1 Introduction: at the intersection of entrepreneurship and human resource management

Rowena Barrett and Susan Mayson

Is there anything left to say?

In recent years there has been a growing literature on human resource management (HRM) and smaller firms which has also encompassed firms that are growing and entrepreneurial. For example we have seen a special edition of *Entrepreneurship Theory and Practice* (Katz et al., 2000), two of *Human Resource Management Review* (Baron, 2003; Barrett and Mayson, 2006) and one of *Human Resource Management* (Huselid, 2003; Tansky and Heneman, 2003), with another of *Human Resource Management* (to be edited by Ribeiro, Roig and Tansky) scheduled for publication in 2010. In addition, symposia on the topic have been undertaken at the Academy of Management in 2005 (organized by Mayson) and in 2004 (organized by Hayton). Papers dealing with issues of HRM for new, small, growing and/or entrepreneurial firms have been presented at a range of different conferences, whether they are management oriented such as the Academy of Management (AoM) and its regional variants (for example, the British Academy of Management (BAM) or the Australian and New Zealand Academy of Management (ANZAM)), entrepreneurially focused ones like the Babson College Entrepreneurship Research conference or ones focused specifically on smaller firms such as the conferences of the Institute for Small Business and Entrepreneurship (ISBE) in the UK or the International Council for Small Business (ICSB) and its regional affiliates.

With all these papers and all this discussion is there anything left to say? Well yes, we think there is and we are glad Edward Elgar agree with us! We believe there is much to say about the contribution of HRM to small and entrepreneurial firms.

What has been said recently . . .

In preparing this introduction, we updated our knowledge of the current literature including recent special issues to see if calls for more research at the intersection of human resource management and entrepreneurship had been taken up by scholars in the areas of HRM and entrepreneurship.

2 *International handbook of entrepreneurship and HRM*

On the HRM side, Tansky and Heneman's (2006) edited volume is premised on the view that HRM is important to the success or failure of high-growth entrepreneurial firms. Chapters in their volume survey a range of HRM-related issues and highlight the specific HRM context and needs of entrepreneurial firms. The final chapter by Klaas and Klimchak (2006) points to key areas of future research that should be enough to whet the appetite of any scholar interested in this field. As they argue, there is still much to understand about how entrepreneurial firms can benefit from investing in HR and what kind of HRM practices and programmes are most likely to be critical for their success.

Similarly, we looked at Kuratko's (2006) tribute for the 50th anniversary of the ICSB conference, in a special issue of the *Journal of Small Business Management* (April, 2006). He identifies HRM (along with venture financing, small firm performance and entrepreneurial ethics, to name a few) as an emerging theme in entrepreneurship research. Papers published in the special issue were chosen as they were considered 'the very best' of research presented at the June 2005 conference in Washington DC. Written by scholars from the US, Canada, Europe, Australia, New Zealand and Ireland, the selected articles focus on a broad array of issues including organizational growth and performance. Most importantly for us a few of these papers do address various human resource implications in this context, namely succession planning (Bruce and Picard, 2006), the attraction and recruitment of key staff (Audretsch and Lehmann, 2006), corporate governance (Bartholomeusz and Tanewski, 2006) and work-family conflict (Shelton, 2006).

On the entrepreneurship side of the ledger, less has been said about the contribution of HRM to the understanding of entrepreneurial firm performance and growth. This may be explained by Gartner et al.'s (2006) introduction to a special edition of *Entrepreneurship: Theory and Practice* devoted to understanding linkages among published entrepreneurship scholars. In this edition authors use bibliometric techniques to map the pattern of networks and linkages among published entrepreneurship authors (see Grégoire et al., 2006; Schildt et al., 2006; Reader and Watkins, 2006). Drawing on Pearce's (2003) data about the divisional co-membership of AoM members, Gartner et al. (2006) show two distinct nodes of membership which are centred on organizational behaviour (OB) and business strategy (BPS). HRM scholars belong in the OB node while entrepreneurship scholars are found in the BPS node. There is no overlap in the membership of the entrepreneurship and HRM divisions of the AoM (where a minimum of 27 per cent of members need to overlap for this to occur). Such evidence underpins the argument that entrepreneurship scholars typically stay loyal to their 'home' discipline and they are 'primarily oriented to core issues

embedded in other disciplines' (Gartner et al., 2006: p. 324). Moreover, the home discipline for many entrepreneurship scholars is likely to be strategy or strategic management and this explains why many scholars may prefer to focus on the 'harder' economic and strategy factors that contribute to firm success and failure rather than the so-called 'softer' people and relationship issues.

