported that a key decision to expand or move premises had allowed them directly to grow rather than them growing and then expanding. Thus, indicating that the causal direction may be far more complex. CSCs all mentioned management restructure and the introduction of qualified manager as key transitions. Other transitions involved changes to product/market/customer mix.

F2F companies reported that they would be looking to achieve future growth by improving their sales & marketing (73%) and seeking to reduce costs (43%). These results highlight that companies initially favour short term, reactive solutions with possibly less strategic content. Only then did they begin to think about longer term, strategic changes such as process change and improvement and investment in information technology. They rarely considered issues such as equipment, geographical markets and ownership as important. CSCs largely reported that future growth would come from change/development of product/service mix, seeking out new geographical markets, investing in new equipment, further developing the structure of the firm, and further developing relationships

There was a strong relationship between growth rates and what the organisations believed to be sustainable growth. Those companies with steady or high growth were more likely to say that growth was sustainable because it was controlled growth (35% & 43% respectively), followed by investment (22% & 29%). Those who had only managed to maintain their growth explained it the other way around (43% investment, 29% controlled). Investment is defined as the availability of funds for growth rather than undertaking growth in order to generate funds.

4.4 Management of the Organisation

Whilst 48% of companies reported having a formal business strategy, the majority of F2F reported that the strategy was written in the main by the owner/manager, with only 10 of the companies reporting that some or all employees were involved in the process. Most companies reported that the owner/manager writes the strategy after consulting internally (34%), followed by owner manager writing on his own (29%), and Owner manager and senior manager(s) write together (21%). The most likely issues to be covered in a company's business strategy were market strategy and employees skills. The least likely issues to be covered in a company's business strategy were employment policies and process innovation.

Of those F2F companies who had a formal written strategy or business plan; their main strategic consideration/direction was the capturing of new markets (77%). They reported to be doing so via internal development (35%), merger/acquisition (10%), cooperation/networks (10%) or other (21%). Companies who were considering other strategic directions were looking at achieving them also largely through internal development. Only 25% of companies reported having formal visions and values, with 70% reporting having informal visions and values. In reality very few interviewees were able to report what they were. Not surprisingly, there was a strong relationship between informal vision and values and no strategic direction(s).

All CSCs had a strategy. It was not always clearly developed but they did understand the need to further develop and link to performance measurement/reviews. Facing a fast moving environment, company 4. was the most advanced company with ‘away days’ organised for key staff to develop. Involvement in strategy in CSCs was mainly the responsibility of senior finance, sales, marketing, and business development managers. Performance measurement was developing but little involvement by the ‘shop floor’. Proactive changes on shop floor, but generally piecemeal, not integrated to a wider plan.

Managers were recruited through a mixture of external and internal means (48%), with only 13% of companies recruiting their managers by ‘external only’ means. Twenty percent of companies reported that the recruitment of managers was not even applicable. Four of the five CSCs had recruited in external managers.

Only ten percent of the companies reported that the majority of their managers have formal management qualifications, with half reporting that some of their managers have formal qualifications. Interestingly twenty percent reported that none of their managers have qualifications and eighteen percent reported that this question was not applicable to them; indicating that there were no managers within the organisation other than the owner-manager. In CSCs management skills were under development.

In order to ascertain whether less formal skills, and less awareness and experience of companies affected their relationships with others, interviewees were asked to report on the nature of their relationships with shareholders, senior management, employees, customers, suppliers, banks and public authorities. Companies reported that in the main relationships with their shareholders, senior management, employees, customers and suppliers were either partly or entirely collaborative. Companies reported public authorities in the main as being neither collaborative nor oppositional and that they had experienced oppositional relationships with banks. A small proportion of companies reported suppliers and customers being oppositional. CSCs tended to have better relationships with employees, suppliers and customers but there were clear differences in the level of intensity in each company.

4.5 Organisational Change

Most companies reported that they attempted to anticipate change (62%), than react to change (28%). However, this appeared to be more of an aspiration rather than a reality, especially when considering the informality of assessing their competition, markets, etc. as highlighted earlier. Worryingly, although a minority, ten percent of companies reported that they remained the same and did nothing at all when a change was required.

