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The Dual Pressures of Youth and Expansion: Revisiting Stage Theories of Growth in SMEs

Abstract

Design/methodology/approach

The firms in our study are a sub-group of SMEs called 'gazelles'. While this is a qualitative study, participants were chosen through a modified random sampling approach that ensures that the sample is representative of a regional population of gazelle firms.

Purpose

We consider stage theories of HRM to explore how new companies experiencing high levels of growth face the dual pressures of youth and expansion.

Findings

New companies experiencing high levels of growth face the challenge of expansion wh ile structurally immature. While our companies were ill-equipped in formal knowledge of HR they reacted to rapidly changing conditions and were forced to organisational flexibility meaning that few absolute rules were adopted.

Originality

Gazelle literature tends to focus on impediments to growth, rather than HR staples such as recruiting and retaining staff. But our cases showed an acute appreciation by gazelle managers of the value of motivated, skilled staff able to turn their hand to the fluctuating requirements of the fast-growing firm and a desire to establish formal HR mechanisms as part of the response to the stress of growth.

The Dual Pressures of Youth and Expansion: Revisiting Stage Theories of Growth in SMEs

Introduction

What happens to human resource management (HRM) when small firms grow rapidly? One might expect the manager of such a firm to scramble to simultaneously attend challenges brought on by 'success', ranging from the supply chains to finance. Where though, does HRM stand in such managers' priorities? These questions relate to broader issues as to how small and medium enterprises (SMEs) connect to mainstream HRM (Arthur & Hendry, 1990, p. 246; Katz, Aldrich, Welbourne, & Williams, 2000, Wu et al 2015; Lai et al 2016).

It is now widely accepted that traditional (mostly large-firm) HRM does not apply to SMEs in general, let alone high-growth SMEs (Heilmann et al, 2018, Harney & Alkhalaf, 2021). Some suggest that the effects of HRM are U-shaped, with employees initially reacting negatively to introduction of nascent formal HRM, but then becoming more positive as a firm moves to more developed systems (Bryson and White 2019). But what triggers changes in HRM and how does HRM change under the pressure of fast growth? What is clear is that 'as firms achieve increasing levels of growth, HR issues seem to shift' Rutherford et al (2003, p. 332) argue. Yet dedicated consideration of HR during SME growth is something of an exception. Harney and Alkhalaf (2021: 13) note that 'the challenges of an entrepreneurial, growth-orientated SME looking to scale-up, will differ dramatically from a life-style business focused on relative, local advantage, and succession.' We agree, and our primary aim here is to contribute to a presently small body of literature on the intersection between HRM and rapid growth within SMEs. We consider stage theories of HRM presented by Rutherford et al, (2003) as a way of looking at change in five uniquely useful case studies of fast-growing new SMEs. Our primary research question is therefore: is a stage or lifecycle approach useful in understanding how HR evolves in high growth SMEs? We use the notion of HR priorities, identified in Rutherford's stage theories, to explore change in HR in rapidly changing firms. In short we explore whether high-growth SMEs conform to stage theory expectations.

The next section of this article reviews relevant literature, including theories on the lifecycle of firms, followed by an examination of the HR challenges specific to fast-growing SMEs (also known as 'gazelles'). We present an overview of our methods and case study firms. The results section then covers formalisation, as well as an overview of staples of HR, that is recruitment, reward, development, and voice mechanisms.

The lifecycle of the firm

Some see the young, fast-growing firm as an organisation at the early stage of a lifecycle, implicitly presuming a predictable course (Ferreira, Azevedo, & Cruz, 2011) towards a foreseeable destination that looks like the mature, large firm. Organisational researchers using lifecycle models build on the notion there are a distinctive set of challenges related to each stage of maturation (e.g. Lewis & Churchill, 1983; Shim, Eastlick, & Lotz, 2000). Such accounts offer a finite number of heterogeneous stages —often including at least four (start-up, growth, maturity and decline) (Leung, 2003; Rutherford, Buller, & McMullen, 2003; Sisson & Storey, 2000) although life cycle and organisational size and age can be conflated.

These models relate two sets of variables together (life cycle and HRM) in a static way that ignores processes. Organisations do not always travel smoothly and seamlessly in the direction indicated by the lifecycle model (Baird and Meshoulam,1988). It is difficult to gauge when an organisation moves from one stage of the life cycle to the next, and at what point there ought to be a change in HR practice to reflect this. Accordingly, if best-fit models are to be effective, a clearer focus is needed on how changes take place, as well as what constitutes the major influences over and obstacles to change, and on the actual processes of decision-making. This paper attempts to develop a better understanding of this process.

