

**A QUARTER-CENTURY REVIEW OF HRM IN SMALL AND MEDIUM-SIZED  
ENTERPRISES (SMEs): CAPTURING WHAT WE KNOW, EXPLORING WHERE WE  
NEED TO GO\***

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# **A QUARTER-CENTURY REVIEW OF HRM IN SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs): CAPTURING WHAT WE KNOW, EXPLORING WHERE WE NEED TO GO\***

## **Abstract**

Despite the proliferation of HRM research, only a small fraction explores the context of small and medium-sized enterprises (SMEs). Where HRM in SMEs has received attention the literature base remains fragmented and variable, comprising a plurality of definitions, explanations and methods. To advance understanding, this paper uses a quarter-century systematic review drawing on an evidence base of 137 peer-reviewed articles. A cumulative framework is presented capturing key developments and synthesizing existing areas of research focus. Analysis of limitations and knowledge-gaps finds a failure to differentiate across various types of SMEs, limited appreciation of SME characteristics and contextual conditions, and a dominance of managerial perspectives. An agenda for future research on HRM in SMEs is outlined with respect to definitional parameters, HR practices, HRM-Performance, key determinants and presenting issues. The paper concludes that SMEs offer a unique, fruitful and timely context for investigations of HRM.

**Keywords:** small firms, small and medium-sized enterprises, HRM in context, systematic literature review, entrepreneurship.

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Reviews of theoretical developments and methodological progress suggest that the field of HRM has blossomed (Wright & Ulrich, 2017; Bainbridge, Sanders, Cagin, & Lin, 2017). Yet understanding has proceeded in a skewed fashion, paying much less attention to the population of small and medium-sized enterprises (SMEs) (Hayton, 2003; McClean and Collins, 2019; Sheehan, 2014; Wapshott & Mallett, 2016). The ‘sparseness’ of the current empirical record in SMEs (Chadwick and Li, 2018, p. 1415) is surprising given that SMEs account for the vast majority of private sector employment and net job creation across the globe (OECD, 2015). In the US, for example, 97% of all firms can be classified as small, while 99.8% of firms in the European Union are SMEs (Dilger, 2017). Despite on-going calls for more dedicated SME research (Bryant & Allen, 2009), including assessments of the applicability and conceptualisation of HRM in this context (e.g. Allen, Ericksen, & Collins, 2013; Heneman, Tansky & Camp, 2000; Rauch & Hatak, 2016), research on HRM in SMEs remains ‘underdeveloped and equivocal’ (Chadwick, Way, Kerr, & Thacker, 2013, p. 311). It is difficult to disagree with Burton, Fairlie and Siegel that ‘employment scholars have largely ignored entrepreneurship related topics’ (2019, p. 1051). Roumpi and Delery recently reinforced that SMEs provide ‘a unique but under researched context’ (2019, p. 431), adding to longstanding claims that the SME context can provide invaluable insights for HRM research (e.g. Katz, Aldrich, Welbourne, & Williams, 2000).

The deficient state of HRM understanding is problematic as SMEs are known to confront particular HR challenges stemming from resource poverty (Welsh & White, 1981) and the liability of smallness (Cardon & Stevens, 2004). These same characteristics mean that SMEs are especially reliant on the performance of people, thereby rendering HRM interventions strategic to the viability and success of SMEs (Barrett & Mayson, 2007; Patel & Cardon, 2010).

Exploring HRM in SMEs is therefore a topic of ‘major theoretical and practical importance’ (Soriano, Dobon, & Tansky, 2010, p. 220). In order to advance understanding, this paper details a quarter-century systematic review of HRM in SME research, before leveraging this evidence base to outline pathways for future research. In so doing we make a number of contributions. First, one on-going concern for HRM is a failure to adequately accommodate context and incorporate boundary conditions (Chadwick et al., 2013; Cooke, 2018). SMEs evidently have distinguishing characteristics which open up interesting questions for HRM research (McClean & Collins, 2019). The labour intensive nature of SMEs, their inherent resource poverty, owner-manager influence and the predominance of informality suggests distinctive HRM formulation and implementation challenges (Baron & Hannan, 2002; Klaas, Semadeni, Klimchak & Ward, 2012). Equally, some question whether the hierarchically contracted structure and tighter span of control in SMEs mean that more sophisticated or extensive HRM practices (e.g. formal voice mechanisms) may not be viable or even necessary (Brand & Bax, 2002). Unsurprising therefore that the transferability of HRM as it has been found in larger firms directly to the SME context has been described as ‘equivocal’ (Chadwick & Li., 2018, p. 1416) and even ‘contentious’ (Bryson & White, 2019, p. 750). Similarly, when it comes to accommodating SME characteristics extant HRM theory has been found wanting (Bryant & Allen, 2009; Harney & Dundon, 2006). More informed contextual understanding obtained by systematically acknowledging and building upon dedicated SME research will help us to better navigate this fragmented and variable research base and make sense of contradictory evidence.

Our second contribution relates to the timing, substance, and scope of our review. This quarter-century review is the first comprehensive summary of SME research evidence since the work of Heneman, Tansky and Camp (2000) and Cardon and Stevens (2004). Reflecting the

‘emerging and embryonic’ nature of SME research, Heneman et al., found that most SME research comprised of thought pieces and descriptive cases. In their review only 17 empirical articles were identified from 129 contributions, with analysis limited to comparing single HR areas with the priorities identified by practitioners. Cardon and Stevens (2004) similarly used a functional framework of individual HRM practices to review 37 articles. By contrast, and following the recommendations of both these earlier reviews, we draw on an extensive analysis of 137 contributions which have addressed HRM holistically as a suite of practices. The HRM bundle concept is judged more relevant to the way owner-managers view people management in their organisations as it appreciates the flow of ‘interrelated’ HR activities (Heneman et al., 2000, p. 22; Cardon & Stevens, 2004, p. 318) and ‘knock on impact’ of HR practices (Allen et al., 2013). This approach aligns with more strategic conceptualizations of HRM as multiple practices, systems or bundles (Bainbridge et al., 2017), as well as empirical work which has explored HRM in an SME context (e.g. Samnani & Singh, 2013). In terms of breadth of analysis, our review can also be distinguished from those that have taken a narrow focus to conceptualize HR issues in emerging organisations (Bryant & Allen, 2009), with respect to culture and change in small entrepreneurial firms (Jack, Hyman & Osborne, 2006), or that focus on a specific context such as China (Cunningham & Rowley, 2007). These reviews have certainly enhanced our overall understanding of HRM in SMEs, albeit with a partial emphasis on one piece of the larger HRM in SME puzzle.

Our third contribution involves the exhaustive process of conducting the review and the identification of subsequent limitations and evidence-based gaps in understanding. Although HRM in SMEs have received some dedicated interest, including via special issues (e.g. Katz et al., 2000; Bartram & Rimmer, 2010), we still lack systematic insights on progress akin to

those found with respect to Human Resource Development (HRD) (Nolan & Garavan, 2016) or marketing (Bocconcelli et al, 2016) in the SME context. Systematic literature reviews are particularly powerful tools as the application of a structured protocol helps avoid prospective limitations of narrative reviews, including the risk of uncritical selection of research, publication bias and methodological favouritism (Briner & Walshe, 2014; Markoulli et al., 2017). By way of example, an extensive systematic review enables us to move beyond an exclusive focus (or bias) on a particular type of SME (e.g. IPO or growth-oriented), sectoral emphasis (e.g. high-tech, knowledge intensive) or singular methodology. This more inclusive approach to understanding SMEs has been separately called for across both HRM (Burton et al., 2019) and entrepreneurship research (Welter, Baker, Audretsch, & Gartner, 2017).

Pursuing a systematic approach ensures broad coverage of outlets, while aggregating a body of individual studies in a transparent and reproducible manner lends credibility to the assessment and implications for future research (Gubbins, Harney, Van der Werff & Rousseau, 2018; Tranfield, Denyer, & Smart, 2003). Noteworthy in this respect is that we move beyond previous reviews by extending the depth of analysis to include a critical assessment of study components, including underlying theories, methodologies and respondent details. This form of analysis has been absent from HRM in SME reviews to date (for one exception see Dabic, Ortiz-De-Urbina-Criado and Romero-Martínez (2011), although their focus on corporate entrepreneurship extends beyond SMEs). Overall, pursuing a systematic literature review enables us to understand and develop the ‘science’ of HRM in SMEs (Mayson & Barrett, 2006). Critically, based on an assessment and synthesizing of progress, our final contribution is to provide an evidence-informed roadmap to guide future investigations in this area. This means

we are finally, and systematically, able to “frame out future work on HR in SMEs” (Huselid, 2003, p.297) contributing knowledge and recommendations to take the field forward.

## **Systematic Literature Review: Rationale and Methodology**

Based on the above rationale we employed a systematic approach guided by the following overarching research questions: (RQ 1) What is the extent of the SME focus in HRM and where are such articles published? (RQ 2) What theoretical lenses are most common in examining HRM in SMEs and in what way have they been applied? (RQ 3) What methods are used in HRM in SME research, what are the typical samples and who are the typical respondents? (RQ 4) What is the extent of research progress (capturing what we know) and what are the most pressing research needs and challenges (exploring where we need to go)?

SMEs have particular characteristics which make HRM both significant and challenging. Questions abound as to the relevance and transferability of large firm HR to the SME context (Allen et al., 2013; Rauch & Hatak, 2016), with more nuanced understanding called for in order to make sense of the ‘small and somewhat mixed’ results to date (Barrett & Mayson, 2007; Chadwick & Li, 2018, p. 1415). Indeed, while we might know something of the extent of HR practices or activities in SMEs, we have much less insight about *why* such practices exist and *how* they operate. In terms of SME characteristics, the liability of smallness implies resources constraints so that SMEs typically lack a dedicated HR manager (Heneman et al., 2000), with HR policies likely to be ‘implicit’ and the remit of the founder/owner-manager (Williamson, 2000). A reluctance to engage ‘in costly or restrictive practices’ (Cardon & Stevens, 2004: p. 297) can mean that informal approaches serve as a viable alternative to more formal or sophisticated HR in the SME context (Krishnan & Scullion, 2017). Overall, Agarwal and Jha, note a ‘deficiency of systematic HRM research in SMEs’ (2015, p. 682), while Cardon and

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Stevens call out a responsibility for scholars to “design carefully thought-out integrative studies that explore what we do not yet know” (2004, p. 320). In addressing this challenge, we completed a systematic review adhering to the three stage logic recommended by Tranfield et al., (2003). To evidence transparency, and facilitate replicability, we elaborate on each stage in turn.

## **Planning**

A scoping review of HRM in SME contributions found a body of literature which was widely fragmented and variable, thereby validating the decision to complete a systematic review. To ensure appropriate input quality only peer-reviewed journal articles were included. Specifically, journals under the subject categories ‘*HRM and Employment Studies*’ and ‘*Entrepreneurship and Small Business Management*’ on the ABS (Association of Business Schools) Journal Guide were searched (Harvey *et al.*, 2015). Furthermore, we made the decision not to exclusively focus on 4 or 3 star top-ranking journals, but to include the entire list in the hope of establishing a wider variety of contexts and perspectives. Others have likewise argued that many lower-rated journals have greater international exposure and insight (see also Bainbridge et al., 2017; Cooke, Veen & Wood, 2017). In addition, other relevant high impact journals from the Financial Times (FT) and ABS lists were included (e.g. *Academy of Management Journal*, *Human Relations*, and *Strategic Management Journal*). Pursuit of this rationale yielded a target list of 83 journals.

