

## HIGH PERFORMANCE WORK SYSTEMS IN SMALL BUSINESS: CASES FROM THE VALLEY

Jenny Tame

*Working Paper 65/02*  
*December 2002*

WORKING PAPER SERIES

ISSN 1327-5216

### Abstract

Literature abounds on the “new” HRM and the application of High Performance Work Systems (HPWS) but much of it relates to its usage by big business. This paper builds on the approach taken by Bacon, Ackers, Storey and Coates in their 1996 study of HPWS in Leicestershire, England’s small business. They concluded that there has been a surprising level of take-up of HPWS principles by small business but that it was dependent on contextual factors to a large extent.

Case studies were adopted here as the method of analysis in order to avoid the ambiguity problems and consequent over-claiming experienced by the Bacon team. It has allowed the research question to be pursued with greater depth and flexibility. This study has also seemed to confirm the presence of HPWS-type measures in Victoria’s Latrobe Valley but contrary to the expectation that it would vary according to the level of technology used, or the intensity of competition or the actual size of the business, the single most important factor seems to have been the level of entrepreneurship displayed by the owner. A larger follow-up study is needed.

**This paper is a work in progress. Material in the paper cannot be used without permission of the**

# HIGH PERFORMANCE WORK SYSTEMS IN SMALL BUSINESS: CASES FROM THE VALLEY

## INTRODUCTION

It verges on being clichéd to say that firms small and large are coming under intensifying competitive pressures that show no signs of abating. Industry deregulation, global flows of “fast” currency that destabilise domestic exchange rates, tariff reductions/trade liberalisation and ever-present corporate predators are combining to ensure that businesses are under constant pressure to survive (Appelbaum, Bailey, Berg & Kalleberg, 2000). Small firms, in particular, are hampered by shortages of money, time and resources, and most usually do not have the reserves to ride out bad times for long (Holliday, 1995). It is unlikely they can compete against bigger rivals on physical and or financial terms alone but researchers have been pointing to the uniqueness of a firm’s human capital as a potential means of building lasting competitive advantage (Barney, 1995).

Despite this apparent imperative, there seems something of a dearth of literature about human resource management (HRM) in small businesses. A suggested reason for this is that the range of small businesses is too diverse to allow ready comparison of like with like and therefore sensible, widely useful theory is difficult to build (Wyer & Mason, 1999). There have also been suggestions that HRM has been inappropriate or even irrelevant to the smaller firm because of the latter’s likely informal structure and operation (Reid, Morrow, Kelly, Adams & McCartan, 2000). Most small firms set a higher priority on cash flow and survival and may not have sufficient time or specialist skills to be able to run more than a basic, ad hoc approach to HR (Holliday, 1995).

One response to the need to gain competitive advantage through people has been the development of what are known as High Performance Work Systems (HPWS), or more generally, High Commitment Management (HCM). HPWS are intended to be a more systematic and strategic approach to human resource management with the aim of “getting more from workers by giving more to them”(Baron & Kreps, 1999, p.189). Well-designed HPWS allow employees to gain a deep understanding of their business and then apply that knowledge with skill and judgement towards the achievement of success for the business (Baron & Kreps, 1999). Over time, the effect of this intensifies as the body of knowledge and skill builds uniquely and can become a source of sustained competitive advantage. To be most effective, HPWS measures need to be carefully selected and combined to provide “internally consistent structures and processes that influence the organisation’s members to create organisation-specific competencies that can adapt to changing customer and strategic needs” (Ulrich & Lake, 1990, p.40). Research suggests that a well-chosen ‘bundle’ of HPWS measures is likely to result in improved organisational performance (Macduffie 1995; Huselid, 1995).

