An organisational learning perspective to enhancing understanding of people management in small businesses

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Introduction
A traditional view of human resources management (HRM) within business organisations would see HRM strategy building in a linear fashion out of rational analytical strategic planning processes. An identified intended business strategy would form the parameters within which to determine human resource needs and appropriate management approaches to allow for successful implementation of that business strategy.

Alternative models of small firm HRM are increasingly challenging this view (Lane, 1994) but it is questionable whether such models build out of depth of insight as to how small firms actually strategically develop in practice.

Wyer (1997) challenges the utility of long-term rational analytical planning processes within smaller business and it is the foundations of this challenge which in turn raises the question of the need for greater depth of insight into how small firms manage human resources and how they adapt their approaches along the growth path of their organisation.

This article proffers the utilisation of an organisational learning perspective to the enhancing of understanding of small firm people management. The article first, highlights how small businesses predominantly face open-ended change which is unknowable and unpredictable and that the essential challenge to the small firm owner manager is learning how to cope with such change. It is suggested that rational analytical planning modes of management fail to provide the appropriate context for control of open ended change.

The main premise of the article is that control in open-ended change situations is one of organisational learning - acts of exploration and often experimentation (Stacey, 1990). For the small business owner-manager this effectively requires complex double loop learning, integral to which is the role of mental models in generating change. The article thus draws on contemporary learning theories to explain the learning task facing the small business as it attempts to strategically develop within the context of open-ended change.
Empirical findings are then used to demonstrate the theory in practice, drawing on tentative findings of the first phase of a comparative study of the strategic development activities and approaches of small businesses in differing economic development contexts: the developing economy context of Malaysia; the transitional economy context of East Germany; and the developed economy context of the UK. The Malaysian “arm” of the research forms the initial phase of this study and provides the foundation insight to begin consideration of how small businesses “complex learn” within the context of open-ended change.

This cognitive perspective of small business strategic change sees such change deriving essentially out of processes of debate and dialogue (owner management and key external actors, and between key management and workforce personnel within the business). The owner manager or owner-management team mould change through external strategic issue recognition and through dialogical processes which lead to experimental or firmed up actions involving relevant management and workforce input. Such a perspective provides a learning process framework highlighting key people management issues.

The article proceeds to examine “critical activity points” of the learning processes underpinning strategic change within the case study firms of the Malaysian study to build a frame of insight into key people management issues underpinning small firm strategic development. This insight is then used as a foundation from which to begin to consider whether HRM has potential practical application within small businesses. Addressing the ambiguity in the literature as to just what constitutes HRM, a foundation working conceptualisation is offered and, from this, examples of possible areas of HRM application within the small business are examined and tentative insight is provided as to their potential utility as facilitators of strategic development. The article concludes with a review of the key issues in our study to date and how these are being used to foothold and guide our ongoing research into people management issues within the small business across differing economic developmental contexts.

The change environment facing contemporary business organisations
Complexity and diversity
One way of beginning to understand the operating environment impacting on contemporary business is to consider the nature of the environment with regard to level of certainty. Johnson and Scholes, (1993) suggest a continuum based on whether the environment is in a fairly simple/static state whereby detailed historical analysis may enhance understanding of what to expect in the future; or if the environment is in a dynamic/complex state whereby a more future-oriented perspective may be appropriate. Integral to such a portrayal is environmental uncertainty increasing as external conditions become more dynamic or more complex. Complexity relates:
Dynamism relates to the rate and frequency of change.

Johnson and Scholes underline how considering the nature of the environment in this way focuses the analyst on consideration of what might be the most effective ways of understanding and dealing with the influences of the external environment. Attention is brought to understanding past and present influences on the organisation, the extent to which these influences can be expected to persist and how any complexity can be dealt with. In terms of dynamism, the issue of identifying possible future changes relevant to a particular organisation is raised with emphasis on building alternative views of the future based on the anticipated change. With regard to complexity, the utility of rational, formal, analytical planning modes of operation are brought into question if an organisation faces levels of uncertainty which, beyond the short term, are unpredictable. Instead management sensitivity to signals in their environment and intuition and flexibility in response to such signals become crucial. In this sense management's ability to cope with external change and an uncertain future is more to do with them increasingly striving to sensitise themselves to their environment than attempting to develop formal long-term planning capabilities.