Following the preliminary review, two different sets of Boolean keywords were developed as related to entrepreneurship, (e.g., small business, small firms, SMEs, and start-ups) to search HR and other management journals, while the other set related to HR practices (e.g., people management, personnel management, and human resource management) 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 empirical (Boselie, Dietz, & Boon, 2005) and methodological reviews (Bainbridge *et al.*, 2017), we use January 1995 as our start point, enabling a considered assessment over a twenty-five-year time-span. Both empirical and conceptual articles were included. We purposefully chose not to focus exclusively on quantitative studies (cf. Jackson *et al.*, 2014; Rauch & Hatak, 2016), allowing for a wider knowledge base, and thereby providing multiple opportunities for the accommodation of SME characteristics and variants of HRM (see Sheehan, 2014; Rousseau, Manning & Denyer, 2008).

### **Conducting the Review**

The search was applied for all fields of the articles to ensure appropriate coverage, as some authors may avoid making explicit mention of the term ‘SMEs’ in the title or abstract. As expected, this approach generated a substantial amount (n= 8,900) of articles. Exclusion and inclusion criteria were applied in subsequent stages. After eliminating duplicates, calls for papers, editorials, abstracts, books reviews, book volumes and their indexes, an initial screening of the articles was carried out. This was done by reading the title and the abstract if necessary, with all non-relevant articles excluded. Notably, non-relevance 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; Chell & Tracey, 2005), or otherwise if there was a failure to include the HRM construct as the main theme (e.g. Aidis & Van Praag, 2007). In cases where it was difficult to decipher the precise purpose, method(s) and findings of the studies from the abstract, an in-depth review of the introduction,

methodology and/or conclusion was undertaken. The result of this phase was 1042 articles, which were subject to a second round of thorough sifting.

The current review focuses on those articles studying HR practices or functions (cf Samnani & Singh, 2013) within the context of small and/or medium firms. HRM was understood broadly as representing “that part of an organization’s activities concerned with the recruitment, development and management of its employees” (Wall & Wood, 2005, p. 430). Regardless of size, it is clear that all firms must manage employees, whether this is formally labelled HRM or not as ‘human resources are strategic to basic viability as well as advantage’ (Boxall, 1998, p. 273). Any article only mentioning HR in the results 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 training entrepreneurs for managing growth (e.g Henry, Hill & Leitch, 2004). Additionally, articles that were recognised as purely dedicated to discussing organisational behaviour topics, such as teams and leadership, without making specific reference to an associated HR practice or functional activity were excluded. Similarly, those studies which were classified as HRD studies, for example as focused on knowledge and the absorptive capacity of SMEs were also excluded (Gray, 2006). Articles relating to franchising and not-for-profits were not included. Studies were excluded if they narrowly discussed the influence of a specific legislation in a specific country, for example National Minimum Wage (NMW) in the UK, which were seen to be unlike those relating to the impact of employment legislation in general on SMEs. After this second round of sifting, articles were further categorised and a subset of 371 articles was shortlisted for critical review. For quality assessment, the inclusion of only FT/ABS peer-reviewed articles served as a satisfactory check (Rousseau *et al.*, 2008).

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## **Reporting and Dissemination**

Our focus is on articles exploring HRM in SMEs in a holistic sense as opposed to those exploring individual HR practices (e.g. Cardon & Steven, 2004). Articles which adopt an HRM bundle approach better reflect the way owner-managers understand people management in their organisations, while recognizing the strong correlation between individual practices (Allen et al., 2013; Wood, 1999). While we retain the systems of management and employee focus associated with strategic HRM studies (Boon, Den Hartog, & Lepak, 2019), we allow for a more inclusive interpretation beyond narrow versions of ‘fit’ on one hand, or the limiting nomenclature of HPWS and its variants on the other (Mayson & Barrett, 2006). Ultimately, application of the above systematic process resulted in 137 articles which met the criteria for inclusion in the review (these are indicated by \* in the reference list). In order to capture all facets of the articles, extraction tables were completed following John’s (2006) contextual framework detailing ‘Who’, ‘Where’, ‘Why’ and ‘What’, with the addition of ‘How’ as suggested by Sergeeva and Andreeva (2015).

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, an information table of ten articles was 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. In keeping with our systematic and inclusive focus, all 137 articles are directly incorporated and cited in the discussion that follows.

## **Findings: What do we know?**

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## RQ 1) Extent and Coverage of Articles

This review includes a total of 96 quantitative research papers, 24 qualitative studies, 5 mixed-methods papers, and 12 conceptual papers. There has been something of a gradual increase in interest in HRM in SMEs since 2000 with only 7% of articles published before this time. Beyond this, the pattern of articles has been relatively stable, albeit punctuated by special issues and repeated calls for research (e.g., Katz et al., 2000; Huselid, 2003; Tansky, Soriano, & Dobón 2010). The main outlets for studies from the HR journal list were the *International Journal of HRM* (24 articles, 0.72%), *Human Resource Management* (13 articles, 1.38%) and *Asia Pacific Journal of Human Resources* (10 articles, 1.5%); while from Entrepreneurship and Small Business list it was *Journal of Small Business and Enterprise Development* (9 articles, 0.99%), *International Small Business Journal* (8 articles, 0.47%), and *Journal of Small Business Management* (7 articles, 0.72%).<sup>1</sup> According to the number of journals in each ABS list, studies under the HRM list are centralised in specific journals (only 15 journals out of 48) which equates to 31% coverage, in comparison to the Small Business list, where articles were much more widely distributed, covering 13 journals out of 20 (65%). The percentage topic coverage relative to the total number of articles published during the 25-year time period indicates the minimal amount of research published on HRM in SMEs (averaging 0.4% of Entrepreneurship and Small Business Management articles and 0.5% of all HRM articles respectively) (see Table 1). As would be expected for a specialized topic, this percentage is minimal for the general management journals.

**Insert Table 1 about here**

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<sup>1</sup> Percentage figure in brackets indicates the percentage of dedicated SME/HRM articles relative to the overall total number of articles published by the journal since 1995.

Empirical studies (n=125) in this review explored HRM in several countries, indicating progress beyond the US centric nature of early research (see Heneman et al., 2000, p. 22). 18% of studies covered North America, while 43% of studies centred on Europe, half of which explored Ireland and the UK. Australia and New Zealand made up 16% of studies, while only 8% explored China. While South Africa, Nigeria and parts of South-Eastern Asia were represented (Khavul, Benson, & Datta, 2010; Ogunyomi & Bruning, 2016; Werner & Herman, 2012), there was nothing written about other parts of Africa and Asia, specifically the Middle East region irrespective of the popularity of SMEs as an essential backbone for the economy in these contexts.

## **RQ 2) What theories were used?**

The 12 non-empirical papers include a general narrative review of the impact of HRM (Jack et al., 2006), a specific focus on Chinese SMEs (Cunningham & Rowley, 2007; 2008), evidence-informed overviews of progress (Cardon & Stevens, 2004), an assessment of research alignment with practitioner concerns (Heneman et al., 2000), a meta-analysis of HR-enhancing practices and performance (Rauch & Hatak, 2016) and a systematic review of HR in entrepreneurial firms (broadly defined) (Dabic et al., 2011). The remaining papers provide a range of theoretical explorations with respect to the definition of HRM and its appropriateness for the SME context (Marlow, 2006; Mayson & Barrett, 2006), the integration of employee involvement with organisational life cycles (Ciavarella, 2003), a configurational HR architecture for emerging organisations (Bryant & Allen, 2009), and lastly, a theoretical rationale for the difference in talent management practices between large firms and SMEs (Krishnan & Scullion, 2017).

The 125 empirical studies employed an eclectic range of theoretical perspectives reflecting the multi-disciplinary nature of research in HRM. This was also evidenced in the diverse range of terminology used (e.g., HPWS, HR systems, Human Capital, Universalistic HRM). Only a few studies explicitly constructed hypotheses from theories or involved robust theory development (e.g. Bae & Yu, 2005; Chadwick et al., 2013; Wu, Hoque, Bacon, & Llusar, 2015). Approximately half of the articles (n=52) did not make plain mention of the adoption of any theoretical perspective in the study of HRM practices. This indicates that research would greatly benefit from greater precision and insight in theory development.

The dominant theoretical perspectives can be categorised by drawing on Wright and McMahan (1992). 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. Typically, this approach is employed to underpin the relationship between HRM practices and organisational performance in SMEs (e.g., Razouk, 2011; Castrogiovanni, Urbano & Loras, 2011; Chow, 2004; Xiu, Liang, Chen, & Xu, 2017). 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, RBV has been used in combination with other perspectives (e.g., company growth, institutional theory or dynamic capability), for the same goals mentioned above, but equally to allow for informality and process (e.g., de Kok & Uhlaner, 2001; Doherty & Norton, 2013; Jennings Jennings, & Greenwood, 2009, Ogunyomi & Bruning, 2016). There is an infrequent use of theories including Transaction Cost Economics, and Resource Poverty which is surprising given the aforementioned resource constraints of SMEs (for an exception Kroon, Van De Voorde & Timmers, 2013).

Human Capital Theory has been employed in several studies in an effort to examine the correlation between HRM and 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), non-financial performance (Ogunyomi & Bruning, 2016), organisational competitive advantage (Ferligoj, Prašnikar & Jordan, 1997), and organisational learning capabilities (Wan Hooi & Sing Ngui, 2014). Additionally, there is widespread use of universalistic HRM (Way, 2002; Kerr, Way & Thacker, 2007), with surprisingly much less emphasis on the concept of either vertical or horizontal strategic fit (for exceptions see Samnani & Singh, 2013; Hseih & Lin, 2017 and McClean & Collins, 2019). A rare appreciation of change or growth dynamics (Krishnan & Scullion, 2017) was captured via Organisational Life Cycle theory (OLC) (Wu et al., 2015), including linking each life stage with specific HR practices (e.g., Kotey & Slade, 2005; Rutherford, Buller & McMullen, 2003).

Second, there is a group of articles that have moved away from a purely rational perspective adopting ‘non-strategic’ theoretical models to examine and explain HRM practices. These approaches seek to reflect the proximity of SMEs to their external environment and associated lack of internal buffers (Welsh & White, 1981). A stream of research uses institutional theory as a sole theoretical lens to facilitate cross-national (Gilman & Raby, 2013) or intra-sectoral comparisons (Tsai, 2010), or to explore the dynamics of change (Della Torre & Solari, 2013). Most studies focused on limited institutional factors, to the neglect of broader economic, educational and labour market factors which can inform HRM approaches (see Burton et al., 2019). Other studies have combined institutional theory with RBV, the behavioural perspective of strategic management, and open system theory to provide a balanced structure-agency theoretical lens through which the context of HRM in SMEs can be explored. (e.g., de Kok & Uhlaner, 2001; Harney & Dundon, 2006, 2007). Other theoretical frameworks exploring the

non-strategic determinants of HRM likely to have particular relevance in providing comparative insights about SMEs, including Resource Dependency Theory or Population Ecology, are much less prevalent (see Chandler & McEvoy, 2000).

