

**International Journal of Human Resource Management
Special Issue**

Advancing understanding of HRM in small and medium-sized enterprises (SMEs):
Critical questions and future prospects

Guest Editors

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Reference: Harney, B., Gilman, M., Mayson, S., & Raby, S. 2022. Advancing understanding of HRM in small and medium-sized enterprises (SMEs): critical questions and future prospects. *The International Journal of Human Resource Management*, 33(16): 3175-3196.

Abstract

A notable paradox of HRM research is that while small and medium-sized enterprises (SMEs) form the dominant private sector employer across the globe, they remain dramatically underrepresented in scholarship. This is significant as there are a number of SME specific characteristics that shape HRM in this context, raising questions around the relevance and applicability of dominant understanding of HRM. In this paper we outline six such SME characteristics captured by the acronym RECIPE and outline their implications for HRM. We then introduce seven special issue papers which serve to advance understanding of HRM in SMEs. Drawing together key insights, we conclude by proposing a number of routes for future research and deeper contextualisation of HRM in SMEs. These include broadening the theoretical palette, challenging conventional assumptions, moving beyond an exclusive HPWS focus, incorporating employee perspectives coupled with the need to cast a wider methodological net.

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Introduction

There are a number of reasons HRM scholars should be motivated to explore small and medium-sized enterprises (SMEs). First concerns the socio-economic imprint of SMEs as the largest private sector employers and significant mobilizers of job growth (and contraction). Across the globe, SMEs account for over 95% of firms and 60% of private-sector employment, playing a vital role in innovation, knowledge diffusion and social cohesion (OECD, 2019). In emerging markets, SMEs contribute up to 40% of GDP and generate 7 out of 10 new jobs (World Bank, 2021). Second, the resource constrained and hierarchically contracted nature of SMEs mean that the impact of HRM, whether formal or informal, intended or emergent, is all the more transparent and telling. Third SMEs offer a perfect platform to explore contextual issues, including when, why and under what conditions HRM does (or does not) make an impact. Finally, in practical terms, the resource poverty and labour intensive nature of SMEs mean that, by definition, they have a greater reliance on the effort, engagement and discretionary effort of employees. It follows that the successful management of employees can be critical in determining the survival and development of SMEs (Amarakoon & Colley, 2022; Barrett & Mayson, 2008). All this should mean that SMEs are the default go to for studies of HRM and employment, when in reality the opposite is the case. A recent review finds a scant 0.5% of articles published in employment/HR journals provide dedicated exploration of the SME context (Harney & Alkhalaf, 2021), reinforcing claims of the 'acute shortage' (Gilman & Edwards, 2008: 533) and 'sparseness' (Chadwick & Li, 2018: 1415) of empirical evidence in this area (see also Cooke, Dickmann, & Parry, 2020).

The paradoxical neglect of SMEs from HRM research and the need for more in-depth understanding formed the motivation for this special issue. We were keen to bring leading-edge international research together to advance critical questions and future research prospects concerning the nature, determinants and impact of HRM in the SME context. While there have been growing calls for more dedicated SME research (e.g. Festing, Harsch, Schäfer, & Scullion, 2017; Lai, Saridakis, & Johnstone, 2017) progress has been hindered by a lack of critical assessments of the nature and applicability of HRM as applied to the SME context. Extant work on HRM in SMEs has been described as 'underdeveloped and equivocal' (Chadwick, Way, Kerr, & Thacker, 2013: 311) remaining at a very nascent stage of theory development (Mayson & Barrett, 2006). One key problem in advancing progress is that many studies have perpetuated a large firm bias, by either uncritically deploying established research instruments, and/or by casting the small firm as lacking or deficient if they fail to meet normative ideals. While some have found a positive relationship between a suite of HRM practices and SME performance (Razouk, 2011; Sheehan, 2014) for others the very idea that sophisticated, formal HRM adds value in an SME context 'remains contentious' (Bryson & White, 2019: 750). Similarly, research at the employee level has surfaced a range of contradictions and anomalies (Lai et al., 2017; Tsai, Sengupta, & Edwards, 2007) which may contribute to our understanding, not simply of HRM practices, but also the enactment and implementation of HRM. Efforts to make sense of such contradictory evidence require research to move beyond universalistic stances to explore more appropriate conceptualisation of HRM, enabled by greater recognition and accommodation of key SME characteristics (Allen, Ericksen, & Collins,

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2013; Gilman, Raby, & Pyman, 2015; Harney & Dundon, 2006). The following section provides an overview of the key SME characteristics, which we capture via the acronym RECIPE, especially likely to shape HRM in this context. Next we introduce the seven papers that make up the special issue. We conclude by providing an agenda for future research and advanced understanding.