The concept of open-ended change

Of particular value in considering the potential organisation approach to control of the contemporary business environment is Stacey’s (1990) conceptualisation of different change situations facing today’s business. For him change may be closed, contained or open-ended and the level of efficacy of formal, rational planning approaches to strategic control is contingent on which of these forms of change it is attempting to address.

With closed change it is possible to predict events and actions with regard to timing and consequences. Causes, reasons why change is occurring and form and timing of its consequences are knowable (e.g.: where a major customer increases an order, resource and cashflow consequences can be predicted).

Contained change relates to events occurring whereby repetitions of the past, the laws of large numbers and concepts of probability apply. Change events such as the seasonal pattern of sales allow predictability within limits. In contained change situations it is possible to say what will probably happen, to provide probable reasons for it happening, and to allocate estimates as to the timing and magnitude of its consequences.

Much contemporary change impacting on business is, however, open-ended – it is unclear what is changing or why, the change in terms of timing and consequences is totally unknowable and unpredictable.
Using the three change control elements of discovery, choice and action, Stacey emphasises that while rational, short interval planning approaches may be appropriate in the reasonably predictable circumstances of closed and contained change, open-ended change is far too ambiguous to allow for the setting of even vague objectives let alone forecasting outcomes. Rather the control elements of discovery, choice and action have to be put in place by establishing the conditions in which open-ended change can be explored and learned about. Clear pre-determined procedures such as those integral to the rational planning models cannot in the face of open-ended change provide the appropriate context for the control elements.

Effectively, then, control in open-ended change situations is one of organisational learning – for Stacey, this involves acts of exploration and experimentation.

An organisational learning perspective to understanding small business development

The organisational learning perspective

Wyer and Boocock's (1996) utilisation of learning theories to explore the ways in which owner-managers learn provides the foundations for considering how the small firm copes with open-ended change. Their work builds predominantly on Kelly's (1955) proposition that each individual utilises a personal construct system – a mental model or recipe or mindset – which is derived from inherent personal characteristics and accumulated experience. This personal construct is used by the individual as a frame of reference to interpret the world that individual sees, and therefore for dealing with new confronting situations. Thus for any small business, the owner-manager's personal construct is critical in determining how change issues confronting the firm are perceived and the subsequent actions to overcome that change.

In dealing with a new issue relevant to the firm an owner-manager may apply existing personal constructs without surfacing and questioning those constructs. Minor changes in constructs may allow an individual to cope with a new situation simply because a similar situation has been dealt with before. In this case simple learning takes place whereby the owner-manager has confirmed the validity of current constructs by using them to make sense of the new situation – the owner manager's construct system has become more defined.

However, circumstances may arise when the owner-manager learner has to extend existing personal constructs – that is, invent new constructs. New themes have to be invented and imposed into the owner-manager's construct system to tackle the new situation. Extension of the construct system involves complex learning.

Such a postulation has far reaching implications for the small business in terms of dealing with open-ended change and bringing about effective strategic development of the firm within such a change context. Essentially what is suggested is that an owner-manager attempting to take the firm forward in new
strategic directions will rely on “mental recipes” built on past experiences of the business, its industry and its external environment. But if the owner-manager is confronted by new strategic challenges, success of meeting those challenges will to a great extent depend on an ability and willingness to extend personal construct systems - that is, to complex learn.