Reflecting a limited employee emphasis discussed in the next section, a smaller group of articles adopted a behavioural and psychological approach, employing theories such as Social Exchange Theory and a relational and motivational perspective to inspect the HRM–performance relationship (e.g. Allen et al., 2013; Pittino et al., 2016; Bryson and White, 2019). These were complemented by a rare application of theories targeted at exploring internal dynamics including Charismatic Leadership, Equity Theory, Social Network Theory, Organisational Justice (McClean & Collins, 2019; Mustafa et al., 2018) and the Componential Theory of Creativity (Do & Shipton, 2019). Interestingly, employee oriented theoretical approaches were more likely to accommodate and reflect SME characteristics as demonstrated by Allen et al.’s ‘context-specific framework’ focusing on ‘HR leader’ blueprints (2013, p. 154), a focus on family social capital as substituting for formal practices (Pittino et al., 2016) and the dynamic relationship between formal and informal approaches to HRM in informing employee satisfaction (Mustafa et al., 2018).

Overall, HRM in SME research generally draws on large firm HRM theory, with limited evidence of the extension of existing theories, or the adoption of new ones. Nearly half of contributions did not clearly specify their key theoretical lens. Where theory was explicit it did not necessarily directly drive or inform hypothesis (cf Boselie et al., 2005), or involve an assessment of the applicability of underlying assumptions to the SME context in the spirit of theoretical development. A limited employee orientation, coupled with calls for greater exploration of explanatory mechanisms (Sheehan, 2014; Rauch & Hatak, 2016), suggests that



HRM in SME research lags behind developments in HRM generally (Jiang, Lepak, Hu, & Baer, 2012). Finally, there was little theoretical examination of SME complexities as might be found through an assessment of competing hypothesis, boundary conditions, substitutive effects, or non-linear relationships (for exceptions see Bryson & White, 2019; Chadwick et al., 2013; Jennings et al., 2009, McClean & Collins, 2019; Roca-Puig, Beltrán-Martín & Segarra-Ciprés, 2012).

### **RQ 3) What methods were used?**

#### *Research Design*

The dominant techniques for collecting data on HRM in SMEs are quantitative surveys (77%). 94% of studies were cross-sectional, and while some studies used time-lagged measures (e.g., McClean & Collins, 2019; O'Donohue & Torugsa, 2016; Lopez, Neves, and Cunha, 2019), or provided comparisons over two time-periods (Bryson & White, 2019) only six studies were longitudinal (e.g., Allen et al., 2013; Doherty & Norton, 2013; Jennings et al., 2009; Marchington et al., 2003; Mazzarol 2003; Sheehan, 2014). In assessing HRM practices, the majority of articles measured the presence of practices, with only a handful considering the coverage or intensity of HRM (Kroon, Van De Voorde & Timmers, 2013; Sheehan, 2014; Bryson & White, 2019). Research frequently controls for internal and/or external contextual variables (e.g. Tocher & Rutherford, 2009; Xiu *et al.*, 2017), which conceals significant contextual influence (John, 2006). Only 11% of studies sought to provide explanation for HRM effects through consideration of mediators which included human capital, motivation and employee voice (Shahzad *et al.* , 2019), employee commitment (Lechuga et al., 2018), employee involvement and quit rates (Allen et al., 2013), employee creativity (Do & Shipton, 2019), strategic orientation (Teo et al., 2011), strategic flexibility and ambidexterity (Patel,

Patel, Messersmith & Lepak, 2013; Xiu et al. 2017) and organisational learning capability (Wan Hooi & Sing Ngui, 2014). Boundary conditions explored as moderators included sector (Hayton, 2003), demographic characteristics, HR practices and employee outcomes (Chandler & McEvoy, 2000; Lai et al., 2017; Lin, et al, 2014), philosophy and culture (Messersmith & Wales, 2011; Patel & Cardon, 2010; Triguero-Sánchez et al., 2013), coupled with management features, for example the existence of an HR department (Chadwick & Li, 2018), formality (Lai et al., 2016) and the nature of leadership (McClean & Collins, 2019). Some studies usefully analysed data from extensive national databases, such as the Work Employment Relations Survey (WERS) (e.g., Bacon & Hoque, 2005; Bryson & White, 2019). This allowed for some comparison of trends overtime, including between small and large firms, and also the incorporation of employee perceptions (Storey et al., 2010; Lai et al., 2017; Bryson & White, 2019).

The 24 qualitative studies generally utilised a case study approach with interviews as the main data collection tools, with the exception of two studies, one of which used structured interviews (Heilmann, Forsten-Astikainen, & Kultalahti, 2018) and the ethnographic approach of Samnani and Singh (2013). While not always combining methods in a sufficiently clear and complementary manner, the very limited number of mixed-method studies (n=6) (Bacon et al., 1996; Cassell et al., 2002; Cunningham 2010; Della Torre & Solari, 2013; Dietz et al., 2006; Verreyne, Parker & Wilson, 2012), suggest the need for studies that are better able to capture the complexity of HRM in SMEs by providing greater nuance and depth to understanding.

#### *Unit of Analysis and Respondents*

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 two studies (Giauque, Resenterra, & Siggen, 2010; Li, Rees, & Branine, 2019) that examined workers as the unit of analysis in an effort to determine the impact of HRM practices on their commitment. A few select articles included multiple levels of analysis (e.g., Marchington et al., 2003; McPherson, 2008; Tocher & Rutherford, 2009; Mustafa *et al.*, 2018; McClean & Collins, 2019). Notably, the majority (58%) of HRM-SME studies focus narrowly on the owner/manager’s perspective, with a small number combining the owner-manager’s perspective with that of the HR manager (10%). Only 18% of the articles considered both employee and the owner-manager and/or the general manager’s perspectives, thereby missing a critical opportunity to sense check managerial assertions and explore HRM implementation (Geare et al., 2014). Employees made up the sole source of information in just six papers (5%) (Barling, Kelloway, & Iverson, 2003; Li, Rees & Branine, 2019; Mustafa et al. 2018; Samnani & Singh, 2013) with two of them related to specialist employees, specifically pharmacists (De Grip & Sieben, 2009) and knowledge workers (Giauque et al, 2010). HR managers were considered in ten papers, with three exploring both HR managers and employees (Cunningham, 2010; Elorza, Aritzeta & Ayestarán 2011; Storey et al., 2010).

As has been found of HRM generally (Steffensen, Ellen, Wang, & Ferris, 2019), few studies adopted the perspectives of the Board of Directors or specific functional managers (for exceptions see Bayo-Moriones & Cerio, 2001; Way, 2002). This is surprising given the absence of dedicated HR managers in SMEs, meaning that any manager could be tasked with responsibility for managing employees. Interestingly, and confusingly, several studies failed to make mention whose perspectives were considered (7% of empirical articles reviewed). Overall, this review makes it clear that employee experiences of HRM are significantly absent

in HRM–SME research. This critical point has rarely been raised in previous reviews. As one exception, Heneman, Tansky and Camp (2000) state that SMEs research on recruitment has been focused solely on the employer perspective.

**RQ 4) What is the extent of research progress and what are the most pressing research needs and challenges?**

In order to capture what has been researched the following section draws on the summary Figure 1. This has been devised directly from the extract sheets of the 137 articles and offers a snap-shot of the key domains and areas of focus of extant research. We follow this mapping to explore a) definitional parameters as applied to SMEs b) the nature of HRM practices and how they are labelled and evaluated c) the impact of HRM practices on SME performance and d) key determinants of HRM within the SME context. For each dimension we provide an assessment of the current state of understanding (what do we know), before using this as a basis to outline gaps in our knowledge base and future research prospects (exploring where we should go).

**Insert Figure 1 about here**

### ***SME Definitional Parameters: What do we know?***

A wide variety of definitions are used in the reviewed articles cautioning against simplistic comparisons. Although a few papers used sophisticated assessments of size including annual sales, balance sheets, income levels or the company's status (i.e. whether independent or part of larger organisation) (e.g., Cassell et al., 2002), the most common practice is to define SMEs on the basis of employee numbers alone (cf. Kalleberg & Van Buren, 1996). While SME definitions vary substantially across countries, there are two well-established definitions based on number of employees; the US < 500 employees and the European < 250 employees, with 37% of the studies using one of these. Many other studies created their own idiosyncratic SME definitions and size bands, suggesting a dynamic and relative concept. Some research used the average number of employees in each unit, without any sense of independence (i.e. whether it was part of a larger entity), although some deploy a size band limit for the overall organisation (Bacon & Hoque, 2005), or take an explicit establishment level focus (Chadwick & Li, 2018).

Earlier research took a comparative approach exploring direct distinctions between smaller and larger organisations (Golhar & Deshpande, 1997), with some continuing this tradition, albeit with more segmented and nuanced interpretations of size and independence (e.g. Storey et al., 2010). One notable tendency is to exclude firms below a certain size parameter from samples (e.g. less than 100 employees) based on the expectation that formal HRM practices would be limited (e.g. Hayton, 2003; Ordiz-Fuertes & Fernández-Sánchez, 2003) or alternatively to only include those SMEs that have a formal HR function (Shahzad et al., 2019). Subsequent claims of a positive impact of HR in small firms in these studies therefore require important qualification. Two studies take a more qualitative approach, defining SMEs according to sector (Kotey, 1999; Kotey & Sheridan, 2001). Notably, one fifth of studies failed to specify the

particular size of the organisations in the sample. Articles also demonstrate significant slippage in using the terms small, SME, entrepreneurial, and emergent etc. interchangeably or additively.

### ***SME Definitional Parameters: Where do we need to go?***

Overall, the findings reflect the limitations of SME research generally where size ‘has become increasingly general, if not vague’ (Torres & Julien, 2005, p. 356). At the most basic level it is incumbent upon researchers and publication gatekeepers to ensure that studies offer an explicit and considered exploration of the types of definitional parameters outlined in Figure 1 (Welter et al., 2017). First, with respect to understanding smallness, it remains the case that research needs to better distinguish between categories of micro, small or medium enterprises (also see Cardon & Steven, 2004). The use of SME as a catch all term hides the reality that there is as much diversity within the SME category as between SMEs and larger firms. Dealing with an extremely diverse range of organisational sizes in one study (e.g. Harney & Dundon, 2006; Qiao et al., 2015) can be very misleading (Della Torre & Solari, 2013). Very few studies provide a dedicated focus on either micro (De Grip & Sieben, 2009), small enterprises (SEs) (De Kok & Uhlaner, 2001; Patel & Conklin, 2012) or medium sized organizations (MSOs) (e.g., Valverde, Scullion & Ryan, 2013; Psychogios et al., 2016) and/or across the categories of small, medium and large organizations (Massey, 2004; Storey et al., 2010; Wu et al., 2015).