## THE RESEARCH QUESTION

To date much of the research on HPWS has centred on its application in larger businesses, comparatively little being known of its use by small business (Pfeffer, 1998; Wyer & Mason, 1999). There has been influential work in Leicestershire, England by Bacon, Ackers, Storey and Coates in 1996, which concluded that there was a “surprising degree of take-up” of HPWS by small businesses in their study, contrary to their expectation. Guided by Bacon *et al.*’s work, this paper will look at some of the relevant small business/HPWS literature, and then examine a limited sample of small businesses in Victoria’s Latrobe Valley to look for high performance-type practices. It will also try to identify and analyse some of the contextual factors that may have influenced the use or otherwise of HPWS measures. For instance, size, technology, industry and owner attributes are all known to influence small business HRM (Holliday, 1995; Rainnie, 1989). Incorporating this analysis will help our understanding of whether it is likely to be useful to push for the adoption of HPWS measures, or whether another approach may be more appropriate. It may be argued that in the ‘light and fast’ small business, HPWS in its “usual” form might be redundant because the conditions it seeks to reinstate are already present. That is, employees are close to decision making power, can appreciate the consequences of their actions and are likely to enjoy “more interesting work and satisfying social relations with colleagues and superiors” (Bolton, 1971, in Bacon *et al.*1996). HPWS approaches

adopted may not conform to ‘textbook’ style (Wyer and Mason, 1999) so it is hoped to gain some understanding of these alternatives.

## HPWS IN MORE DETAIL

The studies of larger organisations that have attempted to quantify the benefit arising from a well-designed HPWS bundle have attracted criticism because of inconsistency of measurement criteria, an array of HPWS elements having been used (Ulrich, 1997; Kling 1995). In an attempt to ease the confusion, Becker *et al.* define HPWS as “strategically oriented HR that generally includes rigorous recruitment and selection procedures, performance-contingent incentive compensation systems, and management development training systems linked to the needs of the business” (Becker, Huselid, Pickus & Spratt, 1997, p.39). They make the point that it doesn’t matter that there are so many different variations because the correct application of HPWS principles needs to be highly idiosyncratic, comprehensive and tailored carefully to the needs of the individual firm. If an “ideal” HPWS could be obtained by just benchmarking competitors, then it would be unlikely to provide a source of sustained competitive advantage.

Notwithstanding, Becker and other leading researchers argue that some HR practices are always better than others and all organisations should adopt these best practices (Becker et al., 1997; Delery & Doty, 1996). Pfeffer (in Delery, & Doty, 1996, p.803) has argued for greater use of management practices “such as participation and empowerment, incentive pay, employment security, promotion from within and training and skill development” because they almost invariably result in higher profit and productivity. Nobody appears to have found direct evidence of the mechanism by which HWPS creates value (Becker et al., 1997) but some of the benefit comes through the improved quality of labour/management relations under a commitment-based approach (Baron & Kreps, 1999). Instead of being potentially adversarial in nature, the commitment-based model allows more co-operative labour management relations to emerge (Baron & Kreps, 1999), reducing the need for traditional collective bargaining (Godard & Delany, 2000).

Not everyone is convinced of high commitment management’s universal merit, despite the claimed advantages and apparent evidence. British author Guest said, “It claims to put the concerns of the workers at the heart of the analysis but in fact does so only to exploit them through a subtle management of their mindset and by constructing for them a new reality reflected in organisational culture” (1999, p.10). He did find that where more progressive HR practices were in place, workers reported more positive outcomes, greater organisational commitment and organisational citizenship more likely except when measures were limited or workers sceptical of management motives (Guest, 1999).

## THE BACON STUDY

Work by Curran & Stanworth, 1979; Rainnie, 1989 and Scott, 1989 (in Bacon *et al.* 1996), together with a general hardening of HRM practices in the 1990s led Bacon *et al.* to expect a “bleak house” picture of employment relations to emerge from their research (“direct management control, poor terms and conditions, high staff turnover and little training”) (1996, p.82). Instead, they were surprised to find that “the new management agenda has penetrated deep into the UK economy” and that “innovative employee relations practices are no longer restricted to large, mainstream companies” (1996, p.87). They based their work on answers to questions about:

- a culture change program
- devolved management
- teamworking
- quality circles
- harmonised terms and conditions
- psychometric tests
- performance appraisals
- mission statement
- team briefing
- de-layering
- increased flexibility between jobs

(Bacon *et al.*, 1996,p.86)

The strongest responses to their survey centred on teamworking and increased flexibility between jobs, which Bacon thought was probably just a natural small business characteristic. Importantly, they reported that change was most noticeable in firms where external influence was beginning to bear, such as a change of ownership, or the arrival of a professional manager. Conversely, family owned and run firms were more likely to be run along more traditional, patriarchal lines (Bacon, 1996).