Argyris and Schon (1974) offer a corresponding conceptualisation whereby Kelly's definition and extension are considered in terms of single- and double-loop learning respectively. For Stacey, while single-loop (simple) learning takes place when a construct is applied without being surfaced and questioned, double-loop (complex) learning takes place when a construct is surfaced and questioned to deal with a new situation – thus requiring the manager to discover what it is in the manager’s personal world which is changing, deciding on what action should be taken and taking account of the consequences of the action for the current personal construct system. Thus, for complex learning to take place the owner-manager’s construct system must change. The crucial point, however, is the difficulty of this process: innovative managers must double-loop learn, they must regularly shift, break and create paradigms (their personal constructs), but because single-loop learning is easier individuals tend to slip into the single-loop mode (Stacey, 1993).

The small business as a unique problem type
Wyer (1990) emphasises the need to avoid the over-trite characterisation of small business as the ever flexible organisational unit whose lack of bureaucracy and potential closeness to customer sees it as highly responsive to change and to the needs of its client-base. Rather he emphasises the need to view the smaller business as a potential unique problem-type, qualitatively as well as quantitatively different from the large company. And it is the uniqueness of these problems which makes coping with the open-ended change which predominantly confronts contemporary business a highly complex issue and a major dampener on small business development. Effectively, the context within which an owner-manager is attempting to change personal constructs to cope with open-ended change is one of influencing characteristics and constraints deriving from the owner-manager and from the size of operation. In short the small business faces unique problem-types which distinguish it from the large company and the origins of those problems may be owner-manager – and/or size-related characteristics and constraints.

For example, the organisational culture of a small business is often reflected in the motivations, values, attitudes and abilities of the owner-manager (Smallbone and Wyer, 1994). For instance, attitudes of, independence and autonomy may restrict the recruitment of external expertise needed to aid in understanding environmental change issues.

Small businesses often face a marginal labour market (Curran, 1988) whereby an inability to offer promotional opportunities or reward levels of those in large organisations sees them attracting less able and less committed workers.
An inability to provide requisite collateral levels or a profit track record can constrain the small firm in its attempts to attract reasonable cost finance to underpin development (Hall, 1989).

Effectively, then, the small business faces owner-manager and size-related constraints which impinge on its ability to cope with open-ended change - the process of double-loop learning for us as individuals is a very difficult one, the above indicative focus on the context of unique problems potentially impacting on the small business begins to highlight the complexity of the double-loop learning task facing the small business.

**How do small businesses “complex learn” within the context of open-ended change: foundation insight from the world of practice**

A n initial pilot study has been conducted to begin to derive insight and understanding of how Malaysian SME furniture manufacturers learn to interact effectively with their external operating environment. The small business, the strategic management and the learning theory literature was examined to form key elements of an epistemological bootstrapping process (Archer, 1988; Wyer, 1990) producing discrete yet interrelated partial frameworks of insight to raise crucial issues for investigation. The resultant “bootstrap” was used to inform design of a structured case study interview instrument. Preliminary findings relating to the most successful of the case study firms investigated (see Wyer, 1997) are as follows:

- There were no written plans (long or short term), but a clear mental framework in the form of a mental, qualitative, and yet flexible “preferred end” (or mentally held target) in terms of where the owner manager currently considers the business will be in a few years time.

- There was an energy and willingness to strive for depth of interaction with key actors and informants in the firm’s external environment. Resources, time and often ability constrained systematic collection of relevant information or comprehensive structured analysis of the environment. However, the build-up of external relationships provided a window into crucial activities and developments within the firms industry and thus identification of some key influencing forces.

- Several owner managers viewed the interaction with key informants as one part of a discovery process in which the dialogical input of others external to the firm provide information or knowledge inputs that form the basis for further internal dialogue between key members of the organisation, with them attempting to work through what changes or adjustments to value chain activities could follow to underpin enhanced competitiveness and development of the business.

- There was a willingness to adjust or build into the existing mental framework of existing activity if the external interface and dialogue revelations of opportunity or threat so suggested. This can mean that,
for example, in a case where perception of an opportunity builds out of toing and froing over time between external informant and owner-manager to clarify the idea, strategic direction may be intended. Or the insight (window on opportunity) may have derived out of the discovery process in an opportunistic or accidental way with the resultant idea for change being quickly implemented, possibly on an experimental basis - in this case strategy is emergent, building out of piece-by-piece trial and error.