While not implying size determinism, the resources and scope of HR challenges, and the way key determinants take effect, are likely to vary significantly across firm size (Richbell et al., 2010). For example, a more direct form of owner-manager influence, or group culture, could substitute for HR practices in a small firm (Patel & Conklin, 2012), with innovation and experimentation in HR more likely (Bartram, 2005). By contrast, medium sized organisations

are likely to have more prominent and entrenched HR practice (Nguyen & Bryant, 2004), with associated challenges in balancing formal and informal approaches to HR (Marlow, Taylor & Thompson, 2010). More in-depth segmentation by size is likely to provide more nuanced and informed understanding, allowing for varying managerial capability, economies of scale, and ability to re-coup costs of investment in HRM (see Wu et al., 2015). Equally, there is much to learn from an employee perspective, as research hints that the expected relationship between more formalised HRM and employee outcomes across SME size categories is far more complicated and non-linear than traditionally assumed (e.g. Storey et al., 2010; Lai et al., 2017).

A second critical definitional parameter is between newness (i.e. emergent/nascent/start-up organisations) and smallness (established SMEs). While some studies are explicit in their sampling, for example focusing on minimal years in existence (Lopez et al., 2019; Nguyen & Bryant, 2004), this is rare. The liability of newness confronted by new ventures and emerging organisations result in unique challenges associated with legitimacy, inexperience, attracting talent, and testing markets resulting in critical and ‘underappreciated’ HR issues in this context (Katz et al., 2000; Bryant & Allen 2009). The limited research on HR in emerging firms has a clear high-tech bias, but does illuminate the imprinting and path dependent effect of early HR decisions (Baron & Hannon, 2002; see also Ciavarella, 2003; Nguyen & Bryant, 2004), as well as highlighting how HRM can help emerging firms to realise their entrepreneurial orientation (Messersmith & Wales, 2013) by encouraging innovation and growth (Messersmith & Guthrie, 2010). Jennings et al., (2009) stress the value of a *coherent* HR employment system in the performance of new ventures.

By contrast, established SMEs will have overcome initial start-up challenges, but still confront liabilities of smallness in the form of resource constraints, difficulties in enhancing capability,

pressures to standardise, coupled with greater challenges in innovating. In HR terms this can mean difficulties in developing and retaining staff, a reluctance to invest in sophisticated HRM and possible tensions between more formal and informal approaches to HR. Smallness and newness therefore represent different material realities for HR meaning that research progress will be severely limited as long as the two are confounded.

A third definitional parameter relates to ambition and intent. A key point here is that not all entrepreneurial firms are SMEs, and that not all SMEs are entrepreneurial. Only a small minority of SMEs achieve significant levels of growth in employment, and are purely motivated by the goals of profit and business expansion (Ciavarella, 2003). For the majority of SMEs performance can mean survival, succession or independence. It follows, and research has hinted, that growth ambitions (Newman & Sheikh, 2014; Barrett & Mayson, 2007; Rutherford et al. 2013) and entrepreneurial orientation (Messersmith & Wales, 2013; Khavul et al., 2010) are likely to influence the adoption of HRM, for example, as related to training and capabilities (Kroon et al., 2013). The challenges of an entrepreneurial, growth orientated SME looking to scale-up, will differ dramatically from a life-style business focused on relative, local advantage and succession. This is a form of strategic fit, suggesting that the nature of HRM needs to be understood with respect to the ambition and objectives of SMEs (cf. Collins, & Kehoe, 2016).

Finally, HR experiences and challenges for those SMEs that are growth oriented will be qualitatively different contingent on growth stages or state. One means to capture this is via traditional organisational growth and development models, although findings here remain variable and contested (Wu et al., 2015). Life cycle models are frequently judged deterministic as in practice organisations progress through experiences of growth and contraction, successes



and failures. Growth can negatively impact the direct span of control of owner-managers and autonomy provided to employees mandating alternative, and on occasion more sophisticated approaches to HRM. A growth focused, or IPO intended, SME may well take on-board the sunken costs of investment in HR (e.g. appointment of a HR Director) knowing that, while this may not benefit immediate success (Wellbourne & Cyr, 1999), it may reduce the risk of failure (Chadwick et al., 2016). One study finds that the introduction of formality is a more significant leap in the transition from micro to small than small to medium (Kotey & Sheridan, 2004), with some suggesting key HR challenges typically reside early in the growth process (Barrett & Meyer, 2010). Research which has purposefully examined the experiences of high-growth firms highlights challenges in communicating vision, delegating responsibility and formal recruitment (Mazzarol, 2003). What is clear is that ‘as firms achieve increasing levels of growth, HR issues seem to shift’ (Rutherford et al., 2003, p. 332). Surprising therefore that dedicated consideration of SME growth is something of an exception (Kotey & Slade, 2005; Krishnan & Scullion, 2017). There is much value add in exploring the dynamic nature and contribution of HR in scale-up, ‘gazelle like’ organizations. Moreover, rich opportunities may come from exploring the interaction of definitional parameters for example, comparing the value of HR across emergent and established high-growth firms (López et al., 2019).

### ***HRM Practices in SMEs: What do we know?***

HRM practices in SMEs have been found to be generally informal (Agarwal & Jha, 2015; Harney & Dundon, 2006), with a wealth of papers focusing on measuring the level of formality of HR practices as the only basis for examining the effectiveness of HR (e.g., Nguyen & Bryant, 2004; Barrett & Mayson, 2007; Bartram, 2005; Kotey & Sheridan, 2004; Kim & Gao, 2010; López et al., 2019). Qualitative research illustrates that HRM in SMEs can be reactive,

emergent and opportunistic, as opposed to being necessarily formulated or combined in coherent bundles (Gilbert & Jones, 2000; Marlow, 2000). A group of articles examined the heterogeneity/homogeneity of HRM in SMEs, with many studies identifying a huge diversity of HRM practices and approaches amongst SMEs (e.g., Cassell et al., 2002; Duberley & Walley, 1995).

A widely used referent in the HR–SME literature is the ‘small is beautiful’ versus ‘bleak house’ scenario where the former is equated with a ‘happy family’, positive image of HR and work relations, while the latter implies impoverished HR, autocratic management manifest in negative employee outcomes (Wilkinson, 1999). Whilst some authors align their findings with the bleak house stereotype of HR within small firms (e.g., Kotey, 1999; Singh & Vohra, 2009; Wiesner & McDonald 2001), many articles equally refute this labelling. Instead, these papers suggest that even if HR practices are not sophisticated and/or formal, they still play a significant part in the success of these enterprises (e.g., Pittino *et al.*, 2016; Wiesner & Innes, 2010; Storey *et al.*, 2010; Barrett & Meyer, 2010; Bacon *et al.*, 1996; Tsai, 2010; Dietz *et al.*, 2006; Richbell, Szerb & Vitai, 2010). Mazzarol (2003) found that small companies displayed strong flexibility in adapting to change, with high levels of employee participation and involvement. Although such assessments are frequently in the eyes of owner-managers as opposed to employees, they do open up important contextual insights on HRM as it exists and actually operates in SMEs.

Reflecting dominant debates in HR research (Jiang et al., 2012), the best fit versus best practice debate was also evidenced. Many papers advocate a contingency approach as more suited to the SME context (Chadwick et al., 2013; Atkinson & Lucas, 2013; Georgiadis & Pitelis, 2012; Rauch & Hatak, 2016; McClean & Collins, 2019). Nonetheless, explorations of HPWS/HPWP were dominant (e.g., Chadwick & Li, 2018; Newman & Sheikh, 2014; Razouk, 2011; Kerr *et*

*al.*, 2007; Way, 2003). At times, they were manifested through High-commitment HR practices (Allen *et al.*, 2013), or Human capital-enhancing HR systems (Hayton, 2003; Teo, Le Clerc & Galang, 2011). Despite the fact that the HRM bundle or system concept is well established, only a few studies directly incorporated this logic (e.g. De Grip & Sieben, 2009; Elorza *et al.*, 2011; Wan Hooi & Sing Ngui; Teo, Le Clerc & Galang, 2011; McClean & Collins, 2019; Chadwick & Li, 2018, L'Écuyer, *et al.*, 2019). The more typical approach was to make a selection from the numerous HPWP and list them as a set of unconnected practices. When it came to studying HR holistically, there was some exploration and support for a configurational model of HR practices (Jennings *et al.*, 2009; Wan Hooi & Sing Ngui, 2014), including evidence of equifinality with comparable levels of performance across differing HR archetypes (Fabi *et al.*, 2009).

Paradoxically, the dominance of a universalistic perspective does not sit well with the prevalent labelling of HR practices as being more informal and ad-hoc. At the crux of this issue is varying interpretations of the resource based view of the firm, with frequent calls for greater specification and extension (Marchington *et al.*, 2003, see also Collins, 2020). In terms of coverage, practices which belong to the basic HR functions are the most prevalent due to the presumption of a limited number of HR practices in SMEs; specifically, recruitment and selection, training and development, performance appraisal, and compensation (e.g., Newman & Sheikh, 2014; Barrett & Mayson, 2007). Other studies cover larger sets of HR practices such as employee relations, communication, job security, job rotation and health and safety (e.g., Way, 2002; Agarwal & Jha, 2015; Razouk, 2011; Cunningham, 2010), with more recent studies exploring agile and resilient HR practices (Heilmann, Forsten-Astikainen, & Kultalahti, 2018), work-family initiatives (Lin *et al.*, 2014), social responsible HR practices (Lechuga Sancho *et*

al., 2018), and green HR practices (O'Donohue & Torugsa, 2016). An interesting approach by Jennings et al., (2009) explored the novelty of HR systems.

### ***HRM Practices in SMEs: Where do we need to go?***

Overall, the HRM practices found in SMEs are quite diverse, which reinforces the importance of contextual understanding, appreciation of definitional parameters and examining determinants (the focus of only 30% of studies). In order to enhance understanding, research should move beyond a simplistic formal/informal frame of reference and associated beautiful versus bleak-house stereotypes for exploring and evaluating HR practices. Instead, progress will come from more elaborate and refined measures which can capture the extent of (in)formality (e.g. Singh & Vohra, 2009; Nguyen & Bryant, 2004) and better accommodate HR variety, for example, by exploring the breadth and intensity of HRM versus the presence or absence of practices per se (see Bryson & White, 2019; Kroon et al., 2013; Sels et al. 2006 p. 90). This could be accompanied by a more rounded assessment of the diffusion and implementation of HR, moving beyond examinations of HR intentions to get closer to how HR practices actually function. By definition this implies a wider remit of respondents than the current owner-manager dominant frame of reference.