So unsurprisingly when HRM is addressed by entrepreneurship scholars it is generally in the language of 'resources' and as just one of many resources that can be utilized in the development of entrepreneurial ventures. And this can be seen in Kuratko's description of entrepreneurship today being 'a complex phenomenon involving multiple stakeholders, an array of inputs that can be combined in innumerable ways' (2006, p. 485).

The state of play in the entrepreneurship discipline can also explain why we see relatively little work on HRM issues. For example it may be as a result of the persistence of thinking about the entrepreneur as a heroic individual. This sort of thinking, Drakopoulou Dodd and Anderson (2007) argue, perseveres for a range of reasons but includes the extent of the use of positivist methods in the field. A functionalist paradigm has been found to dominate the field (Grant and Perren, 2002). And with this in mind Zahra's (2007) lament that a lack of attention has been paid to the context in which entrepreneurship research is conducted, can be interpreted as perhaps a plea for more 'interesting' research (see Barley, 2006) rather than more 'solid' research. Zahra argues that in 'reading recent entrepreneurship papers, however, one rarely gets a sense of the substance, magnitude or dynamics of the research context' (2007, p. 445).

Theory building requires attention to detail as well as creativity and innovation and will be greatly enhanced by paying attention to the 'complexity, uniqueness and richness' (Zahra, 2007: p. 444) of entrepreneurial phenomena (see also Alvarez and Molloy, 2006). All of this is important in understanding HRM in small, growing and entrepreneurial firms. Clearly in both fields there is a willingness to look at new questions in new ways. We can see this in the HRM field when Ferris et al. state:

For HRM scholars, there are multitudes of interesting questions to ask and research streams to develop and pursue . . . We have perhaps never witnessed more intellectually stimulating times in this field . . . and it encourages (no, demands!) creative, innovative, uninhibited and nonlinear thinking if we are to make significant contributions to new knowledge, and truly develop a more informed understanding of HRM (1999: p. 408).

It can also be seen in the entrepreneurship field when Kuratko writes, 'I believe we are at a point in time when the gap between what can be imagined and what can be accomplished has never been smaller' (2006: p. 490).

While we are still at the early stages of developing theory in the area of HRM in small and entrepreneurial firms and have very 'limited knowledge about the extent to which existing HRM theories extend to smaller entrepreneurial firms' (Tansky and Heneman, 2006: p. xiii), this handbook is our contribution to closing the gap.

This handbook . . .

As such, this handbook is a direct response to a growing recognition that too little is known about the intersection of the disciplines of HRM and entrepreneurship. Underpinning a call for more research at the intersection of HRM and entrepreneurship is the understanding that business growth is the key to economic development. Entrepreneurship generates economic growth (Schumpeter, 1934) and this occurs by combining resources in new ways to create and exploit new opportunities (Shane and Venkataraman, 2000; Shane et al., 2003; Stevenson and Jarillo, 1990; Venkataraman, 1997). While much of the literature focuses on new and emergent firms or start-ups as the places in which entrepreneurship occurs, the above definition does not limit entrepreneurial activity in such a manner (Shane et al., 2003).

It is important to understand the role of HRM in developing sustainable entrepreneurship and entrepreneurial ventures as well as how HRM practices and procedures can be used to help navigate or indeed drive the changing landscape in small and entrepreneurial firms. As Baron argues, 'growing evidence suggests that an inability on the part of some founders of new ventures to successfully manage HRM issues is an important factor in their ultimate failure' (2003: p. 253). Therefore it is also important to understand the contribution and roles individuals, other than the individual entrepreneur or entrepreneurial team, play in the success (or otherwise) of the entrepreneurial venture and whether this changes at different stages in the venture's growth.