- Resource and time constraints and specific owner-manager characteristics and abilities, or inabilities, effectively resulted in idiosyncratic management activities and processes – for example, existing owner-manager experience bases, energy levels and abilities are key determinants of the actual ways in which the owner management unearth relevant external information and work it through into opportunity for adjustment to existing value chain activities. All are, then, effectively co-creating their own operating environments – but the more astute actually recognise that they can do this.

- With regard to the issue of strategic awareness, some of the less successful firms were aware of some areas of external change but appeared unable or unwilling to loop this back into the firm in terms of determining appropriate opportunities for adjustment to their operational activities - in learning theory terminology, they were single loop learning (simple learning) rather than double loop, complex, learning (Argyris and Schon, 1974) to which the more successful firms alluded. The most successful SME was led by owner-managers who appeared to have “learned-how-to-learn”.

The above findings have crucial implications with regard to the adoption of HRM to SME, with the key issue relating to the strategy development process. In none of the participant case firms was there evidence of rationalist, formulated approaches toward “corporate” or “business” strategy. In most cases strategy was emergent, often deriving out of management acts of exploration, or opportunistic discovery, or experimentation, or even trial and error. There is little evidence of the potential for applying the principle of “linking the human resource management and development strategies of the organisation closely to its business or other overall strategies” (Armstrong, 1990) – or at least not in the sense of some rational, pre-determined, supportive manner. Simply because the small firm business strategies themselves were not in some pre-determined intentional form.

The crucial HRM/small business learning point from these findings is the limitations with regard to trying to understand the relationship between HR practices and organisational strategy based on a rationalist approach toward strategy development.

The findings of this research point to the existence of certain HRM practices within SMEs, but that the process of human resource strategy does not take
place – or at least not in the traditional sense. Critical, though, is the potential to examine closely the small business strategic control actions and processes; that is, the ways in which small firms learn to detect relevant open-ended change and to act on it, as a frame of reference against which to begin to build understanding of how the concepts and practices of HRM could be developed to support the different points and activities which underpin those small firm strategic control actions and processes. In short, HRM as a facilitator of small business control of its open-ended change environment.

The potential for an HRM role in supporting the small firm strategy development process

Toward a foundation conceptualisation of HRM
It is not the intention of this article to enter the academic debate of what should or does constitute HRM and personnel management. For the purpose of this study an initial working conceptualisation sees our research guided by Armstrong’s (1990) perspective on the knowledge and skills required by managers to manage and develop their staff, and which we are viewing as an outline indicative frame of human resource management concepts and practices as conveyed in much of the HRM knowledge base which may be appropriate to aid in facilitating the small business learning process. Our starting point conceptualisation of HRM is thus the organisational need for people management knowledge and skills in the following areas:

• Organising. How to design and develop organisations and how to design individual jobs.
• Resourcing. How to plan human resource requirements.
• Recruitment and selection. How to obtain good quality staff.
• Human resource development. How to develop and train staff.
• Managing performance. How to improve the performance of staff.
• Managing reward. How to provide incentives and reward staff.
• Motivating people.
• Gaining commitment.
• Team building.

Identifying key strategy development processes and activities
The following key processes and management activities were found to be inputting into the emergence of strategic direction within the successful case firms:

• The small business interface with a “slice” of its external operating environment, sometimes intentionally, sometimes accidentally, often informally; and the extraction of information and insight from key actors in the external environment regarding open-ended change issues.
Dialogue and discussion, often in-depth and intense, underpinned the detection of insight. The owner-manager may be the initiator/detector of insight, it may be a field manager, it could be a member of the workforce.