Small is? RECIPE for grappling with key SME Characteristics

Understanding precisely what constitutes an SME is complex and often contradictory. SME research can encompass firms with anything from 2 to 500 employees, including those that are subsidiaries of larger entities. The EU categorisation offers a pragmatic guide by disaggregating size as micro (less than 10) small (10-49) and medium sized (50-250), as well as introducing boundary criteria related to ownership and revenue. At a basic level we can distinguish SME employers from sole partnerships (Wapshott & Mallett, 2021) meaning that, irrespective of the precise numbers employed, SMEs must by necessity confront the task of people management, whatever form this may take. A further defining feature of SMEs is that they are 'clearly not large' (Storey, 2000). Beyond this it is difficult to navigate the contradictory research findings concerning HRM in SMEs. This is in part due to a failure to appropriately allow for the specificities of the SME context (Torres & Julien, 2005). We can surface at least six key characteristics of SMEs especially likely to inform HRM in this context, but which are hitherto underrepresented in research. These include resource constraints, environmental vulnerability, concentrated ownership, informality, proximity of relations and employee experience. We capture these key SME characteristics via the acronym RECIPE and elaborate briefly on each (see also Cardon & Stevens, 2004; Van Lancker, Knockaert, Audenaert, & Cardon, 2021; Wapshott & Mallett, 2021).

Resource constraints

SMEs are resource constrained with respect to financial resources, but equally suffer resource poverty in terms of slack and time available for strategic decisions. Lacking the sophisticated systems and assets of large firms SMEs have to be more 'resourceful' in the context of cost pressures. One consequence is that SMEs may be reluctant to invest in dedicated HR specialists, at least until they have reached a viable size threshold. This is not to imply that HRM is not significant in SMEs. The labour intensive nature of SMEs means that they are especially reliant on the effort and performance of all employees. This makes SMEs particularly vulnerable to the consequences of deficient HRM such as poor hiring decisions, below par performance and employee turnover or illness (Klofsten, MacEachen, & Ståhl, 2021). The 'liability of smallness' can equally limit opportunities for environmental scanning, reducing awareness of changes in regulation and HR practice, while also impacting SMEs' leverage and legitimacy as a viable employer of choice in the labour market.

Environmental vulnerability

The proximity of SMEs to the external environment means that they are especially sensitive to socio-economic disruption (Lim, Morse, & Yu, 2020; Psychogios, Nyfoudi, Theodorakopoulos, Szamosi, & Prouska, 2019). Unlike larger firms, SMEs typically lack buffers to protect against environmental turbulence and shock. As a consequence SMEs tend to be 'takers not makers' of the external environment (Wapshott & Mallett,

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2021). This 'liability of volatility' (Lundmark, Coad, Frankish, & Storey, 2020) was exemplified during the Covid-19 pandemic, when many SMEs had to fight for survival and/or dramatically pivot their core business operations. SMEs are therefore frequently under pressure to respond to structural and market-orientation instability (Mendy, 2021). Notably, SMEs are also directly impacted by fluctuations in labour market openness and composition. Environmental vulnerability is one of the reasons HRM in SMEs has been found to be either organic, adaptive, ad hoc, or even imposed (Harney & Dundon, 2006).

Concentrated control

A further characteristic of SMEs is the reality of concentrated ownership or control. Owner-managers, founders, top teams and/or familial ownership mean key decisions reside with a small number of key individuals. This can prove a long lasting 'imprint' informing the style and approach to managing people (Baron & Hannan, 2002; Harney & Alkhalaf, 2021). Concentrated control is frequently associated with an ideology of unitarism or claims of a family like atmosphere in SMEs. The implications can be a reluctance to delegate HR tasks and selective use of voice, with limited sharing of financial or strategic information. The leadership style of the respective CEO or owner-manager can therefore have a telling impact in shaping employee experiences of work in SMEs (McClellan & Collins, 2019). Equally, relevant performance criteria for owner-managers will not necessarily be traditional measures of profit or growth. Multi-faceted performance objectives be it survival, succession, local advantage, or socio-material wealth are just as likely to take precedent (Wach, Stephan, & Gorgievski, 2016). These factors mean a different frame of reference for HRM decisions in an SME context.