So for this handbook we sought theoretical and empirical contributions and hoped potential contributors might address a range of questions and draw on a variety of theoretical and methodological approaches. Some of the questions we posed included: how do new or growing firms deal with the problems caused by the complexity associated with resource (including human resource) acquisition, allocation and development? What is the relationship between the implementation of various HRM policies and procedures on the speed and direction of growth in entrepreneurial firms? How do we theorize the complexity of HRM in new, growing or emergent ventures? What effect do different contexts (national, business, labour market, product market, organizational type amongst others) have on the capacity to develop and manage new entrepreneurial firms? Do theories of HRM apply in new ventures? What can entrepreneurs do to manage human

resources to maximize the value of people to the organization? These questions of course do not represent the totality of what can be fruitfully explored at the intersection of HRM and entrepreneurship.

We are thrilled that others are also interested in closer ties between HRM and entrepreneurship, particularly given Gartner et al.'s argument that 'it may be too much to expect scholars to pay attention to other scholarship beyond their immediate circle' (2006: p. 327). We are excited by the breadth of questions our colleagues are interested in researching in order to achieve these closer ties. However, we do observe that often this is from the perspective of HRM or management fields rather than entrepreneurship and the only danger there is that we can 'focus on HRM in small firms, *per se*, rather than look at the field of entrepreneurship' (Barrett and Mayson, 2006: p. 444). Few would disagree with Cardon and Stevens when they write 'while virtually all emerging firms are small at inception, not all small firms are emerging' (2004: p. 279). Researchers do not necessarily equate all small firm activity with entrepreneurial activity. And so rather than join the 'many papers [that] do not distinguish whether they are talking about small or large firms, emerging or established firms or even small or medium sized enterprises' (Cardon and Stevens, 2004: p. 299), all we want to do is acknowledge that in a number of these chapters the focus is on smaller firms (small or small and medium-sized ones). This does not, however, diminish any potential or actual contribution these chapters make to theory or practice.

The chapters we have selected bring different theoretical and empirical observations from research conducted by new and established scholars based in the US, UK, Canada, Australia and Europe. We have organized this book into three parts. The three chapters that make up Part I address 'big' issues around theory and methodology. In Part II, ten chapters focus on HRM and entrepreneurship and the nature of HRM in smaller, newer, growing and/or entrepreneurial firms, while in Part III another ten chapters address more specific HRM issues in the context of entrepreneurial and smaller firms.

Contents of Part I

The first chapter in Part I is written by Elizabeth Chell (Chapter 2) who provides an excellent review and overview of the various approaches that have been used to explore entrepreneurs and entrepreneurship. Her focus is on nascent entrepreneurs and she considers the HRM issues that become apparent as the venture emerges and develops. As we argued earlier, all too often it seems that the only way HRM is addressed in the discussions of entrepreneurship is in term of resources – and there is often no privileging of human resources over others. In examining three models of

entrepreneurship – where the models focus on (1) traits, (2) cognitive-based behaviour and (3) human and social capital – Chell identifies the implications for human capital, HRM and human resource development. She argues that in the creation, development and sustainability of new ventures human resources play a critical role, and without their development or recognition of this importance the future of the new enterprise is somewhat precarious.

David Audretsch and Eric Monsen (Chapter 3) similarly contribute an excellent review of a different part of the entrepreneurship literature focusing on the concept of ‘entrepreneurship capital’. This they define as ‘a subset of social capital and refer to those social and relational factors, forces and processes that promote or hinder the interaction of various economic agents and their ability to employ, integrate and exploit physical, human and knowledge capital for entrepreneurial ends’. They use this to explain the ‘economic and entrepreneurial performance of a region’s or firm’s human resources’. Aside from having the longest reference list of any chapter in the book, in considering entrepreneurship capital at the level of the region, and industry, firm, team and individual they not only highlight gaps and areas for further study but also ways in which these gaps can be filled.

