Dutch ManHuRs

Scanning 88%

Hr-scan in Dutch SME's

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Masters degree in Business administration - Human Resource Management

Date of delivery:
Version number: 1.7.2
Working date: 3 Oktober 2006

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1 Introduction

The focus and context of human resource management (HRM) research has undergone major developments in the past quarter century. These developments reflect the dramatic changes that began during the 1980's. In this period, the focus of business shifted from domestic to multinational to global, product life cycles decreased, labour costs needed to be addressed differently, and many companies realized that competitive advantage could be seized and sustained through the wise utilization of human resources (Schuler & Jackson (2005))

With these developments businesses began to view human resource (hr) professionals as potential partners who should be involved in the strategic decision making process of the firm. Human resource departments had previously been given responsibility primarily for acquiring and motivating the firm's human resources, doing so within specified legal and cost constraints. Now they are beginning to be viewed as human capital asset managers and as potential sources of competitive advantage (Schuler & Jackson (2005).

This shift has only appeared recently and Caldwell (2003) investigated the changing role of the HR department. Are they becoming paragons of competitiveness, (Ulrich, 1997) or are they still fulfilling the roles as Storey (1993) described? He found out that the role of the HR department is indeed changing and that these changes are the mirror images of shifting managerial perceptions, judgements and actions, over which personnel practitioners may have only limited influence. He concludes that hr may be caught between a past they cannot fully relinquish and a future HR self-image that may ultimately be beyond their reach. Personnel and HR professionals may be unable or unwilling to embark on the daunting journey of reinvention that might finally assure them of their professional status, power or value creating role.

The importance of HRM for large companies has been researched extensively within larger companies. The focus of HRM research, in the last decade, has shifted from conceptual studies about the nature of HRM to studies that examine the impact of HRM on organizational performance (Boselie, 2002; Guest, 1997) These studies focus on specific (combinations of) HRM practices that are believed to improve organisational performance by improving competences and commitment of employees. These practices are usually referred to as high performance or high commitment HRM practices. Studies on the impact of HRM practices within large firms show that an increased usage of high performance HRM practices is generally associated with improved firm performance (quoted in De Kok 2000, Boselie et al., 2001; Guest, 1997). Good personnel management seems at least as important for small companies as for larger ones, and owners/

directors of small companies are well aware of that. Next, to general management issues, personnel policies are seen as the most important aspect of management by owners/ directors of smaller companies (Hess, 1987 in Hornsby and Kurato, 1990). At the same time top management in SME's find personnel policy issues both difficult and frustrating (Verser, 1987 in Hornsby and Kurato, 1990). Gatewood and Field (1987, in Hornsby and Kurato 1990) found in their study that owners of SME's hardly realise that their policies are wanting. In other words, many owners and directors of SME's do find HR important enough to occupy themselves with it directly, but at the same time find it very hard to address the issue in a proper way and could use some help on the topic.

Research into HRM activities of SME's and its effectiveness is scarce. Heneman et. al. did an extensive literature research in 2000 and concluded that there were only 17 descriptive surveys and hardly any analyses on HR in SME's. Most research on HR has been directed at large to very large companies and it can be seriously questioned if the findings and recommendations of these studies will be valid in SME's. This bias in HR-research is of course understandable, larger companies have the resources and people available to implement and perform state of the art HR policies and practices. Neglecting to research HR within SME's is inconvenient given their importance in most economies. In the US for instance, 99,7% of all companies have fewer than 500 employees, 78,8% have fewer then 10 employees. The European definition of SME's is companies with fewer than 250 employees. If the European definition is used, in the Netherlands 714.000 from the total of 717.035 companies are SME's (CBS, Statline 1 Jan 2005). According to the Dutch organization for SME's (MKB Nederland), which uses a different definition to classify SME's then CBS, companies with up to 250 employees provide 2.8 million jobs, more then half of the total jobs in the Dutch private sector (see table 1). 48% of the added value and 53% of the yearly turnover of the Dutch private sector is generated by SME's.

Table 1: MKB 2005

	MKB	Large companies
Amount of companies	685000 (99%)	6000(1%)
Total employees	2.8 million	4.8 Million.
Turnover	450 billion	425 billion.
Profit	36 billion.	36 billion.

Source: MKB.NL

Because of the limited understanding of effective HRM activities in SME's the clear relevance of the topic both from an academic point of view and from the standpoint of owners/ directors of such companies and because of the importance of SME's in our economies the university of Twente decided to start a research programme on HRM in Dutch SME's with the help of Saxion Hogeschool Deventer. The long-term goal is to try and find configurations of hr-policies and practices that work for different classes of SME's.

This paper is however the first step towards this long term goal and as such it seeks to develop a theoretical framework on HR-policies and practices in SME's. The research question is to find out what the current role and position is of the HR-department in the Dutch SME's. To do this a theoretical model was developed and operationalised into a preliminary questionnaire to see if configurations could be found in this kind of companies. With this questionnaire a pilot survey study was conducted. The pilot survey did not produce the results expected, mainly because it proved difficult to get the right population, but the effort did help in getting a better understanding of the topic.

With this newfound insight the questionnaire and research model can be improved so a further use in large scale quantitative research is possible.

This paper is structured as followed: in chapter 2 the available theory will be presented and in chapter 3 the methodology used is discussed. Chapter 4 will reflect on the questionnaire with some results and chapter 5 will give concluding remarks and recommendations for further research.

2 Theory

Introduction; historical overview.

Personnel management has come a long way. At first, personnel departments did not exist. The owner-managers hired, fired, trained, developed and rewarded their own assistants. In the larger organizations of this type, first-line supervisors had virtually complete control over their own work crews. Personnel departments first arose in functional organizations, and they performed a fairly broad set of services. These services grew out of a tradition of improved work methods associated with Scientific Management. It is to this date that the first research on personnel management dates back to; the early decades of the twentieth century (Scott, 1915). These studies examine the relationship between various practices and individual performance (Asher, 1972; Campbell et al., 1970; Ghiselli, 1966; Guion, 1965) and the sources of discrimination bias in hiring and promotion (Cann et al., 1981; Ten Brunsel et al., 1996).