Informality

A consistent finding from research is that SMEs tend to rely more on informal ways of working and informal HR practice. This characteristic is a direct manifestation of resource constraints, environmental vulnerability and concentrated control. This preference for informality enables flexibility, cost saving and is not seen as a threat to existing leadership styles. This creates an interesting and under explored tension in SMEs. On one hand informality can serve as a viable substitute for formal HR practice and so cannot be automatically castigated as backward or deficient (Bacon, Ackers, Storey, & Coates, 1996; Patel & Conklin, 2012). On the other, informality can provide challenges in terms of due process and ensuring consistency in HRM implementation. In practice, it is useful to explore the extent of informality as SMEs may well have formal HR policy in mandated areas such as health and safety or grievances, but prefer informal means of HR practice or common understanding in areas such as training on the job or recruitment through social networks. In this way HRM in SMEs has been found to be 'intuitive' co-evolving with external conditions (Buisson, Gastaldi, Geffroy, Lonceint, & Krohmer, 2021).

Proximity of relations

The size effect of SMEs means a relatively flat structure and smaller span of control resulting in more proximate social and spatial relations between managers and

employees. This suggests visibility of SME leaders, enhanced chances of on-going employer-employee interactions and that employees are likely to have a direct line of sight to business challenges and end-user experiences. This proximity of relations can facilitate a negotiated order as owner managers seek to control worker output frequently through local accommodation (e.g. flexible working hours, community hiring practices, opportunity for voice and shared responsibility) (Ram, 1991; Wapshott & Mallett, 2012). Of course proximity of relations cannot be equated with a style of relations, as it just as easily facilitates an iron-fist of rule as a family-like culture, or indeed variants of both. Interesting HRM issues also arise when the proximity of relations is disrupted be that via the introduction of new hires to the firm, attempts at formalising practices, dealing with the consequences of growth in employee numbers, or succession/change of leadership.

Employee dynamics

A final, often neglected characteristic of SMEs, concerns the nature of work and employee experiences in this context. Early work advanced a self-selection thesis, suggesting that employees purposefully choose to work in small firms (Ingham, 1967). While such deterministic perspectives have since been criticised, they do highlight the unique features or distinctiveness of employee experience of working in SME context (Van Lancker et al., 2021). Employees working in SMEs might expect to work across multiple roles and tasks and have an ability to directly shape the key value added activities of the business, in addition to finding engagement through regular interactions with management. These factors, allied with the SME characteristics previously discussed, can lead to intrinsic motivation, discretionary effort and greater engagement of employees working in an SME context, even in the absence of sophisticated HR practices (Bryson & White, 2019; Forth, Bewley, & Bryson, 2006; Mustafa, Coetzer, Ramos, & Fuhrer, 2021). This raises interesting questions related to perceptions of justice, local commitment and relative differences in pay and conditions as factors shaping experience of HRM in an SME context (Forth et al., 2006). Of course, we should be cautious to not promote a singular or stereotypical view of SMEs. Paternalistic relations can easily have an undercurrent of control and work intensification. Overall, employee experiences of work in SMEs represents a fertile ground to explore the key premises of HRM scholarship.

It is clear that advancing understanding of HRM in SMEs mandates 'deeper contextualisation' (Korsgaard, Hunt, Townsend, & Ingstrup, 2020). Contextually sensitive research, including greater exploration of the RECIPE SME characteristics offers the possibility to disrupt and challenge conventional assumptions in HRM research. This was the challenge we put to prospective contributors as part of our call for papers for this special issue. For example, there is a requirement to better grapple with the formality/informality dynamic, including where and why informality might be preferred, its consequences, and potential as a basis for competitive advantage or disadvantage. Allied to this, in the domain of SME growth and development, there has been little sense of how firms might transition into and out of HRM approaches. Relatedly, the categories of small and medium are frequently collapsed, providing a missed opportunity to distinguish between firms across sizes. In the spirit of recent

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IJHRM special issues (e.g. McDonnell, Carbery, Burgess, & Sherman, 2021) our motivation was to move away from abstracted concepts of HRM and aggregated understanding of SMEs towards accounts which offer more nuance and complexity than is hitherto evidenced.

Overview of special issue papers

In the first paper '*Employee participation and job satisfaction in SMEs: investigating strategic exploitation and exploration as moderators*', Wikhamn, Wikhamn and Fasth examine the critical role of employee participation in decision making in the SME context. They explore three forms of employee participation as related to work role, HR and strategic decision making. In addition to accommodating the SME context by allowing for formal and informal employee involvement, the paper explores competing hypothesis regarding prospective positive and negative relationships with job satisfaction. Hypotheses are tested through multilevel data collected from 35 top managers and 533 employees in Swedish SMEs. The results generally support positive connotations of employee participation, importantly highlighting the role of explorative (versus exploitative) orientation as an internal boundary condition. The paper affirms the value of providing employees with an opportunity to contribute, and equally maps critical contingencies shaping the likely success of same.

