

Giddens' structuration theory and human resource practice in small firms

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Abstract

We studied HR practices in New Zealand small and medium enterprises (SMEs) by analysing semi-structured interviews with 48 SME owner-managers using Giddens' structuration theory as an analysis lens. HR practices were shaped by routinised actions of actors, and employee agency was strong, as action (or lack of it) by a single employee could have implications for the whole firm. Employees were not purely economic agents, as the quality of work experience and family circumstances could shape their behaviour more than financial compensation. HR practices were reproduced through the reflexive actions of owner-managers, employees and their family members as well as of external agents, such as suppliers and regulators. The analysis suggests that, to implement HR practices, such as hiring, employee development, and employee retention/dismissal in small firms successfully, owner-managers should treat employees and members of their families as powerful actors co-creating, rather than merely being subject to, HR practices.

Keywords: small firms, HR practices, Giddens' structuration theory, agency and structure

Introduction

HR practices in small firms have received steady interest over many years (Allen et al., 2013; Battisti & Deakins, 2010; Csillag et al., 2019; Foster & Farr, 2016; Klaas et al., 2012; Lai et al., 2017; Mallett & Wapshott, 2014, 2017; Mayson & Barrett, 2017; Ntalianis et al., 2015; Verreyne et al., 2013), and there is a book dedicated to the topic (Wapshott & Mallett, 2016). However, the existing studies tend to rely on implicit managerialist assumptions, with managers presented as designing and implementing HR practices. For example, Labour Process Theory, which was used as a lens for analysing HR relations in SMEs by Atkinson (2008) and Arrowsmith et al., (2003), assumes that managers are able to configure HR practices to turn the workers' labour into a commodity. Further, most studies apply a deficit model where HR practices in small firms are framed in terms of how close they are to best practice developed for large firms (Razouk, 2011). This approach ignores the specifics and the strengths of small firms (Wapshott & Mallett, 2016).

In this paper we argue that Giddens' structuration theory offers a useful lens for understanding HR practices in small firms. Major advantages of Giddens' structuration theory are that it emphasises the agency of a broad range of actors (rather than implicitly privileging managers) and does not limit the consideration to economic relations. Using the lens of Giddens' structuration theory, we analysed the interview transcripts of 48 small firm owner-managers in New Zealand, and have structured the paper as follows: first, we present a literature review on HR practices in small firms and introduce Giddens'

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structuration theory. This is followed by sections covering the method, findings, discussion, and conclusion.

Literature review

HR practices in small firms

Small firms are characterised by informality, including a relative lack of formal practices, or “messiness” (Wapshott & Mallett, 2016). Using structuration theory vocabulary, they are also characterised by co-presence of employees and the owner-manager (Giddens, 1984). This owner-manager is often in face-to-face contact with all employees on an ongoing basis (Ram et al., 2001; Timming, 2011). While the owner-manager appears to be in control they may have goals other than firm growth, such as pursuing a particular lifestyle or creating employment opportunities for the owner-manager’s family (Gilman & Edwards, 2008; Wach et al., 2016). However, the owner-manager’s power is limited by a number of economic and non-economic factors; for example, large customer (or supplier) organisations may impose requirements on how the firm operates (which may include HR practices) or simply put pressure on the firm to cut costs, making it difficult for the firm to offer better compensation or benefits (Edwards et al., 2006; Lai et al., 2016).

Small firms may find it difficult to hire qualified and experienced employees because of relatively low salaries, instability of employment or because of the perceived restrictive environment created by the owner-manager’s constant presence (Reidolf, 2016). As a result of the recruitment and retention stresses for owner-managers, existing employees may have considerable bargaining power and associate themselves with the industry rather than with the organisation (Atkinson, 2008; Nadin & Cassell, 2007; Opara et al., 2019). Indeed, in a small firm, if an employee quits (or simply does not turn up), the most common adjustment mechanism is for the owner-manager to do the work, often resulting in overwork (Edwards & Ram, 2006; Marchington et al., 2003). Thus, it could be argued that an employee at a small firm has a lever to affect the owner-manager’s wellbeing.