With respect to dominant debates in HRM, while it is understandable and important to assess the applicability of HPWS to SMEs, this should form the beginning rather than end of analysis, inviting further questions as to the SME characteristics which may substitute, complement or indeed cannibalize the validity of HPWS in this context. Given the limitations of a one-size fits all approach, there is scope to disaggregate HRM bundles by exploring different HR enhancing practices (Rauch & Hatak, 2016) or applying the logic of Ability-Motivation-Opportunity (AMO) (e.g. Kroon et al., 2013; Shahzad et al., 2019). Exploring the varying effects of

disaggregated bundles of HR practices in this manner may help decipher the changing emphasis of HR across varying types of SMEs and growth trajectories. While contingency theory is frequently invoked, assessments of Strategic HRM in the form of vertical and horizontal alignment are exceptionally rare. Highlighting the merits of a qualitative approach, Samnani & Singh (2013) illuminate how misalignment can create conflicting signals for employees. Beyond this study, there is limited assessment of ‘deadly combinations’, or explorations of the synergy or sequencing of HR practices. Similarly, there is little understanding of how HR practices may change, beyond a narrow form of size determinism. One approach which has had success in grouping HR practices, but remains underutilized, comes from a configurational or Gestalts perspective, including clustering based on the intensity of HR/TM use (Festing et al., 2013) or strategic contexts and integration (Fabi et al., 2009).

In terms of conceptualizing HR practices, surprisingly little research has pursued multi-level and in-depth approach such as distinguishing between HR philosophy/principles, HR policy, HR practices and HR processes to capture the unfolding of HR intent through to employee experiences of same (e.g. Arthur & Boyles, 2007). This would provide one mechanism to reconcile global and universal understanding of HR (e.g. owner manager HR philosophy) with more idiosyncratic approaches (e.g. HR practices). It is encouraging to see that research in this area has embraced next HR practice in the form of CSR, agility and resilience, opening questions of whether SMEs can be more readily innovative and flexible in their approaches to people management (Jennings et al., 2009; Mazzarol, 2003) and what motivates such innovation. Interestingly, considerations of diversity and inclusion were limited (for one exception see Lin et al., 2014), while the role and impact of technology was similarly neglected (for an exception see L'Écuyer, et al., 2019). Given the dominance of owner-managers, coupled

with the prospects of examining direct changes, SMEs offer an exemplary and transparent research site for investigations of specific HR interventions.

### ***HRM and Performance: What do we know?***

Many of the quantitative studies focus on proving the HRM-performance relationship in the SME context with some evidence of a positive direct or indirect-impact (Rauch & Hatak, 2016; Sheehan, 2014), albeit with some important caveats, for example, that the outcomes produced by HPWS may not exceed the costs of their introduction (Way, 2002), exceptions where personal relations may substitute for formal HR practice (De Grip & Sieben, 2009), and variations across firm size, where medium sized firms might not benefit from HPWS (Wu et al., 2015). Most explored was the link between a set of HR practices and performance (e.g., Sels *et al.*, 2006b; Allen *et al.*, 2013; Lechuga Sancho *et al.*, 2018), whilst others sought to identify the added value of each HR practice on an individual basis (e.g., Chow, 2004; Lopez et al., 2019). Performance is a multi-dimensional construct, with articles exploring different levels of HRM outcomes, ranging from distal performance outcomes through to more proximal HR and employee outcomes. The majority of papers focused on assessing the overall relationship between HRM practices with organisational performance captured in terms of revenue growth (Allen et al., 2013; Carlson, Upton & Seaman, 2006), profitability (Razouk, 2011; Faems et al., 2005; Lin et al., 2014; Thach & Kidwell, 2009; Lopez et al., 2019), innovation (Fabi et al., 2007; Gil-Marques & Moreno-Luzon, 2013; Messersmith & Guthrie, 2010, Rasheed et al., 2017; Do & Shipton, 2019), 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 organizational ambidexterity (Patel, Messersmith, & Lepak, 2013). Some studies

looked to more SME specific and innovative measures of performance including models of bankruptcy prediction (Faems, et al., 2005; Sels et al., 2006), resilience (Lai et al. 2016), while qualitative research unpacked the dynamics of long term viability and cross-generational transfer (e.g. Marchington et al., 2003). Most studies adopt subjective measures of performance relative to competitors (cf. Delaney & Huselid, 1996), including self-reported measures like sales growth (Messersmith & Wales, 2013), but also self-assessments of organizational priorities (Kerr et al., 200; Messersmith & Guthrie, 2010) and entrepreneurial performance (Hayton, 2003). The merits of subjective measures are considered ‘more pronounced’ (Chadwick & Li et al., 2018: 1421) by capturing the relative and multifaceted nature of organisational performance in the SME context. Allied to this are stated difficulties associated with obtaining pure objective measures, including a noted reluctance by SME managers to disclose financial information (see Kerr et al., 2007, p. 59-60 for a discussion).

Intermediate variables were used much less frequently, with labour productivity being far the most common. Labour productivity was measured objectively in industry specific studies including prescription lines per employee in pharmacies (De Grip & Sieben, 2009) or revenues per lawyer/partner in the legal profession (Jennings et al., 2009), but more likely captured via subjective assessment i.e. relative to competitors/industry norms (Chadwick & Li, 2018; Lai et al., 2017- see Patel & Cardon 2010 for a useful discussion). Other intermediate considerations included flexibility and quality improvements (Fabi et al., 2009), social climate (Razouk, 2011), learning capability (Hooi & Nqui, 2014), while an action research study was able to demonstrate how HR resulted in cost reduction in a single case study of a bakery (Doherty & Norton, 2013).

A third stream of HRM-performance research examined HR practice effectiveness by focusing on more proximal measures of employee behaviour and performance outcomes such as employee satisfaction (Chow, 2004; Mustafa et al., 2018), employee commitment (Elorza et al., 2011; Giauque et al., 2010; Li, Rees, & Branine, 2019), self-reported job quality (Storey et al., 2010), employee retention (Pittino et al., 2016), employee turnover, absenteeism and instances of litigation (Kaman et al., 2001; Way, 2002; Fabi et al., 2007). Providing a rounded assessment combining individual, HR and/or organisational outcomes is considered to be a more reliable approach to evaluating the effectiveness of HRM practices in the SME context (e.g. Allen et al., 2013; McClean & Collins, 2019; Storey et al., 2010; Zheng, Morrison & O'Neill, 2006). Despite the known resource constraints of SMEs, the inclusion of an assessment of costs associated with the implementation of HR practices was very much the exception (Sels et al., 2006; Way, 2002).

A handful studies explored the critical mechanisms of the HRM-performance relationship, albeit largely from the perspective of management (Chadwick & Li, 2018; Patel & Conklin, 2012, for a notable exception see McClean & Collins, 2019). Noteworthy examples of studies considering mediating effects include Allen *et al.* (2013) who tested the mediating effect of employee involvement and quit rate on organisational performance, Hooi & Nqui (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 on incremental and radical innovation when mediated by organisational culture change. Most studies attempted to associate positive outcomes with more formal and sophisticated HRM. This sits uneasily with research that has identified successful SMEs and worked backwards to explore the HRM practices that they have place. Here a range of pragmatic, optimal and 'intelligent', formal and informal HRM is evidenced (Marchington et al., 2003:

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20), with successful SMEs found to “adopt a distinct bundle of workforce related practices, based upon [their] own perceived needs and priorities” (Drummond & Stone, 2007, p. 196). Indeed, drawing on dominant RBV logic, such divergence may constitute a source of competitive advantage for SMEs (e.g., de Kok & Uhlaner, 2001; Fabi, Raymond & Lacoursière, 2007).

### ***HRM and Performance: Where do we need to go?***

Despite some progress, research on the HRM performance relationship in SMEs remains limited and equivocal (Chadwick & Li, 2018; Barrett & Mayson, 2006). In addition to more finessed and refined measurement of HR and performance as discussed, there is a requirement for more thorough understanding of the processes by which HRM is enacted and experienced in SMEs. This involves moving beyond the current narrow focus on the content of HR practices, to embrace the significance of process in understanding how HRM functions and is actually received and understood by employees (for examples see Elorza et al., 2011; Do & Shipton, 2019). Understanding the nature of HRM system strength, including via the Bowen and Ostroff (2004) logic of distinctiveness, consistency and consensus, would seem to hold particular relevance to the SME context, recognizing the critical role of owner manager and accommodating the formality-informality dynamic by not privileging one over the other (Bryson & White, 2019). Equally, a process lens would orient researchers towards how firms deploy the resources they have to best effect, including in the shaping of HRM signals and messaging. This approach might also re-balance research to consider the relative success of both high-road (best practice, high involvement) and low-road (cost oriented, minimalistic) approaches to people management (Gerhart, 2005). Moving from conceptualizing HRM as an intended practice to exploring how HRM is realised and received, opens up scope for greater

engagement with critical explanatory mechanisms, thereby overcoming current preoccupations with ‘direct relationships at a high level of abstraction’ (Messersmith and Guthrie, 2010: 256). Research would do well to draw from wider discussions as related to AMO and mediating mechanisms (Jiang et al., 2012), and also explore context relevant concepts such as resource orchestration, relational-co-ordination and strategic (resource and co-ordination) flexibility (Chadwick, Super & Kwon, 2015; Sanchez, 1995).

Related to the under-appreciation of explanatory variables, a surprising void in existing HRM in SME research relates to the lack of employee voice and perspectives (represented in only one-fifth of studies). While the significance of employee perceptions of HR systems has been recognized as a critical factor determining success of HRM (Elorza et al., 2011; Li, Rees, & Branine, 2019), SME research has relied heavily on the owner-manager frame of reference (Lai et al., 2016). This is somewhat surprising as research from an SME employee perspective points to a number of anomalies which counter dominant HRM-performance assumptions (Bryson & White, 2019). Employees working in SMEs have been shown to exhibit greater levels of satisfaction and engagement, even in the absence of more sophisticated HRM (Lai et al., 2017). Similarly, jobs in SMEs may provide greater autonomy, while SME characteristics and employee appreciation of ‘resource poverty’ (Mayson & Barrett, 2006) can lead to interesting dynamics related to justice, perceptions of relative pay and job expectations. Absent also were any considerations of the nature or level of organizational citizenship behaviour or employee well-being in SMEs. All these factors point to employees as critical and insightful respondents for future research on HRM in SMEs.

Finally, there is scope for research to be more creative in the exploration of performance. This might include more studies which purposefully ‘select on the dependent variable’ choosing

organisations known to be successful to unpack key HR interventions and examining whether they reflect or contradict current understanding (e.g. successful corporate entrepreneurship in Castrogiovanni, et al 2011; or ‘best companies to work for list’ in Drummond & Stone, 2007). Interesting research avenues might include a broader remit of economic, organizational and social outcomes (e.g. Razouk, 2011), including further exploration of threshold HR, long-term survival, sustainability, and legitimacy (Chadwick et al., 2016). HR research exhibits something of a ‘survivor bias’ meaning that failure remains a critically under-researched phenomenon (Jacks et al., 2006). Indeed, research hints that sub-optimal performance can actually serve as a key catalyst for introducing or altering HR in SMEs (Gilman et al., 2015).