We take as our framing study the Rutherford et al's analysis of 2903 family businesses with fewer than 500 employees that applied a life-cycle template to examining progression in HR issues across stages of business development. They hypothesised that recruitment problems would be at the forefront initially, staff development emerging during the growth stage, with retention the principal concern once the firm reaches maturity. While support for these hypotheses was mixed, the Rutherford study suggested a four-stage model was the best fit , although age of the firm proved non-significant after size was controlled. Indeed variations in the rate of growth proved to the most critical factor explaining HR problems. The fastest growing firms reported the greatest problems in dealing with training and development — intuitively plausible, considering the necessity to grapple with training and development while still in heavy recruitment. These high growth firms (such as those at the focus of this study) reported few retention problems, however, perhaps because existing staff enjoyed the experience of working in a challenging but secure environment. Moderate growth firms reported the greatest retention problems, possibly because workers became bored. Low growth firms reported few problems with either training or recruitment. Firms that were experiencing no growth found recruitment their most difficult problem.

Their study provides a useful framework for considering HRM development in high growth firms, but it focuses on just three broad HRM 'problems': recruitment, development and retention. It also lacked a granular understanding of what is happening within these broad categories.. Thus, we embarked upon a qualitative study to address these matters.

A corollary of stage theories is that, since these sequences are more or less predictable, well-informed managers should be able to take a preventative approach to problems. Encouraged by Rutherford, Buller and McMullen's (2003) finding that rate of growth is the dominant influence in determining the shape of HRM in SMEs, we will focus on fast growing SMEs, young 'gazelles', subject to the dual challenges of youth and growth. (Rocha, and 2021). The Rutherford study ultimately argues that for the firms we analyse here, training and development should be the highest priority. We will consider the degree to which high-growth SMEs within our case sample conform to the Rutherford model.

HR challenges for the gazelle manager

While ‘gazelles’ are variously defined (Muurlink, Wilkinson, Peetz, & Townsend, 2011), they are generally acknowledged as being that small minority of fast growing firms that explain the majority of employment growth (Birch, 1979), at least among SMEs. Rapid growth presents unique challenges. SMEs are seen as being characterised by a complex web of social and familial norms that sponsor a sense of informality (Edwards & Ram, 2010), and one would expect gazelles to have similar characteristics. Informality cannot be automatically associated with harmonious work relations. Nor does formalisation of management techniques measure the substance of overall HRM within SMEs. (Harney and Dundon 2006) Studies show that employees who work in SMEs display a higher degree of satisfaction than their counterparts in larger establishments (Forth, Bewley, & Bryson, 2006) despite lower wages, fewer opportunities for advancement and greater organizational instability. However, what is more difficult to explain is whether this is due to leadership style, familial culture, or other variables (Tsai et al, 2007). Age, size and growth are seen as critical factors, however, there may be idiosyncratic reasons for differences, arising from the founders’ blueprints (Baron et al, 1999).

Informality rather than bureaucratised relationships in SMEs are partly the result of a lack of resources, with ‘informal routinisation’ playing a large part in the day-to-day running of the firm (Matlay, 1999). One implication is that personalised and family ties can overlap and shape the nature of employment contracts and management actions in idiosyncratic ways (Roberts, Sawbridge, & Bamber, 1992, pp. 242-243). The agility offered by informality goes hand-in-hand with entrepreneurialism, however informality may be disadvantageous as a firm grows. In fast growing SMEs, the owner-manager may become too overwhelmed by the day-to-day pressures of customer demands to handle emerging HRM issues.

Fast growing businesses, such as those targeted in this study, exhibit a strong commitment to entrepreneurialism (Sadler–Smith, Hampson, Chaston, & Badger, 2003). This attracts researchers: the limited research on HR in emerging firms has a 'clear high-tech bias' (Harney & Alkhalaf 2021: 13, also see Messersmith & Guthrie, 2010; Messersmith & Wales, 2013; Patel, Messersmith, & Lepak, 2013). This study, however, sought to identify a group of tightly-defined gazelles in a range of industries to explore whether a stage or lifecycle approach is useful in understanding how HR evolves in high growth SMEs and how HR practices change.

Research overview

Birch, Haggerty and Parsons (1995) defined 'gazelles' — the type of firms in our study — as those firms achieving at least 20 per cent annual revenue growth over an interval (with base-year revenue of at least $100,000). An increasingly influential definition of gazelles, from the United Nations Economic Commission for Europe (2018) requires an annualised growth rate of at least 20% in either employees or revenue. An earlier OECD report (2009) defined gazelles as forms aged five years or less with average annualised growth in employees (or in revenue) greater than 20% a year over a three-year period and with ten or more employees at the beginning of the observation period. It also suggests that using growth in employment rather than revenue as arbiter of gazelle status leads to a smaller population. For analysing HRM issues, employment rather than revenue seems the more salient issue. This current study uses the OECD's five-year age constraint (see also Yamano & Ahmad, 2006) and Cieslik's (2007) filter of a minimum of 20 employees by the five-year mark to isolate gazelles. Davidsson and Delmar (2006) emphasise the standing-on-their-own-feet characteristic of the true gazelle, requiring their gazelle candidates to be independent (i.e. not a branch plant), and privately-held; these criteria were also followed in our study.