The modern personnel department appeared with the rapid spread of divisionalized organizations in the 1950s (Miles & Snow, 1984). These departments retained expertise in job analysis, selection, training, and other activities developed by their predecessors. In addition, they became more professional and sophisticated by hiring highly qualified human resources specialists at the corporate level while decentralizing basic maintenance activities to the operating divisions.

During this time, mid-century and the late 1970's, research primarily focused on the development of valid and fair personnel management practices in large organizations.

The personnel departments in many divisionalized companies became recognized for their developmental and consulting roles as well as their acquisition, training, and maintenance roles. The primary focus of personnel activities began to shift from the employee to the middle manager, from the short to the intermediate term. Because of this the term "personnel management" began to be replaced by "human resource management" in the mid-1970s.

The early 1980's the shift from personnel management to human resource management was followed by most companies (Quoted in De Kok 2003; Boselie, 2002; Legge, 1995). During this period, the focus of business shifted from domestic to multinational to global; the speed at which business was conducted increased; organizations recognized that labour costs and productivity must be addressed from a world-wide perspective; and many companies realized that competitive advantage could be seized and sustained through the wise utilization of human resources. (Prahalad 1995). Often cited examples of this

shift include Delery and Doty (1996), Huselid (1995), Huselid et al. (1997),, Koch and McGrath (1996) and MacDuffie (1995). These studies focus on specific (combinations of) HRM practices that are believed to improve organisational performance by improving competences and commitment of employees.

Theories on HRM
Different theories on HRM have been categorized by the works of Delery and Doty (1996). They distinguish three dominant modes of theorizing in the literature on strategic human resource management: the universalistic, the contingency- and the configurational.

The universalistic mode is associated with the terms 'best practice' and 'high performance work practices', and its underlying assumptions or arguments may seem somewhat simplistic:
1 that there is a linear relationship between HR practices or systems and organizational performance
2 that 'best practices' are universally applicable and successful
3 that organizational success is best measured in terms of financial performance indicators like profits, or by market share and sales levels.

Contingency theorists argue that, in order to be effective, an organizations HR policies must be consistent with other aspects of the organization. Contingency arguments imply potentially complex interactions between HRM variables, between HRM variables and performance indicators, between HRM variables and contingency factors, and between performance and contingency factors.
Contingency theories try to link two vital processes: strategic planning and human resources planning.
A strong linkage is needed between the overall vision of the organization that is held in the minds of the senior executives and the aims, objectives, and underlying philosophy of the organization's approach to managing people.
Delery and Doty (1996) cite Schuler and Jackson (1987) and Gomez-Meija and Balkin (1992) as mainstream contingency theorists, but the tradition goes back much further and includes the work of Woodward (1965), Pugh and Hickson (1976), Pugh and Hinings (1976), Pugh and Payne (1977), and Mintzberg (1979) according to Boselie (2001).

The configurational mode is rather more complex then the two previous theories for several reasons. (1) Theorists draw on the holistic principle of inquiry to identify configurations (or unique patterns of factors) that are posited to be maximally effective. (2) Theorists incorporate the assumption of equifinality by posting that multiple unique configurations of the relevant factors can result in maximal performance. (3) These configurations are assumed to be ideal types that are theoretical constructs rather then empirical observable phenomena. As a consequence theorists working in SHRM must theoretically derive internally consistent configurations of hr-practices, or employment systems, that maximize horizontal fit and then link these employment systems to alternative strategic configurations to maximize vertical fit.

Vertical alignment; the HR policies and practices that make up an organization's people strategy should reflect, reinforce, and support the organization's business aims and objectives

The horizontal alignment refers to a coherent and consistent approach to managing people that permeates the entire activities of the HR function and other organizational functional areas (Gratton and Truss 2003).

SME classification

In this research firm size will be treated as a variable to explain the formalisation and sophistication of HR within a company. For this several classifications can be used and the most common criteria used is workforce. Boundaries that distinguish SME's from large firms vary between 100 employees (Statistics Netherlands), 250 employees (Eurostat), and 500 employees (U.S. Small Business Administration). The definition of the European commission uses; 0-9, 10-49 and 50-250. In this research we use the following; >20, 21-50, 51-100, 101-250. For companies below 20 employees it is expected that the manager dominates HR tasks and activities.

HR research in SME's
Studies on the impact of HRM practices within large firms show that an increased usage of high performance HRM practices is generally associated with improved firm performance (quoted in de Kok 2000, Boselie et al., 2001; Guest, 1997). HRM practices do indeed matter for the performance of small and medium-sized enterprises. (De Kok, 2000). For SME's, HRM is seen by the directors/ owners important enough to spend their own time on but they have difficulty in approaching the subject in a right way. Current research into HRM activities of SME's is scarce as Heneman showed in 2000. Heneman only found 17 descriptive surveys and hardly any analysis on HR in SME's, yet good HR is just as important for SME's as it is for large companies. Next, to general management issues, personnel policies are seen as the most important aspect of management by owners/ directors of smaller companies (Hess, 1987 in Hornsby and Kurato, 1990).

Research in the Netherlands about SME's is mainly done by the Economic institute for Small and Medium Sized companies (EIM). De Kok (2003) did a study amongst companies up to 500 employees in which he wanted to increase the understanding of HRM practices in SME's which they did through investigating the determinants of these HRM practises. See figure 2 below.

