

# **Determinants of Human Resource Management Practices in Saudi SMEs: A Case Study Approach**

By

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# Preface

I have presented aspects of this research at the Academy of Management Conference (August, 2017) Atlanta, Georgia; the British Academy of Management Conference (September, 2017) Coventry, UK, and the British Academy of Management Doctoral Symposium (September, 2016) Newcastle, UK.

A paper written from this thesis titled “Insights from the periphery: A systematic literature review of HRM in SMEs”, was published in the Academy of Management Proceedings 2017. Another paper written from this thesis titled “Determinants of HRM Practices in Saudi SMEs: A Case Study Approach” was published in the British Academy of Management, Proceeding 2017.

A paper titled “Putting HRM into Context: Exploring HRM in Saudi SMEs” was presented at the HR Division International Conference 9-11 January 2019, Dublin, Ireland.

# Declaration

I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of Doctor of Philosophy is entirely my own work, that I have exercised reasonable care to ensure that the work is original, and does not to the best of my knowledge breach any law of copyright, and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

Signed: .....

Hadeel Alkhalaf

ID No.: 14211856

# Dedication

This thesis is dedicated to my family, beginning with my dear parents, Madhawi and Mohammed, who have always loved me unconditionally;

My loving husband, Abdulaziz, who has been a constant source of encouragement during the challenges of my PhD journey;

My precious children, Dana, Wafi, and Naif who have always inspired me to strive for excellence and encouraged me with “You can do it, Mom”;

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# List of Abbreviations

ABS	Association of Business Schools
CEO	Chief Executive Officer
DCU	Dublin City University
GEM	Global Entrepreneurship Monitor
GCC	Gulf Co-operation Council
GCF	Global Competitive Forum
GOSI	General Organisation for Social Insurance
KASP	King Abdullah scholarship Programme
KSA	Kingdom of Saudi Arabia
MOPM	Ministry of Petroleum and Minerals
NTP	National Transformation Programme
OECD	Organisation for Economic Co-operation and Development
OM	Owner-Manager
SAMA	Saudi Arabian Monetary Agency
SLR	Systematic Literature Review
SMEs	Small and Medium Enterprises
UAE	United Arab Emirates
UK	United Kingdom
US	United States
WTO	World Trade Organisation

# Abstract

There is a rising awareness of the importance of small and medium enterprises in enhancing national economies. Small firms have to rely more on their key people, but yet experience notable difficulties with HRM. The role of HRM is crucial for these businesses in developing and sustaining their performance. However, understanding is not aided by the reality that most HRM studies are conducted in large and multinational organisations. Moreover, HRM studies within SMEs context, though infrequent, are conducted in western developed countries. Addressing these deficiencies, this research explores HRM practices in the context of Saudi SMEs where there is a growing recognition of the importance of entrepreneurship in accelerating the pace of its major economic reforms. The study aims to find what and how HRM practices are adopted and also to identify the main factors affecting the adoption of these practices. It utilises a multiple case-study approach using semi-structured interviews as a tool for data collection.

This research contributes to the knowledge gap by mapping the extant literature through a systematic literature review of HRM in SMEs. It also increases our understanding of the process of managing people within small firms in a less known context (Saudi Arabia). Although many previous studies indicated the heterogeneity of HRM practices across SMEs, this study identifies heterogeneity of HRM practices even within SMEs. In addition, the unitary approach was challenged in this research by finding inconsistency in the HRM practices as reported by owner-managers and employees. This thesis also draws the attention to the significance of the psychological attributes of the owner-manager and their influence on shaping HRM in SMEs, including owner-manager passion. Theoretically, this study adds to institutional theory by combining its constructs with the strategic choice theory as a helpful framework to study HRM practices within SMEs in the Saudi context. Specifically, rather than merely offering a holistic approach, it explores and categorises the differing responses to the institutional context taken by the case study SMEs, thereby highlighting the role and significance of owner-manager agency.



# Chapter 1

## INTRODUCTION

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### 1.1 Rationale and Significance

SMEs occupy a significant position in the global economy. In the EU, there are more than 20 million SMEs representing some 99% of total businesses (European Commission Enterprise and Industry, 2018). Equally, SMEs are considered an important component of the US economy where they constitute 99% of all firms and employ more than 50% of the working population (Firoozmand, Haxel, Jung, & Suominen, 2015). SMEs are a critical source of innovation and productivity to meet the needs of national and international markets (Marlow, Patton, & Ram, 2013) and also as a significant promoter of economic development (Westkamper, 2014). The impact of SMEs can be assessed by different indicators, not least job generation and the value they add to the economy (Djankov, Qian, Roland, & Zhuravskaya, 2006). SMEs also support the ability of economies to adjust with changing conditions, reduce poverty in less developed countries and rural areas (Maksimov, Wang, & Luo, 2017), and form the supply chain for larger firms (Bradley, Meyer, & Gao, 2006; Ayuso, Roca, & Colomé, 2013). SMEs can also create a competitive market and prevent oligopoly (Gilbert, Audretsch, & McDougall, 2004). In fact, the impact of entrepreneurship has expanded beyond the economic gains to involve ‘social and environmental value creation’ (Hechavarría *et al.*, 2017, p. 225).

This global recognition of the potential of SMEs has extended to developing economies including the Gulf Co-operation Council (GCC) region where countries are pursuing large scale projects to transform their economies to more knowledge-based ones, aiming for innovation-driven non-oil based growth. As a remarkable example, the growing emphasis on entrepreneurship in Saudi Arabia has generated a rising number of SMEs, which play a pivotal role in the economy as they represent more than 98% of the total enterprises and employ an estimated 72% of the

workforce (General Authority for Statistics, 2018). However, specific challenges relate to structural and social issues, coupled with regularity reforms which are still yet to occur. In addition, SMEs contribution to GDP in Saudi Arabia is considered to be very low in relative terms (see Figure 1-1). Consequently, Saudi Arabia has started to push the boundaries for change in different economic and social aspects since the beginning of 2016. The new Saudi vision (2030 vision) has focused primarily on the development of SMEs as an important agent for growth and economic diversity. One of the chief objectives of the 2030 vision is increasing SMEs contribution to GDP from 20% to 35% as clarified in the National Transformation Program (NTP) documents.

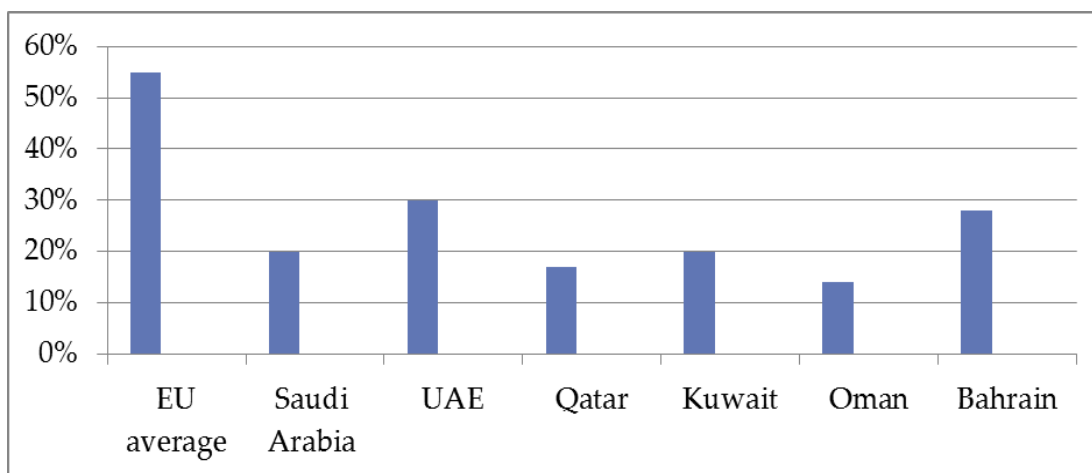


Figure 1-1: SMEs Participation in GDP (Source: Saudi Ministry of Labour, NCB Capital, Dubai Chamber, Qatar Development Bank, Oman Commerce and Industry Ministry, Capita Group International)

In an effort to enhance the development of these small firms, there is a need to focus on people management as a source of competitive advantage and as an important element of their success (Den Hartog & Verburg, 2004). Moreover, because labour represents a primary operating cost for SMEs, it is important to study how these firms are managing their human resources (Doherty and Norton, 2013). Research reports that owner-managers find HRM to be critical for the growth of their firms (Golhar and Deshpande 1997; Heneman, Tansky, Camp, 2000; Barrett and Mayson 2006). Thus, since it is claimed that HRM within SMEs frequently does not function effectively (e.g. Agarwal & Jha, 2015; Cassell *et al.*, 2002) and also that the role of

HRM is generally affected by social and cultural factors in Saudi Arabia (Mellahi, 2000; Mellahi and Wood, 2002), this study will examine the nature and determinants of HR practices applied in Saudi SMEs, and will seek to explain the differences between these practices amongst SMEs. The word ‘determinants’ is used here in its more qualitative variant, representing cause-effect relationships as a matter of process and mechanism, by taking into consideration the complexity and interaction of these key factors and their influence on HRM in SMEs. In so doing the approach taken follows other qualitative studies which have explored determinants of HRM in SMEs in this fashion e.g. De Kok and Uhlaner (2001); Harney and Dundon (2006, 2007); Tsai (2010) and Gilman, Raby, and Payman (2015). The quest to better understand determinants and the nature of their influence also reflects the meta-theory or philosophy underpinning the research as outlined in Chapter 4.

In addition to the paucity of HRM-SME research, current studies tend to lack a holistic perspective. In spite of the calls for more careful conceptualisation and operationalisation of HRM practices in the SME context, research in this area remains ‘underdeveloped and equivocal’ (Chadwick, Way, Kerr, & Thacker, 2013, p.311). Research has maintained the perspective of managing people in large firms, with little appreciation for applicability of HRM practices to the SME context (Allen, Ericksen, & Collins, 2013). In addition, there are major flaws related to the treatment of organisational size and a failure to appreciate the cost of applying normative models of HRM (for one exception see Sels *et al.*, 2006). There is also a marked tendency for research to be conducted in developed countries. Even where research has been conducted in developing countries, there is a tendency to uncritically transfer and utilise theories established in an Anglo-Saxon context, which makes their applicability problematic (Dirani, 2006; Aycan *et al.*, 2007; Leat & El-Kot, 2007; Katou *et al.*, 2010). It is unsurprising; therefore, that many HRM scholars have stated that the biggest weakness in the existing literature is the ignorance of the role played by context in the process of shaping HR practices (e.g. Harney & Dundon, 2006 & 2007; Gilman & Raby, 2013; Samnani & Singh, 2013). Researchers have also argued that it is important to properly consider the environment in the development of management theories and organisations for the Arab world specifically (Ali, 1995; Saleh and Kleiner, 2005).

This study seeks to achieve two main objectives; first exploring the context of Saudi SMEs to find out what HRM practices are adopted, in addition to the way in which these practices are applied i.e. HRM processes. Secondly, the research aims to identify the most important determinants that collectively shape HRM approaches within these SMEs. It is the intention of this research to advance understanding of HRM across Saudi SMEs rather than comparing them with larger firms. Therefore, the main question of this research is; ‘What are the determinants of HRM practices within Saudi SMEs?’ To answer this question sufficiently, we want to know the ‘What’, ‘How’, and ‘Why’ of the HRM practices. By aiming to identify the factors shaping HRM within SMEs, this research addresses a notable gap in HRM literature. As Paauwe and Boselie (2005, p. 987) remarked;

The abundant attention paid to the whole issue of how HRM policies and practices can have an effect on performance also has certain drawbacks. One of them is the neglecting of factors which seem to be determinative *in the shaping of HRM policies and practices* (italics in original), irrespective whether they have an impact on performance or not. After all, HRM is more than only contributing to performance in whatever sense.

## **1.2 Overview of Research Methodology**

In order to appropriately investigate HRM in Saudi SMEs, it is important to first of all get a sense of the contribution of the existing literature and studies to date and how they inform a rationale for this study. Therefore, after a scoping review, an extensive systematic literature review was chosen to provide an overview of existing understanding and deficiencies. Such an approach provides useful directions to identify key gaps and build the research design insightfully (Tranfield, Denyer, & Smart, 2003). Specifically, the conceptual foundations of 107 articles are synthesised and assessed, the dominant methodological approaches are identified, and the most important content issues are summarised. Building on this foundation, and in order to better understand HRM within Saudi SMEs, a wider perspective is considered by employing a multiple theoretical framework in order to depict a holistic picture of HRM within SMEs. Drawing on multiple theoretical lenses, including institutional

and strategic choice theories, helps to avoid a deterministic and single angle view of this phenomenon.

Aligned with this intent, a qualitative approach was adopted as it enables in-depth engagement and also has been acknowledged as a valuable approach in entrepreneurship research (Kurgun, Bagiran, Ozeren, & Maral, 2011). A qualitative, case study approach is believed to be appropriate for this thesis as it seeks to investigate a phenomenon in its natural setting and interpret the meaning of the practices in relation to the context they are related to. Additionally, due to the exploratory nature of the thesis, a multiple-case study method is used with multiple sources for data collection, mainly semi-structured interviews with both owner-managers and employees. Although previous literature has developed our knowledge regarding what HRM practices were in existence within SMEs (e.g. Sheehan, 2014), an assessment of the intensity and coverage of these practices is frequently lacking. The case study method is suited to answer the “how” question. It is also particularly applicable to address the complex interactions of the variables informing HRM in SMEs (Marlow, 2006), hence, answering the “why” question.

Of significance also, is that the systematic literature review revealed that most studies have been conducted in Europe and US, with no studies conducted within the Middle East area and the GCC countries. Hence, it is more viable to explore HRM in SMEs within less known contexts and investigate case studies in the country of Saudi Arabia. Finally, data were analysed comprehensively following the steps suggested by Braun and Clarke (2006) for systematically conducting a thematic analysis. Analysis is facilitated by the use of (Nvivo11) software in an iterative manner and evaluated following the criteria suggested by Healy and Perry (2000).

### **1.3 Contribution of the Research**

Generally, the results of this thesis provide rich insights for the development of the way in which HRM within SMEs should be studied. The systematic literature review (SLR) advances understanding regarding HRM in SMEs by exposing the flaws that exist in this body of literature and provides systematic insights on progress of this field (Mohammed & Harney, 2017). The SLR discloses the crucial need for a

context-focused approach that allows for inclusive understanding of HRM within the SME context. It also suggests the utilisation of wider theoretical perspectives that take into consideration the informality of HRM practices, the dynamicity and diversity of SMEs context, and the critical role of owners/managers, whilst at the same time paying adequate attention to employee expectations and experiences.

Informed and guided by the findings from the systematic literature review, this thesis builds upon the efforts of previous studies which similarly embrace a contextual approach such as Kok and Uhlaner (2001); Harney and Dundon (2006), Tsai (2010), and Gilman and Raby (2013). It contributes to theory by enhancing understanding of HRM within SMEs by utilising a framework of analysis that is not based only on size. It is argued that consideration of internal dynamics and the external and institutional factors with the use of a more engaging and pluralistic research methodology can assist in exposing the ‘black box’ of small firm employment relationships (Ram & Edwards, 2003). The definition of HRM adopted for this study is wider than a pre-identified list of practices, such as HPWPs or Human Capital practices, as the main aim is centred on understanding the process of adaptation and the role these HR practices can play in SMEs—and, accordingly, identifying the determinants of these practices. This suggests that to understand HRM in SMEs, we need to move away from rigid definitions to embrace more contextual ones (Marlow, 2006). It is important that HRM in SMEs is understood not only as a collection of practices but also as a firm-specific and dynamic process that interplays with institutional context and national culture.

Accordingly, by employing a multiple-theoretical framework to capture the complex and dynamic factors influencing HRM in SMEs, this research extends the institutional perspective and the influence of coercive and normative isomorphism power (DiMaggio & Powell, 1983) by emphasising the role of the agency through the Strategic Choice theory (Child, 1972 & 1997). The findings clarify that although institutional factors, specifically, employment law, labour market, and national culture, exert a significant impact on shaping HRM in small firms, organisations and their owner-managers still have considerable room to take a decision and have a role in determining the way in which human resources are managed. This ample ability for choice was especially evident in the dissimilar responses of the firms to the same institutional pressure such as nationalisation law. By deploying Oliver’s (1991)

typology of strategic responses the discussion captures a range of SME responses, from surface level acquiescence through to a form of negotiation. Thus, rather than merely applying a holistic approach, this thesis offers a means to systematically capture and compare responses to external determinants.

Additionally, this thesis supports studies that explore HRM as a bundle of practices as case studies were categorised in two broad categories according to their general HRM approach with one case study found to combine both approaches. The two dimensions identified to pull divergent SMEs into groups accommodate both employers and employees, namely; level of control and skills of core employees. By appreciating the dynamicity and complexity of the SMEs context, this categorisation allows for within group variances which supports Ram *et al.* (2001)'s argument about the impracticality of models that represent two extremes. It differs from Goss (1991)'s typology which is criticised for being deterministic in nature and managerially-focused. Nevertheless, by comparing these groups to the ones in the extant literature, this study supports other categorisations such as Kroon (2013), Edwards *et al.* (2006), and Bae and Yu (2005).

Essentially, although many studies in the literature recognise the heterogeneity in HRM approach across the SMEs (e.g. Harney & Dundon, 2006; Fabi *et al.*, 2007; Richbell, Szerb, & Vitai, 2010), this research adds to this knowledge by identifying dissimilar HRM processes and practices even within the firm, something rarely acknowledged in the literature. These variances are not only based on employees' unique skills as identified by Lepak and Snell (1999 & 2002), or idiosyncratic deals as detailed by Rousseau, Ho, and Greenberg (2006), but also according to other dimensions such as nationality, occupation, and type of contract. This finding opens the door for many questions regarding the uniformity of HRM in SMEs and further challenges the principles of the universal approaches to HRM and their applicability.

Moreover, the qualitative, multiple case study methodology with triangulation techniques prove to be more appropriate to understand the nature of the phenomenon holistically. In this vein, an inconsistency is identified when comparing owner-managers' accounts with that of employees' regarding HRM practices applied in their organisations. Such findings challenge the unitary perspective dominating the

HRM-SME literature and raise critical concerns about the dominance of single, owner-manager respondents.

Furthermore, in appreciating the significant role of owner-managers' choice power (Child, 1997), this thesis supports previous studies which identified several attributes of owner-managers including management style as influential factors in shaping HRM in SMEs (e.g. Werner & Herman, 2012; Castrogiovanni, Urbano, & Loras, 2011). Nonetheless, the current research develops these studies by recognising the psychological characteristics of the owner-managers as determinants that can exert an effect on selecting certain HRM processes and practices. In the literature, HRM studies that examined the influence of owner-managers' characteristics focused largely on the demographic elements such as age and education. However, the current thesis adds to the knowledge of HRM the two-fold influence of the owner-manager passion. By utilising the Dualistic Passion Model [DPM] (Vallerand *et al.*, 2003), which is originated in the psychology discipline, the current thesis has discriminated between two different effects of owner-managers' passion in shaping HRM within their firms. Finally, conducting this research in the context of Saudi Arabia adds a contextual contribution as no studies have been identified to explore HRM in SMEs at this part of the world with its unique characteristics.

## **1.4 Structure of the Thesis**

### ***Chapter 1: Introduction***

This chapter sets the scene for the research by introducing the background of the research problem, its objectives and questions. In addition, an overview of the research methodology and importantly the research contribution is presented.

### ***Chapter 2: Systematic Literature Review***

This chapter uses a systematic literature review drawing on an evidence base of 107 peer-reviewed articles. The detailed process of the methodology used to review the literature is provided. The findings and discussion of this body of literature unfold the gaps in the HRM and entrepreneurship research. To address the gaps of deficient contextual approaches and lack of participative and engaging research designs, the



decisions regarding the adoption of a multiple-theoretical framework and a qualitative research strategy are taken.

### ***Chapter 3: Theoretical Framework***

As this research adopts an abductive approach, this chapter introduces the theoretical lenses through which the researcher investigates the topic. The rationale for using each theory in the multiple-framework is discussed and the advantage of combining the perspectives of both institutional and strategic choice theories is presented.

### ***Chapter 4: Research Methodology***

This chapter introduces the methodology adopted. It starts by clarifying the critical realist philosophical principles related to the ontological and epistemological stances of the study. Then, it rationalises the selection of a qualitative strategy, case-study method, and the use of triangulation including the use of interviews as the main data collection tool. The data analysis process adopting a thematic approach with the assistance of Nvivo software is also described. Finally, the standards used to judge the quality of the research are discussed by utilising Healy and Perry's (2002) criteria.

### ***Chapter 5: An overview of the context of Saudi Arabia***

This chapter describes the macro context of the case studies in this research. Drawing on PESTEL type analysis, the main contextual factors that potentially influence the owner-managers' selection of their HRM approach are introduced.

### ***Chapter 6: Findings 1 Structuring the Event: The 'What' and 'How' of HRM in Saudi SMEs***

Based on the research objectives, this chapter addresses the first goal of identifying the HRM practices within Saudi SMEs and the way in which these practices are implemented. Findings in this chapter are structured according to the HRM functions i.e. recruitment and selection, training, performance appraisals, rewards, and employee relations practices. Dissimilar HRM approaches were found across, as well as within, SMEs in this study.

### ***Chapter 7: Finding 2 Understanding the Determinants: The ‘Why’ of HRM in SMEs***

This chapter satisfies the second objective of this thesis which is identifying the factors shaping the way people are managed in Saudi SMEs. The grouping of these determinates is derived from the constructs of the multiple-theoretical framework as they are categorised into institutional, internal dynamic, and owner-manager’s related determinants. Institutional factors such as employment regulations and national culture appeared to have an important influence on the way in which people are managed within Saudi SMEs. However, owner-managers revealed a significant role in selecting how to cope with these forces in terms of selecting specific HRM approaches, in addition to the influence of employees’ skills level.

### ***Chapter 8: Reflecting on the Findings: Categorising the Case Studies and Recalling the Theoretical Framework***

In this chapter, case studies are summarised by categorising them according to their general approach in managing HR. Two categories are presented and a third one that combines both aspects within one firm, namely (Rolling the Dice, Shuffling and Stacking the Deck, and a Hybrid Approach). After that, the multiple-theoretical framework, introduced in chapter 3, is re-visited to clarify its connection with the findings. Implications are highlighted through unfolding the firms’ responses to the institutional pressures and the role of the owner-manager in forming the firms’ behaviour (HRM practices). By reflecting on the findings in chapter 7 and 8, this chapter echoes the “retroduction” concept underpinning critical realism principles.

### ***Chapter 9: Discussion***

This chapter contains a discussion of the findings presented in the previous chapters. Three emerging themes (double standards HRM, contradictory accounts: owner-managers’ vs employees’, and the role of owner-mangers’ characteristics) that constitute the added knowledge of the research are introduced and discussed. Finally, the conclusion, the contribution, and the implications of this research are presented.

## ***Chapter 10: Conclusion***

The final chapter provides the research conclusion in addition to details of how it contributes to the existing research on HRM in SMEs. In order to achieve a more valuable integration of the HRM and SMEs literatures, this chapter also presents some future research directions based on the findings of the thesis. Additionally, the implications this research has on practice with insightful recommendations are introduced. Finally, the findings of this thesis should be interpreted in view of the research limitations which are discussed in this chapter.

# Chapter 2

## SYSTEMATIC LITERATURE REVIEW (SLR)

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### 2.1 Introduction

This chapter will systematically review the relevant literature and past research in this field. It appears that the subject is receiving growing interest, with special issues of several journals dedicated to HRM in SMEs (e.g., Katz *et al.*, 2000; Bartram and Rimmer, 2010). However, despite calls for more careful conceptualisation and operationalisation of HRM practices in the SME context, research in this area remains ‘underdeveloped and equivocal’ (Chadwick *et al.*, 2013, p.311). While it is recognized that ‘small business is not a little big business’ (Welsh and White, 1981), HRM research has retained the perspective of large firm assumptions and understanding with little appreciation for the transferability and applicability of HRM practices to the SME context (Allen *et al.*, 2013). Exploring HRM in SMEs therefore remains a topic of ‘major theoretical and practical importance’ (Soriano *et al.*, 2010, p.220) and there is a persistent need to systematically identify and organise the empirical and conceptual studies exploring HRM in that context.

This chapter presents the first comprehensive summary of SME research evidence since the work of Heneman, Tansky, and Camp (2000). Notably, the Heneman *et al.*, review comprised articles investigating a single HR area. In contrast, the current review only includes studies which have addressed HRM holistically as a suite of practices. It is believed that this bundle concept is more relevant to the way owner-managers view people management in their organisations, and it is the logic by which this topic has been explored in this thesis. This approach aligns with conceptualizations of HRM as multiple practices, systems or bundles (Bainbridge *et al.*, 2017) and empirical work exploring the broad suite of practices constitutive of

the HR function in an SME context (e.g. Samnani & Singh, 2013). Furthermore, in terms both of the number of articles reviewed and the breadth of the topics covered, the current review extends existing reviews; including those carried out by Cardon and Stevens (2004), Jack, Hyman and Osborne (2006), Cunningham and Rowley (2007) and Dabic, Ortiz-De-Urbina-Criado and Romero-Martínez (2011). This body of reviews has certainly enhanced our overall understanding of the field; however, emphasis has been placed on partial accounts across limited dimensions. These comprise: a traditional literature review approach with a narrow focus on organisational culture and change in small entrepreneurial firms (Dabic *et al.*, 2011; Jack *et al.*, 2006); a specific context, such as that of China (Cunningham & Rowley, 2007); or otherwise being limited, such as unilaterally reviewing only a select few articles on new ventures (Cardon & Stevens, 2004). Unsurprisingly all these reviews call for more intensive research on HRM in SMEs with Agarwal and Jha, (2015, p.682) noting a “deficiency of systematic HRM research in SMEs”.

This systematic literature review presented here is guided by the following overarching research questions: (1) where articles have been published? (2) Which theoretical lenses have been used? (3) What methods have been used? And (4) what is currently known about HRM practices within SMEs? What has been researched/less researched? (e.g. characteristics of HRM practices in SMEs, definitions and labels, HRM and performance in SMEs, determinants of HRM in the SME context)? With this approach we are finally able to systematically “frame out future work on HR in SMEs” (Huselid, 2003, p.297).

This chapter is structured as follows; the next section will clarify the review process and detail the SLR methodology employed to examine HRM in SMEs. Subsequently, the findings will be presented in section 2.3 according to the SLR questions.

## 2.2 Systematic Literature Review: Definition and Methodology

The scoping review of literature has validated the decision to conduct a systematic review. It revealed that this body of literature is of mixed quality and is widely fragmented, comprising a plurality of definitions, explanations and methods.

A systematic literature review is defined as ‘a method of making sense of large bodies of information, and a means to contributing to the answers to questions about what works and what does not’ (Petticrew & Roberts, 2006, p.2). This ‘making sense’ may not be realised through a traditional review of literature as such an approach has been criticised for being biased and lacking rigour and clarity in its methodology. The systematic review of the literature has emerged from the medical profession, and since has been used across several disciplines, playing a chief role in evidence-based practices (Tranfield, Denyer & Smart, 2003). Management researchers have come to acknowledge the needs for a field of study that can produce evidence not only for academics but also for practitioners and decision-makers. Consequently, many management writers have begun to adopt this approach with a flexible style that can synthesise qualitative and quantitative data and fit the nature of social science research, which differs from the pure scientific paradigm of the medical field (e.g., Michie & Williams, 2003; Hemsley-Brown & Oplatka, 2006). Seeking to synthesise research in management is more complex than aggregating randomised controlled trials (RCTs) or data that answering comparable research questions in science or medicine fields. SLR in management enhances the quality of the review and subsequent outcomes by employing transparent, focused, impartial and replicable procedures (Thrope *et al.*, 2005). Thus, the reader can understand how the reviewer arrived at the final list of studies, which further allows for comparing, contrasting and the linking of findings. It also helps researchers to avoid repetition and accordingly produce reliable evidence. This approach, however, is not without its challenges, such as being time-consuming, encompassing difficulties in synthesising a wide range of studies published in different outlets, and a significant volume of literature to review (Pittaway *et al.*, 2004).

Informed by evidence-based practices—and in response to the need for utilising research findings (Sandeowski, 2004)—it is considered viable to systematically review the HRM–SME literature in an effort to minimise bias through clear

processes and to avoid the deficiencies of traditional reviews which risk drawing on ad hoc or biased sources exclusively conceiving of SMEs as associated with particular sectors (e.g. knowledge intensive firms). This field of research is growing and expected to continue to do so as small firms become even more dominant; therefore, this review aims to contribute to the assessment of the theoretical and conceptual fundamentals of HRM practices in the SME context.

The process of completing the systematic review adhered to the three stage logic recommended by Tranfield, Denyer and Smart (2003), namely planning, conducting the review, and reporting/dissemination each with distinct stages. To provide an overview, each stage is elaborated on in turn.

### **2.2.1 Planning**

A scoping review of HRM in SMEs contributions found a body of literature which was widely fragmented and variable, thereby validating the decision to complete a systematic review. The objectives of the review were therefore decided and a protocol prepared accordingly. A review protocol ‘helps to protect objectivity by providing explicit descriptions of the steps to be taken’, and it is recommended that a more flexible approach in planning be adopted to ensure alignment with the nature of management research, which has ontological and epistemological differences when compared with medical studies (Tranfield, 2003, p.215). Given recognition of John’s work (2006; 2018) capturing context, it was decided to adopt John’s (2006) framework by categorising the extraction sheet so as to elicit from the extant literature details on the ‘Who’, ‘Where’, ‘Why’, and ‘What’ of HRM practices within SMEs, in addition to the inclusion of ‘How’, following Sergeeva and Andreeva (2015). To ensure appropriate quality, and to keep the task manageable, only peer-reviewed journal articles were included; hence, the journals under the following subject categories of the ABS Guide (Harvey *et al.*, 2015) were searched, namely ‘Entrepreneurship and Small Business Management’ and ‘Human Resource Management and Employment Studies’. Furthermore, the researcher made the decision to include the entire list—not only the so called top-ranking journals—in the hope of establishing a wider variety of contexts and perspectives, as many lower-rated journals have international exposure (see Bainbridge *et al.*, 2017; Cooke, Veen, & Wood, 2017). The ABS list was selected because it was a well-established guide

and reliable findings are more likely to be found to such respected journals. Pursuit of this approach yielded a list of 68 journals.

Following the preliminary review, two different sets of Boolean keywords were developed in mind of searching the two journal categories; keywords related to entrepreneurship, (e.g., small business, small firms, SMEs, and start-ups) were used to search HR journals; the other set related to HR practices (e.g., people management, personnel management, and human resource management) and were used for entrepreneurship journals, taking into consideration the plural/singular forms of the words and abbreviations/full forms of the terms. In line with previous conceptual (Boselie & Paauwe, 2005) and methodological reviews (Bainbridge *et al.*, 2017) January 1995 was used as the start point, enabling a considered assessment over a twenty-year time-span reflecting the significant emergence of HRM. Both empirical and conceptual articles were included, consistent with previous systematic reviews (Hakala, 2011; Nolan & Garavan, 2015). Also, no restrictions were applied to the research methodology as it is desirable to ensure a range of different designs in order to garner complementary findings (Hammersley, 2001). Importantly, the combination of qualitative and quantitative data offers a representation of a wider knowledge base and more contextualisation for the topic reviewed (Rousseau, Manning & Denyer, 2008). Unfortunately, many reviews in HRM focus exclusively on quantitative research (e.g. Jackson *et al.*, 2014; Bainbridge *et al.*, 2017). By contrast, this more inclusive approach matches the SMEs contextual emphasis through incorporating articles with more engaging methodology.

## **2.2.2 Conducting the Review**

In the second stage, in addition to the electronic databases (e.g., Business Source complete, Emerald, and Wiley online), a manual search for titles and abstracts was conducted for those volumes not available online but accessible in the libraries. The search was applied for all fields of the articles, including the title, abstract, keywords and text, in an effort to ensure a broad coverage for all the articles relating to this topic, as some authors avoid making explicit mention of the term ‘SMEs’ in the title or abstracts for many different purposes. As expected, this approach generated a substantial amount (5,099) of articles and all articles were extracted to a citation manager (Refworks). Exclusion and inclusion stages were divided into sub-



sequential phases. After eliminating duplicates, calls for papers, 'about the author', secondary articles, editorials, abstracts, books reviews, books volumes and their indexes and list of contributors which all appeared individually in the search, an initial screening of the articles was carried out. This was done by reading the title and the abstract if necessary, with all articles that were completely irrelevant subsequently excluded. Notably, irrelevance was established if the papers discussed HR within large or governmental organisations (e.g. Abbott, 2007; Abdalla, Maghrabi, & Raggad, 1998) or considered small firms without taking into account HRM (e.g. Duarte Alonso, Bressan, O'Shea, & Krajsic, 2014), or otherwise if there was a failure to include the HRM construct as the main theme (e.g. Aidis & Van Praag, 2007). Furthermore, only articles written in the English language were considered. In a number of cases, incomprehensive abstracts made it difficult to understand the purpose, method(s) and findings of the studies. This required the reading of the introduction, methodology and/or conclusion. The result of this phase yielded 850 articles, representing 17% of the initial 5,099 extracted. These 850 articles were also subject to a second round of thorough sifting.

The main focus of the review was placed on those articles studying HR practices within the context of small and/or medium firms; thus, any article mentioning HR only in the results as a peripheral to the main focus of the study or otherwise failing to report on a specific HR dimension was excluded. Moreover, some studies were classified as more related to entrepreneurship rather than combining both elements of entrepreneurship and HRM, such as those discussing the training for entrepreneurs and how they can grow their own businesses (e.g. Henry, Hill & Leitch, 2004). These are recognised as different from articles focusing on training the employees of SMEs, which were included (e.g. Kai Ming Au, Altman, & Roussel, 2008). Additionally, others recognised as purely dedicated to discussing organisational behaviour topics, such as teams and leadership, without including them as a HR practice, or for being classified as HRD studies, such as those focused on knowledge and the absorptive capacity of SMEs were also excluded (e.g. Gray, 2006). Moreover, articles relating to franchising and not-for-profit organisations were not included. Numerous studies were excluded because they only narrowly discussed the influence of a specific legislation act in a specific country, e.g. National Minimum Wages (NMW) in the UK, which were seen to be unlike those relating to the impact of

employment legislation in general on SMEs. It is also noteworthy to mention that the studies concentrating on trade unions as a main topic were eventually excluded since they would not be of interest to the current study conducted in Saudi Arabia where trade unions are prohibited. After this second round sifting, articles were further categorised and a subset of 230 articles was shortlisted for critical review. For quality assessment, the inclusion of only peer-reviewed articles served as a satisfactory check (Rousseau *et al.*, 2008). Figure 2-1 maps the literature which has been reviewed.

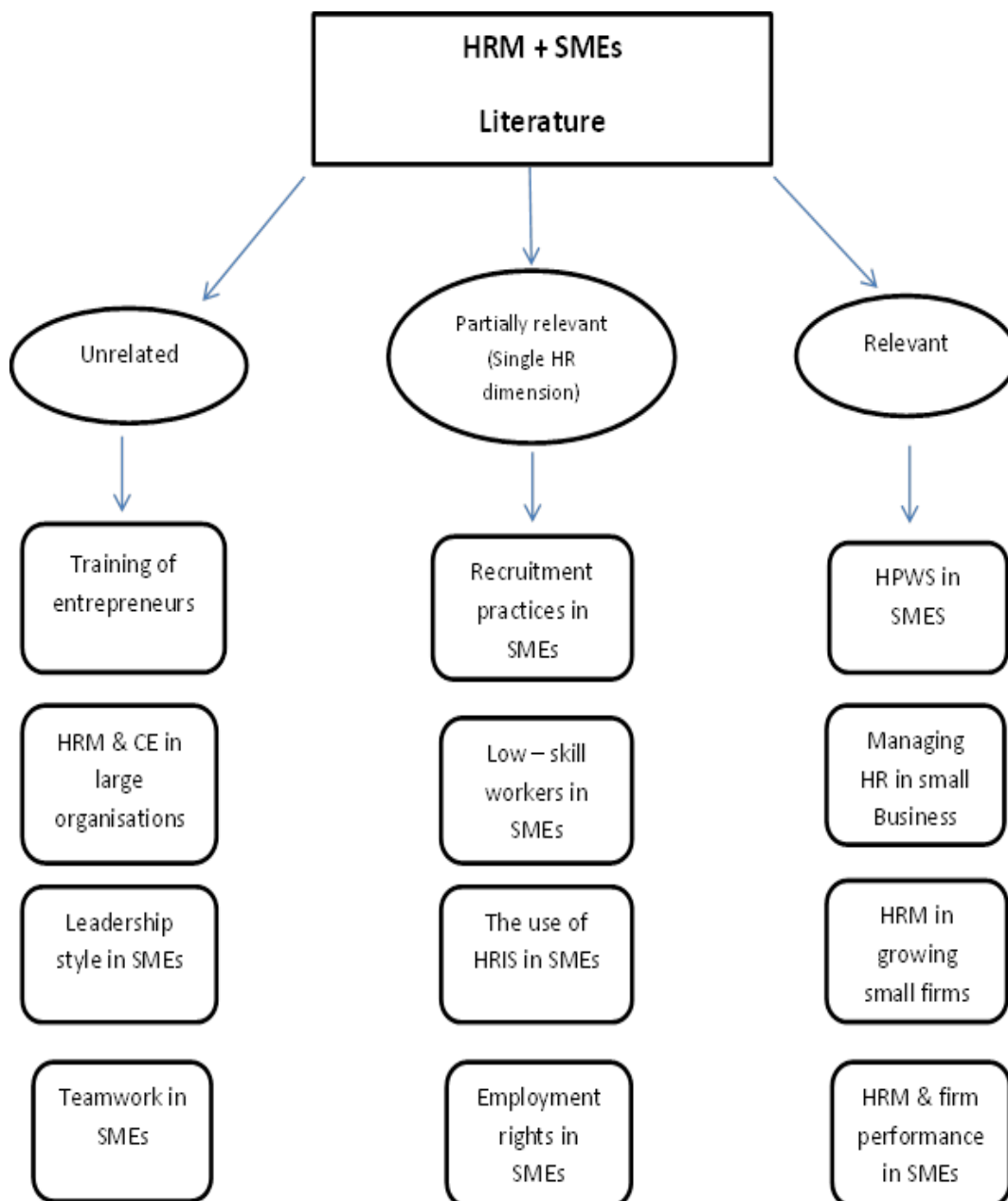


Figure 2-1 Literature Mapping

### **2.2.3 Reporting and Dissemination**

The focus of this chapter is a review of those articles exploring HRM in SMEs in a holistic sense as opposed to those articles that focus on individual HR practices. Therefore, eventually only 107 articles which conceptualised HRM as a set of practices were included in the review (see Appendix A-1). These articles adopt the bundle approach which is suggested to be more adequate to analyse HRM as these practices turn out to be strongly correlated (e.g Wood, 1999). Tables were constructed to extract information into a framework detailing ‘Who’, ‘Where’, ‘Why’ and ‘What’ (Johns, 2006) and ‘How’ (Sergeeva and Andreeva, 2015), in order to capture all facets of the literature. Figure 2-2 summarises the various stages of the systematic literature review, illustrating how the final selection of articles was reached.

In order to ensure reliability, a range of checks were carried out at both the second and third stages. The inclusion and exclusion of articles was discussed with a subject matter expert and independent panel member in regular meetings during the second stage. Moreover, the information table of ten articles was also filled in independently, with the findings then compared, and any inconsistencies discussed, so as to ensure a shared understanding. In addition, continuous checks were carried throughout the rest of the third stage.

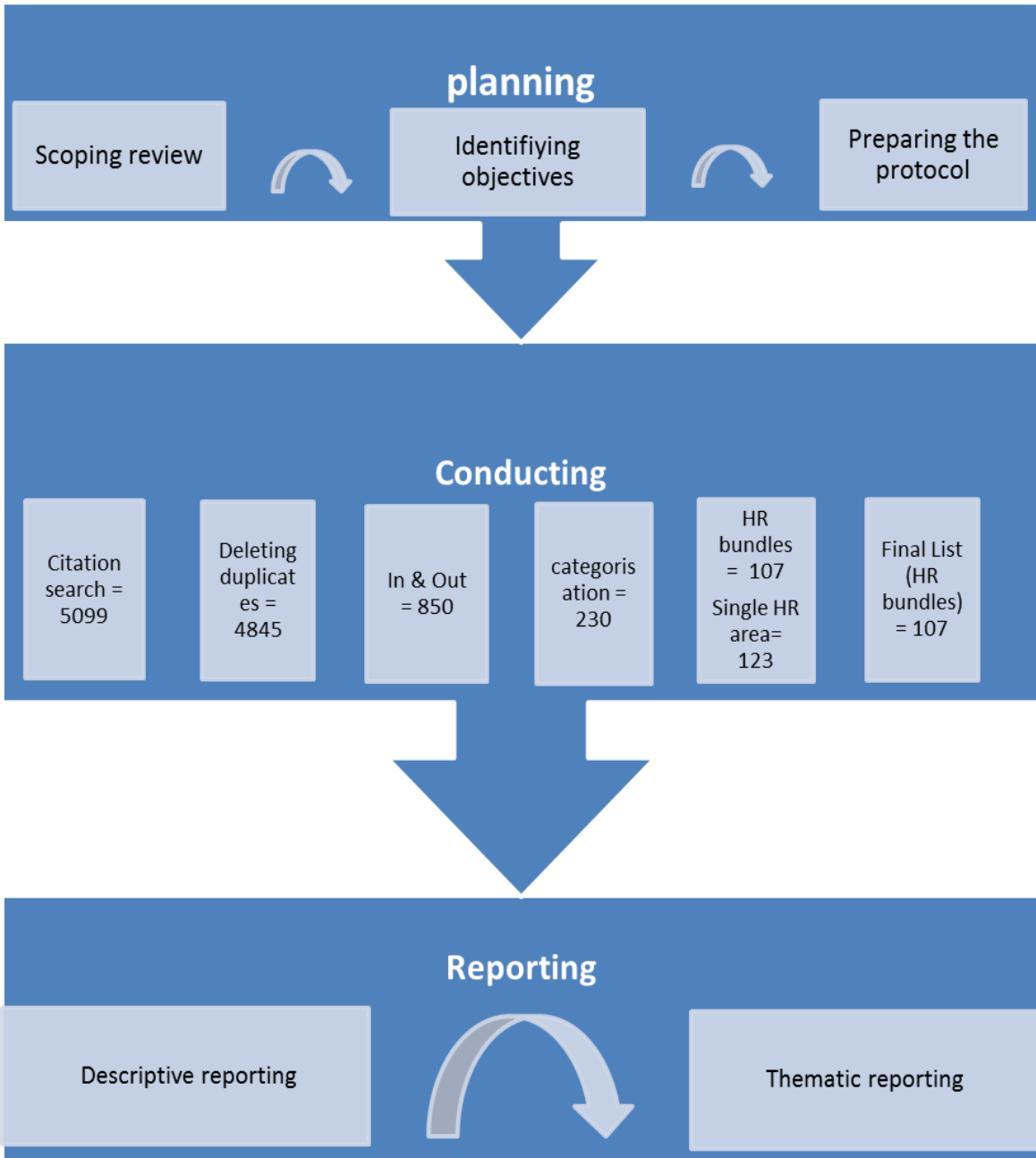


Figure 2-2 Summary of the Review Process

## 2.3 Findings

### 2.3.1 Where articles were published?

This review includes a total of 71 quantitative research papers, 21 qualitative studies, 5 mixed-methods papers, and 10 conceptual papers (6 narrative reviews and 4 theoretical articles). Interest in HRM in SMEs research has demonstrated a considerable increase since 2000, especially after repeated calls for research in the area (e.g., Katz *et al.*, 2000; Huselid, 2003). The main outlets for studies were International Journal of Human Resource Management (20 articles), Human Resource Management (11 articles) and Asia Pacific Journal of Human Resources (10 articles) from the HR journal list; and in the Entrepreneurship and small business list, Journal of Small Business and Enterprise Development (7 articles), International Small Business Journal (6 articles), and Journal of Small Business Management (5 articles). According to the number of journals in each ABS list, studies under the HRM list are centralised in specific journals (only 14 journals out of 48) which equates to 29% coverage, in comparison to the Small business list, where articles were seen to be much more widely distributed, 11 journals out of 20 (55%). Additionally, the coverage percentage of each journal out of the total number of articles published during the same period of time indicates the minimal amount of research published on HRM in SMEs (averaging 0.5% of Entrepreneurship and Small business Management articles and 0.59% of all HRM articles respectively) (see Table 2-1). This hardly reflects the significance of SMEs as dominant employers across the globe (OECD, 2015), highlighting the skewed and biased nature of existing HRM research.

Empirical studies (n=97) in this review explored HRM in several countries, most of which are European. Research about the UK and Ireland was seen to be the most dominant (22%), with a substantial amount in the US and Australia as well. 83% of the papers were centred on Europe, America and Canada, or Australia and New Zealand and only 8% explored China. The rest of the articles were related to South Africa and other parts of South-Eastern Asia. It is worth noting that nothing has been written about other parts in Africa and Asia, specifically the Middle East region, despite its various cultural and economic environments, and irrespective of the

popularity of SMEs as an essential backbone for the economy in such developing countries (see Figure 2-3).

Table 2-1 Articles per Journal in the SLR

Journal Title	Rating (AJG 2015)	No. of articles	Coverage
<b>ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT</b>			
Entrepreneurship, Theory and Practice	4	3	0.33%
Journal of Business Venturing	4	1	0.11%
International Small Business Journal	3	6	0.69%
Journal of Small Business Management	3	5	0.66%
Small Business Economics	3	4	0.31%
International Journal of Entrepreneurial Behaviour and Research	2	2	0.34%
Journal of Small Business and Enterprise Development	2	7	0.88%
International Entrepreneurship and Management Journal	1	1	0.22%
Journal of Enterprising Culture	1	2	0.66%
Journal of Entrepreneurship	1	2	0.70%
Journal of Small Business and Entrepreneurship	1	3	0.66%
<b>HUMAN RESOURCE MANAGEMENT AND EMPLOYMENT STUDIES</b>			
Human Resource Management (USA)	4	11	1.21%
Human Resource Management Journal (UK)	4	3	0.64%
Human Resource Management Review	3	5	0.84%
International Journal of Human Resource Management	3	21	0.84%
Asia Pacific Journal of Human Resources	2	10	1.5%
Employee Relations	2	5	0.61%
Human Resource Development International	2	1	0.15%
International Journal of Manpower	2	7	0.72%
Personnel Review	2	3	0.32%
Advances in Industrial and Labour Relations	1	1	0.68%
European Journal of Training and Development (Formerly known as- European Journal of Industrial Training)	1	1	0.07%
People and Strategy (Formerly known as –Human Resource Planning)	1	1	0.11%
International Journal of Employment Studies	1	1	0.38%
The Indian Journal of Industrial Relations	1	1	0.09%
Total		107	

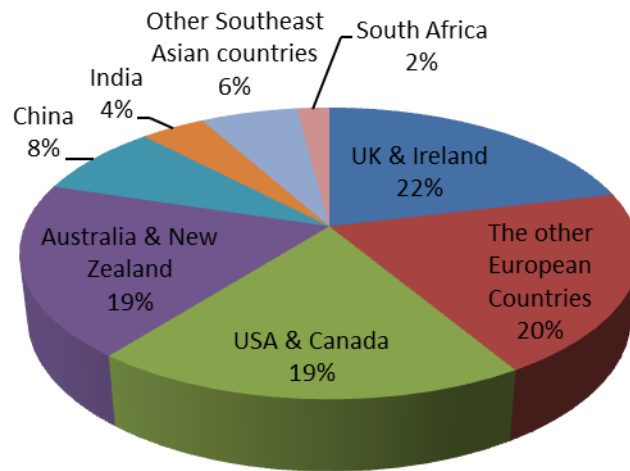


Figure 2-3 Countries of Origin

### 2.3.2 What theories were used?

Notably, only four articles were purely theoretical, discussing the issue of HRM definitions and their appropriateness for the small firm context (Marlow, 2006), the integration of employee involvement research with that of organisational life cycle in an effort to understand the mechanism for application (Ciavarella, 2003), the science of HRM in small firms as a requirement to improve this body of research (Mayson & Barrett, 2006) and, lastly, the issue of developing a configurational HR architecture within the characteristics of emerging organisations (Bryant & Allen, 2009). Furthermore, the empirical studies employed an eclectic range of theoretical perspectives; due to the multi-disciplinary nature of research in HRM. However, such diversity does not reflect genuine comprehensive theoretical frameworks as occasionally different terms for the same concepts can be visible for example, (the Harvard model, the universalistic perspective, and HPWPs), and (the Resource-based view (RBV), Resource availability, and Resource poverty). Only a few studies have explicitly constructed hypotheses from theories or involved robust theory development (e.g. Bae & Yu, 2005). It is also important to highlight that approximately half of the articles (n=45) did not make direct mention of the adoption

of any theoretical perspective in the study of HRM practices; this indicates the critical need for theory development in the arena of HRM within the SME context. This absence of explicit theoretical underpinnings is remarkable and arguably has served as a major failing, limiting the development of research and understanding about SMEs. Judgement has been made concerning the theoretical perspective by examining what is clearly stated by the author(s) about the theoretical underpinning in the various studies. Drawing on Wright and McMahan's (1992) list of theoretical frameworks, the dominant perspectives can be categorised as per the following discussion.

First, most articles draw on traditional economic, strategic management and organisational theories, with the most dominant recognised as the resource-based view (RBV) of the firm for a variety of purposes. Typically, this approach is employed to determine the relationship between HRM practices and organisational performance (e.g., Ait-Razouk, 2011; Castrogiovanni, Urbano & Loras, 2011; Chow, 2004). It also is utilised to identify the main factors of formal HR practices (e.g., Newman & Shiekh, 2014) or simply as a justification to identify the nature of HRM practices in a specific context (e.g., Agarwal & Jha, 2015). In addition, it has been combined with other perspectives for the same goals mentioned above and to allow for informality and process (e.g., Kok & Uhlaner, 2001; Doherty & Norton, 2013; Jennings, J., Jennings, P. & Greenwood, 2009). There is also an infrequent use of theories, such as Transaction cost economics, and Resource poverty, in other articles; nonetheless, all hold a comparable approach. Human Capital Theory has been employed in several studies in an effort to examine the correlation between HRM and the various types of performance, such as the productivity of employees and financial performance (De Grip & Sieben, 2009; Sels *et al.*, 2006a; Teo, Le Clerc & Galang, 2011), organisational competitive advantage (Ferligoj, Prašnikar & Jordan, 1997), and organisations' learning capabilities (Wan Hooi & Sing Ngui, 2014). Additionally, the notion of strategic fit and universalistic HRM has been adopted in many studies (e.g., Samnani & Singh, 2013; Kerr, Way & Thacker, 2007).

Second, there is a group of articles that have adopted more of non-strategic theoretical models to examine and explain HRM practices away from the rational proactive process assumed by the strategic models mentioned above; as well as to understand the non-strategic determinants of HRM practices. To a lesser extent, a



stream of research has used institutionalism as a sole theoretical perspective (e.g., Gilman & Raby, 2013; Della Torre & Solari, 2013), or otherwise has been combined with other theories, such as RBV, behavioural perspective of strategic management, and open system theory (e.g., Kok & Uhlener, 2001; Harney & Dundon, 2006, 2007) to provide a balanced theoretical lens through which HRM in SMEs can be explored. However, most of these studies focused on limited institutional factors (e.g. Tsai, 2010) while significant institutional dimensions such as the economic, cultural and educational factors have been less researched in a holistic manner. Another group of articles have adopted behavioural and psychological approaches, employing theories such as Social Exchange Theory and the relational perspective in order to inspect the HRM–performance relationship (e.g., Allen *et al.*, 2013), in addition to the rare adoption of theories, such as Equity Theory and Social Network Theory.

Another smaller group of articles focused on the use of Organisational Life Cycle theory (OLC) in order to link each life stage with specific HR practices (e.g., Kotey & Slade, 2005; Rutherford, Buller & McMullen, 2003). Though these theories dominate the field, other less prevalent theoretical framework made essential contributions and comparatively provided alternative insights (e.g, Resource Dependency, Population Ecology) (Chandler and McEvoy 2000; Harney and Dundon, 2006). Overall, there is an inadequate utilisation of conventional theoretical perspectives, with little evidence of extension of existent theories or the adoption of new ones in the field, albeit with some exceptions.

### **2.3.3 What methods were used?**

#### **2.3.3.1 Research design**

This systematic review reveals various methodological issues that are believed to hinder the development of this body of research. In addition to the use of quantitative methods and surveys as the dominant techniques for collecting data (73%), most of the studies were cross-sectional with only 6 % longitudinal studies (e.g., Doherty & Norton, 2013; Sheehan, 2014). Moreover, quantitative studies used different statistical measures; however, most of them were descriptive and basic. In assessing HRM practices, the overwhelming majority used only measures of presence of the

practices, as they are comparatively easier to get and analyse, and only few have considered the coverage or the intensity of the practices (e.g., Kroon, Van De Voorde & Timmers, 2013). Moreover, research is frequently controlling for internal and/or external contextual variables (e.g., Tocher & Rutherford, 2009) which conceals significant contextual influence (John, 2006). Additionally, some studies were found to analyse data from existing databases, such as the Work Employment Relations Survey (WERS) (e.g Bacon & Hoque, 2005; Storey, et al, 2010), thus missing the chance of having original data collected specifically for the purpose of studying HRM in the context of SMEs.

The 21% qualitative studies considered in this work generally utilised a case study approach coupled with interviews as data collection tools, with the exception of just one study, which used the ethnography (Samnani & Singh, 2013). It is acknowledged that such kind of research designs can be found more often in journals with a sociological leaning and more intensive case tradition which are not included in this review (e.g. Moule, 1998, in *Work, Employment and Society Journal*). Nevertheless, not all of the studies paid sufficient attention to the context of these firms, leaving us a stagnant way of studying HR practices in small firms. The very few mixed-method studies (5%) suggest the need for more studies that are better able to capture the complexity of this topic, although this group did not always combine the two methods in an effective and complementary manner.

#### **2.3.3.2 Unit of analysis and respondents (Dominant perspective)**

The primary unit of analysis of HRM–SME studies was the firm, which were small and/or medium sized organisations in different sectors, with the exception of one study (Giauque, Resenterra, & Siggen, 2010) that chose knowledge workers as the unit of analysis in an effort to determine the impact of HRM practices on their commitment. There also were a select few articles that included a multi-unit of analysis (e.g., Marchington, Carroll & Boxall, 2003; McPherson, 2008; Samnani & Singh, 2013; Tocher & Rutherford, 2009). Notably, the majority of the studies in the HRM–SME literature focused narrowly on the owner’s/manager’s perspective only (62%), with part of these articles adopting the CEOs’ perspective or combining the owner-manager’s perspective with that of the HR manager (4%). Remarkably, only 18.5% of the articles considered both employees’ and owner-managers’ perspectives,

and/or the general managers' perspectives. Employees made up the primary source of information in just three papers, with two of them related to specialist employees; pharmacists were emphasised in the work of De Grip and Sieben (2009), whilst knowledge workers were the point of focus in the study by Giauque, Resenterra and Siggen (2010). HR managers were considered in four papers, with one adding employee voice to the HR managers' (Storey, et al, 2010). Few studies adopted the perspectives of the Board of Directors or specific functional managers, such as plant or production managers. One possible justification for this approach of focus could be the absence of HR managers in small and medium organisations, which would mean any manager could be positioned as responsible for managing employees (see Figure 2-4).

This review has found that employees' attitudes and feedback were largely ignored in the current stream of HRM–SME literature, which emphasises the need to study HR practices more in-depth by adopting multiple standpoints and giving employees the opportunity to talk about their experience in the workplaces. This point has been rarely brought up in the previous review articles mentioned before; only Heneman, Tansky and Camp (2000) have stated that SMEs research on recruitment has been focused solely on the employer perspective. It is worth noting that several studies failed to make mention of whose perspectives were considered, especially when analysing data already available, such as those retrieved from well-known surveys. This is also interesting considering nuanced findings in SMEs whereby employees have been found to be more engaged and committed despite lower levels of pay or less formal training opportunities (Forth, Bewley, & Bryson, 2006).

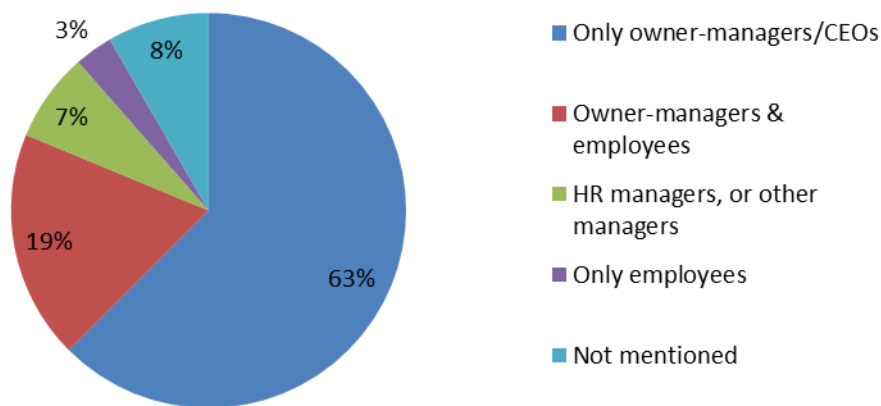


Figure 2-4 Level of Analysis

### 2.3.4 What has been researched?

The literature is split between authors studying HRM practices in mind of establishing its relationship with organisational performance, others who are looking for the determinants of HRM in SMEs context, or those who simply focus on the nature of HRM practices and the extent to which they are formal and sophisticated. The content will be classified into four sections: 1) definition of SMEs; 2) how HR practices in SMES are labelled and evaluated; 3) how HRM practices impact on SMEs' performance; and 4) determinants of HRM within the SME context.

#### 2.3.4.1 Definitions of SMEs

The concept of SMEs is dynamic and relative. In fact, a universal definition is lacking as the concept differs from one country to the next. A variety of definitions have been used in the reviewed articles, which produces issues when drawing a comparison between articles, with many papers failing to distinguish between micro, small or medium enterprises. Although few papers have employed the use of annual sales, balance sheets, income levels or the company's status as independent or part of a larger organisation as indicators to compare organisations' sizes, most articles defined SMEs on the basis of employee numbers, which is typical for HRM studies. There are two well-established definitions according to the number of employees, which are as follows: the US < 500 employees and the European < 250 employees, with around 37% of the studies using one of these. Many studies have created their

own definitions, such as < 200, < 100 or < 50 employees, with such businesses not necessarily referred to as SMEs but which have, on many occasions, been termed 'small' instead. Very few articles only focused on micro (e.g., De Grip & Sieben, 2009) or medium sized enterprises (e.g., Valverde, Scullion & Ryan, 2013), with some research using the average number of employees in each unit as a criterion for judging the size of the business. Moreover, there were articles specifying the minimum number for each size band, such as where small should be > 5, 10, 20 or even 50, according to the limits of the main definition adopted. Notably, however, two studies defined SMEs according to the sector as they differentiated between service and manufacturing sectors when classifying businesses into small and medium sized (Kotey, 1999; Kotey & Sheridan, 2001). Surprisingly, in addition to such diversity in definitions, there was a considerably large number of studies (n=17) that failed to clarify the particular size of the organisations in the sample, but instead simply used the terms 'SMEs' or 'small' to describe the population of the study. Regarding the terms used to describe enterprises in the literature reviewed in this work, the majority of research used the term 'SMEs' to refer to their sample, whereas some papers focused on the word 'small' or included it interchangeably with 'SMEs'. The terms 'new', 'young', 'entrepreneurial' and 'emerging' also were used to describe organisations in the reviewed articles. In summary, there was a multiplicity of criteria and no consensus concerning the definition and terminology of SMEs, which, at times, seems to be different between studies conducted in the same context.

#### **2.3.4.2 HRM practices in SMEs**

HRM practices in SMEs have been labelled as being generally informal (Agarwal & Jha, 2015; Harney & Dundon, 2006). Yet, a wealth of papers in this review focusing mainly and merely on the measurement of the formality level (e.g., Nguyen & Bryant, 2004; Barrett & Mayson, 2007; Bartram, 2005; Kotey & Sheridan, 2004; Kim & Gao, 2010) as the only basis for examining the effectiveness of HR practices. A remarkable study not adhering to this stream of formal/informal practices is that by Jennings, J., Jennings, P. and Greenwood (2009), which examined the influence of HR practice novelty or conformity on organisational performance. HR practices also were found to be ad-hoc, reactive and opportunistic and adopted in a pick-and-

mix manner, as opposed to combined in coherent bundles (Gilbert & Jones, 2000; Marlow, 2000). Moreover, many studies identified a huge diversity of HRM practices amongst SMEs (e.g., Duberley & Walley, 1995; Cassell *et al.*, 2002).

The other widely discussed argument in the HR–SME literature was the happy family ‘small is beautiful’ versus the ‘bleak house’ scenario. ‘Small is beautiful’ indicates close and family-like relationships, good people management, and a low level of conflict; while ‘bleak house’ is commonly defined as high control, with an absence of HRM practices and trade unions which are also combined with low wages and poor work conditions. In addition, it implies that employees have low involvement in the way the owner-manager is running the business (Wilkinson, 1999). In contrast, whilst many authors have accepted the ‘bleak house’ stereotype for HR within small firms (e.g., Kotey, 1999; Singh & Vohra, 2009; Wiesner & McDonald 2001), many articles refuted this labelling, and showed that HRM actually is closer to the ‘happy family’ scenario. These papers suggested that even if these practices were not sophisticated, they would still play a significant part in the success of these enterprises (e.g., Wiesner & Innes, 2010; Storey *et al.*, 2010; Barrett & Meyer, 2010; Bacon *et al.*, 1996; Tsai, 2010; Dietz *et al.*, 2006; Richbell, Szerb & Vitai, 2010). Likewise, Mazarrol (2003) found that small companies displayed strong flexibility in adapting to change, with high levels of employee participation and involvement.

Moreover, as a continuous strand of HR literature in general, the debate of best fit–best practice approaches is present. In this body of literature, many papers advocated the contingency approach, making the suggestion that it is considered more suitable in the SME context (Atkinson & Lucas, 2013; Cassell *et al.*, 2002; Georgiadis & Pitelis, 2012; Roca-Puig, Beltrán-Martín & Segarra-Ciprés, 2012). On the other hand, the universalistic view of HRM and normative models such as HPWS/HPWPs were considered the most dominant in the literature (e.g., Newman & Sheikh, 2014; Ait-Razouk, 2011; Drummond & Stone, 2006; Kerr *et al.*, 2007). At times, they were manifested through High-commitment HR practices (Allen *et al.*, 2013), or Human capital-enhancing HR system (Hayton, 2003; Teo, Le Clerc & Galang, 2011). Although these studies were contributing to the knowledge about HRM in SMEs, they were actually dealing with small firms as miniatures of larger ones without taking into consideration the possible inapplicability of such normative models

within SMEs context. However, limited studies support the configurational model of HR practices in the SME context (e.g, Wan Hooi & Sing Ngui, 2014). Paradoxically, the dominance of the HRM universalistic perspective in the literature does not mesh well with the prevalent labelling of HR practices as being ad hoc and reactive in the findings. In fact, most of the studies reviewed here merely made a selection from the numerous HPWPs and listed them as a set of unconnected practices rather being perceived as mutually reinforcing. Moreover, there is a mixed evidence as to whether a particular HR practice has a positive or negative impact on SMEs performance.

Practices which belong to the basic HR functions are the most prevalent due to the presumption of the limitation of HR practices in SMEs; namely, recruitment and selection, training and development, performance appraisal, and compensation (e.g, Newman & Sheikh, 2014; Barrett & Mayson, 2007). Other studies have covered larger sets of HR practices that included areas such as employee relations, communication, job security, and health and safety (e.g, Agarwal & Jha, 2015; Ait Razouk, 2011; Cunningham, 2010). Although the criterion for combining HR practices together in a bundle has not been resolved in the literature (Lepak & Snell, 2002), exceptionally, a select few studies have adopted the bundles approach in a justifiable manner (e.g De Grip & Sieben, 2009; Elorza et al, 2011; Wan Hooi & Sing Ngui; Teo, Le Clerc & Galang, 2011).

Another group of articles discussed the heterogeneity/homogeneity of SMEs in terms of their people management practices (e.g., Cassell *et al.*, 2002), with quite a few studies discussing the external and/or internal factors leading small organisations to apply convergent or divergent practices (e.g., Tsai, 2010; Della Torre & Solari, 2013; Festing, Schäfer & Scullion, 2013; Jennings, Jennings & Greenwood, 2009), whilst others merely observed whether SMEs apply divergent or similar practices without exploring the ‘why’ element. Because of the dominance of RBV theory, HR practices commonly were viewed as divergent and, hence, constitute a source of competitive advantage for small firms (e.g., Kok & Uhlaner, 2001; Fabi, Raymond & Lacoursière, 2007). In contrast, De Grip and Sieben (2009), Doherty and Norton (2013) and Ho, Wilson and Chen (2010) investigated HR practices within SMEs in a specific sector so as to show the influence of industry as an external factor on the adoption of homogeneous HR practices. However, in order to support the

homogeneity thesis, most of these studies tended to ignore the role of agency by viewing small firms as passive recipients to these external variables.

#### **2.3.4.3 HRM and performance**

In the reviewed literature, many studies aimed at exploring the black box and proving this relationship in the context of SMEs, with most of them identifying a positive–direct or –indirect impact (e.g. Teo, Le Clerc, & Galang, 2011; Sheehan, 2014), with the exception of one study, which failed to find any association (De Grip & Sieben, 2009). Most of the researchers studied the link between a set of HR practices and performance (e.g., Allen *et al.*, 2013), whilst others sought to identify the added value of each HR practice on an individual basis (e.g., Chow, 2004). Performance is a multi-dimensional construct; thus, these articles involved different levels of HRM outcome (individual-level measures) and/or organisational performance. The majority of these papers focused on assessing the overall effectiveness of HRM practices through their influence on organisational performance, notably by using quantitative and qualitative measures. These papers linked HRM to organisational performance in terms of revenue growth (Allen *et al.*, 2013; Carlson, Upton & Seaman, 2006), profitability (Ait-Razouk, 2011; Faems *et al.*, 2005; Lin *et al.*, 2014; Thach & Kidwell, 2009; Sels *et al.*, 2006), productivity (De Grip & Sieben, 2009; Jennings *et al.*, 2009; Patel & Cardon, 2010; Sels *et al.*, 2006a), innovation (Fabi *et al.*, 2007; Gil-Marques & Moreno-Luzon, 2013; Messersmith & Guthrie, 2010), export orientation (Ferligoj *et al.*, 1997), sales level (Kerr *et al.*, 2007; Messersmith & Guthrie, 2010), customer satisfaction (Lin *et al.*, 2014), corporate entrepreneurship (Castrogiovanni *et al.*, 2011; Hayton, 2003; Schmelter *et al.*, 2010) and TQM implementation in one of the most elaborate studies in this focus (Chandler & McEvoy, 2000). What is worth mentioning in this vein is that most of these papers adopted subjective perceived measures of performance as they were considered to be the most suitable for the SME context. They also justified the use of such measures according to the difficulties associated with obtaining pure objective measures, along with the owner’s/manager’s reluctance to disclose financial information.