The second paper '*HRM in 21st century small organizations: a midrange typology to describe, contrast and contextualize the phenomenon*', by Kroon and Paauwe offers a (re)framing of the role and purpose of HRM in a small firm context. By focusing on core functional requirements related to the control of work Kroon and Paauwe are able to accommodate the diversity of HRM in small firms. They proposing a three dimensional framing based on hierarchy, formalities and input- or output-oriented dimensions of control. Eight HRM configurations are presented, serving as platform for studies to systematically explore and compare small firm contexts and the varied experience of workers. Significantly, the typology also incorporates emerging organisation types including subcontracted work and alliances hitherto neglected in small firm research, as well as likely triggers and implications for transitioning between ideal types.

The third paper, '*Human resource professionals' human and social capital in SMEs: small firm, big impact*' by Guerrero, Cayrat and Cossette explores the value that HR professionals can bring to SMEs, and the factors that may amplify this. Drawing on resource orchestration theory the paper illuminates the linkages between HR professionals' human and social capital and firm performance via the use of high-performance work practices (HPWPs). Hypothesis are tested on a sample of Canadian SMEs. In contrast to dominant understanding, the findings highlight the performance benefits for SMEs of having HR professionals, realised through the interaction of human and social capital. The paper also introduces size as a moderator, and interestingly finds the relationship strengthened in smaller firms. This raises important questions about age old assumptions of economies of scale, highlighting the merits of theories focused more on resource utilisation and orchestration.

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The fourth paper '*Antecedent of high performance work practices in SMEs: An attention based view*' by Martinez-del-Rio, Pingshu and Guthrie similarly focuses on agency, this time from the CEO perspective. These authors draw on the attention based view to explore how heterogeneity in the use of high performance work practices (HPWPs) is influenced by top managers' exposure and attention to information obtained via environmental scanning. Hypotheses are explored via a combination of archival data and survey responses from 260 agricultural SMEs located across three industry clusters. The results reveal that competition tracking, participation in trade associations, and social network embeddedness are associated with greater use of HPWPs, and that top managers' perceptions of competitive intensity positively moderate this relationship. This highlights the value of externally oriented theories in capturing determinants of HPWS.

The fifth paper '*HRM systems, employee proactivity and capability in the SME context*' by Zhang and Edgar examines how an HR system can facilitate employee job capability in SMEs. To capture the multiplicity of job roles for employees working in SMEs, employee job-related capability is conceptualised as comprising an integration of regular work ability and innovative ability. Hypotheses are tested using survey data of 213 employees working in service sector SMEs in New Zealand. The findings detail how the HR system in SMEs fosters employee proactivity, which in turns enhances job capability. These findings highlight the behavioural orientations through which the HR system strengthens employee capability in SMEs.

The sixth paper '*High Performance Work Systems and Innovation in New Zealand SMEs: Testing Firm Size and Competitive Environment Effects*' by Haar, O'Kane and Daellenbach takes an important innovation focus. Specifically, the paper examines the impact of HPWS in fostering new product/service innovations in SMEs, via the pathway of enhanced human capital. The paper draws attention to the critical contingencies of firm size and competitive rivalry. Moderated mediation models are tested using a sample of 253 SMEs using time-lagged data. The findings reveal that the direct effect of HPWS is partially mediated by human capital. Greater competitive rivalry in conjunction with HPWS, and for larger SMEs produces the highest levels of human capital, while the indirect effect of HPWS on innovation (through human capital) strengthens as SMEs increase in size. This suggests that we cannot ignore the impact of size in appreciating positive returns and benefits of HPWS in an SME context.

The final paper '*High-Performance Work Practices and Labour Productivity: A Six Wave Longitudinal Study of UK Manufacturing and Service SMEs*' by Sheehan and Garavan continues an emphasis on the significance of HPWS in the SME context using a longitudinal perspective. Drawing on the evolutionary resource-based view the paper examines both forward and reverse causality with respect to the HPWS – labour productivity relationship. Critical contingencies are introduced in the form of the moderating role of owner-manager strategic orientation, coupled with firm size and age. Hypothesis are tested from 284 UK manufacturing and service SMEs, drawing on 6 waves of data including independent labour productivity measures. The results show a significant long term positive relationship between HPWPs and labour

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productivity, as well as a significant positive long term relationship between productivity and investment in HPWS. Owner-manager strategic orientation is shown to moderate both sets of relationships, while interestingly the relationships are stronger for small compared to medium sized firms.