We finish Part I by moving from theory to research with a chapter (Chapter 4) by Catherine Cassell and Sara Nadin. They question the dominance of a functionalist methodological paradigm in the entrepreneurship (and HRM) fields and suggest reasons for this dominance despite the use of other approaches. They explore the value that using interpretivist approaches would, and can, bring to the theoretical and methodological development of the discipline and use examples from various studies to show the potential value of such approaches and how some of the challenges might be overcome. This chapter provides a good base for understanding the different approaches used in empirical pieces in Parts II and III of the handbook. There is neither an overwhelming positivist nor interpretivist approach taken in chapters in this handbook – although there is some evidence of the different training in research techniques that academics receive in different countries. We would not be wrong to say methodological pluralism characterizes the chapters.

Contents of Part II

Part I of the handbook provides some of the theoretical and methodological groundwork for Part II, which encompasses chapters 5 to 14. In this part the focus is firmly on HRM and entrepreneurship and the nature of HRM in smaller, newer, growing and/or entrepreneurial firms. Questions about the formality of HRM in these firms are addressed in a number of

the chapters while context, such as the ownership context or where the firm is located, is also covered in some of the chapters.

We open Part II with a chapter (Chapter 5) by Cinzia Dal Zotto and Veronica Gustafsson who seek to examine the role of HRM as an entrepreneurial tool in both new and established firms (intrapreneurship). They argue that those involved in starting up a new firm or launching a new product or market need to be selected, empowered, developed, motivated and supported. It is therefore through various HRM practices that growth can be fostered in new and young firms and the entrepreneurial spirit stimulated in more established firms. They conduct two case studies in the Scandinavian media industry to show what this means in practice and the way various practices can be used to leverage innovative capabilities for entrepreneurship and intrapreneurship.

In Chapter 6 we (Rowena Barrett and Susan Mayson) take up the issue of formality and informality in HRM practice in small firms which is an issue explored in a number of other chapters. We report data from interviews with 11 small business owners to explore what small business owners mean when they say they have particular HRM practices in place, why they have them and how they are used. While most would argue that HRM in small firms is characterized by informality and it is fairly well accepted that HRM practices become more formalized as firms grow, our purpose in this chapter is to explore the logic of the formalizing practices. Drawing on older ideas about the nature of bureaucracy and ‘good’ and ‘bad’ rules enables us to argue that formal and informal HRM practices can co-exist within firms. The logic of formalization can be enabling or constraining and therefore formality and informality are not either ends of a continuum.

In Chapter 7, Jonathan Michie and Maura Sheehan have a slightly different take on the issue of formality and seek to explore the relationship between formal HRM practices and organizational performance. While this relationship has been the subject of considerable research in the US, UK and elsewhere, infrequently the focus has been on smaller firms. This omission is problematic and while the research on the HRM–performance linkage is not necessarily conclusive it does raise the question about whether HRM theories do apply to smaller firms. In a matched sample of US and UK smaller firms in specific manufacturing and service industry sectors, Michie and Sheehan investigate the contribution HRM practices make to objective and subjective measures of performance. Their investigation is located in the literature, which suggests bundles of HRM practices can be a resource offering the firm a source of competitive advantage (for example Barney, 1991; Becker and Huselid, 1998; MacDuffie, 1995). Their results suggest that the generally positive HRM–performance relationship

found in other studies is also found in smaller firms. Moreover while the liabilities of smallness mean that the cost of implementing HRM practices can be high, their analysis suggests that generally 'HRM practices do appear to pay'. The processes by which this occurs are clearly an area for further work.

While Michie and Sheehan looked at the relationship between HRM and performance generally, in Chapter 8 Robert Heneman, Judith Tansky and Michael Camp specifically explore the relationship between HRM and organizational growth. Their chapter is underpinned by similar literature but data is incorporated from a range of different sources to examine the process and philosophy of HRM in high- and low-growth firms. The data includes a survey of, and focus groups with, a small group of CEOs of high- (N=16) and low- (N=21) growth entrepreneurial firms as well as analysis of 672 responses from the 1998 survey of Entrepreneur of the Year® Institute (EOYI) members and a case study of a high-growth firm in the US Midwest. The array of data enables Heneman et al. to explore the 'what' and 'how' in relation to HRM strategies in high-growth firms. 'Visionary' and 'contemporary' is how they describe HRM strategies in high-growth firms and this is systematically different to that applied within low-growth firms.