On the other hand, there were a few studies on HRM–performance that examined HR practice effectiveness by focusing on individual-level measures of impact



(behavioural outcomes). Examples of these measures include middle-managers' satisfaction (Chow, 2004), employees' commitment (Elorza *et al.*, 2011; Giaque *et al.*, 2010), job quality (Storey *et al.*, 2010), employee turnover, absenteeism and the number of litigation instances (Kaman *et al.*, 2001; Fabi *et al.*, 2007). In order to garner a more comprehensive understanding, combining the impact of HR practices on both, individuals and organisations, is considered to be a more reliable approach to evaluating the effectiveness of HRM practices in the SME context, such as in the work of Doherty and Norton (2013), that included cost-based HR metrics and strategic performance measures, accordingly forming a model specific to SMEs. It is also one of two studies, with Sels *et al.* (2006), that pointed out to the cost associated with the implementation of HR practices in SMEs context. Furthermore, Zheng, Morrison and O'Neill (2006) also combined the two types of performance, illustrating that one is likely leading to the other.

While such a relationship continuously garners wide research attention, the factors that could mediate this association were examined in a few studies, especially that the direct relationship is only rarely identified (Georgiadis & Pitelis, 2012). Wood (1999) and John (2006) emphasised the significance of concentrating on potential contingencies in research designs since they assist in forming contextual links across studies that reveal different results. Noteworthy examples of studies considering the moderating or mediating effects of other variables are those by Allen *et al.* (2013), who tested the mediating effect of employee involvement and quit rate on organisational performance, Wan Hooi and Sing Ngui (2014), where the HRM–performance link was mediated by organisational learning capabilities, and Gil-Marques and Moreno-Luzon (2013), who established a positive effect of a more advanced HR system—defined as ‘Total Quality Management’—on incremental and radical innovation when mediated by organisational culture change. In the same vein, it is clear that most of these studies linked the positive outcome to formal and sophisticated HRM practices, thereby, neglecting the informal process of managing people within SMEs.

#### **2.3.4.4 Determinants of HRM**

Less than one-third of the reviewed literature emphasised the recognition of the various determinants of HRM practices in SMEs, which revealed the out-of-context

approach of most studies considered in the present review. Factors established in the literature can be classified generally into three sets, namely internal, external and owner-managers related factors. Most studies considered size, age and resources as the main elements underpinning HR practices (e.g., Kotey & Slade, 2005; Kaman *et al.*, 2001; Fabi *et al.*, 2007; Chandler & McEvoy, 2000). Another group of articles, however, found ownership to be an important factor affecting HRM practices (e.g., Bacon *et al.*, 1996; Reid & Adams, 2001), workforce skills (e.g., Bacon & Hoque, 2005) and also organisational culture as part of many other internal factors (e.g., Della Torre & Solari, 2013; Marchington, Carroll & Boxall, 2003). When considering the business strategy as a determinant of HR practices, studies focused on a multiplicity of business orientations, such as TQM in Gil-Marques and Moreno-Luzon (2013), entrepreneurial orientation in Messersmith and Wales (2011), growth in De Kok and Uhlaner (2001), product differentiation in Georgiadis and Pitelis (2012), or product, network and market development strategy in Fabi, Raymond and Lacoursière (2009). All of these studies were found to have an influence on the nature or effectiveness of HRM practices.

On the other hand, several studies incorporated external factors as determinants of HRM practices through focusing on the external environment exclusively or inclusively by combining the internal and external environment, such as in the study of Harney and Dundon (2006, 2007). The most recurrent external influences acknowledged were industry (e.g., Barrett & Meyer, 2010; Bartram, 2005; Festing *et al.*, 2013), labour market and employment regulations (e.g., Atkinson & Lucas, 2013; Doherty & Norton, 2013; Gilbert & Jones, 2000) and, to a lesser extent, national culture (e.g., Chow, 2004; Cunningham, 2010), amongst other external factors. The influence of the owner-manager-related factors was discussed from numerous angles, such as in regards to education in Newman and Sheikh (2014), HR knowledge and experience in Klaas *et al.* (2012), values and ideology in Doherty and Norton (2013) and Drummond and Stone (2007), and network in Ho *et al.* (2010). Nevertheless, a handful of research was seen to balance the three categories of influential factors, i.e. contextualising their studies by adopting an open system, such as those by Tsai (2010), Harney and Dundon (2006) and Ho *et al.* (2010).

HRM–SMEs research also had different interpretations for the influence on HRM, which can mean that these factors impact the adoption of HRM practices in general

(e.g., Cassell et al, 2002), the adoption of specific models of HRM, such as HPWP (e.g., Della Torre & Solari, 2013), the adoption of specific human capital-enhancing HRM practices (e.g., Teo, Le Clerc & Galang, 2011), the adoption of partnership philosophy and practices (e.g., Messersmith & Wales, 2011), the formality of HRM practices (e.g., Storey *et al.*, 2010), investing in Talent Management practices (e.g., Festing *et al.*, 2013), perceiving HRM as an acute problem (e.g., Tocher & Rutherford, 2009) or the impact on the strategic orientation of HRM practices (e.g., Duberley & Walley, 1995).

## **2.4 Summary of the Chapter**

The findings of the systematic literature review presented in this chapter chart an increasing stream of research on HRM in SMEs. However, the progress presented is far from ideal. Although there is evidence of sound attempts towards developing the current research in the field, unfortunately, most of the studies are descriptive in nature, prescriptive of the normative approach, and fail to add enough of value to expand existing theories or to develop the overall understanding of HRM practice in this specific context. The next chapter will extend the SLR by providing a discussion of these findings, with a conclusion of this review. Subsequently, in the light of the gaps identified throughout the SLR, the multiple-theoretical framework which is adopted to conduct this research will be introduced.

# Chapter 3

## DISCUSSION OF SLR AND THEORETICAL FRAMEWORK

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### 3.1 Introduction

The previous chapter outlined the rationale and the process through which the SLR has been conducted. It also provided an extensive analysis of the 107 articles published in 25 journals. This chapter reflects on the SLR findings and discusses the main themes and then concludes the SLR in order to highlight the gaps that indicate the avenues for this thesis. Finally, it presents the multiple-theoretical framework which has been adopted to address some of the gaps identified within the extant literature.

### 3.2 Discussion of the SLR Findings

Although the amount of HRM–SME research has increased significantly during the last two decades, it has not yet reached the stage of maturity and there is no consistent picture exists on what HRM in SMEs is. Repetition was easily identifiable, with the same data oftentimes utilised for more than one article, albeit in different ways. The large number of quantitative methods with descriptive analytical techniques applied in the reviewed literature clarifies the need for more depth in the topics discussed. More engaging research designs that involve observation and direct communication are better able to provide analytical insights. They are also more

suitable to explore HRM within SME context and capture the process of implementation which might be missed by trying to hunt for specific practices which are listed in HRM normative models. The multiplicity of HRM and SME definitions, and the tendency to employ the same HRM models and theories used for large organisations, worsens the situation and further reinforces this vicious circle. In fact, after more than a decade since the conclusion of Heneman, Tansky and Camp (2000, p. 20), emphasising that the HRM/SMEs literature is ‘rich in prescriptions, limited in sound descriptive surveys, and sparse in analytical research’; there remains little evidence of progress in the field. Although we might have a better understanding regarding whether or not HRM practices—as we know them in large organisations—are applied in SMEs, it remains that, if such practices are lacking, the conclusion could be drawn that HRM within SMEs does not exist. In addition, the influence of context is often unrecognised or underappreciated in the extant literature as it narrowly defines the way SMEs interacts with the environment and how HR practices are shaped. The key discussion themes will be considered in the following sections.

### **3.2.1 Fragmentary Content and Stereotyping**

In spite of the voluminous amount of literature produced throughout the last two decades, the current body of literature requires more depth and less contradiction in a number of different aspects. First, the variety of definitions concerning the term ‘SMEs’, as found in the studies, along with the diverse HR practices and models examined in each article reviewed, make it difficult to generalise research outcomes. Researchers also should adopt explicit and well-established definitions so as to facilitate comparison, such as in regards the SME definitions under the European Commission and the US classifications. On the other hand, dealing with a wide range of organisational sizes in a single study as one entity under the label ‘SMEs’ is misleading as each size has its own characteristics. Torres and Julien (2005, p. 356) argued that ‘the notion of small business object has become increasingly general, if not vague, as research has progressed’. This definitional problem was also highlighted in the work of Doherty and Norton (2013), who acknowledged the complexity stemming from the diversity of firms in this sector. Additionally, Della Torre and Solari (2013) further recommended studying SMEs in a more segmented

way with respect to size. Researchers can focus on a limited range of size unless the population of the study is classified into groups, with each group treated separately.

Second, there is no consistency of HRM practices examined in the articles. This diversity of HR practices is an indication of a lack of a specific definition of HRM in SMEs. Although this issue signifies an impediment in the field, there remains very little discussion in this regards in the literature. This resonates with the statement made by Katz *et al.* (2000, p.8) in their introduction of the special edition of *Entrepreneurship: Theory and Practice on HRM in SMEs*: ‘Let’s face it: we can’t define what they are very well; we study many different samples; we operationalize our terms differently, and we steal theory from everyone’. Therefore, scholars are using HRM models and terminology belonging to large organisation literature with a remarkable preference for the universalistic HRM stance and a dominance of HR bundles, HPWS notions, and formal practices as the pillars of conventional HRM (e.g., Newman & Sheikh, 2014; Kerr *et al.*, 2007). Such favouritism contradicts the failure to consider contextual influences as context is deemed responsible for creating a synergy that adds meaning and effectiveness to these bundles of practices (Rousseau & Fried, 2001). This is mainly because most research also examines HR practices in an additive rather than interactive view (Wright & Boswell, 2002) and many studies reviewed posit that the use of greater number of practices will lead certainly to better performance (e.g, Sheehan, 2013). Additionally, universalism has received wide criticism in the HRM literature for rational and methodological issues (Boxall & Purcell, 2015), with the argument posed that they do not fit SMEs’ settings. Drummond and Stone (2007) highlighted that most owners-managers lack awareness of HPWS practices and SMEs can actually manage their employees effectively without adopting these bundles of best practices. In addition, Sels *et al.* (2006b) attract attention to the potential economic and social cost associated with their adoption; while Way (2002) cautions that the benefits may not exceed the cost in small organisations. The assumption of the suitability of a universal set of practices for all national contexts has also been generally criticised (e.g, Schneider & Barsoux, 2003). Therefore, Singh and Vohra (2005) emphasised the designing of HRM in alignment with the requirements of SMEs firms.

In addition, directing a large volume of research in the HRM–SME literature in mind of measuring the formality of HR practices, and accordingly associating this with

their effectiveness, is inappropriate. The informal style of HR practices is a reasonable outcome of the organic nature of SMEs, which might represent a critical resource (Bacon *et al.*, 1996; Benmore & Palmer, 1996) and, hence, should not be judged as deficient in all cases as some high-performing SMEs show the greatest degree of HRM informality (Verreynne, Parker & Wilson, 2011). Further, the formality and informality of HR practices in SMEs are not necessarily indicators of progress or dysfunctionality, and therefore should be regarded as qualitative, not quantitative, adjectives in a way somewhat similar to Singh and Vohra's (2009) continuum of formality that was presented in their study. The polarisation of the two concepts is totally misleading when connected to organisational size. Research should investigate questions that focus on the nature and extent of informality, rather than examining the existence/inexistence of formal HR practices through the use of normative HRM models that might be inapplicable in the SME context. When should formal HR practices be adopted and how relevant are they on SME context? How should different degrees of formality and informality fit in SMEs? And to what extent do small businesses need this informality? This approach has led to repetition of research outcomes, oftentimes missing a great opportunity to describe what is actually happening and how HRM is actually done. Ho *et al.* (2010) gave the example of such an alternative approach by engaging in HRM practices and critically examining how HRM has been operationalised in the SME context as opposed to claiming that formal HRM practices are rarely found in the SME context.

Third, studies exploring the factors influential on HRM practices have covered a wide range of internal, external and owner-managers related elements; however, the problem is that such studies are scarce and generally employ descriptive analytical measures. In addition, these factors are often studied in isolation from each other which is not helpful in conveying a holistic portrayal of SMEs situation. The SMEs context is dynamic, and measuring the influence statistically can be problematic (Fleetwood & Hesketh, 2006; Harney, 2009). This issue stems from the ontological stance of most of these studies by viewing HRM practices within the SMEs context and the effective factors as a static process which can be exemplified in assuming that all SMEs have the same level of resources and implementation capabilities. Therefore, clarifying the characteristics of any context is a requirement, and it is inadequately accounted for in existing research. Such contextualisation can inform

different research aspects (Rousseau & Fried, 2001), bridge the gap between micro and macro environment (Bamberger, 2008), and assist in developing the field in general and identifying the HRM determinants in particular. The contextual factors also have the ability to affect the costs and outcomes related to adopted HR practices (Jackson & Schuler, 1995). The focus on size as the main determinant of HRM has directed research to imply that HRM, within SMEs, is inferior. It also helps in generating a widely-believed assumption in the HRM-SME literature to suggest that small firms are but a miniature version of large organisations, which is manifested in the continuous application of large firms' models and approaches, assuming its validity in the SMEs context.

An opinion suggested by a few authors in the extant literature—and one that is worth mentioning—emphasises that the starting point in identifying the determinants of HRM practices in SMEs is the business's priority and owner-manager's philosophy, as entrepreneurs cannot control all organisational aspects at the same time; thus, what seems to be urgent is given credence (Cassell *et al.*, 2002; Tocher & Rutherford, 2009; Harney & Dundon, 2007). A number of scholars make the suggestion that owner-managers make decisions about HRM practices based on their personalised interpretations of the current situation (e.g., Chu & Siu, 2001) and the impact of the owner-manager on HRM can be more obvious in the SME context as it has fewer internal constraints. Therefore, the absence of studies focused mainly on connecting demographic, social, cognitive and psychological attributes of the owner-manager with the nature of HRM practices represents a critical gap in the literature. Baron and Hannan (2002, p. 18) have shown that 'organisations evolve in a "path dependent" manner' and owner-managers' choices have a constant impact on the development of their firms.

Additionally, completing situated studies is another suggested way of identifying the determinants of HRM in this context. The occurrence of a single event can intersperse the whole context and paying attention to such matters can illuminate how external factors affect the adoption of HRM in SMEs. Consideration of contingencies is unfortunately limited in the extant research. Remarkably, only one study has focused on a specific situation (economic downturn) and the reaction of SMEs in terms of their people management (Chu & Siu, 2001). In addition, there are no studies relating cultural dimensions, for instance, or any other environmental



characteristics, to HRM practices. Exceptionally, one study focused on measuring the moderating effects of an internal aspect in the organisational culture (hierarchical distance) on the relationship between HRM practices and organisational performance (Triguero-Sánchez, Peña-Vinces & Sánchez Apellániz, 2013). Finally, although there are several studies partially focused on the alignment of HRM practices with the SME strategy as a possible determinant (e.g., Fabi *et al.*, 2009). However, more detailed studies in the fit context, which take into consideration the importance of employee alignment with organisation's strategy rather than focusing solely on the role of the practices, are required.

### **3.2.2 A Unitarist Perspective**

HRM in SMEs has been explored in the literature as a key theme, and emphasis has been directed towards the owner-manager's standpoint. Although owner-managers have a weighted power in SMEs (Baron & Hannan, 2002), studying HRM from their perspective solely does not depict a holistic view of HRM practices in the SME context. This dominance of a unitarist perspective pays no attention to employees' voice (Geare *et al.*, 2014), and instead regards them as passive objects in their firms. Undoubtedly, owner-managers are the strongest stakeholder in SMEs, and they have the choice power for the firm's strategies and practices; however, this does not mean treating employees' subjective interests as if they do not exist or are not truly aligned with those of the organisation. In fact, employees' perceptions need to be taken into considerations when studying HRM practices, and have been found to be more 'discriminating' and 'diagnostic' than those of CEOs (Verreynne *et al.*, 2011). In small firms in particular, employees represent the knowledge, innovation and engagement in organisational routine, which contribute to its capabilities (Helfat, 2000). Thus, when considering the unique circumstances of small firms and the power exerted by entrepreneurs on their organisations, there is a recognised need for further studies adopting a pluralist approach to methodology, which is recognised as vital for interdisciplinary topics and in alleviating the shortcomings in present research designs (Hill, 2001). Coupling the two perspectives is important when seeking to combine 'actual' and 'perceived' HRM practices (Elorza *et al.*, 2011) and to address both HRM 'rhetoric' with organisational 'reality' (Legge, 1995). Additionally, single respondents are often prone to be biased (Purcell, 1999).

Literature further includes various studies comprising employees' perspectives, to some extent, such as those by Duberley and Walley (1995) and Samnani and Singh (2013). It is recognised that the studies emphasising employees' voices are those investigating service firms that depend on the expertise of their professionals, such as pharmacists in the case of the study of De Grip and Sieben (2009). However, perceptions of SME employees remain marginalised in the analysis of HRM and in consideration to multiple stakeholders' views, including employees, customers, suppliers and government agents, which could enrich knowledge relating to HRM practices. Each of the stakeholders is attributed as having a degree of influence, with their power primarily depending on the environment (Way & Johnson, 2005), which once again emphasises the importance of adopting a contextual approach. Cunningham (2010) is an example of a study that includes multiple stakeholder standpoints.

### **3.2.3 Narrow Theoretical Perspectives**

HRM within SMEs has been studied in the literature with an inadequate range of theoretical perspectives as this review highlights the critical need to develop specific HRM theoretical models for the SME context. This is evident in the paucity of conceptual papers found and the insufficient theoretical perspectives utilised. Moreover, the narrow proportion of journals published about this topic in the list of 48 HRM journals indicates that SMEs have not yet been widely recognised as a distinctive context in the field of HRM. Applying large organisation theories in the SMEs context deteriorates the progress of HRM theories that can accommodate SMEs' uniqueness. The idea of HRM theory biased towards large firms has been emphasised by Kaufman (2010), who criticises the limited domain of HRM theories. In a similar vein, Harney and Dundon (2006) also have criticised the limited ability of the current theoretical models in depicting the complexity of HRM in SMEs. Comparably, Valverde *et al.* (2013) conclude that typical HR policies associated with talent management in large firms do not apply to medium sized organisations. In fact SMEs are neither miniature of big businesses nor generally homogeneous and identical. While it is crucial to acknowledge SMEs' specificity, simultaneously, recognising their diversity is equally important. Additionally, the out-of-context nature of the current literature contributes to the lack of theory development in this

research arena. If enterprises are removed from time or place many variables which potentially shape HRM in SME theories are lost.

Moreover, the use of a single theoretical standpoint was found to be insufficient when seeking to capture the complexity of studying HRM within a particular context (Jackson & Schuler, 1995). Most of the studies in the review embraced an internal approach, which applies the Resource-Based View (RBV) of the firm whilst ignoring a bulk of external factors affecting people management in any business (e.g., Chow, 2004; Castrogiovanni *et al.*, 2011; Ait-Razouk, 2011). Although RBV is a significant theory when seeking to explain how HR can contribute to sustainable competitive advantage and how to make use of the employees' skills to add value (Lepak & Snell, 1999), it has not been employed in the current literature as an attempt to explain the logic and rationale of informal HRM practices within the SME context (Nolan & Garavan, 2016b), especially as a part of the tacit knowledge forming a resource mobility barrier (Mueller, 1996). It is a central assumption in this perspective that human capital held by workforce is the main source of competitive advantage; hence, the dominance of RBV found to be inconsistent with ignoring employees' voice and input when studying HR practices in the current research. Furthermore, as RBV has attracted adherents, it similarly has attracted considerable criticism for its 'fundamental conceptual deficiencies and logic problems', its lack of process-orientation, and its ineligibility to be an adequate and defensible theory of management (Sanchez, 2008, p. 2) in addition to its inapplicability in dynamic environments (D'Aveni, 1994; in Messersmith & Guthrie, 2010). Overall, this bottom-up perspective tends to ignore the importance of contextual factors and institutional settings which proves to be crucial for studying HRM (Paauwe & Boselie, 2003). With this noted, it is held that organisations need not only resources and customers, but also institutional legitimacy in their social and economic environment (DiMaggio & Powell, 1983), with an increasing number of articles that adopted institutionalism moving towards a more contextual approach (e.g., Tsai, 2010; De Kok & Uhlaner, 2001; Della Torre & Solari, 2013; Festing *et al.*, 2013). Such an approach is particularly necessary when exploring smaller firms, as they are more vulnerable and have less control over the external environment (Curran, 2006).

It is argued that institutional theory has a critical role to play in exploring HRM in SMEs, especially in emphasising the external forces leading firms in similar contexts

to adopt homogeneous HR practices. At the same time, organisations are not always passive recipients to external power, which purports that legitimacy and success are potentially contradicting one another. Oliver (1997) also suggests that firms are exposed to forces to be different, with these conflicting powers creating firm idiosyncrasy. This balanced theoretical view is symbolised by the call to extend the RBV theory (Marchington, Carroll & Boxall, 2003; Kok & Uhlaner, 2001) and to adopt an open system theory to study HRM practices within SMEs (Harney & Dundon, 2006; Ho *et al.*, 2010). This model offers significant opportunities to explaining the varied HRM approaches adopted by SMEs away from the normative measures, and the typical comparison with the practices of sophisticated HR departments in large organisations. A notable exception to the adoption of the dominant conventional theories is seen in the work of Fabi *et al.* (2009), who displayed remarkable efforts to identify the determinants of HRM practices in SMEs by employing a gestalt perspective. Furthermore, Kroon, Van De Voorde and Timmers (2013) utilised a broad multi-theoretical perspective (including resource poverty, social exchange, strategic decision-making, and upper echelon theories) to study HRM practices in SMEs; however, the study was restricted by looking for sophisticated HPWP in small firms. Nevertheless, a strong recognition of the dynamic nature of the SME context remains urgent in seeking to overcome the deterministic fashion of the current studies; this can be obtained through incorporating a wider theoretical view and a broader contingent approach in a step towards the expansion of HRM–SMEs theoretical models.

On the other hand, while Organisational Life Cycle (OLC) theory provides a framework of organisational development and its associated HR practices, many scholars believe it is simplistic as it hypothesises a linear progression of the firm and notably disregards the importance of contextual factors (Stubbart & Smalley, 1999; Rutherford *et al.*, 2003). Most empirical work under this perspective has focused only on establishing at which stage of the OLC SMEs might experience HR-related problems while holding deterministic views. It also underpins an assumption of the definite growth of all small firms, which is not very accurate when we review some cases of old firms that are still considered small or medium both in size and maturity level. This assumption has led to a mix between the liability of newness and of smallness, whilst each one has its own different impact. Nonetheless, it is useful in

directing the attention to the varying priorities of owner-managers in different developmental stages and its implication on HR practices (Jackson & Schuler, 1995).

The issues highlighted above suggest the crucial need for theoretical development in the field. Theoretical models discussed propose interesting viewpoints to study HRM in SMEs; however, the variables presented have not yet been subject to thorough empirical tests. This narrowness stems from the unbalanced focus of the current research stream where emphasis has been put on internal HRM determinants while the external environment seems to lose its significance given the large evidence in support for universalistic HRM. The fact that there are many theories applied but insufficiently utilised suggests the need for a solid theoretical foundation to guide research in this area. Although there are many studies that recognise context in the literature (e.g, Marchington, Carroll & Boxall, 2003; Harney & Dundon, 2006; 2007; Gilman & Raby, 2013), still there is a need for a more analytical and theory informed approach that builds on what already has been done to take this body of research to a deeper level of analysis. Expansion of the current theoretical framework and of the level of abstraction used has the potential to provide new ways of defining and conceptualising the subject, new influential variables to be studied, and hence new outcomes that might be anticipated.

### **3.2.4 A Positivist Approach and Out-of-Context Research Design**

The theoretical dilemma discussed above can be linked to the dominance of the positivist paradigm and the employment of quantitative methods that rigidly extract SMEs from their context. This dominance is not a problem by itself, as it might serve specific research objectives, but the problem is that it seems to crowd out alternative approaches, hence, a holistic view is missing. Not every theory is compatible with this scientific approach which concentrates on prediction rather than understanding (Fleetwood & Hesketh, 2010). Adopting a positivist approach to studying HRM has been criticised for disregarding the context in order to quantify complex social phenomena (Guba & Lincoln, 1994). Such research designs coupled with lack of theoretical development, is regarded to not being able to answer the ‘Why’ question. Fleetwood and Hesketh (2008, p.129) have argued that ‘to lack a theory, therefore, means to lack explanation’. Additionally, existing survey measures do not take into account the informal HR practices implemented in SMEs, with focus directed

towards only easily measurable dimensions. Hence, much of HRM in SMEs is ignored and not documented, and consequently is labelled as deficient (Smith *et al.*, 2002). This resonates with Pfeffer's (1997, p.360) comment: 'Unfortunately, in almost all aspects of organisational operations, what is most easily measurable and what is important are only loosely related'. This methodological limitation has its own impact on the 'kind of questions that are asked ... and thus the kind of knowledge that is created' (Harley, 2015, p. 403).

In the SLR, less than one-third of studies utilised qualitative techniques, which are believed to be particularly appropriate to the SME context, where there is a high reluctance to participate in research, in addition to the owners-managers' unawareness of the management terminology used in surveys. Therefore, methods depending on personal contact and observation are seen to be valid in such situations and can facilitate researchers' tasks in mirroring how HRM is shaped by context. In this regard, Samnani and Singh (2013) have exemplified such an approach, employing an ethnographic method to gather data from their single case study as an exception in the literature reviewed. These kind of lengthy ethnographic studies which provide detailed information have the potential to answer the 'Why' question of the phenomena. The other single case study example is that by Werner and Herman (2012), which investigated a photographic equipment store and involved the completion of a deep, unstructured interview with the owner-manager with the aim of accommodating the whole situation and analysing the case study environment. Hence, more studies adopting the same approach are required in order to address this gap in the literature.

On the other hand, many issues have been identified in the current review regarding the selection of samples. Literature is restricted in terms of the industries and countries included. There is a tendency to be narrowly focused on the manufacturing sector as a representative of the SME context, which is misinforming (e.g., Chandler & McEvoy, 2000; Chow, 2004). However, even in studies investigating SMEs in mixed sectors, few have paid considerable attention to the possible effect of the industry on the adoption or overall effectiveness of HRM practices. Many scholars have confirmed that industries include differences in resources, culture, and technology, and 'they are subject to the cyclic effects of time' (John, 2006, p.396). Moreover, the vast majority of empirical evidence is produced by studies carried out

in developed, mostly Western countries, which makes a case for ensuring caution in applying the results to other parts of the world, especially those economies recognised as developing and emerging. This presents a valuable opportunity for HRM–SME research to be conducted in different economic and social environments, and also to investigate atypical industries; meaning utilising not only the theories ‘in context’ but also the theories ‘of context’ (Whetten, 2009).

### **3.3 Conclusion of the SLR**

Stereotypes have not changed completely as studies are still describing HRM practices as informal and the employer–employee relationship as simple in a pejorative tone. Close to half of studies are not underpinned by an explicit and well developed theory, while employee responses, contextual grounding and qualitative methods are very much the exception rather than the norm. Thus, one can conclude that HRM in SMEs exist with no formal practices, leaving a remarkable gap in how HRM practices are implemented.

Specifically, researchers are required to go beyond simply accepting the heterogeneity or homogeneity of HR practices in SMEs-frequently manifested by declaring the control variables - to demonstrating how HRM is shaped in that context. Future research should utilise theoretical perspectives that take into consideration the informality of HRM practices, the dynamicity and diversity of the SMEs context, and the critical role of owners/managers whilst at the same time paying adequate attention to employees and other stakeholders’ agency. In other words, more robust theories that better capture the complexity of the field should be adopted to offer greater integration of macro and micro contexts (Tsai, 2010), as such balance would generate fruitful research outcomes that add value to HR practitioners as much as to scholars. Future research should also make more use of participative research designs that permit deep exploration and multiple units of analysis, whilst also accommodating the perspectives of multiple decision-makers. Qualitative research has a great potential, if well-implemented, to address the out-of-context nature of the extant literature. Likewise, it is recommended to apply more of process oriented research in order to describe how SMEs adopt HRM practices and

also to reveal the patterns embedded in a specific context and how they affect this adoption by employing longitudinal approaches. Further, researchers need to be more accurate in defining SMEs in the samples, in order to examine contextual differences and there is the necessity to widen the geographical location examined with taking into account the unique characteristics of each. In light of these gaps, the theoretical lenses through which this thesis has been accomplished will be introduced in the next section.



### **3.4 Theoretical Framework**

Human resource (HR) practices in small firms are shaped by the interaction of their internal dynamics with the external environment, especially in the case of SMEs, which are recognised as being more vulnerable to be affected by contingencies rather than imposing their own power and rules (Harney & Dundon, 2006). Although large organisations are more visible in the external environment and therefore under more pressure to gain legitimacy, SMEs are commonly characterised by the lack of economy of scales, which makes them more exposed to the influence of external variables (Curran, 2006). Simultaneously, organisations in general are not passive recipients of external pressure and owner-managers of SMEs in particular have a weighted impact on the choice of firm management practices and strategies, including HRM (Baron & Hannan, 2002). Likewise, many scholars have argued for the need to involve both external and internal variables in studying HRM in general (e.g., Schuler, Dowling & De Cieri, 1993; Jackson & Schuler, 1995; Singh *et al.*, 2012) and in the SMEs context in particular (e.g., Harney & Dundon, 2006, 2007; Newman & Sheikh, 2014). Therefore, in an effort to encapsulate the complexity of such phenomena, the theoretical framework of the current study is based on multiple perspectives, including institutional and Strategic Choice theories. Such perspectives have been adopted with a view to addressing the acontextual nature of most of HRM-SMEs studies and also the deterministic approach in identifying the predictors of HRM practices in SMEs context as concluded in the previous systematic literature review.

#### **3.4.1 Institutional Theory**

Institutional theory has been widely used in studying the adoption of organisational forms and practices. It has been particularly recommended by different researchers as a useful theoretical framework for understanding determinants of HRM as it focuses on the macro context (Jackson & Schuler, 1995; Paauwe & Boselie 2003; Schuler & Jackson, 2005; Bae & Yu, 2005; Paauwe, 2009). Wright and McMahan (1992, p. 299) have argued that ‘it is often these institutional and political forces that impede the coordination of the slate of HR practices toward some strategic end’ which highlights the impact of such factors. Additionally, Paauwe and Boselie

(2003) argue plainly that institutional theory should replace the perspective of the resource based view in HRM research. Institutional theory acknowledges the influence of the external environment by the isomorphic powers that potentially explain the motive behind selecting particular HR practices; this goes beyond economic maximisation to social validation and compulsion (Zukin & DiMaggio, 1990, as cited in Oliver, 1997). The environment is constantly changing, which results in opportunities and constraints for small firms. The lack of fit with the environment has undesirable consequences and increases the overall risk of legal actions and high turnover (Boon *et al.*, 2009).

Drawing on the framework of DiMaggio and Powell (1983), firms are argued to adopt specific practices—HR practices, in the context of this particular study—due to three forces: ‘coercive isomorphism’, which can be identified by examining the influence of the formal and informal pressure on HR practices within small firms in Saudi Arabia, which include factors such as employment regulation and political system; ‘normative pressures’ that arise from norms, knowledge and the values of people in the same country or professional society, and organisations that may adopt particular practices to be legitimate in the eyes of this particular group; and ‘mimetic forces’, which leads to imitating the practices and strategies of competitors, reflecting an approach that often is used to cope with uncertainty or merely because it is a fashionable trend in the management or HR field. Scott (2008) has also clarified institutional influence by identifying the main institutional pillars: regulatory, normative and cognitive—all of which are developed based on the former mechanisms, respectively; however, he adds the habitual disposition pillar as another institutional force. In fact, over time—and with different research foci—institutional theory continues to acknowledge the impact of the context on organisational behaviour (Greenwood *et al.*, 2008). There are many empirical findings that demonstrate the influence of these forces on organisational practices (e.g., Della Torre & Solari, 2013; Festing, Schäfer & Scullion, 2013). Additionally, it has been argued that, whenever these forces are associated, the impact on firms’ behaviour will be stronger (Godard, 2002).

Under an institutional lens, organisations are viewed ‘as an adaptive, organic system affected by the social characteristics of its participants as well as by the different pressures imposed by its environment’ (Scott, 2008 p. 21) and ‘organisational

practices are often either direct reflections of or responses to rules and structures built into their larger environments' (Paauwe & Boselie, 2003, p. 59). There are unique values, ideas and beliefs within each context, which create its uniqueness as a part of the institutional factors. SMEs are not exempt from being affected by these variables in their particular contexts (Brewster, 2004). Such influence is more likely to be apparent in HRM practices owing to the fact that differences in education, labour market, employment regulations and social norms within each country have a direct impact on people management practices (Aycan, 2005; Björkman, Fey & Park, 2007, Gooderham, Morley, Parry, & Stavrou, 2015) and when these HRM practices have legitimacy, they become unquestioned by default (Greenwood, Suddaby, & Hinings, 2002). Since this study is conducted in a non-Western context, it is imperative that such a perspective be adopted as these dissimilar institutional elements have an impact on HR practices in any organisation. Even within the same country, the characteristics of each sector and each individual setting of one firm can generate a diverse range of HR practices in SMEs especially with the multi-industry approach that the current research has adopted, and the strong impact of national culture and religion on every single aspect of people's life in the context of Saudi Arabia (see Chapter 5). Many researchers have argued that there are specific modes of HR practice, which should be considered suitable in particular contexts and which are supported by societal features; this supports the institutional influence on HRM (e.g., Hall & Soskice, 2001). Additionally, taking these possible institutional differences into account reveals insight with respect to the factors shaping HR practices. This highlights the fact that not every HR practice implemented is a result of a conscious decision process or guided by organisational strategic goals (Wright & McMahan, 1992).

Whilst it may be argued that globalisation and technology can eliminate these contextual variances, it remains that even universal trends in HR might be interpreted and implemented differently as they will be affected by different levels of institutional factors, namely individual, organisational and inter-organisational levels (Oliver, 1997). Nevertheless, the tension between the need to conform to the forces in the local environment or to adopt standardised HR practices should be considered by extending the institutional theoretical lens beyond the deterministic manner typically identified in the institutional narrative, as it has been criticised for its

overemphasis on homogeneity and for ignoring the role of personal interest and political power in determining organisational practices (DiMaggio, 1988). This tension leads to different responses to fit with institutional pressure, based on the scope of strategic choice owner-managers have and their perception of the value of conformity; thus, these differences in reactions have the potential to be a source of competitive advantage (Oliver, 1997).

### **3.4.2 Strategic Choice Theory**

The strategic choice perspective creates opportunity to clarify the influence of organisational actors—mainly owner-managers in SMEs—in selecting HR practices adopted in the small firms, and the rationale behind such a choice (Mazzarol, 2003; Singh & Vohra, 2009); hence, it perceives the development of organisations as a result of such actors’ decisions (Child, 1997). Given the fact that most SMEs do not have HR managers or do not give them freedom of action, decision-making in regards HR practices normally remains in the hands of owner-managers (Kroon, Van De Voorde & Timmers, 2013), and their influence on HRM will be more obvious in SMEs than in larger firms (Wiesner & McDonald, 2001), especially when considering that HR functions are amongst the last to be delegated, according to Ardichvili *et al.* (1998). This perspective is purposefully adopted in an effort to bridge the gap of discrediting the process through which HR practices within SMEs come about. Advocates of this theory argue that it is an oversimplification to consider the environment as the only determinant of organisational practices and postulate that SMEs have more room for choice than is usually presumed (Wu, Bacon & Hoque, 2014). In addition, they posit that, most often, these practices are driven by what owner-managers believe, as well as by their own interpretation of the external factors, rather than being a direct result of implementation (Mayson & Barrett, 2017). Importantly, this draws attention ‘towards the limits upon that power imposed by the operational context, and towards the process of assessing constraints and opportunities against values in deciding organisational strategies’ (Child, 1972, p. 13). This is exemplified in the study of Ho, Wilson and Chen (2010), as all their cases shared similar industry and location; however, they adopted HR practices differently as a result of the founder’s influence. This perspective provides further scope for the firm to react via their leaders’—owner-managers’ in the case of SMEs—

influence on organisational practices, according to their own preferences and personalities, as opposed to viewing these practices as being determined solely by operational contingencies (Child, 1997). Hence, it postulates that this deterministic fashion is not enough for its inability ‘to give due attention to the agency of choice by whoever has the power to direct the organisation’ (Child, 1972, p. 2).

Many have argued that, whenever management practices in small businesses are of concern, it is imperative to understand the owner-managers as typically the only decision-makers, with their competence recognised as the primary reason behind success or failure (Kotey & Meredith, 1997; Barringer, Jones & Lewis, 1998; Nummela, Saarenketo & Loane, 2016). It has also been argued that the initial blueprint regarding HRM—which is merely the outcome of the owner-manager’s beliefs and interpretation (Della Torre & Solari, 2013)—lasts and impacts small firms’ effectiveness (Bae & Yu, 2005; Baron & Hannan, 2002). This perspective has also been recommended by Nolan and Garavan (2016) in line with their perceived need to study people management and development in SMEs, especially when HRM can be seen as a series of decisions regarding the employment, distribution, development and utilisation of people (Dyer, 1983). This allows for recognising the dynamic process and owner-managers’ active role by interaction with their environment, which shapes HR practices in SMEs. The reaction of SMEs to the external and internal influences can be manifested through compliance or resistance, as guided by the owner-manger’s evaluation of the firm’s capabilities and willingness (Oliver, 1991). The idea of an owner-manager assessment of the environment is useful in terms of understanding how and why specific HR practices have been adopted. These processes are recognised as being coloured by the owner-manager’s ideology and experience, in addition to the feedback of HRM effectiveness, which form, in turn, an important informational input for owner-managers’ decision-making. The focus on the characteristics of the owner-manager enriches the analysis as he/she might increase or foreclose the degree of choice he/she exerts, even in the absence of environmental obstacles. Whenever there is a positive perception of the value of practice, the initial adoption of the practice and its sustainability over time is more likely to follow (Kostova & Roth, 2002; Kroon, Van De Voorde & Timmers, 2013). Child (1997) has clarified that the term ‘strategic’

implies important matters for the firm, including HRM functions, which assist its survival and credibility.

### 3.4.3 Multiple-Theoretical Framework

Many scholars have pointed out that a single theoretical framework is insufficient to address the whole territory of the HRM context as each focuses on bits in a larger phenomenon (e.g., Jackson & Schuler, 1995; Tsai, 2010). Moreover, many have also adopted a similar combined theoretical approach in order to explain how HRM is shaped in organisations in general, such as in the case of Lepak and Snell (1999) or in SMEs in particular, as per the work of Marchington, Carroll and Boxall (2003). By blending the top-down and bottom-up flows of influence to identify the determinants of HRM within SMEs, this multiple theoretical framework acknowledges the institutional power affecting HRM practices including organisational and national context; however, the influence of the objective isomorphic mechanisms is filtered by the subjective strategic choice (political action) of SMEs' owner-managers in addition to other individuals within the organisation i.e. employees. The framework is centred on extending the existing theoretical approaches by combining strategic and non-strategic aspects that determine HR practices in SMEs and which create a space for rationalising the homogeneity and heterogeneity of these practices, and hence addresses the imbalanced view identified in the literature. It also has the potential to justify the rationality and non-rationality of the decision-making process in regards HR practices and strategy adopted in SMEs as opposed to assuming the ability of owner-managers to be strategic and rational when needed. Watson (2004, p. 453) stresses that 'organisational arrangements generally and HR strategies specifically are outcomes of human interpretations, conflicts, confusion, guesses and rationalisations, albeit with these aspects of human **agency** operating within a context of societal and political-economic circumstances' (emphasis in the original). To date our understanding has either privileged the environment (e.g. Cunningham, 2010; Storey *et al.*, 2010; Fabi, Raymond, & Lacoursiere, 2009; Thach & Kidwell, 2009, Raar, Smith, & Cummings, 2000) or given precedence to agency, path dependency and internal features (e.g. Tocher & Rutherford, 2009; Way & Thacker, 2004; Baron & Hannan, 2002; Nankervis, Compton, & Savery, 2002). These two perspectives complement one

another rather than being mutually exclusive as it does not make sense to ignore the environment when considering the strategic choice that owner-managers have; equally, it is unreasonable to consider all HRM practices to be the result of owner-managers' discretion without other outside influence. Eisenhardt (1988, p. 490) emphasises that 'multiple perspectives contribute to robustness in explaining a phenomenon by emphasising complementary facets'.

It is argued that institutional norms and cultural values can influence owner-managers' strategic choice either by coercive external forces that reduce alternatives, such as the law, or otherwise by internal drivers, which have adopted interpretive mechanisms of the meanings in the environment to secure reaching a specific objective such as legitimacy (Child, 1997). When they make decisions, owner-managers draw upon their own frames of reference in addition to the clues and feedback from their interactions with the context, thus creating 'network pictures' (Henneberg, Naudé & Mouzas, 2010), and they construct and reconstruct the impact of the environment on their businesses. Furthermore, when an owner-manager's ability to make a choice is reduced for reasons such as incomplete information, high risk of avoidance or any internal constraints, SMEs usually, as stated in institutional isomorphic pressure, conform to the environmental forces or otherwise copy their competitors' practices to cope with uncertainty and ambiguity; thus, the framework recognises pro-active and reactive actions of SMEs' decision-makers. Organisational responses, exemplified by owner-managers' strategic choices in coping with institutional pressure, are varied from active resistance, passive or neutral reactions (Oliver, 1991) to positive innovative response (Paauwe, 2004). In the case of SMEs, owner-managers might enact the environment in their initial strategic choices, such as through the location and the labour pool to target. However, they are less powerful, in most cases, in resisting the pressure of contextual and institutional variables (Hrebiniak & Joyce, 1985; Mintzberg, 1980). This does not neglect the fact that some of these environmental implications remain prone to be negotiable through interaction with the external environment (Child, 1997). Basically, firms will not be able to utilise their human resources if they cannot effectively manage their institutional context (Oliver, 1997). This multiple-framework also acknowledges the role of employees' skills and perception as important factors that are definitely affecting the owner-manager's decisions regarding HRM approaches as Ram (1994)

suggests, by adopting a negotiated order perspective, that employees, as well as managers, leverage some external conditions to their benefits such as employment law or cultural factors in the current study. Moreover, such a theoretical framework focuses more so on functional coordination and process rather than dealing with institutions merely as ‘a materially determined mechanism’ (Reed, 2006 p. 32). Interestingly, incorporating such perspectives into an integrative framework shifts the emphasis from viewing HRM practices within SMEs in a mechanistic manner and treating the contextual factors, simplistically, as being independent. Alternatively, this framework aims to locating HR practices within the SME context as a socio-political scheme, and recognises the possibility of environmental management. The dynamicity of the framework is revealed in the feedback element, where the owner-manager is expected to be constantly monitoring the environment and accordingly adjusting the HR practices in response to the feedback on their effectiveness, thus building upon the overall mutuality of actions and limitations. Additionally, it is broadening the angles through which these practices can be explored and their determinants can be identified. It also gives a chance for a multiple level of analysis and perspectives when studying HR practices, especially when considering that the extant literature is often focused on the owner-manager; hence, it provides an impartial stance. In summary, an institutional fit concept implies a balanced standpoint between internal and external environment, and further suggests that, as Barrett and Rainnie (2002, p. 417) state, HR practices in SMEs should be perceived in a setting of the ‘totality of economic and social relations ... rather than the small firm per se’. A visualisation of the theoretical lenses is presented in Figure 3-1.

Many other scholars have adopted parallel perspectives of combining the external and internal environmental impact, albeit with different concepts, which supports the use of the current framework. Oliver (1991, 1997) introduced such an approach, clarifying how the active agency responds to the varying institutional pressure and how social context affects resource selection. She explained how firms are shaped under powerful and opposing forces for similarities and for differences. Kostova and Roth (2002) also employed the same perspective by way of examining the adoption responses of practices by MNCs, which comprises behavioural and attitudinal components—the ‘implementation’ and the ‘internalisation’ of the practice as being



affected by the external institutional context and the internal relational context. Nevertheless, the process of a firm's interaction with the environment and the filtration of its influence by owner-managers, discussed above, is somewhat similar to the concept of organisational 'embeddedness' and 'sensemaking', introduced recently by Mayson and Barrett (2017) in their argument of small firms' responses to employment regulation. They stated that 'the concept of embeddedness highlights the impact of the social and political, as well as economic factors, on firm behaviour' (Uzzi, 1997, p. 35, cited in Mayson & Barrett, 2017, p. 192) and 'sensemaking is the interplay of action and interpretation, where people seek to understand and act on their experiences in complex environments and, in doing so they enact the circumstances in which their actions are meaningful' (Weick, Sutcliffe & Obstfeld, 2005; Weick, 2009; Maitlis & Christianson, 2014, cited in Mayson & Barrett, 2017, p. 194). In the reviewed literature, Bae and Yu (2005) have adopted the same perspectives; however, they limited institutional impact as related only to the management of top talent and strategic choice perspective to be concerned with innovative business strategy. They did not satisfactorily employ these combined perspectives to reflect the dynamicity and process of the phenomenon, as such a multiple-framework permits to do.

It is worth noting that testing this theoretical framework is not one of the objectives of this study; however, it does represent the lens through which HRM practices will be explored. Moreover, it provides a sound basis for better incorporating the institutional specifics likely to characterise the context of Saudi Arabia and the particular influence these will have on HR practices in SMEs. In so doing, the research will be closer to a situated account of SMEs that locates owner-managers' choices related to HRM practices within sets of socially, politically and economically complex contexts, which, holistically and interdependently, shape these practices. It is understood that this focus on context can generate endless factors; however, being an exploratory study, the framework should be helpful in identifying the most influential ones in a situated context. To sum up, joining environmental variables with political power of owner-managers and the influence of their personal characteristics changes the focus from the rational, deterministic view of shaping HR practices in SMEs to a more dynamic, interactive, multifaceted and institutionally situated one.

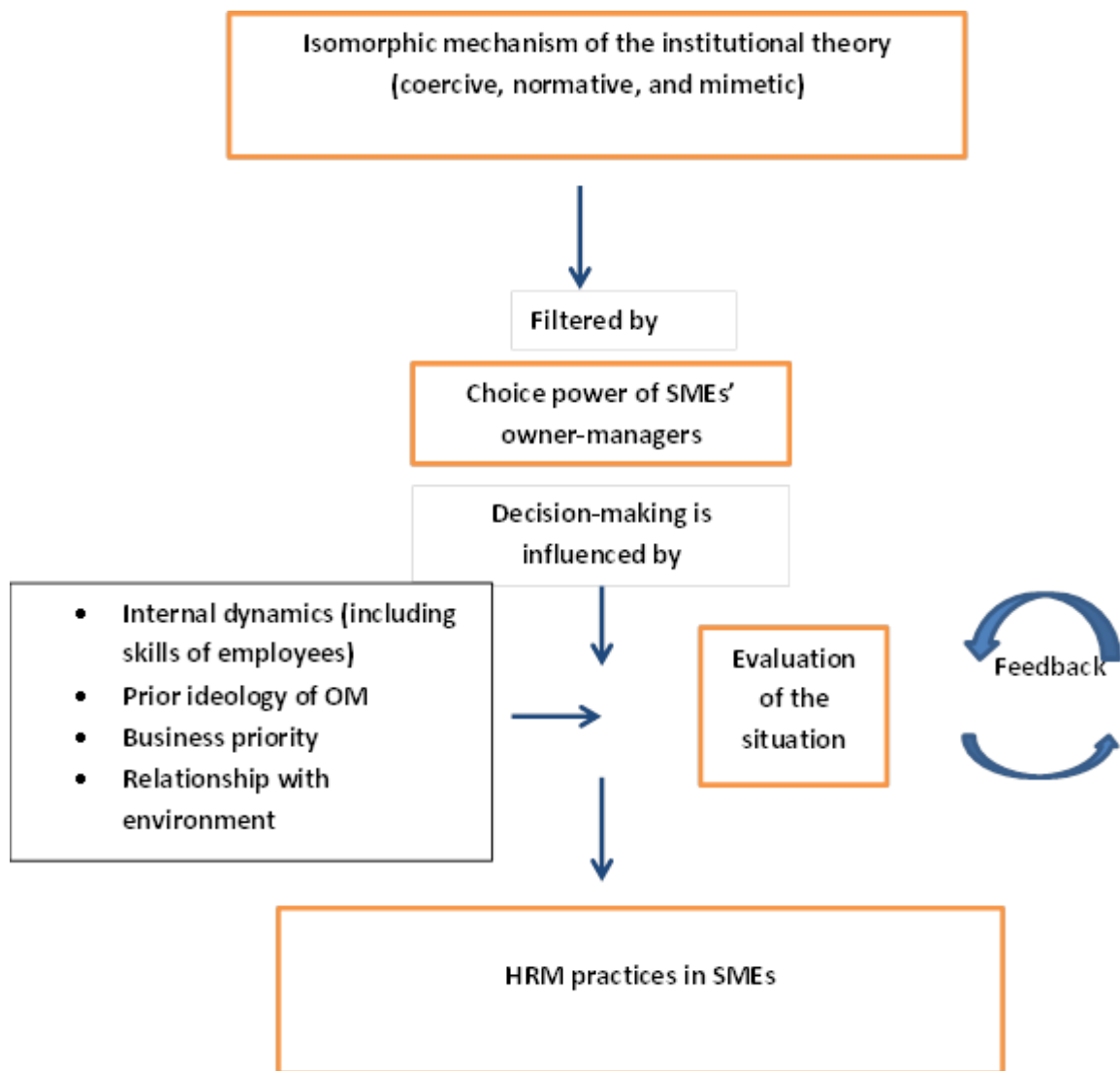


Figure 3-1 Multiple Theoretical Approach (Adapted from Child (1997))

### **3.5 Summary of the Chapter**

This chapter has extended the SLR by discussing the findings and providing the conclusion which recapped the gaps identified. Taking into account the limited theoretical perspectives within the extant literature, this chapter also has presented the multiple-theoretical framework which has been employed as lenses for conducting this research. Next, the research methodology chapter will be introduced where the research design and the philosophical paradigm will be discussed in light of the conclusion of the literature review.

# Chapter 4

## RESEARCH METHODOLOGY

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### 4.1 Introduction

This chapter provides a description of the methodology and analysis adopted in this research. The purpose of this chapter is to provide a rationalisation for the selection of these methods and techniques, and to further explain the way in which they are implemented.

The chapter is structured as follows: first, the objectives of the study are outlined. The next section aligns the study with the critical realist perspective, while given the need to explore context and capture determinants of HRM in SMEs. After that, section 4.4, 4.5, and 4.6 present respectively, the qualitative strategy, the multiple-case study method and the multiple techniques which are employed in the current thesis. Finally, the process of thematic data analysis and the criteria upon which the quality of the study are assessed, are discussed.

### 4.2 Objectives of the Research

The SLR highlighted deficiencies of HRM research on SMEs as being focused on narrow theoretical perspectives and lacking the required depth and inclusivity in order to reflect a holistic view of the phenomena. Therefore, the main objectives of this research, as stated in Chapter 1, are to increase the understanding of HRM process and practices, and how they have been applied within Saudi SMEs. This will be done by exploring a range of firms from different sectors. The second objective is to identify the factors affecting HRM in that specific context. This addresses calls for

a more contextual approach in both HRM (e.g. John, 2006, 2017, & 2018) and in SME research (e.g. Edwards, Ram, Gupta, & Tsai, 2006; Gilman & Edwards, 2008).

The current research has adopted an exploratory case study approach. Exploratory research aims to realise how something happens in practice. This approach is recommended when there is a wealth of information about a topic but there is no consensus in regards the area of interest (Yin, 2004). This research aspires to add to the development of the field both from conceptual and empirical standpoints; addressing the persistent calls by many researchers (e.g. Heneman, Tansky and Camp, 2000; Huselid, 2003; Barrett & Mayson, 2007, and Sheehan, 2014). Moreover, in spite of the increasing number of studies carried out on this topic, as indicated in Chapter 2 (Systematic Literature Review), the image of HRM in SMEs is still not holistically represented, with inconsistent results and narrow perspectives prevailing (Mohammed & Harney, 2017). In order to address these shortcomings, there is a need for exploratory research questions investigating the ‘what’ and the ‘how’ of HRM within SMEs, in addition to the ‘why’ component, so as to identify the determinants shaping these practices. Thus, the methodology of this study is directed by its research questions as the alignment between them is required for rigorous studies (Robson, 2011). Each element of the research design—namely philosophy (paradigm), strategy, method, and techniques (Strang, 2015)—will be discussed below.

### **4.3 Research Paradigm**

Paradigms provide an overarching framework that guide the researcher into decisions regarding how the research should be conducted (Lincoln, Lynham & Guba, 2017). Guba (1990, p. 23) explains this by stating the following:

Because they are human constructions, paradigms inevitably reflect the values of their human constructors. They enter into inquiry at choice points such as the problem selected for study, the paradigm within which to study it, the instruments and the analytic modes used, and the interpretations, conclusions, and recommendations made.

Paradigms are a reflection of the researcher's world view, which contains ontology (nature of reality), epistemology (how we know the reality), methodology (ways to construct knowledge) and axiology (the role of values) (Lincoln, Lynham & Guba, 2017). Deshpande (1983, p. 101) has defined the paradigm as 'a set of linked assumptions about the world which is shared by a community of scientists investigating the world'. Below, the concepts of ontology and epistemology will be explained in relation to the main philosophical positions in social research.

Ontology is recognised as the nature of social phenomena. Although there is much debate and divergence in terms and labels, there are two basic extreme positions (Denscombe, 2009): first, the realists, who perceive the social world as being an objective reality existing separately from the researcher; and second, the constructionists, who perceive the social world as constructed via people's interactions with one another, and their beliefs. In this way, reality is continuously produced and changed as long as people continue to create it; hence, multiple realities can exist. On the other hand, epistemology is concerned with how people form their knowledge about the social world. Likewise, there are two poles incorporated within those elements, both of which are connected to the realist and constructionist positions of ontology: first, positivism, which stresses the use of objective and scientific methods to create social reality, which meshes well with the realist ontology, as, through the use of such objective measures, it believes that reality is separate; and second, interpretivist, which, in contrast, emphasises people's ability to create knowledge relating to social reality as reality has no meaning without human minds making sense of it. This epistemological position fits properly with the constructionist ontology. In HRM-SME research, the positivist philosophical assumptions have dominated, with the prevalence of questionnaires as the main data collection method to understand HRM in SMEs. This leads to a lack of making sense of the complex context of the SMEs with impracticality of creating closed systems in such a social phenomenon (Tsang & Kwan, 1999). This also results in perceiving HRM within the SMEs context in a definitive and static manner failing to understand the process of application and the value that people attribute to actions (Denzin, 2008). However, since the above-mentioned positions represent two extremes in a continuum, many other ontological and epistemological stances exist halfway between them, such as critical realism and post-positivism, as ontological

and epistemological philosophies (see Figure 4-1). Noticeably, the critical realist approach has been increasingly adopted in an attempt to span the ‘irreconcilable’ gap between positivism and interpretivism.

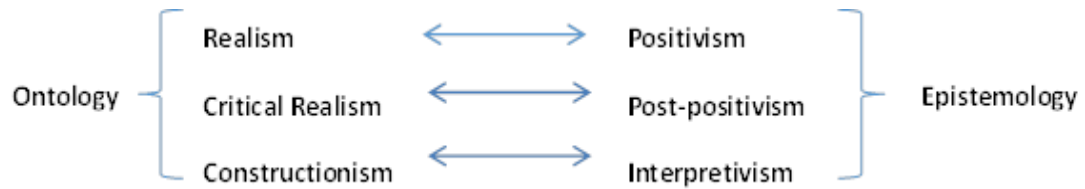


Figure 4-1 Basic Social Science Philosophies (Adapted from Denscombe, 2009)

### 4.3.1 Chosen Research Paradigm

It is believed that critical realism is the philosophical paradigm that is most suitable for application in this study. Critical realism is widely recognised in the completion of social science research. Methodologies based on this philosophical stance offer a chance to investigate complex organisational events in a holistic manner (Grover, Lyytinen, Srinivasan & Tan, 2008), which allows for taking into account environmental factors. Critical realism combines elements from both extremes (positivist and interpretivist) as it recognises subjective knowledge in a specific context, as well as the presence of separate reality, which can either support or impede those social actors (Wynn & Williams, 2012), and it is also considered to be a ‘post-positivist research philosophy’, according to Denscombe (2009). Ontologically, critical realism is grounded on the assumption of independent reality, which aligns with positivism, as it believes that the world is complex and not always observable; hence, it cannot be reducible to people’s perceptions, which are considered to be only part of it (Bhaskar, 2013). Thus, researchers should be critical because of this human imperfection to be able to apprehend that reality (Guba, 1990). Its epistemological assumptions belong to the post-positivism philosophy and, as described by Wynn and Williams (2012, p. 793), focus on providing ‘descriptions of reality based on an analysis of the experiences observed and interpreted by participants, along with other types of data’, hence the methods always being ‘theory-laden’. It is thus based on objective reality, yet it is mediated by people’s perceptions (Fleetwood & Ackroyd, 2004). The methodological principles of the

critical realism emphasise multiplism and triangulation (Guba & Lincoln, 1994), as multiple methods can be utilised to approach the underlying reality and overcome the limitation of human perceptions.

The critical realist philosophical stance is congruent with this research in a number of different aspects. Since the current research aims at identifying the determinants of HRM within SMEs and how they interact to form these practices, this philosophical paradigm coalesces with this aim as Bhaskar (2013) emphasises that critical realism-based research answers the question of how interactions, in reality, should be in order to explicate the existence of events. Furthermore, the current research stresses the significance of HRM process as much as the practices; and critical realism supports this through its focus on details of the processes through which events in reality are created (Sayer, 1999). Equally, this study reinforces the dynamicity of the SME context and its constant interactions with external and internal variables, which resonates with critical realism's open system perspective (Bhaskar, 2009). Creswell (2012) recommends this philosophical position for researchers who consider the multiple views of participants and who utilise qualitative methods of data-gathering and analysis. Easton (2010) states that critical realism is appropriate for complex phenomena, such as organisations and inter-organisational relationships, owing to the fact it supports recognising complex variables and relationships. Moreover, many critical realism scholars suggest the case study method as being an appropriate tool when seeking to capture the complexity of reality (e.g., Miles & Huberman, 1994; Dobson, 2001; Ackroyd, 2010; Easton, 2010). Finally, critical realism underlines the significance of the context as it assists the researcher in establishing reality (Easton, 2010); hence, it fits well with the current investigation where context is recognised as a critical element. Next, in order to understand how this research is conducted, the selected research strategy will be explained.



## 4.4 Research Strategy

Most HRM studies about SMEs use quantitative methods and operate within commonly positivist traditions, which lead to the disregard of the context, and reporting actions without addressing how and why they occur (see Chapter 2 Systematic Literature Review). Therefore, a qualitative strategy has been utilised in the current study since it goes beyond acknowledging the context to identify the determinants shaping the context (i.e. the determinants of HRM in Saudi SMEs) (Flyvbjerg, 2006). Qualitative strategy is deemed to be better able to achieve multiple participants' views and perceptions through its focus on the process of actions and direct tools of data collection, which provides deeper insights; this is in contrast to the quantitative approach, which requires reliance on remote methods (Denzin & Lincoln, 2011). This was exemplified in the SLR by trying to locate a pre-identified list of HRM practices within small firms as opposed to the wider definition this study has adopted which centres more on the process of adoption and the role HRM can play. In addition, it is recommended when research is investigating a complex context (Yin, 2003), hence, it fits well with the current study as HRM is continuously operating in social settings of SMEs that are recognised as both complex and emergent (Fleetwood & Hesketh, 2008). By 'unveiling processes' (Mallett, Wapshott, & Vorley, 2018, p. 15), qualitative techniques provide holistic representation of the realities and are better able to show how firms interact with the other factors to shape HRM, which cannot be manifested by a narrow focus on the causal claims of a number of specific variables (Patton, 1990; Gephart, 2004).

Furthermore, the current research adopts a mixture of both inductive and deductive approaches through the constant interchange between the two. A multiple theoretical framework that combines institutional and strategic choice theory has been proposed as a lens through which this research is conducted; however, the aim is not to test the aforementioned theories. Several scholars identify such a middle approach as abduction (e.g., Gold, Walton, Cureton & Anderson, 2011; Mantere & Ketokivi, 2013), with this position seen to fit well with the critical realism philosophy between objective ontology and subjective epistemology. The abduction approach, as implemented in this work, encourages the continuous questioning of the emergent inferences; this means reflecting on experiences and building on previous literature,

and simultaneously providing contextual insights; hence, iteratively shifting between the data collection and theoretical analysis. Mantere and Ketokivi (2013) have indicated that the abductive approach always starts with existing conceptualisations with the objective of developing understanding about particular phenomenon. Perry (1998, p. 790) also has stated that ‘prior theory provides a focus to the data collection phase’, which clarifies the significance of such approach. To summarise, this study adopts a qualitative strategy with an abductive approach in support of advancing knowledge and the production of new insights regarding HRM and the determinants shaping its principles within the context of Saudi SMEs. The next section will discuss the case study method and its relevance to the current study.

#### **4.5 Research Method: Multiple-Case Study**

The case study method is uniquely suitable when examining complex topics and ‘is able to “close in” on real life situations and test views directly in relation to phenomena as they unfold in practice’ (Flyvbjerg, 2006, p. 235). Yin’s definition of a case study supports this argument. He defines a case study as ‘an empirical inquiry that investigates a contemporary phenomenon in depth within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident’ (p. 16); hence, it facilitates the study of the ‘how’ and ‘why’ of HR practices in the Saudi SME context, particularly when control over events is not possible. Accordingly, it is appropriate for the SME context in order to capture their informal practices. In this vein, Robson (1997) supported the use of the case study approach in an effort to understand context and social phenomena as it provides a holistic rather than fragmented description. The multiple-case study method provides any investigation room for extension and confirmation by its replication logic, which makes it a powerful tool when it comes to theory-building (Eisenhardt, 1989). Furthermore, Sheehan (2013) has concluded that the case study methodology can assist in the identification of internal and external factors influencing HRM practices in small firms. The case study approach further facilitates the use of evidence from multiple sources and for triangulation, which gives strength to the researcher’s argument (Johnston, Leach & Liu, 1999), in addition to giving the researcher an opportunity to achieve a holistic understanding of the phenomenon (Creswell, 2013).

This coalesces with the epistemological principles of critical realism about the existence of observable and unobservable events and the possibility of multiple explanations of reality (Wynn & Williams, 2012).

A multiple-case study is generally regarded as being more competent, compelling and credible than a single case (Johnston, Leach & Liu, 2001), providing the observation and analysis of a phenomenon in several situations. Moreover, Yin (2014) has clarified that a multiple-case study enables for replication and extension, in a qualitative sense, amongst individual cases; hence, it enables a comparison that illustrates whether any finding is specific to a particular case or is replicated in other cases (Eisenhardt & Graebner, 2007); however, it requires a greater abundance of resources and time.

Conducting this research through the employment of the case study method was decided to challenge the tendency in the extant literature towards normative knowledge and towards dealing with the work experience as incidental—a means to achieving an aim—rather than as being essential in itself (Harley, 2015). In other words, this method supports the purpose of focusing on processes as opposed to only considering the outcomes. This can be attained by describing the daily practices and what actually is happening in the SME context, as suggested by Steyaert and Janssens (1999). Therefore, it supports the current approach of exploring SMEs so as to identify the HRM practices applied rather than seeking to locate pre-identified ones. Exploratory case studies are critical when striving to achieve an understanding of organisational dynamics and social variables (Yin, 2017); hence, it is utilised in the current research. Recently, the case study method has been increasingly utilised in the HRM–SME literature (e.g., Chu & Siu, 2001; Harney & Dundon, 2006 & 2007; Tsai, 2010; Castrogiovanni, Urbano & Loras, 2011). It has been deemed applicable for such a complex context, which involves the constant interactions of individuals, organisations and the environment, and is found to be remarkably relevant to the HRM-SMEs studies due to the divergent views and perspectives (Guest, 1990; Legge, 1995; Robson, 1997; Khilji & Wang, 2006; Werner & Herman, 2012).

### 4.5.1 Case Selection

Prior to starting the fieldwork, the initial plan was to locate SMEs in low-added value and high-value added sectors (Edwards, 2010) in order to compare their people management practices. Such exploration is especially warranted given the low contribution of SMEs to GDP in the country of Saudi Arabia as highlighted in the introduction (Chapter 1). However, the researcher encountered many challenges to secure access to the proposed type of firms. Notably, there was a lack of reliable and updated databases to select from besides the reluctance of entrepreneurs to participate for cultural and business reasons such as time constraints. In addition, the researcher was time-bound as she was based in Ireland for study purposes and had to travel to Saudi Arabia in order to collect the data during holidays which were also interrupted by religious occasions (Eids). The final selection of the cases was confirmed by taking into consideration, not only the variety of industries but also their accessibility. Zahra (2011) emphasised that personal connections play a large role in getting access to firms in non-western contexts. Therefore, with the support of the researcher's network and searching of SME lists with telephone and email contacts, the decision was taken to include firms from multi-industry sectors due to the exploratory nature of the research (Castrogiovanni, Urbano, & Loras, 2011; Gilman & Raby, 2013). This was also in line with the open system principle underpinning critical realism (cf Harney, 2009). Seven sectors were included (Beauty, Food, Administration and support services, Retail, Education, Information and Communication, and Construction) to provide a broad-based view (Jameson, 2000) and a detailed and contextually rich analysis, although they can be generally categorised into service and manufacturing firms (See Table 4-1). Hence, the selection of case studies for this research attempted a purposeful sampling logic, which was ultimately blended with a pragmatic approach (Silverman, 2000).