### ***Determinants of HRM in SMEs***

One-third of studies explored the various determinants of HRM practices in SMEs to better appreciate context. Determinants were variously explored with reference to the factors impacting the adoption of HRM or Talent Management practices in general (e.g., Cassell et al, 2002; Festing et al., 2013), the adoption of specific models of HRM, such as HPWP (e.g., Della Torre & Solari, 2013), or specific human capital-enhancing HRM practices (e.g., Teo, Le Clerc & Galang, 2011), a partnership philosophy (e.g., Messersmith & Wales, 2011), or indeed the formality of HRM practices (e.g., Storey et al., 2010; Psychogios et al., 2016). The key determinants explored can be generally classified into owner-manager related, internal, and external factors. As captured in Figure 1, the influence of the owner-manager/founder was a prominent finding, explored in a multi-faceted fashion. For example, research suggests that highly educated owner-managers (Newman and Sheikh, 2014) with more managerial experience (Georgiadis & Pitelis, 2012; Khavul et al., 2010) are more likely to invest in HRM, while in a Chinese study, female leadership was found to positively moderate the HR

flexibility-innovation relationship (Xiu et al., 2017). Equally significant was the extent of owner-manager awareness of HR and perception of HR effectiveness (Benmore & Palmer, 1996; Kroon et al., 2013; Klaas et al., 2012; Mazzarol, 2003; Nankervis, Compton & Savery, 2002). Owner-manager style is noted as having a significant imprinting effect on HR approaches in SMEs, including to the extent that HR philosophy can determine the success or otherwise of entrepreneurial orientation (Mesersmith & Wales, 2011), that commitment based CEO employment models shape the nature of exchange relationships resulting in positive performance outcomes (Allen et al., 2013; Wagar, 1998), and that charismatic leadership can play a critical synergistic role with high-commitment HRM (McClean & Collins, 2019). Qualitative research has further unpacked the various roles of managerial agency in shaping (and resisting) HRM including via values and ideology (Doherty & Norton, 2013; Drummond & Stone, 2007; Harney & Dundon, 2006).

### ***Owner-Manager/Founder influence: Where do we need to go?***

The owner-manager stream of research reinforces the significance of managerial agency in shaping HR (Chu & Siu, 2001; Steffenson et al., 2019). Going forward research would benefit from further in-depth exploration of owners/CEOs as ‘HR sense-givers’ (Nishii and Paluch, 2018), including their HR philosophy and a focus on how they interact, engage with and delegate HR responsibilities (especially in the absence of a dedicated HR specialist). More targeted research could examine how HR sense giver roles are moderated by factors including experience, gender, and the nature and intensity of networks. Although evidenced in qualitative cases, no article took a top management team (TMT), or team level perspective to examine how HR might be enacted and implemented (see Steffenson et al., 2019). The role of owner-managers/CEOs/TMT as a natural conduit for vertical fit (Mayson & Barrett, 2006), could be

further unpacked via HR system strength, managerial capabilities or signalling theory (Collins, 2020). Critically important is to examine a diversity of styles, as opposed to exclusively focusing on commitment and charisma, else there is a risk of inadvertently perpetuating a ‘small is beautiful’ stereotype. Finally, in the context of growth and change, we know little of how owner-managers manage the transition into, and out of, various employment models/HR blueprints and the key catalysts informing this (e.g. education, experience, competitive pressures, employee expectations etc).

### ***Internal determinants: What do we know?***

In terms of other internal determinants, size, age and/or resources are seen as key elements underpinning the nature and viability of HR practices in SMEs (e.g., Kotey & Slade, 2005; Kaman et al., 2001; Fabi et al., 2007; Chandler & McEvoy, 2000, Lai et al., 2017; Rodwell & Shadur, 1997). This reflects the discussion of definitional parameters above, and highlights the significance of such initial framing in accommodating variance, both across and within SMEs. Ownership was found to be an important factor affecting HRM practices (e.g., Bacon et al., 1996; Zheng, O’Neill & Morrison, 2009), with an important stream specifically exploring the dynamics of family ownership (Carlson et al., 2006; Reid & Adams, 2001; Reid et al. 2002), including a prospective substitute effect for HRM (de Kok, Uhlaner & Thurik, 2006; Pittino et al., 2016). Given the widely recognized resource constraints of SMEs, manifest in the liability of smallness, surprisingly little research explored resource related contingencies such as capital intensity (Chadwick et al., 2013) or directly considered time and costs (McPherson et al., 2008; Bae & Yu, 2005). Those that specifically considered the impact of resource constraints provide critical observations related to the likely cost-enhancing impact of investment in sophisticated

HRM for SMEs, resulting in questionable effects on labour productivity (Sels et al., 2006; Way, 2002, p. 778).

A second stream of internal determinant articles provides insights in keeping with contingency approaches to HRM. The nature of talent was a key factor contributing to the introduction of more extensive HRM with a positive impact found for a more highly skilled workforce (e.g., Barrett & Meyer, 2010; Bacon & Hoque, 2005; Wu et al., 2014). Similarly, research finds support for strategy as a determinant of HR practices including TQM (Gil-Marques & Moreno-Luzon, 2013), entrepreneurial orientation (Messersmith & Wales, 2011), and strategic flexibility (Xiu et al., 2017), although as discussed previously the relationship between growth and HRM is less clear (de Kok & Uhlaner, 2001). Further variants included consideration of HR in the implementation of strategy including TQM (Chandler & McEvoy, 2000) and the human capital emphasis of strategy (Barrett & Meyer, 2010). Other studies reinforce the value of a contingency approach by illuminating various configurations such as product, network and market development strategy (Fabi, Raymond & Lacoursière, 2009), finding that high performing SMEs combine a differentiation strategy with a skilled workforce (Georgiadis & Pitelis, 2012) or that higher performing SMEs utilise clusters of human resource practices including greater informality and employee participation (Verreynne et al., 2012).

A final small number of studies consider the extent of HR specialization (HR manager/department). Interestingly, research linking the introduction of an HR manager to the uptake of HRM is equivocal, with some finding no relationship (Wu et al., 2014), some finding a relationship for particular practices including formal training and performance-related pay (Way & Thacker, 2004) and others highlighting a relationship, albeit unconnected to the size of the organisation (Kerr, Way, & Thacker 2007). De Kok, Uhlaner, and Roy (2006) found no

impact for HR specialization in family owned enterprises, while Chadwick and Li (2018) find that HPWS and HR departments are associated with higher perceived establishment labor productivity. A common factor is a lack of replication across studies. One notable exception, while focusing on IPOs versus SMEs per se, is Chadwick et al.,’s (2016) replication of Welbourne and Cyr (1999) on the impact of the presence of HR executives on success and subsequent post-IPO survival.

### ***Internal Determinants: Where do we need to go?***

The review highlights opportunities for research to better engage with the context and complexities of internal determinants of HRM in SMEs. Research has rarely sought to incorporate resource related dimensions of the liability of smallness, despite well-established effects. Future research could deploy the lenses of resource orchestration theory, agency theory, ambidexterity, or transaction cost economics to allow for what might be termed the ‘conditions of possibility’ (i.e. the challenges, costs and barriers) of introducing viable and sustainable HR in an SME context. The SME context provides a unique opportunity to explore the premise of strategic fit (in addition to the direct impact of leadership highlighted previously), including further explorations of concepts such as philosophy, culture and path dependency (e.g., Patel & Cardon, 2010; Marchington et al., 2003). These may well be allied to a basis of understanding founded on stewardship theory or social exchange as well as more context specific outcome variables in the form of socio-economic wealth (Chrisman, Chua and Zahra, 2003). Similarly, there is much to learn from differing ownership types (Cater et al., 2019) and unpacking family dynamics, management and succession in an SME context.

A critical addition, echoed across the discussion, is the need to incorporate employee perspectives. This would help shed much needed light on the ‘basis of employee attachment’

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(Bryant & Allen, 2009) and employee attributions of HR approaches and practices. One longstanding, but underexplored, question is why employees might choose to work in an SME context, relative expectations around pay and conditions, and factors impacting retention. We know little of the prospective dark underside of HR practices in the form of work intensification, stress or negative impacts on well-being. Exploration of these questions might gain inspiration from revisiting classic sociological work including Ingham's (1967) self-selection thesis or by pursuing in-depth explorations of nature of social relations in SMEs (Curran & Stanworth, 1979). Similarly, we know little of the extent to which SMEs leverage and highlight characteristics that might be unique to industry norms as a basis of candidate attraction or employer branding (Jennings et al., 2009; Williamson, 2000; see Chadwick and Flinchbaugh, 2020). Finally, existing approaches take something of a unitarist perspective, when in practice HRM may be designed and/or received differently, even within SMEs (Krishnan & Scullion, 2017). In a similar vein, the role and impact of contractors and gig workers in an SMEs context has yet to be explored.

### ***External determinants: What do we know?***

Several studies incorporated external factors as determinants of HR practices, although not always in an exclusive or dedicated fashion. At a macro level there was limited detailed assessment of national culture and institutions, with exceptions including Chinese SMEs (Chow, 2004; Cunningham, 2010; Qiao et al., 2015), regional conceptualisations (Psychogios et al., 2016), hierarchical distance in Spanish SMEs (Triguero-Sánchez, Peña-Vinces & Sánchez Apellániz, 2013) and comparative research across two national contexts (e.g. UK and France, Gilman & Raby, 2013; US and Australia, Thach & Kidwell, 2009; Germany & China, Stokes et al. 2016). Employment regulation received some attention, albeit as part of a broader



range of factors (e.g., Atkinson & Lucas, 2013; Gilbert & Jones, 2000; Raar et al., 2000), although Rauch & Hatak's (2016) meta-analysis did find that HR-enhancing practices were more effective in country contexts characterized by rigid labor regulations.

The most studied external determinant was industry sector (Barrett & Meyer, 2010), with HRM found to be particularly significant in the context of highly-skilled sectors (e.g. Georgiadis & Pitelis, 2012). Exploring the nature of HR practices in single industry contexts can be hugely informative, although reflective of HRM in SME research generally, it is important to recognize the high-tech bias in research. Tsai (2010) found sophisticated and relatively homogenous HR in semi-conductors, whereas Ho, Wilson and Chen, (2010) provide an analysis of agency and a diversity of HR approaches across bio-tech SMEs. Dietz et al., (2006) found that the people orientation in e-commerce led to HR formalisation, while a meta-analysis reaffirms that HR enhancing practices are generally more relevant in high-tech industry (Rauch & Hatak, 2016). Some research has usefully moved to specify the nature of industry conditions, finding that dynamism and growth positively impact the HRM-labour productivity relationship (Chadwick et al., 2013). Drawing on extensive cross-industry samples, Wu et al., (2014) found no direct effect of competitive intensity on HRM adoption, whereas Patel & Cardon (2010) found a contingent effect of product market competition based on the presence of group culture.

Research has found HRM adoption can be coercively determined by dominant customers (Bacon & Hoque, 2005), is positively related to engagement with international external partners (Newman & Seikh, 2014; Khavul et al., 2010), and employer associations (Bartram, 2005), while more extensive relationships with larger firms has been found to be predictor of HRM formality (De Kok & Uhlaner, 2001), although not universally (Wu et al., 2015). Wu et al., (2015) also found that external advisors are more likely to influence the uptake of HR than

the presence of a HR manager. Research highlights a moderate to weak impact of trade unions and collective labour agreements on the adoption of HRM in SMEs generally (de Kok & Uhlaner, 2001; Bacon & Hoque, 2005), although certain practices are associated with union status such as employee assistance program and HR departments (Wagar, 1998). Surprisingly little research unpacked labour force dynamics or competition for skills as factors motivating the nature of HRM, although there are hints that such factors are highly significant (Harney & Dundon, 2007; Marchington et al., 2003; Tsai, 2010).

