ACCOMMODATING HRM IN SMALLER FIRMS:
FROM STRUCTURAL TO FUNCTIONAL EQUIVALENCE

Brian Harney
The Learning, Innovation and Knowledge (LInK) Research Centre
Dublin City University Business School
Dublin 9
Ireland

E-mail: brian.harney@dcu.ie

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RATIONALE

While it is increasingly acknowledged that Human Resource Management is critical to competitive success, debate has rarely extended to encompass smaller firms (Lacoursiere et al., 2008; Tsai, 2009). As an indication, a content review of six employment related journals over a ten-year period (1997-2006) reveals that of the 1,797 articles published only 52 (2.9%) dealt specifically with smaller firms. This marginalisation is all the more intriguing when one considers the global economic and numerical significance of smaller firms. This reality should prompt some scepticism as to the validity of extant theory which takes as its referent HRM interests as they have been articulated in what are atypical (i.e. large) firms. Nonetheless, most studies typically abstain from theoretical reflection and perpetuate a large firm bias by either uncritically deploying established research instruments (e.g. Hayton, 2003) and/or by casting the small firm as lacking or deficient if they fail to meet normative ideals (Taylor, 2005).

The purpose of this paper is to facilitate in addressing this theoretical and empirical imbalance. In particular, by exploring the practices, patterns and determinants of HRM in a sample of Irish small firms the objective is to move beyond mere recognition of the heterogeneity of HRM in smaller firms towards understanding and accommodation. A key contribution of the paper is its exploration of how holistic attempts at capturing the empirical complexities of HRM in smaller firms (cf Harney and Dundon, 2006) can be underpinned by analytical concepts which provide a vehicle for more direct (re)engagement with HRM. Specifically, the paper puts forward the concepts of functional equivalence as one means to better accomplish this task.

METHODOLOGY

The empirical section of the paper begins by drawing from a national descriptive survey to compare HRM in large and smaller organisations. Cognisant of the limitations of ‘surface level’ surveys, especially in a context where informal practices are more likely to prevail, this method is complemented by more context sensitive approaches which could better explore what actors actually do. In particular, guided by an open systems sensitizing framework, exploratory interviews were conducted with ten managers from a diverse range of smaller firms followed by four in-depth organisational case studies. These involved interviews with management and employees in order to provide a rounded picture of HRM in context. In this research depth of analysis stems from exploring not only the nature of HRM adopted
by SMEs, but critically, by considering the structural parameters and internal dynamics that provide an explanation of why HRM takes that form. The metatheoretical vehicle for this task is one which draws upon critical realism. This allows for emergence, discontinuities, and contingencies by privileging contextual understanding and explanation over prediction (Edwards, 2005; Hesketh and Fleetwood, 2006).

**SUMMARY**

The findings indicate a striking diversity in the nature and form of HRM practices deployed, with informality and emergence as key undertones. Nonetheless, in bringing together structural determinants and internal dynamics broad patterns in how various firms managed HRM can be identified. These lend support to recent attempts to build a model of small firm relationships (Edwards et al., 2006) although they are founded on a notion of coherency and logic that differs from that suggested in the dominant literature. Informality for example, was found to be dynamic, routinised and deployed to meet strategic ends, so that formality and informality are not necessarily antithetical.

In summarising these insights it is suggested that HRM researchers typically falsely conflate specific HR practices with the overall functional necessity of managing people (evident in the determinism of ‘little big business syndrome’, whereby small firm agency gives way to large firm structure). In essence structure and function are collapsed when in practice necessity only rests with the latter. It follows that seeking to capture HRM in smaller firms by exclusive reference to the form it takes i.e. whether rules governing employment are formal or informal (Ram and Edwards, 2009) offers a limited basis for analysis. Instead the findings suggest that in seeking greater explanatory logic for the nature and patterns of HRM across firms, it may be more fruitful to pursue a mode of analysis which disaggregates the management of the employment relationship into key component dimensions. In this respect the concept of functional equivalence may be one means to resolve the theoretical enigma facing researchers attempting to explore HRM in smaller firms as it explicitly recognises the latitude of structural HR options available to firms (Gresov and Drazin, 1997). This argument does find some support. Moule, for example, concluded from his study of small button manufacturers that; “rationality was judged by outcomes rather than organisational theories of best practice” (1998: 652).
References


