

## **Encouraging creativity in SME contexts – Reconceptualising HRM as a non-linear activity**

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# **Encouraging creativity in SME contexts – Reconceptualising HRM as a non-linear activity**

## **Abstract**

This paper argues that current conceptualisations regarding how SMEs encourage creativity through HRM are based on a flawed notion of linearity. Recognising creativity as the most personal and individualistic of endeavours, built from difference and divergence, coupled with the unpredictability and irrationality of human behaviour, it is argued to be illogical to expect to bring it about through static conceptions of HRM. Instead, supported by empirical evidence, this paper builds a theory arguing that HRM must be conceptualised as an inherently non-linear function. Non-linear HRM is argued to be distinguished by dynamism in planning and structuring of the workforce, flexible conceptions of HRM and intelligently adaptive HRM processes. Fundamentally, employees must be seen as intelligent, informed and active partners in the process of creation. This paper provides evidence collected from a variety of SMEs, outlining differences in approaches to the management of people, and how SMEs can best encourage creativity through HRM.

**Key words:** HRM, small-medium enterprises, linearity, creativity

**Word count:** 7,020

## **Introduction**

Creativity, innovation and learning are often discussed as the keys to organisational success (Allocca and Kessler, 2006; Chien et al, 2015; Herrera, 2015). In a world increasingly dominated by knowledge work (Lund et al, 2012; McIver et al, 2013) and the flow of information, the management of these, often intangible, attributes takes on increasing importance (Jiménez-Jiménez and Sanz-Valle, 2005; Shipton et al, 2006). Creativity, as a concept, is defined as the production of novel and useful ideas (Anderson et al, 2014), being further conceptualised as the most personal and individualistic of our undertakings (Suojanen and Brooke, 1971). Built from lateral (De Bono, 1970) or divergent (Klijn and Tomic, 2010; Penaluna et al, 2010) thinking, creativity is inherently founded on difference, autonomy and freedom.

How organisations may best ‘manage for creativity’ is an often discussed topic within scholarly and managerial circles (Anderson et al, 2014; Banks et al, 2002; Catmull, 2008; Egan, 2005; Hotho and Champion, 2011; Martins and Terblanche, 2003), with such discussions extending into the HRM literature where many studies consider the links between HRM and creativity and/or innovation (Binyamin and Carmeli, 2010; De Saá-Pérez and Díaz-Díaz, 2010; Gupta and Singhal, 1993; Jiménez-Jiménez and Sanz-Valle, 2005; Shipton et al, 2006; Waight, 2005); innovation in this context being defined as the successful implementation of creative ideas (Amabile et al, 1996). But, existing literature focuses heavily on finding quantitative links between various HRM practices and ‘improved’ creativity or innovation, arguing for a resultant formalisation and standardisation of HRM practice; arguably inconsistent with the informal, ad hoc and uncertain nature of HRM in smaller firms (Altinay et al, 2008; Bacon and Hoque, 2005; Marlow, 2006; Mayson and

Barrett, 2006). Instead, this paper argues, based on the knowledge that creativity is predicated on lateral or divergent thinking (De Bono, 1970; Klijn and Tomic, 2010; Penaluna et al 2010), and that human behaviour is inherently unpredictable and irrational (Beyerchen, 1992; Marchiano, 2006), that this linear narrative for HRM is fundamentally flawed. I theorise, supported by empirical evidence, that in order to encourage creativity, SMEs instead require approaches to HRM that are dynamic and intelligently adaptive, based within flexible conceptions as to what 'HRM' itself is; approaches that are inherently non-linear (Beyerchen, 1992) in nature.

This paper calls into question our present understandings of how we encourage creativity through the process of HRM in SME contexts. It seeks to provoke debate within the field by arguing for a rejection of quantitative orientated approaches seeking to find correlations between HRM practices and 'improved' creativity. I contribute to knowledge by reframing the debate, calling for a re-assessment and fundamental re-thinking of how SMEs apply, and utilise, HRM as a construct in their search for competitive advantage through creativity. Discussions will now separate into five subsequent sections. Initially, the paper reviews relevant literature connected with HRM in SMEs, as well as that concerned with the linkages between HRM and creativity. Following an outline of the methods adopted, empirical findings will be highlighted before these are discussed and theorisations developed. How this study can inform future research directions will also be considered.

## **Literature Review**

### *HRM in small-medium enterprises*

SMEs are of significant economic importance and face increasing pressures to innovate (Hotho and Champion, 2011). Indeed, it is argued that creative ideation links directly to the generation of competitive advantage in such firms (McAdam et al, 2010), with resource constraints and competitive pressures driving the production of new thinking (Banks et al, 2002; McAdam and Keogh, 2004). Alongside interest in creativity and innovation, there is a growing field of literature related to the study of HRM in SMEs (Altinay et al, 2008; Bacon and Hoque, 2005; Gilman et al, 2015; Harney and Dundon, 2006; Kotey and Slade, 2005; Marlow, 2006; Mayson and Barrett, 2006; Pingle, 2014; Schmelter et al, 2010; Tsai, 2010). HRM in SMEs is often characterised as informal in nature (Harney and Dundon, 2006; Marlow, 2006; Mayson and Barrett, 2006), with the function thought to have poor standing in some contexts (Pingle, 2014). Indeed Altinay et al (2008) argue that small businesses are associated with poor HRM practices because of their greater informality and lack of resources, including management expertise. While it is, however, recognised that there are differences in approaches to HRM between entrepreneurial and 'lifestyle' businesses (Deakins and Freel, 2003), the majority of literature emphasises that HRM in SMEs is typically informal, ad hoc, arbitrary and uncertain in nature.