A similar conclusion can be drawn from the survey data in Chapter 9 which we (Rowena Barrett and Susan Mayson) produced with Niel Warriner. The purpose of our survey of 2500 small but growing Australian firms was to explore how HRM could contribute to growth and therefore whether growing firms would use more formal HRM practices. We proposed that in small firms where there was evidence of planning and/or where the owner delegated some or all of their responsibility for management there would be formal HRM practices. Acknowledging that firms grow in different ways, we use three different growth measures dealing with the firm's future growth orientation as well as past growth in sales and employees. Our findings are consistent with the idea that unless owners recognize the need to plan, which will also most likely entail delegating some responsibilities for direct supervision to other managers, then they are unlikely to succeed in using formal HRM practices.

The message from Chapters 7, 8 and 9 is that HRM matters. Although the causal ordering of the relationship between HRM and competitive success and growth is not addressed, these chapters help us to understand whether more formal organizational systems and routines are more likely to be used to nurture human capital in entrepreneurial firms. Some may argue that this formalization can be problematic and so in Chapter 10 Lynn Martin, Shaheena Janjuha-Jivraj, Charlotte Carey and Srikanth Sursani Reddy explore the effects of formalization on the psychological contract in 30 new entrepreneurial teams over a six-year period. While these firms

started out with a team based on friendship, family ties or shared values, as they developed, grew, faced crises and sometimes disappeared (only 21 remained at the end of the six-year period), these relationships needed to be re-negotiated. Martin et al. chart how the language used to describe these relationships changed, as well as how team members perceive change in their psychological contract with the organization. Formalization may lead to firms 'being more professional' but for team members who became 'employees' this was a negative, and explained as 'we work here but we don't belong here'. The study reported in this chapter provides insights into the human dynamics accompanying business growth and development. It also reminds us of the need to consider a range of views and opinions in our research in order to capture the ways different participants perceive, experience and respond to attempts to formalize practices. Attention to this may help us to understand why formal and informal HRM practices can and do co-exist.

In Chapter 11 Susan Marlow and Amanda Thompson push the growth angle further and look at the HRM practices in six firms that employ enough people to be termed 'medium-sized' in the UK. Increasing numbers of people at the workplace makes the management task more complex and their argument is that we should see formal HRM practices in place. From interviews with managers and employees in these firms they show that developing a formal practice to deal with some aspect of labour management was often a response to certain 'critical incidents' and not an inevitable result of growth. However, they do show that developing a strategy to deal with an HR issue does not always mean it is then embedded into practice. As such they highlight the deficiencies of research that relies on surveys of whether or not something exists, and argue for more in-depth qualitative research looking at reasons why employers and employees embrace or resist formalization.

To some degree in Chapter 12 Jeff Hyman, Fraser Osborne and Sarah Jack undertake this task by reviewing paternalism as a managerial approach and the effects of the culture of organizations dominated by owners (or founders) on HRM. While paternalism can have negative connotations, being associated with the dominance and control of owners, in their chapter Hyman et al. report on a case study of 'benevolent paternalism' and suggest that the positive behaviour reciprocated by employees means under some conditions this may indeed offer some insights into effective management. Their study, like those reported in Chapters 10 and 11, also incorporates the voice of employees and therefore ensures that their attitudes and behavioural orientations, which contribute to organizational culture, are not overlooked. The culture of benevolent paternalism in the case study firm engendered cohesion and a shared idea of the firm as

a family. Employees were committed and empowered, while various formal and informal communication modes underpinned the development of trust. Hyman et al. do raise the question of the sustainability of this approach with further growth and like the two foregoing chapters recommend further in-depth qualitative analysis to chart the effect of change over time.

The importance of context has been implicit in many of the chapters in this part of the handbook and so to conclude Part II we have two chapters that explore the effect of context on the intersection of HRM and entrepreneurship more explicitly. In Chapter 13, written by Richard Harris and Renee Reid, the context is family ownership. In an analysis of the 2004 UK WERS data Harris and Reid explore barriers to growth in small family businesses. The question driving this analysis is whether family firms are different. Their evidence is mixed as to whether the economic performance of these firms is different although their analysis of earlier WERS data points to employee involvement practices playing a contributory role. Their analysis of the 2004 WERS data focuses on employee involvement and HRM strategies and by and large their findings suggest family firms do use different practices. Their findings point to a culture of (sophisticated) paternalism operating in family businesses and that this culture is the key to understanding the use of best practice HRM practices in small family firms.