- The identified issue is brought back into the firm and may be co-opted onto the agenda of current considerations (this appears to parallel Stacey’s, 1991, proposition relating to the building of strategic issue agendas). Further discussion and dialogue takes place to attempt to get the issue noticed – possibly just between co-owner managers, possibly in front of a team of relevant staff from the wider internal domain of the firm. A cross-section of views are inputted, sometimes underpinned by agreement sometimes by conflict, and new ideas emerge. The issue is either finally considered relevant with potential, or it is not taken on board.

- Further interface with external actors may take place in order to derive more information and/or to enhance confidence with regard to an emerging project idea.

- Communication continues internally, often informally. The implications of the project are discussed in outline form in terms of resource needs and how it might be taken on board – a fully-fledged effort or possibly experimentation, or even trial and error. Usually it is underpinned by resource allocations not exceeding a level which the firm could afford to lose if the project turned out to be unsuccessful. Usually the levels of resource and attention afforded to the project are such as not to jeopardise the core of existing activity.

- The final outcome in terms of overall strategy may reinforce existing focus in terms of markets, products and processes or it may be the beginnings of the unfolding of a whole new strategic direction.

The potential for adoption of HRM

In many ways the strategic control processes revealed within this research support the proposals of Stacey (1990; 1991; 1993) whose work continues to provide key foundations of our ongoing study. Control within the case firms is one of organisational learning in the face of open-ended change. It was evident that in many instances control elements in the face of such change, i.e.: control elements of discovery, choice and action, are consciously put in place by the successful firms to allow the open-ended change to be explored and learned about – for example, one upholstered furniture manufacturer has created management slack to allow for such exploration and learning processes whereby one of the three owner-managers does nothing but float around the factory “ideas storming” for improvements, and interfacing with relevant actors in the external environment to derive information and insight to feedback into the firm for discussion.
In several of the firms conditions exist whereby detected issues can be received and dialogued through for consideration and where a platform exists to accommodate discussion and communication – formal and informal – to allow suggested issues to take the first steps toward new strategic direction, or toward reinforcing or enhancing existing strategic activity, or to allow for adjustment to existing product forms or operational processes.

In total, “critical activity points” can be detected which sees open-ended disturbance being capable of conversion into ultimate strategic action, or at least to an experiment stage on the road to new strategic direction. The “critical activity points” are:

- The detection of change issues which may have significance for the business, and those “detecting individuals” who are in a position to identify such open-ended disturbance.
- “Recipient” (or “recipients”) within the firm who is (are) willing and able to accept the identified issue for consideration and take it on board.
- Communication arenas which allow for common viewpoints and for constructive conflict to fuel the origins of original ideas and to unfreeze existing values (mental models). In many instances, informality and intuition underpin the communication environment and to this extent this would seem to parallel Stacey’s (1991) spontaneous communication arenas. However, formal communication arenas also provided the crucial platform for addressing key identified issues.
- Key identified individuals across the management and shopfloor workforce who can dialogue through toward a workable idea (with the actual participant individuals drawn into discussions depending on the area of change under consideration).
- An “invisible communication net” which incorporates the opinions and ideas of key informants in the firm’s external network (suppliers, distributors, etc.) - in particular one which can facilitate the bouncing back and forth of ideas.
- A leadership attitude and approach which will support the project idea through to fruition and which will be prepared to build-in slack to other areas of existing organisational activity to accommodate requisite learning about the change issue under examination.
- In total, a straddling of the external strategic and the internal operational domains.

These “critical activity points”, in turn, if they are to input into the control process of discovery, choice and action, effectively have to be facilitated. For most small businesses the process is uncontrolled, messy, informal, often accidental. It is certainly not a rational step process. However, as the successful small firms in this study have demonstrated, there are clear opportunities to incorporate the creation of conditions which are conducive to learning about open-ended change.
into the management approaches and activities of the small firm. And it is here where clear opportunity exists to draw on HRM concepts and practices to assist in the creating of conditions to support the learning process.

