Introduction

Despite government policies encouraging the involvement of small to medium-sized enterprises (SMEs) in the development of both an enterprising (Cabinet Office, 1996) and a learning (DfEE, 1998) society in the UK, there is a substantial body of evidence to suggest that SMEs do not have the human resource development (HRD) expertise, infrastructure and general resources which larger organizations more frequently enjoy. Westhead and Storey (1997), for example, argue that a manager or an employee is less likely to be in receipt of training (particularly job-related, formal training) if he or she works in a small, rather than a large firm; and the Department for Education and Employment (DfEE, 1999) reports that UK skills gaps (the difference between what employers need to meet business objectives and the skills that their people possess) are particularly acute in small businesses. Statistics such as those supplied by the Skills and Enterprise Network (SEN), which claim that 94 per cent of the 3.6 million UK businesses employ fewer than ten people, and more than ten million people work in firms with a workforce of fewer than 100 (SEN, 1995), and that the SME share of UK employment across all industry sectors exceeds 60 per cent (SEN, 1998), continue to highlight the potential value that SMEs hold for employment, innovation, and social and economic growth in the UK (DfEE, 1999; DTI, 1999). If, then, a substantial number of SMEs are not training and developing their workforce and narrowing skills gaps, this would seem to be an area of concern. It is also an area of interest for researchers and practitioners alike.

This paper draws on case-study research into human resource development within three SMEs based in the north-west of England. While the research has inherently been concerned with an exploration of national HRD frameworks, using Investors in People (IIP) as a paradigm case, we do not venture too much here into the eclectic commercial and political arenas. The aim of this paper is to discuss human resource development in the context of SMEs, to present our findings and conclusions about HRD policies and practices in the case-study organizations – focusing in particular on one case in the voluntary sector – and to highlight what we consider to be some important areas for further research. We begin our discussions in the next section with an explanation of the research design. Our results and discussion, though, need to be accepted within the context of the small number and location of the three cases, and within the limitations of the research design.

The research design

The research was carried out as part of a four-year doctoral programme aimed at examining the effectiveness of UK national policy towards human resource development in SMEs. Definitions of what constitute an SME do vary within the literature. Those used during the study, which originate from a Commission of the European Communities recommendation (1996), are summarized in Table 1. Thus, the cases discussed in this article all fall within the size limits of small to medium-sized enterprises contained in the EC definition; that is, those employing between 0 and 249 people.

The primary research strategy was to collect data intermittently by means of a multiple-case study (Yin, 1994). This work took place between October 1996 and mid-1998, with follow-up visits to two of the three

Keywords
Human resource development, SMEs, Investors in People

Abstract
The paper draws on case-study research into human resource development (HRD) within three small organizations in the north-west of England. It positions the investigations within an overall framework of doctoral research, defines how the term small to medium-sized enterprise (SME) has been used, and summarises the research design. The main content of the paper discusses the characteristics and values of SMEs in general and explores how these might influence the HRD policies and practices developed by them. A comparison of an HRD model typically found in small organizations with one typically engendered through the adoption of the Investors in People standard is presented. Findings and conclusions about HRD in the three case-study organizations are reported to include a description and comparison of the three cases' own HRD models. The paper concludes with some suggestions for further research.
Table I
European Commission’s definitions of SMEs

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Defined as</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-9</td>
<td>Very small (micro) firms</td>
</tr>
<tr>
<td>10-49</td>
<td>Small firms</td>
</tr>
<tr>
<td>50-249</td>
<td>Medium firms</td>
</tr>
<tr>
<td>250+</td>
<td>Large firms</td>
</tr>
</tbody>
</table>

Source: Commission of the European Communities recommendation of 3 April 1996

case-study organizations in April 1999. Initial access to the three cases was secured by means of a preliminary survey carried out during the first half of 1996. The survey was focused on local employers’ views about the IIP standard (IIP UK, 1996). It was conducted in two phases: phase one comprised a postal questionnaire sent to 350 small organizations; and phase two featured a series of semi-structured interviews with the owner/managers of 23 of the postal survey companies. As well as facilitating access to three organizations for ongoing case-study work, the preliminary survey afforded a useful glimpse into some of the problems, experiences and opinions of the owner/managers in a wide range of SMEs, and provided an invaluable bedrock of data to inform the subsequent case fieldwork. Table II presents an overview of the three cases. The three organizations were selected because the survey interviews had been mutually pleasant, achieving a “feel-good” factor and, in each case, researcher and research subject felt that they would be able to collaborate effectively together, over a sustained period of time, towards the realization of independent goals and mutual benefits. Of course, this adds a further potential weakness to the research design in that such factors may be atypical of the SME sector but, given the well-known problems of access (Easterby-Smith et al., 1993), such potential weaknesses are judged acceptable. The three cases had the advantages of providing a contrasting and complementary mix of industry types and, based on the impressions gained in the interviews, they also offered a contrasting and complementary mix of management styles, organizational structures and cultures, markets and ambitions.