Owner-managers of small firms also commonly rely on the paid and unpaid labour of their family members (Kitching, 2016), with the added complication that family members may be difficult to manage (Edwards & Ram, 2006; Mallett & Wapshott, 2017). Family members of other employees may become involved in helping to resolve disputes, and in a small firm their involvement as firm stakeholders is more visible than in a larger firm (Mallett & Wapshott, 2017). For example, employees may occasionally bring their children to work (Nadin & Cassell, 2007) and parents may be involved in initiating the employment relationships of their children (Edwards & Ram, 2006; Marchington et al., 2003). More broadly, an overlap between personal and working relationships is more likely in small firms, where owner-managers may have local community-based relationships with employees since before the firm was established (and may expect such relationships to continue even if the firm no longer exists) (Marlow, 2003). Thus, employees may derive influence from beyond the employment relationship. Further, because of the broad and varied range of economic and non-economic influences on the employment systems of small firms, the HR practices in use may be idiosyncratic and vary considerably from firm to firm (Atkinson, 2008; Mayson & Barrett, 2006; Verreynne et al., 2013). As a direct result of these many challenges, the complexity of managing HR may be a strong disincentive to hiring labour for some small firms, and an incentive to rely on outsourcing instead (Bischoff & Wood, 2013).

An autocratic management style adopted by some owner-managers may be brought about by enormous pressure from powerful stakeholders, thus reflecting the owner-manager’s lack of power and control

(Sisson, 1993; Torre & Solari, 2013). Because owner-managers have to deal with changes in the regulatory environment, including HR-related issues with limited expertise and/or time to track and interpret these changes, they also tend to rely on informal advice (Kitching, 2016). Further, employment relationships based on prior social networks may insulate the employer from the law, sometimes resulting in quasi-legal practices, (Arrowsmith et al., 2003; Edwards & Ram, 2006; Ram et al., 2001). These types of employment relationships also empower employees as actors; for example, an employee that has a relationship with the owner-manager that extends beyond work may be more trustworthy and work harder than an employee in a purely formal work relationship. It is important to note that adopting such practices is at the employee's discretion (Edwards & Ram, 2006; Kitching, 2016). Therefore, even though informal management practices may be seen as extending owner-manager influence, owner-managers are far from being able to enact practices based on their personal preferences (Goss, 2015; Wapshott & Mallett, 2016).

Small firms have fewer resources for employee development, therefore, employing qualified individuals who can be immediately productive is preferred, which makes the firms dependent on the availability of qualified and experienced human resources. Finding new employees by word-of-mouth, using both professional and kinship networks, or relying on people walking in to ask for job opportunities are common practices that can result in employees who are well-adjusted to the local context (Kitching, 2016; Mallett & Wapshott, 2017; Marchington et al., 2003; Timming, 2011). In contrast, formal job advertising is not typical of small firms who do not have the resources and the expertise required to process large numbers of applications. Other opportunities to source local talent may result from the failures of similar firms or competitor redundancies (Marchington et al., 2003).

The employment of someone who does not fit can result in conflict that paralyses the whole organisation. As an extreme example, Timming (2011) offers an in-depth study of a small firm industry in which a degree of illegal drug use by employees was "generally expected" (p. 576) and part of the fit to the local context and firm. Therefore, subjectively assessed fit is an important criterion in hiring, and a further reason to prefer hiring from the local context (Marchington et al., 2003; Timming, 2011). Importantly, the owner-manager's network in the local community and within the firm's industry may be an important source of information for assessing the suitability of potential hires. Correspondingly, qualified potential hires may be aware of their value for potential employers and rely on their networks to evaluate the opportunities from their own perspective (Timming, 2011). Small firms can also rely on their knowledge of the local community to source employees based on their reputation of trustworthiness or expertise gained in unconventional ways (e.g. via hobbies) (Adla et al., 2019).

Small firms are highly vulnerable to their environment and have very low capacity to influence that environment, making them unlikely to have well-formulated strategies, including strategies for employee development. Deliberate, formal training and development are often a response to external pressure, such as when suppliers introduce a new technology or in response to a new regulation, such as health and safety laws (Hirschsohn, 2008). Investment in generic training results in portable skills that may enable employees to leave (Jones et al., 2013) and informal on-the-job training is often provided on an ongoing basis, as the employee's performance is more visible in a small firm than in a larger firm (Smith et al., 2002). Learning in small firms is also often characterised as opportunistic, and may involve suppliers (e.g., providing training on the use of new technology) and other value chain participants (Anderson & Boocock, 2002). At the same time, small firms might not have sufficient resources to reward their employees for learning (Adla et al., 2019).