Only a handful of research provided a more holistic assessment bringing multiple-determinants together to recognize the complexity of HRM in SMEs i.e. Gilbert and Jones (2000), Kroon et al., (2013); Harney & Dundon (2006); Newman & Sheikh (2014) and Tsai (2010). One study was exclusively dedicated to examining the internal (differentiation and capital intensity) and external (industry) boundary conditions of the HR system-small firm productivity relationship (Chadwick et al., 2013). A few articles explore more dynamic determinants of HRM in SMEs, including the impact of economic downturns as manifest in a phased approach to rightsizing (Chu & Siu, 2001) and how HR can provide greater resilience during recession (especially for medium sized firms) (Lai et al., 2016). In terms of development and expansion, an interesting study by Khavul et al (2010) finds that internationalizing into more economically developed countries, or to those countries with stronger employment regulations, is linked to greater investment in HR. Beyond these studies there is little work exploring key catalysts for the introduction or change in HRM.

### ***External determinants: Where do we need to go?***

Acknowledging the exceptions discussed above, in most studies the cultural or institutional backdrop is assumed or ignored. At a macro-level there is scope to enhance research through

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purposeful cross-comparative insights on the nature, diffusion and innovative practice of HRM in SMEs. This will be gained through systematic exploration of a wide range of national cultural differences, or with reference to varying institutional regimes such as co-ordinated verses market economies (a rare example of this type of approach see Khavul et al., 2010). We therefore follow Burton et al., (2019) calling for greater recognition of the institutional context framing the HR and employment practices available to, and applied, in SMEs.

At the industry level, research needs to move beyond a high-tech bias to more fully represent the entire population of SMEs. Cross-industry studies, especially industries of varying labour intensity, have the potential for rich insight on the breadth of HRM. Intra-industry analysis provides a means to hold key factors constant, enabling a more-in-depth explication of how determinants take effect (Ho et al., 2010), including how approaches may vary across firms with differing high/low road strategic trajectories. Given the stated proximity and vulnerability of SMEs to external conditions, there is a critical need to explore labour market dynamics, for example, the impact of a constraint in supply or requirements to access contract labour. The concept of demand-side labor constraints, and explorations of how they can be managed in an SME context are likely to prove particularly fruitful (cf. Delery & Roumpi, 2017).

While not a direct consideration of any article reviewed per se, a review of findings reveals that the introduction of HR in SMEs is most likely as a result of a defining moment, presenting issue, HR challenge or crisis. The range of ‘presenting issues’ (see Figure 1) found to directly impact HRM includes a change of ownership, succession, the introduction of professional managers, a decline of performance (Bacon et al., 1996), corporate shocks (Cassells et al., 2002), underperformance and intensified competition (Harney & Dundon, 2006), venture capital influence (Dietz et al., 2006) or the perception of HR as a problem or challenge (Barrett

& Meyer, 2010; Festing et al., 2013; Tocher & Rutherford, 2009; Werner & Herman, 2012). These point to the significance of exploring presenting issues and catalysts for the introduction of HRM in SMEs, thereby gaining a better appreciation of HR issues in SMEs. Theoretical lenses to facilitate this task might include event system theory, punctuated equilibrium, coupled with an eco-system logic, all of which allow for greater appreciations of dynamism and context (Snell et al., 2019). Research exploring the impact of the coronavirus (Covid-19) for SMEs is likely to be in keeping with this ‘presenting issue’ logic.

## **Summary**

Although HRM in SME research has increased over the last quarter of a century, it has not yet reached a stage of maturity. Reviews have called for more nuanced and contingent understanding to accommodate HRM in SMEs (Marlow et al., 2010; Rauch & Hatak, 2016). The current review contributes by providing the first detailed mapping of existing research (what we know, see Figure 1), while also identifying research gaps and questions to progress knowledge (where we should go, as summarised in Table 2 below). It is clear from the review that research progress to date has been hindered by inadequate conceptualisation of both SMEs and HRM. Considering SMEs, the discussion of definitional parameters highlights that size, age, ambition and growth are critical inputs to ensure analysis recognizes HR variety ‘tied to the context of the SME’ (Rauch & Hatak, 2016: 500). While size evidently informs HRM, the definitional parameters outlined, coupled with findings from extant research, re-affirm that size cannot be read in a neat or deterministic fashion. With respect to HRM, too often the purpose of research has centred upon justifying a pre-determined concept (e.g. HPWS), missing a great opportunity to explore what HRM looks like, and how it actually operates in the SME context. Jarzabkowski and Wilson’s commentary in relation to the limited diffusion of strategy techniques is instructive; “the dissociation process is not a failing of practice but a practical

instantiation of theory that may well contribute to our theoretical understandings” (2006, p. 363). Many of the questions highlighted for future understanding of HRM in SMEs (see Table 2) mandate more demand-side, phenomenon driven research allowing for SMEs to be better understood on their own terms (Ployhart and Bartunek, 2019).

**Insert Table 2 about here**

Existing research exploring HRM in SMEs has been hindered by a paucity of conceptual papers, limited critical evaluation of theory or exploration of underlying theoretical assumptions (8% of contributions). To bring SMEs further into the HRM conversation there is a need for theoretical lenses which better explore and accommodate key SME characteristics in the form of owner-manager imprinting, HR philosophy, resource orchestration, the dynamics of informality, HR messaging, employee social relations, and proximity to changes in the external environment. Paradoxically, HRM in SME research has neglected more recent waves of mainstream HRM theorising which would seem to provide extremely relevant and applicable insights as related to HRM process, explanatory mechanisms, the implementation of HRM and the incorporation of employees (Ostroff & Bowen, 2016; Sanders, Shipton & Gomes, 2014). Particular value in accommodating context is likely to come from the application of multiple, integrative theoretical approaches (e.g. Kroon et al., 2013) which allow for structure and agency i.e. the complex-based resource view (Colbert, 2004), referent point theory (Fiegenbaum et al., 1996), or combinations of institutional and resource based factors (Oliver, 1997). Similarly, there is likely to be interdependence in determinants manifest in optimal configurations and clusters, including owner-manager blueprints, nature of employee skill base, employee expectations and market segment (see Lacoursiere, Fabi, & Raymond,

2008 which is also a good example of testing and extending existing research, cf. Harney & Dundon, 2006). While some of the determinants identified may be similar to those confronted by larger organisations, it is the *way* that they take effect, and the nature of firm responses where variation in the SME context can be found. Theoretical understanding will also be further advanced by the use of competing hypothesis and non-linear logic to appropriately explore the applicability and impact of HR both in, and across SMEs, and equally, in a range of contexts beyond high-tech. Dedicated attention to catalysts for the introduction or changes in manifest as ‘presenting issues’ highlights the need for more in-depth, longitudinal research.

A striking finding from the systematic review is the limited incorporation of employee experiences of work in SMEs. Existing research is dominated by a unitarist owner-manager frame of reference (58% of studies), with only 5% focusing exclusively on employees. This is despite the fact that the subjective interpretations and work experiences of employees are critical to understanding HRM, especially in SMEs (e.g. see Lai et al., 2017; Li, Rees, & Branine, 2019). Indeed, employees in SMEs have been found to be more ‘discriminating’ and ‘diagnostic’ than top management (Verreynne et al., 2011). The limited employee evidence base points to intriguing anomalies and insights, for example, firms with minimal investment in formal HRM can have highly motivated employees (Bryson and White, 2019). Relatedly, existing HRM in SME research is firmly located in the domain of intended HRM, with only 18% of studies incorporating both management and employee respondents, something deemed critical when moving to explore the unfolding of HRM towards enacted and experienced HRM practices (Elorza *et al.*, 2011). Allied to this is an absence of in-depth, ethnographic approaches to illuminate the dynamics, discrepancies and complexities of HRM, of the kind typically found in employee relations focused research (e.g. Ram, 1991).

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## **Limitations and Implications for Practice**

The current systematic literature review is not without limitation. We only included peer-reviewed articles published in English-language journals as ranked by ABS/FT criteria meaning that valuable conference and working papers, books and book chapters were excluded. While we purposefully took an inclusive approach incorporating quantitative and qualitative research, potentially relevant studies that focused on OB related concepts, or which did not explicitly use traditional HRM labels, may not have been picked up by our search and inclusion criterion. Nonetheless, the process of bringing together key research insights to date, and opening up questions for future research, provides value to theory and practice. At the most basic level, it is clear that economic and numerical importance of SMEs dictates that they should not be relegated to a footnote in the development of our understanding of HRM. For policy makers and practitioners, the review reinforces the limitations of ‘one size fits all’ conceptualisations of both SMEs and HRM (see Table 3). Appreciating SME definitional parameters and attending to the demand for HRM, including what form of HRM is most likely to be effective and under what circumstances (i.e. the conditions of possibility of practices), will lead to more customized and effective HR interventions. At a firm level, a focus on ‘presenting issues’ suggests firms would benefit from actively monitoring and evaluating the impact of changes in their environment on HRM. Finally, it is important to recognize that while informality brings its own challenges, it does not necessarily imply ad-hoc, unconsidered and backward. Rather, informality can be dynamic, routinized and deployed to meet strategic ends, so that formality and informality are not necessarily antithetical. In terms of the operation of HRM, formality and informality often form two sides of the same coin, so that any approach which denies this risks being analytically short-changed.

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**Insert Table 3 about here**

## **Conclusion**

This quarter-century systematic literature review has synthesized existing research on HRM in SMEs (what we know), while also identifying gaps in our understanding (where we need to go). Early work implied something of a barren choice between a ‘denaturing thesis’ advocating the universal applicability of HRM to SMEs or a ‘specificity thesis’ declaring HRM as irrelevant (cf Curran, 2006). Instead this review suggests that progress will come from navigating a conceptual and empirical pathway between these two extremes, enabled by greater appreciation of definitional parameters, drawing cautiously and critically on existing theoretical insights, better accommodation of context, and incorporating employee experiences of SMEs. Appreciating the relevance of HRM to small and large firms alike ensures that SMEs are not isolated as a conceptual island. Ultimately, if we are to have robust, complete and unbiased theories of HRM, they need to apply, not just to large business, but equally to SMEs where the majority of jobs and employment reside. It is our hope that the research questions emanating from this quarter-century review will help to advance understanding of HRM in SMEs and in so doing provide long overdue recognition of the unique, fruitful and timely context that SMEs offer for investigations of HRM.