Case 1 – a specialist manufacturing operation with an expanding overseas market – presented an opportunity to study the effect of innovation, growth and upgraded premises on the way the company viewed human resource development. As an organization at a crossroads with regard to the direction of its current national market position. Case 2 demonstrated an interesting blend of trade and service aspects and, therefore, training and development needs and activities. In complete contrast, Case 3 operated locally in a “pure” service environment in the voluntary sector. All three companies, while having some commonality of thinking about national HRD programmes, held a variety of views about the usefulness of government initiatives. The final criterion governing the choice of cases was that of a spread in company size – in terms of numbers of employees. In the context of the SME definitions offered in Table I, the three organizations provided: a micro company (Case 3); a small enterprise (Case 1); and a medium enterprise (Case 2).

The case-study design, analysis and ongoing interpretation of data were based on the discussions about case-study research provided by Yin (1994), with the analysis techniques advanced by Bryman and Cramer (1990), Easterby-Smith et al. (1993), Miles and Huberman (1994) and Riley (1990) being used to broaden Yin’s arguments. For example, Bryman and Cramer’s (1990) and Easterby-Smith’s et al. (1993) discussions of quantitative research methods helped to inform management of the preliminary survey, to include the construction of questionnaires and the ordering and analysis of the data collected. The qualitative analysis techniques described by Miles and Huberman (1994) and Riley (1990) were particularly useful with regard to the case-study data in terms of explaining how to: design data collection documents; write up and code case field notes; and engage data analysis techniques such as pattern coding, “memoing”, interim case summaries and data displays. The majority of field data were acquired by means of semi-structured and

<table>
<thead>
<tr>
<th>Case study organization 1</th>
<th>Nature of work</th>
<th>Approximate number of employees (at the time of selection)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light engineering; design and build of machines for mainly the automotive industry; a limited company; single site; international trade</td>
<td>19</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case study organization 2</th>
<th>Nature of work</th>
<th>Approximate number of employees (at the time of selection)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Install/maintain security and telecommunications systems; trading as a plc; several sites over the UK; national trade</td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case study organization 3</th>
<th>Nature of work</th>
<th>Approximate number of employees (at the time of selection)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth and community project work in the voluntary sector; single site registered charity serving the local community only</td>
<td>9</td>
<td></td>
</tr>
</tbody>
</table>
Characteristics and values of SMEs

In their discussion of management training and small firm performance, Westhead and Storey (1996, p. 18) state that:

...the small firm is not a “scaled-down” version of a large firm. In short, theories relating to SMEs must consider the motivations, constraints and uncertainties facing smaller firms and recognize that these differ from those facing larger firms.

By alluding to the inappropriateness of applying large-firm logic to small organizations, the above argument presents the small-firm researcher or practitioner with a fundamental question for critical consideration: just how do small organizations differ from their larger counterparts? With specific reference to Casson (1982), Westhead and Storey (1996) support leading theorists in their tenet that the central characteristic which distinguishes small organizations from larger ones – other than size itself – is that of uncertainty. They then differentiate between “external” and “internal” uncertainty and proceed to build their argument around the premise that, while “internal” uncertainty is more a characteristic of larger firms, it is “external” uncertainty which is particularly characteristic of small organizations.

“Internal” uncertainty in large companies is typified by key issues such as the fundamental need to ensure that decisions made at the top of the organization are delivered effectively through the ranks. This is not so problematic for the SME where, typically, the owner/manager is closer to the workforce (both literally and metaphorically) and, therefore, better placed to:

- deliver information and decisions personally and consistently to all employees;
- receive immediate feedback and assess the likelihood of success; and
- monitor progress and have confidence that decisions made will be carried out according to original intent.

The effective dissemination of communication is one exemplification of how the small business experiences less “internal” uncertainty than its larger counterpart.

Many of the “external” uncertainties felt by small companies can be attributable to a lack of power and influence in the marketplace, where it is not unusual for an SME to be reliant on a single, large customer for most, if not all, of its business. Such a relationship potentially places the small organization at the mercy of its customer, subjecting the small firm to a state of continual uncertainty and vulnerability. In order to compensate for diminished control over its own destiny, and in an attempt to satisfy a seemingly unpredictable and ruthless market, the SME is more often than not obliged to operate within a short-term strategy and a regime of spontaneous actions. A further manifestation of “external” uncertainty is contained in the following words by Storey (1994, p. 3):

A short time horizon is inevitable in organizations that are only able to pay the wages on the Friday if the bank has cleared a customer’s cheque on the Thursday.