Figure 1: a framework of contextual determinants of HRM practices within small & medium sized enterprises.
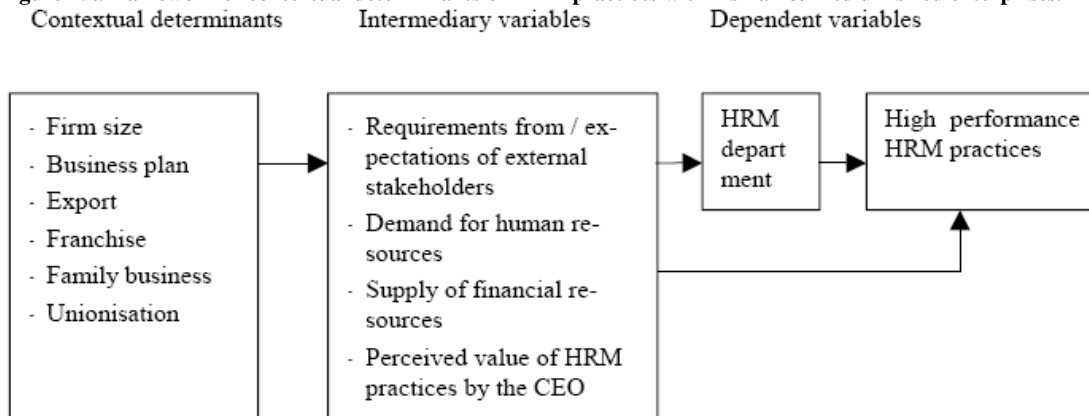
Source: De Kok (2003)

They find that larger firms make more use of high performance HRM practices than smaller firms. Although firm size is often used as an indicator for structural dimensions they find that half of the firm size effect can be explained by other contextual determinants. The main contextual determinants are the presence of an HRM department or manager, the availability of a business plan, and whether or not the business is family owned and managed (2.4.1 will discuss family owned as a variable and 2.4.2 will discuss unionisation as a variable). They do agree that firm size is an indicator for the formalisation degree

of a company. In the sense that small companies make less use of formal HR practices then large companies do. Small firms may actually benefit from more informal HRM practices they could create jobs around the unique experience, knowledge, skills, and interests of both incumbent and newly hired employees, which requires a more flexible and less formalized HRM (Hill and Stewart, 1999).

This chapter is will start with the factor firm size. It is logical that SME's differ considerably from large companies and therefore it is the start of the theoretical chapter. After this factor firm size we investigate the vertical, horizontal and action dimension according to the three dimensional model by Gratton and Truss. With this model we hope to determine the current state of people strategies along the three dimensions. Other possible variables are also discussed.

2.1 Firm size.

Firm size is obviously the most important factor in HR research on SME's. In the literature on HRM SME's are usually depicted as a homogenous group that have similar characteristics. This is not true; SME's are a heterogeneous group and should be differentiated accordingly (Kote and slade, 2005). SME's differ from large companies on several aspects like; resources, formalisation degree, specialists and flexibility.

Resources:
SME's are also often held to be less specialized then larger firms (quoted in De Kok 2003; Bacon et al., 1996; Jackson et al., 1989; Wagner, 1997). SME's have less experience and a more limited capacity for the acquisition of knowledge, which leads Nooteboom (1993) to conclude that small firms are more bounded in their rationality than large firms are. Employees in small firms often perform a greater variety of tasks then do employees in larger firms. Smaller firms have also less financial resources than larger firms, and often have more difficulties in obtaining external financial resources (Fu et al., 2002).

Formalisation degree
Firm size will influence the structural dimension of a company. If organizations become larger hierarchical levels occur. With size company structures become more complex and this requires a certain level of standardisation, specialization and hence an increased level of formalisation. This means that with an increase in company size tasks become more complex and divers, the task environment becomes more complex and the distance between the departments increase which requires more coordination.

Specialists
Companies can hire specialists that standardize, stabilize and regulate transactions. This has a positive effect that these regulations can be applied to a larger group of employees. One such specialized staff group is the HR-department. When a company grows in size it is therefore expected that the personnel policies become more complex and more formalized (Hornsby & Kurato 1990). Figure 1 gives an example.

Figure 2; increase in activities when company size grows.
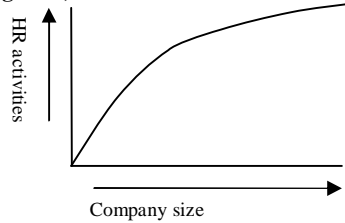
From a certain point the amount of HR activities can no longer be sustained by the manager/ owner himself and he/ she starts to delegate tasks. The 'critical turning point' seems to be around 20 employees (Kotey and Slade 2005). Large organizations are structured in a certain way to cope with the need for increased control. SME's have less need for this and are because of this more flexible which is the next point.

Flexibility:
SME's are informally led and therefore more flexible then larger ones (Koch and McGrath 1996). It is argued that this flexibility is a necessity for SME's in order to remain competitive (EIM 2000). Case studies in SME's suggest that employers often associate HRM practices with a loss of control over (and flexibility of) the employee relations (Koch and De Kok, 1999). But at the same time the lack of planning is seen by several authors as what hinders SME's to grow.

Growth in size leads to a more formal and complex HR system which could be to demanding on the manager to handle alone. De Kok (2003) showed that the mere presence of an HR department is dependant on firm size. Once a HR department is established HR practices become more formal. In other words firm size alone explains a lot about the formalisation, sophistication and the availability of resources of the HR function within a company but there are other variables involved to. Pondy(1969) concluded that not the company size but the takers of strategic choice/ strategy determines how many and what kind of HR activities are carried out. This is the next factor and this is discussed in the next part.

2.2 Business strategy and vertical alignment

Vertical alignment is aligning business strategy and people management. For a vertical alignment the HR-policies and practices that make up an organisations people strategy should reflect, reinforce and support the organisations business aims.