Unlike traditional qualitative research, participants were not chosen using variants of convenience sampling, but rather through a modified random sampling approach that ensures that the sample is more representative than that in many qualitative studies of a broader population of gazelle firms. The top 10 SMES in Queensland in 2020 (Queensland Government Statistician's Office) were in construction, professional services, rental/hire and real estate services, agriculture, forestry and fishing, financial and insurance services, logistics, health care and social assistance, retail, administrative and support, and accommodation/food services. All except one (a primarily manufacturing entity) were in this list—and manufacturing had a substantial portion of its staff devoted to construction. One of the firms (Education) had a largely female management team, one with a gender mix at the senior level (Retail) and the balance dominated by men. Due to the small sample size, gender is not considered in the following analysis.

Because the approach was qualitative, with face-to-face interviews, and limited resources available to the research team, the project focused on the large metropolitan area in which the researchers worked (population around 3 million). Subjects were identified through a series of hierarchical eliminations (Tversky & Sattath, 1979). An initial pool of subjects was extracted from the Australian database, Dun and Bradstreet's *Who's Who in Business Australia*. Filters to extract only those participants established in the previous five years with at least 20 employees were applied. The field was then further narrowed to those companies based in the geographic region of the researchers. The subsequent list of 303 companies was further interrogated to remove companies that had ceased to exist or had been placed under administration, subsidiary companies, joint ventures and (through Australian Securities and Investments Commission records) to ensure that participants' 'youth' was not simply a function of a name change. This produced 26 qualifying companies in the area. Mining companies (often consisting of loose collections of sub-contractors) and alliances of professionals (e.g. dentists, solicitors) were eliminated. The remaining thirteen companies were contacted, and six more were eliminated as they had ceased trading or violated the youth or employee count parameter. Only seven organisations remained in the population, and of these five agreed to participate. Thus by tightly constraining selection requirements, the researchers were able to identify a very small complete population of companies, and obtain a very high response rate that suggests that the sample is representative of a population defined as new, fast-growing, free-standing firms in the region. That said, the sample can only be representative of the region. The final selection decision was driven by practical considerations given the geographic size of Australia and the limited resources for the research. The seemingly small size of our population, given estimates made by others about the employment growth contribution of gazelles, is principally due to our uncovering problems with data on firm age in a commonly used database (for more details see Muurlink et al 2011) This in turn raises questions for others about comparable datasets (e.g. that used for Birch 1979), but these are questions we cannot investigate in this paper.

Figure 1 gives an overview of the companies. Consultancy is an engineering consultancy firm, with mostly white collar staff; Education runs a series of small specialist schools staffed largely with casual staff; Mixed has both a retail outlet selling solar energy options and a larger installation business employing mainly tradespeople; Retail is a large multi-site retail firm with a mixture of casual entry level staff and full-time professionals; and Manufacturing employs tradespeople and apprentices at a single manufacturing site.

Interviews and site visits were conducted over a four-month period. Fifty-two semi-structured interviews were conducted with staff including management, middle management and entry-level staff, supplemented with non-participant observation /documentary review. The questions were introduced as ones about 'innovation in HR, or how people are handled in this firm', and were themed around the categories of HR measures previously introduced. All formal interviews were recorded, transcribed, and coded in NVivo.

The case study companies differed along a number of dimensions including business and size (ranging from a consultancy firm with a full-time equivalent team in the low twenties to a manufacturing firm with over 100 full time staff spread over several sites (see Figure 1). All firms were privately held with a variety of management structures from sole owner/manager, through to a formal (founding) chairman overseeing a board of directors. One of the companies had an equal partnership model, while another had a dominant general manager as a significant shareholder alongside a middle manager, and a third, silent partner. Characteristics of the employees varied, ranging from almost entirely skilled and semi-skilled blue collar to professional staff. Only the blue-collar dominated firm, Manufacturing, had a (minority) union presence. Three broad styles of management were noted in the study companies: hierarchical (displaying conventional top-down distribution of power and demarcated roles), devolved (involving a high level of devolution of power and trust), and paternalistic (involving a high degree of informal involvement by management in the lives of junior staff, as part of a mix of reward and control). These companies were all between four and five years old, having taken that period to reach the requisite (20+ employees) size criteria, without being defined out of scope of our study. Size of the firms, considering that they are almost all of equal age is thus a proxy for rapidity of growth, and elsewhere (insert author reference here post-review) we have reported on the rate of growth of these firms. We ranked the five companies as either 'High', 'Medium' or 'Low' in informality, based on the degree of formality across four domains specified below. Two of the research team independently reviewed the data for this ranking and achieved a high level of agreement on ascribing these categories to the five firms, and resolved differences by consensus.