The results of the research featured in this paper have revealed many instances of short-termism, spontaneity and the effects of heavy reliance on a single customer. For example, the managing director of Case 1, the engineering company, reported that business planning was, “...like plate spinning, waiting to see which one comes down first”; and when asked for his views about the usefulness of formal procedures, Case 1’s technical director suggested that “rigid formality is not constructive, formality needs to have a framework that can flex when under pressure and urgency.” The chairman of Case 3’s (the voluntary organization) management committee believed that his organization must “remain fluid and dynamic with as little formal structure as possible”. Up until 1996, Case 2, the security and telecommunications company, was heavily reliant on one large corporation for its business. Enforced change came when this customer turned in unexpectedly low half-year profits and suspended trade with several of its regular suppliers. One of Case 2’s directors described the impact of this as “a shock that allowed us to take a step back and look at the overall picture – we were a bit blinkered relying so much on one customer. Overall the incident was a catalyst and a valuable learning experience”.

Storey (1994, p. 11) summarizes his arguments about uncertainty in the small firm environment by suggesting that the matter of external uncertainty is the central distinction between large and small organizations. He then introduces two other key areas of difference. The first area concerns the role that the small business plays in innovation, whereby it will establish a niche position in the marketplace in order to distinguish its products or services from the more standardized versions provided by
larger competitors. One of the managers of Case 1 – the engineering company which
proudly claims innovation as its competitive edge – stated:
We don’t have the luxury of larger companies – time, money, etc., but we are not scared to
tackle anything. We know in our hearts that we will succeed. Our competitors are
arrogant and set in their ways. We say “what do you want?” to our customers and we are
starting to increase our market share worldwide now.

Is this example of a tendency towards
innovation an output of the SME’s diverse and individualistic nature, or is it more a
matter of survival – a leveller of the external playing field? The second key area of
difference put forward by Storey (1994) is that
the small organization is much more likely to
evolve and change than its larger
counterpart. Again, empirical data from the
case-study research support and exemplify
this characteristic. What is interesting is
that, while all three cases have evolved and
changed in quite differing ways over the
observed period, there is a common theme –
all had to work in a more structured way as a
consequence of, or aspiration to, growth,
market share or product diversification.
The part that informality plays in the
make-up of an SME is both complex and
compelling. There is much literature and
empirical evidence to suggest that small
organizations prefer to operate in an
informal and flexible manner – Chaston
(1997), Crick and Chaudhry (1997), Gibb
(1996), Stanworth and Curran (1976) and
Storey (1994), for instance. But is the whole
taxonomy of informality and immediacy
really a prized value of the SME, or is it an
enforced response to external uncertainty?
When an owner/manager insists that her
small business needs to be “fluid”,
“spontaneous”, and “flexible”, is this a true
reflection of reality, or is the terminology a
more palatable justification of the
organization’s vulnerability to unpredictable
market forces? The tensions and rhetoric in
the characterization of the SME hold a
wealth of curiosity and challenge for the
notion of human resource development in
small organizations. The next section sets out
our views in this direction.

**Human resource development and
the small organization**

First, we acknowledge that human resource
development comprises an intricate web of
issues and activities as argued by a wealth of
commentators such as Garavan et al. (1995),
Meggison et al. (1983), Stead and Lee (1996),
and Weinberger (1988). One HRD activity is
the training and development of people in a
work organization. Within the context of our
discussions here we use the terms human
resource development and training and
development interchangeably. This is done
for simplification, not necessarily to position
HRD and training and development as one
and the same. While recognizing that the
individual activities of “training” and
“development” hold separate and differing
notations for the overall philosophy and
practice of HRD, we apply the phrase
“training and development” in its aggregate
form, in keeping with composite definitions
of training and development such as that
offered in by IIP UK (1996, p. 27):

> …any activity that develops skills and/or
knowledge, and/or behaviour. Activities may range from formal training courses run
internally or externally, to informal on the
job training by a supervisor. Also includes
other activities such as shadowing, coaching,
mentoring etc.