In order to exemplify this opportunity we have utilised our outline conceptualisation of HRM and, within it, identified indicative areas of HRM which appear to have potential in facilitating the small firm strategic development process (that is, small firm learning to cope with and act on open-ended change). Our examples are as follows:

Delegation. Owner-manager attitudes and values of independence and autonomy can result in a reluctance to delegate. Delegation is often viewed as an activity which can lead to a loss of control by the owner manager. Such a perception can result in the owner manager being enveloped in day-to-day activities, often involved in fire-fighting and with little opportunity to consider the wider strategic picture and to interface with key actors in the firm’s external context. If introduced to the owner manager pragmatically, the concept of delegation can be presented to demonstrate that, far from reducing owner management control, it can increase overall strategic control of the firm by releasing the owner manager to spend more time interfacing with the external environment and fulfilling a detector role regarding open-ended disturbance. The critical issue of the concept of delegation for the owner manager is that of delegation relating to the allocation of a specific pre-determined area of authority for a specific territory of activity.

Integrating of delegation into the wider activities of the small business can also see the allocating of responsibility to workforce at various levels of the firm with a view to their providing insight and feedback into open-ended disturbances which they have picked up from interface with external actors to the business. This could effectively be viewed as formalising the informal whereby staff are instructed to milk relationships with key actors who they meet within the course of their everyday activities.

HRM appears to offer invaluable pragmatic insight into the concept of delegation capable of assisting small business management in their need, for example, to create management slack to enable effective interface with the external environment – although possibly falling short of what seems a more idealistic position of empowerment (Godfrey, 1990).

Communication. Integral to the effective detection of open-ended change and subsequent working through of appropriate adjustment to operational activity is communication flow, which in turn requires an uptake of a hard core of managerial communication responsibilities.

Within the internal operating context of the small firm, enhancement of facilitation of an organisational learning capacity to cope with open-ended change may involve the following indicative management responsibilities. The following is our adaptation of Redding’s (1984) managerial responsibilities:

• The managing of a team, or group environment, or communication arenas to facilitate dialogue relating to identified change issues entails
managerial responsibility to resolve destructive conflict, to negotiate and to conciliate, whilst allowing, where appropriate, constructive conflict as a potential originator of novel ideas. The fulfilling of this responsibility requires development of personal communication skills of empathic listening, persuasion, advocacy, bargaining and a sophisticated appreciation of the legitimate uses of ambiguity.

• Detection of relevant open-ended change issues and the deriving of levels of understanding regarding their potential implications for the firms markets, products and/or processes entails a managerial responsibility to represent oneself and/or the firm across a variety of physical settings and audiences – for example, interface with suppliers, customers, other companies or government agencies. A gain listening and advocacy skills are crucial to this communication responsibility, as is an understanding of the potential constraints to effective communication such as perceptual bias by the receiver, omission or distortion by the sender, lack of trust in the recipient, information overload, information secretion or relative status of the communicators (Handy, 1976).

• The working through of ideas originating out of new external change insight, say by way of experimentation or trial and error, will require a simultaneous development of the new project whilst effectively maintaining existing core activities. A key management communication responsibility to facilitate this parallel activity is that of dissemination (or supervision of dissemination) of critical information required for the daily operations of the business as well as for the new project.

• Such parallel activity will also require communication responsibility relating to co-ordination of the activities of individuals and of units.

• Finally, there is a communication responsibility for facilitation of the innovation process in its entirety, which is effectively the real intended output from the organisational learning process attempting to cope with open-ended change (that is, adjustments to markets, products and/or processes to provide sustainable competitive edge). Here, communication flows and abilities as discussed above can be better facilitated by an organisational structure which does not stifle creativity, which allows for interface with the external environment and which allows for the interplay of key individuals within the firm.

