

Chapter 2

Control and Commitment HRM Systems in SME Family Firms: A Qualitative Study of Hybrid Forms

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ABSTRACT

Strategic HRM research in small and medium-sized enterprise (SME) family businesses still remains in its infancy. This chapter reports one of the first exploratory qualitative empirical studies in this field. Thirteen semi-structured interviews with managers and directors from SME family firms in Malta were completed. The empirical findings show that there is a variety in the implementation of different combinations of HRM practices on the spectrum between control and commitment HRM. Adapting a strategic HRM framework resulted in identifying the potential of two new hybrid systems: the “selective” control and the “informal” commitment HRM systems. The findings shed light on the importance of context in implementing an effective HRM system. Furthermore, the authors derive relevant practical implications including the identification of key areas for potential improvement of HRM systems adopted by SME family businesses.

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INTRODUCTION

In the field of strategic human resource management (HRM), research on HRM systems and firm performance has a long standing tradition (Lepak, Liao, Chung & Harden 2006; Jiang et al., 2012; Jackson et al., 2014). From a ‘holistic’ perspective on strategic HRM, ‘best’ HRM practices can be seen as the source of a firm’s competitive advantage but rather specific bundles of internally aligned and synergetic HRM practices which are combined in a coherent HRM system (e. g. Arthur, 1992; e. g. Delery & Doty, 1996; Ichniowski, Shaw & Prennushi, 1997). Different types of HRM systems are, thereby, often depicted on a dyadic spectrum: With one side representing a control HRM systems and the other side representing a commitment HRM systems (e.g. Walton, 1985; Arthur 1994; Lepak & Shaw, 2008).

However, despite the extensive research on and the empirical evidence of the relevance of HRM systems, research on the specific characteristics of HRM systems and how they operate in specific empirical contexts remains underdeveloped (e.g. Jiang et al., 2012). Recent studies have questioned whether this spectrum of opposing HRM systems is “too narrowly defined” in that it fails to consider the many hybrid forms of HRM systems adopted in practice (Hauff, Alewell & Hansen, 2014, p.437). Especially empirical research that identifies these hybrid forms is very rare (e.g. Su & Wright, 2012; Hauff et al., 2014): central examples that discuss hybrid forms are, Su and Wright (2012) who studied a hybrid HRM system between control and commitment in the Chinese context as well as Hauff, Alewell and Hansen (2014) who analyzed control and commitment HRM practice in the German context looking at four major industries (chemicals and pharmaceuticals, mechanical engineering, banking and insurance, and professional services).

Research has also opposed Walton’s (1985) initial assumption that all firms will move towards commitment HRM systems, as findings still identify organizations that implement control HRM systems (Hauff et al., 2014). Additionally, studies call for more research on the internal and external factors that influence the effectiveness of HRM systems (Alewell & Hansen, 2012). Two central factors that are found to influence the HRM systems adopted by organizations are the size (Sels et al., 2006; Fabi, Raymond & Lacoursière, 2007) and owner structure of the firm (Hauff et al., 2014; Bello-Pintado & Garcés-Galdeano, 2017). Therefore, the context of SME family businesses could be a very interesting field of study viewed through a strategic HRM lens.

This chapter focuses upon the relevance *for* and specificity *of* strategic HRM in SME family businesses. The authors note that the HRM practices adopted in small and medium-sized enterprise (SME) family businesses are found to be different than those adopted in large organizations (Cassell et al., 2002) and non-family firms (Bacon & Hoque, 2005; Dekker et al., 2013). In fact, it is often assumed that practices adopted in large organizations can be applied within smaller organizations as smaller firms gain legitimacy by implementing larger firm HRM systems (Rauch & Hatak, 2016). However, this approach fails to value the uniqueness of small firms (Cassell et al., 2002; Hornsby & Kuratko, 2003). This study will contribute to the insight available on the HRM systems in SMEs by providing further clarity on the main characteristics of the HRM systems adopted in this context. SME family businesses are also unique in their abundant presence in economies and in the way they are run (Storey et al., 2010; Combs et al., 2018). In the European economy, SMEs are found to play a crucial role as 99% of businesses in the European Union fall under this category (European Commission, 2018). SMEs are seen as the foundation of a healthy economy (Matlay, 2002; Kachaner, Stalk & Bloch, 2012; Başkurt & Altındağ, 2017) and critical in generating employment (Duréndez, Madrid-Guijarro & García-Pérez-de-Lema, 2011; Neckebrouck, Schulze & Zellweger, 2018).

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