In discussing the concept of human resource
development, Stewart and McGoldrick (1996)
argue that, while there is no definite view of
what constitutes HRD, it is both strategic and
practical. They also argue that HRD is
implicit in organizing and managing, and is
concerned with leadership, culture,
organizational learning and development,
and change. The aim of this paper is not,
however, to advance generic theory about
strategic HRD and organizational learning –
it is concerned with the implications of
human resource development for the SME,
and vice versa. Vickerstaff and Parker (1995,
p. 60) report that:
Case-study-based work has revealed a high
degree of unplanned, reactive and informal
training activity in small firms, where there is
typically unlikely to be a dedicated
personnel manager or training officer.

Other literature – for example, Gibb (1997),
GHK Economics and Management (1997),
Lane (1994), Metcalf et al. (1994) and Westhead
and Storey (1997) – and the results of our own
empirical research strongly support this
thesis and its sibling argument, that in many
small organizations training does not take
place at all. We would add that, where
training and development does occur in
SMEs, not only is it reactive and informal but
it is also short-term and almost exclusively
directed at the solution of immediate work-
related problems rather than the
development of people.

Metcalf et al. (1994, pp. 24-5), as part of their
research into employers’ attitudes towards
learning, examined the link between career structures and training in organizations of all sizes. It was found that about one quarter of organizations employing between ten and 20 people did offer a career path. However, the existence of a career structure did not automatically guarantee promotion nor the presence of training and development; the tendency was to promote people who already had the necessary skills, thus eliminating the need for training on promotion. For example, as a food manufacturer employing 180 people explained:

We don’t train people to be supervisors, we select [promote] people as supervisors for their natural aptitude.

Metcalf et al. (1994) go on to discuss training in the context of staff retention and morale and the anxiety felt by some firms about the poaching of trained staff. Storey (1994, p. 145) also comments on the strategy adopted by small firms of poaching trained labour and then moulding it to their requirements. Our own case-study informants have expressed similar worries about the effort afforded to training in the context of staff loyalty. According to the personnel director in Case 2:

We recognize that people need training, but we are concerned about the cost in terms of money and time, and we are concerned about the possibility that when people are trained maybe they will want more money or find another job.

The technical manager in Case 1 offered a slightly different perspective on training in the context of employee retention:

Our employees acquire the competence and skills levels needed before they come here. The HR of keeping that person here is down to financial aspects and a clean and tidy work environment. That is the black and white side of it. Another reason people stay is the job interest – we are not making nuts and bolts.

The two case respondents’ comments, although coming from differing philosophical positions, infer parallel HRD policies – that human resource development is not regarded as a core organizational process, and that there is an emphasis on the justification not to train rather than supporting a rationale for training. There are two other crucial factors which influence the likelihood and nature of training in small firms: the first being the attitude and motivation of the owner/manager towards HRD and the influence that he or she chooses to exert over it; and the other is the perceived impact of training and development on organizational performance – usually in terms of financial return. In his discussion of these issues, Storey (1994) argues that the motivation of the owner/manager of a small organization is a key influence on performance and how it is achieved. If, therefore, the owner/manager of an SME cannot equate business performance to training and development, then it is unlikely that he will favour a formal HRD policy which is linked to the delivery of business goals and initiatives. There is conflicting evidence regarding the contribution of training and development to small-firm performance. Storey (1994, p. 283) reports: there appears to be little evidence that small firms which invest in training perform better than those which do not.

On the other hand, Lane (1994) cites instances where training and management development have shown positive links to business success.

So what is all this telling us about HRD in the context of the SME? Overall, it indicates that the nature of training and development in these firms mirrors the characteristics of SMEs themselves – both SMEs and their HRD activities are essentially informal, reactive and short-term in outlook. In Figure 1, we compare the HRD output of the approach typically espoused by the small organization against the HRD output typically generated by IIP process. As a government-sponsored initiative, IIP (IIP UK, 1996) may be considered as the UK’s national standard for linking training and development activities within organizations to business strategy. It is administered by a local agency within a process laid down and monitored by IIP UK, a non-departmental government body limited by guarantee and licensed by the Department for Education and Employment (Alberga et al., 1996; Taylor and Thackwray, 1995).

Overall, IIP has been reported as a successful initiative with evidence that smaller organizations experience its impact at an earlier stage than larger ones (Hillage and Moralee, 1996). The approaches described in Figure 1 are formulated around three HRD processes: planning, doing and evaluating.