Further emphasising this point, Schmelter et al (2010), studying German SMEs, argue that resource constraints cause the informality of HRM in small organisations, with HRM practices being less formal and more limited in their scope as a result. Finding quantitative links between staff selection, development and reward and corporate entrepreneurship in SMEs, Schmelter et al (2010) suggest that HRM can have a strong influence on productivity in these organisations. Contrasting the view that HRM in SMEs is informal and uncertain, Tsai (2010) argues that HRM is in fact surprisingly sophisticated, with significant homogeneity across firms. It can be suggested, however, that this finding may be a product

of the sample investigated (high technology firms). The balance of opinion in extant literature provides greater support for the notion that HRM in SMEs is informal and ad hoc. Indeed Bacon and Hoque (2005) argue that while the productivity and survival of small organisations may improve with the adoption of HRM, many SMEs lack the capability to develop formal HRM frameworks. Kotey and Slade (2005) echo these thoughts from the Australian context, finding that the rate with which formal HRM practices are adopted increases with organisational growth. In essence, the larger the small organisation becomes, the more likely it is to have formal and sophisticated HRM systems and practices.

While the findings discussed above are recognised for their important contributions to what is known about HRM in SMEs, little has so far been said about the interaction between HRM and creativity inside these small organisations, and therefore how HRM sets the stage for creative thinking. Given that the creative process relies, amongst other factors, on fluidity, autonomy and the ability to take risks (Andriopoulos, 2001; Catmull, 2008; Dewett, 2004, Martins and Terblanche, 2003; Moultrie and Young, 2009) shouldn't the informal nature of HRM inside SMEs provide an excellent breeding ground for new thinking? Freeing employees from the constraints of 'process', in the pejorative sense of the word, should surely encourage divergent thinking (Penaluna et al, 2010)? In short we do not know. There is a certain romanticism surrounding the notion of setting creative energy 'free' inside organisations, but often this does not sit well with the need to achieve targets, maintain control and ultimately survive in the face of intense competition (Klijn and Tomic, 2010; Lin, 2011). Given these important points, what is currently known about the specific interactions between HRM and the creative process?

*Links between HRM and the creative process*

Given interest in the link between HRM and organisational performance it is unsurprising that discussions have evolved to include a focus on creativity and/or innovation. With this in mind, Cavagnoli (2011) somewhat surprisingly argues that while high performance work practices may *trigger* innovation they do not aim to specifically promote it. They do however argue that workplace practices, together with management and government policies affect the system of rewards which either enhances or inhibits innovation inside organisations. Contradicting these findings somewhat, De Saá-Pérez and Díaz-Díaz (2010) build a case that high commitment HRM has a positive influence on organisational innovation. Drawing from Shipton et al (2006), they argue that a combination of sophisticated HRM practices will predict innovation due to the influence of such practices on the cycle of organisational learning. Interestingly Collins and Smith (2006) suggest that high performance HRM practices can create an appropriate social climate for innovation, linking this to participation, training and selection. While these findings are informative it is unclear how this proposed need for sophisticated HRM practice can be reconciled with the typical informality of HRM within SMEs (Cardon and Stevens, 2004; Harney and Dundon, 2006; Mayson and Barrett, 2006).

Supporting creativity and innovation through formal HRM policy and practice is a theme further discussed by a wide range of writers. Gupta and Singhal (1993) argue that HRM can foster creativity and innovation through four dimensions; human resource planning, performance appraisal, reward systems and career management. While arguing that it is not known what specifically makes up the 'bundle' of practices that support innovation, Jimenéz-Jimenéz and Sanz-Valle (2005) suggest that a contingent approach is important, noting that participation, compensation arrangements, appraisal and internal promotion are positively

related to innovation in small firms. Contrasting this somewhat, Jiang et al (2012) explore links between HRM and creativity within the Chinese context. Contradicting findings from Jimenéz-Jimenéz and Sanz-Valle (2005), they argue that while hiring, reward, job design and teamwork were found to be positively related to creativity, training and performance appraisal were not. Differences in these findings can perhaps be partially explained by the prevailing context within which data were collected, but other studies muddy the water still further. For instance, Waight (2005) argues that there are strong connections between human resource development activity and levels of organisational creativity, contradicting Jiang et al (2012) as a result. Furthermore, Shipton et al (2006), studying 111 UK companies in the 1990's, find quantitative links between levels of innovation and training, induction, team working, appraisal and exploratory learning, arguing that these HRM practices are predictors of innovation. As noted previously in this review, Schmelter et al (2010) produced similar findings, discovering quantitative links between corporate entrepreneurship in SMEs and staff selection, development, and reward.

While informative in and of itself, the literature noted above is nevertheless problematic for scholars. Different studies find differing connections between HR practices and the creative process, with many studies focusing on *innovation* rather than *creativity* itself. Furthermore, the disparate nature of findings suggests that consensus has yet to be reached with regard to the impact of HRM on the creative process. Significantly, and arguably a more troubling concern, is that existing literature calls for the identification, formalisation and standardisation of HRM practice in order to 'manage for creativity'. As De Leede and Looise (2005) argue, however, this could be a weakness of research. They argue that rather than a search for static characteristics, scholars should concern themselves more with processes, dynamics and changes; a particularly pertinent argument considering the rate of change and



extent of competition experienced by all organisations (Egan, 2005; Klijn and Tomic, 2010; Lin, 2011). In a shifting and uncertain context, it makes little sense to argue for the crystallisation of HRM practice, particularly when seeking to encourage a phenomenon (creativity) that is conceptualised as personal and individualistic (Suojanen and Brooke, 1971), built on lateral or divergent thinking (De Bono, 1970; Klijn and Tomic, 2010; Penaluna et al 2010).