## **RESEARCH METHOD**

While the Bacon study has inspired this work, its initial survey-style approach has been discarded in favour of a semi-structured case study approach. This was to try to avoid the over-claiming problems they experienced through respondents' misinterpretation of the questions and allow discussion of wider issues than anticipated when constructing the questions. Over-claiming in the Bacon study was represented by such instances as an employer exhortation to "give the customers what they want" being submitted as a culture change program (1996, p.88). The method change proposed here is important because the skills, knowledge and perspectives (world views) of the owners (and the researcher) are likely to vary quite widely (Holliday, 1995) so it is desirable to find a method that incorporates and properly represents these and allows more accurate interpretation of both question and answer. Mintzberg (in Holliday, 1995) supports the use of an ethnographic approach because it is more likely than statistical sampling to uncover valid data.

Like the Bacon study, this research was designed to study the employment practices of small, independent businesses so anything part of a larger organisation and subject to external directives has been excluded. "Smallness" is something of a vexed question (Wilkinson, 1999; Barrett, 1999) but the definition relied on here is "one which is independently owned and operated and not dominant in its field of operation" (Scarborough & Zimmerer, 1992, pp.16-17). A cut-off of fifty employees or fewer has been chosen for this research, falling half way between the Australian Bureau of Statistics' definitions of 20 and 100 employees for service and manufacturing businesses respectively. Fifty employees is still quite a large number, regionally speaking, but none of the organisations is "dominant in its field". A further classification by sales revenue adds to the picture (Scarborough & Zimmerer, 1992). For instance, two of the businesses had similar employee numbers but vastly different revenues and capitalisation levels, even in such a small sample, which supports Wilkinson's observation that smallness depends on interpretation and context (1999).

Owners of eight local businesses were approached for the research, chosen to represent a range of industry sectors. Six agreed to participate. As it happened, all were still in original ownership, important because founder influence affects the likely style of management in the business (Bacon *et al.*, 1996; Baron & Kreps, 1999; Holliday, 1995; Kets de Vries, 1985; Wilkinson 1999). Interviews were conducted with the most senior person responsible for HR matters, usually the owner, as few were prepared to delegate control in this area; this accords with findings of Hornsby & Kuratko (1990); Rodwell & Shadur (1997). Employee perspectives were also sought.

### **The Questions**

The questions themselves centred on the nature of the business, the background of the owner/manager and finally the nature of employment relations and whether these incorporated HPWS principles. The first two groups of questions were designed to establish the circumstances under which the owner/manager came to be in charge of the business; the means by which they had acquired their skills; the business's size, growth patterns; consequent delegation issues and the extent to which the owner/manager was free to make independent decisions about issues affecting the employment relationship. As mentioned earlier, it is important to establish this background because it will have a strong influence on the nature of the employment relationship, including any uptake of HPWS (Bacon *et al.* 1996; Holliday, 1995). Care had to be taken to frame the questions so that they were specific enough to screen over-claiming (a problem with the Bacon research) yet open enough to allow "the informalities and idiosyncrasies of small businesses" to emerge (Wyer & Mason, 1999).

In keeping with this “pared down” approach and the general lack of consensus on a “best” bundle of high performance work practices referred to earlier, it was elected to use Pfeffer’s (1994) seven “golden rules” to underpin the questions, rather than the more specific elements in Bacon’s work. Given the HPWS aims of harnessing the creativity, ingenuity and problem-solving abilities of employees by equipping them with the “information, skills, incentives and responsibility to make decisions essential for innovation, quality improvement and rapid response to change” (Kling, 1995, p.29), Pfeffer’s generic approach perhaps best suited the small businesses being researched. Pfeffer’s rules are:

- Employment security
- Selective Hiring
- Self-Managed Team/s
- Sharing of Information
- Reduction of Status Differences
- High Compensation Contingent on Organisational Performance
- Extensive Training

## THE IMPORTANCE OF OWNER/MANAGER CHARACTERISTICS

Bacon et al (1996) suggest that continued control by the founder could cause a blocking effect on the adoption of HPWS measures, particularly if this person has not received formal management training or big business exposure. Holliday (1995) says this stems from the owner’s aspirations for the business, whether it is a means to security, or whether they have more expansive plans in mind. The former is likely to want to control most aspects of the business him- or herself, whereas the entrepreneurial type is more likely to focus on more strategic issues, and be happy to delegate the routine (Kets de Vries, 1985).