Whilst CSCs were more reactive than proactive they were addressing issues, with differing degrees of complexity, for the long term survival of the company (balanced with fire fighting) rather that fire-fighting per se.
Other than sales and marketing (42%), F2F companies reported HRM (35%) and product/process innovation (23%) as important issues to address for long term survival. In particular strategy and management development were key. Despite this, this is precisely one area where companies are ill equipped and in fact reluctant to deal with issues.

F2F companies reported that their biggest constraint was in relation to staff being already overloaded (46%), with a fifth having experienced employee resistance (19%). Interestingly a third of companies reported not having any constraints at all. CSCs also admitted to being overloaded, but were tackling this by delegation and breaking up responsibilities. The great majority of F2F companies (88%) reported a lack of skills to bring about a change. Forty six percent of companies reported skills lacking in people related areas alone. The area of skill shortages is even more worrying when one considers the fact that over half (55%) of companies use internal expertise only for the introduction of change.

Interviewees reported that employee involvement in the change process were largely:

- Always being involved in teamwork (62%), training (49%), problem solving (49%), and quality control (45%).
- Sometimes involved in operational planning (40%), product/process innovation (36%) and productivity (36%).
- Never involved in strategy (59%), ICT implementation (52%) or job redesigns (43%).

This question therefore produced some interesting results. In one sense the level of involvement reported by interviewees appeared mainly in terms of those issues that were reported to employees rather than consultation (and certainly not negotiation). In another sense a number of companies could also be seen to be answering this whilst only considering other managers within the organisation rather than the employees in general. CSCs highlighted that the above was more in terms of an aspiration rather than a reality. In reality they didn’t really know where to start.

4.6 Product/Service and Process Innovation

In the survey stage process innovation was seen as less important (54%) than product/service innovation (68%). A large proportion of F2F reported introducing a new product or service (72%) or a new process (83%) in the last five years. In doing so companies reported that they were taking steps to move to a higher value adding/quality level (32% and 69% respectively) or adding it to the same level as their existing portfolio (38%). Only three percent of companies had taken the decision to introduce new product that would take them to a lower value added level.

For CSCs product and process innovation were regarded as key for competitive advantage. Innovation was market driven and involved internal developments to products (diversification, new products etc.) and process (IT systems).

A large proportion of companies reported that there were factors constraining their product/service or process innovation (44%). F2F companies reported that the most common constraint was the availability of funds/lack of investment (48%), with skills (39%) also being important. CSCs generally reported not a lack of funds but rather lack of skills, time and market research

Over three quarters of all companies did not have any of the standards or accreditations at all. The most popular standards to be accredited to, or be in the process of implementing, were quality through ISO9000 (27%), preferred supplier status (24%), people through Investors in people (IIP) (18%) and product service certifications (15%). Very few companies had implemented any other accreditations in relation to health and safety through ISO18001 (11%) or good environmental practice through ISO14001 (9%) and EMAS (1%). Those companies using the most widely reported organisational standards were more likely to keep records. An interesting fact is that a greater number of those companies with ISO9000 and IIP were more likely to have no HRM practices than those with the other organisational standards. This is surprising as these are the two organisational standards with the greatest people elements within them. Two of the CSCs had none, the others had mixture of ISO9000 (accredited), IIP (accredited), product/service certification (accredited), preferred supplier (accredited).

4.7 Information & Communication Technology (ICT)

Simple IT, including personal computers (PCs), computerised accounts, the internet, and mobile phones were in use by over ninety percent of all companies. However, more complex, ICT applications (Client management system, e-commerce whether on customer or the supplier side, computerised operational or production control) were used by no more than thirty percent of companies. This raises some serious questions about the depth of the use of ICT.

Forty percent of companies reported that there were factors constraining the use of ICT. F2F companies reported that the most important constraint was the availability of skills (64%), followed by a lack of suitable systems/technology (21%), technology failures (18%), available funds (15%) and no benefit to us (3%). When probed other issues mentioned were development time required too great (33%), and technology failures (27%). CSCs were further developed than most and had a better understanding that this was an important area to support future growth.