Leadership. If conditions are to be established in which open-ended change can be explored and learned about the owner-manager must clearly adopt a pivotal leadership role. The potential exists to found such a role on flexibility of approach and diagnostic capability. For example, HRM offers a management knowledge base proffering great scope for differences in leadership style - the style which serves best will be dependent on the situation confronting the leader: a contingency approach to leadership (see for example, Fiedler, 1967; Tannenbaum et al., 1973). By affording careful consideration to subordinate
characteristics and capabilities, the nature of the task in hand and own characteristics and abilities the owner-manager leader can reflect on what might be the most appropriate leadership approach in a given set of circumstances. Consideration can be given to how much involvement in decisions the owner-manager is going to allow in the given situation, the extent to which deadlines will be enforced, and how much effort will be invested in building team morale (see Lawrence and Lee 1984). The “all-autocratic” or the “all-democratic” or the “all-laissez-faire” owner-manager may, following exposure to the benefits inherent within the contingency approach, develop diagnostic skills and flexibility to adopt a style appropriate to the circumstances of the task in hand – the owner-manager’s own ability, and that of subordinates, to identify and seize on opportunities to establish conditions and circumstances to explore and learn about open-ended change can, it appears, be potentially enhanced by such HRM management knowledge-bases.

Training and development. The management approaches and attitudes of many small firm owner-managers and indeed the attitudes toward learning of many of the workforce of small businesses is probably embedded in the both the “way” and the “what” we have learned in the past. The “way” relates to the conventional educational learning methods imposed on us in our upbringing, and the “what” relates to the concrete substance of experience we internalise over and over again in the solving of other problems which confront us (see Butler, 1994). Areas of HRM appear to offer potential to address the essential issue elucidated by Butler which requires organisations to change both the “way” and the “what” before they can actually begin to learn. In short, at an individual level, small firm management and workers need to learn new learning and action implementation skills and it is this which is evident within the successful small firms of our study, and to which much of the above alludes.

The opportunity exists to foster a critical inter-relatedness of work and learning (Pearn et al., 1994), utilising training and development to foster the kind of facilitating skills and abilities which epitomise those small firms which are successfully coping with open-ended change. And thus, effectively, those people management abilities integral to the HRM knowledge base which are relevant to the small firm strategic control processes as touched on above.

Conclusion

This article began by emphasising how small businesses, if they are to effect sustainable strategic development, must complex (double-loop) learn about an external environment predominantly characterised by unknowable, unpredictable open-ended change - the complexity of this task is intensified by unique problem-types potentially impacting on the smaller business. The article demonstrated how an outer-context of open-ended change and an inner context of owner-manager and size-related characteristics and constraints effectively remove the possibility for the formulating of a pre-determined
intentional long-term strategic development path, and with it human resource strategy designed and developed to support the demands of that organisational strategy. Any attempt at enhancing understanding of people management within small business which is based on such an “instrumental approach” (see Goss, 1994), whereby all issues relating to the management of human resources are considered to be derived issues, deriving out of a predetermined small firm “business” strategy, is likely to produce flawed insight.

While the feasibility of small business human resource strategy in the form of integrated, organisationally consistent and mutually reinforcing policies in all areas of personnel and human resource management is questionable, it is suggested that closer understanding of the organisation strategy development process within the small firm does appear to indicate a significant role for HRM within the smaller business. The “instrumental approach” to HRM clearly positions HRM in a strategic role. However, the more realistic underlying premise of an approach to understanding HRM within the smaller business appears to rest not on whether HRM should be considered strategic in itself, but rather on the extent to which HRM concepts and practices are being, or could be, utilised within particular small businesses in particular operating contexts so as to aid in the organisational strategising of the small business.

A crucial issue, therefore, is considering the extent to which HRM can help facilitate the complex learning process as the small firm strives to cope with open-ended change. The greatest potential for HRM would seem to be its facilitating input into the unfolding of the small firms emergent strategic development path, not one of merely implementing a pre-determined organisation strategy as with the instrumental view. Taking this facilitating view, HRM is “key positioned” within the strategy formulation process but its input is not necessarily always to be considered as strategic HRM. The greatest value of HRM, its tools and concepts, appears to be in its potential for enhancing the management of people in day-to-day activities in a manner which facilitates the discovery of open-ended change and in the exploration and experimentation activities which complete the processes of learning about open-ended change issues. After all, the way strategy actually develops predominantly rests on the day-to-day activities in organisations, for example, in linkage and networking activities and political processes.