Furthermore, rather than focusing on identifying policies, practices and ‘bundles’ of HRM, scholars and managers alike should be more concerned with the *enactment* of HRM practice and the experience that employees perceive, and create, during the course of the employment relationship. Recognising fundamentally that creativity is about *people* rather than *process* (Egan, 2005; Gupta and Singal, 1993; Suojanen and Brooke, 1971), it is arguable that attempting to hone in on a policy, or collection of policies, that ‘best facilitates creativity’ approaches the problem incorrectly. Human behaviour has an erratic quality, meaning that it is not perfectly predictable (Beyerchen, 1992) or rational (Marciano, 2006), pointing to there being an argument for conceptualising HRM as an inherently non-linear activity (Beyerchen, 1992). In this context, linearity means applying “policy X” across an organisation, or group of individuals, and expecting to consistently obtain “result Y” (for the purposes of this paper, increased creativity). By contrast, non-linear approaches recognise that different individuals have different reactions to inputs because of the inherent unpredictability (Marciano, 2006) of human behaviour. How then can SMEs best encourage creativity in a context of unpredictability, competition and dynamic change? In order to further our collective knowledge regarding how SMEs may encourage creativity through HRM, interrogating and assessing the relevance of conceptualising HRM as a non-linear activity within this context, the following research questions are taken forward for investigation;

*In organising for creativity in SMEs, (1) to what extent does HRM align to a non-linear paradigm and (2) what attributes distinguish or otherwise demarcate this non-linear approach?*

## **Methods**

Creativity, as discussed in this paper, is an intangible phenomenon, linked to people rather than processes (Egan, 2005; Gupta and Singal, 1993; Suojanen and Brooke, 1971). Ideas require individuals, working individually or in groups, to bring them into existence; they are arguably the very epitome of social construction. Investigating the research questions highlighted above therefore requires an interpretivist philosophy, gathering data through a qualitative, inductive approach (Creswell, 2007; Ketokivi and Mantere, 2010; Mason et al, 2009). Investigating an intangible phenomenon such as creativity means that positivist or neo-positivist strategies (Alvesson and Sköldbberg, 2009) are unlikely to be rewarding in this particular instance. With a focus on theory building rather than theory testing, this study applied a purposive approach to sampling (Creswell, 2007; Jack and Anderson, 2002; Patton, 1990). Study sites were selected with their perceived ability to contribute to theory development in mind.

Given the need to access a wide ranging sample of SMEs, it was decided to base this study in South West England, a region which has strong traditions and reliance on the presence and growth of such organisations, yet is under-researched as an empirical context. Sources such as Wetherill (2010) variously note the number and diversity of such organisations in the region. Findings from this study can nonetheless usefully inform future debate because the

UK shares a national business system and culture. Furthermore, as the research questions call for exploration rather than generalisation, it is useful to identify and target an empirical context within which SMEs are ubiquitous in nature. Cognisant of the difficulties associated with the collection of data from SMEs (Alcadipani and Hodgson, 2009; Altinay and Wang, 2009), this study achieved access into ten separate organisations, the purposive approach to sampling informing theorisation by bringing difference and nuance into the data collection process. Additionally, the use of a diverse sample was advantageous in the search for breakdowns in understanding (Alvesson and Kärreman, 2011), further facilitating the process of theorisation. Further contextual information regarding each organisation is available in table one.

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Insert table one about here

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In order to explore the research questions under investigation, gathering rich empirical material, whilst being conscious that SMEs have limited time and capacity to engage with academic research, the semi-structured interview (Alvesson, 2011) was indicated as the optimal method of data collection. This approach facilitated and encouraged exploration, enabling informants to steer the interview process toward topics that were of importance to them, whilst ensuring a degree of comparability through the use of a broad interview ‘guide’ (Alvesson, 2011; Creswell, 2007). This guide contained questions exploring seven distinct themes; the extent to which the organisation generated ideas, how the work environment impacted ideation, managerial control, relationships and social interactions, reactions to error, the storing and sharing of ideas and finally, recognition of ideas. Examples of these questions were, “*Can you describe a time when you made a mistake at work?*” and “*Can you describe a time when you felt most able to generate ideas at work?*” Follow up questions

were used in situations where it was necessary to probe deeper into gathered responses. These questions investigated the impact of an event, situation or reaction on the interviewee's desire to generate ideas or enquired as to the context within which the event, situation or reaction occurred.

In total, 57 individuals participated in interviews for this study, with the data set containing contributions from senior managers, professional employees, administrative and manual workers, as well as middle and junior managers where those hierarchical levels were present in the participating organisations. The intention was to create a data set that cut through organisational hierarchies in order to explore a variety of perspectives in a search for interesting observations and potential breakdowns (Alvesson and Kärreman, 2011) in understanding. Interview conversations varied in duration, ranging from a minimum of 30 minutes to a maximum exceeding 90 minutes. They were all conducted in person, by the researcher, at each organisation's main operating location between March and December of 2012.

Analysis processes utilised by this study sought to generate understanding and theory via similar techniques to those employed by researchers in this, and related fields (Filiari et al, 2014; Foley and O'Connor, 2013; Jack and Anderson, 2002; Kempster and Cope, 2010). A process of constant comparison was utilised, with the researcher juxtaposing collected data with extant literature in order to develop meaning. Analysis followed a series of sequential stages as identified by Kempster and Cope (2010), principally; familiarisation, immersion, categorisation, association (pattern recognition), interpretation and finally explanation. Analysis sought to identify and explore themes raised by participants, indicating whether and where convergence or, alternatively divergence occurred. During the immersion phase it was

found that many contributions contained passages, sometimes lengthy narrations, concerning conceptualisations of the employment relationship. These contributions were found across the spectrum of the dataset, rather than being constrained to ‘managerial’ or ‘employee’ perspectives. As a result “conceptualisations of the employment relationship” became a superordinate theme, which was then interrogated and further sub-divided during the ‘categorisation’ process into three distinct, but linked sub-themes;

1. Dynamism in the planning and structuring of the workforce
2. Flexible conceptions of HRM
3. Intelligently adaptive HRM processes

During the ‘association’ phase, links between these three categories were explored. Contributions were examined for differences between the informants believing that their organisations generated many ideas, against those believing that creativity was poor, or alternatively, absent. While critiques have been made regarding the self-report method of assessing ‘levels’ of creativity (Anderson et al, 2014), this pattern recognition process built into a compelling picture regarding how SMEs may encourage creativity through HRM, with significant convergence in views found across the various contributions in the dataset. The forthcoming findings and discussion set out and elaborate upon the evidence supporting the themes highlighted here, with quotations used to add ‘voice’ to the text (Jack and Anderson, 2002). Additional quotations further supporting the themes discussed during the findings section can be found in table two. QSR NVivo version nine was used to assist the data handling and analysis process.