We do not advocate that one model is “better” than the other – just that they differ from each other. The most striking contrast is located in the levels of formality, with the simpler SME version engendering little or no formal planning, doing or evaluation processes. The IIP model, on the other hand, is complex and formal in constitution with some requirement for documented processes and an explicit emphasis on linking training and development activities and their evaluation to business goals. While the SME model neither requires nor encourages the development of internal HRD acumen, it is either a pre-requisite for, or a consequence of, adoption of the IIP model. In contrast to an
observed concentration of activity within the "doing" phase of the SME model – reflecting perhaps the SME's preference for action-based spontaneity – HRD output in the IIP paradigm is more evenly cast among all three phases. The SME model demonstrates a closed system; its IIP counterpart is open to external influence and scrutiny. The HRD model generated by the IIP framework is perhaps more congruent with the views of strategic HRD as offered by writers such as Garavan et al. (1995), Iles (1993), and Stewart and McGoldrick (1996). It is, however, an oversimplification to suggest that for HRD to be strategic it must always be subject to a formal framework and set of practices. Other writings advance more organic theories of organizational learning and development – Argyris (1992), Hendry (1996) and Kolb (1984), for example – some of which might sit more naturally with the SME's model of human resource development. How valid is it that we attempt a resolution of the dialectic implied by Figure 1?; or, as argued by Pascale (1990)

<table>
<thead>
<tr>
<th>HRD PROCESS</th>
<th>SME Model of HRD Requirements</th>
<th>IIP Model of HRD Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLANNING</td>
<td>HRD not seen as a core business process with minimal planning and no apparent link to organizational plans and goals</td>
<td>Commitment to T&amp;D is from the top of the company and is communicated to all and there is a written, flexible business plan</td>
</tr>
<tr>
<td></td>
<td>Lack of internal HRD expertise</td>
<td>T&amp;D needs are planned and reviewed in line with business plan and goals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Everyone in the organization understands their role and contribution to business goals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Responsibility for T&amp;D is identified and understood by all</td>
</tr>
<tr>
<td></td>
<td></td>
<td>T&amp;D is planned at organizational, team and individual levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Open system – encourages link to external standards and scrutiny</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Internal HRD expertise needed/encouraged</td>
</tr>
<tr>
<td>DOING</td>
<td>T&amp;D activities are ad hoc, selective and aimed at the satisfaction of immediate, job-related, problem-solving needs of individuals</td>
<td>T&amp;D activities apply to the whole workforce and take place to meet organizational, team and individual needs</td>
</tr>
<tr>
<td></td>
<td>Preference for on-the-job training with little emphasis on personal development</td>
<td>New employees and employees changing jobs receive induction training</td>
</tr>
<tr>
<td></td>
<td>Individualistic model influenced by the motivation and skills of the owner/manager encouraging a closed system</td>
<td>All employees are made aware of T&amp;D opportunities within the organization</td>
</tr>
<tr>
<td></td>
<td>Lack of internal HRD expertise</td>
<td>Managers are effective in carrying out their T&amp;D responsibilities and are involved in helping employees meet their T&amp;D needs</td>
</tr>
<tr>
<td>EVALUATING</td>
<td>No apparent evaluation of T&amp;D activities carried out</td>
<td>Employees are encouraged to identify and meet their job-related T&amp;D needs</td>
</tr>
<tr>
<td></td>
<td>Little awareness by owner/manager of costs and benefits of T&amp;D</td>
<td>Internal HRD expertise needed/encouraged</td>
</tr>
<tr>
<td></td>
<td>Lack of internal HRD expertise</td>
<td>Impact of T&amp;D activities on knowledge, skills, attitudes and performance is assessed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Impact of the contribution of T&amp;D in meeting business goals is assessed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Top management understands the broad costs and benefits of T&amp;D</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improvements to T&amp;D are identified and implemented</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Top management continues to demonstrate its commitment to T&amp;D to all employees</td>
</tr>
</tbody>
</table>

Figure 1
Comparison of the HRD models typically found in small organizations and IIP
in his discussion of Hegel’s dialectic and the synthesis of opposites, is it wise to think in absolute terms and dichotomies – good/bad or right/wrong? We illustrate this in the context of HRD in SMEs with a quotation by Lane (1994, p. 21):

"Understanding how SMEs approach training and generating models of effective practice from within SMEs themselves would be a worthwhile endeavour. Too much emphasis in the past has perhaps been placed on external experts telling entrepreneurs what to think and what to do. Companies do vary in their vision, with some aiming for rapid growth and others for steady growth or niche markets. These differences may very well be reflected in different training policies. We need to understand the extent to which such ideas are part of a company’s philosophies."

The next section provides an overview of the human resource development policies and practices observed in the three case-study companies.