HRM for the purpose of this study is represented by an initial working conceptualisation founded on the knowledge and skills required by managers to manage and develop their people. It should be viewed as an indicative frame of HRM/people management concepts and practices which may be appropriate to aid the small business learning process. Goss (1994) suggests HRM should consist of a “content”: a set of techniques and practices in broad functional areas that have been developed specifically for the management of people, for example, employee involvement, training, etc; and it should exhibit a “form” which would be a conscious rationale according to which specific techniques from within each functional area are selected and then integrated with other organisational policies. And for Goss it is this “form” which constitutes HRM
strategy and distinguishes it from traditional “fragmented” approaches to personnel. Our study, is pointing to the value of viewing small business HRM as exhibiting a “form”, a conscious rationale, by way of HRM contributing to the establishing of conditions in which open-ended change can be explored and learned about. One may therefore be talking not of human resource strategy but of fostering a philosophy in the small firm whereby it approaches the management of people in a way which facilitates the learning about its open-ended change environment, and much of this from its people approaches to day-to-day activities. Our small business HRM “form”, therefore, does not constitute HRM strategy, but assumes the potential for a conscious rationale based on the processes and sub-processes of complex learning which forms the frame within which to understand people management approaches, or approaches which may have potential application, which are facilitating learning about open-ended change.

Our HRM conceptualisation is elucidated within the context of the need for small businesses to complex, double-loop learn if they are to cope with open-ended change. Of course, for this to happen the need is for the small business to be able to manage its key resource of people within the full holistic context of managing its existing balance of operational activities, its markets, products and processes, and thus the crucial underlying need is to complex learn and to simple single-loop learn – the latter being no less important than double-loop learning, not least with regard to the fact that ongoing minor adjustments to operational activity will be crucial to maintaining effective competitiveness. Thus, our holistic conceptualisation is one of small business people management approaches within a context of the small firm seeking to maintain its existing core activities competitively whilst simultaneously establishing conditions for exploring and learning about open-ended change. Effective people management in a small business would thus include potential for specific HRM techniques to bring about required behavioural changes at the operational level whilst nurturing and encouraging appropriate individual and group facilitating activity within the overall development context of the firm.

Discussion in this article has centred on the predominant small business task of addressing open-ended change. It has been suggested that rational long-term planning procedures cannot provide the appropriate context for strategic control elements of discovery, choice and action (Stacey, 1990), hence the need for organisational learning (for establishing conditions for exploring open-ended change). Discussion has not, then, focused on the potential for rational planning modes of management which are appropriate for closed and contained change situations which will be impacting on the small firm in parallel to open-ended change. It thus follows that there may be great potential for the application of HRM tools and concepts within the small business in support of short interval rational planning modes of management in the context of closed and contained change. An example of this might be the utilisation of human resource planning approaches to ensure the adequate resourcing of new short-term projects deriving, say, out of increased orders from existing loyal customers.
At this stage of our study we are not attempting to prescribe just what concepts and practices from HRM are applicable within the small business context. We are pointing to the need for further research to enhance understanding of just how small firms learn to cope with unknowable, unpredictable open-ended change, effectively how strategic development unfolds in the small business, and the form and nature of people management approaches which facilitate and support this learning and development. It is from this that we can begin to understand to what extent the concepts and practices of HRM are already being utilised in these processes, and the extent to which further areas of HRM can be applied in, or adapted for, the small business operating context. For our study, this entails continuation of our work in Malaysia and the parallel extension of the investigation into East Germany and the UK to determine the extent to which our findings to date extrapolate into different economic development contexts.

References