In Li Xue Cunningham and Chris Rowley's chapter (Chapter 14) the context is China. While the research in other chapters has generally been conducted in specific geographical areas – Australia, US, UK, Canada and Scandinavia for example – the authors have generally underplayed this context in favour of dealing with other questions. In China smaller firms play a key role in structural reform and in the area Cunningham and Rowley conduct their research – Jiangsu – private industry and smaller firms account for over 90 per cent of the province's total industrial output. However, this is also a region with significant amounts of foreign direct investment and the advent of foreign-owned companies places considerable pressure on smaller firms to compete. The question of convergence drives this study and through 114 responses to a survey and interviews with various managers, employees and trade union representatives in 13 firms, Cunningham and Rowley explore the transfer and adoption of HRM practices in smaller firms. Their results suggest change is occurring but that it is partial and slow, such that 'Westernized' HRM practices can be found sitting alongside more traditional ways of managing in these small Chinese firms.

Contents of Part III

In the third part of the handbook the focus shifts from overviews to more specific HRM practices or issues and what they mean or how they appear

in the context of smaller and entrepreneurial firms. However, in opening this part we look at the effect of regulation on smaller firms with a chapter (Chapter 15) by Rob Blackburn and David Smallbone. In the developed world the state frequently takes an interventionist stance on matters around employing and employment. In this chapter Blackburn and Smallbone investigate the effect of intervention on the strategy and practices in smaller firms. They argue that interventions are more often met with resistance rather than acceptance and suggest that when you take into account the ‘real world’ of business owners you get a ‘strategic stickiness’ – that is a drive for stability rather than change as a response to regulation and intervention. That is not to say all small firms’ owner–managers respond in this way as other internal and external factors also influence how they respond. Blackburn and Smallbone illustrate their argument by re-examining data collected to investigate the effect on health and safety regulations and employment legislation on smaller firms in the UK. In doing so, they not only explore common themes in relation to business responses to regulation but also identify the relative merits of different methodologies in examining the effects on owner–manager strategies.

In Chapter 16, Hefin David and Gerald Watts explore the decision to become an employer. This is a significant step in the life of a small business and in the life of the individual entrepreneur and one which may affect their self-concept. David and Watts use the notion of the first employment decision as a learning process to frame and inform case studies of five small business owners. While it is recognized that small business employers can face difficulties in recruitment, all too often the focus is on the barriers to employment or the ‘red tape’ around employment. In this chapter, however, the importance of individuals’ experiential history is acknowledged and in interviews five small business owners recall the experience of employing someone for the first time and then reflect on the ways in which their experience informed their emergent employment strategy. The analysis of the results leads to the development of a conceptual framework capturing some key aspects of the decision to become an employer and the learning process following this decision. In looking at the personal rather than structural or procedural barriers to employing, the authors throw some light on what can be done to assist and support the transition of individuals from being self-employed to becoming an employer.

Melissa Cardon and Ibraiz Tarique, in Chapter 17, also deal with recruitment issues but from the perspective of questioning how attractive smaller organizations are to potential recruits. Their study examines the potential applicant perceptions of organizational attractiveness and how these are influenced by the size and age of the firm, as well as by the extraversion and risk-taking propensity of the applicant. As such, Cardon and Tarique

explore whether 'smallness' and 'newness' are liabilities in attracting new recruits. To investigate this they distribute nine organizational descriptions (based on three different firm sizes and firm ages) to a sample of undergraduate students, gathering data in two surveys four weeks apart. Their findings highlight that not all small firms are the same and suggest that treating 'small' firms as a homogeneous group is problematic. This is the case as specific sizes and ages of firms can be seen as liabilities for some rather than 'smallness' and 'newness' being liabilities for all small firms.