Kets de Vries says that many entrepreneurs he has studied have problems with issues of authority (1985). Their preoccupation with the need for control can mean that they have little tolerance of subordinates who think for themselves, and can be very resentful of external controls or infringements on their will. He too concludes that entrepreneurs who feel compelled to retain tight control over most aspects of daily operations will never see their businesses expand greatly. While the business is small, and easily managed by the owner-manager, these characteristics are not particularly significant (Kets de Vries, 1985). Once the business reaches the stage of requiring the active support and co-operation of others, conflict will often hamper the business if the owner is unwilling or unable to devolve the necessary authority to his or her helpers (Kets de Vries, 1985). The dislike of employee initiative is completely at odds with the high performance philosophy, which seeks to have employees accept responsibility and exercise judgement and initiative (Appelbaum *et al.*, 2000).

## WHAT WAS FOUND?

The following table summarises the salient background information for each of the businesses in the study. At a glance, it will aid our understanding of the HPWS issues in these small businesses by giving the discussion necessary context.

**Table 1: Business and Owner Background**

	<b>Real Estate</b>	<b>Machine Shop</b>	<b>Poultry Farm</b>	<b>Shop Fitter</b>	<b>IT Consult.</b>	<b>Transport Co.</b>
Employee no’s	48	26	20	12	50	35
Original Owner	3 <sup>rd</sup> Gen.	Yes	Yes	Yes	Yes	Yes
Years Estab.	50	20	30	18	11	25
Growth Plans	Secondary Aim	Secondary Aim	A Priority	Prefers As Is	Planned (gradual)	Planned (gradual)
Control Orientation	All levels	All levels	Strategic/ Business	All levels	Strategic/ Business	All levels
Management Qualifications	No	No	No	No	Yes	No (incomplete)

First, a thumbnail sketch of the businesses is needed. The real estate agency is long established, has perhaps a half dozen competitors and operates solely in the Latrobe Valley. The machine shop was started by two ex-employees of the SEC, primarily to service energy industry requirements. It operates as a typical job shop. The poultry (egg) farm has been operating a while but has recently become much more highly capitalised as it attempts to compete state-wide and even nationally. The shopfitter also operates as a job shop and has extended his field of operations to suburban Melbourne to tide him over the last depressed decade in the Latrobe Valley. The computer consultancy is owned by three power utility 'escapees' who have also extended beyond the local region, with Melbourne and Geelong branches and an eye on a Tasmanian presence. The transport company has its origins servicing power industry infrastructure but now operates nationally from a local main depot with an outer Melbourne depot. All are still in original ownership.

Growth patterns/plans and control orientation are interesting. Research has indicated a wish by the owner to retain tight control over all operational aspects of the business can stunt its growth prospects because of an unwillingness to delegate (Holliday, 1995; Kets de Vries, 1985). The poultry farm and the computer consultancy have been the most expansive of the businesses, the former's capital intensive and not immediately apparent from the employee numbers. The transport company has also been expanding gradually over a long period of time. The thing that these three businesses share is their owners' articulated growth plans for them. While all owners seemed to enjoy talking about their businesses and people, the three 'expanders' were particularly forthcoming and positive about what they were doing now and would like to do in future. The other three businesses in the sample are ticking over nicely, but growth is not a stated objective for them. They either prefer to keep their businesses at current level or let the process of growth take care of itself through the success that comes from meeting customer needs. They believe customer satisfaction depends on their attention to detail, and each of them stamps this value on their employment relations methods, making sure that their employees work to owner specification and that the business runs like a well-oiled machine. As the final analysis will show, these growth patterns and control orientations bear a remarkable affinity with the results apparent for the HPWS questioning, something which was not at all anticipated at the outset of the research.