Staff leaving their employment can have devastating consequences for a small firm, as effective replacements are unlikely to be unavailable internally and may be difficult to source quickly from outside the firm. Hence, there is potential loss of capabilities essential for maintaining the firm's

business operations (Patel & Conklin, 2012). At the same time, because small firms' employees are unlikely to regard the firm as an arena to pursue their careers, they may leave for reasons quite unrelated to working and/or compensation conditions available at the firm. For instance, family-related events and personal life preferences (such as desire to travel) are common reasons for employees leaving.

In the absence of formal HR policies, employment relationships in small firms are commonly established through "informal routinisation" (Wapshott & Mallett, 2016, p. 189), by constant informal negotiation and mutual adjustment (Atkinson, 2008; Nadin & Cassell, 2007). This process may be influenced by external stakeholders, such as regulators or customers; however, its outcomes cannot be dictated by external parties. Even rather straightforward external requirements, such as minimum wage legislation, may be reinterpreted and subverted in a variety of ways to both accommodate the employees and to assure the firm's survival. For example, employees' hours of work may not be fully recorded, but employees may be offered flexibility in terms of when they work and in terms of work practices (Ram et al., 2001).

As small firms grow, they tend to replace informal arrangements with more formal HR practices, routinely replicating and applying HR Management (HRM) knowledge gained from large firms. However, the empirical evidence on the applicability of such knowledge to small firms is mixed (Bryson & White, 2019; Lai et al., 2017; Timming, 2011). It has been argued that the HR practices that small firms adopt are appropriate to their particular situation which is characterised by a lack of resources and the relatively weak position of the owner-manager with respect to both external stakeholders and firm employees, making it unlikely that a standardised HRM model would be suitable for them (see Timming (2011) and Wapshott & Mallett (2016)). In particular, informality allows owner-managers to be highly flexible in responding to pressures (Wapshott & Mallett, 2013). Thus, applying a deficit model assessing the quality of HR practices in small firms based on how similar they are to HR practices at successful large organisations is not appropriate (Wapshott & Mallett, 2016). In other words, HR practices in small firms should be evaluated on their own terms.

Giddens' structuration theory

The core of Giddens' structuration theory is the duality between human agency (the exercise of free will) and structure (rules, such as laws, customs, or conventions, and resources such as material means of production or tacit and explicit knowledge). Structure both constrains and enables human agency: the routinised activities of human agents intentionally or unintentionally produce and reproduce structure, and their use of rules and resources also maintain these. Thus in this theory, neither agency, nor structure has primacy. Instead, human agents act reflexively, relying on their discursive (explicit) and practical (tacit) consciousness of structure and history: "In and through their activities agents reproduce the conditions that make these activities possible" (Giddens, 1984, p. 2). All agents have power in the sense that "all forms of dependence offer some resources whereby those who are subordinate can influence the activities of their superiors" (Giddens, 1984, p. 15). We argue that, in a small firm, the actions of individual employees affect the whole firm, while the firm itself is vulnerable to its environment. Because both agency and structure are immediately relevant, Giddens' duality may be a useful conceptual tool to understand the reality of small firm HR practices. Indeed, Giddens explicitly highlights the study of "social practices" (Giddens, 1984, p. 2) as being the purpose of structuration theory.

Jack and Anderson (2002) applied Giddens' structuration theory to study small rural firms from an entrepreneurship perspective and found that the embeddedness of small firm owner-managers in the

local structure (social as well as economic) offered them access to resources necessary for firm survival. HR was an important category of such resources, as suggested by an owner-manager: “We employ a lot of people from the local area. They’re very dependable and loyal” (p. 467). Another participant interviewed by Jack and Anderson mentioned an HRM related rule: “I find advertising (for staff) a waste of time, we do it through personal contacts... But we don’t pinch staff from other local employers” (Jack & Anderson, 2002, p. 480). Interpreting the results from an entrepreneurship perspective, Jack and Anderson (2002) concluded that entrepreneurial opportunities exist within the structure and become manifest “by the action of entrepreneurial agency” (p. 484).