====insert Figure 1: Overview of case study companies====

HRM, formality and the fast-growing SME

We have organised our cases broadly around the notion of formality, and examined this in the three domains suggested by Rutherford et al's (2003) approach, that is, recruitment, reward and development.. We added an additional domain which has become increasingly part of conventional HR practices: employee voice mechanisms. Figure 2 provides an overview of the four domains in terms of their degree of formal structure and priority attached to each domain. We added the priority dimension as it was clear that while some firms 'had' these elements of standard HR (e.g. recruitment strategies, or voice systems) they prioritized them to varying degrees. Additionally, company size, sector and the ranked degree of formal HR knowledge within each company is provided for comparison purposes (higher bars represent greater formal HR training). Scores on informality related to the degree of priority accorded by senior management to the different domains, irrespective of the degree of informality of practices at each firm. Priority in this case was closely aligned with management challenge. That is, priority was assigned to a domain because it was regarded by management as representing a challenge to the success of the firm.

====insert Figure 2: Four domains of HR and formality====

Figure 2 illuminates a number of issues. Informality, while common, was not directly inversely proportionate to size. Both the largest and smallest companies in our sample had relatively higher raw informality ratings. The priority ratings allow us to address Rutherford et al's (2003) findings.

The two largest firms, showed divergent patterns on formality, with Manufacturing highly informal, and Retail tending towards being formal and structured throughout. Both firms were operating in competitive markets, but the senior managers—as well as senior staff—spoke about margins and profitability to a greater extent than the corresponding personnel in the three smaller companies who, despite the passage of the same amount of time, were still more focused on the establishment phase of their firms. Even the HR manager of Retail—the only full-time HR manager in the five companies—acknowledged the need to balance HR 'goods' with bottom line exigencies as the company grew:

> But yeah, we do like to see the managers do [performance reviews] annually but again it's something we need to be more on top of. But at the moment some things are sliding a little because we are really just focusing on making this company profitable to keep everyone in a job. And so a few little things have gone by the wayside and look we've got all these ideas.

One manager spoke of a performance management model she had begun implementing in the relatively small firm, Education:

> …I've been implementing a values-competencies-behaviours model. So we've got five values in the organisation which…I'm trying to get the organisation to live and breathe. So I've taken those five values and built a number of competencies around them that are job specific and from those competencies there will be a number of job specific behaviours so it might be minutiae about how quickly you return a phone call…

At the other end of the formality spectrum, the factory foreman of Manufacturing, one of the company's partners, spoke of working with negative feedback:

> Sometimes they'll come up to me and say, oh, this is f**d. I'd say, 'mate, that's not positive. Go home tonight, think about…how you can make it work better, and come to me tomorrow, and let's sit down in the morning and nut it out'.

This was typical of Manufacturing, with a high emphasis on relationships between staff and managers and staff. As Figure 2 illustrates, the five diverse companies all adopted reasonably informal approaches but nevertheless, were all explicitly or implicitly borrowing HR structures from more established models. Firms with relatively high formal HR training amongst the management did this in a conventional and structured manner. Others displayed a somewhat stylistic mimicry of what the lay person might see formal HR as being. A senior executive at the smallest company, Consultancy, noted with some pride, that 'we have a lot of that stuff that you sort of think a small company might not have'. One of the company's consultants added:

> We put a lot of those structures in place, not only myself but everybody had a go at them. Somebody brought different stuff from somewhere that we integrated into it. And now we have management plans. It's huge now and we take whatever bits we want from different parts doing different things...

The informality of these companies was not purely a matter of choice. Only one of the owner-managers interviewed had formal HR training, and one other of the five companies had sufficient resources to afford a staff member with professional or semi-professional HR training. Yet the managers of Consulting, Education, and Retail, and one of the two principals of Mixed had a formal business education, while the principal of Consulting and the second principal of Mixed had tertiary qualifications, all without HR training. Only Manufacturing's active partners had no formal business or tertiary education. Informality, thus, partly sprung from lack of organised HR knowledge and a lack of time to implement formal HR but not from a lack of respect for the value of formal HR practices. HR formality in these companies was largely borrowed intact from industry bodies or previous employers, or in rare cases inferred from industry peers' descriptions and designed to deal with an existing urgent problem that could be termed 'emergency HRM'.

These firms were all clearly moving to a point where—regardless of the chaos from which they may have come—they were either thinking about introducing formality, or already enacting their version of it. Part of the motivation for building this formality back into these companies was recognition of the weaknesses inherent in informal relations in new, smaller companies. As the principal at Education put it:

> I'm at the stage where I've got the policies drafted for the most part so I can say, 'well, you can or you cannot get your phone reimbursed'

Similarly, the youthful manager of Retail noted that the existence of policy allowed him some protection, a degree of necessary distancing from often much older staff:

> 'Guys, there's nothing personal. But we need to get through A, B, C, because it is in the policy.' And I find by saying that it's nothing personal then they don't think it's…personal…

We saw a desire to put a distance between management and employees that allows for more depersonalised performance management. Depersonalisation may become a problem of growing organisations but for these firms, it represented, occasionally at least, a longed-for reversal of the 'family atmosphere' of SMES (Wilkinson, 1999). As firms grow, decision-making becomes more formalised rather than merely mature (Carroll & Hannan, 2004). Stability needs to be built in. However, as we will show, 'development' can go in the opposite direction. Start-ups may begin with structures that speak of an aspiration for formal processes, but then, as the challenges of growth emerge, undergo rapid reform as the search for innovation is prioritised as part of the strategy to survive.