## **Findings**

### *Dynamism in planning and structuring of the workforce*

Common to many contributions in the dataset was a sense of intensity and constant change surrounding SMEs of all sizes. It was frequently narrated that success came about as a result of being able to adapt, with an element of dynamism in the workforce highlighted as an important contributing factor. The following quotation provides an example of this;

*“Set systems and strategies for the way we manage people [HRM] have their place (...) but creativity doesn’t work like that... well not for me. There has to be flex and slack in who is here, when they are here, what they are doing (...) this helps us to do something totally off the wall. Tie us into one way of operating and we’re quite frankly screwed!”*

Middle Manager, Organisation D

Recognising that creativity requires “*flex*” and “*slack*”, this informant argued that there is tension between the presence of formal “*systems and strategies*” and the conditions that promote the generation of new ideas. The important point to recognise, however, is that this participant does not call for an absence of HRM systems and strategies. What we can glean from the narrative is that the organisation requires different ways of operating, with significant flexibility in workforce planning; “*flex and slack in who is here, when they are here, what they are doing*”. This organisation was believed, by all informants, to be highly creative, with this creativity enabled, in part, by the dynamic nature of the workplace. A different contribution, again from an organisation believed to be prolific in terms of the generation of creative ideas argued;

*“[leader] trusts us enough to know what we need to be doing to get the most out of ourselves”*

Professional Employee, Organisation I

This organisation provided all employees with significant levels of autonomy, with the leader setting an overall framework for the work task, but allowing employees freedom in terms of how they worked, when they worked and who they worked with; thus it can be related to the theme of ‘dynamism’. The quotation infers that the employment relationship in this setting is a mature connection, where employees were recognised to be active and involved in the creative process. *“Trusts us”* is a significant phrase used by this informant, with trust arguably meaning that the leader can afford to be more ‘hands off’ in this situation, allowing employees the ability to go about their working day in a way that best suits them. Contrastingly, at an organisation believed to generate few new ideas it was said that;

*“we strangle people really (...) we need to give them their head”*

Senior Manager / Leader (with HRM responsibilities), Organisation C

Although only a brief statement, this is nevertheless a fascinating insight into the organisation. The comment came about whilst discussing the way in which the organisation’s senior management team decided upon the structuring of the work task. This conversation covered the development and scope of job descriptions or role profiles and the identification of reporting lines. Use of the word *“strangle”* is particularly evocative,

conveying the informant's despondent state of mind with regard to the impact that workforce planning decisions had on creativity. Interestingly, the informant provides a succinct solution; *"we need to give them their head"*, indicating again a feeling that greater autonomy, adaptability and employee prerogative; dynamism, would lead to improved creativity. A very similar view emerged elsewhere in the sample, again at an organisation believed, by the informant to generate very few creative ideas;

*"We are standalone employees, we are expected to get on with our own workload (...) but then I am controlled very tightly in other aspects of my role. (...) That contradiction makes it difficult (...) but it's giving me that trust that I don't need to be controlled too tightly in some aspects if [manager] is expecting me to be completely standalone in other respects."*

Professional Employee (with HRM expertise), Organisation J

This contribution touches again on issues connected with autonomy and freedom in the workplace, from an employee rather than managerial perspective. The broader conversation in which this quotation was situated surrounded formal policy decisions that the owner/manager had implemented, specifically concerning hours of attendance and the content of job profiles. Interestingly, however, there were again not calls for an absence of planning or structure, but recognition that problems were caused by *"contradictions"* in the enactment of HRM. Given that the employee had significant autonomy in some areas, due to the nature of the job itself, inconsistencies in the employee's perceived role were said to significantly hinder creativity. HRM in this organisation, specifically decisions surrounding the planning and structuring of the workforce, was narrated as controlled, rigid and planned.



### *Flexible conceptions of HRM*

Building on the notion of flexibility touched upon within the first theme, participants did not only mention this with respect to the planning and structuring of the workforce, but also when articulating broader conceptions and framing of HRM itself. Very interestingly, participants from a variety of perspectives, backgrounds and organisations held similar views of what HRM ‘was’ in the small organisation;

*“It is the relationship and the control side of things [with respect to HRM] that we have not managed brilliantly well in the past but you know I have never had to in my life so... it is something... and I am not sure if you learn it at management school. It is intuitive because you are working with individuals that are all very different.”*

Senior Manager / Leader (with HRM responsibilities), Organisation H

While recognising that the structuring and application of HRM may not have been a strength of this creative organisation in the past, the key word from this contribution is *“intuitive”*. The inference being that an emergent and personalised, rather than standardised approach to HRM is important in order to encourage creativity, with this respondent arguing that the key skills cannot necessarily be learnt at *“management school”*. Underlying this interpretation is the view that individuals are *“very different”*. During the interview, this informant appeared to struggle to reconcile the dichotomy inherent in the need for ‘formal’ management on the one hand, with the view that such management must be *“intuitive”*, because of *“difference”*, on the other. No convincing response to this problem was developed, which arguably

reinforces the uncertain and tenuous formulation of HRM in the very smallest organisations.