Models of human resource development in the case study organizations

Case 1 – design and build engineering company

Early contacts in 1996 revealed that the organization had been in business for ten years, had an 85 per cent UK domestic (none of it local) and a 15 per cent international market, predominantly in Holland, Sweden and Belgium with plans to establish trade in the USA. Case 1’s management structure comprised an MD and four senior managers who between them were responsible for the company’s technical, design, purchasing, production, MIS and financial aspects. The human resource (HR) function was managed as a shared adjunct of the technical and financial managers’ roles with a focus on legislative and payroll issues. Although this company was expanding an already substantial overseas market, formal planning for business development gravitated around the logistics of premises and finance; the human resource development dimension had not been considered to any notable degree. There was no specific budget for HRD (even funding of the technical manager’s degree course went under a research and development budget) and workforce training and development activities were ad hoc with a reliance on the informal sharing of expertise on the shopfloor. There was no formal process to encourage management development or a dissemination of knowledge and skills among the management team. The impact of training and development and performance in general were not formally evaluated. Although mistakes were seen as learning opportunities and employees encouraged to make suggestions for improved working practices on the grounds that “they are the experts”, assessment of individual employee performance was by default. The financial manager explained it thus:

“...individual performance is reflected in the manufacturing process itself. If the manufactured parts meet the requirements of the manufacturing specifications, then individual performance is deemed to be adequate for company needs. This evaluation process works because one person is dedicated to one manufacturing procedure (milling, grinding, boring, etc.) and productivity can be examined at this level. Other than discrete observation there is no real measure of individual performance in the fitting room. Obviously, as the company grows and it becomes necessary to employ several individuals on a single machine process then this method of measuring individual performance in manufacturing – based on productive output by machine type – will no longer be adequate."

Preferring in general to employ qualified craftsmen, Case 1 had just one apprentice who was following the traditional route, which comprised day release at college and on-the-job coaching/mentoring with a variety of Case 1’s qualified craftsmen. Although the technical manager states that training and development followed the “buddy system”, it was informal, uncontrolled and probably undermaximized. Case 1 claimed a proven expertise and reputation in design, innovation and customer responsiveness and was keen to implement the international quality standard ISO 9001 to augment and formalize its design control processes. Design innovation was the focus for organizational learning, with the training and development of individuals receiving less formal attention. Unfortunately, Case 1 went into receivership in late 1998 following an intensive period of market expansion and product diversification.

Case 2 – installs and maintains security and telecommunications systems

This organization employs around 50 people over three sites in England (Northern and Head Office), Scotland and Wales (Southern Office). The personnel director (primarily an operational/marketing director with additional responsibilities towards recruitment, training, health and safety and quality assurance) is responsible for HRD.
Case 2 has recently changed from limited company to plc status, undergone an organizational restructure and embarked on a more strategic marketing campaign. The personnel director admits that these changes hold “a huge challenge on the HRD front” – a challenge which he is not totally clear how to confront. Despite recognizing that the workforce and management team now need to acquire different and integrated skills, he says that:

We need people working five days a week.
Small firms tend to employ people with the skills already in place so that they do not have to train them – the main reasons for training being motivation and morale.

Case 2 has a small training budget, some of which has gone towards external courses for the management team. One young field engineer is taking a Modern Apprenticeship (MA) in Telecommunications. As a UK government scheme launched nationally in 1995, the MA aims to provide work-based training and a vocational qualification. MAs are developed on an industry sector basis and delivered within varying partnership models between government agencies, employers and training providers (Armstrong, 1997; DfEE, 1996). In Case 2, training plans for all employees were discussed during individual development interviews with the managing director, and employee consensus was that this was a successful and worthwhile exercise which achieved a positive, if transient, effect on morale and communication. The personnel director is now in the process of implementing an annual review system of staff performance and development needs.

Case 3 – youth and community work in the voluntary sector
As a registered charity, Case 3 operates with funded posts and is led by a management committee (MC) comprising local business people. On a day-to-day basis, the organization is managed by the on-site development manager (DM) whose role is to secure funding for projects, support and develop the field officers and act as a linchpin and an intermediary between the MC, the staff and the volunteers. Case 3 is resourceful and non-bureaucratic where core values are teamwork and service to the local community. Its approach to HRD is informal and fragmented but plans encompass more formalization of key processes such as employee induction and ongoing development programmes, and perhaps Investors in People. Case 3 is a supplier to the pathway phase of the New Deal (DfEE, 1997) – the UK government’s “welfare-to-work” flagship programme. Case 3 has no HRD budget and training and development is reliant on external funding from a variety of sources. The current DM has significant business and HRD acumen from previous employment experience. We do not reveal any more here about Case 3 as it is the focus of discussion in the following section of this paper.