In HRM, there is a preference for a quantitative description of SMEs based on the number of employees (Barrett & Buttigieg, 1999). Thus, employee number was considered as the main criteria for organisational size, with the cases ranging in size between 20 and 76 employees; hence, there is the inclusion of small as well as medium-sized enterprises, albeit within a limited range. This categorisation is based on the definition adopted in the Kingdom of Saudi Arabia (KSA) (Monshaat.gov.sa),

which corresponds with that of Europe (i.e. small firms employ 5–49 individuals, whilst medium firms employ 50–249 individuals). Before this authority (Monshaat) has been established and started working late 2016, the researcher communicated with different official bodies such as Ministry of Labour and Ministry of commerce as no unified definition was there before. Thus, through focusing on this limited range of size, the problem of lumping small and medium-sized firms from 1 to 250 employees into one category—which has been an issue in analysing HRM in SMEs—is reduced (Cardon & Stevens, 2004). Moreover, since the focus of the study is HR practices, such a size range is expected to have a management structure for their employees in comparison with micro enterprises (Marlow & Patton, 2002). Likewise, only firms five years and older were selected to participate, i.e. those recognised as past the initial start-up phase, as many studies suggest only half of all SMEs survive after three years (Jennings & Beaver, 1997). Furthermore, subsidiaries were ruled out, with the sample consisting of only independent enterprises, with the former type commonly affected by the large organisation’s policies and practices. Case studies were located in different cities within the Central Region and mostly Riyadh, the capital city, as it is the base for more than 25% of the Kingdom’s SMEs; thus, firms specifically in this area face higher pressures to establish better ways to ensure survival in what is recognised as a highly competitive environment.

Chetty (1996) emphasises that there is no ideal number of cases in the research sample and that the suitable number depends on many factors, such as existing knowledge and the nature of the research questions, with the potential to incorporate additional cases until a level of saturation is reached (Perry, 1998) or otherwise until the research reaches ‘the point of redundancy’ (Lincoln & Guba, 1985, p. 204). Furthermore, it is argued that qualitative sampling is concerned with relevance, purpose, and access to the required data (Hillebrand, Kok & Biemans, 2001), with the sufficiency of the sample in case study research being particularly relative (Sandelowski, 1995). It is also suggested that the number of case studies required be determined by how rich the cases are, with less depth gained if too many cases are included (Miles & Huberman, 1994). Therefore, eleven (11) case studies, all based in the Kingdom of Saudi Arabia, which is institutionally similar to the other GCC Countries, such as the UAE, Kuwait and Bahrain, were selected. Saudi Arabia was selected taking into account its economic and social development as it went through

massive changes over the past 20 years. In the past four years, the government has issued many changes especially these supporting businesses and entrepreneurship (see Chapter 5). Importantly, it was not the study's aim to establish a representative sample or to otherwise generalise the findings of the analysis; however, an analytical and theoretical generalisation (Yin, 2017) can be developed in order to extend the current theories concerning HRM in SMEs. This was highlighted in the systematic literature review as a particularly important task. Thus, these case studies were selected so as to demonstrate the phenomenon and, hence, offer a greater understanding (Eisenhardt, 1989). A summary profile of the case studies included in this work can be found in Table 4-1 below.

The number of case studies was decided when the researcher reached a theoretical saturation (Eisenhardt, 1989), with a few categories (Nvivo nodes) of data added. Since this study explores HRM practices and their determinants in SMEs, the unit of analysis is the firm. However, owner-managers and employees were the units of the data collection, with Yin (2017) advising researchers not to confuse the unit of analysis and units of data collection.

Table 4-1 Information Summary of Case Studies

Case studies	Salon		Beauty Centre		Food Company		Printing & Students services	
Year of establishment	2006		1996		2011		1997	
Sector	Service activities (Beauty)		Service activities (Beauty)		Food services		Admin and support service	
No. of employees	30		44		62		30	
Saudi/Non-Saudi	3 S	27 NS	2 S	42 NS	10 S	52 NS	3 S	27 NS
Male/Female	1 M	29 F	1 M	41 F	51M	11 F	28 M	2 F
Business history and activities	<p>The owner-manager started this business after her early retirement as she was working in the ministry of education. Her sister is her partner but she does not have any management role. It provides beauty services and employs hair stylists and make-up artists. They only have one branch in a small city in the central region of Saudi Arabia. The owner-manager seems to be busy with other businesses as well; the thing that prevents her from being at the Salon on a daily basis.</p>		<p>This salon started by the owner-manager as a hobby and she developed it by establishing her first beauty centre with only five employees and simple equipment. Now she has four different branches and some of them have a boutique and coffee shop inside the centre with around 44 workers in total.</p>		<p>This company started with a simple 90msq restaurant and only four workers, and then expanded over time to have more than 700 as the total area of all the branches with different food specialities. It was originally established for a different business activity then they converted to food activity although the owner-manager originally started selling meals from home.</p>		<p>This Company started with a small centre in King Saud University with only two workers providing different services for the KSU students. Over time, they expanded vertically and horizontally by opening more branches and signing contracts with many educational and other governmental institutions, in addition to expanding services to include printers and photocopiers' renting, spare parts, and maintenance.</p>	

Case Studies	Chocolate Company		Contractor Company		Construction		Tech Company	
<b>Year of establishment</b>	2011		2004		2007		2004	
<b>Sector</b>	Trade/ Retail		Specialised construction activities		Construction		Information and communication activities/ programming	
<b>No. of employees</b>	30		75		54		76	
<b>Saudi/Non-Saudi</b>	4 S	26 NS	10 S	65 NS	6 S	48 NS		
<b>Male/Female</b>	30 M		75 M		54 M		56 M	20 F
<b>Business history and activities</b>	<p>The company started by importing chocolate from Belgium and Lebanon and with a single store. After that, they opened more branches before having a setback that led to nearly closing their business. The current owner-manager was only a partner without having any managerial role at that time, and he took over at the end of 2014 after the financial downturn. Therefore, he has a good reputation among employees as the one who worked to revived the business after the threat of losing their jobs. Now they started to make their own chocolate by establishing a factory in addition to the importing activity. They have four branches at the first interview in July (2016) and increased to be six in the following year (2017).</p>		<p>This company has contracts with large projects to do all the iron and metal work for construction works especially doors, windows, glass, and elevators, etc. It expanded in size after the merger of two small firms in 2014. They have manufacturing and production lines in addition to construction employees. The owner-manager has three other partners but he is the only owner-manager. They are targeting large companies and governmental projects yet, individuals and small projects are not their clients. Therefore, they focus on raising the quality of their products.</p>		<p>The company started working in importing and exporting as a supplier for government agencies but eventually, in 2014 they focused only on construction. Now they have their own engineering office with the construction firm as a group. They are dealing with large as well as small customers at the same time.</p>		<p>This firm started with only seven employees in the capital city. The owner established this business when he was a second-year student in the business school of King Saud University. Its main activity is producing software in accounting to supply large companies and government agencies. Now they have three branches in three different cities with more than 1500 customers. They aspire to expand into the international market.</p>	



Case studies	Private Primary School & Kindergarten		Private Childcare & Kindergarten		Children Activity Centre	
<b>Year of establishment</b>	2011		2011		2011	
<b>Sector</b>	Education		Education		Education	
<b>No. of employees</b>	32		22		20	
<b>Saudi/Non-Saudi</b>	28 S	4 NS	19 S	3 NS	11 S	9 NS
<b>Male/Female</b>	2 M	30 F	2 M	20 F	2 M	18 F
<b>Business history and activities</b>	<p>This school specialises in the Montessori system and it includes kindergarten and junior primary level. They started with only two classes that had seventeen children and eight employees including both the teachers and the admin staff. The number of registered children was doubled in the second year. It is located in Qassim region as the first school that provides learning in the Montessori system in the region. To overcome the lack of knowledge about Montessori, the owner-manager worked to make this course available in her school for graduates to create a pool of applicants. She also provided information sessions for parents in order to explain the system to them.</p>		<p>The idea of this business was to have a bookshop or a library for children but eventually changed to be a childcare and kindergarten school. In the beginning, the owner-manager was working as a teacher, with the other six employees in a small building. The following year the business started to grow and the number of employees increased, thus she focused only on management.</p>		<p>The business started with a larger number of full-time employees than it has now. A year before the interview, it had been through a financial disaster and closed for a while, however, it revived and started working again but with a different business design and structure. It has two owners and both of them are sharing the management of the centre.</p>	

## 4.6 Research Techniques and Data Collection

The previous section discussed the research method of this research. This section will focus on the techniques used for data collection. The main tool employed for data collection was semi-structured interviews so as to create an opportunity for a conversational communication style and also to position the researcher to be able to ask follow-up questions when appropriate (Creswell, 2013), thereby facilitating the potential to increase understanding of complex situations. Furthermore, interviews permit exposing versions of realities that would otherwise remain unreachable through owner-managers' and employees' experiences and perspectives (Perakyla, 2005).

In addition to interviews, some organisational documents have been obtained (where in existence) as a valuable source of secondary data in an effort to enrich the research findings. Furthermore, in order to gain a holistic picture and collect more valid and reliable data, two perspectives will be considered in each enterprise, namely owner-managers' and employees' (Gerhart *et al.*, 2000). This multiple perspective further supports avoiding bias and over-claiming by enthusiastic entrepreneurs and reveals the gap (if it does in fact exist) between the formulation and implementation of practices (Verreynne, Parker & Wilson, 2013), with accumulated empirical evidences, such as that of Bacon *et al.* (1996), who established a degree of over-estimation pertaining to formal HR practices. Keenoy (1999) also emphasises this approach by stating that the reality of HRM exists outside HR departments. It is important to consider different employee levels, owing to the fact that coverage and interpretations of HR practices might differ across groups of employee. Buchanan and Dawson (2007) state that it is advisable to expose many voices in the organisation, as this will enrich the data with different meanings. According to Tracy (2010), multivocality enhances the trustworthiness and credibility of qualitative research. This also assists in bridging the gap of over-reliance on owner-managers as source of data (70% of the studies in the SLR focused only on owner-managers, CEOs, or HR managers) with ignoring the voice of the other organisational stakeholders including employees (see SLR Chapter 2).

Such a triangulation of techniques has been adopted so as to allow for greater depth in the data-gathering and to further address the simplicity in the extant literature of

quantitatively dealing with a complex phenomenon and the over-reliance on owner-managers who might miss thorough information of HRM in their businesses. It is also suitable to illustrate differences in terms of institutional fit, especially in a highly institutional environment, such as that of Saudi Arabia with an inflexible and regulated labour market (Alanezi, 2012). Denzin and Lincoln (2011) suggest that triangulation can be accomplished through the utilisation of multiple data sources, data collection tools, and theories.

#### **4.6.1 Data Collection Process**

The interview followed a thematic guide with open-ended questions covering the main HR areas (recruitment and selection, appraisals, reward, training and development and employee relations), in addition to general information pertaining to the business and experience of the owner-manager, with this type of historical and structural information supporting the researcher's overall understanding of the institutional context (see Appendix B-1, Interview Questions). This study has adopted a basic definition of Human Resource Management as the management of work and of the individuals conducting the work (Boxall & Purcell, 2011). Such a definition focuses on the functional requirements of HRM and notably departs from a narrow and restricted meaning, which is condensed into a list of practices and eventually ends up to the recurrent finding of a lack of or a low number of sophisticated HR practices in SMEs (e.g., Rodwell & Shadur, 1997; Marlo, 2000; Wiesner & McDonald, 2001; Bartram, 2005; Singh & Vohra, 2009). This research does not aim at simply identifying whether certain HR practices were in presence in a check-list manner; instead, it intends to describe the processes through which human resources are managed in Saudi SMEs and HR strategy is developed, and to identify the factors challenging or supporting the formation of these practices. McNamara *et al.* (2014) have argued that, in order for any organisation to survive and succeed, its human capital should be enhanced by three sets of HR activities, namely hiring (which includes recruitment and selection), development (which includes training, involvement, participation and appraisal), and retention (which includes compensation and motivation practices). Additionally, the adoption of the system approach to HRM is more truthful as HR practices constantly interact with one another, and it is difficult to demarcate the effectiveness and process of one

without intersecting the others. Further, focusing on an individual practice exclusively creates difficulties in conveying the whole picture. This approach also fits with the owner-managers' perception of HRM, as identified in the literature, as being a flow of interconnected practices as opposed to a number of separate activities (e.g., Drummond & Stone, 2007; Heneman, Tansky & Camp, 2000).

The interview questions pertaining to specific HR practices were adapted from different studies with some modification (WERS 1998, 2004 & 2011, De Kok, Uhlaner & Thurik, 2006; Wiesner & Innes, 2010; & Messersmith & Guthrie, 2010). However, they were developed, tested (via a pilot study) and reassessed before use in the actual research. In the pilot study, interviews were conducted with the owner-manager of a small firm in KSA (32 employees) in the retailing industry and also with one of his employees. Accordingly, only a few changes were considered, most of them were with the structure and so that words used in the questions could be understood correctly. Additionally, the researcher had short contextual interviews with entrepreneurs (n=4) beforehand within her networks and also via informal social platforms which add more insights to the content of the interview questions. The first question in the interview was more general and open so as to encourage the interviewee to tell the story of their business so that information could start to spontaneously emerge from the respondents, and not because the interview questions 'created a self-fulfilling prophecy' (Dick, 1990, p. 9, as cited in Perry, 1998, p. 791). Furthermore, in order to garner more genuine responses, the researcher more often intentionally avoided the use of HRM terminology, such as in regards terms like 'induction' and 'turnover'; rather, questions were posed in regards what they are doing for employees on their first day and about the number of workers that had left the firm the previous year, for example.

The nature of questions differed when interviews were conducted with the owner-manager or with employees, as the former type was more focused on the policies and practices in the firm, whilst in the case of the latter, questions centred mostly on the process and their experiences as the intended recipients of HR practices. When asking the owner-manager about the external factors affecting HR practices in the firm, the focus was on what these factors meant for them rather than on a predetermined definition. This approach is recommended by Kitching *et al.* (2015) when seeking to assess the level of awareness and nature of reaction to the external

environment. Nevertheless, when considering the small size of firms, some employees can answer both types of questions, especially if they are in a managerial position, as then they are recognised as knowledgeable about more than one area and their job is multi-tasked. Additionally, interviewees were probed and asked for examples as their answers might be based on beliefs rather than actual practices (Allen, Poteet & Burroughs, 1997) or when ignoring talking about specific HR areas in an unstructured manner. Furthermore, throughout this process, the researcher was considered both an insider and outsider: notably, in regards being an insider, the researcher is Saudi and has lived in the KSA up until leaving to pursue academic studies in the UK and Ireland; on the other hand, however, after having spent much time outside of the country for many years, she was also able to outline the research as an outsider, especially in regards to cultural issues, which can alleviate the problem of overlooking familiar and taken-for-granted matters, as suggested by Bartunek and Louis, (1996).

The research was fully approved by the Research Ethics Committee in Dublin City University in June 2016 before the data collection commenced. The letter of approval can be seen in Appendix B-2. The consent of all participants was obtained in advance, with all participants made aware that they were entitled to withdraw from the study at any stage and that all information provided would be kept confidential. Interviews lasted between 30 and 90 minutes. All interviews were recorded, transcribed and translated to English as the interviews were carried out in Arabic. A professional in translation further checked the translation and compared it to the original transcript so as to identify any incongruities. Thus, a total of 34 participants were involved in the current research; notably, six of the owner-managers were interviewed for a second time in follow-up interviews which makes the total number of interviews for this research 40 in addition to the field notes. Table 4-2 provides descriptions and demographic variables of the participants. It is noticed that the average age of participants was relatively young which aligns with trends in the Saudi Arabian populations generally. Fortunately, the researcher was able to secure access to approximately gender-balanced participants in order to get a wider view regarding the research phenomenon although females are underrepresented in the labour market (General Authority for Statistics, 2017).

#### 4.6.2 Phase 2 of Data Collection

In the case of six owner-managers (Chocolate Co, Printing & Student Service, Salon, Food Co, Children’s Activity Centre, and Private Primary School), interviews were repeated a year later in order to achieve situated information and to accordingly identify the impacts of the economic downturn and the changing policies in Saudi Arabia throughout the period spanning July 2016–July 2017. Such situational details which have unfolded over time afford the opportunity to describe the process and, by so doing, the deterministic view that was prevalent in the literature (see SLR), has been addressed. This further assists in revealing how factors influencing HRM are changed over time, overlapped, or interconnected. Wynn & Williams (2012, p. 802) advocate the use of longitudinal research within the critical realism paradigm, assuring the following:

Understanding changes over time is often instrumental to unwinding the emergent properties of various structures, capturing the full range of contextual influences involved in activating the causal mechanisms, and explicating how and why the mechanisms bring about the observed events.

By returning to interview some participants one year later, this research was able to go some way towards capturing such benefits. The value of this becomes especially relevant when it comes to exploring the determinants of HRM in the form of the institutional context.

Table 4-2 Demographic Information of Interviewees

Job title	Interviewees		Female		Male		Average age	Age range
	No.	%	No.	%	No.	%		
Owner-manager	11	32.4	6	31.6	5	33.3	42	26 -55
HR/personnel officer	3	8.8	1	5.3	2	13.3	31	24 -35
Department manager	3	8.8	1	5.3	2	13.3	29	24 - 35
manager	3	8.8	2	10.5	1	6.7	33	27 - 40
Supervisor	2	5.9	2	10.5	0	0	33	30 - 36
Employee	12	35.3	7	36.8	5	33.3	32	23 - 45
Total	34	100	19	100	15	100		
Phase 2	6		4		2			
Total	40		23		17			

## 4.7 Data Analysis

Data analysis was an iterative process, with the researcher constantly going back and forth between data, literature and the theoretical framework. Data was first categorised according to pre-identified codes, as based on the previous theories and empirical literature, using Nvivo 11 software. Coding, as described by Miles and Huberman (1994), is the assigning of labels to texts with references to particular information. After the first round, the researcher was engaged in second and third rounds of coding. This repeated reading, assisted the researcher in identifying new themes which were emerging during the analysis process and then they were organised according to the pre-identified ones which represented the main research constructs.

To be more systematic in the data-analysis process, this thesis adopted the approach recommended by Braun and Clarke (2006) as a guide to the completion of the thematic analysis (see Figure 4-2). Although this might appear to be a linear process, it is actually iterative, and one step might be repeated in order to achieve a robust analysis, especially Step 2 (notably involving the generation of codes/nodes in the Nvivo language), as they were arranged in several orders to build the themes. Nvivo 11 was a significant tool assisting the organisation of codes identified throughout the analysis and enabled thorough exploration of long transcripts of interviews (see Appendix B-3 for a screenshot from Nvivo software). The use of the memos (text files) within the software and their connection to data segments also facilitated maintaining the ongoing process of analysis documented. Cross-case analysis was conducted as, importantly, its ‘tactics enhance the probability that the investigators will capture the novel findings’ (Eisenhardt, 1989, p. 541). Case studies were further compared with previous theories and empirical findings in the extant literature. Lastly, the transcripts were checked again in order to confirm consistency with emergent findings.

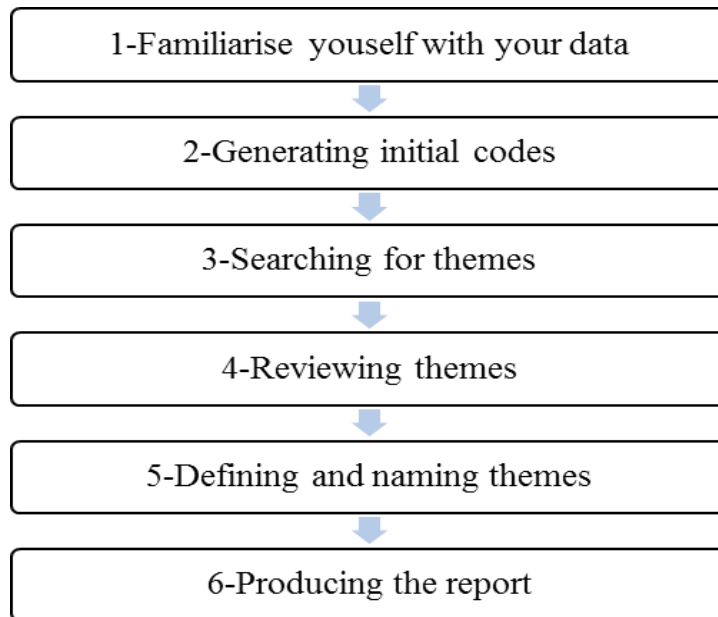


Figure 4-2 Data Analysis Process (Adapted from Braun & Clarke, 2006)

## 4.8 Evaluation and Limitations

Welch and Piekkari (2017) established that what forms best practice in conducting research relies on the philosophical stance of the researcher. Thus, since this research has adopted a critical realist paradigm, the criteria proposed by Healy and Perry (2000) in judging the research quality were recognised as suitable for application, as summarised in Table 4-3 below.

### 4.8.1 Judgement Criteria

#### Ontological appropriateness

Reality in critical realism is complex and autonomous, and involves multiple perceptions; hence, this criterion seeks to question whether the world investigated in the research is that of this paradigm. The current research is focused on identifying the determinants of HRM within the complex context of SMEs, taking into account the influence of environmental and internal variables. It also dealt with methods as an instrument through which the reality of this phenomenon can be reached (Stake, 1995). In addition, the use of semi-structured interviews provides more flexibility in order to reflect such a complex reality.



### **Contingent validity**

One of the main principles underpinning critical realism is the ‘fuzzy boundary’ and the inclusion of a mechanism to explain influence as opposed to drawing causal relationships. Likewise, the inter-dependability of the different internal and external variables shaping HRM within SMEs made them highly context-related ones. In addition, through identifying these determinants, the current research focused on the ‘why’ of HRM, in addition to the ‘what’ and ‘how’. Furthermore, in an effort to enhance contingent validity, an overview of the context of Saudi Arabia has been provided, in addition to summary information relating to each firm.

### **The multiple perceptions of participants**

In contrast to the epistemology of positivism, which is notably value-free, or that of constructivism, which is value-laden, critical realism is value-aware (Healy & Perry, 2000). Thus, there is a real world, although it is not entirely comprehended by our perceptions. Therefore, it advocates multiplicity in such a way so as to capture the truth. In the current research, multiple perceptions of the owner-managers, as well as those of the employees, were considered. Additionally, a multiple-theoretical framework (notably involving institutional theory and strategic choice theory) was utilised as a lens through which the research was carried out. Furthermore, several sources were used in the data collection phase, including interviews, documents and observation. Such use of multiple perceptions, theories and sources (triangulation) contributed to conveying the reality of the social world.

### **Methodological trustworthiness**

This criterion can be seen to be comparable to the concept of consistency and relatedness in constructivism research. To satisfy this criterion, the current research extensively used participant quotations, in addition to the inclusion of more examples of quotes as an appendix. This aggregation of data is recommended by Eisenhardt, Graebner, and Sonenshein (2016) in order to illustrate rigor for qualitative research. Additionally, as recommended by Bansal and Corley (2012), established procedures were used for all phases in the research methodology with a description of the key processes was provided, as can be seen throughout the course of this chapter. The use of Nvivo software also assisted in keeping the data analysis

consistent and transparent. Moreover, the empirical data of the current research sustained a chain of evidence as described by Yin (2003). This means a rational sequence from the research questions that investigate the what, how and why of HRM, through the use of case study and interview, multiple sources, to the findings and conclusion.

### **Analytic generalisation**

Commonly, case study research depends on analytical generalisation, as opposed to a statistical one, as the researcher seeks to generalise the findings to broader theories (Yin, 2017). In an effort to improve the theoretical generalisability of the current research, a detailed description of the context and findings was produced (Lincoln & Guba, 1985). Additionally, the replication logic of case studies was adopted with the use of cross-case analysis. Nevertheless, this study acknowledged the heterogeneity of SMEs, and attempted to increase understanding regarding of this phenomenon.

### **Construct validity**

This is similar to the construct validity found in positivist research and explains the way in which the constructs of the research have been measured (Yin, 2017). Using prior theories from the literature, such as the theoretical framework of this study, as lenses to conduct this research is suggested as a means to increasing construct validity (Riege, 2003). Moreover, the use of triangulation tactics, as explained, and being open to practice are supported in meeting this criterion (Yin, 2003).

Table 4-3 Criteria Adopted to Judge the Quality of Research

Quality criterion	Adopted tactic
Ontological appropriateness	<ul style="list-style-type: none"> <li>- Acknowledging the complexity of the research phenomenon</li> <li>- Use of instrumental case study (Stake, 1995)</li> <li>- The use of semi-structural interviews</li> </ul>
Contingent validity	<ul style="list-style-type: none"> <li>- Focus on the why element of HRM within SMEs</li> <li>- The interdependability of determinants</li> <li>- Description of macro and micro context</li> </ul>
Multiple perceptions	<ul style="list-style-type: none"> <li>- Multiple participants (owner-managers and employees)</li> <li>- Multiple sources of data</li> <li>- Multiple-theoretical framework</li> </ul>
Methodological trustworthiness	<ul style="list-style-type: none"> <li>- Provide sufficient and illustrative quotations</li> <li>- Description of all research process</li> <li>- Chain of evidence</li> <li>- Nvivo software</li> </ul>
Analytical generalisation	<ul style="list-style-type: none"> <li>- Replication logic of case studies</li> <li>- Rich description of findings and context</li> </ul>
Construct validity	<ul style="list-style-type: none"> <li>- Use of theoretical framework as lenses to conduct research</li> <li>- Triangulation</li> </ul>

## 4.8.2 Limitations

Generally, small firms are known to be difficult to research (Baldacchino, 1999), due to their “messiness” and lack of historical documentation. The researcher went through many challenges to reserve the time and space to conduct the interviews. The findings of the current thesis should be understood while taking into account the limitations of this research design as this can provide insights to the future research.

First, given the high complexity and the context-focused nature of this study, the result embodies analytical rather than statistical generalisation (Yin, 2017) and generalisation within critical realism-based case studies is meant to be to theory (Lee & Baskerville, 2003). The sample was purposefully selected within various sectors as typical SMEs in the country of Saudi Arabia. The researcher believed that the multiple-case study approach was the most appropriate to explore and understand HRM practices within Saudi SMEs and the focus was on the central region of the country as the largest area which also includes the highest proportion of the SMEs in the country. Yin (2012) states that case studies deal with data in terms of process, rather than reducing data to numbers. In addition, the exploratory nature of this study obstructs the possibility of making rigorous propositions. However, under critical realism the objective is to utilise the findings in order to get insights as to how and why similarities or differences might exist in different context. Also, the knowledge acquired has smoothed the way for further research.

Second, due to the smallness of the firms, the owner-manager can impose whether or not to allow access and who to participate in a research activity. Generally, guaranteeing anonymity in qualitative research has been identified as problematic and challenging by many (e.g. Van den Hoonaard, 2002; Gregory, 2003). However, this does not breach confidentiality as anonymity is only one of the different faces of confidentiality different facets, hence, only knowing the identity of the participants by their manager while all the other ethical processes were established should not be an issue (Wiles, Crow, Heath, & Charles, 2008). Furthermore, the researcher had ensured that the owner-manager had a clear understanding of the confidentiality and who have access to these data and asserted that there would be no disclosure or sharing of any information with others. In addition, the study is discussed a social event and the data belonged to the organisation as opposed to the

participants' personal lives which makes anonymity less problematic (Wiles *et al.*, 2008).

Third, although the researcher opted for multi-industry case studies due to the exploratory nature of the research, this might restrict the ability to identify HR patterns. Some factors are more significant in some industries than others. However, because of the scarcity of research within the Saudi context, it was favoured to investigate HRM across different sectors, which is better to enable the understanding of HRM in SMEs in a wider setting.

## 4.9 Structure of the Research Findings

Loosely adhering to the logic of critical realism (as formulated by Bhaskar, 1975, 1998) and extended by others (Edwards, O'Mahoney, & Vincent, 2014), aligning with the research objectives, as well as satisfying the what, how, and why of HRM in SMEs, the structure of the findings chapters is presented as per the logic and order outlined (see Figure 4-3).

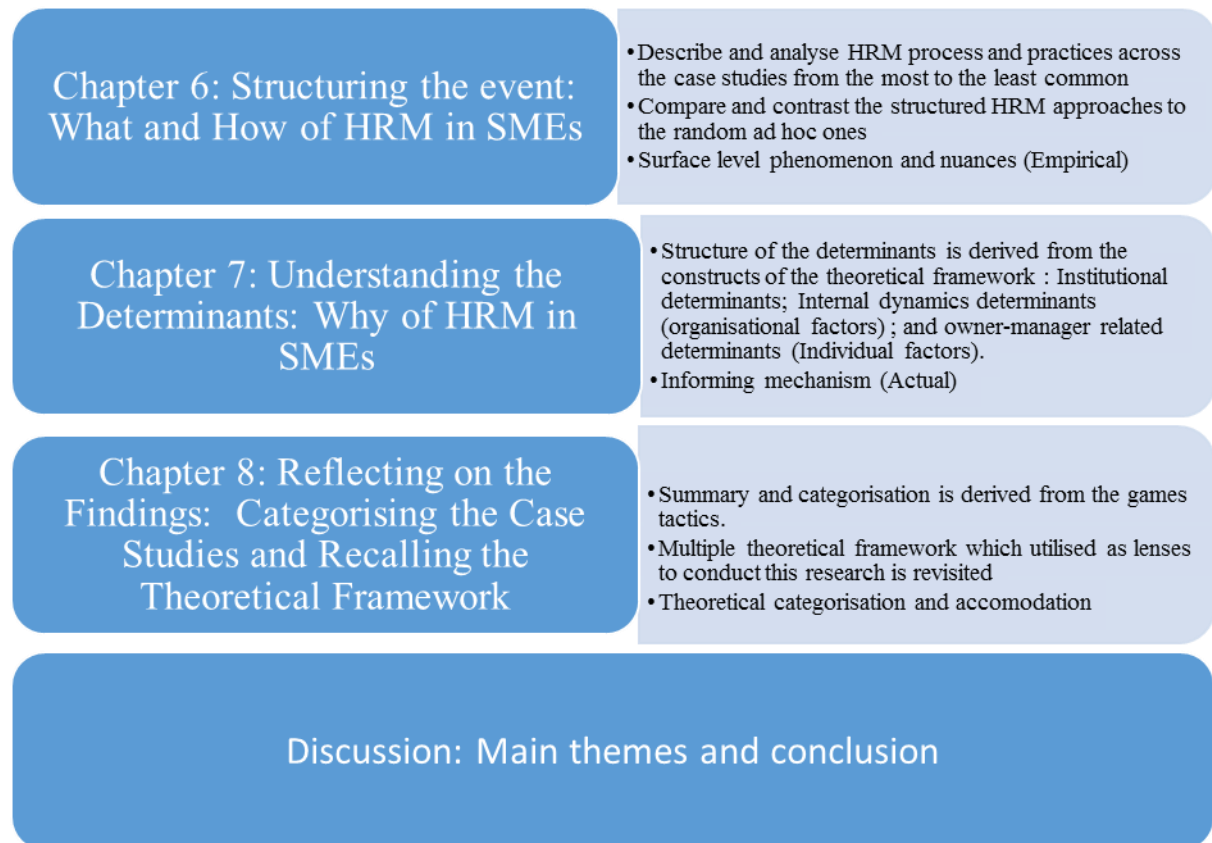


Figure 4-3 Structure of the Findings

#### **4.10 Summary of the Chapter**

This chapter has presented the methodology through which this research is conducted. In summary, it has adopted critical realist view as a philosophical stance, a qualitative strategy and a multiple case study approach with its various sources of data. Firms were located across different industry sectors and triangulation of data collection tools were utilised, yet, the semi-structured interview with owner-managers and employees was the main technique. Data were analysed by the thematic analysis method and the entire methodology was evaluated through different criteria.

In order to capture the richness and key institutional factors in the neglected context of Saudi Arabia, the next chapter will set the scene for presenting the findings by providing a general overview about the main characteristics of the research context.

# Chapter 5

## AN OVERVIEW OF THE CONTEXT OF SAUDI ARABIA

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### 5.1 Introduction

As captured in chapter 2 (Systematic Literature Review), the majority of investigations carried out across the HR literature have been conducted in large organisations, with only infrequent studies focusing on small firms, despite the significant role they play in any national economy (e.g., Nițescu, 2015; Bruton *et al.*, 2008). There are two possible reasons for this: either the perception that SMEs are simply a miniature version of large organisations, with researchers failing to realise the idiosyncrasy of these enterprises (the so called ‘denaturing thesis’ (Curran, 2006); or otherwise it may simply be convenient to study HR practices within large organisations as the systems tend to be clearer, and more sophisticated practices will usually enable easier access to data (Wilkinson, 1999).

Current studies about HRM-SMEs tend to lack a holistic perspective and to focus on developed countries, with very little interest directed towards HRM in the Arab world (Afiouni, Karam & El-Hajj, 2013). Even those studies carried out in developing countries tend to utilise theories established in the Anglo-Saxon context, which can make their applicability problematic. Therefore, several HRM scholars have highlighted that most of the current studies are ignoring the role played by context in the process of shaping HR practices, especially within SMEs, which typically tend to be more vulnerable to external influences (e.g Harney & Dundon, 2006 & 2007). Other studies have also emphasised the importance of considering the



environment in the development of management theories especially in the Arab world (Ali, 1995; Saleh & Kleiner, 2005) with many evidences of the strong influence exerted by the institutional and cultural values in forming HRM practices in the Middle East (Dirani, 2006; Aycan *et al.*, 2007; Leat & El-Kot, 2007; Katou *et al.*, 2010). In this vein, it is important to explore HR practices within SMEs in non-western context such as that of the GCC countries, especially when considering their distinct context and unique economic and cultural characteristics. As detailed in the Methodology (Chapter 4), Saudi Arabia has been taken as an example in this study. Despite policy emphasizing the importance of human capital and SMEs as engines of economic and social growth in Saudi Arabia, our overall knowledge in both of these domains in this context remains scant (Mellahi & Wood, 2002; Afiouni, Karam, & El-Hajj, 2013; AlGassim, Barry, & McPhail, 2017; Alferaih, Sarwar, & Eid, 2018). In order to inform understanding an overview of the main characteristics pertaining to the Saudi environment is provided in the following section.

## **5.2 HRM in Saudi Arabia**

A comprehensive understanding of Human Resource Management in Saudi Arabia first requires a clarification of the main factors influencing these HR practices. Previous research on the Saudi context has identified these to include economic influences, political environment, labour market structure, and national culture (Mellahi, 2000; Mellahi & Wood, 2002). Therefore, a PESTEL (political, economic, socio-cultural, technological, environmental and legal) analysis of the country has been provided to allow identification of the environment within which the case studies are located and how they affect HRM in that area. It should be noted that the technological factors are included within the socio-cultural section.

### **5.2.1 Political, Environmental and Economic Factors**

Saudi Arabia is the largest of the GCC countries (Saudi Arabia, Qatar, Kuwait, Emirates and Oman); its area is approximately 2 million square kilometres (MOPM, 2015). It is a monarchy, and the king is the highest authority in the country, ruling the nation through a Council of Ministers. Although there is a consultative council

(Majlis Al-Shura) that enables the people to communicate with the government, absolutely no challenge to royal authority is tolerated. Consequently, neither Saudi workers nor non-Saudis are permitted to form unions or to strike in any sector. Rather, management are expected to solve disputes before they escalate to the Ministry of Labour. In this sense, managerial prerogative in resolving any disputes holds much significance, with substantial amounts of their time spent dealing with conflicts (Abubakr & Mohamed, 2005). The political and business environment is strongly characterised by masculine and tribal values, and profoundly influenced by the conservative and religious culture with implications of these elements are explained in the next section.

As with all of the Gulf countries, the economy of Saudi Arabia is extremely oil-dependent, with more than 80% of its revenue garnered from the petrochemical industry (SAMA, 2014). The beginnings of its oil operations in the 1970s made it one of the wealthiest countries in the world. The rapid growth in the national economy created an unbalanced situation in the labour market and it massively influenced Human Resource Management policies and practices, leading to the marginalisation of the national workforce, which lacks the skills necessary to assist the fast-paced progress (Tlaiss & Elamin, 2016). Nevertheless, the latest financial constrictions and the fluctuation of oil prices have impeded employment in the public sector, which has dominated the labour market for many years. Accordingly, the role of the private sector, and mainly SMEs, has become more critical as the only job creators (Mellahi & Wood, 2001), although they are largely dependent on government-spending.

## **5.2.2 Socio-Cultural Factors and the Labour Market**

Saudi Arabia is enjoying a strong technological infrastructure with huge investments by the government in that field as an important pillar for establishing a knowledgeable economy. The population of Saudi Arabia is around 32 million, half of whom are under 30 years of age due to the fact that it has one of the highest growth rates in the world (General Authority for Statistics, 2017). Therefore, the demands for jobs are increasing annually, with more than 200,000 graduates entering the job market every year (Ministry of Labour and Social Development, 2016). As previously mentioned, the fast-paced development of the country following the

discovery of oil has resulted in the influx of skilled and unskilled labour from all over the world, and from South Asia in particular. This happened in an effort to address the huge demand, especially that deriving from the fact that the majority of locals were still lacking the required education, skills and competencies, in addition to their inclination to get the jobs offered by the government (Tlaiss & Elamin, 2016). Consequently, the private sector in general continues to suffer from being intensely reliant on cheap foreign labour (Achoui, 2009; Al-Asfour & Khan, 2014), with the high Saudi unemployment rate still pressing at 12.9% according to the latest statistics by the General Authority for Statistics (2018). The situation is exacerbated with labour force growth witnessed on an annual rate of 3%, according to Varshney (2016 b); this is seen in spite of the government's efforts and initiatives, to be discussed later. With this noted, labour productivity is recognised as low owing to the favouring of low-cost and low-skilled workers (Harry, 2007). Employers in the private sectors still perceive foreign labour as less costly and easier to manage. Moreover, job vacancies offered to women are considered to be fewer than those available to men, which decreases their participation in the labour market and thus makes Saudi Arabia come first with the largest percentage (3.6%) of gender-imbalanced labour force participation amongst other G-20 countries (Ministry of Labour and Social Development, 2016). However, in recent years, there has been progress on this issue, particularly in terms of the number of women working in the private sector, which increased significantly in 2015 (Ministry of Labour and Social Development, 2016).

Islam is the main religion in the country and is recognised as the source of its regulations, as well as serving as the cradle of people's values and work ethics (Budhwar & Mellahi, 2006). Ramlall, Al-Amri and Abdulghaffar (2012) have clarified that 'culture and religion provide strong explanation and guide for many of the Saudi workforce practices' (p. 1159) in spite of the influence of expatriates and the social and economic transition. Similarly, Bjerke and AlAmeer (1993) describe Saudi culture as being a combination of Islamic and Arabic traditions, which has created a distinctive mixture that can be recognised in business culture. Islamic values may be manifested in the workplace through various practices, such as in regards respect for age and seniority, and obedience for leaders (Kabasakal & Bodur, 2002). Additionally, the oil-boom has profoundly affected the national culture as

much as the economy, with the new generation being raised in a luxurious environment without the need to do any manual work; this results in a lack of work culture and motivation. According to Hofstede's cultural dimensions (Hofstede, 1984, 1991), the Kingdom of Saudi Arabia (KSA) is characterised by its high power distance and uncertainty avoidance, with strict rules and policies implemented. Saudi culture is also collectivist and employees tend to show a moderate masculine attitude (Bjerke & Al-Ameer, 1993; Al-Gahtani, Hubona & Wang; 2007). Furthermore, most Saudi people have a very strong rapport within groups (whether in terms of family, tribe or region), and so tend to prioritise the interests of that group over the benefits of the work or an organisation, as their loyalty will be to individuals, tribes or networks, rather than to the organisation. This collectivism often leads to a common use of personal connections for unjustified personal gain in workplaces, such as the use of *wasta*<sup>1</sup> to occupy a particular job. In such cultures, practices that can lead to differentiating an employee from another, trying to link compensation to performance, and giving negative feedback are always avoided (Sale, 2004; Tayfur, 2013).

The high power distance can be translated into a paternalistic leadership style, obedience of justified authority, and aligning self-behaviour with acceptable norms, as managers will consider any deviation to be an infringement of their authority and a threat to organisational stability (Mellahi & Wood, 2001). There is a preference amongst Saudis to work in the public sector (Varshney, 2016) as the power distance value and the sense of pride associated with being identified in the national culture leads to a sense of entitlement in regards higher pay and greater privilege than that enjoyed by foreign workers (Tlaiss & Elamin, 2016). Saudi nationals typically perceive government jobs as being more luxurious and as offering better benefits than those in the private sector (Shaban, Assaad & Al-Qudsi, 1995; Al-Asfour & Khan, 2014), although this perception has begun to change (Jawhar, 2014), especially following the economic downturn, with the generous benefits citizens used to enjoy now starting to diminish. Nevertheless, this preference for governmental jobs and the need to achieve security can be linked back to the low

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<sup>1</sup> *Wasta* 'refers to the process whereby one can achieve goals through links with key persons in positions of high status. These links are personalistic and most often derive from family relationships or close friendships'. (Smith, Huang, Harb, & Torres, 2012, p. 137)

risk-tolerant culture (high uncertainty avoidance). It has also resulted in high resistance towards new ideas and the need for a transparent system to evaluate performance (Ramlall, Al-Amri & Abdulghaffar, 2012).

Uncertainty avoidance should be linked to the important role played by religion in such a society (Obeidat *et al.*, 2012); however, having high intolerance for ambiguity controverts Muslims' basic belief that God controls all kinds of resources and people's destiny. Although Islamic principles encourage consultation, fairness and honesty, continuous self-improvement, and the learning of new skills, all of which mesh well with best HR practices, other cultural values also have a massive effect on work practices in the workplace, which leads to a mismatch with Islamic values (Branine & Pollard, 2010). Such cultural factors lead to centralised decision-making, a limited voice for workers, and less employee training. This conflict between Islamic values and the actual practices in the workplace proves the complexity of such an environment and further encourages more research to explore its influence on people management. Additionally, the education system is mostly focused on religion and national identity, and less so on vocational training and creating productive workers, which can result in a lack of relevance to practice (Harry, 2007, 2016). Similarly, many human resource development initiatives in the country have focused on knowledge-acquisition as opposed to knowledge application with clear preference for university education over technical and vocational education (General Authority for Statistics, 2017; Baqadir, Patrick, & Burns, 2011). In this regard, most young people expect to work in managerial and administrative tasks, and accordingly reject the option of working in manual and low-status jobs, mainly owing to the negative social and cultural attitude towards such work (Achoui, 2009). This is an important consideration, as the type of work and sector of employment help to define the social status of the worker and his family (Mellahi, 2000). On the other hand, Saudi society is characterised by a conservative approach to gender matters, with women commonly continuing to work in traditionally known feminine employment choices, such as education and healthcare, with gender segregation widely applied in education and also workplaces.

### 5.2.3 Legal Factors: Challenges and Initiatives

Based on the aforementioned variables, there are many challenges facing the Saudi economy, which are recognised as having an impact on HRM practices. Because of the speed of growth during the last 30 years, there is a heavy reliance on foreign workers. Foreign nationals account for 53% of the employed population and around 83% of workers in the private sector (Ministry of Labour and Social Development, 2016), where managers have a widespread belief that it is more expensive to hire locals than expatriates. This perception has been reinforced by the Kafel regulation, which gives expatriates a work permit in a specific occupation and with a particular employer. Individuals hired in this manner cannot change job or work for another organisation without the permission of the initial sponsor, which keeps turnover amongst expatriates low or minimal (Mellahi & Wood, 2002). Thus, employers' views that foreign workers are easier to manage is further endorsed as such visa regulation leaves workers with little bargaining power (Elamin, 2012). However, unemployment is becoming an issue in Saudi Arabia when considering the youth of the population and the low rate of female participation. This is exacerbated by a lack of technical and vocational skills amongst Saudi workers, in addition to their resistance to practice some of the occupations that reflect a lower social position (Varshney, 2016). Likewise, urbanisation and the move to large cities, Riyadh and Makkah, for example, with more than 8 million people in each (General Authority for Statistics, 2016), is considered to be part of the problem. Moreover, the government's efforts to feminise the jobs in the private sector are facing many difficulties, with women still struggling to have a work–life balance, in spite of the common mentality regarding the role of women in a conservative society (Harry, 2007). Although many social aspects in Saudi Arabia have witnessed fast-paced changes, Elamin and Omair (2010, p. 758) have found Saudi males were still adopting traditional attitudes towards working females as they 'believed on [*sic*] the premise that men are dominant, independent, competitive and capable of leadership and women are submissive, dependent, caring and good for domestic tasks and child [caring]'. Employers in the private sector might also find recruiting women to be costly as this step requires establishing a separate location or entrance, as well as many other facilities to be legitimate in such a society. Just like the micro-macro environmental influence on firms' practices, the country of Saudi Arabia is facing

external pressure from international bodies, such as the World Trade Organisation (WTO) and International Labour Organisation (ILO), in amending many of its employment regulations that are related to the treatment of foreign workers and women's employment conditions (Mellahi, 2007).

As a result of these issues facing the labour market, the government is taking many actions that have profoundly affected HRM policies within organisations. The Saudisation programme (which seeks to replace non-Saudi workers with Saudis in the private sector) was established in the Sixth Development Plan in an attempt to alleviate the unemployment rate and change the mentality regarding working in the foreign dominated private sector. The government has worked hard to ensure Saudisation in an effort to overcome the rentier state<sup>2</sup> phenomenon (Beblawi & Luciani, 2015); such as by establishing many programmes, including supporting the SMEs and entrepreneurship, and the Human Resource Development Fund (HRDF), which pays 75% of the training costs of Saudi employees and 50% of their salaries for two years to encourage private organisation to recruit Saudi citizens (Al-Dosary & Rahman, 2005). However, it remains that there is limited uptake to Saudisation by the private sector, with employers still more inclined to recruit expatriate rather than Saudi nationals for different reasons which might include saving cost, desire to retain management control, or unwillingness to change (Al-Asfour & Khan, 2014). Employers' resistance to such institutional force (Saudisation) takes different forms, with one of them commonly known in the Saudi market as 'ghost workers phenomenon', which employers use to meet their quota of national employees required by regulation without actually having them in the workplace. Private firms recruits Saudis, pay them a portion of the monthly salary, and ask them not to come to the workplace (Al-Asfour & Khan, 2014). This phenomenon, along with other practices, such as exploitation and corruption, which follow the mandate of localisation, are in an extremely adverse stance to what the localisation programme is focused on achieving, and indicates the profound stereotyping concerning the low

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<sup>2</sup> It was first proposed by Mahdavy and Cook (1970) and then it is associated with the 'resource curse' concept (Sachs & Warner, 2001). It mainly refers to the country that depends on major export or natural resource such as oil and 'the state becomes the main intermediary between the oil sector and the rest of the economy'.

productivity of national workers. Moreover, this also directs attention to the work ethics in such an environment (Tlaiss & Elamin, 2016).


In the above regard, Godard (2002) has argued that a system that requires continuous monitoring and tight control is always challenging and breeds ‘unintended consequences’. In addition, although it is effective in resolving some entrenched challenges, albeit to a limited extent, this nationalisation programme makes it difficult to adopt many best HR practices. For example, in order to recruit nationals, employers are adopting duality of standards in order to create a pool of local candidates and sometimes varying HRM policies with contradicting objectives which lacks the required internal fit (Ehrnrooth & Björkman, 2012; Jenkins & Delbridge, 2013). This has negative consequences on the equity and work satisfaction of foreign employees, and subsequently might affect performance as well; this is also against Islamic values which reject discrimination in all its forms (Tlaiss & Elamin, 2016). Furthermore, Fasano-Filho and Goyal (2004) have argued that, even if all foreigners are replaced in such a localisation process, which is difficult to achieve as not all of these jobs are attractive to locals, the problem of unemployment would still remain with large number of graduates entering the labour market every year, which suggests a critical need for genuine job-creation and seeking to identify other routes so as to solve the unemployment problem.

In its recent vision (2030 vision), the government has also been promoting entrepreneurship and prioritising support for SMEs in an attempt to find new jobs and diversify its economy (see Table 5-1). Moreover, the Saudi government continues to implement many reforms and human resource development initiatives in an effort to face the aforementioned challenges, the last of which is the plan to create HR centres of excellence by 2020 so as to promote best HR practices and provide training in every government agency. In addition, there has been the launch of the King Salman Program for Human Capital Development to examine efficiency in the civil services (2030 vision), alongside other previously established initiatives, such as reforms of the employment regulations to grant more rights for foreign workers, increased minimum wages for Saudi nationals at the General Organisation for Social



Insurance (GOSI), and King Abdullah’s Scholarship Programme <sup>3</sup>(KASP). Further, the ‘Hafiz’ initiative has been implemented, which is a monthly allowance as an unemployment benefit, which aims at helping nationals to gain employment in the private sector. Another focus has been the empowerment of women by boosting their roles in work places and creating more opportunities for them in the job market; this successfully raises the number of women in employment and changes some of the cultural norms (Harry, 2007). Many other initiatives, including privatisation and increasing the number of vocational training institutes, have also sought to reduce public sector dominance in the market and equip locals with the required skills. All these initiatives point to the growing importance of better understanding HRM and the significance of SMEs in job creation in the Saudi context.

Table 5-1 Strategic Goals and Targets of Vision 2030 (derived from the NTP document)

Strategic Objective (4)	Increase the contribution of Small and Medium Enterprises to the gross domestic product				
Relevant Vision 2030 Objectives	<ul style="list-style-type: none"> <li>• Boost Small and Medium enterprises</li> <li>• Boost Productive Families</li> <li>• Boost entrepreneurship</li> </ul>				
Key performance indicators	Baseline	2020 target	Unit	Regional benchmark	International Benchmark
Rate of continuity and existence of new projects (3 years)	Calculation in process	Under study	Percentage	Under study	82.5
Percentage of contribution of Small and Medium Enterprises to the nonoil gross domestic product	33	35	Percentage	60	N/A
Percentage of contribution of Small and Medium Enterprises to the  gross domestic product	20	21	Percentage	36	51

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<sup>3</sup> It is a large scholarship programme which was launched in 2005 by King Abdullah as a means for sustainable development of human resources in Saudi Arabia. It is supported by the government and implemented by the Ministry of Education by sponsoring academically distinguished Saudi citizens to study in the world’s best universities. It aims also to make youths more open to the world by improving their English language proficiency (Ministry of Education).

### **5.3 HR Practices- The Current Situation**

The Saudi government has approved a set of new labour law after joining the World Trade Organisation (WTO). While these changes in regulations give organisations in the private sector an opportunity to adopt the best HR practices of western firms, it remains that various distinct cultural and institutional variables act as barriers to their effective application. Indeed, there is no clear picture of HRM status owing to the fact that HRM research in the Arab world and Saudi Arabia in particular, is highly fragmented, bearing in mind that employment regulations in the private sector are different from those in the public sector. However, several studies examining the Saudi context have reported that the work environment is highly bureaucratic, with low employee empowerment and HRM playing a mainly administrative role (Afiouni, Karam & El-Hajj, 2013). When recruitment is merely focused on appointing those with *wasta*, predominantly in the public sector, the main role of HRM will be to process and compensate those workers without any critical role in the selection or performance appraisals (Harry, 2016). Unfortunately, however, personal and professional relationships are often more important than competencies, even in workplaces that have adopted systematic procedures, with nepotism rooted in the society (e.g. Aldossari & Roberson, 2016). On the other hand, in the private sector, HRM is most likely to play the role of a ‘gatekeeper’ due to the large number of applicants for any post in case it is advertised (Harry, 2016). The availability of cheap labour and increasing unemployment means a high supply of labour, which further contributes to the lack of systematic role of HRM and also to the underestimation of human capital in most organisations. Moreover, most power is in the hands of ‘gatekeepers’ who decide who can get hired and who does not; with the retention of employees being not a priority in the management, including the HRM, agenda. Even sifting the candidates to find the most suitable for the job is a difficult job for HRM specialists without a transparent and strategic approach, in addition to the influence of personal connections and relationships (*wasta*) on the final selection decision (Mellahi & Wood, 2001). However, the industry and the nature of the post also have an influence on recruitment and selection practices, with some jobs, e.g. programming and coding, requiring specific skills and innovation techniques, which subsequently lead to adopting more formal methods that can identify applicants with related skills and competencies (Ali, 2009). In contrast, according to the studies

available, there has been a slight improvement in the adaptation of best HR practices in Saudi firms. As an example, while HRD principles were shown by Budhwar and Debrah (2001) to have been rarely applied, later studies have found that more firms are adopting HRD policies (Mellahi, 2007). At the same time, Harry (2007) states that investment in human capitals is widely neglected, as organisations feel that it is a waste, especially for national employees who can move easily to another job, and even for foreign workers, with the idea that replacing them with another ready expatriate would be less expensive. Such an absence of education and training opportunity contributes to the inclination of Saudi nationals to work in the public sector, especially when also considering job security and position power (Al-Asfour & Khan, 2014).

Pay and promotion in the public sector are based on tenure, and sometimes on loyalty, in such a collectivist society; therefore, performance appraisals have little importance, meaning that employees have low motivation when it comes to improving their performance. In the private sector, the situation should be reasonably better, and there is some sort of performance management that is related to pay; however, it adopts a top-down approach, with pay being based on nationality, with *wasta* and relationships still continuing to be an influence as they always form a challenge for standardised and systematic HRM practices (Hutchings & Weir, 2006). Hence, feedback tools, such as 360 and self-appraisal, are less common as assessment is always viewed to be more acceptable from a superior person (Namazie & Venegas, 2016). In a high-power distance and collectivist culture, non-economic and intrinsic rewards have a weighted meaning for employees, as feelings of respect and appreciation are valued and considered impressive (Mendonca & Kanungo, 1994).

In summary, the impact of government regulations has been widely recognised, to varying degrees, in many countries (e.g., Kuruvilla, 1996; Godard, 2002). This overview is intended to clarify the key role adopted by the Saudi government in the formation of HRM policies and practices, as well as its efforts to develop the implementation of the best HR practices. Simultaneously, organisations are not passive recipients of these regulations, with many other factors affecting their compliance. Furthermore, although there are many HRM models in the literature that have been proven to add value to the effectiveness of organisations, there remains a

lack of information concerning their specific utility in GCC countries. In fact, no comprehensive analysis pertaining to HR models and practices within the Middle-East region exists to date, with studies tending to focus only on MNCs (Budhwar & Mellahi, 2006; Afiouni, Ruël & Schuler, 2014). All of this emphasises the need to establish a contextual approach to studying HRM within SMEs in this particular region of the world. The following section will discuss SMEs in Saudi Arabia and will further provide key facts and statistics to establish the context for the proposed investigation.

#### **5.4 SMEs in Saudi Arabia**

The last decade has witnessed a growing trend towards diversification in oil-focused economies. As a consequence, Saudi Arabia is now identifying greater recognition in regards to the important role adopted by SMEs in accelerating the pace of economic and social development. SMEs have been marginalised before, with large family-owned or state-owned organisations dominating the market, as well as owing to the low traditional entrepreneurship orientation amongst the population due to cultural and economic reasons, particularly in a society that is characterised by high uncertainty avoidance and a fear of risk-taking (Mueller & Thomas, 2001). However, currently, Saudi Arabia emphasises entrepreneurship and provides great support for SMEs, especially in its new economic vision (2030 vision), stating that it constitutes a necessary route towards the diversification of the economic system, as well as spurring innovation and expanding job opportunities for Saudis. In addition, the structure of the population and their level of education have been increased considerably in the recent years which also plays a role in raising the entrepreneurship orientation in the country (GEM, 2017/18). Moreover, recent reports clarify that Saudi Arabia is ranked amongst the top in the world in the proportion of young entrepreneurs (Saudi Gazette, 2016). In addition, as evidence of the government plan to invest in SMEs, an independent authority (SMEA), which known eventually as Monsha'at, has been established to 'develop, enable, and advocate' SMEs in Saudi Arabia. A single authority for SMEs is a step forward towards a holistic approach to developing the sector. Before establishing the authority, there were many initiatives to support SMEs sector, although the majority

of these were working in a fractured manner. Some of the most important government and non-government programmes specialised in the support of SMEs are Saudi Industrial Development Fund (SIDF), Saudi Credit and Saving Bank, The Centennial Fund, and Abdullatif Jamel Fund for Small Business, all of which provided financial and non-financial assistance.

The new government vision (2030 vision) stresses the need for a comprehensive social and institutional framework to nurture entrepreneurship and creativity whilst maintaining Saudi Arabia's distinct national values. It therefore seeks to foster an environment that can encourage SME development and increase their competitiveness. The implementation of effective HR practices within SMEs can make this objective achievable. Looney (2004) believes that Saudi SMEs have the potential to play crucial roles in the economy. Aside from employing locals and generating new income sources for the country, they are a means to developing technical and managerial skills, to creating new generations of investors and inventors, to offering large enterprises complementary services, and to helping in absorbing the fluctuations inherent in a modern economy. They also support the goal of women empowerment and employment, with Fergany (1998) having stated that women exceed men in establishing new businesses. In Saudi Arabia, there are approximately 2 million SMEs, accounting for more than 95% of all business (Monsha'at, 2010); however, they only account for 33% of the non-oil GDP, which is below comparable international benchmarks (Pfiester, 2010). This can potentially be explained by the fact that the majority of SMEs are concentrated in low-productivity sectors—for example, 50% of Saudi SMEs are in retail and trade (GCF, 2015)—and also low labour productivity. Moreover, they only employ around 30% of the total private sector workforce, which is lower than typical SMEs' employment rates in many other developing and developed countries (General Authority for Statistics, 2010), especially that Saudi nationals view jobs in private sectors and SMEs as particularly unattractive. The weak contribution to the GDP and the low level of employment together indicate that there might be issues that need to be investigated in order to support the important role SMEs are able to play in the economy. Additionally, most Saudi SMEs seem to be limited internally, and far from adopting growth orientation or internationalisation, which may be largely due to a

lack of required entrepreneurial or managerial skills (Looney, 2004). In many cases, there may also be limited funds to upgrade human resources.

Saudi Arabia is striving towards the adoption of a knowledge-based economy, characterised by an increasing share of small and medium-sized enterprises (Audretsch *et al.*, 2002), which simultaneously increases the importance of Human Resource Management. Therefore, it is imperative that HRM practices be studied in that context as a motivator to improving the effectiveness of Saudi enterprises, especially when considering that one can expect that SMEs—which are more likely heading for growth and increased competitiveness—will be in need of improving their human capital so as to add value. This need is intensified when considering the recognised lack of theoretically grounded and holistic research amongst Saudi Arabian SMEs (Achoui, 2009).

## **5.5 Conclusion and Summary of the Chapter**

The previous sections have provided a synopsis of the status of SMEs in Saudi Arabia, in addition to a general overview of the various factors influencing human resource practices in the region. The Kingdom of Saudi Arabia is utilised as an example of GCC Countries, based on the assumption that these countries share many similar economic and social characteristics. There is a dearth of HRM research in the Arab world in general and in Saudi Arabia in particular (Taliss & Elamin, 2016), with the systematic literature review in Chapter 2 identifying no studies about HRM in SMEs in the entire Middle East area, despite its various and unique contexts. The desire to diversify the national economy and overcome emergent economic and social issues has led the Saudi government to encourage and support SMEs, rather than merely focusing on replacing expatriates. However, the paucity of high quality data is evident in the reliability of figures and statistics, which have been shown to be inaccurate within the entire region (Harry, 2007). Such a lack of accurate figures, as argued by Al-Dosary and Rahman (2005), is indicative of the unwillingness of the government, in spite of the initiatives previously mentioned, to seriously uptake or acknowledge the labour market and HRM issues in the region. It is important to explore HR practices in that context since there generally is a lack of HRM research

in the area. Across such a grid of economic, political and cultural factors, in addition to labour market conditions in the Saudi context, it is imperative to adopt a theoretical framework that includes these variables due to its significant impact on HR practices within the Saudi SMEs. Additionally, the Saudi context is dynamic and rapidly developing, and appears to be witnessing many dramatic changes that can be seen in its social, political and economic structure owing to its young population (Varshney, 2016b). With all these hasty and complex changes—which undoubtedly have an impact on the nature of the culture and society, and also on the demographic structure—there appears to be a need to examine whether or not the same external and cultural factors still hold the same importance and influence on HR practices. The applicability of HRM models across all GCC countries, and particularly in Saudi Arabia, is an issue that therefore needs to be reassessed, with many arguing that these models sit uneasily in Arab cultures (Debrah & Budhwar, 2001). When considering that the need to understand HR practices within SMEs has generally been recognised by many researchers (e.g., Heneman *et al.*, 2000; Nguyen & Bryant, 2004), it is crucial to conduct such studies in less well-known contexts that have distinctive characteristics and different cultures, supporting the country-focused debate and thereby enabling the applicability of western theories to be tested with regards to this topic.

After informing the understanding regarding the characteristics of the Saudi context, the first chapter of the findings will be introduced next.

# Chapter 6

## FINDINGS 1 STRUCTURING THE EVENT: THE ‘WHAT’ AND ‘HOW’ OF HRM IN SAUDI SMES

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### 6.1 Introduction

From the interviews conducted with the owner-managers and employees of the case studies, in addition to the use of firms’ documents as an additional source for data, the findings in this chapter aim to address the first research objective and describe in details the ‘what’ and ‘how’ of HRM within the Saudi SMEs case studies. By identifying these HRM practices and processes, this research is unfolding the ‘observable events’ of HRM within SMEs exploring what actors actually do and how they implement the practices (Delbridge & Whitfield, 2007). The results revealed that specific Human Resources practices were used more so than others, although a wide range of practices has been identified inconsistently across the firms. The case studies displayed much variation especially in the process by which HRM practices are implemented, although patterns can be identified; ranging from extremely informal to a more sophisticated and strategic, oriented approach, that at least satisfied the purposes for which they were intended. Following studies like (Cassell *et al.*, 2002; Barrett & Mayson, 2007; Ho *et al.*, 2010), the structure of this chapter is based on the main HRM functions, namely, recruitment and selection, training and development, performance appraisals, rewards, and employee relations which all come after discussing the existence of an HR unit or officer within the



firms. Then, the HRM approach adopted within the case studies to address the changing economic conditions, which is retrieved from the second phase of interviews, is presented followed by a summary of the chapter. Each section is organised to discern the most common to the least common and highly sophisticated to the ad hoc HRM practices highlighting the appropriate as well as the less appropriate methods and implementation process across the case studies.

## **6.2 The Presence of HR/Personnel Unit/Officer**

Although small firms are less likely to have a HR unit or officer (De Kok, Uhlaner, & Thurik, 2006), surprisingly, three of the firms (Contractor Co., Children's Activity Centre, and Construction Co.) had appointed a HR/personnel officer. However, this does not necessarily equate to more sophisticated HR or more extensive adoption of practices in such firms. In contrast, the current research findings demonstrated examples of adopting more enhanced HR practices in some of the firms, where the HR function was conducted completely by the owner-manager (e.g. the Childcare). Even in those cases with HR units or dedicated HR positions, the role of these units and the individuals in charge of HR remained purely administrative, involved with day-to-day trivial matters whilst participation in significant decision-making was rarely identified. This was explained by the accountant who is responsible for HRM tasks in the Chocolate Co.: *'for managing HR, I am working according to the internal rules... I am just an executer for what has been decided there'*. Two firms (Contractor Co. and Food Co.) reported the use of an information system only to record clock-in times and to keep employee-related information in an effort to organise the work. In the main, those charged with HR focused on documentation and paperwork, in addition to supervising and monitoring the whole workforce. This monitoring function was evident particularly across firms with dominantly low-skilled foreign workers, where HR responsibility involved serving as policeman of the organisation with the aim to control workers' behaviour (e.g. Salon, Printing and Students Services). In this sense, having a dedicated HR officer in the firms did not signal a more strategic role. This highlights the limits of crude survey measures in capturing the nature of HRM responsibility (Harney, 2009), and also echoes early criticism of HRM rhetoric versus organisational realities (Legge, 1995). However, in

rare occasions wider roles, such as selection, appraisals and training arrangements for employees have been assigned to those who are in charge of HRM as it is the case in the (Tech Co.) where the owner-manager devolved relatively most of the HR responsibilities to line managers, with critical decisions remaining in the hands of the top management. Table 6-1 clarifies the HRM responsibilities when dedicated HR/personnel officers were available or when they were devolved to any other employee within the firm. At odds with the extant literature (e.g. Way & Thacker, 2004; Wiesner & McDonald, 2001; Wiesner & Innes, 2010) this clarified the weak influence of the presence of the HR unit or specialist as a determinant of the adoption of more sophisticated HR practices which corresponds with the findings of Wu, Bacon, & Hoque (2014), and further emphasised that the importance of the HR function was primarily determined by the owner-managers of the SMEs. Many of the firms that appointed HR officers justified this decision by not having the required time to handle employees' paperwork in order to comply with the regulations as opposed to ensuring the application of more sophisticated HRM practices. The next section discusses the recruitment and selection practices within the case studies.

Table 6-1 HR Sections/Personnel Responsibilities

<b>Firm</b>	<b>The presence of dedicated HR/Personnel department/officer</b>	<b>HRM Responsibilities when devolved by the owner-manager</b>
Chocolate Co.	No (Accountant has some of the personnel management responsibilities)	Legal requirements for workers' residency, Payroll, Employment contracts, leave arrangement & general supervision
Contractor Co.	Yes (HR manager)	Legal requirements for workers' residency, Payroll, Employment contracts, leave arrangement, Resourcing, Performance Appraisals & general supervision
Construction Co.	Yes (personnel officer)	Legal requirements for worker's residency, Payroll
Printing and Student Service	No (General Secretary and work as a supervisor of all workers)	General supervision and all admin work related to employees records
Food Co.	No (Owner-manager is fully responsible)	–
Salon	No (Salon supervisor has some of personnel management responsibilities)	General supervision, PA
Beauty Centre	No (occasionally the supervisor is allocated some of the people management responsibilities)	–
Tech Co.	No (Every department managers manage their own employees)	Planning, Recruitment & selection, PA, Payroll, ER
Private Primary School	No (Owner-manager is fully responsible)	–
Childcare	No (Owner-manager is fully responsible)	–
Children's Activity Centre	Yes (personnel manager)	Record of attendance and leave arrangement, Resourcing, contribute in PA, Payroll, screening interviews for selections

## 6.3 Recruitment and Selection

Recruitment and selection practices varied greatly from sophisticated recruitment methods and precise selection through to haphazard practices. In general, more sophisticated recruitment and selection practices were evidenced in the cases with high-skilled jobs and whose owner-managers believed in the importance of human capital for the success of the business. The findings of this section are explored via; recruitment planning, recruitment methods, selection methods, and the use of job analysis in recruitment and selection.