To summarise, our firms showed, a degree of informality that you would expect, given the established link between size and formalisation. There was not, however, a linear size relationship amongst our firms, but we saw a reflection of the lack of formal training in HR. All felt growth-related pressures to increase formality and stability, but also a continual battle between focusing on the 'knitting'—core business related to revenue—and the human resource decisions necessary for core business.

Recruitment

Managers at our five case companies used a blend of formal methods (for key or senior management recruits) and informal 'convenience' or 'snowball' methods of recruiting (for the majority of other staff). Convenience recruiting in the case of Retail consisted of shop window signs designed to attract the attention of potential casual staff living in the proximity of stores. Working in a popular, environmentally friendly, leading-edge industry, Mixed found it attracted good staff simply by processing cold call approaches from tradespeople interested in getting into the industry. Mixed also heavily used snowball recruiting. In one instance it recruited a man and his two sons; in another, a set of three brothers. The method had weaknesses. As one manager noted, it:

> …[C]an tend to formulate bonds within...the company which you don't necessarily want at all times, and you might find, you know, you've got three people sort of gang[ing] together and coming to you with an agenda of their own..[and] it limits your varied personalities

Part of what drove the use of these informal practices was managers' belief that growth relied on having a tight, coordinated, multi-tasking team. Managers universally agreed they could not afford dedicated specialists during the foundation stage. Companies hired for character. The principal of the smallest firm confessed that one of his chief criteria was involvement by the successful candidate in some kind of team sports—preferably rugby union (a sport associated, in this region, with schools with higher socio-economic status). The manager of Education also spoke explicitly about values in recruitment, saying 'the first half of my interview would get them to talk about what the values of our business means to them'.

The emphasis on values underlined how these high growth firms were nevertheless discriminating in hiring. It also indicates that managers implicitly acknowledged the value of human resources in stimulating growth (Festing et al 2017). The majority sought to recruit staff they saw as adaptable to the fast-changing conditions within the organisation. Innovation and agility, through staff being amenable to re-training or able to multi-task, were seen as important to business success.

At one of the larger firms, Retail, there was a shift towards internal labour markets and staff development. There was a concerted drive to cease employing external candidates to middle- and lower-management positions. The company was developing a register of expressions of interest from junior staff seeking to improve their station within the firm. The move was aimed at improving morale—to 'keep all our staff happy' in ways that did not 'cost a fortune'—as the company would not dramatically enhance monetary rewards for performance. The company had plans to create its own internal Training Academy at an underutilised location. The CEO recognised that training was something 'we desperately need to do'. The size of Retail made an internal labour market viable in a way that would not be possible in a smaller firm.

Rutherford et al's (2003) study found that retention issues were relatively low on the radar for high growth firms, and this was evident in all our cases. When we spoke about 'retention' to the managers, the conversation tended to drift into a discussion of 'rewards'.

Yet as Figure 2 shows, we also see that recruitment and retention were a lower priority for management in the largest, fastest growing firms than in the smaller ones. While this was consistent with what Rutherford found (growth reducing concerns about retention), it also very likely reflected the different labour markets in which these two larger firms operated.

The unskilled, trade and client-facing staff hired by Retail and Manufacturing were more plentiful than the specialised professional and trades occupations hired by Consulting and Mixed. Moreover, in larger firms a poor recruitment choice might represent just one per cent of staff, while in smaller firms it could be five or ten percent, so efficiency may rate ahead of risk aversion in larger firms' recruitment decision-making processes. Issues of recruitment and retention appeared to be shaped more by external factors than by the size or growth rates of the firms themselves. The link between size and recruitment difficulties posited in some stage theories is also confounded by the choice managers (in firms like Retail) may make on whether to shift to internal labour market strategies. Such a shift would reduce the salience of or reliance on external skilled recruitment and increase the importance of lower-level general recruitment and of training and development. In short, the stages model provided a partial but inadequate explanation for what was happening in recruitment and retention.

Reward

Reward management was a domain with little commonality between our participants, even though four of the five companies—Retail being the exception—paid above-award wages (awards are regulations that set occupational minimum wages). For those companies with greater degrees of resource slack, in particular Consultancy and Mixed, the informality of reward systems manifested itself in different forms of largesse, while for the two larger companies, Manufacturing and Retail, there was a tendency—pronounced in the case of Manufacturing—to a paternalistic style of in-kind rewards with managers helping key employees, by arranging bank loans or giving driving lessons to young staff.