The importance of strategy in the field of HR has increased over the past decades. Delery & Doty (1996) state even that there has been a dramatic shift in the field of HR. This shift has been from the micro analytic research to a more strategic perspective which has also been labelled strategic human resource management (SHRM). U.S. scholars have not yet adopted a common definition of "strategic HRM," but most would probably agree that it covers research intended to improve our understanding of the relationship between how organizations manage their human resources and their success in implementing business strategies (quoted in Schuler & Jackson 2005, cf. Scott/ Youndt/ Wright 1996).

For HRM, strategy is important because different goals and objectives require different HR strategies and behaviours, and, therefore, different HRM practices (Snell, 1992). This leads to a focus on an external fit, resulting in contingency theories on HRM (Huselid, 1995; Legge, 1995)$_3$. Size, technology, ownership, sector and location are examples of contingency variables that have been included in previous studies (Delery and Doty, 1996).

It is logical that differences in strategies require different hr practices and policies (Lepak et al. 2004). Differences in strategy lead to different ways of structuring the organisation, different technologies in use and therefore different tasks and employee behaviour that is needed. Companies that have a greater congruence between their hr practices and strategies should enjoy superior performance.

If done right, hr activities and policies that are aligned with company strategies can be seen as a source of sustained competitive advantage (Ulrich). Two of the most well known classifications for strategy are the ones from Miles and Snow (2.2.1) and Porter (2.2.2). These give a good insight to what the company as a whole should focus on when implementing a certain strategy. Arthur (2.2.3) gives one of the first known empirical evidence that different company strategies benefit more from an aligned hr-strategy. In paragraph 2.2.4 more information is given about the specific characteristics that influence strategy in SME's.

2.2.1 Business strategy:

The word strategy was initially applied only to warfare. When applied to business "wars" it simply refers to the establishment of objectives, the setting of direction, and the development and implementation of plans, with the goal (in place of military "victory") of achieving ascendancy over one's adversaries. The word strategy is used in many context that it is useful to identify three different types of management-related strategies. At the highest level, corporate strategy encompasses decisions regarding the industries and markets which it participates, how it structures itself in order to attack those markets and how it acquires and allocated key corporate resources to various activities and groups.

The second level is associated with each of the corporation's strategic business units, usually a subsidiary, division or product line. Each SBU might have its own business strategy, which specifies (1) the scope of that business and its relationship to the corporation as a whole, and (2) how it proposes to position itself within its particular industry so as to achieve and maintain a competitive advantage.

The third level is composed of the functional strategies that support the type of competitive advantage being pursued. A typical SBU might have four such functional strategies; a marketing/ sales strategy, an operations strategy, a financial / control strategy and a research/ development strategy.

The activities required to implement a strategy take place along both horizontal and vertical dimensions. Vertical activities are those that relate a given function to the business as a whole or relate a sub function to the larger function. Horizontal activities are those that cut across multiple functions at fairly low levels in the organization and require more coordination and consistency among functions than do vertical activities.

Formulating and implementing an effective strategy takes a long time and requires the support and coordinated efforts of many people throughout an organization. As a result, once in place, a strategy is difficult to change, so it's essential that it is based on a set of values that are widely shared and expected to endure. Such values encourage certain modes of behaviour and suggest how the company ought to behave towards its employees, customers, suppliers and communities. They are not only establish the context within which day-to-day operation decisions are made, they help unify the various corporate, business and functional strategies adopted by different groups within the company and also set limits on the strategic options available to it. In 1978 Miles and Snow investigated hundred companies in more then a dozen industries and became convinced that all of these competitive approaches revolve around a few fundamental business strategies that

appear to be present, to a greater or lesser extent, in every industry. Porter gives a good insight in how companies gain a competitive advantage but as Miles and Snow state it is basically the same in different words.

2.2.1 Miles en Snow (1978)

They investigated several hundred companies in more than a dozen different industries in the 1970's and found impressive and sometimes dramatic competitive strategies and tactics. Over time they came aware that these strategies revolve around a few fundamental strategies and these are; prospector, defender, analyzer. They do deposit the reactor strategy as an available strategy but it's not a very successful strategy for a company to adopt. These strategic types have been tested several times with promising results in larger enterprises in both manufacturing and service sectors (Snow & Hrebiniak 1980)

Prospector strategy.
This is the most aggressive of the four strategies. It typically involves active programs to expand into new markets and stimulate new opportunities. New product development is vigorously pursued and attacks on competitors are a common way of obtaining additional market share. There is a quick response to any signs of market opportunity, with little research or analysis. A large proportion of their revenue comes from new products or new markets. The risk of product failure or market rejection is high.

Defender strategy.
This strategy entails a decision not to aggressively pursue markets. A defender strategy entails finding, and maintaining a secure and relatively stable market. Rather than being on the cutting edge of technological innovation, product development, and market dynamics, a defender tries to insulate themselves from changes wherever possible. In an attempt to secure this stable market either "prices are kept low, advertising and other promotional costs are kept low, vertical integration is engaged" or "a limited range of products or better quality or service is offered". Decision making is expected to be slower and will change only after extensive research and analysis.

Analyzer strategy.
The analyzer is in between the defender and prospector. Less risk is taken and fewer mistakes are made than a prospector, there is also less commitment to stability than defenders. Most companies are analyzers. They are seldom a first mover in an industry but often second or third place entrants. Into areas close to existing core competency is expanded. Rather than developing wholly new products, incremental improvements are made in existing products. Rather than

expanding into wholly new markets, gradually expansion is done in existing markets. A balanced portfolio of products is maintained with some stable income generators and some potential winners. Developments in the industry are closely monitored and action takes place when it is sure that the time is right.

Reactor strategy.
A reactor has no proactive strategy. Action is taken on events as they occur. Response is only when forced to by macro environmental pressures. This is the least effective of the four strategies. It is without direction or focus. The reactor orientation is posited by the theory to be a poorly performing organization.