A similar view was advanced at a separate, highly creative, organisation;

*“HRM is as light touch as it can be. You need to tick all the legal boxes but you try and build an organisation culturally by getting the right people that buy into it. [Company] is quite good at that, we have a low staff turnover so people buy into the organisation because of the brand and the way that it is. People are quite independent and don’t need much pointing, managing, directing. People are very self-starting, quite motivated, so they have fun with what they do. And that is the best way to get anything right, if you get it culturally right you don’t need a law to enforce it.”*

Senior Manager / Leader (with HRM responsibilities), Organisation D

While on the surface this individual may be seen to be calling for an *absence* or *rejection* of HRM, this interpretation does not unpack the full meaning inherent in the contribution. Importantly, this respondent believed that beyond the “*legal boxes*” it was important to get the organisation “*culturally right*” rather than imposing “*a law*”; the inference noted during this particular exchange equating “*law*” to a rigid suite of HRM systems and processes. Rather than needing “*pointing, managing, directing*”, embedding a “*light touch*” philosophy for HRM was believed to enable greater independence, for managers and employees, with the consequential “*self-starting*” environment leading to enhanced levels of creativity. “*Light touch*”, in this context, does not mean HRM was absent; further contributions from this informant emphasised a strongly held belief in treating employees as informed partners in the process of creation. For this individual, the employment relationship needed to be inherently flexible, mature and seen as a mutual, rather than one-way connection or exchange. In

situations where fewer creative ideas were believed to be produced, conceptions of HRM were very different.

*“Creativity should normally be joined [with the business] through things like appraisal. The appraisal should be driving the strategy down into the employee’s job with the new ideas and new ways of doing things and giving the employee the opportunity to bring new ideas in on how they could do their job better or differently etcetera. [But] I don’t think the appraisals are carried out effectively. There is a perception that “oh, goodness, I’ve got my appraisal next week, oh well, I won’t bother preparing for it...” Because that is how it has always been, it is a case of complete a bit of paperwork and it is done.”*

Senior Manager (HRM), Organisation A

Interestingly, this manager argues that creative effort can be guided and “*joined*” to the business via the appraisal. Appraisals, however, were said to be perceived as ineffective and a “*paperwork*” exercise, arguably because of a lack of engagement with the activity. Indeed, at other organisations it was thought that appraisals were there;

*“Just to have a dig”*

Manual Employee, Organisation B

Or;

*“To tick that box for HR”*

Arguably, these contributions can be summarised by one word; apathy. A potential reason for this apathy could be that employees and managers alike are struggling to create meaning between performance appraisal and the working situation; this is arguably why it is seen as a tick box exercise, or, alternatively an opportunity to vent frustrations. Likewise, other informants believing that their organisations did not generate many ideas, argued that communication surrounding HRM was very much a “*fait accompli*” (Professional Employee, Organisation F). In contrast to the quotations presented previously, these narrations do not capture anything of the flexibility discussed to this point. In order to encourage creativity in the workplace in the situations narrated above, it could be suggested that performance appraisal, as an example of HRM practice, should become a more emergent, personalised process, in order to be meaningful for managers and employees. An individualised, flexible process, which resonates with employee needs would arguably be more effective at encouraging creativity.

#### *Intelligently adaptive HRM processes*

The quotations regarding performance appraisal could also feature under this final theme; adaptive HRM processes. A key narrative thread emerging from this study concerned the need for the processes, systems and policies subsumed under the HRM ‘banner’ to have an ability to adapt to suit different situations. This is different than utilising *flexible* systems; the narrations below indicate that in organisations believed to generate many creative ideas, HRM processes are constructed to be purposefully adaptive and able to change;

*“[Employee] Development is important, but, how do you put it... process is probably the wrong word, but we don’t have a ‘process’ for training. Thinking about it now I’d go so far as to say that I actively reject structure and would fight against it... I purposefully train individuals ‘off-spec’ as it were, if they want to do something then we find a way to do it. (...) It’s the breadth of knowledge that is valuable when you’re trying to grasp that newness.”*

Senior manager, Organisation D

As before, what is seen is not a rejection of HRM per se, there is recognition here that *“development is important”* but that this organisation regularly trains individuals *“off-spec”*, in other words, in areas that are not core to their present employment. It can therefore be argued that rather than one ‘path’, there are many differing options open to managers and employees, with the decision between options being a joint effort; *“if they want to do something”*. The narration demonstrates that the development process, in this case, follows a logical path, so it is not the case that HRM itself, as a concept, has been deemed incompatible with the small organisation, but that processes which take on a more adaptive form are better able to support creativity. Indeed, at Organisation I, it was argued that *“we need these people to grow on their own”* (Senior Manager). A similar interpretation to these views was found at another organisation believed to generate many creative ideas;

*“We are too small to have highly complex systems as such... to be honest having a static way of responding to a problem would probably hinder... get in the way of what we want to do. For us it is more about dealing with a situation that arises in the best way possible at that*

*specific time. (...) Yeah, we get things wrong... we make loads of mistakes, but we learn and improve.”*

Senior Manager (with HRM responsibilities), Organisation H

This quotation arose as part of a wider discussion regarding the recruitment and rewarding of employees, and the impact that these HRM activities were believed to have on creativity. As recognised previously in this findings section, this particular informant believed that HRM was “*intuitive*”, and this quotation could be tagged with that same heading. The inference emerging from this understanding is that HRM in smaller organisations is less about a static, one dimensional process, and more about fluidity and purposeful adaption in terms of coping with new and unexpected situations. Intriguingly, this informant noted that the company made “*loads of mistakes*”, which from an employment law perspective, especially, could be seen as problematic. Nonetheless it was vehemently believed that in order to support creativity in this small firm, HRM processes needed to purposefully alter and adapt to fit changing circumstances.

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## **Discussion**

Evidence explored in this paper suggests that the SMEs best encouraging creativity reject linear conceptions of HRM. This presents something of a challenge to the existing stream of literature seeking to connect multiple areas of HR policy and practice with ‘improved creativity and/or innovation’ (Binyamin and Carmeli, 2010; De Saá-Pérez and Díaz-Díaz,

2010; Gupta and Singhal, 1993; Jiang et al, 2012; Jimenéz-Jimenéz and Sanz-Valle, 2005; Shipton et al, 2006; Waight, 2005). What this study finds, is that settings believed by participants, to be creative are typified by “*flex and slack*”, the avoidance of “*one way of operating*”, enabling employees “*to grow on their own*”, “*purposefully training individuals ‘off-spec’*” and HRM being “*intuitive*”; driven out of recognition that “*individuals are (...) very different*” by leaders that “*trust us (...) to get the most out of ourselves*”. The narrative joining these contributions is arguably situated in an autonomous, adaptive and flexible non-linear paradigm. In contrast, what could be termed ‘static’ conceptions of HRM, as narrated by participants, were thought to “*strangle people*”, or produce “*contradictions*” in the working environment, with certain HRM activities, such as performance appraisal, therefore degenerating into “*paperwork*” exercises. This study, as a result, resonates with the views of De Leede and Looise (2005) and Collins and Smith (2006), with adaptive and flexible approaches to HRM arguably being positive by-products of the increased informality of HRM in smaller organisations (Harney and Dundon, 2006; Marlow, 2006; Mayson and Barrett, 2006).