In Consultancy, the manager argued that when reward systems became more formalised, as they did at the senior level, they had a 'probably neutral' effect on motivation. The manager's deployment of major sporting event tickets was designed as much to build team spirit as to reward. In Mixed, where financial growth was very rapid and came with severe and increasing stress on staff, despite the 'fun' environment, incentives were also characterised by a blend of formalised and *ad hoc* rewards. For sales staff, financial rewards, largely dispensed in generous, set commissions, were supplemented with events such as luxury holidays for outstanding staff. Outside sales, Mixed staff enjoyed above average wages, but also a flexibility and independence in their field of operation, which extended to how work teams were organised, work was allocated, and misdemeanours were policed. However, the company also was very formal in the degree to which computerised client contact software was used to log feedback. In an illustration of this blend of hard/soft management, Mixed's client management systems were underpinned by an unusual, simple rule. Wherever possible, the staff member who happened to take an initial call from a client, regardless of the status or role of the staff member who took that call, would be expected to follow the client through to the end of the relationship. Apart from being a customer-sensitive response, this was, as expressed by a principal, a 'do your own shit work' policy.

For companies facing tighter product markets (most obviously Retail), rewards were more determined by industry norms. Manufacturing's staff included both trade and non-trade categories, with the former in high demand due to a mining boom, and thus able to able to command a premium.

Only Mixed and Consulting had enough generated sufficient profit roll out significant reward strategies. In all firms except Consulting, innovation and informality in approach to rewards were constrained. Manufacturing's more typical use of in-kind rewards saw its two principals being highly paternalistic towards staff, particularly those they called 'shining lights', extending beyond the bounds of traditional training into non-work aspects of employees' lives.

Ultimately, reward systems were shaped by the interaction of product markets, labour markets and internal decisions by managers. Where product markets were less competitive, or at least less reliant on competition by price, firms could afford more expensive reward systems, but their nature depended on management choices. In more competitive product markets, they stuck more closely to labour market norms but made choices about less expensive but innovative ways of trying to motivate staff.

Development

Of the five firms, Education had developed the most complex performance development structure, crafting a framework with six and twelve-monthly reviews, formal training approaches (and reward increments). Yet an increasing emphasis on performance during the life cycle of the company was accompanied by reduced emphasis on development and training. When the company was in its infancy, teachers working for the company were given as much as three weeks curriculum-specific training at the commencement of their employment. As the company aged and expanded, rapid inductions followed by on-the-job training and close monitoring of curriculum-adherence became the norm. The company generated in-house teaching materials that stiffened the structure of a teacher's working day.

This close control was unusual compared to the other companies. The manager of Education, equipped with the most formal business education, had introduced what was regarded by staff as an excellent training and induction program for new employees, but by the five-year mark, the program had shrunk, and become more informal. A complex performance-orientated approach was common to all five organisations, but as noted earlier, these did not always follow standard HR scripture. One interesting example, an almost Brave New World-style system was established by Manufacturing. Here the principal's junior business partner introduces what Manufacturing staff referred to as the 'System of 1 to 5':

> ...one being the highest, five being the lowest, and the lowest starts out at say a labourer with no tools, four be an apprentice carpenter with tools, and then it comes up from there. Three with tools experience, two....being you know, foreman ability to lead a team, control set out, which is the hardest part, and what have you... the project leaders on each site can say well I need a couple of twos, or I need a couple of fives, you know, [if] we need to move a lot of gear

The System drove the organisational shape ('there's only so many foremen you can have...') and training (on-the-job, where 'they'll actually…work in a team with a one or a two, if they're a three or a four, and yeah, put their hand up and then see if they're capable of stepping up from there').

The System arose after the first two years of Manufacturing, in which the principals perceived that their inexperience in staff management caused chaos. From the first cohort of recruits, none remained. The company's focus on training became more pronounced, with trade apprenticeships encouraged (a principal enrolled in one himself). The company rewarded high performers by moving them up this scale, and, particularly on the job sites with less central supervision, work teams were encouraged to account for individual productivity, so high performers were used to 'squeeze' the non-performers.

The requirement that employees operate at multiple, client-owned worksites, that Mixed and Manufacturing shared drove high levels of consciousness about image and performance. In Mixed, managers prevented teams from 'bedding down', by circulating staff between them, and having management join teams during field work. Manufacturing ensured there was at least one of the company's 'twos' present during key moments of installations at client sites. This multi-tasking was somewhat incompatible with narrow structures of formality such as strict job descriptions, which were often 'scratched together over a coffee' (to quote one of Mixed's principals).

In summary, with training and development, firms moved in both directions: in some, from positions that were almost aspirational, involving extensive formal training and structure to greater levels of informality and anarchy as the challenges of rapid growth increased and in some cases. In others, they went from informal, often amateurish approaches to approaches that mimicked larger more established firms.

Communication and employee voice

From the outset, the managers of all five organisations appeared to be particularly aware of the existence of and need for some kind of formal voice mechanism. Some of the firms had introduced these, before allowing them to lapse as the company growth impinged on management time—ironically when they were likely most needed. Consulting's devolution of voice, as described by the principal, was typical:

> ...we used to…have a fortnightly meeting where we'd hook up with people on the sites as well. Now the reality is we don't really have that much at the moment, except ... where we've had one big hook up with everyone... So we've become less formal and less structured in that regard... more a function of workload and location, actually...