Jack and Anderson (2002) also used the concept of embeddedness, defined as the process of becoming part of the structure, which involves “understanding the nature of the structure, enacting or re-enacting this structure which forges new ties, and maintaining both the link and the structure” (p. 468). Mayson and Barrett (2017) similarly used embeddedness to explain HR practice in small firms, in this case focussed on firms responding to regulations. By using the concept of embeddedness Mayson and Barrett indirectly indicated the relevance of Giddens’ structuration theory to the study of HR practice in small firms. However, they did not explore the potential of notions, such as the duality of agency and structure. Our study, inspired by Jack and Anderson (2002) and Mayson and Barrett (2017), addresses this gap by applying the structuration theory to explain a range of HR practices in small firms clustered around hiring, employee development, and employee retention/dismissal.

Research question

The literature suggests that the ability of owner-managers of SMEs to design and enforce HR practices is limited. At the same time, this does not mean that HR practices can be imposed in full by other powerful actors, such as regulators, or large suppliers or customers, as such actors are distant from the workplace and, thus, have a limited ability to monitor the actual practices in use. Rather, a broad range of actors, including employees and their families, produce and reproduce the largely informal HR practices: they behave according to their understanding of the rules and norms and, in doing so, maintain and transform them. This pattern is captured by the core notion of Giddens’ structuration theory, the duality of agency and structure: human agents intentionally or unintentionally produce and reproduce structure, with the structure both constraining and enabling agency. Thus, Giddens’ structuration theory and its core notion of duality of agency and structure may be a useful lens for understanding HR practices in SMEs. Correspondingly, the present study applies Giddens’ structuration theory as a lens for addressing the following *research question*: How are HR practices in SMEs produced and reproduced through reflexive actions of owner-managers, employees, and their family members, as well as of external agents, such as suppliers and regulators? The present study’s contribution is twofold: it demonstrates the relevance of Giddens’ structuration theory lens, and it provides a rich integrated picture of HR practices in SMEs.

Method

Qualitative data were collected via interviews, as appropriate for an exploratory study (Gioia et al., 2013). Owner-managers of 48 firms in New Zealand active in a broad range of manufacturing industries were interviewed. Participants were purposefully selected from a random sample of 500 New Zealand firms, sourced from the Kompass database (<https://nz.kompass.com/>). They represented industries including clothing, commercial artists, construction, electrical, engineering, food, forestry, hospitality, real estate, jewellery and furniture. All firms had fewer than 50 employees, with most

employing less than 20, and thus classified as small firms according to the OECD (OECD, 2005). None of the firms had a dedicated HR department.

Participants were taken through a semi-structured interview schedule which highlighted the major domains of HR practices, such as sourcing, selection, employee learning, retention, and dismissal. Each interview was recorded, and lasted between 45-90 minutes. Informed consent was gained via the provision of a project information sheet and subsequent completion of a written consent form. The interviews were later transcribed and sent to the interviewees for checking. The final transcripts provided rich, contextualised data relating to the HRM practices in the sample firms and were used as the basis for the analysis presented here.

Data were analysed using thematic analysis (Braun & Clarke, 2006), which involved first order (informant-centric) and second order analysis (theory-centric) stages (Gioia et al., 2013). First order analysis involved identifying HR-related behaviours by agents, such as managers, employees, and members of their families. Second order analysis relied on Giddens' structuration theory as a sensitising device (Heracleous, 2013). Namely, we focussed on how, through their activities, agents produce and reproduce the HR practices in SMEs, thus reproducing the "conditions that make these activities possible" (Giddens, 1984, p. 2). The analysis was realist (Braun & Clarke, 2006) in the sense that it focussed on what actors do and on the conditions and consequences of their actions, rather than on how actors perceive their experiences. The analysis was conducted by the first and second authors, who had complementary backgrounds (one with a strong background in SME research and another with an in-depth knowledge of the structuration theory). The analysis proceeded iteratively, with coding followed by discussions to integrate the findings until further efforts were no longer bringing new insights.

The results of the analysis are presented in Table 1, in which second order codes are presented as "Themes" (grouped under four major areas of concern for HR relations in SMEs: recruitment, training and development, workplace conditions, and retention and termination (Wapshott & Mallett, 2016)). First order codes are summarised under "Summary of Findings" and quotes are given to illustrate each theme. Findings are discussed in detail in the following section.

Findings

Our participants described HR practices that we have grouped into four categories: recruitment, training and development, workplace conditions and retention and termination practices. In turn, each category was analysed as outlined in Table 1. These practices will be described below.