In Chapter 18, Ian Williamson and Jeffrey Robinson also deal with the issue of recruitment but this time the purpose is to consider how small firms locate and hire new employees. They explore the relationship between the practices small firms use to recruit and then the effectiveness of those practices, specifically the number of applicants attracted and the time taken to fill positions. In terms of the practices used to recruit, Williamson and Robinson distinguish between informal practices, which rely on social networks to attract applicants, and formal practices, which rely on asocial means and brokers such as institutions or organizations that assist small firms by identifying potential employees. As their study draws on data from 2521 US small firms (defined as firms with less than 500 employees) they are able to examine how firm size shapes the effectiveness of recruitment practice portfolios. Like many of the other studies in this handbook, this chapter reinforces the message that not all small firms are the same, as the authors found that the effectiveness of recruitment methods is contingent on the size of the firm. They argue that HRM in small firms is dynamic and cannot be portrayed by standardized descriptions.

Deborah Blackman and Kevin Hindle also deal with the issue of recruitment in Chapter 19 but this time using ideas about the psychological contract to explore the mismatch between entrepreneurial business owners' and their employees' expectations. They argue that relationships are critical for successful entrepreneurship but they are largely absent from a range of models of the entrepreneurial development process. The purpose of this chapter is to show where this absence can be found, highlight the consequences of poor psychological contracts and to propose ways of implementing successful entrepreneurial relationships through the application of the psychological contract. As they argue, 'at the very least, conscious and overt inclusion of the employment decision into any stage-model of the entrepreneurial development process will reflect the stages of growth more realistically'.

Growth through innovation and the ways HRM can address strategic and structural concerns from the early stages of a firm's development is the focus of the next chapter (Chapter 20) by Grahame Boockock, Kevin Daniels, Jane Glover and Julie Holland. Specifically their concern is with the creation of

the right environment for individual and group problem solving. Boocock et al. explore whether the Job Demands-Control (-Support) [JDC(S)] model (Karasek and Theorell, 1990) can be applied to small firms. This model proposes that support and control promotes effective problem solving enabling employees to cope with work demands. As such, their focus is on job design, which is infrequently discussed in the context of smaller firms. After considering issues around learning in small firms as well as specific characteristics of small firms, they report results from their study of learning and innovation activities of over 115 employees in 15 UK firms. Their conclusion is that with relatively modest adjustments in job design, the well-being, learning, motivation and performance of employees in smaller firms could be enhanced. Boocock et al. close with a list of seven areas where work design and problem-solving processes could be improved.

The theme of learning is taken up in Chapter 21 by David Devins when he case studies two publicly funded skill development programmes in the UK. The People and Technology Project (PAT) sought to widen workforce learning while the focus of Developing Manager Skills Project (DMS) was on supporting problem solving, business planning and associated skills development for small business managers. Through analysis of the content and the process of delivering the different programmes, Devins argues that the experience of participating encouraged some changes in the HRM and skills acquisition practices within the participating firms. A critical element in the success of the programmes was the role played by the coach (in the DMS) and animateur (in the PAT). Devins' analysis suggests that if learning is to be encouraged then it is important that a proactive and targeted approach is taken to skill development. Moreover, trusting relationships need to be built by those supplying the training with those receiving it if small business managers and employees are to invest time in participating.

In Chapter 22 Scott Taylor reviews the evidence of and theory underpinning training and development in small firms. He argues that the majority of literature in this area either assesses funded programmes or deals with entrepreneurship education. He argues that underpinning both of these streams of literature is the assumption that engagement with training and development must be founded on the pursuit of organizational success. This he questions, and in reviewing some of the key literature from each of these streams he suggests ways that future research might be more nuanced and contextualized. Taylor's call is for concepts such as 'size' and 'entrepreneurship' to be reconsidered and the implications of the embeddedness of small and entrepreneurial firm to be explored in more detail. This would, Taylor suggests, lead to more robust theoretical frameworks to underpin empirically informed analysis of training and development in smaller and entrepreneurial firms.