In their place came informal voice mechanisms at all five firms. For example, Manufacturing's 'toolbox meetings' evolved as the primary voice mechanism, both in the field and the factory:

> So they start their day, and then they talk about what's going, go and have a cup of tea, then at smoko time I try and, and I go around and say good morning to everyone, 'How are you mate, how you're going Al,' and all their names, and that's a bit of them being noticed. And then, if they put in a good day or whatever, I thank them or at the end of the week I thank them. If they put in above and beyond I thank them...

In both Consulting and Manufacturing we observed a deterioration of formal communications methods from early ideals to compromises during growth. Education had a portal with a feedback mechanism, but most teachers seemed unaware of this, and management admitted the system was really designed to allow teachers to suggest modifications of pedagogical aids – process improvements rather than grievance resolution. Similarly, the 'public' nature of the other two feedback mechanisms offered to staff—staff meetings, and a section on the time-sheets—tended to discourage frank feedback. The muffling of voice and a disconnection between feedback and change gave rise to frustration, as one of the longer-serving junior staff at Education told us:

> They're like, 'we can't do anything about it, so…' And I said, 'but you have to! You've got to change the mistakes in the curriculum' because the curriculum isn't, it's not fabulous. It's good, but there are just so many mistakes in it...

In this case, one of Education's more experienced frontline employees continued to work for the company, despite considerable animosity towards elements of the senior management. Education's early approach to HR was relatively formal, not surprising considering the high level of business education of the principal, but this structure, combined with low margins and fast growth, had created an environment that stifled informal communications. The company's formal voice mechanisms, largely group meetings, had deteriorated to the point where they had become largely opportunities for management communication (Gilman et al 2015) and the formality of the early years of the firm began to crumble.

Voice and communication were afforded different priorities in different firms (See Figure 2) it seemed that these were not shaped by the size, growth or even external labour markets in which firms were located. Ironically, Education was the company most characterised by close control, but even here, staff at upper echelons were left to their own devices as growth surged. 'Within this business you've pretty much got to solve your own problems,' as one executive at Education pointed out. 'There's more coal-face, if I can use that term'. In Mixed, work teams were encouraged to deal with their own discipline problems, and, failing that, to report on recalcitrant staff to head office. One example of this devolved responsibility came in the use within Mixed of a time clock—the only formal time clocking system in the five companies—with a thumb-print scanner. This had appeared without the endorsement of senior management. One of the senior partners said that a middle manager ‘was keen on [it] and he runs the installers, so again it was his decision. But culturally I have a problem with it’. Even in cases that top managers did not exercise tight supervision, lower-level supervisors or even fellow employees were apt to do so.

Discussion and conclusion

SMEs are highly diversified in relation to HRM (Della Torre, & Solari, 2013) and our article sketches out patterns of HRM using speed of growth (rather than age of firm) to categorise firms. In contrast to Rutherford, we focus on a small group of companies all experiencing high growth. Our study allows us to question one of the assumptions common to stage approaches to HR—that particular specific HR ‘problems’ are common to companies at a particular stage. These four-to-five year old companies were heterogeneous in business type, but homogenous in age and they exhibited very different patterns of priority.. However, as Figure 2 shows, companies that prioritized recruitment, also tended to prioritise reward and development. There was relatively less correspondence between the degree to which they prioritised the constructs measured by Rutherford (recruitment, reward and development) and the fourth HR staple we included in this study, voice mechanisms. Figure 2 also shows little correspondence between HR knowledge and the priority accorded to HR elements.

While managers spoke of understanding the critical importance of HR elements in their order of priorities, our analysis indicates that as firms grow, managers become overwhelmed with the practical commercial implications of growth—maintaining profit margins, sourcing finance, and retaining or increasing market share. HR is ‘forced’ into the equation when it comes to finding staff with adequate training to address customer needs. As a senior manager at Consultancy said

> Obviously we've seen growth after growth after growth and…at times you wonder whether you're doing things as well as you could.

'At times you wonder,' this manager reflects, when it is clear from the context that at most times he is focusing on 'doing things' rather than 'doing things as well as one could.' Interestingly, the gazelle literature has focused on these aspects of impediments to growth, rather than HR staples such as recruiting, rewarding, training and retaining good staff (Lee & Oh, 2021). It is not as if HR is forgotten or undervalued in these new firms. All five cases explored in this study showed an appreciation of the value of motivated, skilled staff able to turn their hand to the fluctuating requirements of the fast-growing firm. More research is needed to explore the pivotal importance or otherwise of HR maturity as opposed to (for example) innovation (Cefis et al, 2020) in determining long-time survival of a group of firms facing staff churn.

The appeal of life cycle models is their ability to reduce the apparent complexity of transformational change to a predictable patterns (Stubbart & Smalley, 1999), but stage theories tend to presume that development happens in a linear fashion, replicated across all types of organisation(Phelps, Adams, & Bessant, 2007). In this study, some of the firms progressed towards greater formality in a period of four years, while some began with high levels of formal structure that gradually were loosened. There was a single driver to these two opposite trends: the pressure of growth. This is not to say either response was 'right' but simply an adaptive response to the emergency presented by rapid growth.