Table 1. Summary of Findings

Area of Concern	Themes	Summary of Findings	Quotes
Recruitment	Sourcing employees	Owners-manager's network and local community.	<p>"Word of mouth".</p> <p>"We've lived in the town for 20 years ... we may approach someone and ask ... if they are looking for work".</p> <p>"The grapevine that so-and-so around the town's a bit disgruntled, they're looking for a job".</p>
	Selecting employees	Owners-manager's intuition played a key part. Input from current employees sometimes sought. Local networks important. Technical proficiency determined by the owner.	<p>"It was just something about him, he was positive and willing to work ... one of the best workers we've had".</p> <p>"I will sound off some of the other staff".</p> <p>"I prefer somebody I've known for a while or somebody in the family".</p> <p>"I'd say, 'well you go down there and weld a pipe up' and I could tell ... whether he's a welder or not".</p>
	Employee fit	Affects customer retention, workplace environment, and team performance.	<p>"You're never quite sure how ... people get on with the customers. You can lose trade in a hurry if your employee hasn't got good customer relations".</p> <p>"I spend a lot of time thinking how the person will gel into the organisation, not necessarily their technical or scholastic abilities".</p> <p>"In an organisation this size personal disputes can be quite damaging and very hard to manage".</p>
Training & Development	Learning on the job	Highly valued and the main means of employee development.	<p>"Hands on ... actually literally show them everything. Over and over and over again".</p> <p>"Making mistakes is part of learning, so don't be afraid to make mistakes".</p>
	Learning from external organisations	Formal courses were considered too generic and not useful. Industry bodies and suppliers could be a source of training and development. Keeping informed on the competition also spurred investment in technical upskilling.	<p>"We're sort of semi-reluctant to pay out that sort of money when as soon as he's qualified, he's off".</p> <p>"The barrier with ... an organisation training them is that the organisation doesn't know the business and they can't train them on systems they haven't created. I am the only one that can really train somebody on that".</p> <p>"Suppliers, they're constantly running educational courses".</p> <p>"Bob [is] required to do 20 hours a year of professional continuing education. He does the bulk of it 'in one hit' at the annual industry conference".</p> <p>"Very few people switch off when they're outside work, we'll come back on a Monday [and] have conversations like 'hey, ...I noticed our opposition doing this, this and this'".</p>

	Learning for the longer term	Limited interest from owner-managers, unless compliance-related. Employees that sought out more training were supported.	<p>“If they decide that they want some more work, that they are not getting enough mental stimulation then I will try and include something else in the job and I encourage that”.</p> <p>“Sometimes there are a few other training institutes ... they’ve got quite a large training programme, couple of our guys have just been a couple months ago, been to a training course with them. We do look to the universities to find perhaps higher-level courses for some of them”.</p> <p>“Brian and his other valuer are both required to do 20 hours a year of professional continuing education”.</p>
Workplace Conditions	Employee discretion	Some firms gave considerable freedom of action, with close monitoring. Fair remuneration was linked to the firm’s success.	<p>“We know exactly what someone’s doing ... if those hours don’t match that job and we’re constantly going under then that’s it ... we’ll just say ... you’re not pulling your weight”.</p> <p>“It’s a very friendly arrangement that we have with each other, and if they can see things we need to improve in the shop, by all means come and tell us ... they’ve got free range to move everything around and do what they like”.</p> <p>“If they want to talk to someone for an hour that’s fine with us ... sometimes I’ll have to go out and serve while they’re talking to someone but that’s fine”.</p> <p>“The company has to make money, otherwise, how can I pay them the best income?”</p>
	Family involvement	Close links with the families of employees. Strong sense of community responsibility.	<p>“Getting to know their personal life I think is ... why they are still there, because I ... take an interest in their life”.</p> <p>“She said I am a great boss and I honestly think that’s because I get involved in her life ... and ... see her beyond as an employee”.</p> <p>“I had to get them to buy into my dream ... they’ve got to know I care about them and their family before they’re worried about what I know, or what we’re doing or where we’re going”.</p>
	Human resource flexibility	Sharing employees with other firms. Drawing on family for particular roles. Internships and employing on trial. Supply chain source of temporary labour. Multiskilling. Flexible HR.	<p>“I basically shared her with another retailer down the road, so she did three days with him and one day with me”.</p> <p>“They’re referred to us by supermarkets that we might call on, or by wholesalers that we deal with”.</p> <p>“Then we’ve got another guy who’s a diesel mechanic by trade but he’s [also] doing plumbing ... he’s a very good engineer as well, and he’s ... doing his electrical ... as well, so we try and multi-skill people”.</p> <p>“We work extremely long hours.... We cope because we have to... once the dollar eases ... we can probably go back to have someone in administration and answering the telephone, just to ease the workload for ourselves”.</p>