4.8 Performance Measurement

Companies were more likely to keep accounting based performance measures such as volume of sales/service, total costs and profit/ROI. Around ½ of all companies also recorded training, absenteeism, customer satisfaction and unit labour costs. Interestingly, only a small proportion of companies recorded productivity performance measures that ultimately impact on profit. CSCs appeared to be using a level of performance measurement to drive decisions about the business and were attempting to connect them to strategy through a process of targets and reviews. Whilst this would appear to be a positive step, such measures were largely used by senior/management team and poorly diffused throughout the organisation.

Those companies whose sales turnover had decreased were more likely to collect accounting based measures only (volume of sales, total costs and profit/return on investment) than those whose sales turnover had remained the same or increased. Those companies reporting trends of increased sales turnover were more likely to record information on training, job satisfaction and customer satisfaction. Those companies who described their turnover in last five years as stable were more likely to keep all records than those who had an irregular trend. The largest differences appeared with records of volume of sales, total costs, profit/return on investment and productivity. Those companies with a strategy were more likely to keep all categories of records, with quality, productivity, job satisfaction and customer satisfaction being the most popular of these.

When comparing themselves against other companies within their industry F2F companies reported being:

- ‘Better’ or ‘a lot better’ in terms of financial (49%), labour productivity (34%) and quality (65%) performance.
- The ‘same’ in terms of investment in training (34%), equipment (35%), and R&D (29%) and labour costs (30%)

- ‘Worse’ in terms of higher labour costs (29%), investment in equipment (17%), training (12%), and R&D (16%) and exporting (11%).

Interestingly, it is difficult to reconcile the fact that companies view that they performed better than competitors but readily admit that are worse at investing than their counterparts in the industry sector.

4.9 Networks, Information & Advice

Whilst almost a half of companies were members of a trade association, membership of the other business associations was much lower. Just over a quarter of companies were members of a Chambers of Commerce, with the same percentage applying to membership of the Federation of Small Businesses (FSB). The most common source of information and advice were accountants (71%) and lawyers (55%), indicating that advice may largely be oriented towards financial and legal aspects of running a business, although it is recognised that some accountancy practices may have other expertise.

Forty three percent of companies reported membership of a network but only thirty percent reported that membership had assisted them in some way. F2F companies reported that membership to networks had assisted with regulation and legal information (31%), with business improvement (29%), through the sharing of experiences and industry information (26%). Interestingly fifty percent of companies reported that membership of a network had not assisted them and that they did not see any benefit of membership. Many thought that networks were a case of ‘jobs for the boys’ (27%), that advice was too generic (23%), that the focus was too local.

Two thirds of companies reported that they had been assisted through their relationship with either customers or suppliers. The larger the company was the more likely a relationship with a customer or supplier had assisted them in some way. F2F Companies reported that their customer relationships had assisted them with referrals (39%), sharing information (16%), partnering/collaboration (9%), and providing support (5%). Companies reported that their supplier relationships had assisted them with sharing information (32%), training (23%), providing support (21%) and referrals (5%).

Companies were able to vocalise in more detail these forms of assistance. Relationships with their suppliers, for example, had improved skills and training activities (38%), market intelligence (36%), product development (30%), sharing of experiences (27%) and undertaking social activities (27%). Half of companies (51%) reported that they would like better quality advice, and more overall support and funding (47%). Companies mentioned the need for support on training issues (27%), a level playing field (12%) with regard to contract tendering and procurement and the need for a reduction in red tape (30%).

CSCs portrayed an openness to seek and learn from advice and join networks although in general they had a lack of awareness of the availability of advice and networks. Although seeking longer term solutions they mentioned that advice was generally short term and networks based on lead generation. All CSCs were building up long term informal and formal relationships with customer and supplier to solve problems, and were interested in looking outside their industry. For example company 4 were a member of an industry committee, Company 1 were linking to schools for exchange/work experience programmes, and company 5 were looking to link in with Universities and other knowledge bases. The reasons given for such action was a view of a need to 'give something back'.