The general absence of tertiary or formal management training is worth observing. With the exception of the computer consultancy, none of the owner/managers had completed anything beyond high school education. It seemed that they had either not been interested in tertiary study, or had had an idea for a business and been too impatient to pursue or complete higher education. Most had spent the majority of their working lives in the current venture, working for others for a maximum of ten years. Almost without exception, they stated that they relied on practical experience to guide their employment relations practices, even the owner with the Master's degree, who learned almost all of her HR from her days in the large electricity utility. The estate agent spoke of his preference for the "street degree", because in his business, a prerequisite ability to 'read' people was not learned from a book. This seems to further reinforce the importance of owner experience as an influence on the employment relations in the small firm (Baron & Kreps, 1999; Holliday, 1995).

### **And the High Performance Aspect?**

The following table attempts to summarise the Pfeffer high performance elements present or not in each of the small businesses in the study. Results are not nearly as clear-cut as suggested by the individual elements in the table but are presented this way for simplicity and to highlight any overall characteristic's use or any particular business's chosen "bundle" of HPWS measures.

**Table 2: HPWS Evidence**

	<b>Real Estate</b>	<b>Machine Shop</b>	<b>Poultry Farm</b>	<b>Shop Fitter</b>	<b>IT Consult.</b>	<b>Transport Co.</b>
Employment Security	Yes	Yes	Yes	Yes	Yes	Yes
Selective Hiring	No	No	Yes	No	Yes	Yes
Self Managed Teams	No	No	Yes	No	Yes	No
Sharing of Information	No	No	Yes	No	Yes	Beginning
Extensive Training	OTJ only	OTJ/ Apprent.	Mainly OTJ	OTJ/ Apprent.	Formal & OTJ	Mainly OTJ
Reduced Status Difference	Partial	Partial	Yes	Partial	Yes	Partial
High Rewards Based on Organisational Performance	No	No	No	No	Yes	No

With regard to employment security, all businesses preferred to keep as many of their employees as possible in a downturn or hiatus of some kind. Most of the businesses do not have enough reserves to ride out a bad time for very long but endeavour to work out some kind of arrangement that allows employees to retain their jobs on a reduced hours basis, for instance. Much of this attitude stems from altruism and a feeling of responsibility to the workers and their families but there was also the wish by the businesses to keep their group of workers intact and ready to go the minute better times arose. The owners all expressed the wish not to lose someone in whom they had invested time and money to make a skilled team member, tailored to that business's particular requirements. The worst outcome was to lose that person to a rival, but in any case they wished to avoid having to start over with a new employee. The real estate owner mentioned that it took him something like eighteen months to bring a new salesperson to break even point. Even casual people, whose employment is more traditionally thought of as being a buffer for seasonal variations, were kept on some kind of regular arrangement if possible, to maintain contact with a proven bank of desirable skills and attitudes.

The term "selective hiring" needs to be explained in this context. Pfeffer's intended meaning is that someone is employed on the basis of their likely ability to complement the organisation's strategy, rather than because the interviewers have taken a personal liking to them (Pfeffer, 1994). Yet the chances are that unless the owner has had exposure to management training, he or she may fall for the trap of just selecting people like themselves (Cowling *et al.*, 1988, in Holliday, 1995). With the exception of the strategically articulate, management trained owner who actively selected to fill gaps in the company's projected skills inventory, most focused on prospective employees' work ethic, and general ability to 'fit in' and work as required. Three in particular, preferred to bring in young, untrained individuals and groom them, almost as though they were avoiding possible future "differences of opinion" (or expensive mistakes) which may have occurred with skilled and experienced recruits; "I'd rather an apprentice than someone who's older and just thinks he's a tradesman". That control aspect echoes through the argument again, and is somewhat at odds with the HPWS requirement that initiative and judgement be fostered (Appelbaum *et al.*, 2000). In contrast, the other three businesses were happy to "buy in" more experienced individuals who could bring new ideas and problem solving approaches to the business.