Future directions for HRM in SME research

The papers in this special issue advance a greater contextualisation of HRM in SMEs, including by deploying concepts sensitive to the SME context (e.g. employee participation) (Wikhamn, Wikhamn, & Fasth, 2021), recognising the diversity of smaller entities (Kroon & Paauwe, 2021), drawing attention to the role of agents including HR professionals and owner-managers (Guerrero, Cayrat, & Cossette, 2021; Martinez-del-Rio, Pingshu, & Guthrie, 2021), examining the diffusion of HRM based on critical contingencies such as size and competitive dynamics (Haar, O’Kane, & Daellenbach, 2021; Sheehan & Garavan, 2021) and via incorporating employee perspectives (Zhang & Edgar, 2021). Taken together with the overview of SME RECIPE characteristics this suggests multiple avenues to advance understanding and provide a deeper contextualisation of HRM in SMEs. These are elaborated below and summarised in Table X.

Broadening the theoretical palette

Papers in this special issue advance novel theoretical perspectives for exploring HRM in SMEs, including via the attention based view, resource orchestration, ambidexterity and the evolutionary resource-based view. This is significant as HRM in SME research has neglected contemporary waves of HRM theorising likely to be useful for accommodating the SME context (Harney & Alkhalaf, 2021). This includes the HR process perspective which purposefully moves beyond the content/form of HR (e.g. list of best practices). Bowen and Ostroff’s (2004) classic work on HR system strength draws concepts such as visibility, distinctiveness and consistency all of which have great applicability to the smaller firm context e.g. by accommodating informality, examining the function of HR practices and capturing concentrated ownership. A process lens offers a way to unpack the ways SMEs might engage with and apply HR, and equally why and how new HR practices might be considered and introduced, including in different cultural contexts. Recently, Atkinson and colleagues (2022) drew on a HR process perspective to find that owner-manager understanding, commitment to HRM, as well as confidence to act were all critical to determining engagement with HRM by small firms. These types of determinants would rarely be identified in content based studies of HRM in SMEs. Similarly, further exploration of dominant theoretical categories of social exchange, communication and occupational health and safety (Van Beurden, Van De Voorde, & Van Veldhoven, 2021) would seem particularly pertinent to exploring an employee perspective within SMEs.

A second fruitful route to advance theoretical understanding stems from greater engagement between HRM and entrepreneurship scholarship (Burton, Fairlie, & Siegel, 2019). Entrepreneurship research draws upon pragmatic and creative concepts such as practices-in use, resourcefulness, effectuation, problem solving, novelty, legitimacy, and bricolage (Sarasvathy, 2001; Sirmon & Hitt, 2003; Zahra, Please cite as: Harney, B., Gilman, M., Mayson, S., & Raby, S. 2022. Advancing understanding of HRM in small and medium-sized enterprises (SMEs): critical questions and future prospects. *The International Journal of Human Resource Management*, 33(16): 3175-3196.

2021). By contrast, HRM in SME research lacks notable insights on precisely how owner-managers in SMEs navigate resource constraints to effectively create, assemble, structure, bundle, and leverage human resources within firms (whether guided by a dedicated HR function, formal policy or not). Drawing on entrepreneurial thinking and resourcefulness is likely to open up insights into HR decision making, moving beyond the HRM default of providing design at the expense of designing. Significant here are issues of gender and ethnicity and the negotiated orders that form the employment relationship. Inspiration can also be found by revisiting classic sociological research which unpacks the dynamics of workplace relations (Moule, 1998; Ram, 1991) and explores the basis of attraction and attachment of employees to small firms (Ingham, 1967). Taking a more pragmatist stance returns the agency of owner-managers, HR agents and employees to the centre of analysis, focusing on their ability to leverage a given resource base and balance competing demands. To date research on HRM in SMEs has largely proceeded with conceptual blinkers, blinding it to both multi-disciplinary understanding and historical insights.

Hanging a question mark on dominant assumptions

A second area for progress involves hanging a question mark on the dominant assumptions of HRM (Harney & Collings, 2021) so as to avoid uncritical replication of large firm ideas and ideals (Marlow, 2006). We can consider taken for granted assumptions related to resource availability, HR bundles, unit of analysis and performance outcomes. With respect to resourcing, HRM research presupposes a necessary resource base and infrastructure of expertise for the successful introduction and implementation of HRM. Yet a review of the RECIPE key SME characteristics highlights the significance of actually exploring the skill-set, knowledge, and slack available to, and required of, SMEs to effectively engage with HRM (see Kim, Messersmith, & Allen, 2021; Sels et al., 2006a). In terms of the content of HR, there is an assumption that HRM should be considered as an interrelated flow of activities or 'bundle' of practices, a logic central to HPWS. Yet research hints that specific HR practices may take on greater significance contingent on the SME context in questions i.e., based on size, age, ambition, and growth state (Patel, Messersmith, & Lepak, 2013). Haar, O'Kane and Daellenbach (2021) find that while medium-sized firms had significantly higher HPWS overall, this was not uniform across the HR practice bundles. Unpacking HRM with respect to variances across AMO (abilities, motivation and opportunity) dimensions, would be a particularly interesting exercise in the context of SMEs.