4.10 Employment Relations

Forty four percent of companies reported having a manager who's sole or part responsibility was a human resources or personnel function. Despite a positive relationship between size, strategy, training, growth, employment relations practices and companies with a manager who's sole or part responsibility was a human resources, only four percent of F2F companies reported employing a manager who's sole responsibility was human resources. Those companies without an HR manager (96%) reported that issues in regard to human resources were in the main dealt with by the owner manager, typically with some external legal assistance from business advisory services (49%), and some support from an administrator (23%).

The table below highlights the main SS results along with the CSCs for the use employment relations practices:

Table 2: The use of Employment Relations Practices

	SS	**CSCs**				
	Yes (%)	Co 1	Co 2	Co 3	Co 4	Co 5
Multiskill	36	✓			✓	✓
Psychometric test	10					
Staff induction	61	✓	✓	✓	✓	✓
Staff appraisal	64	✓	✓	✓	✓	✓
Internal promotion	53	✓	✓	✓	✓	✓
Perf. rel. pay	33	✓		✓	✓	
Prof rel. pay	27	✓		✓	✓	
ESOPs	7				✓	
Job security	24			✓	✓	✓
Teamwork	44			✓	✓	✓
Quality circles	4					

Culture change prog.	3				✓	
Formal recruit & select	38		✓		✓	✓
Harmonised T&C	31			✓		✓
None	10					
Total		6	4	8	11	8

There does not seem to be any clear evidence of the majority of companies using a 'bundle' of HRM practices. Even the CSCs highlighted that this area was the least developed, and whilst it was an area they wished to develop and better understand, they could not readily see how practices would link together (e.g. Lack of depth and integration). Hence practices appeared largely mimetic.

Companies were most likely to decide pay on a personal basis (54%). Only thirty nine percent of companies reported having formal grading or some form of pay system. Medium companies were most likely to have a formal pay system (two thirds). Over two thirds of small companies reported not having any formal pay system. Only one CSC company had a formal pay system which related to performance in terms of productivity and quality and skills. (Company 4)

F2F companies reported that team spirit with colleagues (92%) was key to motivation. Companies also reported that wages and financial incentives were motivational, but disagreed that the visions and values of the company and offering flexible work opportunities were motivational. Companies also reported a long work hour's culture.

Sixty five percent of F2F companies disagreed that teamwork is purely a word used for a group of people working together. The majority of interviewees agreed or strongly agreed that members of teams; cooperate on an individual level (97%); with members of other teams (87%); know the goals and objectives of their team (79%); analyse and control the quality of what they produce (74%); and can initiate change based on an analysis of problems (74%). Companies were more likely to neither agree or disagree that teams were given the time to develop new ideas, plan or review their performance, have responsibility over budgets or influence long term goals and plans of the organisation. CSCs utilised the term teamwork very loosely: in reality the use of teams was weak.

Companies reported that they did not see employee turnover (82%) or employee absenteeism (78%) as a significant problem. This is a difficult area to unpick given that over a half of all companies reported not keeping records on, or measuring, employee turnover (56.5%) and over a third not keeping records on, or measuring, employee absenteeism (36.6%)

Almost two thirds (60%) of companies reported difficulties in recruiting employees into their companies. Interestingly companies mostly reported that the difficulty wasn't in terms of attracting candidates; most reporting receiving high quantities for consideration, but rather applicants rarely matched the company's expectations or requirements in terms of skill levels and aptitude. As will be highlighted later just under a half (43%) of companies reported that none of their employees are fully trained when recruited

4.11 Involvement and Participation

We have already covered involvement in work related issues above. In the majority of cases communication was reported to occur through team briefings (67%), through managers (61%), and notice boards (51%). A number of managers also communicated by 'other' means which turned out to be personal, face to face discussions as in the previous section. Only two percent of companies communicated through trade unions.

Thirty percent of companies reported being aware of the latest ICE regulations, with two of the CSCs being aware of ICE with one intending to introduce in the future (Company 4) and the other not. In reality there was little depth to consultation and involvement. Most communication was through managers. CSCs wanted to understand how to develop but were not sure how to tackle this area. Although they tended to be better than others there was little diffusion to rest of staff.