On the topic of self-managed teams, perhaps three or four of the businesses run teams but the level of autonomy granted to them varies considerably. For instance, the egg farmer says of his packing shed team, "I never go near it. They do it all themselves" (but everyone stays in touch over lunch in the staff room). The IT consultant also runs teams, the leaders of which have considerable discretion, within strategic and resource constraints. The real estate agency runs teams in three locations, but their problem solving freedom is strictly limited if it involves discretionary spending. The trucking company also has multiple locations, but there is a daily controlling influence at the main depot: "We keep a pretty good eye on them". The interstate truck drivers are given much more autonomy, being trusted seniors. Strictly, perhaps only two of the businesses conform to Pfeffer's intended notion for self-managing teams, the critical element being their level of problem-solving autonomy (Pfeffer, 1994). Results continue to accord with the level of entrepreneurship and 'worldliness' shown by the leader (compared with inward focus, or control orientation).

It seems more natural to expect the use of self-managing teams in a professional environment, yet the results could not be predicted on this account at all.

At least two of the businesses displayed levels of information sharing that Pfeffer would have applauded, one using a formal, structured method, and another using an entirely informal, word of mouth approach. A third was beginning to respond to its management consultant's recommendations and was in the process of sorting a more structured way of keeping its employees informed. Beyond these, the other businesses offered their employees varying amounts of information, but generally their offerings could be classed as 'need-to-know', or operationally based. At least one of the employees in these businesses volunteered that he wished the owner would be more forthcoming with his thoughts and plans. He felt that the owner was carrying too much in his head and not making enough use of the surrounding employees' knowledge and capability. One of the information sharers even went so far as to disclose financial information, 'the business of the business', as she put it. Workers commented that they are always treated as adults but that now they felt like they were true business partners, being privy to such information. They noted that having such information was also useful to them when they were planning new initiatives. They could determine whether to develop an idea further or dismiss it as being not cost effective or needing to wait for a bigger budget. This is exactly the kind of judgement and commitment the HPWS philosophy seeks to elicit.

Although formal training programs may be effective and contribute to firm performance (Huselid, 1995), many small businesses choose not to use these because they feel they can ill afford the time and expense (Holliday, 1995), instead preferring an in-house approach (Reid, *et al*, 2000). Meredith (1977) points out that this is a mistake because people need to keep learning and developing, not just because properly chosen training contributes to business performance, but because employee interest and self esteem must be kept healthy. Those who are career minded need to feel that working in small business has not side-lined their prospects, so if they feel that this is happening they are likely to leave, the business losing a valuable repository of knowledge and skills (Meredith, 1977). This is the very opposite of what the high performance system works towards. The small business needs to build a unique and valuable "strategic capability", so linchpin staff need to be retained if at all possible (Wright & McMahan, 1992). With one exception, the six businesses usually confined any training to immediate job-related requirements, often done in-house and conducted by a senior member of staff.

Reduction of status difference is not an issue of importance for most of the people in these businesses, and probably for many small businesses. As an example, the poultry brothers worked shoulder to shoulder with their employees, expecting no more of them than they were prepared to do themselves. "Any dirty jobs to be done, we do 'em too. We don't hang back". This owner went on to say that he believed that such behaviour gave an important signal to staff that there were no double standards. It was one in, all in, and he believed it made a great deal of difference to the morale of staff to know that the owners were there alongside them, treating them as equals. "I think if you earn their respect, that's half the battle. We try to have a relationship with our staff, more as a friend than a boss". One employee in the computer company (ex local government) passed a remark that it was refreshing and encouraging to be treated as an intelligent adult. Most of the other businesses had little in the way of symbolic management "pedestals", but some owners did express the feeling that it was better to keep some distance between themselves and staff in the event of disciplinary issues.

Apart from the traditional commission-based salespeople, none of the businesses had any formal means of linking organisational performance with the remuneration structure, though one was experimenting with the idea. These owners were attracted to the idea of better linking reward and effort but were wary of unintended consequences, as were the employees. The employees did not want pay linked to outcomes over which they might only have limited control, and were self-motivated in any case, knowing their efforts were appreciated. The "blue collar" businesses in the sample used informal means of awarding performance bonuses, distributing a little extra largesse at year end, based on both individual and organisation-wide outcomes. Most owners indicated that although they weren't 'made of money', they liked to make a gesture of appreciation, with a larger gesture for better performers. Employees no doubt appreciate these end-of-year gestures but they do not conform to HPWS principles in that they are not a formal mechanism based on a stated group or organisation-wide performance goal (Bacon *et al.*, 1996).