Comparison of HRD in the three cases
Figure 2 compares the HRD “planning”, “doing” and “evaluating” HRD activities in the three cases. In comparing the models, we may observe that each one is different from the other two, with Case 1 most closely matching the conventional SME paradigm presented in Figure 1. None of our cases, however, is an exact fit with the generic model. While all three organizations demonstrate little formality in their HRD processes, Case 3 shows a focused determination to explore training and development at organizational, team and individual levels. Case 2 has designed an appraisal system aimed at surfacing employee opinion about the company, management and peers with a lesser focus on individual performance and development needs – an approach which echoes the managing director’s philosophy that training and development is important but people’s employment terms and conditions are far more important.

Despite low formality, Case 1 appears content with its HRD policy. This organization is confident that the formalization of its design control processes through the implementation of ISO 9001 will engage the human dimension of the business in a manner and sufficiency that supports continual innovation in product design and development.

Case three – the voluntary organization
The characteristics of Case 3, shown in Figure 2, suggest that a more conscious and deliberate approach is being developed and, therefore, in that sense, the case illustrates the most advanced HRD practice of the three. It is for this reason that we offer a more expanded description of Case 3 here. The essential goal of this organization is to attract young people between the ages of 13 and 25 to participate in voluntary work within the local community. The community-help projects established and run by Case 3 are broadly ranged to include: play group supervision; support for cancer patients;
work in a women’s refuge; and environmental conservation. The young volunteers have differing development needs and, therefore, reasons for involvement in community work. For example, the challenge for one young person might be to gain the motivation to get out of bed in the morning; another’s objective could be to improve confidence through the acquisition of teamworking and leadership skills; while yet another youngster might be anxious to productively occupy the period between secondary and tertiary education. Whatever personal motives there are for volunteering, in the words of a previous development manager, Case 3 exists to:

provide quality structured learning opportunities for young people from all walks of life to move forward with peer group support.

As an organization focused on bringing the separate agendas of individual and community development together through the progression of a live project, Case 3’s *modus operandi* reflects the principles of action learning as advanced by McGill and Beaty (1992) and Revans (1983): the young volunteers being the action learners, the community project serving as the action learning problem, and Case 3’s field officers operating as facilitators of learning for the volunteers and a project result for the community. On the basis, then, that Case 3’s primary product is the facilitation of people- and societal-based learning, it would not be unrealistic to expect this organization to exhibit a developmental infrastructure and focus. Our voluntary organization also illustrates aspects of non-employee development as discussed by Walton (1996). He defines (Watson, 1996, p. 121) non-employees as “individuals or groups who have some relationship with an organisation but are not in an employer-employee relationship”, and cites volunteers as an example. Walton argues that much
Mainstream HRD literature and practice is aimed at the employees of an organization with little or no reference to the learning needs of non-employees. This implies that there is an omission in traditional HRD thinking to recognize:

- the contribution that non-employees make to an organization; and
- that, as critical stakeholders, the HRD needs of non-employees are of equal importance as those of employees.

As a supplier to the New Deal (DfEE:1997), Case 3 offers placements to New Deal clients (unemployed people participating in this UK government scheme) who have chosen to work within either the environmental task force (ETF) or voluntary sector options. As a result, Case 3 has contractual obligations with the employment service (ES) to formalize the training and development of these non-employee “participants” (the development manager was not comfortable with the term volunteers in this context as she argues that New Dealers cannot be “volunteers” in the true sense – although they have opted to work in the voluntary sector, they do so under the auspices of a compulsory scheme). This means the structuring of HRD processes such as induction, personal development planning, training and performance monitoring to prescribed standards (DfEE, 1997), which, in time, Case 3 intends to extend to all its volunteers, not just New Deal clients. In addition to these special circumstances, Case 3’s HRD model is shaped by the characteristics of the voluntary sector itself. The development manager believes that the factors below differentiate the small voluntary organization from other types of organizations:

- Not driven by the need to make a profit, but how best to utilize funded money for the good of the community. Motivated by the “feel-good” factor, not profit or market share.
- Money (funding/donations) provides a foundation and focus for planning and operating – money is not a business focus in itself.
- Always operating on a “shoestring”. Having little/no budget means operations and finances must be managed extremely resourcefully.
- Needs to achieve a “balanced” profile to attract and maintain funding – that is sufficiently “business-like” to instil confidence without projecting a “glitzy” or wealthy image.
- The voluntary sector is all about people and it needs systems and mechanisms which reflect this.
- Tends to attract enthusiastic, “selfless”, people-focused employees.
- Structures and advancements expected in other organizations tend not to be there for voluntary-sector employees.