Miles & Snow state in their 1984 research that top executives of many U.S. corporations are giving renewed attention and according added status to human resources functions and specialists. Which they believe is due to two prime sources. First, prompted largely by the Japanese challenge, U.S. managers are focusing on improved human resources management as a means of restoring the competitive position of their companies in an increasingly challenging global marketplace. Second, farsighted managers are recognizing the crucial role of human resources management as the United States moves further into the complex and changing new world of a high-technology, service-based economy.
In this research they expand on their previous research stated above here and they say that it should come as no surprise that today's business strategies represent variations and improvements on previous strategies. Furthermore, the organizational arrangements needed to support these strategies have a lengthy history, from the early agency and functional structures to today's divisional and matrix structures.
Unfortunately, as many companies are realizing today, a major barrier to the development and implementation of new strategies and structures is designing the appropriate human resources management system. For designing strategic human resources management systems the following design principles should be used:
1. Top managers of the human resources department should possess at least conceptual familiarity with all of the services needed to acquire, develop, allocate, and maintain managers and employees. In practice, however, the human resources units of a given firm will most likely emphasize some services more than others (as illustrated by the three examples above).
2. The human resources department should have a comprehensive understanding of the language and practice of strategic planning. Further, appropriate human resources representatives must continually participate in the planning process to assess the probable

demand for their units' services and to help line executives trace the human resources implications of their strategic decisions.

3. The human resources department should pursue appropriate strategies of its own to match the organization's business strategies. In some companies, this will require human resources units to be prepared strategically to build (Defender), acquire (Prospector), and allocate (Analyzer) human resources.

4. The human resources department should act as a professional consultant to line units. In addition to their expertise in strictly personnel matters, human resources specialists should be knowledgeable about organization structure, management processes (communications, controls, rewards, and so forth), and organizational change and development.

Table 2.1

Human Resources Management System	Type A (Defender)	Type B (Prospector)	Type AB (Analyzer)
Basic strategy	Building human resources	Acquiring human resources	Allocating human resources
Recruitment, selection, and placement	Emphasis: "make" Little recruiting above entry level Selection based on weeding out undesirable employees	Emphasis: "buy" Sophisticated recruiting at all levels Selection may involve pre-employment psychological testing	Emphasis: "make" and "buy" Mixed recruiting and selection approaches
Staff planning Training and development	Formal, extensive Skill building Extensive training programs	Informal, limited Skill identification and acquisition Limited training programs	Formal, extensive Skill building and Acquisition Extensive training programs Limited outside recruitment
Performance appraisal Compensation	Process-oriented procedure (for example, based on critical incidents or production targets) Identification of training needs Individual/group performance evaluations Time-series comparisons (for example, previous years' performance)	Results-oriented procedure (for example, management by objectives or profit targets) Identification of staffing needs Division/corporate performance evaluations Cross-sectional comparisons (for example, other companies during same period)	Mostly process-oriented procedure Identification of training and staffing needs Individual/group/ division performance evaluations Mostly time-series, some cross-sectional comparisons

Compensation	Oriented toward position in organization hierarchy Internal consistency Total compensation heavily oriented toward cash and driven by superior/subordinate differentials	Oriented toward performance External competitiveness Total compensation heavily oriented toward incentives and driven by recruitment needs	Mostly oriented toward hierarchy, some performance considerations Internal consistency and external competitiveness Cash and incentive compensation

Source: miles & snow 1984

2.2.2. Porter (1980)

Porter gives a good insight in how companies gain competitive advantage. A firm can gain competitive advantage if it is able to create value for its buyers. He claims there are two fundamental levels of strategy in most large organizations today. The first is how to compete, how to develop strategy in an individual business. The second is how to position the company within the industry.

First an organization needs to make clear where they stand in the industry they are competing in; who are the competitors and who are the suppliers.

The central issue in answering that question is the issue of competitive advantage. To do this Porter argues that there are two successful "generic" business strategies that a company may use to achieve a sustainable competitive advantage over other companies in a given industry.

One kind of competitive advantage is through low cost. You should try to be able, through whatever means, to deliver and produce and sell and market your product at a lower cost than anybody else in your business. Assuming that your product is of an acceptable quality, and your price levels are comparable to those of your competitors, the low cost will lead to higher margins and superior returns.

The second basic way of getting an advantage is through what i might call differentiation. Be unique at doing something that the buyer thinks is important,

A company may follow a broad strategy and apply the basic strategies to all the products it produces or a focus strategy and only apply the strategy to one product(line).This results in 4 different types of strategies.

Table 2.2:

	Broad	Focus
Low cost	Overall cost leadership	Low cost producer
Differentiation	Differentiation	Differentiate with a customer

Overall cost leadership
Seek to serve a broad range of segments; you offer a full product or a relatively full product line; but your mission is to be the low cost producer in the industry.

Differentiation
A broad range of products, serve a broad range of customers within that industry, but you seek to be unique in some way.

Low cost producer
One way to focus would be to focus on a particular segment and try to be the low cost producer in that segment.

Differentiate with a customer.
Offer a fairly narrow line targeted at a specific consumer, targeted at a specific price, status conscious, and be very consistently in everything you do when addressing customer.