A further assumption relates to the unit of analysis and source of expertise. Empirical evidence shows that there is much more variance in the extent of dedicated HR positions across both small and large firms than traditionally assumed (Forth et al., 2006; Guerrero et al., 2021). Moreover, just because a firm does not have dedicated HR experts, does not mean that it does not have access to HR expertise. Recent research points to meta-organisation HRM and the eco-system of expertise available to firms through a range of providers from government, employer associations and private consultancies who operate in either an advisory capacity or as HR partners (Roundy & Burke-Smalley, 2021). Finally, with respect to outcomes, HRM research has proceeded under the assumption of rational, goal-based logic in the service of a narrow performance agenda (i.e. financial returns, enhanced productivity). Yet for

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SMEs ambition and intent are likely framed by issues related to survivability, succession, local advantage, employee expectations, and familial relations the likes of which are analytically marginalized by pure economic logic. This is made clear by recent work capturing the varying rationales for SMEs engaging with voluntary living wage accreditation (Werner, 2021). SME contexts provide important catalysts to empirically question the assumptions that convention has made self-evident truths.

Moving research beyond a HPWS focus

Four of our special issue papers offer important insights related to HPWS moving beyond exploration of direct relationships to examine antecedents, managerial perspectives, employee reactions and impact overtime. While significant in raising the profile of SMEs, an exclusive focus on HPWS is not without problem. First, there is a tendency to conflate a specific form of HR (i.e. HPWS) with the general function of HR, whereas necessity rests only with the latter. The implication is that SME oriented research succumbs to deficiency-based logic, assuming that the exclusive path to progress is to replicate (formal and sophisticated) large firm ideals. To avoid the conceptual myopia of putting the structural cart before the functional horse, research should further engage with the RECIPE SME characteristics, exploring those which may substitute, complement, or indeed cannibalise the validity of HPWS in this context (Harney & Alkhalaf, 2021). It follows that comparisons with normative ideals, should they be mandated, should form the beginning as opposed to the end of analysis.

A second concern with being caught on the HPWS 'research hamster wheel' (Harney & Collings, 2021) is that it can come at the expense of renewed and refreshed thinking. There is a need to incorporate topics which do not feature on best practice lists of HR, but rather constitute the next practice that SMEs must grapple with e.g. sustainability, digitalisation, changing employee expectations and the future(s) of work. Here SMEs, especially entrepreneurial firms, provide important insights in terms of novelty, frugal innovation and resourcefulness (Zahra, 2021). Developments in digitalisation provide unprecedented opportunities for economies of scale in HR terms, including access to talent, task completion and global reach for even the smallest organisation (Klofsten et al., 2021). An interesting question then becomes how and why SMEs transition into and out of various ways of doing HRM. HR practices and solutions are not static, once off structural interventions but require on-going management and change. While open systems approaches do highlight proximity to the external environment and the role of presenting issues that can shape the nature of HRM in SMEs e.g. labour market changes (Harney & Dundon, 2007), paradoxically SMEs are also likely to be subject to owner-manager dependencies, blueprints and core rigidities. All this highlights a great opportunity to explore change and transition in HR in SMEs (see Kroon & Paauwe, 2021).

Insert Table 2 about here

Bringing employees (back) in

HRM in SME research has been dominated by a unitarist owner-manager frame of reference (Harney & Alkhalaf, 2021). Only two of the six empirical papers in this special issue incorporate an employee perspective, and this comes via survey research Please cite as: Harney, B., Gilman, M., Mayson, S., & Raby, S. 2022. Advancing understanding of HRM in small and medium-sized enterprises (SMEs): critical questions and future prospects. ***The International Journal of Human Resource Management***, 33(16): 3175-3196.