### 6.3.1 Recruitment Planning

It was unusual to find that any of the cases planned formally for their recruitment or identified their recruitment needs, as the need was seen to be mostly dependent on the occurrence of a '*shortage of personnel or when [they] noticed that the workload had become greater*' for the existing workforce (HR manager, Contractor Co.). However, there are a few owner-managers who plan for how the necessary HR resources could be acquired alongside their planning for growth. For example, the Childcare owner-manager and her sister, who is one of the employees in the childcare case, stated more than once that they were very concerned about the quality of employees being recruited, and that they do not aim for fast growth but rather steady, well-planned growth, and only after securing the required staff with the right level of skills. Likewise, many others acknowledged that they no longer have surplus labour as they used to before and had begun rightsizing (e.g. Contractor Co.). They also opted to use other techniques, such as having a part-time contract option (Children's Activity Centre), or relocating workers between branches based on work demand (Chocolate Co.). These techniques were implemented with the intention of not missing a good entrepreneurial opportunity, with the tendency to occasionally rent<sup>4</sup> experienced foreign labour if they have short-term projects requiring a temporary additional workforce, rather than transferring their sponsorship, despite it

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<sup>4</sup> 'Rent' is the term applied in (Saudi Arabia) when the owner of a business outsourced non-national labours from another owner, so they are working for his/her firm but they are not under his sponsorship

bringing about a higher cost. Furthermore, few cases had made an effort trying to formulate a recruitment plan; nonetheless, the context of Saudi Arabia, with its fast changes and unstable market (See Chapter 5) in addition to the lack of reliable statistics, makes it very difficult to estimate. The Children's Activity Centre reported using many different approaches to facilitate forecasting demand for their programmes (for example, statistics from airports and Traffic departments to anticipate roughly the density of people during summer holidays in the city and the number of children who might be interested to join summer programs at the same time); however, they failed considerably when it came to providing even a close estimation. Nonetheless, it is clear that even case studies that plan for their recruitment needs (e.g. Children's Activity Centre, Childcare, Tech Co.) focus on identifying needs only for core employees in the business whilst other supporting jobs are neglected, thus resulting in a waste of resources in one case (Private Primary School) as the owner-manager admitted

*I sometimes say to the employee, when signing the contract, I might need you in another position, so you shall not refuse that. Frankly however, I don't usually need that, basically because the number of employees is greater than the need. I have employees whom I do not want to dismiss. For example, cleaning ladies are more than we need which made no need for attendants as they can do their jobs*

In the context of this overall sense of planning the next section will narrate the recruitment methods utilised by case organisations.

### **6.3.2 Recruitment Methods**

It has been noticed that informal approaches of recruitment were preferred amongst these SMEs, as they found social media accounts, word of mouth, personal relationships, and hiring family members to be more effective. This reinforces the high collectivism in the Saudi society as both the owner-managers and employees play parts in suggesting people they know. Although these informal methods can reach only a small pool of potential applicants, owner-managers might perceive them to be more effective because applicants will have realistic expectation about the requirements of the job beforehand, and also existing employees will be more willing to support and coach the new ones that they have recommended (Tanova &

Nadiri, 2005). The owner-manager of the Chocolate Co. indicated that '*everything is changing now, and formal routes are not working like before*'; however, few cases still use traditional channels such as newspapers and specialist trade press. Nevertheless, because of the high unemployment rate in the country, some of the case studies (e.g. Children's Activity Centre, the Salon, and Food Co.) advised that they occasionally do not need to advertise for a vacancy as they are already receiving many CVs via email or through walk-ins, meaning they begin to search for applicants amongst these unsolicited CVs and therefore only need to advertise when they do not find anyone suitable. When it comes to recruiting nationals, there is also a local centre (TAQAT/ Government Recruitment Centre) that maintains a database of job-seekers, with some case studies (e.g. Food Co., Private Primary School, the Salon and Beauty Centre) reporting using this service; however, they were all unsatisfied with the quality of applicants sent to them by this centre.

Whilst the personal relations/knowledge and word of mouth approaches are the most common methods of recruitment, especially when seeking out applicants in the same country, it is nonetheless difficult to know anything about the workers before they arrive in the country and have been already hired when overseas recruitment is utilised. These case studies (e.g. Food Co., and Printing and Student Services) recruit randomly—even if they are recruiting from the local labour market by using the loose network connections—with one owner-manager (Food Co.) even asking a security guard in a shopping mall if he knows a Saudi national who needs a job in an effort to satisfy localisation regulations. Additionally, they put less effort into looking for the most appropriate applicant as recruitment processes in such cases have been noticed to be characterised by rashness and convenience (first come first hired basis) with many employees interviewed stating that '*there was no competition at time of application*' (An employee in the Salon) and they have been unexpectedly requested to work immediately (Employees in the Food Co. and Printing and Student Services).

On the other hand, some case studies were very accurate in searching for suitable applicants and preparing sophisticated procedures to ensure the suitability of employees and their fit with the enterprise. This careful recruitment and selection has been found in cases, such as schools and the Children's Activity Centre, whose owner-manager stated that she recently started to target volunteers in charities,

searching for people with a strong work ethic and culture. She asserted that, whenever she saw something atypical in applicants, she directed her efforts towards attracting that applicant, looking for creativity. The Childcare case study was found to be using the *Isteqtab* technique (attracting or headhunting), searching for outstanding employees who are already working for other workplaces and trying to attract them, in addition to using other validation processes. They present any applicant with the opportunity to work for them for three weeks, without any official commitment, which acts as a real test in determining their appropriateness whilst avoiding the costs of the Montessori training course, which they necessitate as a pre-requisite for working in the organisation. They also consult the certified trainer about the level of trainees, and ask her to recommend names or sometimes use her as a reference source, especially when asking for testimonials, which is not a culturally common practice, meaning national applicants are reluctant to do so, as highlighted by the owner-manager of (Contractor Co.). The Private Primary School did not only outline attending the Montessori training course and passing the exam as a condition for selection, but also proactively created their own pool of applicants by having the training available in the school for potential applicants. Those applicants had already satisfied the speciality requirements (Childhood speciality), however, since the city they were in was lacking a certified training centre such as that used in the Childcare case, they worked to have one at home. One of the sophisticated processes mentioned by the personnel officer in the Children's Activity Centre was that, when designing the vacancy ad, they '*try to be very clear about the nature of the job and the type of the contract*', which helps to avoid the waste of efforts with applicants who do not want a specific kind of jobs and further assures applicants are not misled. Table 6-2 below provides a summary for recruitment practices. Next, the selection methods used by the case studies will be introduced.

Table 6-2 Summary of Recruitment Practices

Practice or Method	Specific examples	Number of Case studies
Word of mouth and personal relations	Family members related to top management	4 (Salon, Beauty Centre, Tech Co., Childcare)
	Applicants equally recommended by owner-managers and employees	6 (Printing and Student Services, Salon, Beauty Centre, Tech Co., Children's Activity Centre, Childcare)
	Unsystematic use of the loose and tight networks	1 (Food Co.)
Overseas recruitment offices	Completely outsourcing recruitment tasks of foreign applicants	3 (Printing and Student Services, Food Co., Salon)
	Partially outsourcing recruitment tasks of foreign applicants	6 (Chocolate Co., Contractor Co., Construction Co., Beauty Centre, Tech Co., Private Primary School)
Governmental Recruitment Centre (TAQAT)	Send job vacancies to the national recruitment centre	5 (Contractor Co., Food Co., Salon, Beauty Centre, and Private Primary School)
Posting recruitment ads	Social media accounts (e.g. Twitter, Instagram...) and communication apps e.g. What's App	5 (Food Co., Beauty Centre, Salon, Private Primary School, and Children's Activity Centre)
	Traditional recruitment methods (employment agencies, Newspapers, Website...	4 (Contractor Co., Construction Co., Printing and Student Services, and Tech Co.)
Attracting ( <i>Istiqtab</i> )	From Competitors or via attending conferences and targeting volunteers in Charities	2 (Children's Activity Centre and Childcare)



### 6.3.3 Selection Methods

The majority of the case studies (eight) use different methods of selection when seeking to recruit from the local labour market as opposed to importing labour through the use of recruitment offices overseas. These offices rarely give a chance for owner-managers to select after sending the person specifications required to fill a vacancy, meaning owner-managers are one step removed. It is true that they might know something about the worker by looking at his/her CV and that the main selection is conducted based on what is written in the CV or sometimes upon recommendations by existing employees; however, it is rare that the individual is met and interviews or tests carried out before they arrive for work. As such, if the job for which they are recruiting is critical to the success of the business, the owner-managers most often need to travel to select by themselves or otherwise need to conduct interviews by phone, as shown when hiring a chef for the Food Co. and some hair stylists for the Beauty Centre. The same cases that delegate overseas offices to select on their behalf (e.g. Contractor Co.) use interviews and job knowledge tests to select applicants from the local labour market. These selection methods were particularly applied when there is no previous personal knowledge with the applicant as owner-managers occasionally made decisions regarding selection based on the degree of knowledge; without utilising any selection tool. The appointment of an employee whose family is known to the owner-manager in the Printing and Student Services and hiring family members in other firms served as examples for the previous point. In such case studies, foreigners<sup>5</sup> are the main consideration in recruitment plans; however, employment regulations obligate them to hire Saudi nationals and from here the ambivalent, double-standard, HR practices become apparent.

While interviews are used as the main selection tool for most of the case studies, different types of interviews are used for remarkably different purposes: for example, screening interviews, which are usually conducted by an appointed employee who is responsible for managing personnel, with the nominated applicant completing a selection interview by the owner-manager as the final decision-maker (e.g. the

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<sup>5</sup> Foreigner' is the term used among business people in Saudi Arabia to describe non-national workers who are mostly hired via overseas recruitment offices

Contractor Co. and the Construction Co.). Behavioural and problem-solving interviews are also utilised, such as when the personnel officer in the Children's Activity Centre asked applicants in the screening interviews to talk about their experience in creating innovative tools in children's training. Another example would be when the owner-manager of the Chocolate Co. asked the applicants, notably during the phone job interviews, to convince him to use a specific type of product to test their marketing skills. Most owner-managers believe that, when doing an interview, they can find out about the personality of the applicant by virtue of experience, which implies the high subjectivity of the owner-managers in the selection process and justifies the lack of popularity of personality tests as a selection method, in addition to not believing in their efficiency. The owner-manager of the Tech firm illustrated this idea when stating the following:

*Sometimes when you sit with the applicant you know if he is going to succeed with you or not. It is not a philosophy; it is from my experience. We do not use personality tests but we can find out about the applicant's personality by the interview.*

Exceptionally, the Children's Activity Centre has developed an application form that differs from typical ones, which focus only on personal information, with the inclusion of many questions in a way similar to personality tests. Also, there is evidence to support the fair and transparent selection process in this case particularly, as illustrated in the following quotation by an employee

*They were very fair and obvious. My sister and I applied at the same time, I was accepted, but she was not due to her non-appropriateness as her qualifications and skills do not match with the requirements for training jobs*

There was limited use of job knowledge tests, with this approach only valuable for specific types of occupations, such as accounting, engineering, and teaching rather than formal use for all the jobs in one organisation. In addition, the probation period following the signing of the contract serves as the last appropriateness test in most cases, although some owner-managers (e.g Contractor Co.) reported an inappropriate way of testing the enthusiasm of new employees during this period by assigning tasks for completion at the weekends.

Many case studies (e.g Children's Activity Centre, Tech Co., Childcare, Contractor Co., Construction Co., and Chocolate Co.) suggest that competencies and sometimes experience and other personal attributes are more important to them than qualification when selecting amongst applicants, even in high-skilled jobs, as they can give examples from existing employees who are considered high performers with no high qualifications and vice versa (Children's Activity Centre). This approach also indicated the importance of fit in selection for several case studies especially when recruiting from the local labour market where they have more control over the process of hiring. For example, although they are mostly dependent on overseas recruitment, an employee in the Chocolate Co. noted that '*as a small company [they] are not looking at the best applicant but the best that fits [their] resources and financial position*'. Furthermore, other case studies put more emphasis on attitudes of applicants as a selection criterion (e.g. Childcare) while other firms focused more on skills and qualifications (e.g. Private Primary School). However, the selection criteria in most of these cases is affected hugely by many other factors, especially the owner-manager's passion for the business or to the field in which he/she is doing business (as will be discussed later on in the determinants), especially that not all entrepreneurs are rational and have adequate awareness to select what fits rather than what they subjectively believe is the best. Aberrantly, findings show examples of owner-managers who were extremely impractical in their abstract requirements which created a gap and flawed outcomes, such as the case of the Food Co., where the enthusiasm and impulsiveness of the owner-manager led her to be very unrealistic, looking for ready-made perfect national applicants to recruit. It is understood that any organisation needs an employee who can add value; however, in this case, much more, relative to the nature of the jobs in her firm, was required, notably in the form of someone who '*does something [the owner-manager] does not know*', someone who can teach her '*something new*'. She continued by describing her ideal applicant when saying:

*I want the ambitious person who has the initiative, the creative who proposes new ideas every day and makes me learn from him and if he comes up with an idea he is willing to implement it.*

Such subjective criteria in selection exacerbated her relationships with employees and resulted in high turnover and dismissal of employees in a constant search for the

dream applicant. Table 6-3 summarises the selection practices utilised by the case studies. The next section explores the use of job analysis within the case studies and specifically to guide recruitment and selection decisions.

Table 6-3 Summary of Selection Practices

<b>Practice or Method</b>	<b>Examples</b>	<b>Number of Case studies</b>
<b>Interviews</b>	Behavioural and situational interviews	5 (Children’s Activity Centre, Childcare, Private Primary School, Chocolate Co., Contractor Co.)
	Screening Interview	3 (Contractor Co., Tech Co., and Children’s Activity Centre)
<b>Job knowledge Tests</b>	Accountant tests	1 (Tech Co.)
	Montessori Course test	2 (Private Primary School, Childcare)
<b>Consultants or reference check</b>	Ask employees to provide a reference	1 (Contractor Co.)
	Check with the trainer of the course or previous workplace manager	1 (Childcare)
<b>Personality Tests</b>	Through the application form	1 (Children’s Activity Centre)

### 6.3.4 The Use of Job Analysis

When asked about their job role, it was common to find employees stating, *'I carry out anything [the owner-manager] demands'* (Employee, Printing and Student Services), or to otherwise find personnel management tasks as being achieved by employees with other job titles, such as an accountant or general supervisor. This confusion in the main role and having multiple tasks and responsibilities was seen to arise owing to the absence of anything related to a job analysis/job description in most cases which corresponds with the findings of Singh and Vohra (2009). It also reflects one of the common characteristics of SMEs.

Some cases (e.g. Salon, Beauty Centre, Chocolate Co, Construction Co. & Printing & Student Service) acknowledged neglecting the use of a job description or person specification especially for recruitment and selection because of the fact that they are basically dependent on importing low- or semi-skilled labour through the use of overseas recruitment offices. Even if systematic HRM practices exist, there is generally an underestimation as to the importance of job analysis, with most of the interviewed owner-managers and employees thinking that such practices are too formal for a firm of their size and only large organisations doing so as an employee in the Contractor Co. explained: *'we are a small establishment, and every employee and his tasks are known to us all so no need for very formal ways for this'*. There were definitely some exceptions; for example, the personnel officer in the Children's Activity Centre case study reported difficulties in applying the job description and person specifications prepared, which forced them to amend and downgrade their specifications so as to match the type of applicants available. The Childcare and the Private Primary School also adopted a piecemeal approach to job analysis to organise the work and manage expectations more than for recruitment and selection, as they had attached a tasks and responsibilities document to be signed with the job contract in order to avoid conflict about rights and duties, while the Tech Co. likewise confirmed that they include them within the job contract. Similarly, the Contractor Co. asked each section to prepare the main responsibilities for each job and to hand this document to the worker after being officially hired, in addition to using these tasks as a guide for the person specifications, required only for high-skilled occupations, such as engineers. Nonetheless, it is true that having a very

refined and formal approach to job analysis might be simply not necessary due to the transparency inherited in small firms or might be inappropriate and overly rigid for SMEs. However, the absence of a basic job description has many consequences when it comes to pursuing effective selection decisions, as the centrality of job analysis for people selection and other personnel decisions is fully documented (Robinson-Morrall *et al.*, 2018; Breugh, 2017; Clifford, 1994). This is exemplified in the dissatisfaction expressed by an employee in the Printing and Student Service case study when he assured that he is ‘*doing everything*’ in this Co. and not only the tasks related to his job, thus, he believed that it is unfair to be compared in rewards to another employee just because they are holding the same job title. Table 6-4 below gives examples of the ways in which job analysis is used, and it is followed by introducing the training and development techniques utilised within the cases.

Table 6-4 Use of Job Analysis

<b>Practice or Method</b>	<b>Examples</b>	<b>Number of case studies</b>
<b>The use of job description and person specification</b>	In recruitment and selection and to organise the work	2 (Contractor Co., and Children’s Activity Centre)
	Only job descriptions and lists of tasks and responsibilities mainly to organise the work	3 (Childcare, Private Primary School, and Tech Co.)

## 6.4 Training and Development

The analysis of the interviews revealed that most of the case studies do not have a formal induction or training programme for the entire workforce, mainly as a result of training costs and a fear that employees might leave for a competitor (e.g. Tech Co.). This situation was also commonly as a result of considering employees' training and development as limited to the worker's knowledge of how to do the job (e.g. Contractor Co.), with any training beyond the necessary stage of job performance recognised as overindulgence, which is only provided when the firm is making high profit. The owner-manager of the Contractor Co. recalled, *'the worker who operated machines and equipment, if he knows how to deal with them, he does not need training because nothing has changed unless there are updates'*. This was similar to the view held by the department manager in the Tech firm: *'there is no external organisation that can provide any training for my employees as we are the only one who can do that as the programme designer. External trainers will train employees about what?'* On the other hand, it was sometimes viewed as being the responsibility of the employee as opposed to the organization. The owner-manager of the Construction Co. tried to explain this idea by giving an example of an employee working in his firm,

*I have a supervisor who was a cashier in a shop and I now appointed him as a supervisor. The man is now almost the third best drawer in AutoCAD. When he came to Saudi Arabia, he did not know how to turn on a computer—he is a Yemeni. He is now creative in designs and works with the whole 3D stuff, he self-develops himself.*

Other owner-managers were very dissatisfied with external training providers as being designed for purely commercial purposes, and claimed that to be the reason behind their unwillingness to send their employees to these centres. This is exemplified in the quotation by the Food Co. owner-manager, although this claim is less likely to be taken due to the lack of any formal or informal training within this particular firm:

*I have no objection to paying the costs of practical courses that would develop them. However, I have never experienced this because I have not seen a training course that deserves or will benefit us.*

The owner-manager of the Childcare case study also maintains that employees' attitude, ability to change and their acceptance for criticism are more important than attending many training courses. Furthermore, nothing has been said about conducting any training needs analysis, although one of the managers (Children's Activity Centre) reported doing so informally during the PA discussion. However, the majority of firms (7 cases) offer both the newly recruited and tenured workers a range of development opportunities, which can be grouped as follows:

**Induction:** As mentioned in the beginning, a formal induction programme is completely lacking; however, there was only one firm (Children's Activity Centre), which had special arrangements in place for the first week, which included an introduction to the devices and tools used in the courses. In addition, because of the reliance on low-skilled labour, other firms, such as the Contractor Co. and the Chocolate Co., have no option but to allocate the first months to teaching the work tasks from the basics without being required to do so by law. This is exemplified in this quote by the owner-manager of the Contractor Co.

*The employee who comes from abroad cannot directly commence work except after three months, during these three months we provide him training*

**On-the-job training:** The organisations in the study largely prioritised job-related skills; hence, the majority of the firms found that the 'sitting-with-Nellie' approach was applicable and cost-effective, especially for new employees, who are usually paired with seniors to help them to learn tasks by practice. Such an approach has been identified in the literature as being common among typically resource-constrained SMEs (e.g. Cassell *et al.*, 2002; Bae & Yu, 2005; Messersmith & Wales, 2011; Sheehan, 2014). This method also allowed managers to continuously monitor the progress of the new employees. We can see examples of this approach from the case studies below:

*We do not send our employees to take training courses, we follow an approach of any senior employee will train the new one. (An accountant, Chocolate Co)*



*We do not train them in training institutes, but train them with the workers who started working here before them. (HR officer, Contractor Co)*

*We place every new employee in the branch in which there's a senior employee with the same nationality and language in order to learn from him. (An employee, Printing and Students Services)*

*The senior employee trains the fresh one, i.e. this is our policy in the Salon. (The owner-manager, Salon)*

*The senior workers trained me on everything. Now I'm teaching newcomers. (A stylist, Beauty Centre)*

Notably, however, one of the owner-managers said that they relied infrequently on external trainers for on-the-job training as she had noticed employees learnt faster with them. Coaching was also found to be a viable option for employees joining in the middle of the year especially for firms with high-skilled jobs as some of the firms were only running a training programme once a year. For example, in the Private Primary School, the owner-manager explained that they required applicants to be knowledgeable about the Montessori system and they made the training program available for the applicants once a year. Therefore, they found coaching to be an effective way to prepare teachers who missed the training until they have a chance to attend the course. In addition, another example of coaching was found in the Children's Activity Centre when the Personnel manager described how she learned the tasks of her job:

*The [owner-manager's] way was very nice. When I was transferred, she used to devote an hour a day to train me on certain tasks. I was eager and interested, I wanted to learn more. She also did not assign to me all the tasks in the first month, but I take the responsibilities gradually which made it easier for me to understand and learn.*

Moreover, the fact of having monthly evaluation in at least three cases (e.g. Children's activity Centre, Contractor Co., and Private Primary School) is regarded by some of the employees as '*constant guidance from the manager ... which makes [them] learn and develop [themselves]*'. In general, on-the-job training is held as being at the centre of attention for firms with low-skilled jobs, particularly as

workers with low skillsets and less education are commonly more satisfied with their situation (Lam, Zhang, & Baum, 2001) and are lacking awareness in regards the importance of acquiring generic skills. This was echoed by the chef in the Food Co.:

*My work is excellent. I do not face any difficulties that makes me not in need for any training. I can do all the work by myself without even assistants.*

The receptionist at the Salon thought similarly:

*Work in a reception is like common sense and easy, and does not need training.*

**Off-the-job training:** Although there were no comprehensive training programmes, several cases had training occasionally for their employees in different ways, including strategically to cut costs. The suppliers of the beauty products in the Salon and the Beauty Centre, for instance, provide training if needed on how to use them, along with other skills, in addition to other training sessions, as organised by the owner-manager and presented in the workplace by an external trainer. Similarly, the Contractor Co. relied on the supplier of the machines in the factory to train labour or on the programmers of the programmes they are working with whenever needed, whilst administrative employees reported attending most of the public seminars and workshops introduced by the Chamber of Commerce and other institutions to be able to keep up-to-date with continuous changes in the market. There was also the application of a peer-learning technique, with the owner-manager of the Private Primary school finding it to be ‘*remarkably effective*’. Whenever one of the employees attended an external training course, she was required to present to her colleagues what had been learnt. Furthermore, in two of the cases, the owner-manager performed the role of trainer. Because each of the owner-managers in the Children’s Activity Centre is a certified trainer in different fields, they train their employees to improve their job-specific and also other professional skills. Likewise, the Childcare case was a very good example of embracing the concept of continuous development by holding what the owner-manager referred to as ‘a developmental meeting’ for teachers, particularly as a tool to refresh their knowledge, enhance quality and creativity, share knowledge, and learn new complementary skills.

*They already took the basic training, so after that comes development. We have a weekly meeting which we call developmental meetings, every meeting we discuss*

*how to develop a specific thing. ... This course is a slight refresh for our information as long as you have experience and you have the basics, as long as you have the skills, as long as you have the passion, just for more clarity or to update our tools in teaching, for example reading story skills, new methods of education, even if, for example, things in the special education, we discuss issues in the special education for the purpose of solving the problems experienced with children. It is good that the teacher is not only having information in early childhood, but also in other educational specialties in general, the child's psychology, hyperactivity, and autism and other disorder like supplementary information to their basics. (Owner-manager, Childcare)*

Moreover, the Tech Co. applied a similar approach, albeit infrequently, in order to keep their employees updated with any changes in their programmes. This indicates that learning and transfer of knowledge can happen without formal procedures of training and this tacit knowledge can be significant to the firm (Saru, 2007).

Nonetheless, it was common that a particular category of employee, such as accountant, teacher, engineer or architect, who usually form the backbone of the business activity (core employees), received more training than the rest of the employees in the same company (Lepak & Snell, 2002). It is also worth mentioning that the analysis of the data did not find any trace of management development training, which indicated the low level of delegation and empowerment echoing the findings of previous research (e.g. Kotey & Sheridan, 2001; Bartram, 2005). Nonetheless, the personnel officer in (Chocolate Co.) mentioned that such a training course for management development had been conducted once since the establishment of the company, which can be justified by appointing tenured but low-skilled workers as managers whilst completely lacking management skills. Interestingly, it had been found that the owner-manager of the Childcare case had arranged an informal regular meeting with her sister at home—named as a ‘*bed meeting*’. Her sister, who essentially worked as a supervisor at the same organisation, would have informed her at these meetings about what she should take care of in her management style, based on the sister’s observation of the daily working incidences in a way similar to a mentorship programme. This can be reflective of the familial nature of the enterprise and their familial relations.

**Job rotation:** Several case study firms claimed that they use job rotation as a technique, but mostly not for the sake of employees' development but rather for the benefit of the work itself, as highlighted by the owner-manager of the Tech Co. who stated that it is applied only if it adds value to the work, or otherwise as a hidden message for employees to make them understand that no one will hold the same position forever and it was a case of '*survival of the fittest*'. Other businesses (e.g. Food Co., Printing and Student Service, and Beauty Centre) were confused as to the real meaning of the job rotation concept, and accordingly were discussing relocating their employees between branches or different places, with such geographic transfer, sometimes, carried out in order to avoid conflict between workers in the same place, rather than for development purposes. The only case that applied this technique properly was the Contractor Co., amongst factory workers, although they reported a cautious application in order to ensure financial waste would be avoided. This result stands at odds to what Way (2002), Kotey and Sheridan (2001), and Richbell, Szerb, and Vitai (2010) have found about the prevalence of job rotation among SMEs. This rigidity is also surprising due to the previous finding of limited use of job analysis or a job description.

#### **6.4.1 Training Evaluation**

Although most of the case studies did not have a formal training programme for all employees, unexpectedly, some of them reported the use of specific techniques to evaluate training effectiveness—a practice deemed to be lacking in some large businesses. For example, at the Children's Activity Centre and the Childcare case, the application of the newly acquired skills has been taken into account, either as a section in their performance appraisal form or as an item in the informal continuous assessment without being required to do so by regulations. Importantly, the Contractor Co. only relied on the employees' self-assessment, requiring them to fill in a table in the monthly report, detailing new skills they have learnt and been able to use. Businesses such as the Salon, for example, depended on suppliers to introduce off-the-job-training, and also relied on them to follow-up the results and ensure that all employees were able to apply what they had learnt. However, the rest of the firms typically considered organisational performance as the real measure for training effectiveness as explained by the owner-manager of the Tech Co.:

*Work itself is the real evaluation for the training provided, the performance.  
Whatever evaluation you did; you will never know until you face a real situation.*

## **6.4.2 Training Budget**

Most cases (9) informed that they do not allocate a specific budget to training and failed to provide specific figures, although this would depend on the situation; a thing that would be considered common among small business (Sadler-Smith, Sargeant & Dawson, 1998; Kitching & Blackburn, 2002). Some justified this by not being the party providing the training programme, because training is included in the contract with the suppliers, as mentioned above (e.g. Beauty Centre, Contractor Co.) or otherwise owing to the relatively high cost of training in comparison to the number of employees which makes their decision to allocate a budget reliant on the financial position of the firm as they might prefer to spend this money elsewhere (e.g. Tech Co.). However, the Children's Activity Centre is the only case that stated clearly that they assign specific funds for employees' training, whilst the Contractor Co. explained that there is no specific budget for training courses in particular but that they, as partners, had an agreement that 15% of the profits should be spent on organisational development in general. Table 6-5 below provides a summary of the development opportunities across the case studies. Then, performance appraisal methods are presented in the next section.

Table 6-5 Summary of Training and Development Practices

Practice or method	Examples	Number of the Case studies
Induction training for new employees	Formal	1 (Children's Activity Centre)
	Informal (employees cannot commence work until they finish learning all the tasks)	1 (Contractor Co.)
On-the-job training	"Sitting-with-Nellie"	6 (Chocolate Co., Contractor Co., Construction Co., Printing & Student Service, Salon, & Beauty Centre)
	Coaching for new employees	3 (Childcare, Private Primary School, Children's Activity Centre)
Off-the-job training	By the owner-managers	2 (Children's Activity Centre, Childcare)
	By Suppliers	3 (Contractor Co., Salon, Beauty Centre)
	By external trainer (private & advisory governmental bodies)	4 (Chocolate Co., Beauty Centre, Contractor Co., Private Primary School)
	Peer training	2 (Private Primary School, Contractor Co.)
	Task-related skills	All except (Food Co., Printing & Student Service)
	General Skills	3 (Private Primary School, Childcare, Children's Activity Centre)
Job rotation	Only for limited no. of factory labours	1 (Contractor Co.)
Training evaluation	Formal	2 (Children's Activity Centre, Contractor Co.)
	Informal	2 (Childcare, Salon)

## 6.5 Performance Appraisal

Most SMEs in this study were typically able to perform continuous performance evaluations for all tasks carried out in their daily work practices, which conceals the need for formal documented appraisal. However, there were examples of accurate and original practices in reviewing the performance of workers. Analysis of the case studies revealed that performance appraisals were conducted for different purposes; including following up with employees (e.g. Children's Activity Centre, Contractor Co.), determining pay increases (e.g. Beauty Centre), or due to being linked to any contingent pay (e.g. Private Primary School). The Children's Activity Centre case study asked employees to write a monthly report about what has been done, whether there were any difficulties, and how these were resolved from their own point of views. The employees would be required to submit the report to their personnel officer, who would revise the reports and discuss them with the executive owner-manager, who already had an idea about their level of performance by regularly attending their classes. This method allowed for two-way communication and minimised subjectivity which came out of evaluating the performance of the employee through the manager's sole personal opinion, in addition to giving employees a voice to express their own perceptions and justify their activities.

Furthermore, there were other firms that were not convinced about depending on regular observations and guidance, perceiving the importance of having a systematic documented performance appraisal (e.g. Chocolate Co.). Some have included self-evaluation (Childcare) as part of the appraisal process, whereas others hold a collective opinion where the form is filled out by different sections in the organisation, in addition to the annual meeting review, where they evaluated the work of each department publically, allowing everyone to have an input on the performance of the teams (e.g., Contractor Co.). The Tech firm passed on the responsibility of evaluating performance to the department managers, who can tailor the evaluation form according to the functions of their departments, in addition to including a team-based approach for appraisal. Additionally, even when the Ministry of Education obliged the Private Primary School to fill in an official appraisal form for each employee on their website, they were not satisfied and instead created their

own internal form so as to strategically include other criteria related to their values and systematically allow for the continuous evaluation of performance, which are eventually accumulated to feed the annual official one.

On the other hand, another group of case studies (e.g. Food Co., Printing and Student Service, Construction Co.) were almost lacking any indicator of employees' performance appraisal. In this regard, appraisal was determined by organisational performance, and only when there was a deficiency did they step down, reactively, to look for someone to blame, as the owner-manager of the Beauty Centre stated: '*in case [customers'] complaints increase, you know that there's something wrong*'. This is also explained by an employee in the Construction firm:

*As long as the work is good, there is nothing we can call evaluation ... as long as the work continues well and there are no remarks so there is no actual evaluation. What we have now is just impressions that this works well and this does not work well. ... We conduct a general evaluation based on the performance of the establishment in general.*

Nevertheless, other businesses (e.g. Salon, Beauty Centre) reported assessing employees' performance from time to time in order to distinguish high performers, although they did so verbally, inconsistently and in a subjective manner as one employee in the Salon stated, '*Frankly, I don't know how we are evaluated ... It may rely on personal opinion*'. They reported using various individual performance indicators, though informally, to build up their personal opinions, such as clients' comments, with the remarks written daily on the attendance sheets by the supervisor beside the name of the worker.

Additionally, there was a variation in appraisal method between different groups of employee even within one organisation, as can be seen when considering the difference between manual and administrative workers in the Contractor Co. as the latter group were assessed annually in a team-based approach, as opposed to the factory workers whose performance was reviewed monthly owing to the ease of measurement (Lepak & Snell, 2002). Furthermore, there was variance between workers and managers, as the latter group were usually evaluated informally—even when the firm adopted a systematic approach and there was a formal evaluation for workers to be documented; or when setting targets for a specific group of employees,



mostly sales representatives, to be evaluated upon the attainment of these targets whilst not doing the same for the rest as exemplified in the Chocolate Co.

Furthermore, the time interval during which employees were evaluated was seen to vary across the case studies, from monthly (e.g. Children's Activity Centre), quarterly (e.g. Chocolate Co.), every four months (e.g. Salon), or annually (e.g. Childcare). However, most owner-managers stressed the significance of constant guidance. Employees also valued this continuous assistance, with the statement made in this regard by an employee in the Printing and Student Service case study that '*we cannot get along without such directions*'. Such continuous observation and supervision, which is considered as an advantage for the SMEs if utilised effectively, can ensure a fair and transparent appraisal process, and minimise subjectivity (Blau, 1999). An example in this regard can be highlighted from the owner-manager of the Private Primary School, clarifying the purpose of the continuous observation, when she said, '*It's made annually, but we have to record notes starting from the very beginning of the year so we can control and do not miss their efforts*'.

As mentioned above, there is reliance in some firms on the measures of organisational performance to evaluate the work of individuals; however, many other criteria are used to assess the overall performance of the employee, such as in terms of dress code (e.g. Contractor Co.), teamwork (Private Primary School), behaviour, ethics, punctuality (Chocolate Co.), in addition to other items related to specific functions. In the extant literature, SMEs tend typically to adopt an informal and continuous PA approach rather than utilising it as a developmental tool (Gilbert & Jones, 2000; Cassell *et al.*, 2002). However, very few cases included development needs or self-development as part of the appraisal (e.g., Children Activity Centre), and it is, interestingly, discussed separately in one of the cases (Childcare).

It is also remarkable how the Tech Co. case study connected performance measures with the business objective of each department, with each department manager was assigned a priority, with employees evaluated based on the attainment of such: for example, customer feedback for after-sales service and the number of customers for Marketing and Sales employees.

*The nature of work in each department makes it important to evaluate differently because the evaluation criteria vary from department to another... Targets not always a good idea, you know sometimes they can meet their targets but in a way that I did not like such as poor quality service. (Owner-manager, Tech Co)*

The case studies were also different in the manner in which they deliver and discuss the results of the performance appraisal. Some of the sophisticated practices are involving employees' perspectives and allowing them to play a role in the evaluation process (e.g. Childcare, Children's Activity Centre), whereas other methods adopted a one-way approach, with results unable to be amended (e.g. Private Primary School), although employees might be able to have a look and discuss it with the owner-manager, in most cases. There was also the manifestation of an appropriate means of managing stress and emotions in the Childcare case study, where the owner-manager would request employees to keep a copy of the performance appraisal for at least one day before discussing it with her as *'sometimes surprise, anger or shock are reduced after reflecting upon the result and the time lapse'* (Supervisor in the Childcare). Also at the time of discussion, *'she starts by showing appreciation of the things [employees are] good at'*, and showed the possibility of coaching the employee to improve the weaknesses (An employee in the Childcare).

It was clear that firms were very heterogeneous in their performance appraisal approach ranging from highly developmental practices to not conducting any sort of individual performance evaluation and this will be further explained in the next chapter by identifying the determinants of HRM practices. Table 6-6 provides a summary of the different practices adopted to evaluate employees' performance. Next, rewards practices used in the case studies are introduced.

Table 6-6 Summary of Performance Appraisal Practices

<b>Practice or Method</b>	<b>Specific examples</b>	<b>Number of the case studies</b>
<b>Regular performance review for most employees</b>	Monthly	2 (Children’s Activity Centre- full time employees, Contractor Co.- Factory workers)
	Quarterly	1 (Chocolate Co.)
	Annual	4 (Private Primary School, childcare, Tech Co., Contractor Co.-for admin staff)
<b>Management by objectives</b>	Team-based evaluation for each department	1 (Tech Co.)
<b>Setting targets for appraisal</b>	Only for sales employees or department	2 (Chocolate Co., Tech. Co.)
<b>Self -evaluation</b>	By oral discussion	1 (Childcare)
	By written report	1 (Children’s Activity Centre)
<b>Development Review</b>	Combined with performance appraisal	1 (Children’s Activity Centre)
	Separated from the performance appraisal	1 (Childcare)
<b>Informal/irregular performance appraisal</b>	Follow up and continuous guidance	3 (Printing and Student Service-for selective staff, Salon, Beauty Centre)

## 6.6 Rewards

Although different types of compensation can be identified in the case studies, organisations displayed less regularity in this particular function in comparison to other HRM areas. Other than the payments mandated by employment law, firms seemed to be more inclined to make them contingent and not documented in the employment contract so as to avoid commitment or litigation. Some owner-managers (e.g. Food Co., Contractor Co.) justified not paying regular bonuses by the low skills level of their employees, who cannot realise the mechanism of this type of pay and will require it to be permanently part of their salaries. Similar to the findings in the extant literature (e.g. Kroon, Van De Voorde, & Timmers, 2013), the decisions regarding reward function, in particular, remained to a large extent under the control of the owner-manager, even in those firms where other HRM tasks have been already devolved (e.g. Tech. Co., Children's Activity Centre). Generally, the majority of the firms in the study have no pay structure or articulated rewards strategy, except the Childcare case study that informed having a pay scale developed by the other business-owner. Some firms such as the Tech Co. and the Construction Co. have simply determined the upper limits to facilitate negotiation during the recruitment process. Few cases have uncovered a general compensation policy, which was not formally translated into an integrated pay scale, as exemplified by the department manager in the Tech firm, when he stated:

*I can't afford to pay a high basic salary as I will be committed legally to pay for him at the end of each month no matter the Co. is making profit or not. Therefore, we try to focus on high bonuses not basic salaries and relate them with the attainments of specific targets.*

The pay typically included basic salary with other benefits and irregular contingent pay, which were mostly related to performance. However, there were no indications of systematic use of practices that support work–life balance or reward packages that include development as part of their components in spite of the accumulated evidence which confirmed the different ways in which these particular types of rewards can influence organisational performance (Beauregard & Henry, 2009; Akanji, 2017; Jia, Shaw, Tsui, & Park, 2014). Thus, compensation in this study can be described into the following categories.

**Basic Pay:** All firms in the study paid a basic monthly salary except the Children's Activity Centre as it is paying per-day for part-time employees. The decision of how much to pay is not always determined by the owner-manager, as foreigners who have been hired by overseas offices usually arrived with the amount of salary determined in advance by their embassies; this creates variation in the starting salary of employees who were hired in the same position and within the same organisation, with differences based on nationality. For those recruited locally, i.e. from the Saudi Arabian labour market, most of the firms paid a low salary during the probation period and eventually increased this according to management views of performance; however, differences then exist between the amount paid for locals and foreigners. However, few firms signed a contract with a determined amount of salary, as in the case of the Children's Activity Centre, which agreed upon a particular amount for the trainer position and another for administrative positions, for instance, regardless of nationality. Needless to say, employees recruited through attraction, specifically in the Childcare case study, for instance, are exempt from some of the terms and conditions included in the contract such as being paid half-salary in the probationary period, and therefore might enjoy extra benefits upon their offer, a practice that is more likely to be accepted in such a newfound context than in more established ones (Rousseau, Ho & Greenberg, 2006).

Determining pay strategy and the level of pay in comparison with competitors were seen to come down to the views of the owner-managers, with accurate market research believed to be missing, especially in organisations that depend largely on foreign labour (e.g. Printing and Student Service, Constructing Co., Chocolate Co.). In this regard, a manager in the Tech Co. disclosed that he does not know how much their competitors are paying and said: *'I think we are in the safe side because we have low turnover and employees know the market for sure'*. Nonetheless, in sectors such as education, the Ministry of Education with the support of the Human Resources Development Fund (HRDF) has settled a minimum wage, which is higher than that mandated by the Social Insurance Institute, with many firms reporting paying that amount for national employees as a base salary, which might be increased eventually (e.g., Private Primary School, Beauty Centre). Such pattern of response to this particular regulation can be classified as 'implement' by Arrowsmith

*et al.* (2003), though they find National Minimum Wage (NMW) in UK to have significant cost implementations for SMEs.

**Benefits and Contingent Pay:** Housing and transportation allowances are mandated by regulations, if accommodation and means of transportation are not provided, in addition to the social and medical insurance and flight tickets for foreign workers. Overtime pay is also regulated by law; however, one of the case studies reported having an optional plan for overtime to be able to pay less than the amount stated in employment regulations. Few case studies have added other allowances, such as the mobile allowance (Tech firm) or temporarily relocation allowance (Contractor Co). Nonetheless, the vast majority of the case studies reported paying bonuses, except in the case of the Private Primary School and the Childcare; however, nothing was documented or regulated regarding the time or amount that can be described as a lump-sum payment rather than a bonus with researchers divided upon the effectiveness of such type of pay (Steenburgh, 2008). Importantly, the firms mostly preferred to leave this as contingent upon the performance of the organisation, although this was also irregular and only granted to high performers, as it mostly differed according to the result of the appraisal. Exceptionally, the Children's Activity Centre has an annual and documented salary increment and a lump sum pay, which was not connected to performance but rather was paid as a reward for completing a year's service. In few cases, they described the bonus as being more like a commission, with the Beauty Centre reporting giving each worker 5 SR for each bill a customer pays for a service done by that employee, in addition to team-based incentives, as found in the case of the Contractor Co., although both were paid on an irregular basis.

Some owner-managers have provided a detailed explanation as to the mechanisms or conditions of paying incentives or bonuses; however, employees did not have the same information, as these rules were not documented and, maybe purposefully, poorly communicated to avoid commitment and obligation to pay by law. Therefore, contradictory information about the same organisation was easily found, and we can see the contradiction here between what the owner-manager and employee stated:

*At the end of the year we review the monthly assessments, if the employee's points are 90, he will take the financial incentive, from ninety to a hundred, every point*

*has a different reward, for example, 91 takes three hundred riyals, 95 takes 500 riyals and 99 takes 900 riyals, and so forward (Owner-manager, Contractor Co).*

*As for the bonus, there's nothing fixed too; there is no constant percentage whether out of the sales nor the profits, but there are tips, incentives and lump-sums determined according to the profits and the efforts exerted at work after the annual inventory of the budget. If the company works well this year, there will be bonuses for everybody, but in case there is a financial distress, certainly that won't take place or it will be very limited (Employee, Contractor Co.).*

Likewise, the salary increment was applied and consistently in some firms (e.g. Children's Activity Centre, Private Primary School), whereas other firms provided contradictory responses about the frequency and existence of the salary increase (Contractor Co., Tech Co.). Nonetheless, in most of the cases, the salary increased every two years, especially for foreign workers, i.e. when they wanted to renew their work contract; however, some firms were tied to increments depending on performance, as in the case of the Salon. Additionally, this can be annual only for national workers, such as the case of the Construction Co.; in regards the Private Primary School, however, the owner-manager stated that they increase the salary for outstanding employees every three years, although they are required by Human Resource Development Fund (HDF) to increase it every five years. On the other hand, gainsharing pay was absent except in the case of the Contractor Co., which stated the distribution of 15% profit equally between all workers, without any conditions; missing the opportunity to reward collective performance and a tool to retain employees as Chandler & McEvoy (2000) and Wang & Zhao (2018) suggest that such type of compensation is particularly effective in SMEs due to the feasibility of mutual monitoring and workers' direct ability to impact organisational performance (Heneman & Tansky, 2002). Furthermore, the owner-manager of the Salon and the Food Co. mentioned that they did agree to pay a percentage of profit as instead of a monthly salary occasionally; however, this did not work. However, other owner-managers expressed their refusal to consider this kind of payment as they did not accept the idea of sharing their 'own profit' as opposed to paying a salary and a lump-sum as incentives suggesting a lack of long termism which reflects the way they perceive their human resources.

In addition, it was common to find a planned percentage as a bonus or commission only for a particular group of employees, mostly sales reps (e.g. Chocolate Co., Tech Co.), with the Salon providing an example when the branch supervisor said, *‘Yes, stylists and make-up artists get a percentage. But we get the Eid gifts/tips only’*. Notably, only a few firms (e.g. Contractor Co., Private Primary School) reported the distribution of bonuses or incentives inclusively for the whole workforce, according to their performance level, albeit occasionally. Moreover, some cases provided other benefits according to the needs of employees, such as temporary car (Tech Co.) and loans (Contractor Co., Beauty Centre), which they pay back by cutting a small amount from the salary every month in a flexible manner.

**Recognition:** Employees have largely admitted that their performance is recognized by the management in different ways. Data clarified that several case studies have focused more on providing employees with incentives as recognition rather than having regular bonuses as it is cost effective and at the same time have a positive influence on motivation, commitment and satisfaction (Ghosh *et al.*, 2016; Rai, Ghosh, Chauhan, & Singh, 2018) which is clarified by what the owner-manager in the Childcare case is saying about the function of recognition:

*Yes, I remembered you, for example, we always ask the teachers to wash some of the tools and appliances in the classroom, and they were always complaining that this is breaking their nails. So, at the end of the year we gave them a nail spa voucher to say we did not forget about it (Laughing).*

Organisations have adopted many ways of showing appreciation, reporting recognising the efforts both verbally and informally during daily work (e.g. Chocolate Co., Salon, Beauty Centre, Construction Co., Contactor Co.) , and also in planned methods, such as at the end of the year with the honouring ceremony, thank you and appreciation letters, employee of the month or of the year awards, in addition to presents that range in value from flight tickets to vouchers or perfumes (e.g. Privet Primary School, Childcare, Children’s Activity Centre). Additionally, some firms gave days off as an incentive and considered being more flexible in response to personal issues as a sign of appreciation for good performance (e.g. Tech Co.). Generally, in SMEs, because of their inability to rely only on wages to retain



employees, it is more common to use non-monetary or that which has been referred to by Foa & Foa (1975) as ‘particularistic’ resources as part of invisible rewards.

Furthermore, as mentioned in other functions, it has been frequently found that firms are applying the recognition technique only for particular groups of employee, such as teachers and not admin staff (e.g. Childcare) or factory workers amongst other sections within the same company (e.g. Contractor Co.) (Lepak & Snell, 2002). This was highlighted by an employee in the Printing and Student Service when saying: *‘there are limited things for a limited number of personnel’*. Moreover, you can find individuals who get benefits that are not given to their less-favoured co-workers because they have negotiated prior to initiating the employment relationship, based on their market power and the value the firm perceived in them as exemplified by an employee in the Contractor Co. when he stated:

*No, that also depends on negotiation and personal agreement. There's nothing fixed ... these matters always depend on work success and the profits. I think that everything is decided upon the preliminary agreement during the job interview, and if it's documented in the contract, commitment is a must*

However, the owner-manager of the Private Primary School has continuously justified the inclusion of everyone at the end of the year ceremony as compensation for not being included in such deals.

In general, reliance on imported workers in some industries who were perceived as temporary easy-to-replace resources, coupled with the desire of the owner-managers to have full control over compensation decisions, seemed to have an influence on the occurrence of healthy compensation practices. This also has an influence on the owners’ decision to pay competitive salaries and place their firm higher than the market rate as they have guaranteed the immobility of those workers, meaning there is no need to exert efforts in order to retain them. On the contrary, few case studies such as Childcare case, the Children’s Activity Centre, Private Primary School, and Tech Co. were seen to be constantly seeking to attract and retain talent by paying higher than the market rate and including different types of compensation.

**Promotion:** Although typically there is limited room for promotion in SMEs owing to the lack of vertical structure, some firms (e.g. Contractor Co., Childcare) interestingly reported having already promoted some of their employees and even performing semi-succession planning specifically for positions, entailing the tasks that owner-managers are currently holding. There were cases (e.g., Chocolate Co. and Printing and Student Services) where the most senior people who were there at the outset of the business were promoted as managers or executive secretaries for owner-managers because of their insider knowledge, which in turn creates their value; in other firms, people manifesting outstanding performance have been promoted because of their ability to learn, the skillset they hold, and their potential (e.g., Children’s Activity Centre and Food Co.). However, the Contractor Co. stated that they promoted employees occasionally as a reward for their good performance. It is true that many employees did inform about the limited possibilities for career promotion, yet, they appeared to accept this as part of the organisational size. Table 6-7 summarises the different methods in which the case studies have rewarded their employees after providing an overview about the level of fairness and transparency of the compensation practices within the SMEs.

### **6.6.1 Fairness and Transparency in Compensation**

Generally, owing to the unbalanced power and full control of rewards practices by owner-managers, a transparency issue surfaced, which consequently evoked dissatisfaction with pay. This lack of clear reward policies, in addition to the non-existence of job responsibilities, created occasionally a feeling of unfairness amongst employees holding the same job title: employees in two cases (Printing and Student Services, and Beauty Salon) have confessed their feelings of injustice, explaining that they are doing many tasks whilst the other employee who is in the same position is responsible only for a narrow scope of tasks. This is explained below in the words of the employee:

*In the company we have employees who carry out more than one task, meanwhile there are some who perform one specific task and receive the same salary. I.e. as for me, I perform all the tasks, so it's supposed that I should not be compared with an employee who performs one task only. (Employee, Printing and Student Services)*

On the contrary, it has been noticed that employees were highly satisfied in cases where there is a relatively transparent system, although not formal, but they focus on having clear justifications for any decision or specific deals that distinguish any employee from his/her co-workers, especially those related to compensation and communicating these justifications well with their employees (e.g. Chocolate Co.). This is for the reason that employees will view these differences as appropriate to the extent they accepted the rationale they were based upon (Rousseau, Ho & Greenberg, 2006). It was obvious on more than one occasion that the Childcare case study was very concerned with attending to these matters, as it was the only firm amongst the case studies seen to have provided employees with a pay slip containing all payment details; during the probation period, basic pay, allowances, and pay during school holidays, as well as any extra benefit. Similarly, this is applied to intangible rewards, such as verbal recognition, as clarified in the following quotation, when the employee made it clear how satisfied she was and how other employees have perceived this as being replete:

*At the end of the term, Miss ..... [The owner-manager] said at the meeting that she saw that the best works of art were the works of (me) because they were innovative, they have a new idea, the children were working themselves, the ideas were very creative, she clarified the reason. This was not only between her and me but all the employees can hear that, not because a special relationship, as she demonstrated the reasons and gave me my right. ... This created positive environment and there was a fair competition.*

However, there was a discrepancy in the perceived value of the compensation, which can occur because of the weak communication of the real weight of the rewards package and their opportunities for pay growth, coupled with the weak employee participation in designing their reward package as suggested by Barringer and Milkovich (1994). For example, a Childcare employee considered that they are paying the same as the market average; however, they are actually paying much more. Likewise, employees at the Children's Activity Centre were complaining about the low salaries in comparison to private schools, for instance, whereas owner-managers believed that they are paying competitive salaries based on the difference in the number of working hours and workload. Hence, although rewards practices were less institutionalised and manifested large room for discretion, they are not

immune to contextual forces that contribute in developing expectations and determining what is considered fair and satisfactory. The next section will discuss different employee relations practices and will describe the nature of the relationships within the case studies of this research.

Table 6-7 Summary of Rewards Practices

<b>Practice or Method</b>	<b>Specific examples</b>	<b>Number of cases studies</b>
<b>Pay scale</b>	Formal pay structure	1 (Childcare)
	Informally determining the upper limit of salaries	2 (Tech Co., Contractor Co.)
<b>Individual PRP</b>	Upon attainment of targets for sales reps.	2 (Chocolate Co., Tech Co.)
	Upon how much revenue each employee achieves	1 (Salon)
	Tied formally to the result of the performance appraisal	2 (Children's Activity Centre, Childcare)
	Merit pay (related to informal manager's subjective assessment of individual performance)	7 (Chocolate Co., Contractor Co., Construction Co., Printing and SS., Beauty Centre, Tech Co., Private primary School)
<b>Seniority pay</b>	Annual	2 (Salon, Children's Activity Centre)
	Every two-years or more	2 (Childcare, Contractor Co., Private Primary School)
<b>Profit-related pay</b>	15% of the total profit distributed equally to all employees	1 (Contractor Co.)
<b>Recognition</b>	In a systematic way	4 (Tech Co., Childcare, Children's Activity Centre, Private Primary School)
	Informally and irregularly	6 (Chocolate Co., Contractor Co., Construction Co., Printing & Student Service, Salon, Beauty Centre)

## 6.7 Employee Relations

### 6.7.1 Work Environment and Employment Relationships

Most of the employees interviewed in the study benefitted from a friendly environment and harmonious work relationships due to the smallness of the firms and also due to dealing directly with the owner-managers. The warm feelings and harmony between workers, especially when they were of the same age and had similar interests to the owner-manager, made the firm a desirable place for many employees who had been interviewed. The Childcare case study exemplified this kind of congruence, with employees informing that there was a good understanding and no barriers, which enabled them to talk with one another anytime. Both managers and employees in many firms (e.g. Chocolate Co., Printing and Student Service, Salon, Beauty Centre, Childcare, Children's Activity Centre) valued this distinct and informal organisational culture, and sought to retain it at all costs. Here are some examples of what employees feel about working in their firms:

*The environment in our company is so family-like. (Employee, Contractor Co.)*

*We work in the company as one family and each one has tasks to do. (Personnel officer, Construction Co)*

*I feel comfortable in the centre and feel them like my second family. (Personnel manager, Children's Activity Centre)*

*Here you feel secure as if you're among your family indeed. (Employee, Salon)*

On the other hand, as Ram *et al.* (2001) and Barrett and Rainnie (2002) have emphasised, the informality discussed above cannot be treated as the rule within SMEs, yet, it is context-specific and can be different even among firms in the same country. All cases were found to have employment contracts with specific terms and conditions, as mandated by the Ministry of Labour. Moreover, there is a specific contract template for national employees who are supported by the Human Resource Development Fund (HRDF) (See Chapter 5). The period of contract varies according to different reasons; such as being recruited by an overseas office with special conditions or the nature of the job itself. Those who came through international recruitment offices usually have a two-year work contract, whilst employees who

have been hired from the local labour market typically sign a year-long contract which can be renewed in both cases according to the consent of the two parties. Nonetheless, one of the cases (Children's Activity Centre) reduced the length of the contract to only six months, in order to avoid conflicts especially with part-time employees. Utilising both types of contract in that particular case, i.e. part- and full-time, has its own influence on the nature of HR practices adopted in the enterprise, as managing attendance and performance appraisals differ for each type.

Some case studies have their own internal regulations which were documented separately or included in the employment contract besides the ones already mandated by the Ministry of labour, such as in the case of the Children's Activity Centre and Childcare. On the other hand, other cases, which notably made up the majority, were satisfied with the general employment regulation items which usually included in the contract as a reference (e.g. Chocolate Co.). Thus, although there are case studies that reported the use of work contract items as a substitute for having a separate document for internal regulations, not all of them consider it as an official reference for the relationship between the owner-manager and the employee; in some cases, this does not reflect the level of trust or the rapport or even the mutual obligations between them, as one of the owner-managers said:

*The work contract for me is just a symbol, it does not have everything. I always want both parties to be satisfied. (Owner-Manager, Tech Co.)*

Even the total pay is occasionally not the same as that written in the contract as stated by an employee in the Printing and Student Service. In the same vein, one of the employees in the Salon articulated '*whenever someone exerts more efforts, it's normal that he expects a raise*'. In these SMEs, it was obvious that a psychological contract plays a more significant role in the relationship between the two parties as suggested by Atkinson (2008). She proposed that in the context of small firms, the absence of formal regulations makes them more reliant on "relational obligations" promoting to a larger extent the notion of "happy family" in a format that cannot be captured by the formal employment contract recognized in large organisations. Thus, the employment relationship in SMEs combines both the 'happy family' view but also with the existence of owner-manager's prerogative. This is typified in the quotation provided by one of the employees:

*Frankly, the signing of the contract was just a procedure no more, there are no specific written tasks between me and Mr. ... (The owner-manager), and there is mutual trust so we do not need a contract. This is just a legal procedure to preserve rights and comply with regulations. (Employee, Printing and Student Services)*

Moreover, differences in the performance and citizenship behaviour amongst workers can be triggered by the unique meanings purported in their psychological contract or the extent to which they can be perceived as transactional or relational contracts (Rousseau, 1990; 1995). This type of relationship has been described by Ram, Edwards, Gilman and Arrowsmith (2001, p.846) as ‘based mainly on unwritten customs and the tacit understandings that arise out of the interaction of the parties at work’. Although many regular or more likely transactional psychological contracts have been found in the case studies, it is easy to find connections that extend beyond the employment relationship, with employees more loyal to this kind of rapport than to the workplace itself (e.g. an employee in the Printing and Student Service). The friendship that had been built over the years between those employees with the owner-manager in some case studies evoked a perception amongst such employees as being exceptions to the rule and facilitated their engagement to the ultimate level without having sophisticated practices that increase employees’ loyalty or citizenship behaviour. Moreover, the tacit knowledge pertaining to the way in which work is done in this particular workplace, which had been acquired over the years, was seen to increase their value in the eyes of the owner-managers, although they do not possess high or unique set of skills. This idiosyncratic relationship, coupled with the level of trust in the owner-manager, has been exemplified in many of the case studies mostly including foreign employees (e.g. Chocolate Co., Beauty Centre, Salon, Printing and Student Service) —a phenomenon which, oddly, does not smooth away the unbalanced power relationship. This also stands at odds with what has been detailed in the international HRM literature concerning the weakened sense of allegiance to employers by foreign workers in the host country (Ang, Van Dyne, & Begley, 2003).

To illustrate the nature of this relationship, a non-national employee in the Chocolate Co. declared that ‘*any success they achieve, I feel like it is a personal achievement. I do not think in this stage about any requirement for myself as much as I wanted this*

Co. to revive and be successful'. It was remarkable here how he was talking like a partner when he added, '*the priority now is to build a good reputation and make our own brand in the chocolate market. After that, I am sure that the owner-manager will do anything for employees' benefits*' and this clarifies their mutual obligations that results in this positive view on employment relations. Furthermore, a non-national employee in the Printing and Student Service firm stated, '*Frankly, there are many who invited me to work for them and quit this place, but as I've told you there's a friendship between Mr. ... (The owner-manager) and me. So, it's over*'. He also added in another occasion that:

*My brothers and my relatives always insist on me to work in another place, but I say to them, I want to stand by the man as he has never failed me when the income was good. Moreover, he paid many commissions and bonuses to me. So, now I have to withstand and be patient.*

This kind of relationship and trust can also be identified when this non-national employee in the Beauty Centre was talking about her owner-manager:

*If there is a problem she does not show it to anyone, if I talked to her about something that concerns me, no one knows about it, she honestly helped us a lot, me and the other female workers. I frankly love her and I cannot say more.*

Having said that, it is also worth explaining that the bewilderment of such employee relationships results from their unjustified stimulus which makes it different to the 'I-deals' -idiosyncratic employment arrangements- explained by Rousseau, Ho and Greenberg (2006). 'I-deals' were based on mutual benefits for both parties with similar evidence having been already found in the current firms, as the owner-manager of the Salon said: '*what is announced is that this Saudi employee's salary is 3000 for example, but as for the percentages, everybody keeps her own as a secret and they are not written in the contract*'. Similarly, an employee in the Contractor Co. said that anything agreed upon during the job interview and documented in the contract will be unique to the employee; in other words, this will not be applied as a rule for the rest of the workers. This indicates that although SMEs are dominated by the interests of the owner-managers, their prerogative can be contested as an organisation's negotiated order (Ram, 1994) acknowledges these competing needs and emphasises the various nature of psychological contracts based on contextual



factors. However, these ‘I-deals’ differ from the type of relationships described earlier as the mutual benefit there is not always observable especially for employees. Evidently, the employees quoted above are in firms that mostly provide the minimum standard of employees’ rights with low levels of participation (Beauty Centre, Printing and Student Services, Chocolate Co.). In this vein, Atkinson (2008, p.452) has explained:

*[I]n the absence of alternative regulation through, for example, policies and procedures, small firms will rely to a greater extent on relational obligations, possibly espousing notions of ‘harmony’ and ‘family’, and creating relational contracts in a format that large firm categorizations do not capture.*

### **6.7.2 Wellbeing and Work Conditions**

Many firms in this study (e.g. Children’s Activity Centre, Childcare, Private Primary School, Tech Co.) have placed great emphasis on respect, equality and proper treatment of employees as a priority, with employees mentioning quality of work conditions as a reason for working in the workplace—even when there are things with which some employees were not satisfied. For example, an employee in the Childcare case expressed her gratitude when the owner-manager excused her from coming to work, stating, ‘*she makes me feel that although my presence is important and there is no one can replace me, but at the same time she excuses me if I have critical conditions*’. Another employee in the Children’s Activity Centre highlighted the same idea when she redressed her grumbling about a specific point as this is seen in the context of other factors that comprised the overall relationship by saying:

*But anyway, this is something that can be waived if compared with the positive aspects here, like comfort, convenience of the work environment and the treatment of the manager with us, we have not ever collided with them one day since I worked here, the matter that makes me patient and continue working here.*

Certainly, all of the firms in this study did not measure satisfaction formally, although some owner-managers (e.g. Childcare) stated that they identified this through observation. However, no formal policies have been mentioned concerning mindfulness or flexible work arrangements. Exceptionally, the Childcare owner-manager was the only one who was seen to have raised the issue of work–life

balance, although not directly, when talking about amending the maternity leave and provisions in their workplace that can conceal the barriers preventing mothers who had new babies from coming to work. Nevertheless, most of the firms (e.g. Contractor Co., Childcare, Chocolate Co., and Beauty Centre) celebrated the social events of their employees and engendered family feelings. Organisations in the study also had trips and gatherings to make foreign employees specifically feel refreshed and accustomed to the new context (e.g. Salon, Beauty Centre, Contractor Co.). They also were seen to care about their personal issues and consider their mental health, which is clear in the words of the Contractor Co. owner-manager, when he showed how he sympathises, especially with foreign workers:

*I always say to the managers, if any employee has a problem in his country, do not oblige him to come to work, let him away for one or two days, it should not be a problem as this case not going to be every day, it might happen once every three or four months. The employee might say he is sick and cannot work; I know that he is not tired but maybe he feels bored or he is not mentally well, why I oblige him to lie and bring a fake medical report. Those foreign employees should be treated as if you are treating yourself. If I force him to work, he will harm others as well, so let him relax for a day in order to get better and save us troubles.*

On the other hand, all cases in the study abide by regulations in granting employees a day off at the weekend, whilst other firms (e.g. Tech Co., Private Primary School, and Childcare) allocate two days off, although they can obligate employees to work six days a week, as agreed upon in the contract. However, informality and familial relationships can disguise some exploitative work practices, especially for low-skilled workers, such as on occasions when work intensity is very high as explained by the Chocolate Co. owner-manager or when employees informed us proudly, as an evidence of the owner-manager's trust of them (which notably appeared to be a strong motivator), that they were not restricted by specific responsibilities, and sometimes would work 14 hours a day such as the case of an employee in the Printing and Student Service. This lack of awareness reduced the meaning of job security and having employees' rights into privileges. Employees talk about things such as having pay on time and without delay, accommodation and legal work permits for foreign workers, as being favours that assisted in retaining employees and boosting their loyalty within the firm. The owner-manager of the Contractor Co.

declared that *'[their] project has the least problems with labour, strikes and other problems. This is due to the good treatment with all' as the only thing they do to increase employees' loyalty'* Additionally, an employee in the Chocolate Co. described this by stating the following:

*[T]he friendly environment that the new management creates, caring about workers' feelings makes all employees want to return this favour. They will be ready to go the extra mile for the company's sake all because the way management deals with them.*

This might be an indication of the way such low-skilled immigrant workers are generally treated, especially when the owner-manager of the Food Co. stated that *'many businessmen advised [her] not to be generous with them as they need firmness'*. In addition, the HR officer in the Construction Co. admitted that they believed that distinction is a duty and not something for which employees should be rewarded. Many foreign low-skilled workers, especially those in low-paid occupations, were subject to extensive control, both in their working and personal lives, with the following quotations from the one case study clarifying this issue:

*They need residence for transactions here, such as hospitals and money transfer, but they do not need a passport except at travel time, and if every worker has her passport in her possession, it is easy to escape and this is carelessness, from the end of the working hours at night till tomorrow morning the worker can do anything ... I am responsible for any problem that they do because they are under my sponsorship other than the offence to the salon reputation. (Supervisor, Beauty Centre)*

Additionally, the owner-manager of the Food Co. expressed her anger in a way that might be offensive to her employees, although she emphasised many times that she is dealing with them in a respectful way. Nonetheless, she justified her views by saying that, *'[t]he person in front of [her] imposes how [she] treat[s] him. If he is bad or idiot, [she] will be bad with him'*.

### 6.7.3 Employee Participation

Since the owner-managers maintained most of the power and authority, even in the case studies where they devolved many of their HRM responsibilities, it is difficult to find real participation in the decision-making, although there were employees who participated in the proposal-making stage (e.g. Tech Co.); however, the final decision was always the prerogative of the owner-manager. Even the personnel officer in the Children's Activity Centre revealed her dissatisfaction with the arrangement of vacations in her workplace but, at the same time, was reluctant to discuss this with the management based on her perception of what can be negotiated and what cannot, which purports a lack of bargaining power.

Nonetheless, the majority of the organisations in the study opened more doors to suggestions, but not to the level of having a formal suggestion scheme. Here are evidences in quotes by employees in different firms:

*But I asked her that I do not want to do this form and I will write a free report along with my commitment to cover all the items in the previous form. She agreed to try my method for the first time; she liked it. (Employee, Children's Activity Centre)*

*We proposed ideas and communicate with each other even in the summer vacation, there is one of the staff now wants to talk with Ms. .... (Owner-manager) about ideas, we welcome her, the owner-manager said to her, "Write your proposals and send it to be discussed before the beginning of the school year". (Supervisor, Childcare)*

*Everything happens through consultation, whether the headmaster suggested, I suggested or the teacher suggested, there is no difference, we discuss and study the idea directly. One of us can start suggesting something and then we all develop it together by adding more ideas. (Supervisor, Private Primary School)*

Firms can consult employees occasionally in making some decisions especially task related ones but the rationale was always partial in nature and only related to improving organisational performance since being more knowledgeable about a daily process than a busy owner-manager; however, it was evident that the

involvement of employees had increased at the managerial level across the majority of the firms. This is exemplified in what is stated here:

*For sure because those employees who are the ones facing customers and they might know what works better than us. Therefore, we should listen to them. (Manager, Chocolate Co.)*

*Mr. (owner-manager) does not usually consult workers but in some cases he does. For example, we discuss with the employees who are working in the branches, if the branch income has decreased, and take their opinions about the decline causes, because they know about the region more than us; for example, if a new student service office (competitor) is opening near our branch, or because they know better the clients' demands. (Supervisor, Printing & Student Service)*

However, the Contractor Co. allocated a financial incentive for any viable and applicable suggestion from employees.