4.12 Skills, Training and Development

Almost three quarters (73%) of companies reported that training/skill development was important but 10% of companies had carried out no training at all.

F2F companies reported that training and skills development was important to them due to the specific product/process knowledge that they required (46%), for customer service and quality (42%), and for productivity/business improvement (25%). Few companies reported that training and skill development was important to them for personal development (26%), in order that they retain skills (23%), to promote multi-skilling (6%), and to promote autonomous work/delegation (5%).

In the last year most companies had recently trained their employees in health and safety (69%) leaving just under a third (31%) who hadn't trained any employees in this area. Interestingly around a half of companies had recently trained their staff in computer related skills (53%) and in the operation of new equipment (51%), which are largely low level skill development activities. The more developmental areas of employee training such as communication, leadership and teamwork were only used by a quarter of companies, with only seven percent having carried out equal opportunities training.,

Despite the majority of F2F companies reporting that training and skill development was important for their continued success, only forty percent of companies reported having a training budget. However, eighty percent of companies reported costs incurred in regards to training and skill development as being an investment, with eleven percent reporting costs incurred as a burden.

Over two thirds (68.5%) of companies reported that employees received less than five days training (in-house/on-the-job) per annum, with fifteen percent receiving lees than one day. Only eleven percent of companies reported employees receiving more than ten days. The majority of companies reported that the training involved a mixture internal/on-the-job training and external courses, with thirty four percent of companies using only in-house/on-the-job training. Many of the companies relied on suppliers or customers for their external training; hence training was largely reported as technically product oriented rather than skill development per se.

Companies who reported barriers to training and skill development largely reported these as being the cost of courses (47%), lost staff time (45%), and distance from place of work (41%).

All CSCs saw this area as important and were willing to put time and resource behind it. Although there was a product oriented reliance they were examining best practice and knowledge transfer. CSCs commented that ascertaining where to go for training was problematic (e.g. Co 4 was designing its own training programme with an external provider).

5 Summary & discussion

The average SME was family Owned (2/3rd), small (9-49 employees, 2/3rd), faced many competitors (2/3rd) in local or regional markets (50%), had a stable five year trend in sales turnover, operated within mature (42%) or growing (30%) markets, and competed on price (92%), and quality (99%), as well as suffering from a long working hours culture.

The average SME faced threats to their market which were compounded by an inward looking approach and a lack of strategic understanding of competitor analysis, market analysis, product analysis, and organisational planning & systems. Also there is a distinct lack of exporting especially when one considers that for many of the companies Europe was closer than London! A Lack of long term, all encompassing, strategic outlook was highlighted with little understanding of how to communicate the vision or strategy throughout the organisation. A confirmation of the inward looking approach was also highlighted through a general lack of professional management expertise and skills. The companies portrayed a lack of understanding of both product and process innovation and readily admit that they do not invest as much as other companies in their market in training, equipment and R&D. When considered in conjunction with the lack of turnover from new products, companies appeared to be developing new products but lacked understanding of how to take them to market. This situation was worsened by lack of professional sales/marketing skills

IT is not included in strategy other than on a shallow basis (let's buy another computer!). Additionally, a lack of understanding was portrayed of the ability of, depth, and integration of IT systems, performance measurement and KPIs. This potentially exacerbates the organisations ability to fully understand their own strategy (or allow them to review progression) and to communicate it more widely throughout the organisation using more applicable measures. Companies perceive themselves to be better in terms of their performance but readily admit that they do not invest as much as other companies in training, equipment and R&D. This further highlights the lack of organisational performance measurement and industry benchmarking.

Business networks were largely seen on a short term horizon as an avenue to market the business and pick up leads, rather than a longer term process of sharing and developing overall business knowledge and innovation. Businesses reported relationships with their customers and suppliers largely as transactional – 'what can we get for free' rather than the development of long term supply chain solutions. There was a perception that business associations and advisory bodies are too generic and tend to be 'a job for the boys' or part of the 'old boys' network. Businesses were happier to trust their accountant or lawyer even though their advice was largely generic and on matters in which they failed to hold direct expertise.