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**Table 1 HRM in SME Articles per Journal from the Systematic Literature Review**

Journal Title	Rating (ABS list)	No. of articles	Coverage (approx.)
<b>ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT</b>			
Entrepreneurship, Theory and Practice	4	3	0.33%
Journal of Business Venturing	4	3	0.21%
International Small Business Journal	3	8	0.47%
Journal of Small Business Management	3	7	0.72%
Small Business Economics	3	4	0.02%
International Journal of Entrepreneurial Behaviour and Research	2	2	0.28%
Journal of Small Business and Enterprise Development	2	9	0.99%
Journal of Family Business Strategy	2	1	0.22%
International Entrepreneurship and Management Journal	1	1	0.22%
Journal of Enterprising Culture	1	2	0.57%
Journal of Entrepreneurship	1	2	0.69%
Journal of Small Business and Entrepreneurship	1	3	0.47%
World Review of Entrepreneurship, Management and Sustainable Development	1	1	0.23%
<i>Total Entrepreneurship and Small Business Management</i>		46	0.42%
<b>HUMAN RESOURCE MANAGEMENT AND EMPLOYMENT STUDIES</b>			
Human Resource Management (USA)	4	13	1.38%
Human Resource Management Journal (UK)	4	4	0.49%
Industrial and Labor Relations Review	3	1	0.05%
Human Resource Management Review	3	6	0.78%
International Journal of Human Resource Management	3	24	0.72%
Asia Pacific Journal of Human Resources	2	10	1.5%
Employee Relations	2	8	0.81%
Human Resource Development International	2	2	0.15%
International Journal of Manpower	2	7	0.5%
Personnel Review	2	6	0.61%
Advances in Industrial and Labour Relations	1	1	0.51%
European Journal of Training and Development (previously European Journal of Industrial Training)	1	1	0.06%
People and Strategy (previously Human Resource Planning)	1	1	0.07%
International Journal of Employment Studies	1	1	0.27%
The Indian Journal of Industrial Relations	1	1	0.08%
<i>Total HRM and Employment Studies</i>		86	0.53%
<b>Other Related High Impact Journals</b>			
Journal of Applied Psychology	4	1	
Personnel Psychology	4	1	
Academy of Management Journal	4	1	
Journal of Management Studies	4	1	
Journal of Management	4	1	
Overall Total		137	

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**Table 2      Exploring where we should go: Key research gaps and questions**

<p><b>SME Definitional parameters</b></p> <p><b>Smallness, newness, entrepreneurial orientation and growth</b></p>	<ul style="list-style-type: none"> <li>• To what extent is the nature of HRM and HR challenges distinct across micro, small and medium sized firms?</li> <li>• What are the differing HR benefits and implications in emerging (liability of newness) versus established (liability of smallness) SMEs?</li> <li>• What is the implication of greater HR formalisation on employee outcomes? How does this vary based on SME size and type?</li> <li>• What is the differing contribution of HR based on the extent of entrepreneurial ambition and growth intentions?</li> <li>• How does HRM facilitate successful SME growth, especially in the context of scale-up/gazelle like SMEs?</li> <li>• What are the relative merits of introducing HR executives and more sophisticated HR practices?</li> <li>• How do key definitional parameters interact with other determinants? (e.g. scope for leadership, strategy, AMO)</li> <li>• To what extent can SMEs be more innovative and flexible in their HR practices than larger organisations?</li> </ul>
<p><b>HR Practices in SMEs</b></p>	<ul style="list-style-type: none"> <li>• What is the nature and pattern of HR diffusion and implementation in SMEs?</li> <li>• When should formal HR practices be adopted and how relevant are they to the SME context?</li> <li>• What are the conditions of possibility enabling successful HPWS in SMEs?</li> <li>• Which SME characteristics substitute, complement or cannibalize the validity of HPWS in SME contexts?</li> <li>• What is the impact of varying bundles of HR practices (e.g. as per AMO) across types of SMEs and growth trajectories?</li> <li>• To what extent is HRM aligned with strategy? How does this manifest in an SME context? (e.g. role of founder/owner-manager, direct control, proximity of relations etc)</li> </ul>

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	<ul style="list-style-type: none"> <li>• What is the nature of synergy and sequencing of HR practices? What are the optimal configurations necessary/sufficient for SME performance?</li> <li>• How significant is the owner manager/founder general philosophy towards HR versus specific HR practices?</li> <li>• What is the role and impact of diversity and inclusion in an SME context?</li> <li>• What is the role and impact of technology in enabling HRM in an SME context?</li> </ul>
<b>HRM and Performance in SMEs</b>	<ul style="list-style-type: none"> <li>• To what extent does intended or implied HRM in SMEs translate to employee experiences and outcomes?</li> <li>• Do the benefits of implementing HPWS in SMEs exceed the costs of their introduction?</li> <li>• How does the concept HRM system strength (distinctiveness, consensus, and consistency) translate to the SME context?</li> <li>• Does stronger system strength in SMEs result in enhanced individual, intermediate and organisational outcomes? Does this effect differ for low and high road approaches to people management?</li> <li>• How and why are HR benefits realised in an SME context- what is the role of SME relevant critical intermediary variables e.g. as related to resource orchestration and flexibility?</li> <li>• Does formalisation and sophistication of HRM (e.g. as strategic alignment or HPWS) equate to more positive employee outcomes in/across SMEs?</li> <li>• What is the nature and experience of work in an SME context for employees and how are these shaped by key SME characteristics (e.g. proximity, relativity, perceptions of justice, inter-personal relationships, resource poverty etc) ?</li> <li>• Selecting on the dependent variable- How have successful firms (measured by performance or growth) introduced and managed HRM to enable success? What are the key lessons?</li> <li>• What are the ‘key failure factors’ of when and why HRM does not work in an SME context?</li> <li>• What is the impact of misalignment or deadly combinations of HR practices in the SME context?</li> <li>• How does the contribution of HR change when incorporating more holistic and SME specific measures of performance (e.g. survivability, resilience, succession, socio-economic wealth)?</li> </ul>

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<b>Determinants of HRM in SMEs</b>	<p><b>Owner-manager</b></p> <ul style="list-style-type: none"> <li>• What is the role and influence of the owner manager as HR sense-makers in SMEs? What are the varying HR styles, perceptions of HR and modes of attachment?</li> <li>• How does the owner-manager/founder HR philosophy account for the occurrence of empowerment, motivation, and skill-enhancing HR practice?</li> <li>• To what extent do owner-manager characteristics inform the introduction and nature of HRM?</li> <li>• To what extent does the introduction of HR executives enhance performance/facilitate in realising SME objectives?</li> <li>• How does the owner-manager/top team function in deciding and allocating HR tasks and responsibilities?</li> <li>• On what basis are key HR decisions made?</li> </ul> <p><b>Internal determinants</b></p> <ul style="list-style-type: none"> <li>• What are the resource and cost constraints informing HRM decisions in SMEs? What are the key barriers and/or catalysts for the introduction of HRM?</li> <li>• How does ownership (e.g. family ownership) impact the nature of HR practice and implementation?</li> <li>• What is the nature of employee attribution for the HR approach and practices experienced in SMEs?</li> <li>• Why do employees choose to work in an SME context, is this a case of purposeful self-selection?</li> <li>• To what extent is there HR differentiation within SMEs (e.g. manager versus employees, core versus non-core, legacy versus new employees)? What are the implications for organisational and employee performance?</li> </ul> <p><b>External determinants</b></p> <ul style="list-style-type: none"> <li>• To what extent do cultural and institutional contexts inform patterns of HR diffusion across nations and regions?</li> </ul>
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	<ul style="list-style-type: none"> <li>• Do SMEs confront pressures to conform to accepted principles of HRM or can they be more innovative and flexible in their HR practices?</li> <li>• How significant is industry (especially non-high tech) as a determinant of HRM practice in SMEs? What similarities and difference can be identified both across and within industries?</li> <li>• How do SMEs gain access to HR knowledge and insights? Are external advisors a greater influence on HRM practice in SMEs than HR managers?</li> <li>• What are the demand-side labor constraints confronted by SMEs and how does this inform their HR practice?</li> </ul>
<b>SME Presenting Issues</b>	<ul style="list-style-type: none"> <li>• To what extent do HR practices change and alter overtime?</li> <li>• What are the various catalysts for the introduction of HR/changes in HR in SMEs?</li> <li>• How do key presenting issues inform HR change? Do these alter with the growth cycle of the firm?</li> <li>• What is the impact of owner-manager values/path dependency and how is this reconciled with a need for change?</li> <li>• How do SMEs come to know, understand and ‘sense-make’ key presenting issues?</li> <li>• How do owner-managers manage the transition into, and out of, various employment models?</li> </ul>

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**Table 3 Implications for Owner-Managers, HR practitioners and Policy**

<b>Why definitional parameters are important</b>	<ul style="list-style-type: none"><li>• Just as we do not speak of ‘large’ firms as a category there is no hypothetical SME or small business sector.</li><li>• Policy makers should clearly differentiate across SME types (small, newness, growth orientation and stage) and target HR interventions accordingly.</li><li>• SMEs are likely to find value in local and sector specific learning networks and tools which may enable them to diagnose their own specific requirements (i.e. demand versus supply driven solutions).</li><li>• Policy makers can foster a supportive institutional context for SMEs, including by sense-checking and SME-proofing changes in regulation, labour market policy etc and offering targeted exceptions and incentives where appropriate.</li></ul>
<b>HR Practices in SMEs</b>	<ul style="list-style-type: none"><li>• Owner-managers and HR Managers should ensure aspects of synergy between HR practices and avoid ‘deadly combinations’.</li><li>• There should be a clear understanding of how HR can support strategic objectives and intent (e.g. growth, internationalisation).</li><li>• HRM is something an organization does (process) as much as something it has (content).</li><li>• HRM is best assessed by how it operates and serves key objectives versus simplistic measures (e.g. existence or not of practice, extent of formality versus informality).</li><li>• Informality is not inherently negative, but can be viable and even strategic.</li></ul>
<b>HRM and Performance in SMEs</b>	<ul style="list-style-type: none"><li>• A process lens offers insights into the consistency, consensus, distinctiveness of HR.</li><li>• SMEs are frequently driven by relative and threshold concepts performance (e.g. autonomous growth, survival succession, or exceeding client expectations).</li><li>• SMEs should evaluate the performance of HR and learn from failure.</li><li>• Understanding employee expectations and experiences are critical to success.</li></ul>

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<b>Determinants of HRM in SMEs</b>	<ul style="list-style-type: none"> <li>• Size per se does not determine HRM.</li> <li>• Owner-managers and policy makers should seek to understand when and under what circumstances HR policies work for them i.e. ‘conditions of possibility of HR’</li> <li>• Dedicated attention and time should be allocated to HR decision making and allocation of responsibilities.</li> <li>• The centralized and hierarchally contracted nature of SMEs can enable greater flexibility.</li> <li>• Owner-managers should understand the basis by which firm can sell itself as an employer of choice (i.e. employer value proposition).</li> <li>• More formal HR (and/or HR professionals) should be introduced on the basis of clear strategic intent and considered costs/benefit assessment for both the organization and employees.</li> </ul>
<b>SME Presenting Issues</b>	<ul style="list-style-type: none"> <li>• By close consideration and on-going monitoring of likely challenges and triggers SME can work to pro-actively prepare or navigate them. Scenario planning and future-proofing will aid with strategy and foster SME resilience.</li> </ul>

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**Figure 1**