This paper argues that the distinguishing markers of a non-linear (Beyerchen, 1992) approach to HRM in SMEs are dynamism in the planning and structuring of the workforce, the ability to conceive ‘HRM’ itself as something that is fundamentally flexible, rather than static and process-orientated, and, the presence of HRM processes that *intelligently* adapt to changing situations. Non-linear approaches to HRM therefore chime with the non-routine nature of the creative task, supporting the needed search for and incorporation of difference into thought and decision processes (Carson et al, 2003; Gruenfeld et al, 1996). Drawing from Suojanen and Brooke (1971), the counter-argument is that a focus on linear and static ‘policy’ or ‘process’ (Gupta and Singh, 1993; Schmelter et al, 2010; Tsai, 2010), in the pejorative sense

of the terms, detracts from the people-centred and self-directed nature of creative thought. Evidencing this, performance appraisal, highlighted independently by several participants believing that their organisations were not creative, was conceptualised as a “*paperwork*” exercise, there “*just to have a dig*” or “*to tick that box for HR*”. One interpretation of these exchanges is to argue that a standardised approach creates apathy, as it fails to connect with the creative process because it does not resonate with the need for divergence (De Bono, 1970; Klijn and Tomic, 2010; Penaluna et al, 2010).

It is accepted that creativity is supported by difference and divergence, founded upon, amongst other factors, fluidity, autonomy and the ability to take risks (Andriopoulos, 2001; Catmull, 2008; Dewett, 2004, Martins and Terblanche, 2003; Moultrie and Young, 2009). The new and significant theorisation arrived at by this paper, is that this difference and divergence can best be brought to bear within SMEs when HRM is conceptualised less as a set of static, inter-related processes or policies, and more as a non-linear philosophy which is dynamic, adaptive and intelligent. Evidence arguably shows that the studied SMEs best encouraging creativity have recognised, either explicitly or implicitly, the need for a non-linear (Beyerchen, 1992) approach to HRM, itself predicated on the argument that human behaviour has an unpredictable and irrational (Marciano, 2006) quality. This study does not argue for a simple confirmation that HRM in SMEs is informal, ad-hoc or arbitrary (Harney and Dundon, 2006; Marlow, 2006; Mayson and Barrett, 2006; Schmelter et al, 2010); non-linear approaches to HRM are instead theorised to be purposeful managerial methods, characterised by dynamism, flexible conceptions as to what HRM itself is, supported by processes that are intelligently adaptive. While we know something about what is in the ‘black box’ (Purcell et al, 2003), this study argues that it is by making explicit a non-linear philosophy that *underpins* the black box and translates it into operational practice, especially



in the effervescent, intensely competitive context (Klijn and Tomic, 2010; Lin, 2011) facing SMEs, that these organisations will best encourage creativity.

Critics may highlight an important rebuttal at this stage; do SMEs, especially the smallest firms, need HRM? What data collected for this study shows in broad terms is, however, *not* a rejection of HRM per se; firms still need to recruit, develop, engage and retain employees, and this extends to those organisations employing only a handful of individuals. The principles of HRM as espoused and discussed by numerous writers (Guest, 1987; Huselid, 1995; Pfeffer, 1998; Storey, 1992) would therefore seem to apply, if only in a crude and partial form. What can, however, be argued is that far from being a liability, the smallness of SMEs could be an asset in reframing and enacting a non-linear version of HRM. In these small firms it is arguably easier to involve others collegially, it is arguably simpler to have “*flex and slack*”, and utilise more than “*one way of operating*”, because these organisations contain fewer levels of hierarchy and smaller numbers of individuals overall (Burns, 2007; O’Gorman and Doran, 1999). While issues of organisational power and politics cannot be ignored (Curtis, 2003; Rosen et al, 2014), the adaptability of SMEs is well known and widely researched (Leitner and Gudenberg, 2010; Okpara and Kabongo, 2009). The central argument presented by this paper is that adopting a non-linear approach to HRM enables these small firms to best encourage creativity, forming, itself, the basis of a new, immutable competitive advantage.

## **Conclusion**

Human behaviour is arguably erratic rather than perfectly predictable (Beyerchen, 1992), driven, at least in part, by the weaknesses and limitations of human rationality (Marciano,

2006). Creativity itself is the most personal and individualistic of human endeavours (Suojanen and Brooke, 1971), driven by divergence and difference (Carson et al, 2003; De Bono, 1970; Gruenfeld et al, 1996; Klijn and Tomic, 2010; Penaluna et al, 2010), necessitating comfort with unpredictability, spontaneity and independent thinking. Given that creativity, by its very nature, is about difference, change and developing something that has to this point not been in existence, contemporaneous studies seeking to find and map links between various areas of HRM policy and practice and ‘improved creativity’ arguably approach the problem incorrectly. Collectively, as management and organisational scholars, we need to fundamentally re-think the interaction between HRM and creativity in SMEs.