By and large the chapters to this point in this part of the handbook have focused on various issues related to the management of employees in smaller and entrepreneurial firms. In Chapter 23 David Kaplan and Jerome Katz take a different approach and seek to explain the career path of entrepreneurs. While organizational influences act on the entrepreneur's career they do so differently from how they might impact on traditional careers: the entrepreneur is responsible from the very beginning for the success or failure of the enterprise which is very different from what most people experience on their first day at work. Career theory does not adequately explain this situation. By building on work looking at the different types of entrepreneurs and the career paths they follow, Kaplan and Katz consider how the emerging organization might shape an entrepreneur's career to develop a flexible framework of entrepreneurial careers. Actionable ideas about how researchers may 'test' their four-stage model are offered while the importance of doing so, particularly in terms of advising and counselling potential and practising entrepreneurs, is outlined. This chapter, like many of the others, is a great example of how ideas from different literatures can be brought together to further our understanding of entrepreneurship and HRM.

In the final chapter (Chapter 24) Terry Wagar and James Grant look at the intention for managers and professionals in small business to (voluntarily) quit their job. While turnover has been researched extensively and there is an acceptance that management practices play a part in making firms more (or less) attractive places for individuals to work, few studies have focused on smaller firms. Wagar and Grant specifically examine high commitment/involvement HRM practices, employee voice and organizational cost-cutting measures on the intention to quit with a sample of 351 of their university's alumni working in smaller Canadian firms. Of these, around 28 per cent said they intended to quit their job in the next two years and the negative effect of high commitment/involvement HRM practices on quit rates found generally in the literature is also shown by Wagar and Grant to operate in these smaller firms. One of the key findings of this chapter is that investment in people is very important – this may be through a high-involvement HRM strategy or by creating a workplace climate which is attractive to employees. As we know from earlier chapters, attracting new employees can be difficult; here we have some evidence of what is important to retain them.

In summary . . .

So, these are the 24 chapters that make up this *Handbook of Entrepreneurship and HRM*. Clearly a lot of ground has been covered in these chapters and through them we gain greater insight into what goes on – theoretically and/or empirically – in terms of managing people in smaller and entrepreneurial firms. Human relationships play an extremely important role in the success

of small firms and entrepreneurial ventures. And through this collection we hope that this point has been well made.

However, as with all research, as many new questions arise as old ones are answered. By no means do we think the intersection of the entrepreneurship and HRM fields has been comprehensively mapped. Just today an email came about a report from Grant Thornton (Australia) showing that only 2 per cent of the 250 business owners employing between 20 and 400 people they surveyed said they used competitive remuneration strategies to attract high calibre staff (<http://www.smartcompany.com.au/Growth-Resources/Managing-People.html>). Why so few? What are they doing instead? Don't they know there is a 'war for talent' going on? Compensation 'significantly affects recruiting and retention efforts of small firms; if they cannot pay applicants enough, then they cannot recruit or retain critical skills or knowledge they need to operate effectively' (Cardon and Stevens, 2004: p. 304). However, it is unfortunate that we were unable to include a chapter on pay, rewards and compensation.

A range of other areas could also have been addressed. The effect of different institutional contexts on the way new ventures emerge and develop could be explored in more detail. Similarly, work on issues relating to employment flexibilities and work-life balance in small, growing and entrepreneurial firms is notably absent from this volume (for a very recent example see Jennings and McDougald, 2007). Other functional aspects of HRM in entrepreneurial firms could have been explored. For example, how can employees develop a career in a smaller firm where there is limited or no hierarchy? There are many interesting issues around performance management that could have been examined, while organizational change in entrepreneurial ventures is another area of research worthy of further study. Issues around managing diversity, whether that comes from gender, ethnicity, religious beliefs, age or sexuality for example, are notably absent from this collection, although certainly not by design. Quite clearly there is more work to be done, not only on the topics we have covered but also on those which were not addressed. Our fervent hope is that we inspire a few more researchers to take up the challenge of exploring the intersection of the fields of entrepreneurship and HRM.

Having said that, it has been a pleasure working with all the authors of these chapters to produce this handbook. We have learned a lot (some of which has nothing to do with HRM and entrepreneurship but more to do with academic workloads!). We feel quite privileged to have taken on the role of co-editors. We thank all authors for their commitment to and support for this venture. We also thank Edward Elgar for their willingness to commission such a work.

Happy reading!

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