#### **6.7.4 Job Autonomy**

Surprisingly, it has been noticed in the current research that employees in several case studies (e.g. Printing & Student Service, Salon, and Childcare) express their satisfaction with the level of autonomy they enjoy over the process of their work although low employee participation has been identified across the firms and managers manifested more control than management. Furthermore, on a few occasions, employees were showing a discomfort for enjoying larger responsibility and autonomy. This has been identified even amongst knowledge workers who were recognised to be more prone to ask for independence in the way they perform their jobs (Wang & Cheng, 2010), for example, a teacher in the Childcare case study confessed that she *'[does] not feel comfortable to act freely, [and she] has to consult... [She does] not like to depend only on [her] own opinion because [she] might do something wrong without knowing, [she] must take a permission'*.

This unexpected finding proves the importance of context when applying HRM policies and practices especially that this observation particularly can be traced back to the influence of national culture and educational system in Saudi Arabia which seems not to equip graduates with the skills required to work in the private sector

(Al-Dosary, Rahman, & Aina, 2006). This result also indicated the absence of empowerment, especially when most of the workers in these SMEs were young and inexperienced or low-skilled. However, few other cases (e.g. Children's Activity Centre, Private Primary School) allowed more job autonomy and gave employees enough of an area to make their own decisions, yet only regarding task-related issues. Exceptionally, the department managers at the Tech Co. enjoyed a considerable level of autonomy in decision-making relative to SMEs; however, in the Children's Activity Centre, a lack of employee enthusiasm was found to be a barrier to grant larger employees' voice.

Generally, a high level of autonomy which is combined with a lack of skills enhancement for employees and an absence of job analysis or even at least a list of responsibilities had definitely negative outcomes as was the case in the Food Company. When the accountant in this firm was interviewed-in the researcher's first visit to this firm- she assured her that she was happy with the independence she enjoyed in conducting her work, however, this autonomy appeared to be vague and a failure to manage expectations by the owner-manager as this employee was found to be dismissed, when the author visited this firm a year later, because, as the owner-manager stated in the second wave of interviews,

*She did not work well. I did not feel that she made a difference. Everything she did was known to me... I needed her to give me something different, something that can help me to be developed in my work. She is an accountant; she should tell me where the weaknesses are, where the strengths are*

However, the need for job autonomy remained a requirement for employees' intrinsic motivation, yet in a way that fit the nature of the context and the level of employees' skills. This study revealed that, in order to get a positive outcome, employees need at least guidance or directions to feel safe and provide them with partial job autonomy over the content or process in a way similar to what owner-managers in the Private Primary School and the Tech Co. has described in the following quotations respectively

*There are those who go overboard, there's flexibility in that subject. I say to her for example, "this is the plan," and she has freedom of the application method, but what's important to me is that the result is just as stated in the plan... What*

*matters is the result. I.e. she is free with regard to how she deals with children. Also, she's a teacher and she is experienced in teaching methods and she should be given freedom of the implementation method. (Private Primary School)*

*Every manager is responsible for his own department. I just meet with them and revise our HR needs for next year. So everyone prepares and plans and I revise it and discuss it with them and then I give my approval for the plans. Based on this revision each department does recruit according to their needs... He has to apply it himself in the way that he perceives it is correct because he might know what is applicable and what fits our business more than me. (Tech Co)*

To this end, this observation should be taken into consideration to be able to plan an effective job design and incentive program in such a context. Managers also should consider this finding whenever direction should be provided to employees.

### **6.7.5 Employee Voice and Communication**

There was evidence to support strict observation and control in the Food Co., with the owner-manager confessing to the use of CCTV, owing to the fact that she found it difficult to trust people and delegate tasks. Additionally, the analysis revealed a complete absence of employees' voice in the Beauty Centre, with any discussion regarding the owner-manager's decision recognised as intolerable, as the owner-manager testified in what she said about any employee raising an objection:

*If any employee discusses with me that matter, she is interfering in my work policy, I will not talk to her, how can you persuade her if she thinks stupidly like that? How can a five years' service compare herself to another with 15 years? The simplest solution is to terminate her contract and reserve a ticket to send her back to her country.*

However, there were some practices that alleviated the power distance, showed trust, and gave employees a voice, such as the narrative appraisal report employees were asked to write at the Children's Activity Centre, as well as at the weekly meetings in the Childcare case study.

On the other hand, although owner-managers claimed that they were accessible to employees at any time and might hold a meeting occasionally (e.g. Salon) or once a

year with the entire workforce (e.g. Chocolate Co.), communication was mostly downwards, with owner-managers holding regular meetings only with managers and communicating with the rest of the employees only if required but predominantly through the use of notice boards. However, there was two-way communication in few case studies (e.g. Childcare, Tech Co., Contractor Co., Children's Activity Centre, and Private Primary School)—both direct and through the use of Technology—and also through team briefings, which indicates relatively, as discussed, a larger scope of employee voice and power in these firms. Such practices were mostly found in enterprises with high-skilled workers, as these firms exhibited an awareness pertaining to the importance of the intrinsic motivation for this type of employee, as what the supervisor in childcare declared:

*We often try to find ideas to extend the lifespan of the teacher's daily energy and in the long term, make her enjoy her work. And as long as you have a goal that you want to reach, you will always keep motivated to work. If we do not encourage the teacher, she is not going to stay with us.*

Unexpectedly, there was a low sharing of information with employees and the financial one in particular, as opposed to what was assumed, granting the small number of employees and the strong relationships. There were few incidents where there was a share of the financial position, albeit without details (e.g. Tech Co.), and they were mostly for the sake of taking a decision regarding the continuity of the employment contract rather than as a means of enhancing involvement (e.g. Children's Activity Centre). This poor information sharing is corresponding with the lack of empowerment within the SMEs in the study. The following quote by the owner-manager of the Tech Co. illustrates the best case available of financial information sharing across the firms:

*They do not know exactly how much profit we have as we are not a joint stock or listed Co. to make them know about every single thing but they know if we are having profit or we are losing but not in numbers.*



## 6.7.6 Conflict and Dispute Resolution

**Discipline Procedures:** Firms in the study did not have documented discipline procedures, although some have stated that they learnt their lesson after the occurrence of several problems; thus, they added penalty clauses to the terms of the employment contract, such as in the case of the Children's Activity Centre. Few cases (e.g. Chocolate Co., Contractor Co.) stated that they preferred to follow certain procedures to manage conflict in general as a precautionary approach and as a protection against potential litigation; whereas others informed that they had not yet thought about setting them because they have never had a major dispute such as the case of the Childcare. Nevertheless, enterprises commonly gave warnings for any fault or unsatisfactory performance three times before taking any action (e.g. Beauty Centre, Printing and Student Service, Contractor Co., Chocolate Co.), even though many have revealed a positive attitude to accommodating learning by making mistakes. Some owner-managers informed that it is rare to deduct from salaries as a sanction but this tends to happen only as a result of lateness or absence (e.g. Tech Co.), although clear arrangements for these disciplinary acts were missing. More illustration of the policy the case studies adopted to deal with discipline procedures can be seen in the following quotes:

*I give her three subsequent warnings, after that, in few cases I deduct from the salary. I do not do that except if she is rude with the client, but not because of performance as these are her abilities. Thus, I give her opportunities to improve herself. (Owner-manager, Beauty Centre)*

*Each employee should take more than one chance up to three times, and when he did not improve his performance we give him a warning notice. After the third notice, we have to take an action. (Accountant, Chocolate Co.)*

*I warned you and gave you plenty of space to get wrong and learn, but if it is that kind of mistake, a crime like, no I think this will be unbearable. (Owner-manager, Childcare)*

*However, he is given two or three opportunities and the manager also ask supervisors to help him before taking any action. (Employee, Tech Co.)*

However, many have told (e.g. Printing & Student Service, Contractor Co., Beauty Centre, Construction Co.) that various types of problems, especially ethical ones, that cause harm to any party or go against the norms of society, were intolerable, meaning action would need to be taken directly or the contract terminated.

Some firms reported dissimilar procedures if the problem caused by a national or a foreigner: in the former case, there would be more tolerance and flexibility, only because they need that employee in order to satisfy the nationalisation law; eventually, however, they prosecuted at the employment office; in the case of the latter, i.e. the foreigner, however, the contract would be terminated directly and a flight ticket issued to send the employee back to his home country, as informed by the Tech Co. and the Contractor Co.. Equally, when an employee wanted to quit work and the firm was in need of him/her; if that employee is a foreigner, the firm would be positioned to exercise pressure to force him to stay with the support of the sponsorship law; if the employee was a national, however, the Co. would direct their efforts towards convincing him to stay as stated by the owner-manager of the Contractor Co.

Companies also vary in their ability to manage disputes, as some case studies exposed constructive methods that make reference to the human resource value and a good retention policy, as found in the Childcare case study, whereas others, such as the Food Co., revealed an aggressive attitude with any disagreement and considered problems to be personal, which ultimately caused conflicts with employees to escalate to litigation. For example, when her workers went into strike, *'[she] rented labour to keep the work going and ignored them until they returned to work by themselves. [She] terminated the contracts of 10 of them, kept 10 of them, and imprisoned 4 of them'*.

**Grievance:** When owner-managers were asked if any employee can reach them directly if they have a complaint, some of them (e.g. Private Primary School, Childcare, Beauty Centre, Salon, Food Co.) stated that employees can contact them at any time, whereas others (e.g. Contractor Co., Chocolate Co., Tech Co., Construction Co., printing & Student Service) stated that they should contact their direct supervisor first; only if their problem was not solved could they then communicate with them directly or with the HR officer, bypassing their direct

supervisor. The lack of formal grievance process in most of the case studies reinforces what found above about the limitations of employee voice. However, since Trade Unions were not allowed in Saudi Arabia, it can be recognised that firms prefer to handle problems internally before progressing to reach the employment office, as the HR officer in the Contractor Co. stated: *‘we do not wait until it becomes complicated’* and *‘managers always do not like escalation’*; nonetheless, employees have the right to raise a complaint against their firm if the employment contract has been violated.

Table 6-8 below provides a summary of the common employee relations practices discussed in all the sections above. In the next section, the findings of the second-phase interviews are revealed highlighting the approaches adopted by the case studies to address the tight economic situation.

Table 6-8 Summary of Employee Relations Practices

<b>Practice or Method</b>	<b>Specific examples</b>	<b>Number of cases studies</b>
<b>Company-wide meeting with top management/owner-manager</b>	Regular	4 (Chocolate Co., Private Primary School, Childcare, Children’s Activity Centre)
	Occasional	2 (Printing & Student Service, Salon, Beauty Centre)
<b>Owner-managers meeting only with supervisory level</b>	Regular	2 (Construction Co., Chocolate Co.)
	Occasional	2 (Food Co., Tech Co.)
<b>Team briefing</b>	Regular/daily, weekly, or monthly	3 (Contractor Co., Construction Co., Tech Co.)
<b>Suggestion scheme</b>	Rewards for applicable ideas	1 (Contractor Co.)
<b>Formal internal procedures</b>	Only Discipline	2 (Chocolate Co, Contractor Co.)
	Internal regulations	2 (Childcare, Children’s Activity Centre)
<b>Employee Welfare and social event</b>	Celebrating personal events and create social ones	4 (Contractor Co., Salon, Beauty Centre, Childcare)
<b>Formal record of employees attendance</b>	Fingerprint system	5 (Chocolate Co., Contractor Co., Salon, Tech Co., Private Primary School)
	Manually	4 (Beauty Centre, Children’s Activity Centre, Private Primary School (required by Ministry of Education), Childcare)

## 6.8 HRM Practices under Tight Economic Situation

After many economic and social changes have taken place in a year time, a second wave of interviews have been conducted with owner-managers in six case studies, as explained in the methodology chapter (4). The analysis of the transcripts exposed many changes in the HR practices in order to cope with the tightened economic conditions, either by adopting the skills or the motivation approach. Nonetheless, no firms have adopted the empowerment approach of HRM as a response to the changes. In spite of the tight and unstable conditions which ruined all recruitment needs planning and led them to change their business design, the owner-manager of the Children's Activity Centre commented that they were very optimistic as they believe that the country is witnessing a revolution in different aspects; hence, '*the survival of the fittest*'. They proactively decided to target volunteers in non-profit organisations for recruitment, in addition to focusing on improving the skills of their existing part-time employees.

On the other hand, several firms have decided to focus on motivation in an effort to overcome the impact of the latest changes in the external environment, as they made changes in their rewards and increased the amounts of incentives—especially for sales employees. The owner-manager of the Chocolate Co. assured of the importance of care and information-sharing, advising that employees remain updated about the position of the firm and the effects of economic changes on them. Likewise, the Private Primary School has introduced other types of non-financial incentive, such as fewer working days for distinguished employees. Furthermore, several firms (e.g. Chocolate Co., Salon, and Printing and Student Service) opted for downsizing or rightsizing in order to alleviate the impact of the cost increases of overseas recruitment which is comparable to what Chu and Siu (2001) have found in the only study that considered a given situation to explore HRM practices within SMEs in the reviewed literature. There was less reliance on HR, either by automation, and increasing working hours in high seasons, as in the case of the Chocolate Co., or otherwise by reducing the size of the business, which means more dismissal and frozen recruitment and, consequently, less ability for employment generation, as in the cases of the Printing and Student Services, and the Salon. However, two of the case studies, namely The Children's Activity Centre and the Private Primary School,

were still growing and have increased their number of employees. Conversely, some firms have continued to struggle, without any manifestation of precautionary measures. For example, the Food Co. remains in chaos, and is still exemplifying very poor employment relations, as the owner-manager is continuing to perceive nationalisation programmes as an obstacle, and she had the same hostile attitude narrating incidences of conflicts with employees as exemplified below:

*I employed a young Saudi as quality observer, but their work was very bad and I sacked them. I terminated their contracts... I give him the same work twice and every time he asks how to do this thing, even though we have already taught him.*

*I employed a Saudi designer; I found out that she posted the work done by us on her personal Instagram account. In accordance with an Article in the regulation of labour office, I fired her. Then she complained about me in the office with records and evidences. Oh, shame!...She did this only in order to cause me discomfort and affect the other employees, who, after they took their salaries, submitted a collective resignation.*

Generally, it also has been noticed that there were not many modifications to the training approach of these cases, and the owner-managers (e.g. Children's Activity Centre, Printing and Student Service, Chocolate Co.) denied any progress in terms of the work ethics amongst Saudi national applicants as a result of the recent changes—although some of them have reported an increase in the number of Saudi employees in their businesses (e.g. Salon), as opposed to the Private Primary School, where the owner-manager stated that they hired foreign teachers last year for the first time as they had experienced difficulties in retaining Saudi employees for junior classes in kindergarten. Table 6-9 summarises the approaches adopted by the case studies to cope with the changes in the social and economic environment.

Table 6-9 Summary of Approaches under Tight Economy

<b>Approaches to cope with economic and social changes</b>	<b>Specific HRM examples</b>	<b>Case studies</b>
<b>Skills approach</b>	<ul style="list-style-type: none"> <li>-Focus on improving the skills of the existing part-time employees</li> <li>-focus on applicants work ethics by targeting volunteers in non-profit organisations for recruitment</li> </ul>	Children' Activity Centre
<b>Motivation approach</b>	<ul style="list-style-type: none"> <li>-Increase incentives especially non-financial ones</li> <li>-Higher information sharing with employees about the position of the firm</li> </ul>	Private Primary School, and Chocolate Co.
<b>Rightsizing approach</b>	<ul style="list-style-type: none"> <li>-Automation</li> <li>-Increase working hours</li> <li>-Freeze recruitment</li> </ul>	Chocolate Co.
<b>Downsizing approach</b>	<ul style="list-style-type: none"> <li>-Close branches</li> <li>-Lay off</li> <li>-Wages cut</li> </ul>	Printing and Student Service, and Salon

## 6.9 Summary of the Chapter

The main common characteristics of people management amongst the case studies can be described as centralised decision-making, the dominance of interviews as a selection method, and excessive use of overseas recruitment offices to import low-skilled inexpensive labour, strong emphasis, although informal in some cases, on the training and development, and the continuous review of individual performance, paternalistic and familial organisational climate, and a wide utilisation of recognition tools to motivate and retain workers.

To sum up, this chapter has provided a detailed description of HRM within the case studies; in a way that not only satisfy the *what* of HRM but most importantly the *how*. Such an approach highlighted the significance of considering HRM process as well as the practices as we have seen, in different functions the similarities of practices in two different case studies while the way of implementation was completely different. It has also clarified the divergence in HRM across and within the firms. Moreover, the findings of the second-phase interviews has been presented unfolding the ways in which the firms have cope with changing economic circumstances. Additionally, the occurrence of these changes in a year's time has proven the dynamicity of SMEs and their constant interaction with the external environment. The influences of such external factors in addition to the other determinants will be clarified in details through the following chapter.

# Chapter 7

## FINDING 2 UNDERSTANDING THE DETERMINANTS: THE 'WHY' OF HRM IN SMES

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### 7.1 Introduction

It is known that firms are embedded in a web of institutional, social and economic settings (Geels, 2004; Bhakoo & Sohal, 2015); these inevitably have their own impact on the choice of certain HRM practices. As seen in the previous chapter, the case studies have varied widely in their approaches towards people management; hence, this chapter aims to explain this heterogeneity by identifying the determinants that contribute together in shaping HRM within SMEs. However, far from being rigid, it should be kept in mind that this sorting is for an analytical purpose as these determinants are continuously interacting, mixed and complicated, and any direct causal relationship cannot possibly be found in the following analysis of the findings. It is rather, an attempt to grasp the conditions of possibilities (cf, Hesketh & Fleetwood, 2006) that make the HRM process and practices identified in the previous chapter acceptable and legitimate at a given time and context. This focus aligns neatly with a renewed emphasis on appreciating the role and impact of context in HRM studies (Johns, 2018; Boselie, Farndale, & Paauwe, 2018).

This chapter will address the second objective of this research which seeks to identify the determinants shaping HRM within SMEs in the context of Saudi Arabia. The structure of the determinants is derived from the multiple-theoretical framework of this study (institutional theory and strategic choice theory), thus, they will be classified into: External and institutional determinants (labour market and regulations, national culture, external institutions and industries, competitors and



customers); Internal dynamics determinants -organisational factors- (employees' skills and organizational characteristics); and owner-manager related determinants (management style, passion, extent of management knowledge and skills, dedication, and perceived priority of the business). This classification is also aligned with previous ones identified in the reviewed literature with the aim of capturing them in a holistic manner; for example, internal and external factors (Bacon & Hoque, 2005; Harney & Dundon, 2006), institutional factors (Tsai, 2010; Cunningham, 2010; and Gilman & Raby, 2013), and owner-manager characteristics and firm characteristics (Tocher & Rutherford, 2009). The way in which each determinant has been identified was unfolded through the analysis of the interviews with the assistance of Nvivo software coding process. Examples of these effects will be introduced from different case studies. This should contribute to increasing the understanding of how HRM in Saudi SMEs has been developed.

## **7.2 External and Institutional Determinants**

### **7.2.1 Labour Market and Employment Regulations**

The Saudi labour market is extremely segmented, as it is composed of a large number of low-skilled foreign workers, high-skilled expatriates in addition to the Saudi national habitants, who mostly work in the public sector. Another dimension of labour market segmentation is between Saudi men and women. The dissection of the workforce in the labour market has created tacit rules, as informed by some of the HR officers, especially with regards determining the pay level, as there is a prevalent culture that differs between applicants based on nationality, with western expatriates and Saudis holding the highest wage expectations, especially when there are no anti-discrimination laws and firms can request a particular nationality for new hires.

The structures of segmentation and the surplus of cheap low-skilled workers in the Saudi labour market were caused by many situational and economic factors, as discussed in Chapter 5; this has resulted in a high level of unemployment and underemployment in the country. Consequently, in an effort to reform the current situation and to restructure the labour market, the government has issued many

regulations that aim to decrease the dependence on foreign labour and accordingly enforce the uptake of Saudi nationals' recruitment. One of these regulations is the nationalisation (Saudisation) initiative, which obliges any firm to hire a specific percentage of Saudis or reserve specific occupations (e.g. Receptionist, and Cashier) or sectors (e.g. Technology and Communication, Retailers) to be filled only by Saudis in order to be allowed to issue visas to import foreign workers. An analysis of the data revealed a wide resentment and aversion to this regulation, particularly as owner-managers claimed that Saudi nationals' skills do not fit their firms and they lack the required work ethic, in addition to their higher wages and likelihood of turnover. In comparison to the compatriots, migrants are assumed to be more willing to work for longer hours and for lower pay. Many owner-managers (e.g. Tech Co.) still stereotype, believing that Saudi nationals 'are either looking for a job in the government sector or big companies' and will only take a job in a small firm until they find another opportunity. This is despite the fact that the public sector has been already recognised as saturated. The perception of hiring Saudi nationals is embodied in the below quotes by the owner-managers:

*I myself hope I do not have a foreign worker, but are you willing to work as the foreigner does? This is the question. Will you work without watching the clock and saying you have worked for ten or 12 hours? (Food Co.)*

*He [the Saudi worker] could be a financial burden on the Co. so they have to get rid of him. Also, he could be looking for a better job opportunity, most of Saudis prefer a governmental job or a private sector but in large well known ones, unlike non-Saudis who do not mind working anywhere. (Printing and Student Services)*

*They want to go out and leave early. They do not want to work after six o'clock. So they ask for vacations and exit permission, they also want to travel with their families so they do not want to work in summer. (Beauty Centre)*

It is true, when considering the evidence, that there is a lack of vocational skills and weak preparation amongst recent Saudi graduates, who might be well-educated but not well-trained with many emphasising that a significant 'skills gap' exists (e.g. Calvert & Al-Shetaiwi, 2002; Baqadir, Patrick, & Burns, 2011), in addition to the influence of the national culture. However, it is believed that this was not the main reason for the negative attitude witnessed amongst the owner-managers. Since they

did not mind importing low-skilled workers without even being able to select amongst them, their claims were not reasonable (see selection methods findings in Chapter 6). The real explanation may be seen in their inability to control Saudi workers as much as they are able to control foreign workers as a result of the support of sponsorship regulation, which does not allow imported workers to work for another company without the consent of the original sponsor, in addition to their low salaries. This creates something of a dependency relationship between such 'imported' employees and the owner-managers. The 'control' rationale was indirectly exemplified by the owner-managers when they talk about the shortcomings of Saudi workers as being unwilling to '*let somebody else to control them*' (Food Co.) and, in their fears of foreign workers escaping if they let them keep their passports (Beauty Centre), in addition to taking for granted the continuity of the foreign workers, just because they are in financial need. In this vein, the owner-manager of the Chocolate Co. argued that, '*if anyone will take double of what he takes in his country, he is not going to say no*'. This also can be seen in the way by which the owner-manager of the Contractor Co. dealt with the offer by the Dean of the Vocational Institute to join the student training scheme. Yet, the owner-manager did not take the matter seriously and acknowledged that he did not follow up despite the fact that could create an opportunity to generate a pool of national applicants. Only when both are equal in the labour market (in mobility and cost) can the claim of unsuitability of national applicants be justified (or preference to the immigrant workers be rational). This is because wages are not the only factor of segmentation; rather, there are other regulations that play a role in preventing an integrated labour market from emerging. It is likely that SMEs are not the employer of choice or can experience difficulties in retaining high-quality Saudi workers, as talented ones are attracted by firms that pay better compensation. Nonetheless, generalising the negative viewpoint concerning the motivation and willingness of Saudi nationals, and blaming only one group at the expense of the other, is unbalanced, especially when notable examples of new graduate compatriots were found within the case studies explored (e.g. An employee in the Printing and Student Service, employees in the Childcare, Children's Activity Centre, and Private Primary School).

One of the national employees in the Food Co. explained the reasons behind her resignation from her previous small workplace, stating that no one wishes to do so in a tight labour market:

*Sometimes the problem is exploitation because I have been in this in my previous work; otherwise, no one wants to leave the job after 3 months, but they did not keep their promises, none of the things they signed to do, actually do them. We were patient and eventually they told us that they cannot keep what they promised us and I was not the only one who resigned, but two of the staff as well.*

The criticism and complaints made about the skill levels and work ethics of the Saudi workers would be realistic and justified when it comes from a case study like the Children's Activity Centre which started its operations by hiring only Saudis and eventually, when they decided to hire foreigners, applied the same policies and practices for both parties, as opposed to the cases that have dissimilar ones for each. Notwithstanding that the problem might be in the recruitment and selection practices, which notably failed to attract the right match of national applicants for their business or in the strong passion of the owner-manager to her business, which makes her look for perfection, she recalled many incidents and problems that occurred in the case of Saudi recruits, and complained by stating the following:

*The Saudi employees have poor communication skills, they cannot manage and communicate with employees very well, and I guess the reason is the poor educational outcomes. The fresh graduates have poor skills, which mean we have to support them with more training on skills such as time management, communication skills, leadership, management and many others, which make a big mess, but now we started to be more organised.*

*Our enduring problem is with the Saudi employees that they don't take work seriously although we do our best to train them according to the latest training standards and approaches. I train them by myself in a course that I had prepared; as I did that training course for employees in the public education.*

Most of the policies established to tackle the issue of nationalising the labour force have faced obstacles in implementation; however, the government seems to have recently become very serious in regards the reform of the labour market, with the

need to decrease the unemployment rate. Yet, this obligation through regulations has triggered reactive practices, akin to those labelled by Oliver (1991) as concealment tactics, by way of creating the impression of being compliant with nationalisation regulations and, hence, being able to apply for work permits to commence overseas recruitment. Some owner-managers (e.g. Chocolate Co., Construction Co., Printing and Student Service, Salon) disclosed having disguised Saudisation (window dressing) and other practices such as listing the names of the owner's family members as national employees, to avoid costs, with one of them admitting that '*you should do this to survive*' (Chocolate Co.). However, the focus more recently has been centred on bringing the wages of the foreign workers to the level of Saudis by raising the fees and restricting the process of importing workers, thereby removing the low cost advantage of cheap labour. Nevertheless, the coercive nature of such regulations, which generates a conflict of interests between the entrepreneurs and the government, has generated tension in the public conversation and the relations between the two parties. Although the new Saudi vision has stressed the support of entrepreneurship as one of its main objectives (Vision 2030), owner-managers have been resentful as they perceived all of the new regulations as operating or having an impact against their interests and accused decision-makers of only having 'mottos'. It is believed that the new regulations imply a message to entrepreneurs that the new vision will support only those SMEs that add value to the GDP and those which create employment opportunities for nationals. This could somewhat justify the positive attitude towards recent changes and regulations amongst those case studies, which were not completely dependent on foreign unskilled labour (e.g. Children's Activity Centre, Childcare, Private Primary School, Tech Co.). In addition, the networking factor is proving to be important, as it was identified that those owner-managers who engage with government initiatives had a chance of exchanging experience with their own community of practice and with other entrepreneurs who had a constructive viewpoint in regards recent changes in regulations. Kitching (2016) reported that such sources of information can mediate the influence of legislation on SMEs. Likewise, complete awareness and knowledge about the details of the regulations has been identified as an important factor that influences owner-managers' perceptions towards regulation (Edwards, Ram, & Black, 2004) with incomplete awareness potentially resulting in missing legislative changes that may

actually benefit their organisation. Divergent attitudes can be illustrated when comparing the following quotes of the owner-managers in two different firms:

*I am now a Saudi with a small enterprise, and you forced me to hire Saudis, who may leave me after four months, how does that benefit me? Then I hire another, who may quit the job in less than six months. How this would help me? I spend my money in vain... new regulations will push the youth to become lazy and imposing greater conditions to work. They will feel that business owners need them and will not accept to work but according to their terms and will start to bargain until I give a salary to someone who has no value. You did not encourage the Saudi employee to develop, but taught him about laziness and made him with a high value in the market. He will think that we need him, so no need to self-develop... I don't care about attending any meeting for the new SMEs authority, and I do not have the time to do so. (Owner-manager, Food Co)*

*I am very optimistic about the future of the small businesses as I am a member in the youth business committee in the chamber of commerce, so because of the nature of my work I attended meetings and regular gatherings and seminars, I participated in workshops about SMEs ... All the workshops I attended with them are about how to develop the projects, the environment in the SMEs, how to provide the services they need, business incubators and accelerators, I can say it's very promising, sometimes we meet people who say we don't see any support, I always say now the movement is different than before, I attend everything and I listen to the plans and projects and that is the reason I am so optimistic. (Owner-manager, Children's Activity Centre)*

However, an unbiased opinion by a non-national personnel officer, expressed dissatisfaction with the process, highlighting the way in which this regulation has been implemented. This viewpoint criticised dealing with all firms as homogeneous, as distinction between large and small enterprises should be taken into account:

*What the Ministry of Labour issues is non-discussable. They put somethings on the platform for discussion, but small firms do not have a voice. Most of those who negotiate with the Ministry of Labour are the large firms because they know their situation and basically they have an attractive environment for the employees (Personnel officer, Construction Co.)*

Furthermore, the sponsorship regulation (*Kafalah*)<sup>6</sup> has affected the compensation practices, as any illegal hiring of a foreign worker who is not under the employer sponsorship will compel the company to pay more than the market average as a settlement. Thus, other organisations such as Chocolate Co. find it difficult to rationalise to their legal workers when comparisons with the market have occurred. It also established an unhealthy employment relationship as foreigners are not legally permitted to change employment if they feel abused or exploited or simply unsatisfied. In addition, it gives employers a tool to control the life of the workers inside and outside the workplace as they have the discretion to allow or disallow non-Saudi workers to remain in the country. The owner-manager of the Beauty Centre admitted that she changed the visa type of the worker who quit to a Re-entry type, when she knew the worker was planning to return and work for a competitor. Legally, a foreign worker should get 'Final Exit' in case of resignation or non-renewal of the employment contract, but a 'Re-entry visa' means that a worker should come back and work for the same sponsor (employer). Therefore, by working for a competitor, a worker will be forbidden from working in the country as he/she will appear as a manipulator who breached the residency law. The scope of control can also be seen in what the supervisor in the same case study (Beauty Centre) states as follows:

*There is an open accommodation independent of the salon, but there is a system after the end of the work that provides them with means of transportation to the accommodation and it is locked as there is no exit except with permission.*

Generally, employment law appeared to play a regulative role, as many case studies reported utilising it as a reference point, as mentioned before, in order to standardise the employment relationship. This proves its influence on shaping some HR practices in SMEs, as the employee in charge of personnel in the Chocolate Co. remarked: '*employment regulations started to influence people management more than before especially after raising the cost of overseas recruitment. Also the Saudisation quotas, all of this affect the recruitment and rewards plans*'. Moreover,

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<sup>6</sup> The Kafalah system is a sponsorship system that used to monitor migrant workers. The system requires the worker to have an in-country sponsor who has to be the employer. The sponsor is responsible for the legal residency status of those workers

the latest regulations were issued to play a protective role that would prevent injustice, as in the case of the Wages Protection System (WPS), which has compelled organisations to transfer the pay of workers in their bank accounts on time. If a firm failed to do so, an inquiry would be sent to the firm. Such compulsory laws have also served to increase administrative complexity and accordingly resulted in owner-managers hiring HR/personnel officers only to handle such issues, which keeps the HR role away from the strategic level (Contractor Co. and Construction Co.). However, some entrepreneurs believe that employment law and the employment office always stands for employees being against the employer, and they also perceive the latest reforms as being restrictive and destructive, especially to SMEs, as one owner described their vulnerability in this quote:

*The victim is always the weakest. Like the army in a war; if they have a sick soldier, they kill him so as not to be a burden and delay them. This is what the regulations are doing to us as small enterprises now. (Food Co.)*

Additionally, they also considered government procedures for issuing visas and work permits as an extra administrative cost that keeps them busy from pursuing more strategic functions. This attitude is mostly pervasive, as mentioned above, amongst cases that depend mostly on low-skilled immigrant workers (e.g. Food Co., Construction Co., Salon, Beauty Centre, Chocolate Co., Printing and Student Service). This in spite of the fact that labour law in Saudi Arabia specifically—at least, those governing the private sector—had been always seen as business friendly (i.e. no trade unions, strike and collective bargaining prohibited and the ability to hire and fire staff easily). Nevertheless, the idea of administrative and cost burden which is associated with the employment laws is also apparent in the extant literature (e.g. Edwards, Ram, & Black, 2003, in Jack, Hyman, & Osborne, 2006; Arrowsmith *et al.*, 2003). Furthermore, other studies have emphasised the regressive nature of that cost, meaning that smaller firms are affected excessively (See Chittenden, Kauser, & Poutziouris, 2002). Likewise, Barrett and Meyer (2010) identified employment regulations as one of the indicatives which were associated with perceiving HRM as a problem within SMEs. Therefore, many have called for more consideration of the complexity of regulation effects on SMEs (e.g. Barrett, Mayson, & Bahn, 2014; Kitching, Hart, & Wilson, 2015). This section has sought to contribute to this conversation by detailing how employment regulations have



affected HRM in SMEs within the particular legislative context of Saudi Arabia. The impact of the nationalisation and sponsorship law was explained along with the divergent responses of the case studies for these regulations. Example quotes from the interviews can be seen in Appendix C-1.

## 7.2.2 National Culture

In line with the very few authors highlighted in the reviewed literature (Chapter 2) (e.g., Thach & Kidwell; Kim & Gao, 2010; Qiao, Wang, & Wei, 2010; and Gilman & Raby, 2013), national culture was found to limit the implementation of certain HRM practices and enforce the way by which other practices were adopted. Gender segregation in the educational sector results in organisations either employing males or females but not both, as exemplified in the case studies included in the current study (e.g. Private Primary School, Children’s Activity Centre, and Childcare). This also seems to have an effect on owner-manager’s employee relationships in the Food Co. where the male workers are the majority, as she tried to be very strict in dealing with male foreign workers to overcome the stereotyping of the inability of ladies to manage a group of men; this was clear when she admitted that she felt that workers *‘are manipulating because they see [her] as a woman’*, and when she assured her capabilities by stating: *‘this is not difficult for me because I dealt with the hardest which is men’s employment. I was able to solve many problems that cannot be solved by the strongest men’*. Such stereotyping is embodied also in the words of an employee in the same firm when she stated *‘especially that the owner-manager is a woman and it is difficult to do everything by herself in our society’*. The influence of culture and religious teachings also affected the preference of applicants for non-mixed workplaces, as a newly hired employee in the Food Co. confessed, stating that she was encouraged to accept their offer when she knew the owner-manager was female, as she is eager to learn about how to manage a business, which might not have been possible if the manager had been a male—something that was completely underestimated in making a workplace attractive for applicants.

Surprisingly, the use of nepotism or *Wasta* in recruitment, which is recognised to pervade all aspects of Saudi society (Aldossari, & Robertson, 2016; AlHarbi,

Thursfield, & Bright, 2016) was not evident amongst these SMEs; this could be justified by the unattractiveness of these SMEs as a workplace for national applicants. Nonetheless, without question, it was there in appointing family members in managerial positions, albeit only in few cases (e.g. Tech Co., Childcare), and in managing SMEs' external issues and their relations with external institutions to facilitate the process of doing business. Furthermore, the use of 'word of mouth' and personal relations in recruitment was very common amongst most of the case studies and owner-managers were seen to make decisions regarding selection based on the degree of knowledge without utilising any selection tool (e.g. Food Co., Salon, Construction Co., and Printing & Student Service). This can be rationalised by the high collectivism that distinguishes Saudi Society. It is argued that such collectivism, in addition to economic factors, contributes presumably to low work ethics amongst some of the Saudi youths as they have not been raised as independent individuals, but rather belonged to a group that will always stand up for them—whether that group was a family or a tribe, and self is identified in relation to those groups members (Kabasakal & Bodur, 2002) That said, glimpses of change can be witnessed among the new generation. The owner-manager of the Construction Co. demonstrated this argument:

*Many things need to be changed in order to solve this problem, the work culture among the Saudi youth, they should stay away from dependency and as long as he is a dependent person... the work culture would not be improved; but when he feels the responsibility and the gained money used to help him to achieve himself and develop himself, the idea will be changed*

Moreover, the contempt for some of the manual occupations in society makes it difficult to find a Saudi national applicant for such roles, which subsequently affects the decisions of the owner-manager regarding resourcing strategy. For example, both owner-managers of the Salon and the Beauty Centre admitted that it is impossible to find Saudis who will do manicures and other similar tasks, as this is deemed to be unacceptable in society, thus they believed that it is unfair to be required to abide by the localisation law as much as other organisations with different occupations. On the other hand, the timing of the performance appraisal in the Chocolate Co. was decided according to social and religious occasions, as celebrations and demands for chocolate and catering services increased hugely; thus, the owner-manager made the

decision that there should be an evaluation after each season—almost every four months.

The high collectivism in the society that focuses on the group rather than on the individual might result in less importance being placed on task identity. Additionally, the low tolerance for uncertainty also might contribute to the resistance for high levels of autonomy to perform the job. On the other hand, the high power distance and the value of respecting elders can all affect empowerment with sizable freedom to do the job can be misinterpreted. The owner-manager of the Children Activity's Centre admitted that they realised that they have to change their approach to fit the culture of their employees as she commented:

*We give our employees orders with the smallest details to apply as we used to give freedom but they did not get that right. They did not understand that we wanted to be professionals and let them decide how they do their jobs. They thought we are weak, they misused that*

The same cultural dimension—high power distance—affected the criteria of performance appraisal in the Private Primary School, as the owner-manager, who seems to have a very conservative personality, assured that it is important in her school to show respect for senior people, such as management in the school. Having said that, it has been noticed that this high power distance that is known to characterise the Saudi society was diminished in some of the cases, especially when the owner-manager is younger in age, such as the case in the Childcare case study. It is believed that such a change reflects the dynamicity of the Saudi context and the transformation of its society, which is led by its young population, as discussed in a part of the contextual background (Chapter 5). Moreover, in an effort to avoid colliding with religious and social values, owner-managers were occasionally pursuing selection criteria that fit the national culture more so than the job itself. However, relying on foreign workers to run a business required additional efforts in preparing them to fit the culture of Saudi Arabia, in addition to qualifying them with essential skills to do the jobs. The branch manager in the Chocolate Co. explained this by saying:

*Societies and cultures are different. Chocolate businesses are different from one place to another; the culture, the taste in the designs, and many other aspects.*

*That's why it is difficult to find ready-made employees: you should train them to fit the culture you are in first.*

Additionally, being in a conservative society, the owner-manager of the Contractor Co. reported having difficulties when asking for a reference in recruitment, as people are reluctant to provide such information. Moreover, in order to clarify the large role played by Islam in the Saudi society, many owner-managers mentioned providing a ticket to Makkah in order to perform *Omrah* as one of the best incentives favoured by employees. Appendix C-2 provides example quotes about the influence of the national culture which have been derived from the interviews.

### **7.2.3 External Institutions and Industries**

It seems that particular sectors are more institutionalised than others (e.g. education), and some sectors are more reliant on low-skilled foreign workers than others (e.g. manufacturing and beauty services); however, the majority of firms have been overwhelmed by the non-stop changing of regulations by different government bodies, which make planning, in their opinion, merely a waste of resources. This coalesces with the previous research that emphasised why firms perceive regulations as barriers, not only from their effects, but also from constant change because of the cost involved in order to keep up-to-date information (Kitching, Hart, & Wilson, 2015). For example, the case studies in the education sector are affected by different laws that are not applied to other SMEs. The Private Primary School owner-manager confirmed that they have to be compliant with the minimum wages for teachers, especially if they get support from the Human Resource Development Fund (HDF), which also mandates the length of the employment contract and the time for the salary increase, in addition to filling in the annual forms on the Ministry of Education websites for performance appraisals. The same Ministry also has control over the training programmes as private schools have to garner permission for any internal training and they host external training for teachers. The Children's Activity Centre had been disadvantaged by not being classified as an educational organisation in the wages support system from (HDF), whilst applicants compared their compensation with those of schools. This impacted, as stated by the owner-manager,

their selection criteria, as well as their attractiveness for high-quality applicants, as being in the childhood sector requires the careful selection of applicants as a result of the vulnerability of the children. Likewise, by providing a service that depends on high-skilled workers, case studies (e.g. Childcare, Children's Activity Centre, and Private Primary School) considered their employees as a significant driver of firm performance due to their direct communication with customers. In addition, it is noticed that a particular gender can be dominated in some industries such as male workers in construction and manufacturing, and female workers in the beauty service sectors. By identifying industrial sector to be relatively an influential factor on shaping HRM within SMEs, this study agrees with a large body of literature that recognises it as a significant determinant (e.g. Gilbert & Jones, 2000; Kotey & Sheridan, 2001; Hayton, 2003; Faems *et al.*, 2005; Dietz *et al.*, 2006; Harney & Dundon, 2006; McPherson, 2008; Barrett & Meyer, 2010; and Sheehan, 2014).

Moreover, the owner-manager of the Children's Activity Centre voiced complaints about the lack of reliable statistics which, in its turn, influence their ability to plan in order to identify recruitment needs, commenting that '*Saudi Arabia is not a proper environment for that [long-term planning]*'. Additionally, contact with local sources of business advice had a positive impact on training and development practices as some case studies: for example, the Contractor Co. reported a large reliance on the institutions like the Chamber of Commerce and the HDF to provide training for their employees, besides the recruitment services introduced by the national centre under the overarching umbrella of the Ministry of Labour, which was found to be utilised by several case studies. Likewise, suppliers were performing the same development role of providing training in many instances, as in the cases of the two salons and the Contractor Co. This revealed the positive impact such advisory bodies have on personnel issues especially with the common lack of HR expertise within these firms in addition to being able to implement some of the systematic HRM process and practices without high cost. Correspondingly, De Kok and Uhlaner (2001), Hoque and Bacon (2006), and Wu, Bacon, and Hoque (2014), found SMEs which are involved with business advisory networks or large firm associations, to be more inclined to train their employees. Detailed examples about how external institutions and the industry sector are contributing in the creation of HRM are provided in Appendix C-3.

On the other hand, there were other institutions that exercised their influence on HR practices indirectly, such as the education system, with a perception that it failed to provide nationals with the right type of skills for the labour market. Additionally, municipality has its own influence on firms, particularly in the service sector (e.g. Salon and Beauty centre), by enforcing specific terms and conditions for the business activities pursued within the firms; in turn, this affects selection criteria and work arrangements.

#### **7.2.4 Competitors and Customers**

The analysis of the interviews revealed a modest impact of competitors and customers in shaping HR practices within SMEs. The influence of competitors might be clear in some of the mimetic practices, which were adopted to prevent unfair comparison by employees with other organisations in the market. The most relevant examples were always found in the reward practices, and specifically in the determination of the salary amount as a tangible feature of employment, especially for applicants recruited from the local pool, in addition to the comparison and resemblance in the internal regulations, such as the dress codes and the number of working hours which has been observed only in two case studies (Chocolate Co. & Food Co.). The unlawful practices of competitors compelled the owner-manager of the Chocolate Co. to state that paying less than the average of the market rate cannot be considered poor reward practices because many companies pay higher than the average to compensate for the illegal status of their workers (See Kafalah regulations in section 2.7.1). Equally, the owner-manager of the Private Primary School considered giving employees a chance to know about their performance appraisal results and allowing them to discuss the matter after reports had been already submitted to the Ministry of Education; this was viewed as being a good practice in comparison to other private schools that do not allow employees access to their performance appraisal reports. The Children's Activity Centre has been unfairly compared with the schools by applicants as the centre is perceived as paying lower salaries without accounting for the fact that they have fewer working hours and different content. All of these examples illustrate that competitors have less direct influence than other institutional factors and the negative practices common among

firms gave owner-managers a chance to justify some of their poor practices by being “better than the worst”. Although We, Bacon and Hoque (2014) found no support for the argument that competition and customers encourage the introduction of HPWS within small enterprises, this finding stands at odd to many others which identified a role for the market competition in making HRM practices within SMEs more effective (e.g. Patel & Cardon, 2010; Tsai, 2010; Werner & Herman, 2012; Gilman & Raby, 2013).

On the other hand, customers appeared to exert a degree of impact on HRM, as the owner-manager of the Chocolate Co. stated: ‘*they are everything and affecting all of our plans*’. He also focused on customer service skills when talking about training. Customers also play a role in performance appraisals in many firms, such as the cases of the Salons, Construction Co., Tech Co., and Private Primary School where the owner-manager emphasised that ‘*there should be acknowledgements from the parents about her work in order to get salary increment*’. Similarly, the department manager in the Tech Co. highlighted the role of the customer in performance evaluation by stating that ‘*appraisals depend on many things like achievement, problem solving and also customers’ feedback*’. However, larger customers seem to have an ambivalent effect on HRM policies and practices, encouraging the implementation of sophisticated approaches to look more professional, such as the case of the Contractor Co. and the Tech Co.; while in other cases, it is observed that they have a relatively negative influence as the owner-manager puts more pressure on and intensified the work load in order to meet their requirements, such as in the case of the Construction Co. On the other hand, larger customers might exert their market power over small businesses, meaning they indirectly affect HRM practices by driving down the prices, which forces small organisations to adopt a low-cost strategy, such as that demonstrated by the Printing and Student Services. In the literature, there were many studies that found a larger influence of customers on the nature of HRM practices within small firms (e.g. Bacon *et al.*, 1996; Bacon & Hoque, 2005; Werner & Herman, 2012; Della Torre, & Solari, 2013; Doherty & Norton, 2013). Example quotes from the interviews are presented in Appendix C-4. The next section will move on to explore the influence of the internal dynamics factors, including employees, on forming the shape of HRM within the firms.

## 7.3 Internal Dynamics Determinants

### 7.3.1 Employee Skills

The skills level of employees played an important role in shaping the HR process and practices adopted in the firms. The analysis of the interviews clarified that firms with high-skilled jobs (e.g. Tech Co., Childcare, Children's Activity Centre, and Private Primary School) were more likely to adopt sophisticated practices and involve their employees in the decision-making, with communication and employee relations generally found to be smoother. In such firms, human resources were more valued as the main contributor for the organisational success, which gave them higher bargaining power and made owner-managers more willing to invest in them with development initiatives. For example, the owner-manager of the Tech Co. remarked:

*I do not depend on product or the market; I have a human capital which is the base of my business. The production of the software depends on HR, the sales and after-sales depend also on HR and all the other services*

Similarly, the owner-manager of Childcare acknowledged that she was encouraged to apply self-evaluation techniques in appraisal because she believed that her employees are qualified for that. This stands in contrast to the way in which owner-managers in firms with the majority of low-skilled jobs (e.g. Construction Co., Chocolate Co., Food Co., Printing and Students Services, Salon, Beauty Centre) perceived their HR contribution to the success of the business, which is only '*about 40% to 50%, and the rest is for the quality and diversity of our product and our marketing strategy*' (Owner-manager, Chocolate Co.).

However, even in high-skilled jobs firms, there was occasionally a kind of dissatisfaction with the level of skills amongst segments of their labour or with the skills available in the local labour market, –where their applicants come from–, which proves that they are continuously looking for improvement in their HRM. Such dissatisfaction was triggered sometimes by the expectation of the owner-manager. For instance, although the personnel officer has complimented the skills their employees acquired, the owner-manager of the Children's Activity Centre identified lack of employee skills and work ethic as the main obstacles for employee



involvement and participation. Likewise, the owner-manager of Childcare found the skills of the administrative employees to be the main reason underpinning her reluctance to delegate various people management responsibilities. She expressed her concerns surrounding losing control with growth because the skills of the administrative staff were not the same as the teachers, which made her feel less confident when it came to devolving larger responsibilities although she admitted:

*Because I keep very high quality, not everyone likes to work at the same quality and standards. I might be very accurate pay much attention to the details in many tasks, which is not desired by the administrative employees who work with me. Teachers are different; they are in their own classes.*

In the same vein, many owner-managers (e.g. Food Co., Construction Co., Beauty Salon) disclosed not being able to apply some of the HR practices, such as profit-sharing and other types of PRP, because of the poor work culture and awareness amongst unskilled employees, stating that such workers were constantly concerned with how much the basic salary is and would never be satisfied even if you paid them greater incentives. Additionally, the HR officer in the Chocolate Co. reported that the inability of unskilled workers to use technology affected communication quality within the company, and he asserted that the skills of the managers and supervisors had a higher impact when it came to adopting HR practices, as they are the implementers of the policies of the firm. This is exemplified in regards to what the supervisor of the Salon said when she explained her reluctance to have more power as the matter is '*not that [she is] afraid as much as [she doesn't] like mistakes, and consequently it's [her] who will bear the responsibility*'. This definitely reflected the lack of empowerment and consequently affected the implementation process of any HRM practices planned by the owner-manager a thing that created the discrepancy between rhetoric and real HRM (Legge, 1995).

It was obvious that recruiting unskilled workers especially through the use of overseas recruitment offices diminished the significance of using robust selection practices, and rendered owner-managers to be disinclined to invest in training, especially if they perceived low-skilled workers to be easily replaceable. This also affected the power gap and the level of trust, and further encouraged owner-managers to be more inclined to opt for control rather than manage them. This was

evident in the cases like (Construction Co., Food Co., Printing and Student Service, Salon, Beauty Centre) where the majority of workers were unskilled or semiskilled, and where the skill level had engendered unwillingness to delegate responsibilities by the owner-managers, and encouraged a centralised management style as the personnel officer in the Construction Co. commented '*Rarely, he delegates responsibilities. When he delegates, he will tell you how to do this, and he will give you directions, instructions....*' Similarly, one of the administrative employees in the Food Co. emphasised this idea by stating, '*our problem is that relying on cheap labour needs an effort to follow their work and dedication ... The owner complains much more about her lack of trust than their inability to do the job*'. In the same vein, divergent HR practices were identified within the firms based on the type of employees' skills. For example, in the Contractor Co., dissimilar PA practices were applied for administrative versus manual workers, while Chocolate Co. provided off-the-job training only for accountants. Such type of heterogeneity is more akin to Lepak and Snell's HR architecture (1999, 2002). Further examples are provided in Appendix C-5. The findings in this section correspond primarily with the large influence of workforce skill-mix that Bacon *et al.* (1996) and Bacon and Hoque (2005) have identified on adopting HRM practices.

### **7.3.2 Organisational Characteristics**

The analysis indicated that organisational characteristics played a limited role in the use of certain, but not all, HRM practices. Although it is reasonable to assume that whenever organisational size increases, more HRM practices will be in place, nonetheless, the analysis of the case studies revealed that this assumption is not always valid. It is true that larger firms are more likely to have separate HR or personnel units, or at least employ a HR officer or delegate HR responsibilities, as two of the largest case studies employ for this study, (Contractor Co., & Tech Co.) stated that they had appointed a HR officer or created a separate HR unit when the number of employees reached fifty as a threshold above which firms will need more formalisation in people management. However, many of the smallest firms in the study outperformed the other firms in the degree (quality) and quantity of the adopted HR practices. They also seem to be more strategically oriented in their HRM approach, as manifested in the Childcare (22 employees) and the Children's Activity Centre (20 employees). Likewise, the age of the organisation did not necessarily indicate a superior HRM approach. The older firms, which did not manifest a proper approach towards HRM (e.g. Printing and Student Service, Beauty Centre, Salon), seemed less inclined to improve their people management practices, as it has been years of operating in chaos. This implied that it is ill-constructed in terms of human resources; hence, chances of development are fewer than in new firms. Such unwillingness to progress can be demonstrated in the owner-managers' satisfaction with the approach they adopted for people management as improving HR practices is not part of their future plans or priorities which stands in contrast with what their employees wish to happen when asked about future. The findings of not having an explicit role of the organisational size or age in adopting more sophisticated HRM practices, particularly, stands at odds with the findings of many studies in the extant literature in which this association has been taken for granted (e.g., De Kok, Uhlaner & Thurik, 2006; Zheng, Morrison & O'Neill, 2009; Sheehan, 2014). This can be explained by the reliance on the quantitative approach and the presence of the practice as a criterion in judging HRM within small businesses, which is opposed to the scope and intensity of the practices, in addition to clarifying the process of application. Conversely, Wu, Bacon, and Hoque (2014) suggested that HRM is more

widespread in younger than older business. This is evidenced within case studies like (Childcare and Children's Activity Centre).

Additionally, the geographic location within the same country had a limited effect on HRM practices, especially when considering all of the cases were located only in two cities in the same region. However, those firms that are established in Riyadh (the capital city) had reported having better chances in finding the required skills as a result of the density of population and the large number of businesses; this allowed for making use of their redundant expertise, in addition to being more attractive for foreign workers as explained by the HR manager in the Contractor Co.. One of the foreign workers in the Beauty Centre was resentful of being obliged to do things, such as wearing a veil on her head, just because the city that they were in is very conservative, and she commented that, in Riyadh City, they do not ask them to do the same. However, the owner-manager of the Contractor Co. stated that a Dean of one of the vocational institutes had advised him to target institutes in the other cities as Saudi students in Riyadh are more likely to be reluctant to work in factories as an indication of their luxurious life in the capital city and their preference for more prestigious jobs. Interestingly, within the same city, occasionally the location can make a difference as the owner-manager of the Children's Activity Centre noted that being on the north side of Riyadh City affects the type of applicants, as only wealthy and high-class families live around, and female applicants from other areas find it difficult to commute on a daily basis, especially with the lack of public transportation and not being able to drive themselves<sup>7</sup>. Example quotes which show the influence of geographical location on HRM practice can be seen in Appendix C-6. In the extant literature, only a few studies underlined the role of the geographic location in determining the nature of HRM process and practices within SMEs (e.g. Gilbert & Jones, 2000). The next section will discuss the influence of the owner-manager characteristics on the selection of HRM practices.

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<sup>7</sup> Women are now allowed to drive by law since 24 June 18. At the time of the case research this was not the case.

## **7.4 Owner-Manager Related Determinants**

Since most SMEs in this study did not have a separate HR department, most HRM policies and practices were informed by the knowledge and expertise of the owner-manager/s as, strategically and operationally, the chief decision-maker. Even in the remaining firms with an HR officer or manager (e.g. Contractor Co., Construction Co.), their role was purely administrative and trivial in addition to their lack of HR specialism. Moreover, due to the apparent asymmetric power favouring the owner-manager in most of the firms, it is reasonable to have a leading role in determining the employment model and the adoption of HR processes and practices. ‘Owner-manager characteristics’ was a pre-identified code, yet, analysis of data revealed its multi-faceted nature. Thus, the key characteristics found to have significant influence on HRM in SMEs will be discussed below including, management style, passion, management knowledge, dedication to the business, and perception regarding the priority of the business.

### **7.4.1 Owner-Manager Management Style**

The most influential characteristic was the way in which owner-manager’s management styles impacted the HRM strategies, policies and, consequently, the nature of the practices, as articulated by many of the employees interviewed. It was salient how the owner-manager, as a catalyst or a coach, affected positively the mode of employee relations and further encouraged the adoption of more sophisticated and strategically oriented HR practices in the Childcare and the Children’s Activity Centre case studies. In the instance of the Childcare case study, the proximity of age and interests eased the communication between the owner-manager and her employees; being a genuine leader with the ability to change and empower her people and take the responsibility of any mistake, putting herself always in the frontline, and protecting and encouraging them to innovate, whilst also making them feel as important as the customers. The aforementioned situation (employees as important as customers) stands in contrast to the owner-manager of the Private Primary School, who told her employees to accept the criticism of the parents (customers), allowing them to confront teachers directly whenever they want. Such a positive leadership trait, as clarified in the former example, results in making

employees replete of appreciation, respect and admiration as *'inspirational motivation... raises the levels of optimism and enthusiasm in employees'* (Cardon, 2008). An employee in the Childcare case study admitted that their manager was their own reference:

*I felt that the group with me, all work together, even the principal helps me in the works and in everything, if, for example, there is a case, for example, the teacher, cannot do anything- God Forbid- the principal comes at the same moment to act by herself and save the situation. I always call her (911), she is superior and marvellous.*

Such a leadership style and practical personality motivate the adoption of a quality approach in HRM practices, ranging from using attraction as a recruitment technique and the existence of passion as the main selection criterion, believing in the power of change to alter any undesirable traits; through to an open and rigorous performance appraisal in which employees were not afraid to acknowledge their weaknesses, seeking to garner the owner's advice in an effort to improve and progress. Her perception of the value of the human resources guided her in identifying and finding ways to develop her employees, invest efforts and time in them, acknowledge the intrinsic drivers of performance, whilst also retaining talents and paying them competitive wages. She expressed the importance of passion as a trait of the applicant by stating the following:

*Always the person who is happy at his work will be able to be changed completely. You will be able to make employees change any attribute you do not like if the applicant has the passion and if the manager himself believes that even adults can be changed and not only children.*

Likewise, albeit to a lesser extent, the owner-manager of the Children's Activity Centre adopted an effective management style that guides her HRM decisions. Being a trainer and her partner as well, in the same field, gave employees a sense of her being one of their team or a coach for them, rather than a superior manager; an employee at the centre affirmed this by stating, *'There is no superiority and difference between the manager and the trainers, but I talk with her like my friend'*. However, what makes the difference from the Childcare case is that she started more recently to be more focused on the strategic management of the business and

accordingly delegated daily people management tasks to a HR officer which indicated her inclination for empowerment and enabling employees in relative to the size of this case study particularly. Her management style influenced the nature of performance appraisal, and it became a monthly channel for employees to have a voice in the organisation.

On the other hand, the autocratic management style and the high ego in the owner-manager personality appeared to affect employee relations and, consequently, the people management policies and practices as a whole across the Food Co. Such personality with the tendency to look down on any employment relationship, as the owner-manager believed that applicants with good traits and a high work ethic do not *'allow somebody else to control them but start their own businesses'*, certainly affected the adoption of HRM practices as she wanted to hire *'someone good like [her]'* and who would be able to *'teach [her] something that [she] does not know'*. She frequently blamed employees for not giving her the opportunity to empower them, and for always turning into hostile trouble-makers; on other occasions, however, she confessed that it might be her fault as she is always in a hurry and would intervene with what employees should do; this would make them afraid to make mistakes. In addition, there was her acknowledgement that she would need to be *'internally organised'*. This resonated with what Hribar and Yang (2016) have identified about hubristic CEOs as being affected by a high-level of self-evaluation and confidence in their ability to control, which make them move away from objective standards. It seems that, although she might be convinced of the necessity to delegate some of her tasks and empower employees, she still has concerns that this might mean abdicating responsibility and power. This affected the continued duration for which employees would work for her, and the second interview revealed that all employees who have been interviewed in the first round had left the company or been dismissed. The centralised style of the Food Co. owner-manager and lack of trust in the abilities of others—even her closed family members—rendered her overwhelmed with all the tasks that felt she had to do by herself. This left no time to apply appropriate HR policies and practices so as to allow her to manage her employees. In this vein, she commented that *'[she] could not do an internal organisation structure or even a payroll because [she] cannot do it by [herself]'*. The chaos in her approach to people management affected the decision to make or

buy, as she disclosed that she could not even outsource the HR function owing to a lack of any kind of documentation.

Similar to the above instance, the owner-managers in the Printing and Student Service and the Beauty Centre adopted such an autocratic management style; however, their personalities were seen to be more approachable, allowing for a kind of reciprocal rapport, and they were able to build good relationships with their employees, although both employees interviewed in the Printing and Student Service implied that his domineering personality made them more inclined to keep their opinions to themselves, *'even if [they] know what [they are] saying is 100% correct'*, especially in relation to dismissal and other matters in people management. Additionally, one of those employees complained that such an informal and centralised style affected the way in which performance was appraised, as it became difficult for the owner-manager to control and remember everything, which impacted the fairness of employees' judgement as a result of the influence of recency bias. Similarly, the personnel officer in the Construction Co. described what he thought to be the typical management style in most SMEs, and specifically in their firm, by stating:

*You make the decision and at the same time you refer to the establishment's owner even if you take it in a friendly way. You should take his permission even if you were sure that he will praise the position that you are in or the decision you take and he might modify simple things even if he is ok with your choice. I speak with you frankly, the owners of small firms ... are often centralised you know? They do not even accept that you make a decision without referring to them.*

By contrast a laissez-faire management style was evident in the Tech Co., where the owner-manager delegated most of the HRM practices to be conducted by the department managers; while accumulated evidence emphasised that owner-managers commonly retain personal control over HRM tasks for longer than most other managerial functions (e.g. Matlay, 1999; Marlow 2002). However, he kept the strategic decisions within his own control. To illustrate, the owner-manager here is describing how employees are managed in his firm:

*Every manager is responsible for his own department. I just meet with them and revise our HR needs for next year. So everyone prepares and plans and I revise it*



*and discuss it with them and then I give my approval for the plans... I hear his opinion first and he should hear what I think and then we agree on a plan. He has to apply it himself in the way that he perceives it correct because he might know what is applicable and what fits our business more.*

This created heterogeneous practices across the department, as each manager applied what he thought would support the attainment of the business objectives within his own department, and would do so in such a way that might be similar to the HR architecture, as explained by Lepak and Snell (2002). Such a management style generated balanced employee relations practices, with one of the department managers commenting about their people management policy in the company that managers should be *'neither tough nor sloppy, if they pull we should loosen the rope and vice versa. We must keep that balance. Don't spoil your employees and make them enjoy work too much at the same time, don't make them unhappy'*; or, as the owner-manager suggested, *'it is a mutual relationship, a win-win situation'*, meaning both parties should be satisfied. The paternalistic management style adopted by the owner-manager of the Contractor Co. led to the adoption of more employee relations practices, which subsequently resulted in higher loyalty and satisfaction amongst employees. It also has an influence on the attitude of employees towards training and development, which encourages them in making use of the advisory institutes and voluntarily attending training courses. Equally, although there were the minimum standards of HR practices in the Salon, workers nonetheless expressed their satisfaction and loyalty as a result of the way in which the owner-manager would deal with them, and they sometimes even felt *'ashamed'* and like they *'cannot leave the work even if [they] have temptations'* to do so. In this sense, management style at Contractor Co. and at the Salon, in some ways, substituted for the necessity of more sophisticated HR.

Additionally, one of the owner-managers was identified to be more emotional and humanistic than practical, and so she would experience difficulties in implementing some of the disciplinary actions for no-notice resignation or otherwise to make a decision regarding the rejection of employing an applicant after the probation period, which was evident in the Private Primary School. A supervisor in the school expressed her resentment of this, although she complimented the owner-manager's democratic management style by stating the following:

*...such tolerance encourages chaos. Moreover, being overly emotional, why do we keep an employee whom we see that she is not efficient during the probation period? Just because she cried! She is not appropriate to be a teacher, there is no need for emotions, and work will not go on in this way.*

The owner-manager herself admitted this as a weakness in her personality, and confessed that *'I do not like an employee to quit while she is sad and so our relation ends due to a conflict...I would like her to have a nice memory when she quits'*. She added that even *'sometimes I am ashamed to say to one of my employees, for example your performance is not good enough'*. However, she reported that this would no longer be a problem as the Ministry obliged them to assign a school principal next year, meaning she would not be required to deal with people issues directly, and instead hoped that the appointed manager would be stricter than her. Such a finding supports the few studies in the literature which identified owner-manager management style as an important determinant of HRM practices within SMEs (e.g. Mazzarol, 2003; Harney & Dundon, 2006 & 2007; Werner & Herman, 2012). Further examples to support this argument are listed in Appendix E-1.

## 7.4.2 Owner-Manager Passion

One thing that became apparent from the interviews which is less discussed in the literature was the passion of the owner-manager for the field in which they are working or for doing business as their own life project which was something of a two-edged sword. Being passionate, while it ensures persistence (Stoeber, Childs, Hayward, & Feast, 2011), enthusiasm and self-determination (Curran, Appleton, Hill, & Hall, 2011), it can make owner-managers, generally, deal with the business as a mother who cannot trust anyone easily to handle her own baby or ‘defines “momism” as a mother’s preoccupation with controlling her child(ren)’ thus, they will ‘fail to mature fully’(Cardon *et al.*, 2005, p. 35). If they did not have sufficient awareness in separating their personality as an owner and as a manager in work, this passion would definitely have impacted adversely on their decisions regarding the way in which people should be managed. In some cases, it proved to have a positive impact on the strategic choice of the owner-manager regarding HRM policies and practices: for example, in the case of Childcare, where the owner-manager emphasised more than once the importance of such separation and who was aware of her lack of some areas of management skills, thus, efforts were made to improve that side before even starting the business. However, in other case studies, such as the Children’s Activity Centre, it had an adverse effect initially, as the passion of the owner-manager made her very idealistic in her selection criteria—and did so in such a way that did not fit their organisation; her passion was noticeable in her attention to every single detail of how the trainer was seen to be dealing with the children, which created a gap between her expectations and reality. However, this eventually rendered her to step back and delegate HRM responsibilities ‘*because [she] started to notice that the owner and the manager mind-set is getting confused in [her]*’, and she also had been convinced of the importance of fit in finding suitable applicants, as attracting talent would not be integrated with their level of resources and capabilities. However, this self-awareness was lacking in the case of the Food Co., where the entrepreneurial passion of the owner-manager and perceiving her success in doing business as a tool to satisfy her self-actualisation needs, led her to take impulsive decisions and embrace a very autocratic style; this embodied in her lack of trust in the ability of people, which worsened employee relations within her organisation. She is extremely obsessed to the level of controlling every single detail, and she

bragged that she ‘knows the number of uniforms the workers have and the number of spoons’ every kitchen has, by heart. This affected her ability to evaluate the outputs of her business and the influence of external factors, and subsequently led to wrong decisions and a lack of effective process and practice through which she managed her employees. See Appendix E-2 for further quotes derived from the interviews as a proof of the impact of the owner-manager passion on HRM.

### **7.4.3 Owner-Managers Management Knowledge**

Although all of the owner-managers in the current study were educated (bachelor degree holders), some of them appeared to lack basic management knowledge or skills. This seemed to have an impact on the ways by which their people were managed, as was seen to be the case with the owner-manager of the Food Co., who acknowledged her need for management development. As an indication of this lack of management knowledge, the owner-manager of the Construction Co. exclaimed in shock when he was asked if he had any profit-sharing plans as part of their reward system, by saying ‘*What?! Let him share my money?*’ This was evident also in few other cases (e.g. Beauty centre, Construction Co.), when owner-managers were talking about organisational performance when asked about performance appraisal techniques. However, the strategic orientation in the Children’s Activity Centre purported good management skills, as the owner-manager remarked ‘*these administrative tasks started to consume my time a lot and make me forget about the planning, developing and progress, I became always worried about covering the vacancies and forget about my main tasks*’; therefore, they appointed a personnel officer with wider responsibilities, relative to the small size of the firms. In addition, the high awareness of the strengths and weaknesses and the realistic evaluation of the external environment, such as the case in the Tech Co., Private Primary School and the Childcare, cleared the way for more effective decisions regarding HR management. Thus, since most owner–managers have similar degree level of qualifications (Bachelor degree), it appeared to be the business and management specific disciplines or coming from the same profession as their employees which have a heavier weight that influence owner-managers’ decisions regarding HRM within their firms. For example, both owner-managers of the Children’s Activity

Centre and the Tech Co. were specialised in business and management, while the owner-managers of the Childcare and the Private Primary School were childhood education graduates. This partially resonates with the findings of McPherson (2008) which identifies a remarkable influence of the entrepreneur's management knowledge on the nature of HRM process and practices. Nevertheless, owner-manager's business experience did not show a significant influence on the adoption of sophisticated HR practices or on raising management skills. On the contrary, some of the relatively most sophisticated case studies in terms of managing people were owned and managed by novice entrepreneurs, with the awareness of HRM practices possibly having improved in recent years. This emphasised what has been mentioned in the Saudi context chapter about the recent changes happening in the society especially among new generations which can be explained by the Western effect through education and business exchange, working with internationals, in addition to the impact of the media. However, this observation particularly stands in contrasts to what Mazzarol (2003), Khavul, Benson, and Datta (2010), and Newman and Sheikh (2014) have found about the positive influence of the owner-manager business experience on investments in HRM.