(Wikhamn et al., 2021; Zhang & Edgar, 2021). This is a critical area for rebalance. Not only are employee critical stakeholders for a complete understanding of HRM, the labour intensive nature of SMEs makes them especially reliant on the direct contribution of employees, often across multiple roles and tasks (Lai et al., 2017; Li, Rees, & Branine, 2019). Extant research presents a number of anomalies and counterintuitive insights related to employee experience of work in SMEs as instructive points for analytical and empirical departure. For example, employees in SMEs have been found to have high levels of intrinsic motivation and higher job quality, even in the absence of investment in formal HRM (Bryson & White, 2019), while the introduction of formality has been shown to have negative effects on self-reported job quality (Storey, Saridakis, Sen-Gupta, Edwards, & Blackburn, 2010). Inherent characteristics of SMEs, including direct line of sight to performance, relativity in terms of pay and conditions and proximity to management clearly serve to inform employee experience of work in this context. It is no coincidence that larger firms have long tried to create conditions of smallness within largeness in order to foster greater engagement, creativity and proximity to business goals. HR interventions are also likely to be more successful in certain contexts e.g. low levels of pre-existing employee and commitment (Lai et al., 2017). This highlights the need to capture employee experiences and conditions of work in SMEs including with respect to equality, opportunity and well-being (Bacon & Hoque, 2021; Klofsten et al., 2021). Interestingly, we still know very little about what attracts employees to work in SMEs, or critically, what might facilitate with staff retention. There is much to explore here, including the impact of the Covid pandemic in fostering a sense of allegiance or reinforcing transience (e.g. Prouska, Nyfoudi, Psychogios, Szamosi, & Wilkinson, 2022). Critically, for all its prospective benefits in a smaller firm context, informality can also serve as a double edge sword enabling and perpetuating exclusion and discrimination.

Important also is more considered and nuanced exploration which avoids 'blanketing' of employee experiences in SMEs. Recent research exploring employee voice in SMEs, find its manifestation is complicated by factors such as the nature of employment contracts and job security (Prouska, McKearney, Opute, Tungtakanpoung, & Brewster, 2021). It is critical to unpack the variety of work arrangements, employment types and distinctive employee experiences both across and within SMEs (Kroon & Paauwe, 2021). Arguably distinctions between core and non-core employees become more readily manifest and transparent in smaller sized entities, the implications of which remain underexplored. Even within the smallest organisations there is likely differentiated applications of HRM along multiple prospective lines e.g. family versus non-family, permanent versus contract, long serving versus new hires, functional area, in addition to those at the intersection of class, age, ethnicity, gender and/or ability.

Casting a wider methodological net

Finally, a point on methodology which ties together the previous themes. The papers in this special issue show a diversity and robustness in methodological innovations e.g. multi-level research, matched respondents, competing hypothesis, time lagged

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data, longitudinal waves, and sector specific approaches. Notable however, is the absence of qualitative research insights. By definition, extensive variable-oriented research can only go so far in incorporating contextual factors and local understanding. Moreover, there is a tendency to research pre-formulated and pre-imposed ideals which can serve to automatically silence or dismiss alternatives. There is therefore a need for more intensive small firm research focusing, as per Jim Curran's memorable phrase on 'real people in real organisations' (1990: 139). Many of the research opportunities highlighted to advance understanding mandate more demand-side, phenomenon driven research which would enable SMEs to be better understood on their own terms (Ployhart & Bartunek, 2019). Recent exemplars include local understanding of what is meant by productivity in micro firms (Ram, McCarthy, Green, & Scully, 2021), exploring the dynamics of underperformance from an employee perspective (Mendy, 2021), and international comparative research capturing the complexities of employee voice across countries (Prouska et al., 2021).

More intensive, qualitative research is better able to accommodate cascading flow of intended, enacted and experienced HRM, including likely contradictions and tensions. Similarly, context sensitive approaches such as case studies and ethnography can unpack the dynamics of formality and informality as opposed to automatically declaring respective benefits or deficiencies, or treating HRM as a once off structural intervention. Qualitative research insights allow for an assessment of the conditions of possibility underpinning HR approaches in SMEs and explorations of how key structural and institutional determinants of HRM are understood, reinforced or re-interpreted through both owner-manager and employee agency. In this way dissociation from the HRM norm and the use of substitutes or alternatives is not seen as "a failing of practice but a practical instantiation of theory that may well contribute to our theoretical understandings" (Jarzabkowski & Wilson, 2006: 363). Qualitative lenses might also keep researchers more attuned to the reality that owner-managers are not equal in their unitarism, self-awareness or confidence resulting in variable pro-activity or resistance to HR challenges, while in terms of employee experiences HR can also be differentially and discriminately applied and interpreted within SMEs.