Theoretically, this paper argues that in order to encourage creativity within SMEs, scholars and practitioners must avoid linear conceptions of HRM, instead rethinking and reconceptualising HRM as a dynamic, intelligently adaptive and flexible non-linear activity. This paper argues that it is a fallacy to expect to indiscriminately apply “policy X”, whether that concerns recruitment, training, reward or other relevant areas of HRM, expecting a uniform response of ‘improved creativity’. The erratic and unpredictable nature of human behaviour (Beyerchen, 1992; Marciano, 2006) requires a fundamental shift in our thinking, with non-linear approaches to HRM being distinguished by dynamism in the planning and structuring of the workforce, the ability to conceive ‘HRM’ itself as something that is fundamentally flexible, rather than static and process-orientated, and, the presence of HRM processes that *intelligently* adapt to changing situations. In situations where individuals are “*strangled*”, there are perceived “*contradictions*” in terms of the enactment of HRM, or HRM degenerates into a “*paperwork*” activity, the creative impulse deserts the organisation. By reconceptualising HRM as a non-linear activity, this research argues that SMEs will be best placed to encourage creativity; developing and sustaining competitive advantage as a result.

It is this non-linear approach to HRM which has been found to resonate with the self-directed and non-routine nature of creativity. As HRM scholars and practitioners alike we must disentrall ourselves, fundamentally, of the linear narrative in order to best encourage creativity.

From a practical perspective, this research presents challenges and opportunities to owner/managers in SME contexts. The inherently informal nature of HRM in these organisations (Harney and Dundon, 2006; Marlow, 2006; Mayson and Barrett, 2006) should provide a useful starting point for the enactment of a non-linear version of HRM. Injecting dynamism into the structuring of the workforce and utilising intelligently adaptive processes, owner/managers in these organisations should arguably be seeking to “*steward*” rather than “*control*” employees, acting as curators of a community of informed, active participants in the creative process. Owner/managers must recognise that different individuals and situations require differing responses and approaches, minimising “*contradictions*” in the way in which people are managed. This research finds that it is through an emergent and personalised approach to people-related matters that creativity will best be encouraged in SME settings. Those responsible for HRM within the SME must therefore ensure that HRM approaches, and practices, are configured to chime with the fluid, self-directed nature of creativity. Where they are not configured in such a way, it is argued that creativity will suffer.

In order to extend the findings from this study, the conceptualisation of HRM as a non-linear activity needs to be explored and analysed in greater detail. This paper opens the debate but recognises that it does not provide all of the answers. A first interesting avenue for inquiry would be to relate this research to the theories of job design developed by Hackman and

Oldham (1976, 1980). Recognising that creativity is becoming more important to the success of all organisations, a further interesting extension of this study would be to consider the adaptability and fluidity of HRM in larger firms, particularly those operating in different cultures. How can all organisations, large or small, build frameworks that allow for creativity whilst still ensuring some semblance of structure to their HRM approaches? In essence, can we have a fair and consistent approach to HRM whilst conceptualising it as a fluid, adaptive and dynamic function? How can traditional HRM approaches be fundamentally reworked to encourage best creative performance? Can these issues be reconciled? These are all questions that require answers and this paper hopes to provoke these debates.

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**Table One: Participating Organisations**

| <b>Organisation A</b>  |   |                                 |
|--|---|---------------------------------|
| <i>Approximate size (f/t equivalent employees): 150</i>  | <i>Sector: Healthcare</i>                 | <i>Interviews completed: 8</i>  |
| Context: While part of a larger, UK wide group this organisation operates as an autonomous unit. It has responsibility for service delivery and developing improvements for those services as well as its own financial position. Due to the sector of operation “Red Tape” can rule out certain ideas but this organisation actively seeks to develop new services for its customers. This organisation employs two members of dedicated HR staff.  |   |                                 |
| <b>Organisation B</b>  |   |                                 |
| <i>Approximate size (f/t equivalent employees): 130</i>  | <i>Sector: Arts</i>                       | <i>Interviews completed: 12</i> |
| Context: Having existed in its current form since the early 1980’s, this creative organisation (run as a charity) has sought to provide the community with access to the arts. Cuts in grants and external funding have meant that this organisation has been required to make difficult decisions in recent times, making savings whilst still providing creative output. This organisation employs three members of staff with HR responsibilities.  |   |                                 |
| <b>Organisation C</b>  |   |                                 |
| <i>Approximate size (f/t equivalent employees): 55</i>   | <i>Sector: Marine / Manufacturing</i>     | <i>Interviews completed: 10</i> |
| Context: This well established organisation has grown over recent years with a significant sum of money invested in the construction of new buildings and facilities for customers. While the organisation itself is traditional in nature, the current owner/manager is seeking to inject greater creativity into the workforce, expanding the business into “non-traditional” areas. A member of the senior management team has responsibility for HRM decisions and activities.   |   |                                 |
| <b>Organisation D</b>  |   |                                 |
| <i>Approximate size (f/t equivalent employees): 45</i>   | <i>Sector: Social Enterprise</i>          | <i>Interviews completed: 4</i>  |
| Context: Being a social enterprise, this organisation is subject to different pressures and expectations than others in the sample. Primarily a creative business, this organisation and the individuals it employs are constantly seeking out new ideas, knowledge and information. The environment within the organisation is characterised as fluid and changing with recognition that the future will be different to the present. A member of the senior management team has responsibility for HRM decisions and activities.                               |   |                                 |
| <b>Organisation E</b>  |   |                                 |
| <i>Approximate size (f/t equivalent employees): 32</i>   | <i>Sector: Public Sector</i>              | <i>Interviews completed: 5</i>  |
| Context: Serving the local community is the overarching goal of this small council. It is responsible for numerous functions and employs a small staff carrying out defined roles. Introduction of new localism legislation has freed this organisation to take more responsibility for its strategic goals, encouraging an entrepreneurial outlook. Having said this, resistance to change is a key issue facing this organisation. The Chief Executive is responsible for HRM activities, with support drawn from a central team of specialists when required. |   |                                 |
| <b>Organisation F</b>  |   |                                 |
| <i>Approximate size (f/t equivalent employees): 15</i>   | <i>Sector: Leisure</i>                    | <i>Interviews completed: 7</i>  |
| Context: Originally started in the late 1920’s this organisation has existed in its current form for a considerable period of time. While characterised as “traditional” in its approach, this organisation recognises that it needs to reinvent itself for the future and is led by a management committee, membership of which changes at regular intervals. HRM decisions and activities are the responsibility of a member of the management committee.  |   |                                 |
| <b>Organisation G</b>  |   |                                 |
| <i>Approximate size (f/t equivalent employees): 11</i>   | <i>Sector: Retail / Tourism</i>           | <i>Interviews completed: 3</i>  |
| Context: This organisation has a history dating back to the 17 <sup>th</sup> century with the present owner purchasing it during the mid-1990s. While the industry as a whole has declined significantly in recent times, this organisation has survived by diversifying its operations. The owner doesn’t have a formal strategy for the future, instead taking a reactive approach to opportunities and threats. The company owner is responsible for HRM decisions and activities.  |   |                                 |
| <b>Organisation H</b>  |   |                                 |
| <i>Approximate size (f/t equivalent employees): 4</i>  | <i>Sector: Community Interest Company</i> | <i>Interviews completed: 2</i>  |
| Context: Existing since 2009, this company is still relatively young and experiences difficulties associated with its limited resources. Employees typically have an arts-focused background and this extends into the working environment with the office being more of a “studio”. The founders are attempting to develop the organisation by building links with partner organisations from the public, private and voluntary sectors. The two senior managers are jointly responsible for HRM decisions and activities.                                      |   |                                 |
| <b>Organisation I</b>  |   |                                 |
| <i>Approximate size (f/t equivalent employees): 3</i>  | <i>Sector: Software Design</i>            | <i>Interviews completed: 3</i>  |
| Context: Founded in the mid 1990’s, this organisation seeks to take an innovative approach to developing computer software and associated tools. The owner/manager has sought to develop the business gradually over time and deals with a range of clients from the UK, and overseas, in a variety of sectors including secondary and tertiary education. The company owner/manager is responsible for HRM activities and decisions.  |   |                                 |
| <b>Organisation J</b>  |   |                                 |
| <i>Approximate size (f/t equivalent employees): 3</i>  | <i>Sector: Consultancy</i>                | <i>Interviews completed: 3</i>  |
| Context: This micro consultancy firm was started by the present owner/manager in the mid 2000’s. It has grown steadily since that time, with the owner seeking to expand the firm organically without external funding. The firm has successfully developed its client base, with the pace of expansion now quickening. The founder is responsible for HRM decisions and activities.   |   |                                 |