2.2.3 Arthur

Arthur was one of the first to investigate the linkage between strategy and a corresponding hr strategy. He did a research among American steel mini mills. HR control and commitment strategies represent two distinct approaches to shaping employee behaviours and attitudes at work. The goal of control human resource systems is to reduce direct labour costs, or improve efficiency, by enforcing employee compliance with specific rules and procedures and basing employee rewards on some measurable output criteria (quoted in Arthur 1994; Eisenhard 1985, Walton, 1985). Commitment human resource systems shape desired employee behaviours and attitudes by forging psychological links between organizational and employee goals. In other words the focus is on developing committed employees who can be trusted to use their discretion to carry out job tasks in ways that are consistent with organisational goals.
Arthur started to measure HRM practices by asking 10 variables to measure various aspects of the mills' workplace human resource systems. He also asked for manufacturing performance and control variables to see if there was a positive correlation and that it couldn't be linked to one of the control variables. Manufacturing performance included; labour efficiency, scrap rate, and turnover (the year before the survey) and these where asked from the managers. Arthur also included control variables of which he thought would influence the hr practices; age (number of years in existence), size (total number of employees), union status (unionization degree) and business strategy. Business strategy data were gathered (this was gathered from a

separate questionnaire) from the top manager at each of the mini mills and where clustered using Porters competitive strategies (1980)
His research on the topic has given the HR community the first empirical evidence that alignment ads value. His results shows that a low cost strategy equals cost reducing and has a control-system as an HR-strategy while a differentiation strategy equals commitment and had a commitment system as HR strategy.
The argument of fitting strategy and HRM practices is compelling. Rather then looking at generic strategies and HRM practices, a different group of researchers posit a link between growth-oriented strategies of Arthur and a greater emphasis on HRM development. For instance, Lengnick-Hall and Lengnick-Hall (1988) posit a reciprocal interdependence between a firm's business strategy and its HRM strategy. In their model, demand for skilled employees may be dictated by a competitive strategy. In turn, organizational readiness (the availability of necessary human resources) may affect competitive strategy. They further argue that high corporate growth expectations coupled with organizational readiness can lead to expansion. On the other hand, low human resource readiness and low growth expectations may lead to redirection of strategy to more attainable goals.

Owners / managers are always looking at how they can compete in a better way and this chapter about vertical alignment I said that in order be competitive companies are looking more to HR as a mean to be and stay competitive. Ulrich (1997) also indicates that the hr-function should deliver value to an organisation and chose a main hr-role that delivers most value for their organisation. In the past there has been a great emphasis on looking at best practice models and choose the model that corresponds best to the conditions of the company. As Arthur indicated it is beneficial for a company to have a matching hr-strategy to a company strategy.
So HR can really help to outperform other companies and therefore a fit between hr and strategy seems inevitable.

2.3 Strategy and HRM in SME's

No doubt that SME's are configured differently, face and react differently on changes in the environment then large firms do. So far we discussed the typologies to classify and categorize strategies and see how this would translate for HRM practices and policies. But research presented so far focussed on large companies which makes the transition to SME's difficult. And we haven't discussed which strategy classification would be more useful in SME research.

Several authors pleaded to use a specific strategy based on firm size. Smith, Guthrie and Chen (1986) for instance speculated that the typology of Miles and Snow should be used as sequential stages of strategy development. This would mean that the defender strategy would be tied to small companies and prospector strategy to large companies. Porter argued that small or new companies may be unable to achieve significant economies of scale or scope, or server a broad market. This would prevent them from pursuing either cost leadership or differentiation strategies, leaving only focus as a viable option. Wright et. al (1995) recommended the use of a focus or niche strategy for SME's because entry barriers for niches are lower and frequently there will be a lack of differentiation among customers. Carter et al (1994) suggests they may prefer a focus strategy based on geographic, customer or product segment considerations.

Strategy is not only governed by company size however and Davig (1986) dismisses all of these speculations above using Miles & Snow (typology) in an empirical study among 250 (24% response) SME's (15 to 280 employees) in the branches apparel, foundry and fabricated metal products in the US. He asked the owner/ manager to indicate which of the four categories (using short descriptions) best described his or her method and philosophy of competition.
He tried to link the strategies to performance using growth in revenue and growth in profits over the past 3 years. All four strategies described by Miles & Snow (1984) proved relevant.
Firms following a prospector strategy performed best in his research but closely followed by the defenders. Firms with an analyst strategy are what he called "stuck in the middle" and perform worse then a prospector or defender strategy but they did perform better then the reactors. Firm size did not prove to have a consistent relationship to profit but the larger firms tended to be either analysers or prospectors.
He concludes with characteristics of the four strategic types:
Following a Prospector strategy in an industry not dominated by large firms means to continually search for improvements that can be made in current products, to make them more competitive, and/or to continually add closely related products to the product line.

The Defender strategy is in many ways the opposite of the Prospector strategy, but it offers a viable alternative. The Defender firm is product entered rather than customer-oriented. The idea behind this approach is to develop a successful product and stick with it, making it the best on the market while at the same time paying close attention to costs. In general, quality is better and prices higher than in the Prospector firms. The Defender strategy entails a considerable amount of risk, too, since management may not be prepared to meet the challenge of new products being developed by other firms that could ultimately make their products obsolete. The Defender's lack of flexibility to deal with such threats is its greatest potential weakness. In an industry in which technology is not changing, or where change is very slow, such a firm may do very well for years.

The "middle of the road" approach of the Analyzer should be avoided, since it requires management to face both ways at once. Not only is there a preoccupation with the continual improvement and competitiveness of standard products for current markets, but at the same time attempts are made to broaden the product line and enter new segments. What often happens is that neither objective is served adequately. The firm's performance deteriorates as the product line grows through "me-too" products which are second- or third best, and often overpriced as well. Even large firms can have difficulty in successfully following this two-pronged approach. Lack of abundant resources typical in smaller firms would indicate that this strategy has the highest risk.

Finally, the lack of success of Reactor firms that "wait and see, then react" suggests that firm managers should develop some plan or strategy. Even an imperfect strategy is likely to be better than the reactive approach. Firms must try to anticipate events, or they may be left behind.