The vast majority of companies highlighted a lack of understanding of what HPWS and HRM are, and what their effect is on the organisation. There were few integrated, formal HR policies or practices. Instead businesses were using a range of disparate, simple, informal HR practices. Practices were largely mimetic in that many companies were attempting to copy key practices without fully understanding them. Despite pay being a key motivator few companies had a formal system.

Businesses viewed teamwork to be 'more than just a group of individuals working together', but in reality they were little more than this. This displays a lack of understanding of the use of teamwork and the involvement of the workforce in long term goals, improvement and efficiency of the organisation. Overall there was a lack of formal communication and/or depth of HR strategy. Information and consultation took on the 'direct' form of 'telling' rather than informing, with little sign of any consultation.

The extent and depth of training was also poor with a lack of understanding of the need to develop employees, especially through any kind of management training. There was a general frustration surrounding the provision of training with contradictory internal and external factors being mentioned as responsible for this predicament. Recruitment was highlighted as being problematic in terms of inability to attract the quality of candidates. This may be associated with poor job analysis, selection and recruitment procedures and/or lower pay/poor conditions of small organisation.

Overall, there was little evidence of the three bundles of HPWS practices. Nor was there much evidence of the resource based view of sustained competitive advantage deriving from a firm's resources in terms of management skills, organisational processes and skills, information and knowledge. In terms of a resource being valuable, rare, imperfectly mobile, and non-substitutable (Barney, 1991; Lavie, 2006; Wilkinson and Brouthers, 2005; Kearns and Lederer, 2003) this only seemed to mainly apply to the way that the companies interacted with the customer through their product: certainly not in terms of their human resources.

Nevertheless utilising factors such as those raised in Contextually Based HR Theory (Paauwe, 2004) allowed a deeper analysis of the critical factors involved. The CSCs who were selected, due to having met a range of growth characteristics and being classed as 'better performers', were already aware and thinking about the importance of the key issues discussed above. Despite there being a naivety of strategy, management development, HRM etc. amongst the main sample, these CSCs showed their awareness of the importance of such issues and their interest to further understand and develop such areas.

A particular characteristic that stood out was that four of the five companies had made changes as result of a crisis which had in turn led to growth. These companies could be seen to have passed through one of more business lifecycles. Other characteristics which stood out were:

- Product/Process awareness,
- Moved premises/expanded,
- Proactive/Strategic,
- Management structures, succession, delegation,
- Diversified customer base & new product development,
- Improved or systemised performance measurement,
- HRM under developed but growing,
- Openness, willingness to learn and train,
- Supply chain integration,
- Networks/Open to advice,
- 'Do it properly' - passion for the product/service

The most important issues to note is that HPWS issues, although important to such companies, were at the bottom of a long list of priorities: customer and supplier issues took top priority. Overall, many issues were not so much to do with poor performance, although this is clearly a key area, but rather that companies were found not to be achieving their growth aspirations. This even applied to the CSCs who were performing better than the rest. The fact that firms in general were underperforming raises some key issues:

- It reinforces that strategy, quality and innovation are important;
- It reinforces a need to understand their product and market and how to react to such changes (transitions);
- Given lack of clear vision and lack of strategic outlook companies' may be varying price and quality on a reactive basis;
- It is difficult to see how companies can beak out of the inward view when they have such a shortage of skills and labour;
- A lack of product diversification and innovation shows that companies are more than likely to remain within familiar markets, not diversify or export;
- A lack of long term planning and a need to understand the growth process and key transitions was prevalent, rather than reacting and making changes as and when problems occur;
- Companies viewed growth as a short term process, based upon simple improvements to their current products/markets; and
- There was an understanding that profits had to be generated to support investment, but as laid out above the lack of long term planning meant this didn't necessarily fit into a longer term growth framework.

This research has begun to untangle two key elements:

1. The overall state of SMEs (i.e. one of underperformance and not meeting growth aspirations).
2. The difference between the underperformers and the better performers (CSCs) – what were they doing differently to perform better. Because the CSCs are still not meeting their growth aspirations, a comparison is required between these better performer and best/good practice.

This paper reports work in progress and as such should not be regarded as a finished product. The next stage is to build is to build on the analytical approach of CBHRT to further answer such questions.

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