	Race relations	More prominent on the customer interface.	<p>“[Question] Do you tend to have Kiwi [New Zealander] workers rather than any immigrant workers?”</p> <p>[Answer] Ahh no, I’ve had South Africans, Māori... I’ve had a Fijian but ... on the counter I need Kiwi people”.</p> <p>“The people I sell to dare I say, they don’t want to speak to Indians”.</p>
Retention and Termination	Retention of employees	Community embeddedness meant higher retention. Efforts to retain employees through flexible work arrangements but restricted in the ability to provide a career path.	<p>“I have a resignation every year, round about March, because that’s the time when all the accountant firms ... are looking for staff”.</p> <p>“With the younger ones that want to do OEs [overseas experience], instead of quitting us, we say why don’t you take 6 to 8 weeks off and go and do it”.</p> <p>“She’s been with me for three years, but she’s working part-time at the moment because she has just had a baby”.</p> <p>“People won’t stay for the money. If they haven’t got the right team environment, where they’re happy in their work ... they won’t stay”.</p> <p>“They’ll go on and do something else. Some of them actually studied their way out, which I helped pay for ... I like to see people get on”.</p>
	Termination practices	Informal persuasion to incentivise employee departure. HR formal procedures used to minimise potential legal repercussions.	<p>“If a guy doesn’t fit in, I have completely no worries because these guys in here will get rid of him”.</p> <p>“It’s got a whole procedure about what you do to discipline a person, and these are the letters you should give them first”.</p> <p>“Verbal [warnings] are done privately, same with the written. There’s been a few times that other people haven’t even known if they’ve had a written warning you know. Like everything’s kept pretty much you know, with that one employee”.</p>

Recruitment

Recruitment practices offered by participants were directly related to sourcing employees, selecting employees, and employee fit.

Most of the firms relied on the owner-manager’s network, including professional and social contacts, and people walking in off the street enquiring about jobs. HR consultancy firms played a minor role, if any, while more formal advertising was often seen as ineffective. Exceptions were relatively more successful firms in industries requiring a very high level of expertise (e.g., a dentistry firm routinely sourced employees from abroad). Moreover, the failure of a nearby similar firm was seen as an opportunity to hire local staff.

Although the owner-manager’s intuition played an important role in hiring decisions in most cases, the opinions of current employees were also considered. Local references were valued and trusted most, and even if the potential employee was not approached via the owner-manager’s network, the network could be used to assess their suitability. For technical aspects, watching performance on tasks as part of the selection process was easy to arrange in a small firm, where an owner-manager is normally highly technically proficient.

Special attention was given to employee fit, as employing a “wrong person” could have a detrimental effect on a firm with a small customer base. Even in a non-customer-facing role, employing an individual who did not fit could be very damaging because of the small size of the firm where interpersonal relations are very close.

Training and Development

Training and development practices included learning on the job, learning from other organisations and learning for the longer term.

Informal learning in the form of learning on the job was the most common type of learning and was valued more than formal learning by owner-managers. In the firm itself learning was done primarily on the job in most cases, and making mistakes and owning up to them were part of the learning process. On the job learning sometimes blended with day-to-day management where the owner-manager corrected mistakes as they happened.

Paying for employees to undertake formal courses was often not considered a good investment as formal courses were seen as too generic and not addressing the specific context of the firm. Nonetheless, industry bodies and suppliers did play a role in HR development, although they did not have direct access to all employees. Learning also took place through suppliers or to satisfy a regulatory requirement. In the latter case, learning was viewed as compliance rather than adding value. Some informal learning from the competition could happen when off work, as off-duty employees observed activities at other firms.

Long-term employee development was not at the front of participants’ training and development priorities if employees were productive. However, some participants were willing to give employees the opportunity to advance their learning, and others considered that, by investing in developing their employees, they were contributing to the community and to the broader society through the knowledge employees would gain at the firm.