**Table Two: Additional Illustrative Quotations**

| Theme  | Illustrative Quotations  |
|--|--|
| <p>Dynamism in planning and structuring of the workforce</p> | <p><i>“If we recruit in a standardised and systematic form we just end up with clones... useless when we want creative ideas”</i></p> <p style="text-align: right;">HR Officer, Organisation B</p> <p><i>“[Fellow senior employee] and I try and steward people without any sort of dictatorship going on. We spend a lot of time together discussing what’s best for the company and, not presuming, but thinking about what’s best for some of the people we work with.”</i></p> <p style="text-align: right;">Senior Manager / Leader, Organisation H</p> <p><i>“I suppose when you first start working in that [an individualised and autonomous] way there is a bit of a sense of being thrown in at the deep end and that can be a sink or swim moment. I have seen other people that have come in and done bits of work and either they get that and they can start to work fairly self-directedly or they don’t and then they run into problems where they expect management to be there to always guide and say “you have to deliver this, you have to do that” you know that sort of isn’t there I guess.”</i></p> <p style="text-align: right;">Professional Employee, Organisation H</p> <p><i>“[My work is] a complete mix, it depends what week it is really. I can be out on the road for several weeks driving in between meetings, spending most of my time in the car you know... I might <b>choose</b> [emphasis added] to work at home for a couple of days but equally I might be in and out of the offices where everyone else is and that’s fine (...) I manage my own workload.”</i></p> <p style="text-align: right;">Professional Employee, Organisation D</p> |
| <p>Intelligently flexible conceptions of HRM</p>             | <p><i>“They [fellow employees] know they are going to turn up to something different tomorrow and that is ok. You know their job is not going to be the same in 6 months’ time, it will be something different.”</i></p> <p style="text-align: right;">Professional Employee, Organisation D</p> <p><i>“I am always very pro people getting involved and trying, and I always say to all my staff when they start; “I will always support you in a decision you make that you believe is genuinely in support of good customer service. I might not always agree with it, and if I don’t then I will tell you, but I won’t attack you for it because I want to encourage you to be like that.” Everyone is different.”</i></p> <p style="text-align: right;">Middle Manager / Leader, Organisation C</p>   |
| <p>Adaptive HRM processes</p>                                | <p><i>“It is not that we don’t have an idea as to where we need to get to. Yes... what’s the right phrase... we... we eschew reliance on one fixed approach to all that we do (...) that includes the way we manage people (...) we have a range of options in our ‘toolkit’ and we select the right ‘tool’ for the situation. Some people are motivated by a financial bonus of whatever kind, others... most here in fact... want the intrinsic satisfaction that comes from having their idea adopted. So it’s not as black and white as it may appear.”</i></p> <p style="text-align: right;">Senior Manager (with HRM responsibilities), Organisation B</p> <p><i>“[We need to] maintain an environment where people aren’t slapped down, maintaining an environment where they’ve (employees) got certain amounts of freedom. We need these people to grow on their own.”</i></p>  |

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|  | <p style="text-align: center;">Senior Manager / Leader (with HRM responsibilities), Organisation I</p> <p><i>“I understand why [my manager] manages us in a formal way, given that’s the business we’re in, but sometimes it’s a bit difficult. It ties our hands more than it helps us.”</i></p> <p style="text-align: center;">Professional Employee (with HRM expertise), Organisation J</p> <p><i>“[We] go from point A to point B, [but] if we need to move, it needs to move and it is... maybe you know where the end game is because that is what you are contracted to do or whatever and you know that you need to make sure it is that or you might end up going up here (gestures) and then you need to go “actually, we are going to end up over here, is that ok?”</i></p> <p style="text-align: right;">Professional Employee, Organisation D</p> |
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