

Human resource management in smaller firms: A contradiction in terms?

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Abstract

Human resource management came into popular parlance in the late 1970s, as a managerial approach aimed at re-ordering the employment relationship to ensure employee efforts were strategically focused on achieving organisational performance and competitiveness in increasingly volatile markets. Since then there has been much consideration of whether HRM is a robust academic concept supporting a particular managerialist ideology, a status enhancing label for people managers, or a practitioner tool kit. There has also been a consideration of how HRM is articulated in small and entrepreneurial firms. This paper suggests that the concept of HRM is, in most instances, uncertainly theorised and, therefore, how it, whatever 'it' is, might be identified in such firms is challenging. Unless HRM is theorised in context with more care, there is a danger of it remaining a 'fuzzy concept' encouraging abstract empiricism which, rather than clarifying our understanding, only further muddies already muddy waters. In pursuit of this argument, in this paper current debates about the notion of HRM are considered as is how these fit with what is known about the management of labour in small firms. Consequently, the purpose of this paper is to question how appropriate it is to talk about HRM as an approach to managing labour in small firms.

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1. Introduction

The notion of Human Resource Management (HRM) as an ideological framework to effectively and efficiently manage labour took root as an academic theory, a practitioner's tool kit and a managerial profession in the late 1970s in Europe and Australasia (Beardwell, Holden, & Claydon, 2004). Ferris, Hall, Royle, and Martocchio (2004) suggest that in the USA the term has been used to describe labour management practices since the early part of the 20th century, but the finer distinctions between personnel management and HRM as a popular, descriptive label are not the concern here. Notwithstanding when it emerged, the notion of HRM as a contemporary approach to managing employees is now embedded in common parlance and this is evident from the umbrella use of the term in popular and academic literatures. As a result there has been a proliferation of articles, empirical research, textbooks and dedicated university degrees focused on this approach to ordering the employment relationship. This interest has also been accompanied by a trend to re-label the personnel function as HRM which, it has been argued, has implications for elevating both the status and role of this particular

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managerial activity in organisations (Beardwell & Clark, 2004). However, that is not to say that the emergence and adoption of HRM has been unproblematic. For many years there has been considerable debate and some disquiet regarding the theory and practice of HRM.

The purpose of this paper is to add to this debate by offering a critique of the conceptual standing of HRM. The argument is that without careful definition HRM can be seen as what Markusen (1999, p.870) describes as a ‘fuzzy concept’, which in turn promotes ‘sloppy thinking’. This argument will be explored through a consideration of the way in which the employment relationship in small firms has been analysed and a questioning of whether, in this context, an HRM framework can be adopted in an uncritical fashion. The search for HRM in small firms has been focussed on finding practices deemed to signal an HRM approach—usually those which reflect what occurs in large firms (Taylor, 2005). But doing so means that when such formal policies and practices through which HRM is articulated are not found, then the conclusion is often that labour management practices in small firms are somehow lacking. An alternative way of thinking could of course be that the uncritical and simplistic search for HRM in this context exposes the paucity of HRM theory. The purpose of this paper is to explore these options.

There is now a growing literature around how size influences labour management in small firms (see Marlow, Patton, & Ram, 2005, for an overview). In the case of the UK, this is rarely conceptualised as an analysis of HRM, with some exceptions (see Bacon, Ackers, Story, & Coates, 1996). This is largely because mainstream debate suggests a normative version of HRM linked to strategy formation and performance enhancement; characteristics not considered to reflect the usually informal, idiosyncratic approach to labour management evident in many small firms (Ram, Edwards, Gilman, & Arrowsmith, 2001). However, this is not the case elsewhere; for example, the North American literature is more likely to examine small firm labour management practices within an HRM framework (see, for example, *Entrepreneurship, Theory and Practice* special edition; Fall 2000) and this is also evident to some degree, in Australia (Mazzarol, 2003). This raises the question as to whether there is some discernable degree of difference in kind regarding how employees are managed in small firms in developed nations or in fact, whether there is slippage in the conceptual underpinnings for such studies. The difficulty of definition is recognised by Katz, Aldrich, Welbourne, and Williams (2000 p.8) musing, “with so many ways to define HRM and the SME, almost anything could be studied. Therein lies our dilemma”.

Indeed, this is a considerable dilemma. If basic concepts are not clarified or defined, then it becomes extremely difficult to develop coherent and comparable research endeavours that build understanding of a particular field of study. Doubts can be expressed about the utility of evidence resulting from studying concepts that have not been adequately defined. Indeed, in her critique of this problem in the field of regional studies, Markusen (1999) argues that poor theorising leads to the construction of ‘fuzzy concepts’, which are essentially vague and difficult to operationalise. Dependence on these fuzzy concepts leads to the collection of often irrelevant and poorly focused evidence. ‘Sloppy’ thinking emerges and this is used to inform policy, which in turn, is of little relevance or use. To some degree the study of HRM in small firms reflects this critique.

The purpose of this paper is therefore to argue that analysing labour management practices using the vehicle of HRM in an uncritical and descriptive fashion can expose HRM to be fuzzy concept. Abstracted empiricism (Guest, 2001) results where the focus is on collecting data rather than clarifying concepts. Consequently, while more evidence emerges about how small firm owners and entrepreneurs manage the employment relationship, analysing this evidence in relation to existing theoretical frameworks, particularly those of HRM, is problematic. To explore these arguments in more depth, the first task is to briefly, but critically, consider differing interpretations of the term HRM. This may appear paradoxical in light of claiming that robust definitions of HRM are difficult to develop and locate. However, current and diverse literatures can be drawn on to identify the key themes and strands associated with an HRM approach whilst remaining alert to contrasting interpretations. By showing how HRM as a concept is fluid, we can then consider the evidence about the management of labour in small firms and do so recognizing the influence of context in terms of size and growth aspirations. By engaging with these debates, it then becomes feasible to consider the extent to which HRM as a concept is appropriate to analyse labour management in small firms, and Markusen’s (1999) fuzzy concepts will be brought into play here. Finally, the arguments will be critically evaluated with the intention of stimulating debate about how small firms are recognised and encompassed within theoretical constructions of HRM. Is the smaller firm excluded because it does not fit dominating analyses and so becomes the ‘other’? Or should there be a greater critique of the narrowness, or poverty, of so-called global theories or meta-narratives of HRM?

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