Gimenez (2000) did an empirical research among 150 Brazilian SME's using the classification of Miles & Snow. His results support the results presented by Davig (1986). Rugman and Verbeke (1987) researched Canadian electronic distribution firms. They found that some adopted a prospector strategy, some where defenders and reactors but no analysts where found. The above researches prove that the typology of Miles en Snow is adequate for SME classification.

In short even an SME should have a clear strategy and objectives; this should at least be clear to the owner/ manager. So that the rest of the company may work towards that goal following that strategy.

Operationalisation

Davig (1986) operationalized the different strategic orientations by using short descriptions for each of the typologies. Snow & Hrebiniak(1980) also used such a way to collect information from respondents. Another way to operationalise this would be to use a lengthy multi item strategy typology questionnaire. Both report good results but the paragraph approach is considerably more efficient. That is why we will follow this approach in our research.

2.4 Horizontal alignment

Next to vertical alignment (overall business strategy and hr-strategy), Gratton and Truss (2003) paint the horizontal dimension at the level of individual HR policy areas. The aim here is the achievement of a coherent and consistent approach to managing people. They see this at the policy level and not practice level because they see the practice level as a separate dimension. Achieving a high degree of horizontal alignment implies a having a clear HR policies that consistently relate to one another. This means that the policies are attuned to reinforce company messages to the employees. In HR-roles several authors spoke of the possibility of the HR-function to be part of the dominant coalition and translate strategy into HR-policies and this can be seen as a clear indication of the position of the HR-department. If the HR-department is not involved in translating and configuring hr-policies and not involved with implementing the position of the HR-function is obviously not very strong and one might even see this as a clerk of work (as described by Tyson and Fell 2.2.1) Obviously it should be useful to see what practices and policies are deployed and how these are actually performed.

Gratton and Truss (2003) however give no guideline, unlike Schuler and Jackson (1987), to what policies go well together and what policies are being used by companies. Neither did they ask for specific usage of HR-policies and instead asked in their research the opinion of respondents on 5 questions. Schuler and Jackson (1987) give a horizontal linkage in detail and this is useful to know what a horizontal linkage could look like.

2.3.1 Schuler & Jackson

Building on this perspective, Schuler and Jackson (1987) test the notion that each of Porter's three generic strategies (Porter, 1985) fits a certain constellation of HRM practices.

Schuler and Jackson (1987) start their contingency model with describing that there was a need to match characteristics of top managers with the nature of the business. This brings them to their line of reasoning for their linkage model. What is needed from employees, apart from the specific technical skills, knowledge's and

abilities (Skas) required to perform a specific task is needed role behaviour. For each of these three competitive strategies, innovation, quality enhancement and cost reduction, they defined a set of needed role behaviour. They then try to link these role behaviours to HRM-practices; planning, staffing, appraising, compensating, and training and development.

In short a certain strategy would lead to different menus to choose from. Thus, they posit that companies pursuing a quality strategy should have explicit job descriptions and high employee participation. Those with a cost minimization strategy should use narrow policies and those pursuing an innovation strategy should reward longer-term goals and broad career paths. In a review of this research, Barney and Hesterley (1996) note that empirical support of the hypotheses laid out by the behavioural perspective is relatively weak.

Innovation Strategy:
According to Schuler and Jackson, firms pursuing the innovation strategy are likely to have the following characteristics: (1) jobs that require close interaction and coordination among groups of individuals, (2) performance appraisals that are more likely to reflect longer-term and group-based achievements, (3) jobs that allow employees to develop skills that can be used in other positions in the firm, (4) compensation systems that emphasize internal equity rather than external or market-based equity, (5) pay rates that tend to be low, but that allow employees to be stockholders and have more freedom to choose the mix of components (salary, bonus, stock options) that make up their pay package, and (6) broad career paths to reinforce the development of a broad range of skills. These practices facilitate cooperative, interdependent behaviour that is oriented toward the longer term, and foster exchange of ideas and risk taking.

Quality-Enhancement Strategy:
In an attempt to gain competitive advantage through the quality-enhancement strategy, the key HRM practices include (1) relatively fixed and explicit job descriptions, (2) high levels of employee participation in decisions relevant to immediate work conditions and the job itself, (3) a mix of individual and group criteria for performance appraisal that is mostly short term and results-oriented, (4) relatively egalitarian treatment of employees and some guarantees of employment security, and (5) extensive and continuous training and development of employees. These practices facilitate quality enhancement by helping to ensure highly reliable behaviour from individuals who can identify with the goals of the organization and, when necessary, be flexible and adaptable to new job assignments and technological change.

Cost-Reduction Strategy:
In attempting to gain competitive advantage by pursuing a strategy of cost reduction, key human resource practice choices include (1) relatively fixed (stable) and explicit job descriptions that allow little room for ambiguity, (2) narrowly designed jobs and narrowly defined career paths that encourage specialization, expertise, and efficiency, (3) short-term, results-oriented performance appraisals, (4) close monitoring of market pay levels for use in making compensation decisions, and (5) minimal levels of employee training and development. These practices maximize efficiency by providing means for management to monitor and control closely the activities of employees.

This is then matched against some companies that have a similar competitive strategy. They conclude however that they might be oversimplifying reality by focussing on just one competitive strategy whereas big companies use several strategies for different units.

2.5 Action dimension

This dimension shows the degree to which HR policies are enacted or put into practice, as judged by employee experience and management behaviour and values. Gratton and Truss (2003) see this as a separate dimension and do not believe that the mere existence of HR-policies and a HR-strategy is enough to ensure action. Their research shows that translating HR-policies into action seems to be fundamental to the question of whether or not an organization is delivering in the area of people management. A full research of this dimension is out of the scope of this research. For this research we want to know which policies are being used, how they are formulated, by who they are implemented and if they are seen as successful. To investigate the way these policies are implemented in detail would be to large for this pilot study.
We want to know this so that we may know the role and position of the hr-department. Primarily in SME's there are 3 parties involved in implementing hr-policies and practices; the owner/ manager, hr-professional/ function (2.5.1) and the line manager. What the role of hr is in the company is discussed in 2.5.2 and in 2.5.3 the activities are discussed that make up an hr-strategy.