As Harney and Alkhalaf (2020) comment, the literature tends to underestimate the importance of managerial perspectives and contextual conditions in determining the heterogeneity of SMEs. In this study, different aspects of HRM were influenced in different ways. Recruitment and retention in particular were shaped by external labour market factors (and choices about internal labour markets) that bore no inherent relationship to the stage of development of these firms. Reward systems reflected the interaction between product markets, production systems, external labour markets and the decisions of managers. Reward systems were also influenced by managers' perception of ability to pay. Systems of voice, teamwork and control reflected manager agency but also the inherent difficulties of exercising detailed control in a rapidly growing environment. Overall, once we broke HRM down into key components, stage theories appeared to be of limited use in explaining managerial behaviour or organisational structure, even in the area with seemingly the most relevance to stage theories: recruitment and selection – the area where 'mistakes' would be most individual in character so, as firms' capacity to take on more sophisticated systems increased, the need for them to do so declined. Instead of responding predictably to the pressures of growth, the firms' idiosyncratic response to HR challenges seemed to reflect the fact that they were still small enough to embody their founders' idiosyncrasies. Contrast for example the two smallest firms: Consulting which was highly formal, giving relatively high priority to HR staples such as recruitment, reward and development; and Education, which was quite formal and hierarchical, reflecting the high level of formal HR knowledge of the managing director—but paradoxically afforded relatively low priority to the same HR staples. This reflected managers' relative valuing of staff, rather than of HR structures.

While stage theories may have uses (for example, in pointing to some general, but perhaps weak, tendencies) they may be less determinative than some scholars have suggested and management ideology and agency more important. In our cases the founders still saw themselves as the key drivers of their organisations (albeit buffeted by environmental winds) but holding on to their vision and not wanting to relinquish control. This perspective proved challenging in the context of rapid change as reality collided with their aspirational vision.

New companies experiencing high levels of growth face the dual pressures of youth and expansion. As our study shows, these companies are often coping with these pressures while ill-equipped in terms of formal knowledge of HR. In a vacuum of formal knowledge, they react to rapidly-changing conditions, rather than following the relatively more programmed response that is the luxury of the larger firms and do this through the prism of their founders' and owners' approach to business. These gazelles, through ignorance, youth and growth, are often forced to administer what amounts to amateur HRM, with a few absolute rules adopted or required as the organisation (or sub-unit) grows and develops. It is also fair to say that it may be difficult to distinguish 'stages' in HR emphasis in early growth firms, as HR priorities are compressed into a 'package', competing with what are likely to be higher order early priorities: finance, production, sales and purchasing.

While HR in SME gazelles may not be characterised by a high degree of formal HR, that is not to say that they do not have systems in place or even crave them. In this sample of new, fast growing firms only one of the founders had HR training. Entrepreneurship is not necessarily associated with founders equipped with formal HR training. There is relatively little extant research on formal HR training of start-up founders, despite the centrality of management of human resources (broadly defined) in successfully negotiating the start-up phase. Clearly more research is needed here, for example, to explain whether the ability of founders to master HR systems enables small companies to achieve scale, but nevertheless is not crucial to enable that first burst of gazelle growth.

Regardless of the empirical answer to the question of whether HR is critical to growth, the perception of these group of founders is that it is. One of the more unusual findings of this study is that these managers, buffeted by the fluid demands of growth, seek formal structure as much to escape some of the almost defining characteristics of SMEs, including family or personalised relationships. But with gazelles, the pace of change may be so great that structures and formality take longer to crystallise. Thus the financial and employment surge may occur without a concomitant expansion in resources to cope with growth, resulting in a greater strain, meaning that HR in gazelles may well be more chaotic than ordinary SMEs—leading to the development of a form of emergency HRM developed in an ad hoc manner.

SMEs are often founded on a basis of personalised management (Cocca & Alberti, 2010), close control facilitated by personal links to staff. But this personalisation comes with a cost and managers can find the lack of bureaucratic distance between themselves and staff problematic. Managers are torn between needing staff that are 'carriers' of the company ethos, willing to respond flexibly to the needs of the firm, and at the same time, staff that can be disciplined and if necessary dispensed with when the firm contracts. The managers in this study clearly were torn between creating a stable, scalable HR structure and focusing on their particular industry 'knitting'. It is notable that they focus first and foremost on delivering the product or service they set out to deliver, to the extent that during this high growth period, even de-emphasising the financial dashboards. The principals of all five companies had experienced a managerial 'apprenticeship' at other firms, and all had developed detailed business plans: their intentions, thus were toward formality from the start. But the business plans were abandoned as the companies—not strategically, but almost reactively—as the firms began to develop more rapidly than projected. So while owners and managers had plans they also had to be prepared to muddle through as complex contingencies arose.

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