#### 7.4.4 Owner-Manager Dedication to the Firm

Dedication to the businesses and the time spent in the organisation, which mostly depends on whether or not owner-managers own or manage other businesses, appeared to have an influence on the adoption of HRM practices. Owner-managers might conceive that applying some HR practices was time-consuming, with the owner-manager of the Salon repeatedly replying by saying, *'I do not have time to do this'*, such as when it came to filling in forms for performance appraisals or planning for incentives or using recognition techniques, or otherwise stating *'It is supposed to be like [this]'*. This also seemed to be the reason behind the decision to delegate personnel management tasks or appoint a HR/personnel officer but not to give him/her power or full autonomy over their tasks in several case studies. HR/personnel people, or whoever in charge of people management tasks other than owner-managers, were found to be responsible as regards administrative and time-consuming tasks, or would simply work as a mediator between employees and the owner-manager, whilst important decisions remained at the hands of the owner-manager, as in the case of the Chocolate Co., the Construction Co., and the Salon. The mediator role is exemplified in what the supervisor of the Salon stated in regards to how they communicate with the owner-manager: *'but now she does not respond to anyone but me; the one who has an issue and needs to communicate has to tell me and I will convey the matter for her'*. Additionally, several employees, in case studies like Salon, Tech Co., Printing and Student Service, reported on the importance of the owner-manager's availability in the workplace, even if they had regular remote contact, as this increased the feeling of security and facilitated communication, participation and involvement. Owner-managers who devoted more time to their businesses proved to have better communication and regular meetings with their employees, and were also seen to carry out more regular performance appraisals (e.g. Childcare, Children's Activity Centre, and Private Primary School). Equally, Ferligoj, Prašnikar, and Jordan (1997) have suggested a positive relationship between the amount of time spent by entrepreneurs in the business and the adoption of more sophisticated HRM practices. In contrast, owner-managers of the case studies reported in the former examples (Salon, Chocolate Co., and Construction Co.) stated that they spent less time at their firms because they were busy managing other businesses as well.

#### **7.4.5 The perceptions held by the owner-manager in regards the priority of the business**

Although the Childcare case study organisation was established only around five years ago, they reported having two phases of recruitment and selection, which has been changed according to different priorities. At the beginning, the priority was centred on filling the posts to run the business with minimum satisfactory selection criteria; however, two years later, when they had expanded and had more resources, they started to adopt a highly selective approach and also began head-hunting (*Istiqtab*) for talents in an effort to align with quality as a business strategy. The same was witnessed in regards to training and development: they remarked that they are now focused on the basic skills but plan to expand to broader courses in what they referred to as a '*developmental stage*'. Likewise, following the recession that the Chocolate Co. had witnessed, the priority of financial recovery was salient during the interviews—the element that hindered the adoption of a more sophisticated approach to people management. The owner-manager and employees revealed that they had plans to improve and increasingly standardise their HR process and practices, as '*this is not the level that [they] wish to be in*'; nonetheless, they considered what they are currently doing as satisfactory and stated they '*had a priority just to make this company revive*'. This priority can be seen when it comes to reserving the use of specific compensation practices, such as bonuses and commissions, only to the sales representatives and also in focusing only on marketing skills in training. This attitude is clearly articulated by the owner-manager when he stated that '*[they] always adapt [their] resources and capabilities to [their] business needs which are affected by market needs*'. Moreover, it had been noticed that firms that were always looking to save costs (e.g. Construction Co., Printing and Student Service, Beauty Centre) did not consider improvements of their HR practices to be as important as growth and making profit. This is illustrated by their choice of importing labour from abroad to be their main recruitment method. It is also reinforced by the owner-manager of the Contractor Co. when he stated that '*[they] always try to recruit people with good work and low salaries*' and the owner-manager of the Food Co. as she informed that she left over-time hours to be optional for her employees in order to avoid paying the amount required by employment law '*which saves more cost*'. Such findings corresponded with Wilkinson, (1999) where

applying sophisticated HRM processes and practices found to be not typically a priority for small firms, while in Tocher and Rutherford's (2009) study, owner-managers were found to be typically prioritising their critical concerns. This is also similar to 'the founder's intended business strategy' that Barron and Hannan (2002, p. 14) have found 'to bear directly on initial blueprints'; and to 'the identification of a specific presenting issue' which Cassell *et al.* (2002, p.688) have recognised as a significant factor that influences the application of HR practices in SMEs. Likewise, Bacon *et al.* (1996) outlined the notion of *triggers* that stimulate or impede the adoption of HRM practices. Appendix E-3 provides example quotes from the interviews that clarify the influence of the last three owner-managers attributes on HRM within the case studies.

## **7.5 Summary of the Chapter**

HRM practices only make sense when taking into consideration their context within the organisation and the wider set of other external variables. Thus, in order to understand the dynamic process of adopting HRM practices in small firms, there is first a need to understand the interplay of all of the aforementioned factors. Some of these determinants have a stronger effect than the others; however, the owner-manager characteristics, employment regulations, national culture and skills of employees seemed to be the most discernible ones.

This chapter discussed in detail, the way in which each factor has affected the adoption of HRM practices, hence, satisfying the 'why' element of this research. It started with the external factors, then the internal factors, and ended with the owner-manager related ones. The next chapter will reflect on the findings reported in the last two chapters, by summarising and categorising the case studies. In addition, the implication of these findings on the theoretical framework utilised to do this research is discussed.



# Chapter 8

## REFLECTING ON THE FINDINGS - CATEGORISING THE CASE STUDIES AND RECALLING THE THEORETICAL FRAMEWORK

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### 8.1 Introduction

Having reviewed the empirical findings, this chapter will advance understanding by first categorising the case studies drawing on a gaming analogy. The chapter then illuminates the value of the theoretical framework deployed in the research to capture both the determinants and internal dynamics shaping HRM in Saudi SMEs. By reflecting and recalling in this manner, this chapter sets the scene for the more in-depth discussion presented in Chapter 9. This chapter is also more likely to be considered as a ‘mode of inference’ which is known as retrodution (Sayer, 2010, p.72). Weick (1989) labelled this process as thought trials that aim to identify ‘the logically compelling explanation of the observed events given the specific conditions of the contextual environment’ (cited in Wynn & Williams, 2012, p. 800).

## 8.2 Summarising and Categorising the Case Studies

Despite the heterogeneity identified across the case studies in their HRM practices, patterns can be discerned, which allows for grouping into two broad categories, albeit not in a deterministic fashion. These two groups do not depict two extremes (or polar opposites) of pleasant and repressive HRM (cf. Wilkinson, 1999), or put case studies into discrete types (cf. Edwards *et al.*, 2006). Instead, it is an attempt to map the findings in a somewhat structural way by highlighting a common combination of case studies characteristics, taking into account the informality, complexity and dynamicity of HRM practices within SMEs. Thus, it is a descriptive mechanism to summarise the findings rather than a rigid, determinist or normative typology of the kind which ‘tends to refer to distinct entities that have well-marked characteristics’ (Hazeu *et al.*, 2011, p.30). Specifically, this classification allows for within type variances e.g. SMEs having contrasting management styles, even when classified within the same group.

The first findings chapter (Chapter 6) showed the different HRM practices adopted across the cases, while the second one (Chapter 7) highlighted the variety of factors which contributed in shaping HRM within the case studies. The common dimensions found to hold all firms together in order to be classified into these two groups importantly accommodate both the employer (control level- that is related to the owner-manager management style) and the employee (skills of the core employees within SMEs). This dual perspective reflects one of the methodological strengths of this research, namely the incorporation of multiple perspectives. However, this should not signify that these two dimensions are the only determinants identified to influence HRM in SMEs. The owner-manager control level dimension gives indication of the significant role of the human agency and proposes different responses for other external factors (e.g. employment law, national culture and labour market) (see Figure 8-1). The skills of core employees dimension corresponds with Bacon and Hoque (2005)’s study which found SMEs employing larger number of skilled workers were more likely to direct attention towards the management of these employees, manifest in more sophisticated HRM than SMEs with low-skilled employees. Although both draw on two dimensions, this classification is different from Goss’s (1991) typology of managerial control strategies in small firms, as it has

been criticised for its determinism (Chapman, 1999), not allowing for variances or nuances within each category. Goss (1991) also depicts control and resistance in a simplistic manner assuming owner-managers to be always able to engage in rational decision making which is not typically the case in small firms (Ram & Edwards, 2003). Finally, Goss's (1991) typology is managerialist in orientation not allowing for sufficient employee responses or resistance.

Although SMEs in general have been recognised as more vulnerable to the external factors and not able to have long-term strategies (Harney & Dundon, 2006), this study has identified that SMEs can have their own way of planning their HRM approach. In appreciating this, there is also scope left for the role of luck or chance as well as the dynamic relations both within SMEs and with their environment. Accordingly, the labelling categories are derived from gaming tactics; namely, *Rolling the Dice*, and *Shuffling and Stacking the Deck*. However, it should be taken into account that they represent two types in a continuum, as one of the case studies can be identified in the middle, combining both in a hybrid group. In taking this approach, the researcher follows Ram *et al.* (2001)'s view of the impracticality of arguing for generic models that represent two poles. The use of the word planning entails how the firms and their actors (mostly owner-managers) employ their prerogative to deal with influential factors. *Rolling the Dice* indicates knowing your options beforehand and planning for your HRM accordingly, albeit in the context of an uncertain, non-determined outcome. *Shuffling and Stacking the Deck* involves less planning to recruit and select human resources, yet, the possibility to plan according to the nature of cards (people) a firm already have still possible.

These two groups are similar to previous classifications in the literature (e.g. Kroon, 2013; Bae & Yu, 2005). Three of Kroon's (2013) eight control configurations (i.e. traditional entrepreneur, strategic entrepreneur, craft employer, knowledge entrepreneur, bleak house, sub-contracted, alliance, and partnership) can be matched with the two groups in this study (knowledge entrepreneur, traditional entrepreneur, and bleak house). Similarly, these two groups can be roughly matched with two (i.e. investment and cost-minimising) of Bae and Yu's (2005) five types. Likewise, Since Edwards *et al.* (2006)'s focused on low value-added (LVA) firms, their organisational patterns were compared only with firms in the Shuffling and Stacking the Deck and Hybrid approach groups. Thus, three of their seven examples were

found to be partly similar to this classification, namely; Classic sweatshop, Traditional family firm, and Paternalism. However, this grouping of the case studies could not be directly compared to Baron and Hannan (2002)'s employment blueprints especially that their study was focused on high-tech firms. Yet, one common finding is that different HRM patterns can be identified among small firms.

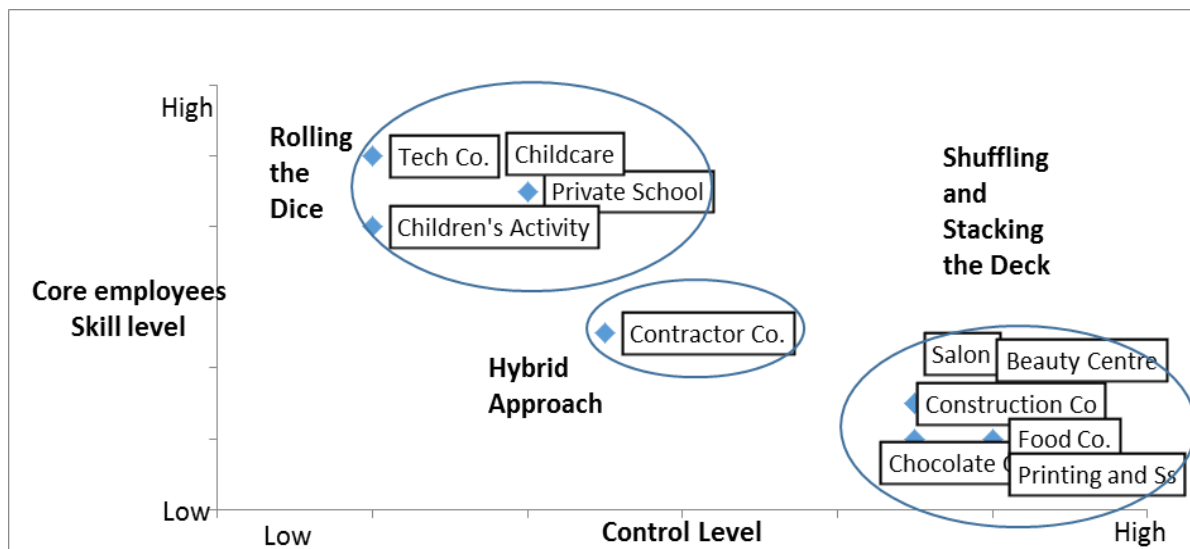


Figure 8-1 Categorisation of Case Studies

### 8.2.1 Rolling the Dice

Case studies under this category might not be able to come up with accurate plans for predictable outcomes and also cannot force their rules in the labour market as they are typically disadvantaged when it comes to economy of scale. However, they have a good knowledge and awareness in terms of their strengths and weaknesses. Thus, they adapt a strategy that fits their capabilities and resources, just like when a player does not know what number he will get when rolling the dice, but rather knows only a range of possibilities, which accordingly assists in having a plan.

SMEs in this category are similar to the knowledge-intensive firms in Von Nordenflycht's (2010) study and also more akin to knowledge entrepreneurs, as discussed in Kroon (2013)'s typology of HRM control in small organisations. The comparison has been established based on the fact that owner-managers in this group mostly share the same profession with core employees, in addition to being well-educated with good management skills. Moreover, because they highly value and depend upon their human resources for their intangible capital and high skills level, teamwork and trust are common within their organisations (see Figure 8-1). Although Tech Co. adopted a relatively laissez faire style, SMEs in this category are more likely to opt for a participative management style with higher employee involvement and lower level of direct control. Hence, they correspond with the *Investment* HRM type in Bae and Yu (2005)'s HRM configurations. The supervisor in the Childcare case study remarked that they have not experienced major conflicts with employees so far. She also advised that '*the way of thinking and the knowledge of the teacher precede all tools, curriculum, and everything*' in order to succeed in their work. Similarly, the owner-manager of the Tech Co. completely devolved all HRM tasks to the department managers—something that is rarely seen in SMEs—which shows his ability to trust and empower employees.

The case studies under this category (Childcare, Children's Activity Centre, Private Primary School and the Tech Co.) mainly recruited from the local labour market. Hence, they succeeded in meeting the required quota of the nationalisation regulation which makes this law particularly not a burden as it is for the firms in the other group. These SMEs place huge emphasis on recruitment and selection, and consider this function as the cornerstone for effective human resources management. There is

accumulated evidence in the literature of the critical role of recruitment as an input into all HRM practices (Heneman & Berkley, 1999), and these firms appeared to fully understand this. Emphasis on recruitment and selection also implicitly signifies recognition of people as a source of competitive advantage (Wyatt, Pathak, & Zibarras, 2010). The owner-manager of the Childcare case study assured, when asked about selection, that '*[she] honestly, feel[s] that it is a partnership' and 'the good selection of the teachers makes [her] know how to deal with them because [she] know[s] they are good'*, meaning that good selection is the key to implementing the remainder of HRM practices effectively because this will facilitate in knowing how to train, reward and motivate employees. This supports the bundle concept of HRM that has been adopted in this study as being more relevant to the way in which owner-managers perceive people management within their firms (Allen *et al.*, 2013; Bainbridge *et al.*, 2017). In addition, although the Childcare case study emphasised selecting exceptional talents, the notion of 'fit' seems to be at the centre of the HRM practices in this category. Children's Activity Centre, Private Primary School and Tech Co. were all seen to be trying to be realistic and as looking for the best applicant available—the one that fits their firm's capabilities rather than the best in the labour market. This realistic view of the best applicant can be seen in a quote by the personnel officer in the Children's Activity Centre:

*We try to select the best available employees because the applicant who knows that her distinctive skills can entitle her to a job with a higher salary, will withdraw when she knows about our pay scale. Good skills and talents are available in the labour market, but our salaries do not attract these kinds of competencies. This does not mean that the trainers who are working for us now are not good; on the contrary, they have a high level of skills. I am saying this because I have already conducted interviews with applicants who are very talented and innovative in our field.*

The previous quote clarifies the change occurred in that case study and the role of awareness in taking decisions regarding HRM practices. It shows how the owner-manager of the Children's Activity Centre, particularly, has learned the lesson after being very idealistic in her selection criteria under the influence of her passion, which created a gap between aspiration and reality in a way similar to wearing a large pair of shoes that obstruct walking properly and prevent progress. It also

illustrates a strategically modified and practical view of best practice that acknowledges costs associated with practices (Sels *et al.*, 2006) and appreciating the expectations of employees (Atkinson, 2008). Likewise, a remarkable phrase by the owner-manager of Childcare that echoes the fit concept when she was talking about how she is dealing with people whose performance is frequently unsatisfactory can be seen when she stated:

*Do not look at yourself that you are unsuccessful and that you fail, no but you simply do not fit with our standards. In the contrary, you might be the best at another school.*

However, such heavy emphasis on fit can impede integrating a diverse workforce (Baron & Hannan, 2002), as was evident in the Childcare case study when the supervisor assured:

*It is always better if all employees are Saudis because if different cultures are mixed together, there will be a conflict.*

In addition, these firms have a softer approach to HRM as they pay due attention to intrinsic as well as extrinsic rewards, recognising their employees' needs for autonomy, relatedness and a belief in their personal potential. This can be seen in the way the supervisor in the Childcare revealed her understanding for human motivation when she stated that '*as long as you have a goal that you want to reach, you will always keep motivated to work. If we do not encourage the teacher, she is not going to stay with us*'. Additionally, an employee in the Private Primary School expressed her feelings of belonging here in the following quote:

*I have never thought that I am an employee in this place; I feel that it is my place and my property, without exaggeration, therefore I am comfortable. Many employees feel the same from the beginning and they refuse to leave to another place even if they have better offers.*

Even cash rewards are paid in a supportive way as opposed to controlling rewards. In these SMEs rewards are perceived by employees to contribute to satisfying their psychological as well as physiological needs, with the owner-manager of the Private Primary school stating that '*salary deduction is the last thing we think about*' as a disciplinary act. In addition, the use of PRP in compensation practices can be seen

more across these organisations. In this vein, the department manager in the Tech Co. emphasised that they are trying to reinforce the PRP concept in all of their rewards practices. SMEs under this group also embraced a developmental approach, which can be shown clearly in conducting a developmental appraisal across all four of these firms, and it is conducted separately in the Childcare. This case study (Childcare) fundamentally believes in the importance of change and continuous learning, and as quality is a priority, organisational growth and employee development are thoughtful and well-planned. The owner-manager of the Childcare commented that '*[their] growth is gradual, even when [they] moved here to this new place; [they] did not want to employ any new applicant immediately because [she] planned to take only good applicants with experience*'. Their training and development approach can be equated with how HRM theory viewed training as a way of enhancing commitment of employees (Smith & Hayton, 1999).

Case studies within this category seemed to be more strategically oriented or can be considered professionally managed (i.e. having their own mission, vision and targeted customers, goal setting) and importantly outperform the rest of the firms in terms of the adoption of HRM practices, not only quantitatively but also in the way in which these practices were implemented (see Table 8-1). They are characterised by their proactive approach to addressing the issues in their external environment, such as the Private Primary School initiative to have a training centre and, thus, to creating their own pool of applicants to compensate for a lack of specialists in the Montessori educational system in their area. This case study has also developed an internal performance appraisal form besides the formal one required by the Ministry of Education in order to match the evaluation criteria with their own specific business objectives. In addition, a further example of these firms' strategic aspects is as the department manager in the Tech Co. articulated:

*Always link employees with long-term plans, such as next year you will have this amount of bonus if you achieve this or that, and link that reward always to performance. However, never make promises that you cannot keep, be realistic.*



Table 8-1 HRM Practices in (Rolling the Dice) case studies

Practice	Tech Co.	Private Primary School	Private Childcare	Children Activity Centre
<b>Recruitment</b>				
Formal recruitment methods (employment agencies, Newspapers, Website...	✓			
Social media accounts and communication apps		✓		✓
Governmental Recruitment Centre (TAQAT)		✓		
Word of mouth & personal relations	✓	✓	✓	✓
Attracting (Istiqtab)			✓	✓
<b>Selection</b>				
personality tests for selection				✓
Job knowledge tests	✓	✓	✓	
Screening interviews	✓			✓
Behavioural/situational interview for selection		✓	✓	✓
Consultants or reference check			✓	
Use of job description and person specifications		✓	✓	✓
<b>Training and Development</b>				
Induction training for new employees				✓
Coaching for new employees		✓	✓	✓
Off-the-job training	✓	✓	✓	✓
Peer training		✓		

Training evaluation			✓	✓
<b>Performance Appraisal</b>				
Regular performance review for most employees	✓	✓	✓	✓
Management by objectives	✓			
Setting targets for appraisal (Only sales reps.)	✓			
Self -evaluation			✓	✓
Development review			✓	✓
<b>Rewards</b>				
Pay scale			✓	
Individual PRP	✓		✓	✓
Merit pay (related to manager subjective assessment of individual performance)	✓	✓		
Seniority pay		✓	✓	✓
Systematic recognition	✓	✓	✓	✓
<b>Employee Relations</b>				
Regular companywide meeting		✓	✓	✓
Team briefing	✓			
Formal internal procedures			✓	✓
Employee Welfare and social event			✓	
Formal record of employees attendance	✓	✓	✓	✓
Total	13	15	20	20

During the economic recession (as derived from data of the second-round interviews), there was a sense that firms under this category were better able to cope with the situation without having to lay-off their people but instead used other precautionary measures, such as non-monetary incentives, to motivate employees, such as extra days off in the Private Primary School, for example, and also proactively started to be highly selective in recruitment, such as the recruitment approach of targeting volunteers, as adopted by the Children's Activity Centre, to be better able for recovery.

This provides partial support for a variant of institutionalism; whereby norms and extant professional staff can stimulate homogenous process, behaviour and effect (DiMaggio & Powell, 1983). However, while this was apparent in the general approach towards people management, it was not deterministic, as variances in HRM process, methods and practices still existed within and across the cases. Nevertheless, although all firms within this category were seen to be mostly reliant on knowledge workers, not all of them have adopted the commitment-based HR configuration of the type presented by Lepak and Snell (1999). For example, high employee participation and empowerment are relatively absent in the Private Primary School; nonetheless, they focused instead on maximising employees' productivity in a way similar to the productivity-based HR configuration in the same model. Additionally, the fact that owner-managers of the firms in Rolling the Dice category were young entrepreneurs who were more willing for devolvement of tasks and more inclined for participative management- despite what has been known about the high power distance culture- all reinforced the change which is currently taking place in the Saudi society as mentioned before. This triggers a call for managers in Saudi Arabia to reconsider the needs of their employees and adopt different approaches of management that allow for higher employees' involvement.

On the other hand, HRM has been used to bridge the knowledge, and occasionally the power gap and accordingly reduce uncertainty, which increases over the growth of these firms. Over time, things have changed with the number of employees increasing; thus, they begin to feel the need for formalisation and documentation so as to achieve control. The owner-manager of the Childcare case study differentiated between formality of HRM practices and artificiality, which, according to her views, does not fit the nature of small businesses and conceals the advantages of close

relationships in SMEs. She explained that they only aim to make the tacit knowledge explicit and transferable by utilising a degree of formality and accordingly creating a system without losing the friendly relationships amongst the working teams, including the owner-manager. She confessed that, over growth, she learned of the importance of documenting and disseminating the rules governing the incentives as an instance. The same idea was inferred from a comment by a supervisor in the same case study here:

*One day I am sure that I will not be able to see everything happening. I hope at that moment we would be ready, whether me as a Nursery supervisor or (owner-manager) as a general manager and school principal, to have the ability and readiness to focus as we do now, and to continue at the same level by having a system in place to manage our people properly..... and by coaching and empowering our admin staff to be prepared for devolvement of some of HR responsibilities.*

This is congruent with Bowen and Ostroff's (2004) viewpoint as they stated that HR practices can be perceived as a means of communication from employers to employees. In addition, on the part of the employees, identification as a member of the founding group was seen to decrease with the growth of the firm, with close relationships with the owner-manager becoming difficult to maintain. Hence, the small firms in this category pass from closed social relationships to a more scientific structure with HRM practices used to fill that information gap, such as moving from an informal unwritten PA to utilising formal, regular and documented forms for all employees, as shown in the case of the Childcare. This is also embodied in the repeated emphasis, by whoever in charge of HRM within SMEs in this category, that one of the main HRM tasks is to convey the policies and practices to employees, thereby, preventing any misunderstanding from occurring. HRM is also employed in presenting both intrinsic and extrinsic incentives and in utilising additional retention tools than at the start of the business, as found in the Primary Private School when it has been visited a second time after a year, in order to bridge the gradual loss of psychological ownership. HRM in these firms provides work with meaning and outlines the efforts expected from workers, as well as expected rewards. Rousseau has stressed this point when suggesting that 'HR practices send strong messages to individuals regarding what the organisation expects of them and what they can

expect in return' (1995, p.162). Having said this, it can be remarked that the case studies in this category (Childcare and Children's Activity Centre), have reported their use of job description, although informally and at a basic level, in demarcating work activities and making the work process more organised. Thus, HRM is not seen here as purely administrative function but rather appears to be valued as a means of communicating plans and for engendering the desired behaviours.

In addition, HRM has also been occasionally used to bridge the power distance, which has been recognised as high across Saudi society (Hofstede, 1984), whilst giving employees a channel for having their voice heard. This has been exemplified in the use of a narrative form in PA; thus, employees can express their thoughts and tell stories from their points of view, as is the case at the Children's Activity Centre. Likewise, the use of self-evaluation in the developmental appraisal of Childcare employees has been noted, with the owner-manager playing a role of counsellor, which makes thoughts visible and eases the management task for the owner-manager whilst also enabling her to understand personality and accordingly motivate them in improving performance. Table 8-2 summarises the main characteristics of the cases in this group.

Table 8-2 Summary of (Rolling the Dice) group

<b>Core employees</b>	Knowledgeable/high skilled
<b>Control</b>	Indirect /Equality
<b>Management style</b>	Participative or laissez faire
<b>Recruitment</b>	Selective recruitment through professional networks
<b>Training and development</b>	Continuous development policy that includes attitudes and skills. Learning in professional networks
<b>Rewards</b>	Intrinsic AND extrinsic / supportive for all human needs
<b>Responses to external factors</b>	Mostly proactive
<b>Coping with tight economic conditions</b>	Focus on information sharing, provide alternative non-monetary incentives, and selective recruitment to assist in recovery process

## 8.2.2 Shuffling and Stacking the Deck

Case studies under this category depend largely on training unskilled or low-skilled labour into dedicated roles (as opposed to holistic or developmental training) after recruiting them through overseas offices with minimum criteria for selection. Subsequently, these firms plan how to manage their people based on the level of skills those workers have. This is similar to the games that adopt shuffling and then drawing of random cards. It is true that there is less chance, in this case, to involve a strategy, as some firms simply go with whatever skills (cards) they have in their labour, with such randomness occasionally turning into chaos, such as with the case of the Food Co. and the Printing and Student Services. However, other firms are still able to plan after having them as employees and prepare them in order to fit in their firms (i.e. legally stacking the deck). By doing this, firms such as Chocolate Co, Salon, and Construction Co. are trying to alleviate their random recruitment and selection process and give themselves an advantage over their competitors. In some cases, they acknowledge the element of chance in the process and the absence of any recruitment plans or strategies by using phrases such as ‘a stroke of luck’ and ‘watermelon’ to describe their recruitment and selection procedure as clarified in the following quotes.

*We imported most of the workers and no offence those workers are like watermelons; you do not know it is good or not until you open it. We offer low salaries for the offices because there will be the cost of training and the one who proves himself as a hard worker will get a higher pay for sure. They came here with the basic skills required and we do the rest through training. (Accountant, Chocolate Co.)*

*A stroke of luck actually; the applicant should send her CV and her photo in advance and just like watermelon when you open it you know if it is white or red. I test her skills and her knowledge at the first week after her arrival to determine the points she needs to improve, such as manicure and pedicure, she shall improve her work to be at the level required. (Owner-manager, Beauty Centre)*

Due to this variation in dealing with the situation of flawed resourcing practices, firms under this category are seen to be mostly similar to the Traditional

entrepreneurs and in few cases to the Bleak house employers in the typology offered by Kroon (2013). This similarity has been established in many aspects, such as being mostly managed in a centralised style with high control level over employees and occasional unplanned decisions and, consequently, little room for involvement and participation. Embracing a low-cost strategy affects the quality of HRM practices, as no regular incentives were found, with little investment in people as this has been regarded as an extra cost due to the perception that such low-skilled employees are easily replaceable. Thus, they also resemble the ‘Cost-minimising’ type in Bae and Yu (2005)’s classifications of HRM systems within Korean firms. Additionally, for being reactive in their choice of HRM practices and for adopting ‘reasonable working relationships...albeit within the constraints of...a unitary model of the enterprise’, these SMEs look a lot like the traditional family firm in Edwards *et al.*’s types of Low Value-Added firms (2006, p. 714). On the other hand, the build-up of factors like poor employee relations, autocratic management styles, arbitrary and particularistic rules, and recruiting unskilled labours in a firm such as the Food Co., justifies its classification as a ‘Bleak house employer’ (Kroon, 2013) or a ‘classic sweatshop’ (Edwards *et al.*, 2006) which reflects the darker side of small organisations.

Indeed, these firms do not take the selection process seriously, except on a few occasions, when the job is critical for the firm, such as in the case of hiring engineers in the Construction Co. The focus here is on training or teaching basic job-related skills as opposed to selective recruitment. Thus, the job description and person specification are disregarded as they lose significance, especially in the resourcing phase. After such basic preparation for specific jobs, spending on employees’ development is kept at the minimum level. Such an approach can be seen in the following quotes from different firms:

*The difficulties that we face in recruitment are many. In some cases, - but we try to be careful about this now- we recruit through external offices and we find out that they are not specialised in the field we hired them to work in. They come from Southeast Asia from India or from Bangladesh, we bring technicians, blacksmiths or carpenters, surprised that they have no experience or background that qualify them. Once, we recruited drivers and discovered after their arrival that they do*

*not know driving. We can convert some unskilled labour into other simple jobs or take a final exit visa. (Personnel officer, Construction Co.)*

*Depending on the owner-manager circumstances, she sometimes travels by herself to select, if her circumstances allowed, and often travel to the Philippines and Morocco and the rest of the nationalities only through the offices. Anyway who comes and lacks the necessary skills, we teach her. (Supervisor, Salon)*

Most case studies under this category exhibited unsystematic recruitment and selection practices which were lacking any kind of planning or the use of rational selection decisions with the aim of cost saving. This was even the case when recruiting from the local labour market. One aspect characterising such hiring is discrimination on grounds of nationality, age or marital status, as well as the speed of the recruitment process, mostly in a reactive manner to meet the nationalisation regulation. Some employees expressed their surprise at being asked to work immediately, for example, an employee in the Salon stated that, after interview, she was told they would contact her later and, surprisingly, they called her the same day asking her to start work the following day. This is also exemplified in what an employee in the Food Co. stated:

*I found an advertisement in Taqat (the government recruitment centre), I sent them my CV via email. They contacted me directly. I did not expect them to communicate with me so quickly to do the interview and start work immediately but I was traveling so I postponed the interview until I come back to Riyadh and meet them.*

Moreover, on other occasions, it seemed that the rush of the procedure was a result of a lack of planning and the need to fill in a vacancy at minimum cost. This can be seen in the following description of how a non-national employee has been employed from the local labour market in the Printing and Student Services:

*In the same day of my application through someone I know as I told you, I was interviewed by an ex-administrative manager... I said, "Ok," and he expressed his preliminary approval, "till I meet the employer because he has the final approval," he said. So I waited for about two hours, after that the owner of the Co. came. I met him and he clarified the most important thing in work. Our*



*meeting lasted nearly for more than an hour. Amongst which he told me ... and so on. Since that moment, more than six years ago, I've been working for them, as you can see.*

Rewards and incentives are commonly extrinsic and controlling, as presented in a pressurised manner within such types of firm (notably using such an approach as a means to an end). For example, the owner-manager of the Beauty Centre confessed that she sometimes paid cash incentives for highly productive employees and did so in front of the rest of the group to motivate them, rather than for the purpose of encouraging and recognising the effort of that particular worker, whilst the owner-manager of the Salon stated that cash rewards make workers fight to provide a good service for customers. It is noticed that the owner-managers of firms under this category, make the assumption that the nature of human motivation is merely instrumental. The owner-manager of the Chocolate Co. commented that '*if anyone would take double of what he takes in his country, he is not going to say no*'. Likewise, the owner-manager of the Printing and Student Services emphasised the use of cash incentives in regards to retaining employees and increasing their loyalties, whilst employees emphasised the friendship and close relationships with him as the main reasons behind their attachment to the firm. Overlooking the intrinsic motivation by the owner-managers of these enterprises led an employee in the Construction Co. to complain about this particular point, disclosing his own dissatisfaction with the lack of clear responsibilities, recognition and promotion, stating this fact of the owner-manager as being only concerned with money. Such a perception of how employees can be motivated implies the low value of human resources for these organisations and a tendency to control rather than use soft HRM techniques in contrast to what has been seen in *Rolling the Dice* category.

In general, these firms differ in the way in which the arbitrariness and uncertainty inherited in their resourcing strategy is handled, with some entrepreneurs trying to compensate by including more employee relations practices, winning employees hearts and creating a familial atmosphere in a semi-paternalistic management style. Such a positive and strong relationship with owner-managers is presumably the reason underpinning employees being less likely to quit, even in cases of unsatisfactory conditions and remuneration, as exemplified by the long-tenure employees interviewed in the Chocolate Co., Printing and Student Services and

Beauty Salons. This corresponds with Marlow's (2005) observation that even in authoritarian small firms, there are acceptable relationships, albeit within the limitations of the unitary model and owner-managers' prerogatives. Additionally, haphazard recruitment does not automatically prevent firms being more organised post-hiring, with some of these firms known to have exhibited an adequate approach to managing their human resources. Thus, they embrace the bundling concept albeit in a pick-and-mix manner, which proves that these practices have knock-on-effects (Allen *et al.*, 2013). Other than employee relations practices, they adopt occasionally different training and development practices or this can be manifested by the way in which they evaluate and reward employees. For example, in the Chocolate Co., they settled the target for sales employees realistically, based on objective criteria and also '*training is linked to growth strategy... [as they] are trying to see what the market's needs*'. Similarly, the owner-manager of the Construction Co. described how, on a quarterly basis, he revised the work plan and allocation of tasks, and accordingly made amendments if required by comparing results with pre-identified objectives. On the other hand, few firms failed to adopt the same approach, exposing an autocratic style and poor HRM policies and practices—even when a friendly environment was seen to exist. In a similar vein to research by Ram *et al.* (2001), kindness was seen to disguise some exploitative practices, either because of the lack of employee awareness about their rights and duties or otherwise because they basically know that this is the best practice available in comparison with other workplaces. This relationship dynamic is furthered by the reality that employees have low bargaining power and are constrained by their skills, and frequently the conditions and requirements of their employment. This results in making some of the foreign workers, in particular, especially vulnerable. As seen in the findings, having the minimum standards of HRM practices and employees' rights is deemed to be a favour or privilege, with some employees grateful to enjoy them. An employee in the Chocolate Co. explained gratefully that '*keeping the promises and giving employees their rights*' are the reasons behind increasing employees loyalty and their willingness to '*go the extra mile*'. Table 8-3 list the HRM practices identified in the case studies under this category.

Table 8-3 HRM Practices in (Shuffling & Stacking the Deck) Case Studies

<b>Practice</b>	<b>Chocolate Co.</b>	<b>Construction Co.</b>	<b>Salon</b>	<b>Beauty Centre</b>	<b>Printing &amp; Student Services</b>	<b>Food Co.</b>
<b>Recruitment</b>						
Formal/traditional recruitment methods (employment agencies, Newspapers, Website...		✓			✓	
Social media accounts and communication apps			✓	✓		✓
Governmental Recruitment Centre (TAQAT)			✓	✓		✓
Word of mouth & personal relations			✓	✓	✓	✓
<b>Selection</b>						
Behavioural/situational interview for selection	✓					

<b>Training and Development</b>						
'Sitting-with-Nellie'	✓	✓	✓	✓	✓	
Off-the-job training	✓		✓	✓		
Informal training evaluation			✓			
<b>Performance Appraisal</b>						
Regular/documented performance review for most employees	✓					
Setting targets for appraisal (Only sales reps.)	✓					
<b>Rewards</b>						
Irregular individual PRP	✓		✓			
Merit pay (related to manager subjective assessment of individual performance)	✓	✓			✓	
Seniority pay			✓			

<b>Employees Relations</b>						
Regular companywide meeting	✓					
Regular owner-managers meeting only with supervisory level	✓					
Team briefing		✓				
Employee Welfare and social event			✓	✓		
Formal record of employees attendance	✓		✓	✓		
<b>Total</b>	10	4	10	7	4	3

In the main, these firms respond reactively to external environment factors, as has been seen in the attitudes of the owner-manager of the Printing and Student Services regarding the lack of professionals in photocopier maintenance. He was complaining of the absence of a large organisation in this field which enables to hire surplus or dismissed employees because they would be well-trained and prepared, rather than proactively carrying out the training, as seen in the response of the Private Primary School for the same issue. Likewise, the reactive approach can also be shown in their resistance of the nationalisation regulation and in their illegal acts to satisfy requirement, which goes against the proactive approach for the same law by the firms in *Rolling the Dice* category. Further examples of the reactive choices regarding HRM can be manifested in the Construction Co.'s decision, when a high performing employee disclosed his intention to resign, to '*adjust the salary a bit and promise him certain incentives*' rather than having proactive retention practices in place, however, they basically believe that '*distinction is his duty ... not extra thing that he deserves incentives for*'. In adverse and tight economic situations, firms within this category had no precautionary measures and were more inclined to cut costs by dismissal, as identified in the second wave of interviews, with examples provided from the Printing and Student Services, the Salon and the Chocolate Co. (see Chapter 6).

Furthermore, since firms in this category were mostly reliant on low-skilled foreign workers, HRM/personnel officers/managers have been employed to assist in the cultural and work adjustment process of foreign workers, a role which is commonly overlooked in the HRM –SMEs literature. It might be covered in the international HRM literature but due to the assumption of low diversity within SMEs, no previous research has been identified, as confirmed by the outcome of the systematic literature review (Chapter 2). It has been noted that the main role of the personnel officer or supervisor in several firms is to be 'a mediator' between employees and the owner-manager when it comes to addressing any issues they potentially faced as foreigners and to improve the workplace conditions for such vulnerable workers with regards to ensuring having at least the minimum standards and accommodation—even in the presence of autocratic management. Generally, the difficulties associated with moving from a culture with less constraining norms to one with tight norms of behaviour are well documented long ago (e.g Triandis, 1989). Indeed, in such case

studies where most workers were temporary low-skilled foreigners who are not completely independent, HRM people contribute largely in the complex adjustment when it comes to alleviating the feeling of ‘foreignness’ and boosting employee commitment. This means that the HRM function supports their adjustment in their micro (organisational) level via providing training and teaching by a worker of the same nationality—at least whenever possible— (e.g., Beauty Centre) and to negotiate the internal rules, proposed tasks and expected productivity in their own languages (e.g., Printing & Student Services). The accountant in the Chocolate Co. who is in charge of personnel issues started talking about his role in the interview by emphasising the need to make newly hired employees familiar with the work itself and with the context in general, namely by preparing accommodation and dealing with health issues. The introduction of this role is mostly by necessity in order to do the work, yet, some firms adopted this role proactively. For example, the owner-manager of the Construction Co. remarked that he has been devising work teams in line with their country of origin, with the selection of the incentive rewards based on what this particular nationality has an interest in: for example, he noted that Filipinos like electronics whilst Indians like to have a barbeque. Additionally, HR/personnel officers were also seen to make efforts in supporting acclimatisation at the macro (institutional) level, especially cultivating them in relation to their rights and duties within the political-legal system of the country regarding, for instance, alcohol and women’s dress code, as well as other societal and religious issues. As an example, in the Beauty Centre, the owner-manager created work groups and appointed a supervisor for each one according to nationality so as to facilitate communication. She also has highlighted their role with the help of the general supervisor, who is responsible for people management in the adjustment of foreign employees, with the owner-manager utilising leisure facilities sometimes for that purpose, as explained below:

*I ask them about their requirements and ideas, I suggest some ideas to choose from, and do they want a trip or a party? we lease a big place to celebrate, they get joyful and fresh, sometimes, they want to swim or to do other activities as entertainment.*

Equally, an employee in the Salon described the cultural shock and the process of her adaptation:

*Certainly I suffered at the beginning. I am different, the traditions, customs and the veil differ. I was free in my country ... but they are very conservative in this region. Now someone controls me and a chauffeur has to drive for me but they helped me a lot here to adopt.*

*Yes, it is different. It took me a certain period of time to know what they want, what they request, and what they like, and everything about work and society in general. They helped me a lot in this.*

Table 8-4 recaps the main characteristics of this group while the next section explores the Hybrid Approach which was manifested through only one of the case studies.

Table 8-4 Summary of (Shuffling and Stacking the Deck) Group

<b>Core employees</b>	Low skilled/unskilled
<b>Control</b>	Direct
<b>Management style</b>	Autocratic or paternalistic
<b>Recruitment</b>	Informal, Ad hoc and mostly arbitrary
<b>Training and development</b>	Task related training to prepare workforce for specific tasks/No development
<b>Rewards</b>	Extrinsic / controlling
<b>Responses to external factors</b>	Mostly reactive
<b>Coping with tight economic conditions</b>	Lay-off people inefficiently , stop training and development, and freeze recruitment



### 8.2.3 Hybrid Approach

During the course of analysis, it became clear that Contractor Co. combines both strategies in such a way that echoes the heterogeneity of HRM within the firm. They mostly import their manual workers in a *shuffling* approach, although they interviewed some in advance; however, they also employ other formal selection and recruitment techniques, but mostly for admin jobs. This firm is the only one which included HR manager as a job title, yet, his role is purely administrative and his responsibilities are accompanied with detailed directions. He confessed that *'there is no one came with the same required skill level from the first time, but with training the worker can improve his skills in dealing with [their] tools'*. For those foreign-recruited workers, the owner-manager assured that no one can commence work duties except after three months as they provide intensive training, which sometimes has to be carried out externally. Simultaneously, admin employees, who participated in the current research as interviewees, assured that they have been through two types of interview before being offered the job. This is in addition to the HR officer's statement that they post job vacancies on the company's website or in newspapers to recruit from local labour market; then, perform screening for applicants before they invited them for interviews. Nonetheless, this firm finds difficulties in meeting the nationalisation law. The owner-manager admitted that they have to manipulate by having some 'window dressing' practices as he *'believe[s] that more than 95% of the enterprises are not committed to that law'*. He also acknowledged dealing with Saudi employees, if hired, differently as the firm's policy *'can tolerate the Saudis, to a very great extent, [when they violate the rules] while the foreigner no'*; i.e. implementing double standard HR policies and practices in order to retain Saudi employees in an effort to satisfy the nationalisation law legally. Although these HRM approaches coexist within this organisation, Contractor Co. demonstrated a systematic approach to managing people and is superior in terms of the number of HRM practices adopted (quantitatively but not qualitatively) (e.g., semi-360 PA, training evaluation, formal induction, informal safety and wellbeing practices, team briefing, profit-related pay, recruitment need plans, and HRIS) (see Table 8-5). They utilised a monthly PA which is formally documented especially for factory workers, who are the majority, while admins are evaluated annually. Additionally, they set targets for marketing employees, exclusively, to evaluate their work upon, and

different evaluation criteria are generally used rather than focusing solely on productivity (e.g. dress codes in factories, teamwork, and behaviour). However, the owner-manager, although possessing a positive attitude towards learning, is more likely to think in a way that resembles owner-managers in *Shuffling and Stacking the Deck* category as he believes in only materialistic rewards and thinks that employees are only motivated by money. He even admitted ‘*honestly*’ that he preferred to hire people who are ‘*in financial need*’ as he thinks that they will be more likely to continue working for the organisation. Ironically, we find employees in this firm in particular to be very enthusiastic about development opportunities and interested in attending different external training courses as they show gratitude to the owner-manager for providing consent if training is overlapped with working hours. Thus, it seems that he does not mind utilising training and development programs as long as they do not involve extra cost. The owner-manager manages via a largely paternalistic style, which makes this case study, somewhat, akin to the ‘paternalism’ example in Edwards *et al.* (2006)’s forms of organisation and embeddedness, in that it utilises ‘a group of practices in which there is a degree of responsiveness to employees concerns’ (p.714). Yet, although he encouraged participation and put a special reward for any applicable suggestion, the final say is always within his control. Likewise, in spite of taking into consideration employees’ wellbeing and having family-like employee relations, he reported an inappropriate approach to test the motivation and willingness of the newly hired employees by requiring them to work during the weekends. Having aspects from the two types within one case study also parallels the Transitional HRM type in Bae and Yu (2005) that mixes elements from control-based HR systems and high performing HR systems and confirms the existence of not only divergent HRM processes or methods within a small firm but also divergent HR systems.

Table 8-5 HRM practices in (Hybrid Approach) Case Study

<b>Recruitment</b>
Recruitment plan, Formal/Traditional recruitment methods (employment agencies, Newspapers, Website), & Governmental Recruitment Centre (TAQAT)
<b>Selection</b>
Screening interviews, Behavioural/situational interview ,Consultants or reference check, & Use of job description and person specifications
<b>Training and Development</b>
Induction training for new employees, Sitting-with-Nellie, Off-the-job training , Peer training, Training evaluation, & Job rotation for factory workers
<b>Performance Appraisal</b>
Regular performance review for most employees, & Semi-360 PA
<b>Rewards</b>
Profit-related pay, Merit pay (related to manager subjective assessment of individual performance), & Seniority pay
<b>Employee Relations</b>
informal safety and wellbeing practices, Team briefing, Formal internal procedures, Suggestion Scheme , Employee Welfare and social event, Formal record of employees attendance, & HRIS
Total <b>25</b>

Furthermore, HRM was found to play both extra roles observed within organisations in *Rolling the Dice* and *Shuffling and Stacking the Deck* categories. Since they import foreign workers, the HR manager in the Contractor Co. stressed their role in those workers' adaptation with the organisational and national culture with the owner-manager emphasising the importance of taking care of the wellbeing and mental health of those employees. They offered translation of the documents that include internal rules and regulations, as well as the ones that belongs to the country's law, for all foreign workers. On the other hand, they also use HRM processes and practices to bridge the knowledge and power gap by having basic job descriptions and person specifications to frame employees' expectations and moving from general PA to a more detailed and documented one, in addition to the utilisation of team briefing to enable two-way communication and ensure coordination. While it would have been interesting to explore what practices this type of firm adopted under the tighter economic situation, unfortunately, they did not grant access for the second wave of interviews.

In view of the forgoing, combining different HR approaches were not always found to have encouraging outcomes in the literature. Conway *et al.* (2016) cautioned that hybrid HRM models generally need careful design in order to meet different objectives and to avoid sending conflicting messages to employees. The Contractor Co.'s approach, as explained here, is ad hoc and seems to be shaped as a response for the interaction of several external and internal factors. Similarly, Jennings, Jennings and Greenwood (2009) suggested that knowledge intensive industries should avoid combining HRM approaches that conform thoroughly to the industry and depart largely from the norms of that industry sector, but should implement either one coherently. Next, the rationale behind these patterns is explained by re-calling the multiple-theoretical framework adopted for this research. Table 8-6 below summarises the three categories.

Table 8-6 Summary of the Case Studies Categorisation

<b>Classification in current research</b>	<b>Rolling the Dice</b>	<b>Shuffling and Stacking the Deck</b>	<b>Hybrid Approach</b>
<b>Classification from extant literature</b>			
<b>Kroon's (2013)</b>	Knowledge entrepreneur	Traditional entrepreneur/ Bleak house	
<b>Bae &amp; Yu's (2005)</b>	Investment	Cost-minimising	Transitional
<b>Edwards <i>et al.</i>'s (2006)</b>		Classic sweatshop Traditional family firm	Paternalism
<b>Core Employees</b>	Knowledgeable/ high skilled	Low skilled/unskilled	Skilled and low-skilled
<b>Control dimension</b>	Equality	Direct	Hierarchy
<b>Management style of owner-managers</b>	Participative or laissez faire	Autocratic or paternalistic	Paternalistic
<b>Recruiting members in the organisation</b>	Selective recruitment through professional networks.	Informal, Ad hoc and mostly arbitrary	Both

<b>Training and Development</b>	Continuous development policy that includes attitudes and skills. Learning in professional networks	Task related training to prepare workforce for specific tasks/No development	Task related training to prepare workforce for specific tasks/ Open for development if no extra cost involved
<b>Rewards and Incentives</b>	Intrinsic AND extrinsic / supportive for all human needs	Extrinsic / controlling	Extrinsic
<b>Response to institutional/external factors</b>	Mostly proactive	Mostly reactive	Mostly reactive with few strategic aspects
<b>Coping with economic downturn practices</b>	Focus on information sharing, provide alternative non-monetary incentives, and selective recruitment to assist in recovery process	Lay-off people inefficiently , stop training and development, and freeze recruitment	N/A
<b>Extra role of HRM</b>	Bridge the knowledge gap over organisational growth	Assist in foreign employees adjustment within and outside the organisation	Both
<b>Case studies</b>	Childcare, Children's Activity Centre, Private Primary School, Techno Co.	Beauty Centre, Salon, Construction Co., Chocolate Co., Printing and Student Services, Food Co.	Contractor Co.

### 8.3 Theoretical Framework Revisited

Throughout the discussions of the categories in the previous section, *Rolling the Dice* case studies appeared to be more proactive in their responses while *Shuffling and Stacking the Deck* firms were mostly reactive although they demonstrated some room for choice. Therefore, recalling the theoretical framework through which this research is conducted is required in order to explore in further depth the various responses of the case studies. In light of the systematic review which detailed theoretical limitations within the extant literature, Chapter 3 highlighted that the current research was informed by multiple theoretical lenses, which have combined the principles of Institutionalism with Strategic Choice Theory. It is believed that such a combination has a potential for complementarity in explaining the dynamicity and complexity of identifying the determinants of HRM practices within SMEs in the Saudi context, in addition to concealing the shortcomings of adopting a single theoretical approach that might fail to justify the heterogeneity and different organisational responses for the same influence. Taking a closer look at the findings through these lenses revealed that there were many examples that have reflected the premises of the embraced theoretical framework. The most influential determinants are embodied in Figure 8-2 in a recalling for the model presented in Chapter 3. In this figure the institutional factors identified in Chapter 7, particularly, employment law and labour market, national culture, external institutions and industries, and competitors and customers, represent different types of institutional pressures. The precise influence of these external determinants is filtered through the choice power of the owner-managers; this agency is affected by both how those owner-managers perceive the institutional factors and how they choose to cope with them. Specifically, their decisions regarding the HRM approach are enlightened by their own different characteristics identified in chapter 7 (e.g. management style, passion, priority, and knowledge) and by the level of employees' skills, in addition to, yet to a lesser extent, the other organisational characteristics. Such dynamic interaction between these different contextual variables and the case studies responses which were manifested through their HRM practices are reflected upon below by utilising Oliver's (1991) typology (see Table 8-7). Studies that have explored HRM through institutional lenses as identified from the systematic literature review (see Chapter 2) have typically found similarities in HRM approaches across SMEs (e.g. Tsai, 2010,

Thach & Kidwell, 2009, Cunningham, 2010). Rarely, however, has institutional theory been explicitly linked to the role of agency. Exceptionally, studies such as Dekok and Uhlaner, 2001; Harney and Dundon, 2006, Ho *et al.*, 2010 offered internal and external perspectives on determinants but do not provide an analytical mechanism of organisational responses such as that provided by Oliver (1991) which enables comparison between case studies.

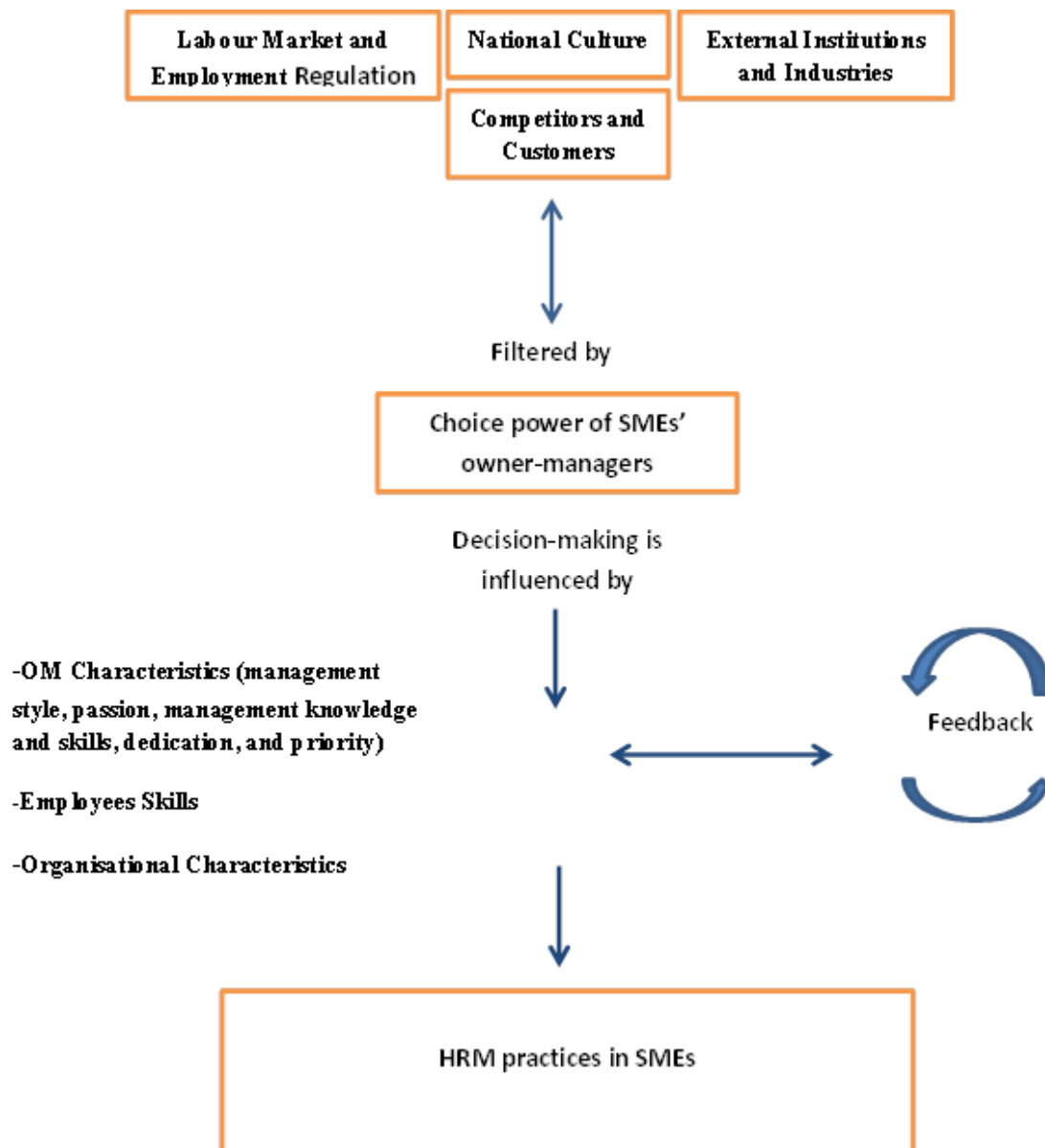


Figure 8-2 Recalling the Multiple Theoretical Framework/ Determinants of HRM within Saudi SMEs (Adopted from Child, 1997)



This section will be structured as follows; dissimilar SMEs responses to coercive institutional factors will be discussed, followed by the responses to the normative factors. Then, the feedback element in the multiple-theoretical framework will be explained with examples from the cases responses and their implemented HRM practices. Finally, a summary of case studies responses is presented in a table.

Table 8-7 Oliver's (1991) Strategic Responses to Institutional Process

Strategies	Tactics	Examples
Manipulate	Control	Dominating institutional constituents and processes
	Influence	Shaping values and criteria
	Co-opt	Importing influential constituents
Defy	Attack	Assaulting the sources of institutional pressure
	Challenge	Contesting rules and requirements
	Dismiss	Ignoring explicit norms and values
Avoid	Escape	Changing goals, activities, or domains
	Buffer	Loosening institutional attachments
	Conceal	Disguising nonconformity
Compromise	Bargain	Negotiating with institutional stakeholders
	Pacify	Placating and accomodating institutional elements
	Balance	Balancing the expectations of multiple constituents
Acquiesce	Comply	Obeying rules and accepting norms
	Imitate	Mimicking institutional models
	Habit	Following invisible, taken-for-granted norms

### 8.3.1 Coercive Pressure and SMEs Responses

Coercive forces involve pressures from political influences, other larger organisations and professional bodies (DiMaggio & Powell, 1983). They resulted in few homogeneous practices across the case studies. The unstable environment and the constant changes of regulations related to different aspects of the business activities force some of the firms under both categories (*Rolling the Dice and Shuffling and Stacking the Deck*) to adopt short-term planning and to continuously change their training programmes in line with market needs (e.g. Children's Activity Centre, and Chocolate Co.). An example of a homogeneous practice, that results from compulsory forces, is the existence of formal employment contract—whatever the size of the firm; a three-month probation period in the contract is required, although some of the case studies extended this period up to six months. There is also the formalisation of the payment methods for employees, as cheque payment has been banned by the government. These types of responses are categorised by Oliver (1991) as *compliance*. Firms have to comply with these forces in order to avoid litigation. Compliance can be explained in these domains as organisations are likely to perceive these laws as preserving the rights of both parties. This is clearly not the case in response to the nationalisation regulation, for instance, where organisations believe that there is a conflict of interests.

Nevertheless, although some HR processes and practices identified in the case studies were adopted as a result of institutional forces, as discussed above, the inconsistency identified across the firms, as influenced by the same forces, highlighted the heavy weight of the ideology and other characteristics of the owner-manager on the choice of which HR processes or practice should be adopted. As mandated by employment regulations, all firms in the private sector are required to hire Saudi Nationals in specific quotas, in addition to reserving particular functions only for Saudis, including HR jobs. However, SMEs in the study diverged to a large extent in their responses to this specific law, as the most obvious example of a coercive institutional force. This, therefore, vindicates the value of a contextual approach which allows for appreciation of institutional variation. Moreover, by involving management's and employees' voices, a holistic appreciation is enabled of not just what institutional forces exist but how they become enacted by firms. The

responses of the firms ranged from *acquiescence* to *avoidance* (Oliver, 1991), from not perceiving this law as an obligation with a desire and pleasure to include national employees as the majority, which is known as *habit* tactic in the Oliver typology, such as in the cases of the Private Primary School and the Childcare case study, where a supervisor who can be considered a co-founder of the project stated:

*It is always better if all employees to be Saudis.... I told my sister [the owner-manager] that I have been convinced that the Saudi employee who loves and understands her work and has the passion is more successful than any foreigner I have ever seen.... I think when Saudis love their work, and have a passion for it; they work from their hearts as the financial return becomes not their sole concern as it is for the foreigners who basically come here only for the purpose of getting money and then returning to their home countries.*

However, the reactions extended through the firms to include those that revealed *pacifying* tactics to the nationalisation regulations by minimal compliance which is known to be a low-risk response (Druker, White, & Stanworth, 2005), yet with resentment and constant complaining of the unfairness and of the poor work ethic and high turnover amongst Saudi employees, such as the Children's Activity Centre, and the Tech Co. At the opposite extreme were those firms that resisted this law and adopted manipulative practices known as *concealment* tactics (Oliver, 1991), such as "window-dressing" recruitment, in order to avoid sanctions, as is the case in the Construction Co., where the owner-manager admitted listing names from family members as Saudi employees or putting Saudis on the payroll despite not actually doing any work. Equally, it has been found that Printing and Student Service and the Salon case studies recruit nationals into superfluous positions which lead those workers to leave after short period of time. In the same vein, the owner-manager of the Chocolate Co. expressed the coercive nature of the employment law, stating that '*the government obliges you to be legal even if you do not want to be*', but he had also admitted that they have to '*manipulate to be able to survive*' as '*it is difficult to recruit nationals*'. Furthermore, the owner-manager of the Food Co. admitted that she had applied for a visa to import foreign workers under the name of a different Co. in a different sector that demanded a lower nationalisation quota, and also used other devious methods to satisfy regulations. Remarkably, the owner-manager of the Beauty Centre disclosed that, in order to solve the problem of their inability to be

compliant with this law, she is planning to announce professional vocational training vacancies that end with recruitment.

Furthermore, the role of the management choice was also noticeable in the dissimilar HRM approach among case studies operating in the same sector, namely education. The Ministry of Education mandated a specific form of employees' performance appraisals to be filled by the school principal and uploaded to its website. However, the SMEs in that sector (Childcare, Private Primary School) were partially compliant and adopted a *pacifying* tactic as they have developed their own internal monthly form to serve their own objectives in addition to the one required by Ministry. Similarly, they placed certain rules and conditions for conducting training courses inside any school as the Ministry approval is compulsory, thus, we saw how the Childcare case study was continuously developing employees' skills through regular "developmental meetings".

In addition, the lack of specialists in the labour market was a problem faced by two different case studies; however, they each reacted to the same challenge differently. The Printing and Student Service firm was complaining as a result of a lack of specialists in photocopier maintenance—something that guided them to *imitate* larger firms and adopt more formal routes of recruitment, such as -Linked In- and other local and international recruitment websites and newspapers. However, the Private Primary School was facing a similar problem as there was no Montessori scheme specialisation in the Saudi Universities, in addition to a lack of training institutes in their geographic area in particular. Therefore, the owner-manager decided to proactively *bargain* the matter with the Ministry of education in order to bring training in-house so as to create their own pool of applicants. Although she stated that it was an unavoidable cost, she nonetheless held the view that it is worth investing in the long-run. Moreover, other examples of coercive forces that generated divergent responses were the latest economic changes and the way in which firms were handling them. Firms in *Rolling the Dice* category were responding proactively by adopting skills and motivation approaches. They increased non-material incentives in a *pacifying* tactic and a few cases embraced a *balancing* tactic as they focused on developing the skills of their employees. In contrary, SMEs in *Shuffling and Stacking the Deck* group were reactive in their responses to the

tighter economic situations. They *complied* with the economic forces and downsized their organisations by laying off employees and freezing recruitment.

### 8.3.2 Normative and Mimetic Pressures and SMEs Responses

Normative forces are associated with conforming to norms of certain professions or to culture expectations in the firm's context (DiMaggio & Powell, 1983). Although less visible, the normative institutional influence can be manifested in the supportive aspect of public institutions, such as the Ministry of Education and the Chamber of Commerce, which encouraged employees' development with firms such as Contractor Co. showing an *acquiescence* and utilisation of these advisory institutes. In addition, a normative influence can be recognised when it comes to conducting accounting and engineering tests for selection (e.g. in the Construction Co., Tech Co., Contractor Co., Chocolate Co.), as well as in the shared values regarding childhood education and the value of human resources amongst owner-managers of firms in the education sector (Childcare, Children's Activity Centre, and Private Primary School). Nevertheless, since there is generally a lack of HR professionals within the case studies, the normative forces of the professional HR values (e.g. applying sophisticated HRM practices by the influence of their HRM education) are missing.

In addition, seeking legitimacy in the national context, which is defined by many religious and cultural values, led occasionally to improper HR practices in a way that can be categorised as *habit* in Oliver's (1991) typology where blind compliance with taken-for-granted norms and values has been taken up. The owner-manager of the Printing and Student Services admitted adopting inferior selection criteria by discriminating against applicants when he stated that they '*prefer [them] to be single, ... young aged, ... and shall commit to religious rules*'—even when the religion of the applicant was not Islam, as any violation of religious and cultural values was not bearable and the termination of the employment contract would be a direct consequence. Likewise, looking for legitimacy can be seen in the way the owner-manager of the Beauty Centre interfered in the personal life issues of her employees in an effort to prevent anything that might harm the reputation of the

centre. However, analysis of the interviews suggested weaker support for the mimetic isomorphism, with most of the practices were stemming from coercive or normative forces. DiMaggio and Powell (1983) illustrated that coercive and normative pressures normally operate via inter-connected relationships while mimetic pressures function through structural equivalence. They also stated that larger firms are more prone to have mimetic pressure since recruited managers are required to be accountable on decisions they made, hence they will adopt more established ones. By contrast in small firms owner-managers (decision makers) tend to be more self-accountable. It must be remembered here, that the current case selection emphasized the liability of smallness, purposefully choosing established firms (+5 years in operation ), versus those firms that are start-up based and so more likely to be subject to pressures related to the liability of newness (Welsh and White, 1981 ). Arguably those firms that are start-ups are more prone to legitimacy concerns related to mimetic forces, although evidence (e.g. as related to the benefits of formal HR positions in such firms) is far from conclusive (Welbourne and Cyr, 1999). Mimetic pressures are arguably more likely in a mature and more stable settings, whereas the context of large private sector growth, especially amongst non-oil based organisations and indigenous SMEs is something of a recent phenomenon in Saudi Arabia.

Evidently the discourse of HRM has taken hold in Saudi Arabia, as seen in formal education and local/national accreditation e.g. Human Resource Development Fund (HDF), although as discussed in this section the specific practices remain largely local. Therefore, while sometimes the titles and labels of HR are used this does not imply a blanket mimetic diffusion of (western) best practice. That said there were a few examples that demonstrated the mimetic influence on HRM processes in SMEs; one of them is when the owner-managers over claimed applying some of the HRM processes and practices in order to gloss the image of their organisations and look more professional which will be discussed in more details in the next chapter. The owner-manager of the Printing and Student Service assured that he always involves employees in the decision making; yet, the employees who were interviewed informed that he rarely '*takes employees opinions*' or listens to what they are suggesting even those who were in supervision positions. The owner-manager of the Beauty Centre claimed also that they have a salary increment every six months while

employees confirmed that there is ‘*no consistent salary increase, sometimes annual and sometimes when renewing the work contract after two years*’.