Workplace conditions

Participants were typically willing to provide employees with considerable discretion, time for family involvement and flexibility. There was also a tendency to hire only employees who appeared similar to the rest of the team, to avoid workplace tensions.

At some of the firms, employees were given relatively generous freedom of action, for example choice of activity, although close monitoring of work by owner-managers was also present in some cases. In part, the rationale for giving employees the freedom to act was the size of the firm – unlike in a large firm, employee actions had immediate implications for firm survival, so that the employees were more immediate stakeholders in the firm’s success than at a larger firm. Similarly, firm performance was directly related to compensation that could be offered to employees.

Taking an interest in, and caring for, the employees’ families was seen as important for retention and engagement. For younger employees, their family could be involved in the hiring process. In a firm that sourced most of its employees from a government agency catering for job-seekers, the firm provided lunch meals, and could be seen to be assuming family-type responsibilities.

Flexible access to HR included sharing employees with other firms and intermittently involving family members. Internships and employing people on trial (sometimes without pay) were another source of flexibility. Supply chain partners also played a role in giving access to temporary labour, and former (currently retired) employees could also be called on. A further way of achieving flexibility was by training a multi-skilled workforce, which had an impact on rates of retention. It was common practice for the owner-manager himself/herself to be a resource that was flexibly deployed, but this use as a flexible human resource sometimes had elements of self-exploitation and a negative impact on work-life balance.

Retention and termination practices

Owner-managers commonly noted that employees could be leaving for reasons outside of the firm, such as family circumstances, moving locations, or a desire to travel overseas (a New Zealand rite of passage for young people). To an extent, owner-managers sought to find a way for employees to pursue their life choices without leaving the firm, but firm size made it difficult to retain employees through such life changes. Sometimes employees left based on a perception that the firm may fail and that a small firm was limited in its ability to offer a career path, leading some employees to leave to further their career. Interestingly, local connections with fellow employees, and quality of work and lifestyle were often seen as more important for retention than compensation.

Adjustment to the external environment was mainly ongoing and reactive, rather than episodic and proactive. When employees had to be laid off because of a lack of fit or poor performance, in some of the firms, such employees could be persuaded to make a choice to leave informally, sometimes with the help of other employees. Nonetheless, the need to comply with regulations, and the risk that an employee claimed unfair dismissal, was an area where formal HR procedures (in compliance with regulation) were commonly executed. However, in firms with a small customer base, the risk of losing a customer could be more important than litigation risk.

One of the firms experienced considerable problems because an employee who was engaged in a monotonous, but skilled activity that is difficult to master (but essential for the firm) was dismissed by the owner-manager. The atmosphere at work had been highly toxic because of the employee's behaviour (which the owner-manager attributed to a drug addiction). At the same time, the owner-manager speculated that it is possible that it was the drug addiction that enabled the employee to conduct the monotonous activity on the job successfully. Ultimately, the owner-manager changed the product design to change the manufacturing process to "make it easier for whoever is doing it".

HR practices overall

Formal practices such as job advertisements, a structured selection process, or formal written policies were rarely used by our participants which, to an extent, was deliberate rather than owner-managers not being aware of these options. Occasionally, formality was employed to increase legitimacy by associating with industry standards: "we've got ISO9001 here" or to reduce the risk of litigation. The absence of scalable HR practices and limited ability to deal with HR related regulation may have contributed to the firms remaining small.

Discussion

We argue that Giddens' structuration theory captures the dynamics of the formation of HR practices in small firms. Evidence suggests that HR practices in small firms are shaped via routinised actions of actors and employee agency is strong, as the action (or lack of it) by a single employee may have implications for the whole firm. Potential employees maintain their social networks, making them discoverable via the local community's "grapevine", or proactively contacting owner-managers (Kitching, 2016; Mallett & Wapshott, 2017; Marchington et al., 2003; Timming, 2011). Moreover, the potential engagement of employees in the local community's social fabric, including through the maintenance of kinship ties, creates familiarity and reputation that enables particular selection practices. The importance of fit, which is a consequence of the strength of employee agency, highlights the influence of rules and conventions particular to the firm. These are mostly "messy" (Wapshott & Mallett, 2016) unwritten rules and conventions about the conduct of work that are maintained through routine actions of employees and owner-managers.