These points indicate that profit and market share are not measures of success within the small voluntary organization: such assets might be seen as encumbrances. Case 3’s development manager suggests that success is more appropriately measured by the extent to which people and the community benefit, and the degree of “stability” within the organization derived from adequate funding and sufficient practical field and administrative resource. The observed effects of all this on human resource development appear more positive than negative. As a strongly people-focused enterprise, Case 3 aligns priorities to the consideration of people and naturally develops people-focused systems in support of this, even with limited resources. An illustration of this is located in the design and execution of Case 3’s recent employee recruitment process, whereby team-based selection activities, continual feedback, and pastoral care of applicants were seen as paramount. This is how the development manager summarizes why her organization has invested so much time, thought and effort into the recruitment of new staff:

We are about people, they are at the core of our business. It is so important we get it right as we are seen as a role model for social behaviour.

Conclusions

This article has set a context and rationale for research into human resource development within SMEs. Our discussion has focused on the characteristics of SMEs and how these influence their human resource development policies and practices. Based on the case-study data, we have described three differing models of HRD and explored why the representation from the voluntary organization might be the most atypical of the small-firm HRD paradigm.

In drawing overall conclusions here, we start with our previously-stated position that the nature of training and development in small firms mirrors the characteristics of SMEs themselves – that both small organizations and their HRD activities are essentially informal, reactive and short-term in outlook. Taken in isolation, this statement...
perhaps gives the impression that human resource development in small firms is typically ineffective. However, by adding a further dimension, we may change this somewhat dismal picture a little. Despite a commonality engendered by factors such as smallness and external uncertainty, each small organization is unique in its composition and culture and, therefore, not readily seduced by formality and standardization. Cases 1 and 2 have introduced development models to address the human element of their businesses in a manner and to a degree that is apposite to them: Case 1, the engineering company, is implementing a quality system to enhance its design innovation capability – a critical feature of its business; and Case 2 (security and telecommunications) is developing an appraisal system that facilitates direct dialogue and a sharing of organizational intelligence between the managing director and his employees. What is to say that this appraisal system is contextually any less effective and motivational than the performance management processes prescribed by a variety of human resources writers such as Armstrong (1994)? On examination of the discussion of organization development advanced by French and Bell (1990), we might argue that Case 2’s managing director is applying a crude form of action research with data gathering and feedback seen as essential ingredients; or even that he is strategically utilizing the tension between the technical and human theories of control (Argyris, 1992). There are many who advocate learning through story telling and the use of metaphor – Fisher (1996), Gold (1997), Pedler et al. (1991), Senge (1990), Sievers (1996) and Watson (1994), for instance. All of our case-study companies publish stories of individual and organizational achievement in order to motivate employees and model behaviour (French and Bell, 1990). Finally, and connectedly, it may be the case that notions of “tacit knowledge” (Nonaka, 1996; Spender, 1996) and related ideas on “informal” (Marsick and Watkins, 1997) and “implicit” (Chao, 1997) learning will hold the key to understanding the analysis processes in SMEs. These concepts, though, are not exclusively, or even particularly, pertinent to the SME sector and, currently at least, are more commonly applied to large organizations.

If we were to generalize these case-study data to a larger universe – as advanced by Yin (1994) – it would not be unreasonable to conclude that small organizations quite naturally, and probably unwittingly, develop approaches to human resource development that are located in some guise or other within the vast array of academic and practitioner literature on the subject. Each small organization’s model will probably be unique; it will almost certainly be directed as much by internal needs as by external opinion, and it will have been evolved just sufficiently to provide optimum benefit for operational and commercial needs.

Our final thoughts in this paper encompass a brief examination of areas for further research. First, we reinforce the views of Lane (1994) in recommending that there is a need to understand more explicitly how and why small organizations generate their own models of HRD practice. As a corollary to this and as champion of Argyris’ (1992) arguments about double-loop learning, it would also seem beneficial to evaluate just how the existence of specialist expertise within SMEs might shape perspectives on human resource development in general. Second, the dynamic of the relationship between formality in HRD and formality in the small organization merits further conceptual and empirical development, particularly in the contexts of compatibility and catalysis: findings from our study suggest that the interactions between the three constructs may constitute a domain of considerable complexity and confusion. Our final research recommendation reflects bottom-line delivery. For human resource development to be espoused as a discrete and worthwhile discipline by SMEs, its link with, and contribution to, business performance must be clarified and interpreted into a rationale and language which connects with and speaks to the pressures and aspirations of the owners and managers of SMEs.

**References**


DfEE (1996), TEC Approaches to Engaging Small and Medium Enterprises in Modern Apprenticeships, QPID Study Report No. 48, DfEE, Sheffield.