Overall, it is clear that acontextual approaches which isolate SMEs from their broader organisational context are very much flawed from the outset. Despite this, the systematic review highlighted that such approaches remain dominant in the literature. Yet, even where institutional contexts are brought into the analysis, evidence has largely found or assumed homogeneous responses to institutional forces (for one exception see Gilaman & Edwards, 2008). Table 8-8 below, contains examples of the divergent organisational responses discussed.

Table 8-8 Examples of Organisational Responses for Institutional Pressure

Type of institutional pressure	Examples	SMEs response according to Oliver (1991) typology
Coercive	Employment Law (e.g. Saudisation)	Acquiesce/Habit tactic (Childcare, private Primary School)
		Acquiesce/Comply tactic (Children's Activity Centre, Tec Co., Contractor Co.)
		Avoid/conceal tactic (Food Co., Construction Co., Chocolate Co., Printing & Student Service, Salon, Beauty Centre)
	Ministry of education unified appraisal form	Compromise/pacify tactic (Childcare, Primary Private School)
	Ministry of education requirements for training courses	Acquiesce/comply tactic (Private Primary School)
		Compromise/ pacify tactic (Childcare)
	Lack of specialists in specific areas	Acquiesce/imitate (Printing & Student Service)
		Compromise/ bargain (Private Primary School)
Normative	Advisory institute development opportunities	Acquiesce/Comply (Contractor Co., Children's Activity Centre, Salon, Beauty Centre)
		Defy/dismiss tactic (Construction Co., Chocolate Co., Food Co., Printing & Student Service,
	Religion and national culture	Acquiesce/habit tactic (Printing & Student Service, Salon, Beauty Centre)
		Acquiesce/comply (all of the case studies)



### 8.3.3 The Feedback Element in the Theoretical Framework

The feedback which firms can get as a result of owner-managers' continual evaluation of performance and following their external environment was another aspect that fed their strategic choice of the HRM processes and practices in the proposed theoretical framework discussed in Chapter 3. Child (1997, p. 58) accentuated that 'this feedback may provide [firms] with a learning opportunity which brings to light new action choices'. Rarely does quantitative research capture this dynamicity of HRM determinants, while it was frequently evident across the case studies. The Children's Activity Centre was a noticeable example of learning from monitoring and assessing the results of previous decisions. During the interview process, the owner-manager kept comparing their people management policies before and after '*the turning point*' (cf Harney & Raby, 2017). This firm had a crisis that made them re-evaluate their HR policies and practices, as the owner-manager believed that HR was the main reason for the drop, and that they failed to recruit the right staff who '*reflect the principles we are trying to spread or the values that we believe in*'. This made them decide to diversify their employees, start hiring other nationalities, not only Saudis, in addition to dismissing underperformers. They also re-visited the type of employment contract and decide to convert many of their trainers to be part-timers, as they found it to be more suitable for the nature of their programmes. Although they have not yet created a salary structure, they decided to have an upper limit for the salary amount and stopped allowing negotiation in terms of job offer. Furthermore, as a result of conflicts with some employees who quit work without completing their contract, they consulted a lawyer to add penalty clauses, in addition to reducing the length of the employment contract to six months instead of twelve. The most important decision was the appointment of a HR officer and the delegation of considerable tasks relative to the size of the organisation, notably as a result of the owner-manager's awareness of her failure, especially in terms of recruitment and selection which was caused supposedly by the influence of her passion to the business. Similarly, after realising her weakness in sometimes being excessively emotional in handling people management issues, the owner-manager of the Private Primary School decided to appoint a tougher principal and delegate many of the HR tasks to her. Although she was compelled to do so by the Ministry of Education, but this realisation of being emotional affected the selection

criteria for that particular position. The appointing of a manager for the school also made her very happy as this would solve this issue in her management style. Furthermore, the owner-manager of Childcare remarked that monitoring organisational performance and learning from experience contributed to her decision to create an internal regulation after being completely reliant on the employment law without any modification. Equally, the following statement by the owner-manager of the Contractor Co. made this feedback element very clear: *'we learned from the market and every problem occurs we change in our policy and internal regulations'*. Moreover, it was noticed that, in most of the cases that already adopted more sophisticated techniques in reviewing performance (e.g. Contractor Co., Childcare, and Private Primary School), this was highlighted as only happening recently, as it was conducted informally and in a friendly manner, or they moved from focusing solely on productivity to a more detailed approach, with many evaluation criteria, with the same firms also planning for further changes as a reflection of their continuous monitoring of their external and internal environment. Such a "feedback" element is not universally present or pro-actively undertaken. For example, at Food Co. the owner-manager's passion and drive meant it was difficult for her to divorce herself from the business and reflect, causing her to miss the learning opportunities that guided other firms to improve. This tendency to over control things and undervalue the role of the external factors have been identified as common characteristics among managers of failed business (Finkelstein, 2004) and is equally a factor said to distinguish successful versus unsuccessful entrepreneurs (Cope, 2003; Lindh & Thorgren, 2016).

Accordingly, the findings discussed above propose that SMEs have greater scope to make their own decisions regarding HRM policies and practices than is generally assumed in the extant literature. This is congruent with Kitching, Hart, and Wilson's (2015, p. 136) observation regarding the SMEs choice in response to regulation, *'even severely resource-constrained firms possess some discretion regarding whether and how to adapt'*. This is also corresponding with Nolan and Garavan's (2015) call for taking SMEs strategic choice in the context of HRM. SMEs in this research have been found as active respondents in contrast to the typical assumption that all SMEs are similar in their passive reaction and always conforming to the pressure of the external environment due to their vulnerability. Even in their conformity, they

mostly adopted compliance tactics which involved a conscious obedience as opposed to the blind adherence to rules found in the habit tactics (Oliver, 1991). Notably, they strategically chose to conform to get benefits that served their interests. However, this scope for choice is definitely limited in comparison to large organisations that have the ability to adopt more active and pro-active responding tactics that involve change and exerting power over the content of external pressure by adopting what known as *defiance* or *manipulation* strategies. This variation in responses is also evident in the classification of the case studies discussed in the previous section whereas the ability of firms to plan for their HR exist even after the resourcing stage as seen in the *Shuffling and Stacking the Deck* group. Additionally, while institutional pressures have been typically known as impeding HRM practices, this study has found that they also can create opportunity in terms of adopting HRM as we have seen in the influence of the advisory body such as the Chamber of Commerce.

To sum up, since institutional theory emphasised the influence of external factors on shaping similar practices within SMEs that are belonging to the same context and indicated mechanisms by which this can happen, Strategic Choice theory was a valuable add-on since it underlined the role of agency and the interaction between these SMEs and their environment (cf Child, 1997). Thus, providing a comprehensive framework to connect the macro context (e.g. society, sector, national culture, organisational environment) to micro level actors (e.g. owner-managers, employees) in order to understand HRM within SMEs. It is important to note that these processes of responding to environmental and institutional pressure should not be understood as distinct and sequential ones but overlapping and interacting with each other.

## **8.4 Summary of the Chapter**

This chapter has summarised the findings presented in chapter 6 and 7, by categorising the case studies and discussing the implications of the findings for the theoretical framework presented in chapter 3. Case studies have been classified according to their general HRM approaches that have been paralleled to gaming strategies to underline the role of the players (agency) in shaping HRM within SMEs. Appreciating the institutional context, Oliver's (1991) typology of organisational responses has been used to describe the behaviour of the case studies in response to several institutional pressures. The environmental factors have exerted their pressure through the views of the owner-managers and their established priorities. The next chapter will discuss the results of this research by emphasising the key themes which represent the value added to knowledge related to HRM-SMEs body of research.

# Chapter 9

## DISCUSSION

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### 9.1 Introduction

The previous chapter detailed how the SME case studies can be classified into different groups with labels derived from game tactics (Rolling the dice, Shuffling and stacking the deck, and Hybrid approach). Such categorisation illustrates that sophisticated HRM practices are not totally absent in SMEs especially in firms under the *Rolling the Dice* category. This indicates a better picture of HRM in SMEs than what has been identified in the literature. Benmore and Palmer (1996) and Tsai (2010) reached a comparable conclusion in terms of the characteristics of HRM practices in SMEs as being better than that identified in the extant literature. This research is the first to detail such findings as related to SMEs in a Saudi context.

That said, there was considerable variance in HRM across the case study SMEs. This heterogeneity of HRM has been also recognised by many others in the extant literature (Ho *et al.*, 2010, Harney & Dundon, 2006 & 2007; Cassell *et al.*, 2002). Such divergence has proven that HRM within SMEs is complex, interactive and dynamic rather than simply described in the literature as either pleasant or repressive. In addition to capturing broad categories of HRM approaches based on level of control and the skills of core employees, the cases also extend our understanding by unearthing aspects of variation even within SMEs, something rarely acknowledged in the literature. Moreover, exploring both the views of owner-managers and employees assists in unfolding the process of HRM and in providing a holistic view. Again this is something rarely achieved in SMEs research, with only 19% of the articles identified in the systematic literature review combining both managerial and employee perspectives. Understanding the rationale behind applying different HRM practices among employees within the same firm, reveals the complexity of the way in which HRM in SMEs is shaped. This complexity is less

likely to be captured by quantitatively counting a list of HRM practices which the dominant approach is taken in research (see chapter 2). The significant role of the agency that has been identified in this study provides some explanation of this heterogeneity.

Another theme to discuss is the dissimilarities observed when owner-managers' accounts were compared to employees'. The multi-vocal approach this study has adopted allows for more credibility of the data provided. Hence, such inconsistency is attributed to different reasons, as will be demonstrated in the themes below, however, it mainly emphasises the impact of the unitary approach those owner-manager embrace. They believe that employees are sharing the same interests and beliefs, hence, they will implement HRM in the same manner that the owner-manager stated. This supports the call for involving the voices of the other stakeholders such as employees (Way & Johnson, 2005) when exploring HRM in SMEs, as has been discussed in the systematic literature review chapter.

Furthermore, the owner-manager characteristics and blueprint of the founder, as Barron and Hannan (200) identified, are realised to have a tremendous impact on the HRM approach, as owner-managers are seen to choose to implement dissimilar practices despite being exposed to the same contextual influences, as manifested in embracing different tactics of Oliver's (1991) strategic responses. It is true that there was a degree of similarity in the general approach as discussed in the grouping of the case studies (Chapter 8) or when it came to applying some of the practices (e.g. formal employment contract, or formal means of paying salaries or wages) as a response to coercive forces; however, owner-managers displayed varying ways of implementation, or occasionally decided to resist by different means as was especially evident when applying the nationalisation law in recruitment. Several studies have identified the influence of owner-manager attributes on the nature of HRM policies and practices within SMEs, such as management style (e.g. Harney & Dundon, 2006 a & b; Werner & Herman, 2012), network (Marchington *et al.*, 2003; Ho *et al.*, 2010) and HR knowledge and experience (McPherson, 2008; Klass *et al.*, 2012; Kroon *et al.*, 2013), but they have not specifically unpacked what the implications might be. Research which has accommodated owner-managers' characteristics has tended to focus on the what, typically by contrasting approaches or styles, e.g. participative versus authoritarian, as opposed to exploring the why

dimension. Notably, there has been little research which has connected the impact of the cognitive and psychological attributes of the owner-manager to HRM. This is surprising given the dominance of such perspectives in the entrepreneurship literature (e.g. Cardon, 2008; Barron, 2008; Cardon *et al.*, 2013). This study has found an influence of the owner-managers' psychological aspects specifically owner-manager passion as highlighted below.

In expanding these points, the next section will explore key themes including heterogeneity of HRM, the differences identified between owner-managers and employees, and the role of owner-manager characteristics. These three themes represent the three elements of HRM in SMEs which this research aimed to explore namely; what, how, and why, respectively (See Figure 9-1). These themes also confirm the complementarity of the theories that comprise the multiple-theoretical framework (institutional and strategic choice theory). This can be seen in identifying divergent HRM across and within the case studies which embody how firms interact differently with the same institutional factors. It also can be shown in recognising the significant role of owner-managers' characteristics in making a choice regarding the way in which human resources are managed. Furthermore, they support the research design by which this research is conducted as these results would not be reached without appreciating the context, adopting a process-oriented approach, and a plurality of voices and techniques.

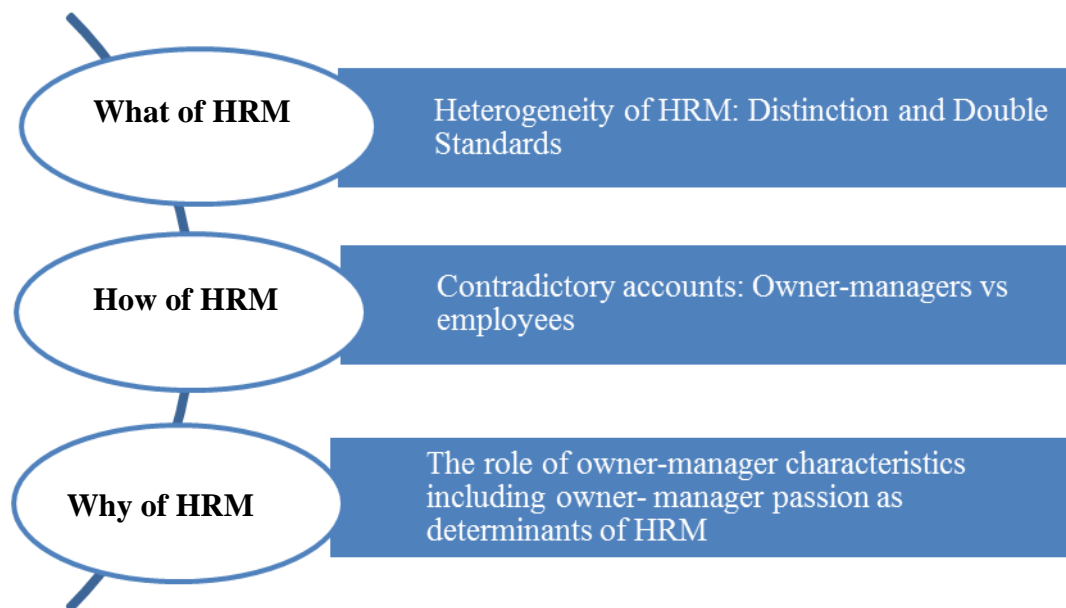


Figure 9-1 Connecting the Themes to the Research Question

## 9.2 Heterogeneity of HRM Practices: Distinctions and Double Standards

While many studies have highlighted the heterogeneity of HR practices across SMEs (De Kok & Uhlaner, 2001; Cassell *et al.*, 2002); the current study illuminates divergent practices, even within the firm. Founded on the logic of smallness that is coupled with proximity (Physical and perhaps also ideological), uniformity of HRM processes and practices would be typically assumed. However, evidence of differences is apparent across different levels within the firm. Indeed, while offering contrasting perspectives on HRM in SMEs, this research questions the validity of such assumptions and instead opens up insights into different within firm variation of HRM, that is not simply based on skills (Lepak & Snell, 1999), designation as core employees (Mangum, Mayall & Nelson, 1985), but also based on nationality and nature of occupation.

As illustrated in the findings, a group of firms revealed what might be called ‘double standards’, with HR practices recognised as different when applied to foreign or national employees. The starting salary and the salary increment frequency differ in the Tech Co. and the Contractor Co., as owner-managers confirmed that they paid higher amounts for Saudis and promised Saudis an increase in salary annually, even if this was not the rule in the organisation. Furthermore, some owner-managers stated that they are willing to offer a profit-sharing programme, but only for good Saudi employees (e.g. Food Co.). This extended to disciplinary actions and employee relations practices, with several owner-managers exposing intolerance to any deviant act by a foreign worker through terminating immediately the employment contract, which went against showing more lenience with national workers. This patience with national employees is not for the purpose of motivation, retention of talents, or a kind of altruistic service for their homeland (Lowendahl, 2000), but rather to satisfy the nationalisation law. For example, the owner-manager of the Contractor Co. confessed that ‘*[he] reached the stage of solving the Saudi workers’ family problems... and [they] do all this searching for their stability and then they are counted as nationalisation points for us*’. Additionally, there are cases where part-time employment contracts were offered as demanded by employees, but only for Saudi workers (e.g. Children’s Activity Centre, Contractor Co.). Owner-



managers reported using their ability to control the residence or work permit status of the foreign workers as a means of intimidation which was evident in the case of the Beauty Centre and Food Co. as they stated that workers know that they can send them back to their home countries at any time if performance is unsatisfactory. This can turn into action with the owner-manager of the Food Co. acknowledging that *'without a notification, [she] terminated his [an employee] contract and make a reservation for him to leave the country'*. Moreover, there is an unwritten rule in the local labour market that discriminates between applicants in term of salary offered according to nationality, in addition to the differences in the job contracts of overseas recruitment offices, before staff arrive to work in the business. This multipronged approach covered other HRM areas as well. Thus, while we know from western studies that non-nationals can be vulnerable to discrimination relative to nationals (Dundon, Gonzalez-Perez, & McDonough, 2007), this is surprisingly apparent in the context of the SMEs examined, where it is systematic, declared, and noticeable even within the context of smallness. Ram (1994) also explores the influence of ethnicity in shaping employee relations within small firms context. What is known about HRM in the large and multinational organisation in the context of GCC countries and Saudi Arabia in particular, although it is scarce, corresponds with this finding and acknowledges the influence of the nationalisation law on the emergence of such dual HRM practices and poor diversity management (e.g. Budhwar & Debrah, 2013; Connell & Burgess, 2013). However, in these studies, double standard practices seemed not to be clearly articulated by employers as it is the case in this research. Such kind of influence by institutional factors supports the contextual approach of the multiple-theoretical framework utilised for this study.

On the other hand, the majority of sophisticated HR practices identified in the firms were applied mainly for core employees, such as teachers and trainers in Schools, the Children's Activity Centre, or stylists and make-up artists in the Salons. This is congruent with Melian-Gonzalez and Verano-Tacoronte (2006) who recognise that the work system applied for core employees is typically more sophisticated than the ones for the rest. Those core employees were particularly unique to the firm when considering their human capital, which was valued by the firm. This has been noted by Mangum, Mayall & Nelson, who reported similar findings (1985, p. 599).

*Many employers carefully select a core group of employees, invest in them, and take elaborate measures to reduce their turnover and maintain their attachment to the firm. Many of these same employers, however, also maintain a peripheral group of employees from whom they prefer to remain relatively detached, even at the cost of high turnover, and to whom they make few commitments.*

Additionally, it was common to find a particular HR practice applied exclusively across functional lines to a group of employees, such as the sales representatives in the Chocolate Co. Other firms in the study highlighted different approaches when it came to managing manual as opposed to administrative workers within the same organisation, as was seen to be the case of the Construction and Contractor companies. Further differences were identified according to the mode of employment contract as not all HR practices were applicable for part-time employees in the Children's Activity Centre. This approach can be classified as a positive discrimination that serves different business objectives, with Lepak & Snell (1999, p. 45; 2002) advancing knowledge about such variance in their HR architecture when arguing that there is 'no one best set of practices for every employee within a firm'. The logic behind such differentiation is that HR architectures are utilised to match the amount of investment needed for each group of employees in order to get the required outcomes. In addition, variances can be utilised by offering exceptional employment conditions in order to attract or retain highly skilled or valued workers as skills can be ranked as core or peripheral resource to the business (Quinn, 1992). Such special arrangements between managers and employees has been noticed as well by Rousseau and Greenberg (2006) who suggest that employees can negotiate their idiosyncratic employment provisions or "I-deals" based on different social exchange relationships, and also by Liao, Toya, Lepak and Hong (2009) who found differences in applying HRM practices within the firm on the basis of employee status. Indeed, the customisation of HR practices to match the requirements of specific groups of employee has been deemed as strategic as far back as Miles and Snow (1984). The Tech Co. had adopted a similar strategic approach by customising the performance appraisal form to meet the requirements of each department rather than using the same form for the whole company. This planned approach is different from the former ambivalence of HRM policies, processes or practices described above, which seems to be ad hoc and

encouraged by labour market segmentation and employment regulations. Wright and Boswell believe that the assumption about the uniformity of HRM practices within firms in general is ‘both naïve and potentially detrimental to the development of the field’ (2002, p. 249). This duality of HRM practices identified within the current SMEs is unexpected relative to the size of the firms, in addition to the centrality of decision making which taken together propose a convergence of HRM practices. Notably, this issue of double standards in HRM within firms is seen to be more pervasive among case studies in *Shuffling and Stacking the Deck* and the *Hybrid* groups, while HRM practices were found to be more coherent among *Rolling the Dice* group, yet, with few examples from Tech. Co. that indicated the existence of dissimilar rewards and employee relations practices between national and non-national employees.

Having said this, dissimilar HRM practices within one firm cannot be said to have fixed or neatly read consequences which might be positive or negative. An admin employee in the Construction Co. expressed his dissatisfaction with applying specific HRM practices only for engineers, while employees were happy with employee relations practices within the Contractor Co even with the existence of differences between national and non-national workers. However, failing to attend to these differences and make the rationale clear for employees can have opposing consequences on employees in terms of trust, motivation and satisfaction—even when positive discrimination was used to serve certain objectives. For example, Rousseau, Ho and Greenberg (2006, p. 978) noted that employees can perceive these variances as appropriate as long as they ‘endorse the legitimacy of the values on which these arrangements are based’. This suggests that firms that have adopted more objective criteria for selection and appraisals will be better positioned when it comes to appropriately using a multipronged approach to HRM. The owner-manager of the Chocolate Co. assured of the importance of transparency and the justification of any difference in rewards amongst workers in an effort to avoid being judged as unfair by employees only because they do not know the bases on which these differences are established. This is opposed to the attitude of the owner-manager of the Salon when she assures that employees ‘*basically, aren't supposed to be informed about it [causes of differences in employees' rewards]. It's an internal*

*regulation which has nothing to do with employees and they have nothing to do with it’.*

Although heterogeneity within the firm indicates a lack of horizontal integration of HR practices, owing to the fact that HRM practices were not in a coherent bundle in most of the cases, this result offers support for the contingent perspective of HRM in SMEs through the use of different HR practices within the firm according to the mode of employment, occupational groups or employees’ skills as a response to the changing circumstances in the external environment. It also sheds some light on the dynamicity of HRM practices and employee relations within SMEs and their determinants which suggests some confirmation for the view of the ‘negotiated order’ introduced by Ram (1994). Moreover, having different practices for different groups of employees on the basis of nationality, occupation, skills, or the type of contract, signifies the ample room of choice that owner-managers enjoy despite the influence of the environmental variables. Table 9-1 reveals how this theme was aggregated during the coding process.

Table 9-1 Data Structure for Theme 1

<b>First order codes</b>	<b>Second order themes</b>	<b>Aggregate Theme</b>
-Differences in disciplinary procedures -Differences in rewards processes and practices -Differences in employee relations practices -Differences in performance appraisal processes and practices -Differences in training practices	-National versus foreign employees -Core versus peripheral employees -Specific group of employees versus the rest of the workers -Manual versus Admin workers	Heterogeneity of HRM practices: Distinction and Double Standards

### 9.3 Contradictory Accounts—Owner-Managers versus Employees

When systematically coding the transcripts of interviews, an inconsistency was identified when comparing what owner-managers and employees had to say about the same HRM functions. The process communicated by employees was contrasted with owner-managers' accounts, with reference to the documents provided, in addition to the use of observation in establishing what has been employed in reality. Owner-managers described things differently on many occasions, with their narratives frequently not supported by employees. This is elicited largely by the unitary approach (Fox, 1966) of the owner-managers and their assumption of the uniformity of interests with very few essentially acknowledging divergent aims and objectives. Thus, they presume that whatever they perceive as an effective HRM practice will be experienced the same by employees and will be implemented if devolved just as they are planned to. Employees also are assumed to fit in the aims of the organisation or of the owner-manager as the only source of authority. That was apparent in their intolerance to any objection to their decisions by employees as we have seen in the case of the Beauty Centre when the owner-manager stated that she does not accept any objection by employees and does not have to provide any explanation for differences in the amount of pay among workers. Similarly, an employee in Printing and Student Services case study revealed that the owner-manager always wanted things to be done in his own way and he is 'never convinced', therefore, this employee decided to '*keep silent even if [he] know[s] what [he is] saying is 100% correct*'. Also it can be seen in the Food Co. case study when the owner-manager stated 'I want an employee who works with me with a partner mentality'. By its emphasis on harmony, such unitarist philosophy conceals the various contradictions and conflict that could not be exposed by collecting data from a single source (Mohammed & Harney, 2017). Nevertheless, the high turnover reported within the case studies opposes this disposition to unitarism and a consensus thesis.

Although there might be, many reasons for this, analysis of the interviews and an insight from the previous literature result in identifying three causes: 1) the gap between intended and implemented HRM, 2) the desire to be professional, and 3) the informality of practices. The first is the known difference between rhetoric and

actual HRM or “intended” and “implemented” HRM (Legge, 1995; Khilji & Wang, 2006), between what the owner-manager has planned (as the only decision-maker) and how this has been translated by the implementers responsible for some of the people management tasks, whether they are HR/personnel officers or in other positions. Gratton and Truss (2003) have also acknowledged this contradiction by adding a third dimension to the HR strategy; in addition to the vertical and horizontal alignment, which is an implementation dimension. This gap is more evident where owner-managers have not dedicated enough time to managing the business and simultaneously have not delegated enough responsibilities to someone else. It is also exacerbated with poor management skills and weak employee involvement and participation. Grant also suggests that this might occur because ‘the rhetoric simply fails to overcome the existing organisational culture’ (1999, P. 331), while others (e.g. Bowen & Ostroff, 2003; Conway & Monks, 2008; Liao *et al.*, 2009) argue that managers and employees perceive and interpret HR practices differently. For example, in the Salon, the owner-manager talked in detail about how employees are appraised, whilst the supervisor responsible for carrying out this duty was seen to lack such information, and appraised employees against only one or two of the criteria the owner-manager had mentioned. On other occasions, it was established that the employees were more knowledgeable about how things were done or implemented, such as the case in the Contractor Co., when the owner-manager reported that they offer no training for factory workers other than the induction given when employees first arrived to work in the factory. However, the HR officer disclosed having training recently for those workers by a supplier. This is congruent with Verreynne, Parker, and Wilson’s (2011, p.423) observation as they found the views of the CEOs to be ‘less discriminating and predictive than the views of the employees’. This inconsistency could reflect weak communication with the owner-manager of the Printing and Student Service reporting paying a salary above the market average; however, the value of compensation might be poorly communicated with employees as they considered the salary to be the same as the market. It can also sometimes be a result of applying different HRM practices amongst different employee groups, as identified in the theme of heterogeneity of practices within the organisation, such as nominating an employee of the month or of the year as a motivational technique, used only for factory workers in the Contractor Co., while an admin employee who was interviewed knew nothing about this motivation practice.

Nonetheless, the methodology this research has adopted assists in capturing both the “intended” and the “implemented” practices, since multiple methods and informants have been utilised in addition to not providing participants with a pre-specified list of HRM methods and practices. Gilman and Raby (2013) have emphasised the importance of addressing the employees’ views whenever HRM is explored as their experience and understanding will be different. Overall, this result signals to the value of plurality and warns against taking such matters for granted as per the unitarist view. It also turns our attention into an important issue, as even if the most sophisticated HRM practices exist, they might not have the proposed positive outcomes if there is weak or inconsistent implementation (Han *et al.*, 2018).

The second justification of this discrepancy is that the owner-manager might be so enthusiastic about his/her own business and simply want to ‘look good’, even if they are not actually doing what has been said, or alternatively they might be concerned with ensuring to look like they are adhering to the law. The owner-manager of the Printing and Students Service claimed that they have flexible working hours for employees, however, all employees interviewed rejected this; and by simply observing and reviewing the attendance sheet, anyone would know this is not true. Additionally, the owner-manager can only control the working hours of those employees in the service Centre, whilst other workers should abide by the rules of the institution that they are located in, as this firm sign contracts with other parties such as universities to provide their services. Likewise, in terms of an explicit contrast, the owner-manager of the Beauty Centre stated that they have a salary increment every six months, whilst all employees interviewed assured that it is every two years. Furthermore, owner-managers contradicted themselves in the same course of interview—apparently for the same cause or because of their lack of management skills as explained in the findings- either by claiming to believe in something whilst reporting doing something else or by actually assuring that they implemented a particular HRM practice, but stating the opposite in another occasion. The owner-manager of the Chocolate Co. believed that it is better ‘to make your employees show respect rather than being afraid of you’; yet, on another occasion, he admitted that they are ‘*planning to fix cameras in all of [their] branches to observe how work is going*’ or when the owner-manager of the Tech Co. assured that they ‘*always try to be for the employees’ sides without any discrimination*’ while he admitted that he

paid Saudis higher wages. Equally, the owner-manager of the Food Co. remarked that she is patient and gives her employees a chance to learn by making mistakes, despite admitting on another occasion that she is '*always in a hurry and does not have the patience*', therefore, employees are afraid to make mistakes. This reason in particular justifies the importance of focusing on the psychological traits of the owner-managers as significant factors in order to understand HRM in SMEs as will be further argued in the next theme. It also supported utilising interviews as a data collection tool to deeply explore the firm and expose the contradiction of practices over time as opposed to a snap shot survey which would only capture the first impression. Since interviews are based on face-to-face conversations, this might also increase the contradiction due to the owner-managers wish to elevate the status of their firms.

The third explanation for this inconsistency is the informality of practices, meaning that, for some of the HR practices and for compensation practices in particular, owner-managers tend to leave them undocumented in the contract and not clearly articulated in order to avoid them being an obligation as one of the employees' rights. As a decision-makers, owner-managers have a plan or a strategy of how incentive rewards can be paid, for example, whilst at the same time keeping them contingent upon circumstances. Thus, employees in the interviews were saying that there are no rules governing that particular function, whilst the owner-manager can describe it in detail. This has been accurately embodied when the owner-manager of the Contractor and Tech Companies explicated how the bonus, annual increment or incentive pay elements overall are structured, whilst employees disputed these claims. Nonetheless, when employees were asked specifically whether they have been paid in this way at any time during their tenure, similarities were identified; however, they reported having this once or twice, and so they cannot consider it a rule, especially when there are no details in the contract and they have never discussed it even orally with the owner-manager. Such an approach by the owner-manager evoked a transparency issue and, consequently, dissatisfaction, and a feeling of unfairness amongst employees (Bowen & Ostroff, 2004), as seen in a few cases (e.g. Beauty Centre, Printing and Student Service). Thus, informality here is perceived by owner-managers as a real practice while for employees as long as a practice is not consistently implemented this was not the case. This holds significant



implications for SMEs which tend to be dominated by informal HRM and attracts attention for the importance of employee attribution regarding the adopted HRM practices. Owner-managers or HR officers, thus, are required to assess employees' attributions of implemented policies and practices in order to understand their perceptions of HRM in their firms. Again, such a finding would not be possible to be identified by the single-respondent survey-type method prevalent in the literature. In that vein, Sheehan (2014, p. 549) remarked:

In the small firm context, given the importance of informal practices, any survey about whether a formal practice is in place or not has the potential to underestimate, and possibly misrepresent, the extent to which human resources are managed in practice, since the use and effectiveness of informal management will not be captured in a survey.

In general, regardless of the specific reason, such contradictions indicate the complexity inherent in managing people within SMEs and the different factors potentially influencing HRM practices. In fact, such a finding is unexpected due to the non-hierarchical structure and the advantage of dealing directly with the owner-manager. Therefore, this actually makes a case for ensuring caution in taking for granted the results of the studies that solely focused on the owner-managers' accounts, which prevailed in the literature (see SLR Chapter 2). Boxall (2007) notified of the need not to take statements made by managers in regards to HRM practices at face value as they might mask a more opportunistic approach. Furthermore, this finding also reinforces one of the critical realism principles about participants' views as being not reality but a window that leads to reality (Healy & Perry, 2000). Table 2-1 clarifies the structuring of data leading to this theme.

Table 9-2 Data Structure for Theme 2

First order codes	Second order themes	Aggregate Themes
-Inconsistency of the reported HRM process and practices in the Contractor Company -Inconsistency of the reported PA process and practices in the Chocolate Company -Inconsistency of the reported employees relations process and practices in the Printing & Student Services -Inconsistency of the reported rewards process and practices in the Beauty centre -Inconsistency of the reported PA process and practices in the Salon	-Unitarist Approach -Informality -Intended vs implemented HRM -Over-claiming -Low dedication to the business by the owner-manager	Contradictory Accounts— Owner-Managers versus Employees

#### 9.4 The Role of Owner-Manager Characteristics

The findings have exposed the significant role of owner-manager attributes in shaping the decisions regarding HRM practices within Saudi SMEs, even in spite of the large influence of employment regulation and national culture. This indicates the sizeable room for strategic choice of the owner-managers regarding HRM policies and practices—an aspect that has led to heterogeneity in HRM process and practice across the firms, even though they emerged under the same institutional forces. For example, Contractor Co. and Construction Co were both located in the construction industrial sector, yet, they adopted different resourcing approaches and dissimilar rewards and training practices. This heterogeneity is also witnessed in the classification of the 11 case studies into 3 groups, presented in Chapter 8, and in the varying tactics adopted in their interaction with wide range of determinants. It also stands in contrast to the deterministic view of HRM in SMEs prevailed in the literature (Barrett & Rainnie, 2002, also See SLR Chapter 2). The current study has identified many owner-managers’ characteristics, such as management style, as having a significant influence on the selection of HRM practices. Chapter 7 disclosed the varying styles adopted among owner-managers of the case studies and how this influenced their choices regarding the HRM approach. For example, the

management styles of the owner-managers in *Rolling the Dice* case studies such as laissez fair (Tech Co) and participative (Childcare, & Children's Activity Centre) resulted in a better chance for higher input by employees and allowed for a more strategic orientation in aligning some of the HRM practices e.g. PA with the objectives of firms. They also facilitated employee development, improved communication, and considering intrinsic as well as extrinsic rewards. In contrast, the autocratic style in some of the *Shuffling and Stacking the Deck* cases leads to one-way communication, lack of employee voice, focus on controlling extrinsic rewards; in addition to restricted delegation of HR tasks to administrative roles holders. This influence of owner-management style as a determinant that contribute with other attributes in shaping HRM in SMEs, is in line with several studies in the SLR, such as those by Mazzarol (2003), Harney and Dundon (2006, 2007), Richbell, Szerb and Vitai (2010) and Werner and Herman (2012), which also recognised the effect of the owner-manager experience and educational level—as did Tocher and Rutherford (2009) and Qiao, Wang and Wei (2015). The current research, on the other hand, did not determine this to be significant, as the majority of the owner-managers in the study were bachelor-degree holders, however, the business and management knowledge and also having the same profession as employees seem to have a larger impact on the nature of HRM. This is evident in the classification of the cases as the owner-managers of the four firms in *Rolling the Dice* group either had a degree in management or shared the same profession with their employees, while firms in the other groups lacked these attributes.

In exploring the SMEs literature, prior research of HRM has focused on the demographic characteristics of owner-managers (e.g. age, education, etc) and their effect on the choice of HRM approach. This may also be reflective of the dominance of more variable orientated quantitative research. It is with this in mind that it can be seen that the literature has not yet extensively explored the influence more allied with owner-manager's psychological attributes—and specifically the owner-manager's passion—on the owner-manager's choices regarding HRM policies and practices. This is unfortunate especially that it is known that at higher managerial levels, the influence of psychological characteristics can be more visible especially that there is less work structure and more discretion (Karaevli & Hall, 2006) and conceptual skills become more important since these jobs entail dealing with

complex situations and strategic decisions (Katz, 2009). For instance, being emotional as was the case with owner-manager of the Private Primary School, impedes making rational decisions regarding employee selection, dismissal or in applying disciplinary actions. Additionally, the importance of owner-manager passion has been identified theoretically in the entrepreneurship literature, although Murnieks, Mosakowski and Cardon (2014) have recognised that even the few empirical articles exploring the topic of passion amongst entrepreneurs have not focused on the association between the passion and behaviours of entrepreneurs. Alternatively, they analyse the linkage between passion and organisational performance. Given the obvious prominence of the owner-manager in determining HRM practices, as reinforced in the case companies, there is a need to further unpack and explore the nature of this influence.

#### **9.4.1 The Two-fold Effect of the Owner-Manager Passion**

According to Cardon *et al.* (2013, p. 373), ‘passion is at the heart of entrepreneurship’, whilst Cardon *et al.* (2005, p. 23) suggest that entrepreneurship can be seen as a ‘tale of passion’. Passion is generally defined as ‘a strong inclination toward a self-defining activity that one likes (or even loves), finds important, and in which one invests time and energy on a regular basis’ (Vallerand, 2012, p. 1). Conventionally, it is known as having a positive influence on the entrepreneur’s creativity, enthusiasm and commitment (Sy, Cote & Saavedra, 2005; Baron, 2008). Indeed, it has been associated with the ability to effectively select ‘right fit’ employees by studying how to transfer this passion from the entrepreneurs to their employees (Cardon, 2008). Characteristics of smallness and the general visibility of the owner-manager in small firms suggest the likely imprinting impact of factors such as passion which can be recognised by employees. However, despite this prominence and perceived relevance for understanding behaviour, very little is known about the linkage between an owner-manager’s passion and HRM.

Although a positive impact has been typically associated with entrepreneur’s passion (e.g. Liu, Chen & Yao, 2011; Cardon, 2008), the strong robust bond they build with their businesses means they ‘consider [them] as a part of [their] identity’ (Owner-manager, Children’s Activity Centre). Arguably, this level of attachment might result in an adverse impact on the entrepreneur’s behaviour. Entrepreneurial passion has

been defined as ‘a complex pattern of psychological, brain, and body, responses activated and maintained by an entrepreneur’s passion that, *when regulated*, aid in motivating coherent and coordinated goal pursuit’ (Cardon *et al.*, 2009, p. 518) (emphasis added). This condition for positive impact of passion ‘*when regulated*’, in this definition, was identified in the findings as owner-managers having greater self-awareness. As detailed in chapter 7, although passion was not clearly observed across all of the owner-managers examined in this study, dissimilar effect of passion (positive, negative, and negative that turns into positive) has been identified across three owner-managers (Childcare, Children’s Activity Centre, and Food Co.) as being strong determinants of their selection of HRM processes and practices. Hence, self-awareness is the construct which is proposed to regulate this passion impact. The role of self-awareness has been recognised long ago as Super (1957) believed that it is one of the most important facets of career development. According to Karaevli and Hall (2006, p. 362), ‘one’s awareness of self’ helps the individual to fit in his/her social environment and make internal changes, and also be resilient. It is also identified by Morrison and Hall (2002) as a significant dimension of personal learning and change. Entrepreneurs are having different levels of awareness or the ability to regulate their emotions and without that condition, passion might lead to an adverse effect such as reluctance to devolve HRM responsibilities and inflexible persistence to manage the business even during times of failure. Notably, Zellweger and Astrachan argue that ‘individuals are more hesitant to give up affect-filled than affect-free goods’ (2008, p. 353). Examples of this sense of self-awareness can be seen in the following statements by owner-managers of Childcare and Children’s Activity Centre:

*From almost the first year of my career, I started planning how to open the school. I lacked management skills in general. I know that I am a good teacher, but will I be a good manager? A manager with the employees, with the parents, and with the children? How do I combine all of these in one way? Does my personality fit to be a manager or not?*

*I love kids as I told you, I am very good in dealing with them, I know myself, but the management, this is what I have learnt. (Owner-manager, Childcare)*

*[B]ecause I started to notice that the owner and manager mind-set is getting confused in me... I believe attracting is really working but these good employees usually are looking for better places than us. (Owner-manager, Children's Activity Centre)*

Drawing from the psychological literature, the Dualistic Model, as presented by Vallerand *et al.* (2003), explain the different ways in which owner-manager passion has impacted their decisions regarding HRM processes and practices as has been evidenced in the findings (see Table 9-3 for details of the emergence of this theme). The dualistic influence of passion on the behaviour of the entrepreneur by differentiating between harmonious and obsessive passion illustrates the dissimilar (positive and negative) impact of passion which has been recognised in three different case studies. Both types in the model have emphasised the motivational aspect of passion on individuals' behaviour i.e. enthusiasm and persistence for doing an activity; however, discrimination is based on the way in which the activity they are passionate about is internalised into their identity and their ability to control that passion, rather than passively allowing this passion to control them. The control aspect highlighted in this Dualistic Model of Vallerand *et al.* (2003) is paralleled with the self-awareness discussed in the findings and the *regulation* mentioned above in Cardon *et al.*'s (2009) definition of passion. When the influence of owner-manager characteristics has been discussed as a significant determinant of HRM in Saudi SMEs in chapter 7, the researcher explained how the self-awareness of the owner-manager of the Childcare regulates the influence of her passion when managing her people. One example of this was her acknowledgement of lacking management skills and her efforts to improve this, in addition to recognising the strengths and the weaknesses of the business and looking for employees who closely fit. Likewise, the owner-manager of the Children's Activity Centre has experienced a negative effect of her passion especially on recruitment and selection and after her reflection and being self-aware of the influence of her behaviour; she started to control the effect of her passion which eventually results in positive outcomes regarding HRM approach in that case study. She disclosed that she started to feel that '*the owner and the manager mind-sets*' were overlapping especially in her recruitment and selection decisions which led her to devolve these tasks. In contrast, the same section showed how the lack of self-awareness in the case of the owner-

manager of Food Co., had negative consequences on her HRM approach and employee relations in particular. She was extremely involved in every single detail of the business not realising how this is impacting her HRM choices. Therefore, employees' turnover was high with many stories of conflicts and litigations by workers during the interviews.

Therefore, by adopting the aforementioned approach alongside passion, it is possible to distinguish between the varying impact of harmonious passion in contrast to obsessive passion of owner-managers as determinants that contribute considerably in shaping HRM practices within SMEs. The owner-manager of the Childcare and the Children's Activity Centre case studies expressed their passion for their businesses; nonetheless, they were still in control of this passion and had adequate self-awareness that led the latter one to step back and delegate HRM tasks when realising that her passion was negatively effecting her behaviour (controlling her as opposed to her controlling the passion). The following quotes illuminate such change:

*It is a turning point because I used to apply certain strategies; I was looking to be professional and seeking specialisation, accurate analysis of the jobs, no overlapping between the tasks and responsibilities, and looking for creative talents. I was so enthusiastic, however, I realised that doesn't fit the business.*

*When we were about to close the project, it wasn't such a great loss that forces us to close, I was myself so down and in my worst situations seeing my dream collapsing... The money wasn't the only issue, yet we had a budget problem, but the main issue was about the HR, we do not have the right people... Then I preferred to step back a little and delegate all the HR tasks because I noticed that I was so enthusiastic and not taking the right decisions. Now we have a better approach and I am more focused on strategic planning and development.*

Additionally, these two firms (Childcare & Children's Activity Centre) engage in their businesses with a thoughtful non-defensive style, acknowledging the diversity of interests amongst employees and themselves as owner-managers. Based on this model, this is seen to be owing to their passion resulting from an independent internalisation of this passion for doing business. This is exemplified in this statement by the owner-manager of the Childcare:

*Between us as employees, I always try to separate between myself and my work. Is this disagreement relating to a personal matter between me and you or is it really something at work? there is a difference.*

*I might be very accurate paying much attention to the details in many tasks, which is not desired by many*

She is also looking for passionate employees, as emotional experiences at work have an effect on the behaviour and retention of employees, especially when human capital is critical to the success of employees (Seo, Barrett & Bartunek, 2004). In addition, being young and less-experienced entrepreneurs, reinforce the role of harmonious passion in such ability for adaptability by ruling out the influence of career experience (Karaevli & Hall, 2006). On the contrary, the owner-manager of the Food Co. was seen to be losing control over passion, as shown by being completely overwhelmed with the tasks and her inability to delegate or trust her people to do the job at hand. Her attitude is summarised in the following quotation:

*I consider my work as one of my children. I supervise everything by myself. Unfortunately, I did not find suitable person to stop the hardship of administration or the competent person to whom I can delegate responsibilities. I carry and manage almost everything.*

Although she seemed here to be aware that there is a problem but she is not taking any action to address it. This is opposed to the example of the Children's Activity Centre above when the owner-manager stepped back after her realisation. The Food Co. owner-manager repeatedly discloses that she is proud that she can do everything through individual efforts, and confessed that she manages the business mainly to satisfy her self-esteem:

*I precede many colleagues that I was weaker than they were during school days and I was able to achieve much which they could not do. Nevertheless, this does not bother me much because I am busy with my work and immersed in it and I do not even focus on competition.*

This clarifies that this passion results from controlled internalisation, which is attached to certain feelings; thus, the passion is permitted to control the entrepreneur, giving way to impulsive decision-making regarding her HRM policies and practices



through an ‘end justifies the means’ mind-set which is exemplified by her easy ‘hire and fire’ approach. Such impulsiveness also leads to the assumption of a universal or unitary of interests, with employees required to be just as enthusiastic about this business as the owner-manager.

Although all three owner-managers identified under this passion theme are females, this needs more research to confirm the role of the gender in the influence of entrepreneurial passion which is beyond the scope of this research. Moreover, this research did not purposefully set out to explore passion in and of itself, and so targeted research is equally required in this respect. In this vein, Inglehart and Welzel (2005) have found that female entrepreneurs in the more developed and wealthier countries are more focused on self-actualisation purposes when starting a business. With that said, it is believed that whether the passion of the owner-managers can be considered a determinant positively affecting the adoption of a more effective HRM approach for their business depends on the type of passion demonstrated by the owner-managers. The regulatory influence of the passion in the harmonious type makes owner-managers more flexible in the decision-making process and uses that passion to positively develop their projects. In contrast, the controlled internalisation of passion in the obsessive type leads to an inability to balance feelings, rigidity in decision-making, obsessive behaviours and perceived conflict in relationships (Vallerand *et al.*, 2003; Seguin-Levesque *et al.*, 2003). This latter case is exemplified in poor employee relations in the Food Co., with the owner-manager taking personally any negative incident occurring to impact the business as a result of an employee’s acts as exemplified in what she did in the following quote:

*Two days ago, two resigned employees, one of them is smart, and her personality is excellent, and the other one is a trouble maker, came back to tell me that I have to get their names out of the social insurance so their new employer can register them. But I am going to procrastinate, not for anything but to show them that as they tire me, I can do the same.*

On another occasion, she also was resentful because one of the employees sues them after she had been fired and the owner-manager emphasised furiously ‘*what did she want? She did this only in order to cause me discomfort*’. This is also negatively

connected to wellbeing (Carpentier, Mageau, & Vallerand, 2012) and led to burnout, which appeared in her frequent use of phrases like ‘*My work is exhausting*’ and ‘*I am frankly bored and frustrated*’. She was clearly seen to be mentally exhausted, confessing that her ‘*time is too tight to plan*’ and that she ‘*only sleep[s] four hours a day*’. She also experienced difficulties in giving up control, therefore preventing any opportunities for employee development or empowerment; thus, consequently, matters turn into chaos. At the same time, the lack of awareness rendered the owner-manager to persist in the same way because, when ‘the activity means so much to the person’s self-worth, he or she has to continue engaging in the activity even in the presence of negative returns’ (Vallerand *et al.*, 2003, p. 766).

Classifying the influence of owner-managers passion into these two types has been relatively captured in grouping the case studies discussed in Chapter 8. Childcare and Children’s Activity Centre cases (whose owner-manager passion recognised to be harmonious) are in *Rolling the Dice* category, where firms are identified to be somewhat proactive in response to institutional factors and where employees are found to be managed in a more coherent set of practices and by a more participative style. On the other hand, The Food Co. case study (whose owner-manager passion recognised to be obsessive) is in *Shuffling and Stacking the Deck* category where firms are identified to be reactive in response to institutional factors and where employees are found to be recruited and selected unsystematically and by occasionally an autocratic style.

Importantly, identifying this issue is not to suggest that thoughtful owner-manager passion is essential when seeking to achieve effective HRM within SMEs. Similarly, it is not possible to test a causal relationship between the two as this is beyond the purpose of this study. Rather, by presenting evidence in the case studies, we identify owner-manager passion as an important determinant of HRM practices in SMEs, leading to both functional and dysfunctional consequences—something not yet examined in the HRM literature. As is much work incorporating owner-managers is neatly read such as Barron and Hannan (2002), yet it focused exclusively on managers and did not explore any negative or unintended consequences of blueprints. The findings also add to the Dualistic Passion Model (DPM) by proposing that the entrepreneur has the ability to change the nature of passion from obsessive to be more akin to the harmonious type or can mitigate the problematic

aspects and regulate the flawed outcomes of the obsessive passion by having higher self-awareness as in the case of the Children’s Activity Centre. This undeniably has large implications for management development of owner-managers. Additionally, by identifying negative consequences of owner-managers’ impulsive decisions regarding HRM, this research challenges the deterministic assumption about the ability of the firms to always make rational choices regarding their resources including HR, which has dominated previous literature by focusing on RBV as a sole theoretical framework (Mohammed & Harney, 2017). Table 9-3 illustrates the structuring of codes to build the passion theme in this section.

Table 9-3 Data Structure for the Passion Theme

<b>Pre-identified code</b>	<b>First order codes</b>	<b>Second order themes</b>	<b>Theme</b>
Owner-manager psychological characteristics	-Excessive attention to details -Reluctance to delegate and trust people -Attachment to the business -Impulsive decision-making -Relationship between business and personal life and self-identity -Awareness -Motivation to start the business -Flexibility (ability to adopt with external factors)	Negative influence of passion on choice of HRM process and practices (Obsessive passion)	The Two-fold Effect of the Owner-Manager’s Passion
		Positive influence of passion on choice of HRM process and practices (Harmonious passion)	

## **9.5 Summary of the Chapter**

The three key themes discussed above add knowledge to each of the main pillars answering the main research question. The researcher has established in Chapter 1, that we should know the what, how, and why of the HRM in SMEs in order to obtain a holistic view of this topic. Thus, this chapter revealed that HRM within SMEs is not always applied in a uniform manner. It also challenged the unitarist approach by identifying contradictory statements about HRM between owner-managers and employees, in addition to highlighting the significance of owner-managers psychological attributes including the passion to the business in shaping HRM within their business. More enlightenment regarding the contribution of this thesis will be in the next Chapter.

# Chapter 10

## CONCLUSION

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### 10.1 Conclusion

There is a rising awareness of the importance of small and medium enterprises in enhancing national economies. Many countries have emphasised entrepreneurship in recent economic plans, stating that it constitutes a necessary route towards the diversification of the economic system, as well as spurring innovation and expanding job opportunities for people. The growing interest of entrepreneurship in Saudi Arabia has generated a rising number of SMEs. In an effort to enhance the development of these small firms, there is a need to capture and understand the potential of people management as a source of competitive advantage (Den Hartog & Verburg, 2004). Accordingly, the aim of this thesis was to explore what and how HRM practices are applied within Saudi SMEs, thus providing insights into the determinants shaping HRM practices and the process of adoption.

Informed by an extensive systematic review of the literature (Chapter 2, see also Mohammed & Harney, 2017), this thesis sought to overcome key deficiencies identified including the dominance of managerial accounts, a reliance on surface level quantitative measures of HRM and a failure to appreciate SMEs holistically and in a non-western context. Overall, the current research found that HRM in Saudi SMEs is present, albeit informed and shaped by a complex set of internal and external dynamics. As a consequence, the realities of HRM in Saudi SMEs cannot be captured or abridged to a specific pre-identified sets of sophisticated practices as is common in HRM content research (e.g. Bainbridge *et al.*, 2017), including as applied to SMEs (Sheehan, 2014). Instead this study has emphasised the internal dynamics affecting the formation of HRM practices in SMEs as well as the institutional site in which firms legitimatise their choices. Undeniably, SMEs are ‘specific’ in their HRM approach when compared with large organisations,

especially when size is not the only criteria for labelling the firm as an SME (as clarified in the methodology with the inclusion of other conditions in case selection). However, this ‘specificity’ (Torres & Julien, 2005) does not necessarily result in homogeneity in their HRM practices as, significantly, the findings advocate a contingency approach (Harney & Dundon, 2006, Gilman & Edwards, 2008). This is evidenced in the categorisation of the cases e.g. Rolling the Dice, Shuffling and Stacking the Deck, or Hybrid Approach (Chapter 8) which allows for employer and employee power relations (Ram et al, 2001). Evidence also suggests not only variances within cases reflected in double standards but also distinctions between owner-manager rhetoric and employee experiences (Chapter 9). These features exist despite the characteristics of small firms including their hierarchically contracted nature and proximity between management and employees (Harney & Nolan, 2014; Wilkinson, 1999). In addition, the way in which case studies respond differently to the same factors reinforces the role of the owner-managers in selecting the HRM approach for their firms. Overall, this questions any simplistic reading of small firm HRM, and highlights the value of in-depth qualitative insights. The next section expands upon these research contributions.

## 10.2 Contribution and Future Research

In this thesis, there was an attempt to enrich understandings about HRM and establish its relevance within SMEs by exploring what practices have been implemented with the process of adoption, and importantly, why they have been applied. Thus, this research moves beyond exclusively studying what HRM practices are adopted towards understanding how and why they are shaped by different factors. Hence, it contributes in unpacking Ram and Edwards' (2003) 'black box' of employment relations within SMEs. It also contributes to HRM theory development by adding the so called 'explanatory power' (Fleetwood & Hesketh, 2006; 2010). The key implication is not a call for a new theory of small firm HRM (Curran, 2006), but instead a broadening of HRM theory and understanding to better accommodate contexts such as small firms. Indeed, HRM theory has increasingly been criticized for ignoring context (Cooke, 2018; McClean and Collins, 2019). Drawing on Fleetwood and Hesketh (2010) the findings have shown an appropriate appreciation for the context of SMEs, specifically 'the wider conflux of interacting' factors (e.g. labour market and Saudisation) that 'give information about the underlying mechanisms and structures, along with (if we are dealing with social phenomena) the human agency that reproduces and transforms these mechanisms and structures' (Fleetwood & Hesketh, 2006, p.1982). This type of a more contextually embedded approach offers a means for robust explanations of evidence from SME practice. Linked to this, the research addresses the weakness of an exclusive preoccupation with pure deductive methods and closed systems which provide linear predictions more than grounded explanations (Fleetwood & Hesketh, 2010), and therefore, impede HRM theory development (see SLR chapter). By accommodating the complexity and dynamicity of exploring HRM in the SME context, utilising the critical realist retrodution mode of inference (Fleetwood & Hesketh, 2010) (see Chapter 4), and deploying the multiple-theoretical framework to allow for iterative feedback (see Chapter 8), this thesis has attempted to employ 'the meta-theoretical options available' as recommended by Fleetwood and Hesketh (2010) to provide a valuable addition to the development of a context-sensitive HRM theory.

However, although Fleetwood and Hesketh (2006, 2010) recognised the role of the agency as an active player which can reproduce the HRM phenomena, their

framework does not provide an analytical tool to understand organisational ability to respond and move beyond the level of abstraction. This is a criticism of much critical realist informed work. Mayson and Barrett (2017) introduced the concept of owner-managers' 'sensemaking' as an important explanation for how SMEs may interact with external factors. Drawing on, and extending this in order to analyse the role of agency, this research utilised Oliver's (1991) typology of organisational responses as an analytical mechanism. This provided a systematic means to capture varying forms of agency in the form of owner-manager responses. While Fleetwood and Hesketh's (2006, 2010) framework is very insightful for HRM theory development, it does need to be applied in a holistic fashion which ensures an appropriate balancing of external factors and internal agency. This thesis has illustrated the significance of this point.

The comprehensive systematic literature review of 107 articles was the first attempt to aggregate HRM-SMEs studies that addressed HRM holistically as a suite of practices. This review brings systematic insights for the current thesis in different ways. It highlights the failure to incorporate context with studies were uncritically deploying research instruments through narrow theoretical perspectives. It reveals also that HRM in SMEs was examined mostly by descriptive quantitative techniques and was managerially focused, thus, lacking the voice of employees. In addition, there was a tendency to conduct research in more developed countries, mainly western, which makes their applicability to other parts of the world problematic (Mohammed & Harney, 2017).

The findings of this thesis led to categorising case studies into two broad groups based on the control level and the skills of core employees, importantly accommodating both employers and employees (Ram *et al.*, 2001). In addition, one case study was seen to combine both categories in a hybrid approach. Although they were not rigid or distinct types, these three groups were compared with other classifications in the extant literature (Kroon, 2013, Bae & Yu, 2005; Edwards *et al.*, 2006) with one common finding that HRM patterns can be identified within small firms. The labels of the two broad categories were derived from gaming tactics (Rolling the Dice, and Shuffling and Stacking the Deck) as this signifies the role of agency as SMEs were identified to be able to plan in their own way in spite of the influence exerted by external factors. Thus, the findings add to the influence of



institutionalism and demonstrate the existence of sizable room for choice regarding HRM processes and practices. Firms were not always passively compliant, even regarding coercive forces, but responded differently despite being exposed to the same variables. One noticeable example was the various responses to the nationalisation law by utilising Oliver's (1991) typology as discussed in Chapter 8.

The findings of the SLR acknowledged that a single theoretical framework could not capture the complexity of identifying the determinants of HRM within SMEs. Thus, by adopting a wider perspective represented via the multiple-theoretical framework including strategic choice in addition to the institutional theories, the findings contribute in providing a better understanding of the phenomenon under exploration. Accordingly, the findings of this study support previous studies which explore the influence of institutional forces on HRM in SMEs (e.g. Marchington *et al.*, 2003; Harney & Dundon, 2006 & 2007; Ho *et al.*, 2010; Gilman & Raby, 2013) and also suggest that the nexus of political and societal values, when interpreting HRM in Saudi Arabia, is insightful. Institutional variables, such as employment regulations and national culture which discussed in Chapter 7, have revealed a powerful impact on shaping HRM practices within SMEs. Nonetheless, by involving the role of the agency as a sensemaker of institutional influence, this multiple-framework also addresses the deterministic nature found in the previous literature which assumed a direct and causal relationship. Such ample scope for decision-making justifies the pivotal role of owner-manager characteristics in shaping HRM across these small firms, especially when considering that they commonly tended to preserve their prerogative on most HRM issues. The large impact of owner-managers on the selection of HRM policies and practices was still evident, even when comparing firms in the same sector (e.g., firms in the education sector or beauty sector) and even when taking into account other factors, such as organisational size or age. Additionally, the findings demonstrated that institutional variables can create opportunities and not only constraints (e.g. Wright and McMahan, 1992; Kim & Gao, 2010) to adopt more sophisticated HRM practices. Since the logic of institutional theory has been widely established and recognised, the researcher hopes that such a finding adds to its analytical structure by identifying this opportunity element in relation to HRM implementation.

One of the key contributions that adds to the knowledge of HRM in SMEs is the double standards of HRM practices evidenced within the firms. This diversity was not only based on employees skills as introduced by Lepak and Snell (1999; 2002), but it was also identified among employees with different positions or nationalities as discussed in chapter 8. Due to the smallness of the case studies, such a finding was surprising especially with the wide spread assumption of the uniformity of the HRM processes and practices even within large firms. In this way, this research again by its process-view contributes to revealing a component of the ‘black box’ of HRM in SMEs by exposing that HRM is not in a consistent shape within the small firms. This adds to the HRM literature by challenging the universalistic approach and further opens a new strand of research to locate and rationalise such heterogeneity.

Furthermore, the inconsistency found regarding the application of certain HRM processes and practices is considered to be one of the significant findings. This raises questions about the results of the owner-managers focused studies where the firm is portrayed as one unit with shared goals. Of notable concern is that the SLR indicates that single source, managerial respondents are still by far the most dominant research source in studies examining HRM in SMEs. By contrast the research design used in the current research drew on multiple managerial and employees respondents while also not relying a pre-specified list of practices to the participants enabling a contribution in this area. The contradiction between owner-managers and employees, as has been discussed in Chapter 9, carries more than one explanation. However, the unitarist standpoint (Fox, 1966) of some of the owner-managers was one of the main causes. Thus, this thesis refutes these assumptions held under this perspective and gives validation to the pluralism perspective that acknowledge the diverse interests and the possibility of misinterpretation of the HRM practices which were intended by the decision-maker (owner-manager) (Legge, 1995; Khilji & Wang, 2006). While this perspective has significant legacy in small firm studies (e.g. Ram *et al.*, 2001), it is less acknowledged in mainstream HRM (Delbridge & Keenoy, 2010).

In appreciating the role of the owner-managers, several studies in the systematic literature review have acknowledged the significant impact of different owner-managers’ characteristics and their influence of adopting certain HRM approach (e.g. McPherson, 2008; Qiao *et al.*, 2015), however, there was generally a lack of

attention to the psychological characteristics including the owner-manager passion. North (1998 as cited in Child, 1997) has argued a long time ago that economic theories need to be informed by cognitive psychology in order to understand the role of strategic choice. Entrepreneurship research has already travelled a distance in exploring this specific construct and its influence on different entrepreneurial issues with many have emphasised the need for further understanding of passion as a key element in entrepreneurship, yet, to date this has not been examined within the HRM literature.

Furthermore, this study validated the qualitative case study approach adopted by including both owner-managers and employees to rigorously understand HRM in SMEs. Focusing exclusively on HRM content via quantitative methods is not sufficient to get a holistic picture of how people are managed within the firm (Harney, 2009). Yet, by utilising techniques such as triangulation and longitudinal design (Hjorth, Holt, & Steyaert, 2015), this research was able to capture the dynamicity and complexity of HRM in SMEs. The engaging and direct methods of this thesis assist in explaining some findings which were mysterious at first observation such as the contradictory accounts, double standards, and owner-managers' psychological characteristics and how they influence their decisions regarding HRM. The methodology adopted also provides an opportunity to unfold how the firms were responding to the institutional pressure and further enhances comprehension of the possible indirect influence of the determinants discussed in chapter 7 (e.g. education and government institutions). Therefore, it makes this thesis contributes in the efforts of unpacking the 'black box' territory.

Finally, it is important to note the context in which this study took place. HRM within SMEs based in the country of Saudi Arabia is not clearly identifiable in the literature (see SLR chapter 2), and this might also reflect a general lack of business studies in that context. Hence, this thesis contributes in exploring HRM practices within such an unknown context as it is believed that each environment requires different approach in order to understand application of HRM within its organisations. By adopting a contextual approach, this research has contributed in refining the western theories and simultaneously providing an insight into the variables that make the Saudi context particular. By contextualising the research phenomenon, this thesis responds to increasing calls for context specificity (John,

2006), enriches entrepreneurial research (Zahra, 2007), and contributes in improving the contextual sensitivity of theories which are borrowed from different backgrounds (Whetten, 2009). Additionally, it encourages more research to be conducted about HRM-SMEs not only in the country of Saudi Arabia but also with probable applicability to other GCC countries which have similar context. Thus, it becomes more relevant to practice and context-specific policies can be developed and applied.

### **10.2.1 Future Research**

Although the current research did provide answers, it has also paved the way to peeling back the layers to expose further questions. The divergence of HRM practices identified across and within the firm, although supporting the contingency perspective to people management, questions the constant quest for universalism and standardisation in the HRM literature. This variability of HRM within SMEs also constitutes a promising strand of research in this context. Equally, the contradictory accounts of owner-managers in line with employees have raised some doubts in the findings of the owner-manager-centred literature and therefore call for the voice of other stakeholders in garnering more reliable knowledge. Furthermore, there are large gaps concerning the influence of owner-managers' psychological characteristics in clarifying HRM in SMEs. The dual impact of owner-managers' passion on the nature of HRM practices in SMEs calls for a more in-depth understanding of this construct and hopefully opens up a fruitful dialogue about the optimal balance required and the potential of other psychological traits in achieving a positive impact on the ways by which people in SMEs are managed. Insight into passion and its influence on HRM practices have the promise to present a new perspective into the literature of HRM, entrepreneurship and passion, as it is argued that HRM practices are a key context in studying the different aspects of entrepreneurial passion. Furthermore, the complexity and dynamicity of different HRM determinants call for the need for further research that examine longitudinally the processual way in which these factors are shaping HRM in SMEs context. This can assist in a more in-depth understanding of the institutional features overtime. Future studies might also incorporate more matched SMEs within industrial sectors or adopt sector specific approach.

## **10.3 Recommendations and Implication for Practice**

### **10.3.1 For Owner-Managers and HR Professionals:**

This study recommends that there are two key elements to the effective application of HRM practices within SMEs, which has the potential for a positive impact on performance as follows: (i) recruiting people with an appropriate fit to the firm and (ii) using incentives to satisfy all employees' needs in order to achieve organisational goals while acknowledging the diversity of their interests. For SMEs that employ premoninantly foreign workers as the majority, a structural total reward system might be the best option when seeking to meet diverse needs and accommodate the divergence of workers whilst at the same time avoiding the negative effects of the unstructured contingent compensation schemes found in such firms. In addition, in order to be able to implement the nationalisation regulation, owner-managers should be honest regarding the real reason behind their reluctance to hire Saudi nationals and accept the fact that turnover is an inherent characteristic of small firms especially that acceptable level of turnover remains controversial (Glebbeck & Bax, 2004); hence, their negative impact as a reason for not recruiting Saudi national employees should not be overstated. Employment regulations were seen to not only have negative impact, hence, owner-managers have to be up-to-date with the changes in regulations so they do not miss an advantage or an opportunity for their firms. Additionally, owner-managers should attempt to bridge the gap between intended and implemented HRM practices by acknowledging diverse interests and raise the level of employee participation and involvement. They should also learn how to increase and develop self-awareness to be able to know their strengths and weaknesses and avoid impulsive decision making. Furthermore, they have to be self-aware and reflect upon the extent to which religion and culture impact their decisions regarding HRM policies and practices rather than merely taking things for granted especially with the existence of large numbers of non-national employees. Such consciousness will decrease the use of some flawed HR processes and practices such as Wasta and discrimination on grounds of nationality.

### **10.3.2 For Policy-Makers:**

Policy-makers in Saudi Arabia should ensure greater clarity regarding definitions of SMEs and the requirements in terms of employee numbers in order to monitor the sector precisely. They also should recognise the specificity as well as diversity of SMEs when establishing employment laws. Having coercive regulations equal to those applied to large organisations, incentivise working around the rules and creating an informal labour market, as has been seen in the SMEs' responses to nationalisation law (see chapter 6 and 7). Additionally, the results indicated that labour nationalisation has its greatest potential into mid-/high-skills sectors, where the wages gap is narrower; hence, decreasing the required quota in the low-skilled sectors is a viable option. The results also showed an encouraging effect of the voluntary/optional model of business advice, as firms in this study seemed to be responsive to what such entities are providing, which supports this approach as recommended. Furthermore, the regulations regarding the employment of non-national workers appear to need revision in order to avoid exploitative practices as this study revealed that such regulations allowed for a higher degree of control and limited mobility for those employees.