Summary

The papers in this special issue help advance understanding of HRM in SMEs. The socio-economic imprint of SMEs and their respective neglect from HRM research mean there is still much to do. The Covid-19 pandemic offers a timely reminder of the role and significance of SMEs as employers and contributors to local economies, while technology provides SMEs with innovative routes to balance richness and reach. We encourage future work to critically question and explore the applicability and logic of HRM theory and practices when applied to the SME context (Harney, 2021). This includes engaging with key tensions and paradoxes related to key SME RECIPE characteristics i.e. resource constraints, environmental turbulence, centralised control, informality, proximity of relations and employee experiences. It seems time to heed the words of Perry who close to 70 years ago opined in his book 'Human Relations in

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Small Industry' that 'the canned programme of Human Relations is of little value', elaborating with the insight that

"size is more than numbers. A small company is not a miniature version of a large one but a quite different kind of social organization with different patterns of relationships. One cannot take the experiences of large firms, divide by ten or fifty, and apply the lessons to a small firm. Indeed, many of the human relations problems of large firms are caused by largeness; those of the a small firm may be caused by smallness" (1954: 17).

Acknowledgements

We would like to thank all of our contributing authors and those who took the time to provide expert reviews and insights, without which this special issue would not have been possible. We particularly thank Special Issue Associate Editor Professor Karin Sanders for her support and guidance, and Penny Smith for her exemplary assistance. Brian acknowledges funding support from the European Union's Horizon 2020 Research and Innovation Programme, under Marie Skłodowska-Curie grant agreement 734824.

Table X Future directions for HRM in SME research

<i>Agenda</i>	<i>From</i>	<i>Towards</i>	<i>Key concepts</i>	<i>Indicative research/sources</i>
<i>Broadening the theoretical palette</i>	Denaturalisation, best practice and HR Content	Contextual accommodation, SME specificity, and agency	<ul style="list-style-type: none"> - HR process - Employee perspectives (social exchange, communication, occupational health) - Intersection of HR and Entrepreneurship - Insights from classic sociological research 	<p>(Atkinson et al., 2022)</p> <p>(Nyfoudi, Theodorakopoulos, Psychogios, & Dysvik, 2020; Prouska et al., 2022)</p> <p>(Burton et al., 2019; Zahra, 2021)</p> <p>(Curran & Stanworth, 1981; Ingham, 1967; Ram, 1991)</p>
<i>Hanging a question mark on dominant assumptions</i>	Resources, HR bundles, dedicated HR expertise, goal based or economic performance	Resourcefulness, context and HR priorities, variance in expertise, duty based, relational or socio-material performance	<ul style="list-style-type: none"> - SME characteristics (RECIPE) - SME HR priorities and contingencies (size, age, ambition, growth state) - HR eco-system/meta-organisation - Multi-faceted concept of performance 	<p>(Kim et al., 2021; Messersmith & Wales, 2013; Sels et al., 2006b)</p> <p>(Harney & Alkhalaf, 2021; Van Lancker et al., 2021)</p> <p>(Roundy & Burke-Smalley, 2021)</p> <p>(George, Haas, McGahan, Schillebeeckx, & Tracey, 2021; Werner, 2021)</p>
<i>Moving research beyond a HPWS focus</i>	Emphasis on structure, informality as deficient, best practice, static approaches	Emphasis on function, next practice, HR transitions	<ul style="list-style-type: none"> - SME characteristics (RECIPE) - substitutes, complements, and cannibalize - dynamic nature of informality - novelty, frugal innovation/resourcefulness 	<p>(Drummond & Stone, 2007; Patel & Conklin, 2012)</p> <p>(Mallett & Wapshott, 2014; Marlow, Taylor, & Thompson, 2010; Ram, Edwards, Gilman, & Arrowsmith, 2001)</p> <p>(Jennings, Jennings, & Greenwood, 2009; Zahra, 2021)</p>

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			- HR transitions	(Krishnan & Scullion, 2017)
<i>Bringing employees (back) in</i>	Owner manager unitarism, SME stereotypes, blanketing of employee experiences	employee perspectives, exploring anomalies and contradictions in employee outcomes, core distinctions within SMEs	- employee outcomes, including well-being - fairness, application and interpretation of HRM - differentiated application of HRM within SMEs	(Tsai et al., 2007) (Lai et al., 2017) (Prouska et al., 2021)
<i> Casting a wider methodological net</i>	Extensive, variable oriented research, HR as a structural intervention	Intensive, qualitative, HR as a dynamic process	- demand-side, phenomenon driven, local understanding - cascading flow of HRM from intended, enacted through to experienced	(Mendy, 2021; Ram et al., 2021; Samnani & Singh, 2013)

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