## GENERAL COMMENTS/CONCLUSION

A sample of six businesses is hardly enough to allow universal assertions, and yet some patterns have emerged. Like the Bacon study, an element of the “bleak house” had been anticipated in local employment relations practices, that is, “direct management control, poor terms and conditions, high staff turnover and little training” (Bacon *et al.*, 1996, p.82). These things are true in some of the businesses, particularly where owners have a strong control orientation, but the high performance philosophy was showing to different degrees and with different formality in three others. One, with owner origins in a large public utility, had completely and knowingly embraced the philosophy, the second had more or less hit on the formula through trial and error, and the third was beginning to nibble at the margins, responding to strategic guidance from a management consultant.

What was the common thread between these businesses and their adoption of HPWS principles? It was initially anticipated that the nature of the industry and competition and the use of technology would be influential (Davidson & Griffin, 2003; Rainnie, 1989). This is probably at least partly true. Those businesses furthest advanced along the HPWS continuum are certainly advanced technology users and operate in competitive environments but it is the researcher’s feeling that this is only incidental and that the real reason lies with the business owner him- or herself. Thinking through the owners’ responses and the general conversations with them, the common thread with HPWS adoption seems to be their inquiring, lively minds, sense of entrepreneurialism and the amount of outside experience they had gained. Their formal education, industries and ages were different but they were all keen to talk about their businesses, what had been achieved and what their plans were for the future. Each had had the strength of character and judgement to take risks to allow their businesses to grow. They had energy and enthusiasm, and their eyes shone with visible enjoyment.

It seemed possible that this entrepreneurial characteristic was energising and guiding the employees and the organisation at least as much as a specific HPWS approach, although in many respects, the two coincided. Kets de Vries is helpful here. He mentions entrepreneurial characteristics like being achievement oriented, decisive, disliking repetitious work, being energetic, persevering, imaginative and calculated risk takers (1985). Importantly, he goes on to say that entrepreneurs “can instil highly contagious enthusiasm in an organisation. They convey a sense of purpose and, by doing so, convince others...whatever it is – seductiveness, gamesmanship, or charisma – entrepreneurs know how to lead an organisation and give it momentum” (1985, p.160). It seemed that this entrepreneurial charge, coupled with a willingness to surround themselves with capable people and trust them as junior partners in the business was a very strong motivational tool, achieving a similar outcome to a step-by-step HPWS formula like Pfeffer’s. The employees interviewed in these organisations were enthusiastic and full of praise for the respect and opportunity afforded to them. “Our opinion counts for something here. We know we’re valued. We’re not just a number. If it’s all hands to the pump, we’re glad to do it. We know they’re there with us. They’re like brothers, not bosses”.

On reflection, perhaps the main point of a high performance work system is to offset some of the deadening and impersonal load that comes with a business’s success and growth when greater use of formal rules and procedures must be made. This is an important consideration with a big organisation but maybe less so with the small business, which by nature is still small and fast, and if led by entrepreneurial types, offers employees freedom, responsibility and a chance to be “in on the act”. The aims of HPWS, “to get more from employees by giving more to them” (Baron & Kreps, 1999) are still important, but in the small business, they can be achieved more directly through good leadership.