Learning relies primarily on the development of practical consciousness (tacit knowledge) by doing the job, making mistakes, or getting feedback. Thus, the ability of the firm to reproduce its knowledge is attained primarily through routinised actions of individual employees (rather than by capturing knowledge in written records or documented processes, for example). External agents (such as customers, suppliers, and regulators) also play a role in employee (and ultimately, the firm) learning. However, such external agents are influencers rather than rule givers. Practices in use are produced and reproduced through the agency of external agents (Sisson, 1993; Torre & Solari, 2013) and may be idiosyncratic and unintended (as, for example, regulation may result in reduced hiring). In a small firm, employee agency is tempered by its economic consequences (Timming, 2011) because actions of an individual employee may have implications for the survival of the firm. At the same time, employees are not purely economic agents, as the quality of work experience and family circumstances may be shaping their behaviour more than compensation within these small firms.

We argue that the owner-manager's agency, while important, may not be as strong as it might appear to the employees, as the owner-manager's freedom of action is constrained by the presence of powerful stakeholders (Edwards et al., 2006), these being both the employees and their families, and external stakeholders, such as customers, suppliers, and regulators. Members of employee families may also be exercising agency towards the firm that contributes to shaping HR practices. They may make themselves available as temporary paid or unpaid labour, thus contributing to the HR flexibility of the firm or broadening the firm's knowledge. They may also cause employees to quit or to become temporarily unavailable, which may have a sizable impact on the small firm, likely resulting in the owner-manager overworking to compensate for the employee's absence (Arrowsmith et al., 2003; Marchington et al., 2003).

Finally, the actions of employees influenced by HR practices contribute to the reproduction of the broader structure (Jack & Anderson, 2002). Because the tenure of employees at a small firm is often short (either because employees leave or because small firms frequently fail), the knowledge they acquire at the firm contributes to the broader local community (and part of this is the reproduction of HR practices at other small firms). Further, forming parts of the employee lives (both in economic and in social sense), small firms contribute to the reproduction of non-economic social practices, from family life to drug use and to race relations.

The present study contributes to a deeper understanding of the formation of HR practices in small firms by demonstrating the relevance of Giddens' structuration theory and focussing on the duality of agency and structure. The pattern of production and reproduction of HR practices was indicated by

combining the results of multiple prior studies; the present study contributes empirically by presenting the rich dynamics and interactions involved in a single context.

The role of employees as powerful agents within the small firm, as well as the role of family in shaping HR practices at such firms, is an area that requires further research, as recently highlighted by Woodfield et al., (2021). Further, the duality of agency and structure from the point of view of the employee can be researched from the stance of bounded emotionality (Thomas & Wickramasinghe, 2008). Future studies could explore further implications of Giddens' structuration theory to HR practice, for example by investigating the effects on reflective agency of employees on making the practical consciousness of HR practices explicit, as may happen in growing firms transitioning to greater formality.

Managerial implications are that HR practices suggested as "good practices" to SMEs by regulators or management consultants are unlikely to be implemented as intended, and might have unintended effects, as other actors (such as members of employees' families) will be creatively and reflectively involved in the production and reproduction of the actual practices in use. This suggests a shift in emphasis in future research for research streams such as the one around high-performance work systems (Klaas et al., 2012; Torre & Solari, 2013) (for SMEs, but possibly also for larger organisations), away from choosing the combinations of practices to be introduced in designing HR systems towards understanding how HR practices in use are produced and reproduced by actors present in the local context.

Conclusion

By analysing semi-structured interviews with 48 SME owner-managers in New Zealand using Giddens' structuration theory as the lens of analysis, we demonstrated that HR practices in small firms are more resultant from complex cooperative relationships based on trust, gut, and reciprocity, and overall cooperation between employer, employees and family, and other actors/stakeholders, rather than formal structures or rules. A lack of formal HR processes should not be viewed as a lack of any structure, but instead we should recognise the informal, undocumented practices that are produced and reproduced in day-to-day interactions.

The present study contributes to theory by offering an alternative perspective of HR practices in SMEs, drawing from Giddens' structuration theory. HR practices in SMEs are not designed but produced and reproduced through reflective actions of multiple actors, including, for a local SME, the owner-manager, the employees, regulators, members of employees' families, managers of other firms in the local area, suppliers, customers, training and education providers, etc. The employees, the owner-manager, and other actors are not only guided by the established practices, but also transform them through their actions.

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