On the other hand, the research offers suggestions for education in order to provide more attention to developing management skills as they prove to have an influence on forming HRM within SMEs. It is also recommended building knowledge of the implications of both types of passion on the entrepreneur's decisions regarding HRM policies and practices and also on other aspects in running a business. In addition, providing future entrepreneurs with sufficient knowledge of the local macro context, labour market and employment law in particular, will assist them in realising how to respond effectively to such external influence.

### **10.3.3 For Foreign Investors:**

The findings of this research also have practical implications for foreign investors who want to start a business in Saudi Arabia by showing the influence of culture and religion on HRM practices. Consequently, they should find a way of using these values in creating context-related HRM practices and take this into account when predicting how employees might interpret these practices, in addition to appointing

someone who is culturally sensitive whenever the owner-manager decides to delegate people management responsibilities. Furthermore, having knowledge about the influence of the culture will help foreign businessmen in taking the right decisions regarding choice of the most effective type of incentives and also in designing the jobs for national employees. For example, high uncertainty avoidance and power-distance appeared to influence how national employees perceive having larger job autonomy and how they can deal with their superiors in the workplace. Generally speaking, the results of this research have implications not only on the context of Saudi Arabia but all GCC countries since they have similarities in terms of their political, economic and institutional environment.

#### **10.4 Limitations**

The thesis findings and contributions should be understood in light of the research limitations. These limitations are related to different stages of this research.

First, since the author is a single researcher who is time and resource constrained, she decided only to include peer-reviewed articles in the SLR as a sufficient criterion of the quality. They were also only published in two of the ABS journals lists categories (namely entrepreneurship and HRM). Therefore, the review might have missed studies published in other journals (e.g. general management journals) or written in other languages. The decision was also taken to include the whole list of journals rather than focusing only on rank 3 and 4 as most of the lower ranked journals have more international exposure.

Second, the timing and window of opportunity for data collection was limited as the researcher needed to travel specifically for that purpose. In addition, owner-managers are always busy and reluctant to spare time for interviews especially in the second wave as there were many economic changes taking place in the country at that time. Thus, a second interview has been only conducted with six owner-managers without involving the employees in the second phase. Findings might be more rigorous if other stakeholders are included in data collection; yet, the data acquired provided sufficient knowledge to enhance our understanding about the HRM in Saudi SMEs.

Third, since owner-managers were the gate-keepers who allowed the researcher access and give permission for their employees to do the interviews, the number of employees who had been interviewed was less than ideal and what the researcher had initially planned. However, the supervisors and the managers included in the sample could be considered as part of employees' perspectives since they had limited authority and owner-managers were mostly the only decision-makers in their firms. As is common, especially in small firm research where owner-manager prerogative prevails, pragmatic considerations shaped the nature of access and number of respondents (Wilkinson, 1999).

Fourth, since tension has been noticed in the public conversation and also resentment by owner-managers regarding the Ministry of Labour employment regulations, it would be more compelling if interviews have been done with officials in the Ministry in order to get a rounded picture of the issue. However, access is not easy in addition to the time constraints mentioned before.

Fifth, it is acknowledged that competitive forces and product market might have a critical influence as external factors shaping HRM processes and practices within SMEs. However, since case studies were located in different industries, it was beyond the scope of this research to accommodate these two factors in each sector to any great depth. Such forces were evident in discussions related to the nature of strategy etc, but did not form a dedicated focus of the research. Therefore, there are merits going forward in focusing on sector specific SMEs to further enhance understanding.

Finally, the focus of this thesis is solely on small and medium enterprises. Hence, the intent was not to compare small firms with large ones but rather to understand the HRM within the SMEs context. The increasing recognition in the literature that SMEs are heterogeneous proposes that studies have to focus on research across SMEs rather than comparing them to other large organisations. This decreases chances to find studies in the literature which were conducted in the same geographical area. Most HRM research in Saudi Arabia has explored large and MNC, that makes comparison difficult. Equally, there are merits going forward in focusing on sector specific SMEs to further enhance understanding.



## **10.5 Summary of the Chapter**

This chapter concluded this thesis by highlighting what information can be deduced out of this study. It also clarified what this research has contributed to the literature of HRM in SMEs. This research has encouraged fruitful discussion, hence, directions for future research were also provided. Additionally, further recommendations and implication on practice were also introduced. Having this research concluded, the limitations of this thesis were presented in order to interpret the results insightfully.

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# Appendices

## APPENDIX A: SYSTEMATIC LITERATURE REVIEW

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### Appendix A-1: List of Articles for SLR

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# APPENDIX B: RESEARCH METHODOLOGY

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## Appendix B-1 Interview Questions Guide

### Interview questions for meeting with X

Date ...../...../.....

1. Information about the company /demographic variables
2. Strategy/HR role
3. Internal and external environment
4. Future challenges

### Interview schedule

#### A. Introduction:

Provide an overview about the research and its objectives, going through the main area the interview will cover, sign anonymity form, permission to record

#### B. - Information about the company /demographic variables

- **Profile:** structure, number of employees, ownership, business strategy/vision and mission statement, and occupations required.

- **HRM in the company:** presence of HR professionals/department, HR policy and strategy, the role of management team in HR issues/HR decision maker (owner-manager, other directors), and use of external consultancy.

- **Role of the participant:** role in organisation, career history, progression in this company, years of service in the current job, and reporting relationships.

C. HRM practices:

HRM	Examples
HR strategy and Planning (only for owner-managers)	<ul style="list-style-type: none"> <li>-Is there a formal HR strategy? Employee handbooks, written policies, documented procedures</li> <li>- Who is responsible for managing HR?</li> <li>-Is there any member of management team responsible for HR issues, if not is HR discussed regularly?</li> <li>-Who could be a participant or consultant in proposing the HR strategy</li> <li>-Issues to consider when you plan for HRM</li> <li>-Have you already got goals related to HRM, e.g budgets, performance measurement, and control procedures? &amp; why not?</li> <li>-Do you measure HR outcomes, e.g absenteeism and turnover? How do you measure? Observation, targets ...</li> </ul>
Recruitment and selection	<ul style="list-style-type: none"> <li>-Job analysis and person specification/How do you know that you need to recruit?</li> <li>-recruitment methods/ How do you search for applicants?</li> <li>-selection techniques/ Use of written job descriptions and Job analysis.</li> <li>-What are you looking for in the applicant? Do you have clear criteria?</li> <li>-Are there any difficulties in recruiting employees?</li> <li>-Retention and turnover/ How many employees have left during the last 12 months? Have you taken on any new employees from outside this organisation during the last 12 months?</li> </ul>
Training and development	<ul style="list-style-type: none"> <li>-Induction/Can you describe what happened when an employee turn up in the first day?</li> <li>-How do you identify employees' training needs?</li> <li>- Availability of training budget</li> <li>-Is there any formal development or training programs for employees? In-house training by internal or external trainers vs external training</li> <li>Company –specific skills training vs generic skills training/ or depends on recruitment to get the required skills</li> </ul>

	<ul style="list-style-type: none"> <li>-Management training</li> <li>-Job rotation</li> <li>-Training evaluation</li> <li>-Future planning for training needs</li> </ul>
Performance evaluation	<ul style="list-style-type: none"> <li>-Formal vs informal PA, ongoing, on the job appraisal OR formal annual written review (Documented)/</li> <li>Is it used as a benchmark for future evaluation?</li> <li>-Conducted by whom?</li> <li>-Provide training for managers who conduct the PA?</li> <li>-How often?</li> <li>-PA used to determine base compensation or incentive rewards</li> <li>-Does appraisal help you to know employees' strengths and weaknesses?</li> <li>-How do you address unsatisfactory performance?</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>- How do you record starting and finishing times for most employees here?</li> <li>-Job evaluation and market research?</li> <li>-What is the organisation's position relative to the market?</li> <li>-Payment strategy</li> <li>-Employees recognition/ extrinsic vs intrinsic rewards</li> <li>-Promotions are based upon performance or merit</li> </ul>
Employment relations/communication and participation	<ul style="list-style-type: none"> <li>-Methods of communication:</li> <li>-Involvement and participation: Which topics are discussed with employees?</li> <li>-How do you make employees more loyal and committed?</li> <li>-How dispute is solved? Do you have formal procedures to follow for grievance and discipline?</li> <li>-Do you think involving employees into decision making facilitate achieving goals?</li> </ul>

## Appendix B-2: Ethical Approval

Ollscoil Chathair Bhaile Átha Cliath  
Dublin City University



Hadeel AlKhalaf  
DCU Business School

3<sup>rd</sup> June 2016

**REC Reference:** DCUREC/2016/074  
**Proposal Title:** A study of HRM practices in Saudi SMEs  
**Applicant(s):** Hadeel AlKhalaf & Dr Brian Harney

Dear Hadeel,

Further to expedited review, the DCU Research Ethics Committee approves this research proposal.

Materials used to recruit participants should note that ethical approval for this project has been obtained from the Dublin City University Research Ethics Committee.

Should substantial modifications to the research protocol be required at a later stage, a further amendment submission should be made to the REC.

Yours sincerely,

A handwritten signature in black ink, reading 'Dónal O'Mathúna'.

**Dr Dónal O'Mathúna**  
Chairperson  
DCU Research Ethics Committee

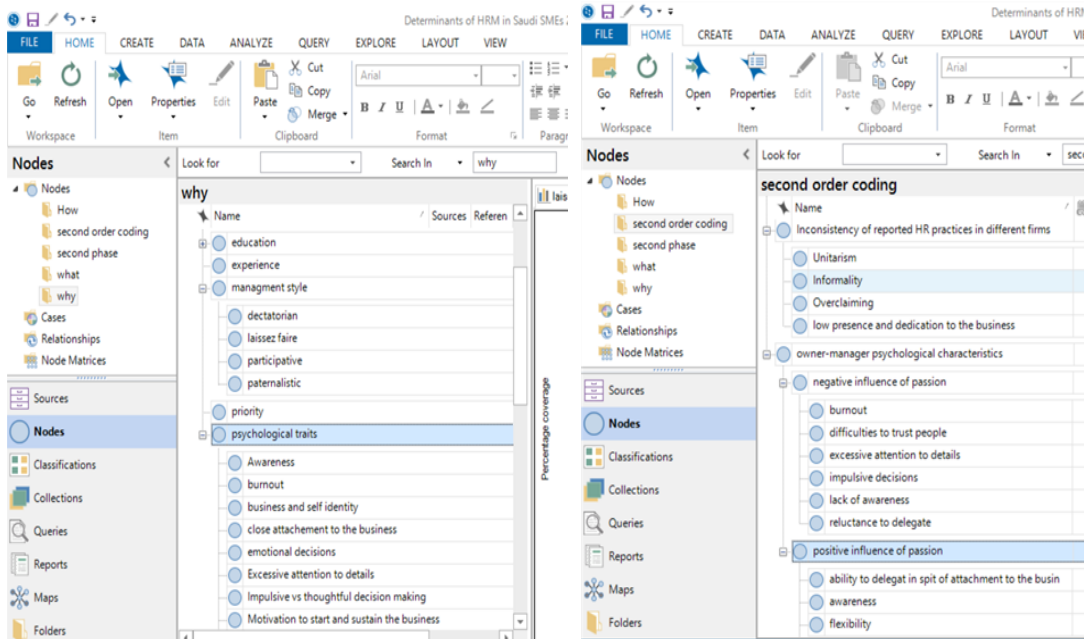
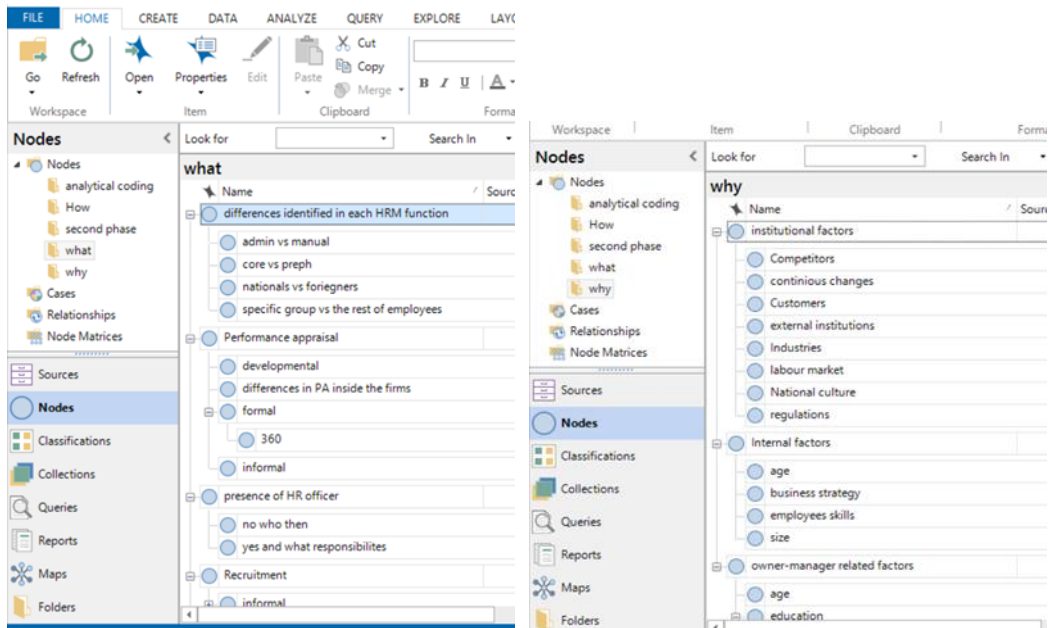


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## Appendix B-3: Screenshots from Nvivo (Data Analysis)





# APPENDIX C: EXTERNAL HRM DETERMINANTS

## Appendix C-1 Labour market and employment regulations

Labour market and employment regulations as determinants	Example quotes from the interviews	Impact on HRM
Segmentation of the labour market	- 'their salaries have been determined by the embassy when I first hired them via overseas recruitment offices, as for Saudis, there is a minimum wage regulation now not less than three thousand riyals. However, this changed when you recruit from the local labour market as it depends on nationality'. (Owner-manager of the Beauty Centre)	- Undeclared rules that discriminate between applicants according to their nationality

High rate of unemployment in the labour market	<ul style="list-style-type: none"> <li>- ‘but we rarely need to advertise because we already have many CVs’. (Personnel manager in the Children’s Activity Centre)</li> <li>- ‘the CVs I receive by email; even without posting a vacancy, they are all copy and paste (I bear the pressure of work and I have the entrepreneurial spirit) while the reality they have nothing at all’. (Owner-manager of the Food Company)</li> <li>- ‘In fact they come without advertisement’. (Owner-manager, Salon)</li> </ul>	<ul style="list-style-type: none"> <li>- Use of walk in as recruitment method</li> <li>- Opportunity to adopt selective recruitment</li> </ul>
Trade unions and strike ban	<ul style="list-style-type: none"> <li>- ‘It is better for the branch manager to solve any dispute immediately’. (Manager in the Chocolate Company)</li> <li>- ‘if there are personal problems among the employees, the matter is always settled inside the department, but under the notice of the general director’. (Manager in the Contractor</li> </ul>	<ul style="list-style-type: none"> <li>- Low employee voice</li> <li>- Managers use their prerogative to handle conflicts and prevent escalation</li> </ul>

	<p>Company)</p> <ul style="list-style-type: none"><li>- ‘One day, twenty-four workers went on strike at the same time which is legally prohibited. I went and hired labours to keep the work going and ignored them until they returned to work by themselves. I terminated the contracts of 10 of them, kept 10 of them, and imprisoned 4 of them’. (Owner-manager of the Food Company)</li><li>- ‘If there is a conflict, they settle it immediately, especially if the problem is not a big one’. (An employee in the Salon)</li><li>- ‘However, most of the times we try to solve any dispute in a friendly way’. (Manager in the Tech Company)</li><li>- ‘I remember there was a worker who was making a trouble and the manager wanted to dismiss her, but I talked to the manager and told her that she is good and that the problem unintentionally happened. So, she gave her another opportunity upon my recommendation’. (Supervisor in the Salon)</li></ul>	
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	<p>- ‘Anyone has an objection regarding my compensation decisions, the simplest solution is to terminate her contract and reserve a ticket to send her back for her country’. (Owner-manager of the Beauty Centre)</p>	
<p>Localisation (Saudisation) law</p>	<p>- ‘Employment regulation started to influence people management more than before especially after raising the cost of recruit from abroad. Also the Saudiation percentages all of this affect the recruitment and rewards plans’. (Accountant in the Chocolate Company)</p> <p>- ‘It is rarely to find Saudi nationals who are fitting our jobs or stay for long working with us’. (Owner-manager of the Chocolate Company)</p> <p>- ‘Saudisation, I believe that more than 95% of the enterprises are not committed to that because there is no Saudi who likes to work all day long in jobs like ours’. (Owner-manager of the Contractor Company)</p>	<ul style="list-style-type: none"> <li>- Window dressing practices in recruitment</li> <li>- Discrimination which manifested as heterogeneous HRM process and practice (largely rewards) within the same firm.</li> <li>- High turnover</li> </ul>

	<p>- The new system of visa application now changed, if you give a final exit to the current worker, they do not give you an alternative visa to be able to recruit through the offices, but you are asked to apply to <i>Taqat</i>, waiting for six months for Saudis to apply and if not found they issue a visa. We do not need this, so we prefer traveling and hiring from abroad'. (Owner-manager of the Construction Company)</p> <p>- 'I had to use a fallacious Saudisation although I do not want it but they forced us to do so'. (Owner-manager, Food Company)</p>	
<p>Sponsorship (Kafalah) regulation of foreign workers</p>	<p>- 'I also hope if there are more regulations to protect employees better than now especially low paid and immigrant ones'. (Accountant in the Chocolate Company)</p> <p>- 'They need IDs for transactions here, such as hospitals and money transfer, but they do not need a passport except at travel time, and if every worker has its passport in her possession, it is easy to escape ... as I am responsible for any problem that they do because they are under my sponsorship</p>	<ul style="list-style-type: none"> <li>- Unhealthy employment relationship which includes exploitation and control of foreign workers in some of these SMEs</li> <li>- No value placed on retention practices as mobility of foreign workers is restricted</li> </ul>

	<p>other than the offence to the salon reputation’. (Owner-manager of the Beauty Centre)</p> <p>- ‘but there is a system after the end of the work that provides them with means of transportation to the accommodation and it is locked and there is no exit except by permission’. (Supervisor in the Beauty Centre)</p> <p>- ‘We have difficulty retaining the Saudis, the foreigners are easier to retain because their work is linked to visa and work permit card with his sponsor (Kafeel)’. (Supervisor in the Tech Company)</p> <p>- ‘without his knowledge, I terminated his contract and make a reservation for him to leave the country’. (Owner-manager of the Food Company)</p>	<p>- Variances in rewards practices between national and foreign employees and among foreign workers themselves based on their legal status.</p>
<p>Compulsory employment laws</p>	<p>- ‘because at any time the Labour Office visits us and if they do not find a contract it is a problem’. (Supervisor in the Salon)</p> <p>- ‘I believe that they are fair and they regulate our work</p>	<p>- Regulatory role in the market that results in:</p> <p>- Formality and documentation of</p>

	<p>properly as you have certain rights and duties. For example, working hours are eight, what exceeds the eight hours for which the labour law of over-time pay shall be applied, as well as end of service benefits are also recommended'. (HR officer in the Construction Company)</p> <ul style="list-style-type: none"> <li>- 'Procedures of applying employment regulations sometimes have complications and take the time'. (Owner-manager of the Food Company)</li> <li>- 'There is a system to protect the worker, for not paying her a salary or an experience certificate so as to compel her to complete her contract as this is prohibited'.</li> <li>- 'now the Ministry of Labour grants a chance to the new employees, but subject to an agreement between employee and employer, as to extend the probation period to reach 6 months instead of 3 months. So I gave her another chance, extra three months, according to the labour law'. (Owner-manager of the Private Primary School)</li> </ul>	<p>employment contracts.</p> <ul style="list-style-type: none"> <li>- Large dependence on general employment laws items rather than developing detailed (specific) internal regulations especially for disciplinary and grievance practices</li> <li>- Protective role for workers such as controlling the transfer of workers' salaries on time</li> <li>- Increase administrative work of people management which motivate firms to appoint personnel managers or officers, yet, not with purely administrative tasks</li> </ul>
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## Appendix C-2: National Culture

National culture aspects	Example quotes from interviews	Impact on HRM
Gender segregation	<ul style="list-style-type: none"> <li>- ‘I would like to find a man employee to deal with men because sometimes I feel they are manipulating because they see me as a woman’.</li> <li>- ‘There were male managers but I terminated most of their contracts or suspend their powers’.</li> <li>- ‘This is not difficult for me because I dealt with the hardest which is men's employment. I was able to solve many problems that cannot be solved by strongest men. One day, Twenty-four workers went on strike at the same time. I went and hired labours to keep the work going and ignored them until they returned to work by themselves. I terminated the contracts of 10 of them, kept 10 of them, and imprisoned 4 of them’. (Owner-manager, Food Company)</li> <li>- ‘especially that the owner-manager is a woman and it is difficult to do everything by herself in our society. She complains much more about their lack of trust than their inability to do the job’. (Employee, Food Company)</li> </ul>	<ul style="list-style-type: none"> <li>- Firms especially in the education sector, employ either male or female employees</li> <li>- Nature of employee relations especially when the owner-manager is a female who hire male workers, she is more likely to be extremely strict.</li> <li>- Attractiveness of the workplace for the applicants.</li> </ul>

	<p>- 'Because they promised to have only female management and a non-mixed environment at least in the head office. I loved this, especially since I always try to learn. I want to know about the management and learn it'. (Employee, Food Company)</p>	
Collectivism	<p>- 'The owner manager is my brother'. (Department manager, Tech Company when asked how he has been recruited)</p> <p>- 'My sister, Ms. (owner-manager), the idea was before I was employed at the university. We had the idea to make a project... after that I spoke with her, taking the decision of resignation, I said to her, "Please, I want to supervise the Nursery". (Supervisor, Childcare)</p> <p>- 'The owner of the Centre is my relative, so it was offered to me to hold the supervision'. (Supervisor, Beauty Centre)</p> <p>- 'I apply through my friend; she has previously worked here'. (Employee, Children's Activity Centre)</p> <p>- 'I came here by means of personal relation with the (owner-manager)'. (Personnel officer, Construction Company)</p>	<ul style="list-style-type: none"> <li>- Appointing family members</li> <li>- Common use of 'word of mouth' and personal relations in recruitment</li> <li>- - Affects work ethics among national employees as some owner-managers believe national youths are highly dependable and not willing to bear responsibilities.</li> </ul>

	<ul style="list-style-type: none"> <li>- ‘The Saudis mostly hired by personal relationships, for example, someone knows someone...’. (Owner-manager, Construction Company)</li> <li>- ‘The story is not only through personal relations, I had former business with Mr. (owner-manager), so he knows me, and my parents’. (Employee, Printing and Student Service)</li> <li>- ‘Actually I know someone who works for them, and he called me to tell me that they need to hire a driver’. (Employee, Printing and Student Service)</li> <li>- ‘I joined Montessori course, where there was an employee from this school, we talked about the schools, I told her... she asked me why I do not apply for the jobs in this place’. (Employee, Childcare)</li> <li>- ‘Personal relations, therefore I began with them from the beginning’. (Supervisor, Private Primary School)</li> <li>- ‘So I work here through my friend’. (Employee, Salon)</li> <li>- ‘There was one of my relatives working here in the Salon...so she told me about this job vacancy’. (Employee, Salon)</li> <li>- ‘Many things need to change in order to solve this problem, the work culture</li> </ul>	
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	<p>among the Saudi youth, they should stay away from dependency and as long as he is a dependent person... the work culture for him would not be improved; but when he feels the responsibility and the gained money used to help him to achieve himself and develop himself, the idea will be changed'. (Owner-manager, Construction Company)</p>	
<p>Contempt of manual occupations</p>	<ul style="list-style-type: none"> <li>- 'according to our culture, a girl doesn't do such works; she doesn't apply manicure, pedicure, waxing and such activities'. (Owner-manager, Salon)</li> <li>- 'It is rarely to find Saudi nationals who are fitting our jobs especially in the factory'. (Owner-manager, Chocolate Company)</li> <li>- 'From where to have Saudis to work as cleaners?'</li> <li>- 'If you seek Saudisation, focus first on the universities and hospitals not on us and on our jobs that are not accepted by the Saudis'. (Owner-manager, Food Company)</li> <li>- 'We really have to bring foreign workers this year especially at the junior kindergarten stage because as you know Saudi women do not like to work in such area as they have to change the clothes of the children or to assist them in</li> </ul>	<ul style="list-style-type: none"> <li>- Difficulties to abide by nationalisation law for manual work</li> <li>- Use of overseas recruitment offices</li> </ul>

	the toilets’. (Owner-manager, Private Primary School)	
Religious society	<ul style="list-style-type: none"> <li>- ‘Quarterly. You know our work is related to social occasions and we should evaluate employees work after each season’.</li> <li>- ‘We provide other benefits such as Umrah flight tickets for employees’ family members’. (Owner-manager, Chocolate Company)</li> <li>- ‘If one wants to perform Umrah for example, we pay the costs of it. There are another occasions such as the month of Ramadan, we give a special reward’. (Owner-manager, Contractor Company)</li> <li>- ‘it differs according to the performance; there are return flight tickets for (Umrah) for the outstanding teachers and they can be replaced with a sum of money’. (Owner-manager, Private Primary School)</li> <li>- ‘the first reason behind our success is our respect of the culture and religion in all of our practices’.</li> <li>- ‘We mainly now depend on the Yemenis in addition to Saudis as the people of Yemen grew up with us, share the same religion and values’. (Owner-manager, Children’s Activity Centre)</li> </ul>	<ul style="list-style-type: none"> <li>- Timing of appraisals if business activity related to religious occasions</li> <li>- Types of incentive pay</li> <li>- Selection criteria as fit with religious values is extremely required</li> </ul>

	- 'We prefer the applicant to be..., and he should commit to religious rules'. (Owner-manager, Printing and Student Service)	
High power distance	<ul style="list-style-type: none"> <li>- 'I am working according to the internal rules I mentioned before. I am just an executer for what has been decided at the top management'. (Employee, Chocolate Company)</li> <li>- 'I received the directions of Mr. (owner-manager) only. Till now I cannot dispense of such directions... He knows better than me'. (Employee, Printing and Student Service)</li> <li>- 'Usually teachers can accept criticism from a manager not from a colleague as they think that they are not qualified to do so'. (Owner-manager, Childcare)</li> <li>- 'There are many items for appraisal... definitely including not showing disrespect for the senior characters, particularly the managerial staff or the management itself'. (Owner-manager, Private Primary School)</li> </ul>	<ul style="list-style-type: none"> <li>- Low empowerment and limited job autonomy</li> <li>- Criteria of performance appraisals especially when the owner-manager is older in age</li> </ul>
Conservativeness in society	- 'Most of them did not agree to provide reference; they only give us the name... There are conservative views regarding this matter'. (Owner-manager, Contractor Company)	- Applicants were reluctant to provide information as reference during

	<p>- 'I suffered at the beginning. I'm different; the traditions, customs and the veil. I was free before, but when I came I wore Hijab as they are very conservative in Qassim, become controlled and the chauffeur has to drive for me'. (Employee, Salon)</p> <p>- 'what the owner-manager is doing with foreign worker which might be seen as control is safer for them, especially that they are women. It is possible that illegal relations, pregnancy, or other violations of religious or cultural values occur'. (Supervisor, Beauty Centre)</p>	<p>recruitment process</p> <ul style="list-style-type: none"> <li>- Foreign employees find it hard to adjust</li> <li>- Sponsor's (owner-manager) control of foreign employees' personal life</li> </ul>
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### Appendix C-3: External Institutions and Industries

External institutions and industries as determinants of HRM	Example quotes from interviews	Impact on HRM
<p>Constant changes in the regulations recently by different external institutions; With a lack of reliable statistics</p>	<p>- ‘You know in this country, everyday there is a new regulation and now they are talking about earlier closure of shops and markets at 9:00 p.m. So whenever things changed training needs changed as well’.</p> <p>- ‘Every day we have a new regulations which makes us in trouble all the time trying to adopt with the changes and fulfill the requirements to survive’. (Owner-manager, Chocolate Company)</p> <p>- ‘The decisions issued at night and we get surprised by it in the morning, we do not have the chance to plan to avoid their influence on us, this is beyond our control... We become reluctant to sleep in order not to get surprised by a new news in the morning (laughter)’. (Owner-manager, Contractor</p>	<ul style="list-style-type: none"> <li>- Lack of planning as being unfeasible under such instability</li> <li>- If planning is conducted, outcomes sometimes are inaccurate</li> </ul>



	<p>Company)</p> <ul style="list-style-type: none"> <li>- ‘you solve one problem and they came to you from another side’. (Owner-manager, Construction Company)</li> <li>- ‘for sorry Saudi Arabia is not a proper environment for that [planning]; nothing helps us with that, for example when you get back to the websites we found that the statistics are so simple, sometimes outdated and they are not giving real numbers, so we try to depend on the effective entities such as the traffic or the airport to predict our needs, but that does not work as well’. (Owner-manager, Children’s Activity Centre)</li> </ul>	
SMEs in the education sector	<ul style="list-style-type: none"> <li>- ‘Support of the HDF influenced our practices especially salaries, we are classified as a general sector, not an educational one, so the financial support for salaries we receive is little compared to private schools, we cannot pay high salaries as they do, so frankly we downgrade a lot of our requirements in terms of recruitment because we know that the salary is low,</li> </ul>	<ul style="list-style-type: none"> <li>- Minimum wages for teachers when school is supported by HDF</li> <li>- Length of employment contract and time for salary increase for teachers are determined by HDF when</li> </ul>

	<p>this greatly affects the criteria of selection and skills level of the applicants for jobs'. (Personnel officer, Children's Activity Centre)</p> <ul style="list-style-type: none"> <li>- 'formal educational supervision from the ministry may form pressure in the coming years'. (Supervisor, Childcare)</li> <li>- 'The Ministry said, "train a group so as to be a backup when there's staffing requirements". They don't want us to send a new request for holding training course each time'.</li> <li>- 'there is nothing except that they usually forbid providing courses. I encounter a great difficulty in training'.</li> <li>- 'Every semester a comprehensive program is announced, courses afforded not only for teachers, but to the principals, for the deputy principals, for the administrators and even for photographers at the Educational Media Department. Everyone takes his share. Each one attends two courses at least every year'.</li> <li>- 'There's a certain form for appraisals on the ministry's</li> </ul>	<p>school is supported</p> <ul style="list-style-type: none"> <li>- Firms such as Children's Activity Centre is not classified to be under the Ministry of Education which affects its attractiveness for quality applicants due to the less financial support received by HDF</li> <li>- Annual appraisal form that has to be filled on the Ministry of Education website for all employees in the education sector</li> <li>- Permission has to be taken from the Ministry of Education for any training course provided for employees.</li> <li>- Ministry of Education host plenty of off-the-job-training programs</li> </ul>
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	<p>website, and we're just responsible for filling it'.</p> <ul style="list-style-type: none"> <li>- 'The inspector from the ministry requires examining the attendance register, and they don't acknowledge fingerprint device'.</li> <li>- 'The Ministry say that the project owner is unfit to direct a school or an educational environment, because education is more important than business, and so as to prevent any domination, control or firing of teachers and other employees'.</li> </ul> <p>(Owner-manager, Private Primary School)</p>	<p>and any school can send employees to attend</p> <ul style="list-style-type: none"> <li>- Delegation of HRM tasks to an appointed school principal not related to the owner-manager</li> <li>- Manual records of attendance as required by the Ministry</li> </ul>
<p>Contact with local sources of business advice (e.g. Chamber of Commerce and Human Resource Development Fund (HDF))</p>	<ul style="list-style-type: none"> <li>- 'Programs are sent from the labour office, the chamber of commerce and the HR Fund that have details about courses. Employees from our company are nominated to attend these courses. The general director doesn't mind going and to keep up to date with what is going on in the market'. (Employee, Contractor Company)</li> </ul>	<ul style="list-style-type: none"> <li>- Positive influence on training and development for employees in the SMEs</li> </ul>

Suppliers	<ul style="list-style-type: none"> <li>- ‘The companies from which we buy the products must benefit us in this point. From time to time they provide training...The companies which give training on their products follow up, evaluate and see the impact of their training as well’. (Owner-manager, Salon)</li> <li>- ‘Also when we added new production lines, people were sent from the supplier to train the company's workers’. (Employee, Contractor Company)</li> <li>- ‘The product supplier provides training for all workers in this case’. (Supervisor, Beauty Centre)</li> </ul>	<ul style="list-style-type: none"> <li>- Outsourcing of off-the-job training</li> </ul>
National Recruitment Centre (TAQAT)	<ul style="list-style-type: none"> <li>- ‘They say, 'provide us with personnel specification you require.' I did so but no one has ever come through them’. (Owner-manager, Salon)</li> <li>- ‘(HDF) has job seekers database. They send us candidates for employment. She; who came a while ago, is the third candidate sent for us today’. (Owner-manager, Private Primary School)</li> <li>- ‘We tried them for two years but the try failed. No one come</li> </ul>	<ul style="list-style-type: none"> <li>- Assist SMEs in the search for national applicants</li> </ul>

	<p>from this centre and stay for long'. (Owner-manager, Contractor Company)</p> <p>- 'I found an advertisement in <i>Taqat</i> that related to the Ministry of Labour. I sent them my CV via e-mail. They contact me directly'. (Employee, Food Company)</p>	
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### Appendix C-4: Competitors and Customers

Competition and customers	Examples of quotes from interviews	Impact on HRM
Competitors' practices	<p>- 'because we are legal, we do not have to pay more than the average to compensate for something else. So, we pay less than the market average. That does not mean that we have poor salaries but we have other privileges... that our competitors do not have'. (Owner-manager, Chocolate Company)</p> <p>- 'In general to keep our workers from comparisons with our competitors, we make them understand that job security is more important than higher salaries. If you take your wage regularly without delay, you have medical and social insurance, renew your Iqama immediately when it is expired, and to cover your family members who are living with you in the medical insurance, all of this means job security for those workers and it is much more important than any other features they can find elsewhere'.</p> <p>- 'and also they (competitors) have an influence on other things such</p>	<ul style="list-style-type: none"> <li>- Dress code for employees</li> <li>- Increasing or decreasing working hours</li> <li>- Determining the start salary for applicants from the local labour market</li> </ul>

	<p>as the dress code of our employees, we try to make ours look better'. (Accountant-in charge of personnel tasks, Chocolate Company).</p> <p>- 'you have to know how your competitors are managing their employees. You shouldn't allow your employees to look out and compare. You have to be always no. 1 in his mind and that what we are always looking for in our management'. (Owner-manager, Tech Company)</p> <p>- 'Our salaries are the same as the markets' average'. (HR officer, Contractor Company)</p> <p>- 'I personally see, hear and know about the salaries at our competitors'. (Owner-manager, Printing and Student Service)</p>	
General customers	<p>- 'there should be acknowledgements from the families about her work in order to get salary increment'. (Owner-manager, Private Primary School)</p> <p>- 'it also depends upon the client's evaluation'. (Owner-manager, Beauty Centre)</p>	<p>- Customers opinions are considered when employee's performance is evaluated</p>

	- 'appraisals depend on many things like achievement, problem solving also customers' feedback'. (Department manager, Tech Company)	
Presence of large customers	- 'we are working for the large firms in the private sector or with government institutions. I mean, we target large complexes while private villas and building are not our clients, that's why we should work in a systematic manner'. (Owner-manager, construction Company)	<ul style="list-style-type: none"> <li>- Higher adoption of systematic HRM process and practices to look more professional in some cases</li> <li>- Intensify the workload</li> </ul>



# APPENDIX D: INTERNAL DETERMINANTS

## Appendix D-1: Employee skills

Employees skills	Example quotes from the interviews	Influence on HRM
High employees skills	<p>- ‘In the meeting, we talk about the problems we face and think together about how to solve them. Also we discuss other things such as work plans, celebrations, what we can do to make anything better, so all of us can give ideas’. (An employee in the Childcare)</p> <p>- ‘but the owner of this project started to delegate tasks after we had gain her trust, she trusts me and the current deputy principal and also trusts our opinions’.</p> <p>- ‘in this meeting, the owner-manager does not talk a lot, rather, the employees who talk, they share their ideas among each other, I coordinate speech in advance, we welcome any innovation, new method or information... When we as management do visits to other schools, we let the rest of the employees aware of the experiences we</p>	<ul style="list-style-type: none"> <li>- Higher employees involvement</li> <li>- Apply some of the sophisticated techniques in appraisals such as self-evaluation</li> <li>- Higher perceived value of HR and hence, more investment in training and development</li> <li>- Implementation of the HRM process and practices depends on the skills of the managers, especially when the owner-</li> </ul>

	<p>acquire from other schools'. (Supervisor in the Private Primary School)</p> <ul style="list-style-type: none"> <li>- 'everything happens through consultation, whether the owner-manager suggested, I suggested or the teacher suggested, there is no difference'. (Manager in the Private Primary School)</li> <li>- 'I seek their opinions and do not commit to my sole opinion. They should be involved in the development and the ideas'. (Owner-manager of the Private Primary School)</li> <li>- 'They can express their opinions and provide suggestions in the meetings or via the internal system which is connected to the email and any employee can send it directly to me or to the other managers and not only his direct supervisor'. (Owner-manager of the tech Company)</li> <li>- 'I give the teacher the opportunity to assess herself because, thank God, the group that works with me now become able to know themselves very well'. (Owner-manager of the Childcare)</li> <li>- 'We tried to allow the employee to figure out the proper training course that she needs to develop her skills in and we pay for it'.</li> </ul>	<p>manager devolved them.</p>
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	<p>(Owner-manager of the Children Activity Centre)</p> <ul style="list-style-type: none"> <li>- ‘This course is a slight refresh for our information as long as you have experience and you have the basics, as long as you have the skill, as long as you have the passion, just for more clarity or to update our tools in teaching’.</li> <li>- ‘I guide her to the things she really needs to be improved at. I can help her in her personal life to change and become a good listener, a person who accepts criticism. I want them to feel honesty in my words when I speak with them, I want to be sure that I am making change, from here we start working with each other, I feel more comfortable when a teacher comes back and told me how she has been changed’.</li> </ul> <p>(Owner-manager of the Childcare)</p> <ul style="list-style-type: none"> <li>- ‘I know that these skills were taught at the university, but it is good as continuous development, refreshing and training in general help in developing mentalities’. (Owner-manager of the Private Primary School)</li> </ul>	
	<ul style="list-style-type: none"> <li>- ‘Our success referred to about 40% to 50% on people and the rest is</li> </ul>	<ul style="list-style-type: none"> <li>- Less value placed on HR and,</li> </ul>

<p>Low employees skills</p>	<p>for the quality and diversity of our product and marketing for sure’.</p> <ul style="list-style-type: none"> <li>- ‘Our employees do not need training. They only need a guide, and they are fine’. (Owner-manager of Chocolate Company)</li> <li>- ‘We are doing business, so why do we increase the cost by training which is not related directly to their tasks?’. (Owner-manager of the Contractor Company)</li> <li>- ‘I do not think they (employees) need training or any kind of education’. (Owner-manager of Food Company)</li> <li>- ‘Only daily practice of work will make them (employees) improved’. (Owner-manager of Printing and Student Service)</li> <li>- ‘‘We do not need to update them with work procedures as what they know is enough’. (Supervisor in the Beauty Centre)</li> <li>- ‘We usually depend only on face to face communication especially with the workers as they are very simple and do not have enough knowledge to use technology’. (Manager in the Chocolate Company)</li> <li>- ‘The problem is that East Asian workers do not recognise something</li> </ul>	<p>hence, low investment in training and development</p> <ul style="list-style-type: none"> <li>- Inability to apply some of the sophisticated HRM practices</li> <li>- Less emphasis placed on selection practices</li> <li>- Centralised management style with owner-managers’ reluctance to delegate tasks</li> <li>- Less importance placed on retention practices</li> <li>- Low employees’ awareness of rights and duties</li> </ul>
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	<p>called an incentive... His thinking is how much this salary is, it is problematic for them'. (Owner-manager of Construction Company)</p> <p>- 'The owner-manager asked me to prepare reports for appraisals but I only know to write down what they did well and what their mistakes were'. (Supervisor in the Salon)</p> <p>- 'In most cases the rest of employees are not involved even no one takes their opinions'. (An employee in the Printing and Student Service)</p> <p>- 'I do not want a low-skilled foreigner to that job anymore, I cannot trust them...'. (Owner-manager of the Chocolate Company)</p> <p>- 'We have placed a mechanism that clarifies his main responsibilities... He should abide by the mechanism we have placed'. (Owner-manager of the Contractor Company)</p> <p>- 'Unfortunately, I did not find suitable person to stop the hardship of administration or the competent person to whom I can delegate responsibilities'.</p>	
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	<ul style="list-style-type: none"> <li>- ‘I do not mind helping; I write all the purchases daily and I am the one who supervises them because the worker who is responsible for doing purchases with my respect is stupid’. (Owner-manager of the Food Company)</li>   <li>- ‘you know most of the imported workers are low skilled, so it is difficult to pick according to person specifications prepared in advance. We hired them and gradually teach them our work’. (Manager in the Chocolate Company)</li>   <li>- ‘We can convert some unskilled labour into other simple jobs after hiring them. All the options are available, as we can replace them especially the labour we bring from South East Asia who comes with low salaries. We can convert them to any other job that helps them and some of them are trained and their skill level is improved’. (Personnel officer in the Construction Company)</li>   <li>- ‘The employee must be distinct and perform well... we feel that this distinction is his duty, not a thing that he deserves an incentive for in order to stay with us’. (Personnel officer in the Construction Company)</li> </ul>	
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	<ul style="list-style-type: none"> <li>- ‘There are many of them we dismissed, but usually this happened because of unethical behaviors or for very low performance after notifications’. (Owner-manager of Chocolate Company)</li>   <li>- ‘In short, I do not have specific tasks or responsibilities, but I carry out anything Mr. ...(owner-manager) wants. (Employees in the Printing and Student Service)</li>   <li>- ‘No specific tasks have been assigned to me, I like to assist... I have never thought about promotion or changing my job before... I worked for 12 hours daily’. (An employee in the Beauty Centre)</li>   <li>- ‘In general to keep our workers from comparisons with our competitors, we make them understand that job security is more important than higher salaries’. (Manager in the Chocolate Company)</li> </ul>	
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## Appendix D-2: Geographical Location

Influence of geographic location	Example quotes from interviews	Impact on HRM
Located in the north side of the Capital city	-‘maybe our location in the northern district of the city where the high-class lives affected us as no one stays at work, we have applicants from the southern district but they face the transportation problem’. (Owner-manager, Children’s Activity Centre)	<ul style="list-style-type: none"> <li>- The type of female applicants according to the material condition or social class</li> </ul>
Located in the Capital City	<p>-‘he told me not to look in the central region for manual workers’.</p> <p>- ‘it helps us, being in Riyadh, in terms of the growing chances of ... and many employees come to us after leaving their work with other companies, so many employees, at all specialties, are available’.</p> <p>(Owner-manager, Contractor Company)</p>	<ul style="list-style-type: none"> <li>- More access to talents</li> <li>- Less ability to nationalise manual occupations</li> <li>-</li> </ul>
Located in a small city	<p>-‘Certainly I suffered at the beginning... I was free before, but when I came I wore the Hijab as they are very conservative in Qassim’.</p> <p>(Employee, Salon)</p> <p>- ‘workers here are oppressed, they are compelled to put Niqab, but in</p>	<ul style="list-style-type: none"> <li>- Difficulties for foreign employees to adjust with traditions and society</li> </ul>



	<p>Riyadh, they do not do that'.</p> <p>- 'Al Qassim's environment is not attractive for foreigners, even when I travel to Morocco, When I say the job will be in Al Qassim, they say oh they are very strict'. (Owner-manager, Beauty Centre)</p>	
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# **APPENDIX E: OWNER-MANAGER RELATED DETERMINANTS**

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## Appendix E-1: Management Style

Management style	Case study	Example quotes from the interviews	Influence on HRM
Participative management	Childcare	<p>- ‘the parents are ready to pay, the building designs are ready and the engineers are ready to execute so the plans are clear, but those who should work therein are the most difficult challenge, employment’.</p> <p>- ‘I feel that it is a partnership... If the partnership is good from the first day, and the selection is properly made from the first day I will have a good result’. (Owner-manager)</p> <p>- ‘I did not spend even one month but I was used to the place, I felt that the group with me, all work together, even the principal helps me in the works and in everything, if, for example, there is a case, for example, the teacher, cannot do anything- God Forbid- (the owner-manager) comes at the same moment to act by herself and save the situation. I always call her (911), she is superior and marvelous’. (An employee)</p> <p>- ‘Do you know? I told her, I have weaknesses in such and such, and you Miss ... (the owner-manager) may know what I can do to improve these weaknesses and make them a source of strength for me. Of course, before I have a look at my evaluation, which is my right, she starts by showing appreciation of the things I</p>	<p>-Place a great emphasis on selection methods e.g. reference check and attracting talents.</p> <p>-Consider employees’ attitude and their ability to learn as a main criterion for selection and appraisal</p> <p>-Investing time to train and develop employees continuously</p> <p>-Regular meeting with employees to allow for two-way communication and a welcoming culture for suggestions and participation</p> <p>-Include general skills training as well as task –related ones.</p> <p>-Coach employees whenever</p>

	<p>am good at'. (An employee)</p> <ul style="list-style-type: none"> <li>- 'I have been excused and stay home for three days without work, so she performed my work, she entered the class instead of me. She makes me feel that although my presence is important and there is no one can replace me, but at the same time she excuses you if you have critical conditions.' (An employee)</li> <li>- 'likewise the management, equally, if there is no educational background, they will not be able to understand the teachers and then teachers will not continue with them, so as managers we should develop ourselves as well.' (The supervisor)</li> <li>- 'We always say, it is not important not to make mistakes, but you should improve yourself continuously, and this usually takes time' (The supervisor)</li> <li>- 'The principal (owner-manager) gives us the evaluation form and asks us to keep it and to evaluate ourselves'. (An employee)</li> <li>- 'Possibly by virtue of near age, and specialisation, by understanding how the real management should be, she (owner-manager) understands that it is not just an office and position and she knows how to mix well with other employees'. (The supervisor)</li> <li>- 'The first thing is the vision, the clarity of vision, clarity of objectives and the path I adopt, these make me know where I will proceed, and know how to address the staff and teachers'. (Owner-manager)</li> <li>- 'As long as you have a goal that you want to reach, you will always keep</li> </ul>	<p>needed</p> <ul style="list-style-type: none"> <li>-Developmental review separate from the performance appraisal</li> <li>-Recognition of intrinsic as well as the extrinsic motivation</li> <li>-Work with employees as a team leader</li> <li>-Employee welfare and celebrating social and personal events</li> </ul>
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	<p>motivated to work. If we do not encourage the teacher, she is not going to stay with us'. (Owner-manager)</p> <p>- 'Sometimes anyone can be afraid to tell the superiors of their mistakes, but on the contrary I do not mind if an employee told me my mistakes, thank you for bringing to my attention something I did not know about it before'. (Owner-manager)</p> <p>- 'I want them to feel honesty in my words when I speak with them, I want to be sure that I am making change, ... I feel more comfortable when a teacher comes back and told me how she has been changed. This is the most important point. I'm not here just to criticise you'. (owner-manager)</p> <p>- 'our requirements are not few, so as our requirements are many, we set our salaries to be above the market rate to make them feel satisfied, rather you say, "I worked hard without having the reward that is equivalent to my effort, so why I should stay in this place?"'. (Owner-manager)</p> <p>- 'The teacher who keeps barriers we try to break them, because we believe that we see each other here more than we see our parents or family, especially during working hours. Therefore, we must be open towards each other'. (Owner-manager)</p> <p>- 'I always want to keep my employees safe. Parents do not talk to them directly. Therefore, I decided to be the one who faces the parents not the teachers. I reached the stage that I am able to absorb all their criticisms and then talk with</p>	
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		<p>the teacher in my way'. (Owner-manager)</p> <p>- 'the teacher is a partner in the school, not just a teacher or an employee'. (Owner-manager)</p>	
	Children's Activity Centre	<p>- 'I do not unilaterally make the final decision. In a meeting with the management, I express to them my findings and my opinions, and we make the last decision'. (The personnel manager)</p> <p>- 'I asked her that I do not want to do this form and I will write a free report along with my commitment to cover all the items in the previous form. She agreed to try my method'. (The personnel manager)</p> <p>- 'Owner-managers are dealing with us kindly and we work in the spirit of one team... there is no superiority and difference between the manager and the trainers, but I talk with her like my friend'. (An employee)</p> <p>- 'They take the opinion of trainers and give us feeling of achievement; also there is flexibility in work and family environment'. (An employee)</p> <p>- 'We thought about hiring executive manager after appointing a personnel manager to be only dedicated to planning as top management but for sorry we hadn't find a qualified one yet'. (Owner-manager)</p> <p>- 'Actually, it wasn't the first task to delegate; I started to delegate the coordination of the programs first before the personnel tasks. Although we are small and new, we are open to delegate tasks as long as we find qualified people because these administrative tasks started to consume my time a lot and make</p>	<p>-Appointment of personnel manager and delegate many tasks in relative to the size of the firm</p> <p>-Use of personality tests for selection</p> <p>-Regular meeting with employees to allow for two-way communication and a welcoming culture for suggestions and participation</p> <p>-Use for narrative forms for performance appraisals to give employees a voice</p> <p>-Recognition of intrinsic as well as the extrinsic motivation</p>

		<p>me forget about the planning, developing and progress of the strategies of the project'. (Owner-manager)</p> <p>- 'I am so welcoming for the suggestions that help us to develop our work and reach our goals, even there are employees who left the work and they still send me ideas and suggestions from time to time, yesterday I woke up on an email from an old employee full of effective suggestions. (Owner-manager)</p> <p>- 'Manager welcome any suggestion and encourage that. Even the weekly plans of the sessions, we are the ones who modify and change them'. (An employee)</p>	
Emotional/humanistic management style	Private Primary School	<p>- 'There are penalties but I have mercy on them. I can't'.</p> <p>- 'I've daughters and I've sons; I'm a mum in the first place. When the girls come to me, I have mercy upon them because I do feel them like my daughters, particularly the fresh graduates, I don't oblige them, because they enter the labor market enthusiastically and she might be shocked by the reality while she's still learning and realizing her abilities. I can oblige her, according to the contract, to pay a 2-month salary as compensation. The contract is clear, but as long as mercy is in something, it makes it better'.</p> <p>- 'I try to manage them exactly like my daughters; even when I call them I call them my daughters not teachers'. (Owner-manager)</p> <p>- 'I hope that the school would become stricter concerning applying the regulations to be able to control the turnover, as they leave because the school does not take preventive procedures against those who do not abide by law, they</p>	<p>-Absence of disciplinary actions which encourage the violation of contracts</p> <p>-Emotional decisions regarding the selection of applicants or renewing the contract.</p> <p>-A culture of respect for human dignity prevailed</p> <p>-Include all staff in the non-cash incentives</p>

		do not notify us of their resignation within two months in advance as stated in the contract, such tolerance encourages chaos. Moreover, being overly emotional, why do we keep an employee whom we see that she is not efficient during the probation period? Just because she cried. She is not appropriate to be a teacher, there is no need for emotions, work will not go on in this way'. (The supervisor)	
Paternalistic management style	Contractor Company	<p>- 'The annual meeting is followed by a minimized meeting for people with mistakes in performance; each department meets separately with the general director in order to understand, discuss and explain the causes of failure. The management is so understandable and always trying to solve employees' problems that affects work'. (An employee)</p> <p>- 'I always say to the managers, if any employee has a problem in his country, do not oblige him to come to work, let him away for one or two days, it should not be a problem as this case not going to be every day, it might happen once every three or four months. The employee might say he is sick and cannot work; I know that he is not tired but maybe he feels bored or he is not mentally well, why I oblige him to lie and bring a fake medical report'. (Owner-manager)</p> <p>- 'We do a lot for employees to the stage of solving the Saudis family problems, we reconciled between one of them and his wife. I requested my wife to go to his wife, we do all this searching for their stability.</p>	<p>-More adoption of employee relations practices and increasing care about employees wellbeing and personal events</p> <p>-Top-down communication</p> <p>-Flexibility and informality in some of the internal rules</p> <p>-15% of net profit is distributed equally for all employees without relating this to performance</p>
Paternalistic with	Printing and	- 'I received the directions of Mr. ..(owner-manager) only. Till now I cannot	-Centralised decision-making



autocratic management style	Student Service	<p>dispense of such directions'. (An employee)</p> <ul style="list-style-type: none"> <li>- 'If I criticize a thing, he says to me you see it like that but I see it in another way for these reasons. Since then, I no longer like to interfere in the matters that I cannot see from all aspects as Mr. (owner-manager) does'. (An employee)</li> <li>- 'My brothers and my relatives always insist on me to work in another place, but I say to them, "I want to stand by the man as he has never failed me when the income was good'. (An employee)</li> <li>- '(the owner-manager) is strict in such matters; if this particular mistake is repeated, he terminates contract directly'. (An employee)</li> <li>- 'Sometimes, I have to keep silent even if I know what I'm saying is hundred-percent correct'. (An employee)</li> <li>- 'I manage everything myself'. (Owner-manager)</li> </ul>	<ul style="list-style-type: none"> <li>-Ability to win employees loyalty in spite of the autocratic style</li> <li>-Rights become privileges</li> <li>-Top-down communication</li> <li>-Low tolerance for interfering in decision-making</li> <li>-More control than management of employees even outside the workplace</li> </ul>
	Chocolate Company	<ul style="list-style-type: none"> <li>- 'Caring about workers' feelings makes all employees want to return this favour. They are ready to go the extra mile for the company's sake all because the way management deals with them'. (Branches manager)</li> <li>- 'Sometimes, there are issues which they can't take our opinion in'. (An employee)</li> <li>- 'We are also planning to fix cameras in all of our branches to observe employees'. (Owner-manager)</li> <li>- 'The authorities I granted to the branch manager are limited as he can give one of his employees a permission to leave the shop for two hours for example but</li> </ul>	<ul style="list-style-type: none"> <li>-Merit pay (related to informal manager's subjective assessment of individual performance)</li> <li>-Follow up of performance and continuous guidance</li> </ul>

		<p>cannot give him a one-day leave'. (Owner-manager)</p> <p>- 'No, we do not share any financial information with employees but we give incentives when they achieve their targets'. (Owner-manager)</p>	
	Beauty Salon	<p>- 'The owner-manager comes and conducts an interview with the applicant. I am only a supervisor and I record notes about employees for her'. (The supervisor)</p> <p>- 'At the time of the seasons, she encourages all employees, especially for the night of Eid, as the income is good, so she rewards everyone for the efforts and work pressure in these seasons'. (The supervisor)</p> <p>- 'she (owner-manager) considers that all workers like her daughters'. (An employee)</p> <p>- 'Miss ... (owner-manager) told them that her system is to keep the passport and residence documents with her and handed them when needed only'. (The supervisor)</p> <p>- 'I cannot propose any idea or talk about these matters'. (An employee)</p> <p>- 'I honestly do not consider her as my sponsor or manager. I consider myself as a partner of the center. I worked with them all this time, treatment and comfort are the things which made me stay with them'. (An employee)</p> <p>- 'Of course, taking decisions and the main tasks are mine'. (Owner-manager)</p> <p>- 'I talk with each employee separately to give her my comments and say to her, "I want you to be better, otherwise, I will deduct from your salary". I do not necessarily do that but to encourage her'. (Owner-manager)</p>	

		<ul style="list-style-type: none"> <li>- ‘If any employee discusses with me my decisions, she is interfering in my work policy, I will not talk to her’. (Owner-manager)</li> <li>- ‘I am searching for a supervisor to live with the labour, to be responsible for all their needs’. (Owner-manager)</li> </ul>	
Autocratic management style	Food Company	<ul style="list-style-type: none"> <li>- ‘She (owner-manager) does not like to delegate the related tasks but prefers to do them herself. Owner-manager is currently managing many tasks at the same time, as if she is afraid to assign tasks or employ someone to take them, or as if she believes that no one will apply what she wants and this is a huge pressure on them. If the tasks are distributed it will be easier’. (An employee)</li> <li>- ‘I supervise everything by myself’.</li> <li>- ‘I have appointed branch managers but I terminated most of their contracts or suspend their powers after many conflicts and problems’.</li> <li>- ‘You will often find some of employees who deals with me directly afraid even though I am nice in dealing, but perhaps because I keep monitoring and watching everything’.</li> </ul>	<ul style="list-style-type: none"> <li>-Poor employee relations</li> <li>-High turnover</li> <li>-Centralised management style with poor communication</li> <li>-Tight control of people</li> </ul>

## Appendix E-2: Passion

Passion as a determinant	Examples of Quotes from the interviews	The influence on HRM
Positive passion (OM of the Childcare)	<p>-‘From the first year of my work, I know that I want to make my own project. As an idea, the business, trade and financial independence, it began almost from the sixth class in primary school. Then I planned how I can achieve that idea in an area that I love. I also love entrepreneurship and I always think how to develop myself, be actually an entrepreneur and different from any business woman or the ordinary individuals’</p> <p>-‘From almost the first year of work, I started planning how to open the school. I lacked management skills in general. I know that I am a good teacher, but will I be a good manager? A manager with the employees, with the parents, and with the children? How do I combine all of these in one way? Is my personality fit to be a manger or not?’</p> <p>-‘I love kids as I told you, I am very good in dealing with them, I know myself, but the management, this is what I have learnt from the administration in the school I worked in before I started the business. May God bless them; they give me a chance to be close to the management to</p>	<ul style="list-style-type: none"> <li>- Looking for high-quality employees by attracting talents to work for them</li> <li>- Investing time to train and develop employees</li> <li>- Encouraging employees for innovation and creativity</li> <li>- The use of coaching techniques for on-the-job training among employees themselves, as she is aware that her passion will make her focus on details and she is afraid that could hinder learning and prevent creativity.</li> </ul>

	<p>learn and understand'</p> <p>-‘With pleasure, they send me till 12:00 mid-night, I have no problem. Before being a client, she is a mother; she has the right to assure her about her child. She left very small treasure for us to keep and she trusted us to take care of that treasure which cannot talk or complain’</p> <p>-‘Between us as employees, I always try to separate between my personality and my work. Is this disagreement relating to a personal matter between me and you or is it really something at work?’</p> <p>-‘Because I keep very high quality, not everyone likes to work at the same quality and standards. I might be very accurate paying much attention to the details in many tasks, which is not desired by many’</p>	<ul style="list-style-type: none"> <li>- Awareness drives her to be realistic and able to match their selection and performance evaluation criteria with their level of resources. (integration of HRM practices)</li> <li>- Thoughtful delegation of tasks</li> </ul>
<p>Negative that turns into positive passion (OM of the Children’s Activity Centre)</p>	<p>-‘It’s my passion in the business but my mission in life is to childhood development and that what made me join this world’</p> <p>-‘I am a mom of three kids and this is where the idea of the centre came; as a mom who is looking for a special place for her kids’</p> <p>-‘yet this centre is so different for me as I consider it as a part of my identity’</p> <p>-‘We are dealing with vulnerable category of people, we really need the</p>	<ul style="list-style-type: none"> <li>- Unrealistic criteria in the selection of applicants</li> <li>- Excess focus on details of employees performance</li> <li>- A gap between reality and expectation</li> </ul>

	<p>employees to be sincere to work, although I provided them with all what they need, one of the major causes behind our financial crisis is that I was so generous with the employees about all what they may need, I gave the employees and the trainers all what they asked for, I wanted them to be comfortable so they can work well, even the accountant who worked with us used to tell me that I am causing loses to the centre because there is no return for that, he warned me but I was so enthusiastic’</p> <p>-‘When we were about to close the project, it wasn’t such a great loss that forces us to close, I was myself so down and in my worst situations seeing my dream falling down, my family was making pressures on me to close it and stop fighting for it, I used to say that no one is having the same perspective or see what I am seeing, I had my own point of view’</p> <p>-‘then I preferred to step back a little and delegate all the HR tasks for her because I started to notice that the owner and manager mind-set is getting confused in me’</p> <p>-‘ I believe attracting is really working but these good employees usually are looking for better places than us, they really receive good job offers with better benefits, usually they are looking forward to have their own private project’</p>	<ul style="list-style-type: none"> <li>- Eventually, after nearly closing down, the delegation of HRM responsibilities</li> <li>- After “delegation”, selection criteria that fit the business</li> <li>- More integrated HRM approach</li> </ul>
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<p>Negative passion (OM of the Food Company)</p>	<p>-‘I had always that obsession since childhood dreaming to have a project of my own’</p> <p>-‘My father suffered a lot of losses because of my adventures in the projects, though he continued to support and encourage me. I care about working first and I enjoy it’</p> <p>-‘I am very accurate and do not accept manipulation. I consider my work as one of my children’</p> <p>-‘I’ve never liked to hold a pen. I do not even have a stable office. My office is a bag. If you are wondering how I plan without writing, so my life is all about adventures’</p> <p>-‘I precede many colleagues that I was weaker than them during school days and I was able to achieve much, which they could not do. Nevertheless, this does not bother me much because I am busy with my work and immersed in it and I do not even focus on competition’</p> <p>-‘when I hired a Saudi accountant, I spoke with her and thought she was at the same level at numbers as me’</p> <p>-‘If I can find someone who looks like me and deals with the tasks I deal</p>	<ul style="list-style-type: none"> <li>- Impulsive decisions and choices in HRM</li> <li>- Poor employee relations and dealing with matters personally</li> <li>- High turnover</li> <li>- Inability to delegate or trust people to handle the business</li> <li>- Lack of acknowledgement of the diversity of interests (Unitary approach)</li> </ul>
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	<p>with. If she asked for 20,000, I would pay her'</p> <p>-'Two days ago, two employees resigned in accounting. One of them is smart, and her personality is excellent, and the other likes talking and problems. Then they came back to tell me I have to get their names out of the social insurance and I am going to procrastinate, not for anything but to show them that as they tire us, we can do the same'</p>	
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### Appendix E-3: Other owner-managers characteristics

Owner-manager characteristics	Examples of quotes from the interviews	Impact on HRM
<p>Dedication and time spent in the business/ Lack of dedication and less time spent in the business</p>	<p>- ‘there is no official time for a meeting, for example, today there was an important task which I wanted to talk to him about from yesterday in order to be able to perform it today morning, but I could not contact him’ (An employee in the Printing and Student Service)</p> <p>- ‘At the beginning, performance appraisal was held at the end of every month. But recently they're held every four months or whenever Miss ... (Owner-manager) is available. (An employee in the Salon)</p> <p>- ‘now she doesn’t respond to anyone only me; any employee who has an issue and need to communicate with her, has to tell me and I communicate the matter for her’ (Supervisor who is in charge of personnel in the Salon)</p> <p>- ‘I see her absence from the Salon recently is a negative point as the employees need her to feel secure’ (Supervisor in the Salon)</p> <p>- ‘I’m not free to make forms for appraisals’ (Owner-manager of the Salon)</p> <p>- ‘I do not talk to her (owner-manager) because she is always busy’</p>	<ul style="list-style-type: none"> <li>- Poor communication</li> <li>- Inability to implement some of the sophisticated HRM process and practices especially with the lack of delegation e.g. performance appraisals, and documentation of employees information</li> <li>- Appointment of HR/Personnel officers without full delegation of HRM tasks and responsibility</li> </ul>

	(An employee in the Beauty Centre)	
Lack of management knowledge and skills	<p>- ‘There are certain matters, every year you have goals to achieve. I consider the percentage of what had been achieved, how much have I got to reach my goal, instead of coming to the end of the year and see whether I achieved the goal or not. For example, at the first quarter what I achieved, what is the percentage to which I reached, what are the obstacles’ (Owner-manager of the Construction Company)</p> <p>- ‘What?? I let him share my money???’ (Owner-manager of Construction Company when asked about profit sharing plans in rewards)</p> <p>- ‘Why do I do that? she is not the only one, I have staff, she takes her full salary, some receive 2500, others 3000, this is her work done by her hand, why she shares me the profit, she has no relation with any expenses’. (Owner-manager of the Beauty Centre)</p> <p>- ‘I tried many methods in dealing with them – I even distributed cupcakes for them’ (Owner-manager of the Food Company)</p> <p>- ‘Generally, in our Arab world, unfortunately, they measure employees performance mainly by profit without looking at anything else’. (Accountant-in charge of personnel- in the Chocolate Company)</p>	<ul style="list-style-type: none"> <li>- Lack of individual criteria to appraise performance of employees and depends only on organizational performance measures</li> <li>- Reluctance to apply some of the sophisticated HRM process and practices due to the lack of knowledge about its feasibility e.g. profit sharing, job rotation, and development evaluation</li> <li>- Lack of intrinsic motivation techniques and systematic implementation of HRM</li> </ul>

<p>Perception of what is seen as a priority in the business</p>	<ul style="list-style-type: none"> <li>- ‘The priority now for expansion and raising the quality level as we move on simultaneously...This is reflected on the kind of people we are looking for as the human factor is significant in the center because we focus on the life skills and the technology only has an assisting role’. (Owner-manager of the Children’s Activity Centre)</li> <li>- ‘Anyway, I noticed that the work of the sales manager is recognized more than the accountant manager although I might save for them lots of money but they do not feel it because priority is for raising the sales number. I personally wish if this company pays more attention to HR as much as it cares about having a high quality product in the market’. (Accountant-in charge of personnel-in the Chocolate Company)</li> <li>- ‘There were many problems to solve and we had a priority just to make this company revive, therefore, we postpone the implementation of many other things like some of the practices you asked me about’. (Owner-manager of the Chocolate Company)</li> <li>- ‘Every year there is training, two weeks for each marketing employee... thus, we set targets only for marketing and sales employees’. (Owner-manager of the Contractor Company)</li> <li>- ‘We had priorities in employment, as we prefer one to another applicant’. (Supervisor in the Childcare)</li> </ul>	<ul style="list-style-type: none"> <li>- Less or more importance is placed on HRM</li> <li>- The quality and type of selection criteria</li> <li>- Training is provided only for specific group of employees</li> <li>- Content of the training</li> <li>- PRP only for specific group of employees to support the priority</li> </ul>
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	<p>- 'Quality is very important for me. I do not work only to make money...Therefore, I planned to take only good applicants with experience. I care about the child in my school, that's why I care about teachers' satisfaction'. (Owner-manager of the Childcare)</p>	
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