## REFERENCES

- Appelbaum, E, Bailey, T., Berg, P. & Kalleberg, A. (2000), *Manufacturing Advantage: Why High Performance Work Systems Pay Off*, Cornell University Press, New York
- Australian Bureau of Statistics (1996), *Small Business in Australia, 1995*, Catalogue No. 1321.0, Australian Government Publishing Service, Canberra.
- Bacon, N., Ackers, P., Storey, J., & Coates, D. (1996) "It's a Small World: Managing Human Resources in Small Businesses". *The International Journal of Human Resource Management*, Vol.7, No.1, pp.82-100.
- Barney, J. (1995) "Looking Inside for Competitive Advantage", *Academy of Management Executive*, Vol.9, No.4, pp.49-61.
- Baron, J. & Kreps, D. (1999) *Strategic Human Resources- Frameworks for General Managers*, Wiley: New York
- Barrett, R. (1999) "Industrial Relations in Small Firms: The Case of the Australian Information Industry", *Employee Relations*, Vol.21, No.3, pp.311-24.
- Becker, B., Huselid, M., Pickus, P. & Spratt, M. (1997) "HR as a Source of Shareholder Value: Research and Recommendations", *Human Resource Management*, Vol.36, No.1, pp.39-47
- Davidson P. & Griffin, R. (2003) *Management*, 2<sup>nd</sup> ed., Wiley, Brisbane.
- Delery, J. & Doty, D. (1996) "Modes of Theorising in Strategic Human Resource Management: Tests of Universalistic, Contingency and Configurational Performance Predictions", *Academy of Management Journal*, Vol.39, No.4, pp.802-825
- Guest, D. (1999) "Human Resource Management - the Workers' Verdict", *Human Resource Management Journal*, Vol.9, No.3, pp.5-25.
- Godard, J. & Delany J. (2000) "Reflections on the 'High Performance' Paradigm's Implications for Industrial Relations as a Field", *Industrial & Labor Relations Review*, April, Vol.53, No.3, pp.482-502
- Holliday, R. (1995) *Investigating Small Firms: Nice Work?* London, Routledge.
- Hornsby, J. & Kuratko, D. (1990) "Human Resource Management in Small Business: Critical Issues for the 90s", *Journal of Small Business Management*, July, pp.9-18.
- Huselid, M (1995) "The Impact of Human Resource Management Practices on Turnover, Productivity and Corporate Financial Performance", *Academy of Management Journal*, Vol.38, pp.635-672
- Kets de Vries, M., (1985), "The Dark Side of Entrepreneurship", *Harvard Business Review*, November-December
- Kling, J., (1995) "High Performance Work Systems and Firm Performance", *Monthly Labour Review*, Vol.118, No.29, pp.29-44.
- MacDuffie, J. (1995) "Human Resource Bundles and Manufacturing Performance: Organisational Logic and Flexible Production Systems in the World Auto Industry", *Industrial and Labour Relation Review*, Vol.48, pp197-221.
- Meredith, G., (1977) *Small Business Management in Australia*, McGraw Hill, Sydney

- Pfeffer, J. (1998) *The Human Equation*, Harvard Business School Press, New York, NY.
- Pfeffer, J. (1994) *Competitive Advantage Through People: Problems and Prospects for Change*, Harvard Business School Press, Boston.
- Rainnie, A. (1989) *Industrial Relations in Small Firms, Small Isn't Beautiful*, Routledge, London
- Reid, R., Morrow, T., Kelly, B., Adams, J. & McCartan, P., (2000) "Human Resource Management Practices in SMEs: A Comparative Analysis of Family and Non-Family Businesses", *IBAR*, Dublin, Vol.21, No.2, pp.157-181
- Rodwell, J. & Shadur, M. (1997) "What's Size Got to Do With It? Implications for Contemporary Management Practices in IT Companies", *International Small Business Journal*, London, Vol 15, No.2, pp. 51-62
- Scarborough, N. & Zimmerer, T. (1992) *Effective Small Business Management*, Merrill, New York.
- Ulrich, D. (1997) "Measuring Human Resources: an Overview of Practice and a Prescription for Results", *Human Resource Management*, Vol.36, No.3, pp.303-320.
- Ulrich, D. & Lake, D. (1990) *Organisational Capability: Competing from the Inside Out*, Wiley, New York
- Wilkinson, A. (1999) "Employment Relations in SMEs", *Employee Relations*, Vol 21, No.3, pp.206-217
- Wright, P. & McMahan, G., (1992) "Theoretical Perspectives for Strategic Human Resource Management", *Journal of Management*, Vol.18, No.2, pp.295-320.
- Wyer P. & Mason, J. (1999) "Empowerment in Small Businesses", *Participation & Empowerment: An International Journal*, Vol 7, No.7, pp.180-193