2.5.1 Hr function.

In SME's not all companies will have a proper HR-function. SME's are less likely to have a specific HRM department or manager (Hornsby and Kurato, 1990;). In a study by Little (quoted in Hornsby & Kurato. 1990) shows that in U.S. based companies with up to 50 employees, the owner managers him or herself usually will perform personnel activities. De Kok (2003) reported that none of the companies in his pilot study that contained sixteen 10 to 50 employees, have a HRM department or a HRM staff. Companies above 50 employees 62% reported to have at least one full time personally functionary, but even than, owners tend to keep all personnel issues they feel important into their own hands. Heneman and Berkley (1999) find in random sample of 117 companies with less than 100 employees, that only 15 have an HRM department. (Quoted in de Kok, 2003)

The hr function and the way it is organized is likely to depend on with firm size (2.1) and company strategy(2.2), but there are other variables involved like unionisation(2.4.1) and family ownership(2.4.2). De Kok (2003) could not find a causal relationship between the usage of high performance HRM practices and the availability of an hr-department. He did find that generally firms with an HRM department make more use of high performance hr practices. He suggested that part of the impact of family ownership and firm size on high performance HRM practices is channelled through the presence of an HRM department or HRM manager.
It could very well be that once a firm reaches a certain size and the need to formalize hr policies increases the instalment of such an hr-department will increase the speed which hr-policies are formalized. The manager/ dominant coalition will have to be willing to delegate these tasks to the hr-department however.

Here I want to know if there is an HR function/ department, if so how many people are working there and what is there specialisation. What the role or function of the hr-department is (vertical alignment see paragraph 2.2). Which hr activities are in use, by whom they are formulated and by whom they are implemented (2.3).

2.5.2 Hr-role

From the eighties onward, a discussion about the role and position of hr-departments has emerged, in the wake of strategic hr discussion but also because of a heightened interest in the added value of HRM to company performance. One of the first of such classifications of hr-roles was suggested by Tyson and fell (1986) which is discussed next. Later Storey (1992), identified four of such roles and finally Ulrich builds a prescriptive classification of HR-departments in his book HR champions (1997) which is discussed last.

2.5.2.1 Tyson and Fell (1986).

Tyson and Fell (1986) started their research because they saw that the personnel role was changing, it was forced to change through an increased need for competitiveness. They identified three possible roles for hr-departments

(1)Clerk of works:

This model of personnel management is an administrative support activity, with no involving in business planning. All authority is invested in line managers, there are a few personnel systems and those employed in the department will most likely have received little specialized training and have little authority; their political position is not an issue. The principle activities for these personnel staff will be recruitment, record keeping and welfare.

(2) Contracts manager:

The approach of the contracts manager to personnel management is to meeting each event with a system, as part of a great policy network. Acting on behalf of line managers, the personnel department are experts in the trade unions agreements and in fixing day to day issues with the unions responding in a reactive way to problems.

(3) The architect:

Personnel executives acting within the architect model seek to build and create an organization as a whole. This creative vision of personnel means contributing to the success of the business through explicit practices and policies which seek to give effect to the great corporate plan, with an integrated system of controls between personnel and line managers. The personnel function is thus represented within the dominant coalition in the organization, from where its political position comes from.

They further state that these three models are in a logical sequence to each other. The basic thing a personnel department does is; welfare and employment relations (clerk of work) then the contracts manager also handles the industrial relations and the architect acts in a professional way for the greater good of the company (see figure below).

Figure 3. Influence of traditions on three models of personnel management.

Table I. Influence of traditions on three models of personnel management

	Clerk of works	Contracts manager	Architect
Welfare			
Employment management			
Industrial relations			
Professional			

Source: Tyson & Fell.

Tyson and Fell come to a possible conclusion that because of the recession at that time the changes in personnel management have shifted the models adopted within organisations, away from the contracts manager towards either a clerk of works or the architect models. A more long term effect of that brought about the changes in personnel roles is that the work of the personnel manager is being diffused or 'balkanization' as they call it. Either way they see that the personnel roles are in a state of change and its unclear where it is heading.

2.5.2.2 Storey(1992)

Storey(1992) identified in his empirical research four distinct HR-roles based on a two bi-polar dimensions: intervention versus non-intervention and strategy versus tactical (see figure below) .

Figure: 4, Storey's fourfold typology of personnel roles

Strategic

| Change makers | Advisers |
| Regulators | Handmaidens |

Interventionary   *Non-interventionary*

Tactica
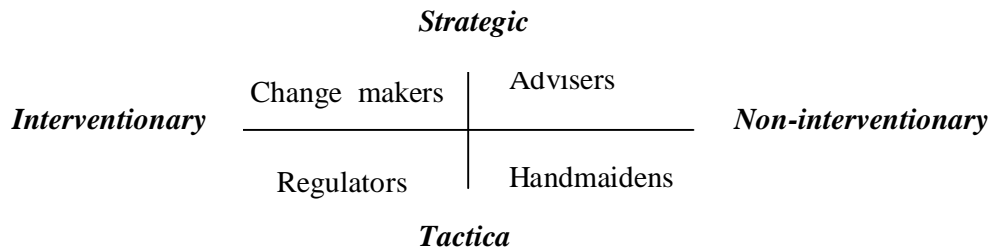
The four roles are:

(1) 'Advisor' who provides support to line and general management. While this function is carried out at a strategic level it is reactive and non-interventionist, providing specialist skills but in a consultancy capacity.

(2) 'Handmaiden' who represents a subservient attendant relationship with Human Resources operating at a low-level in an interventionist capacity, reacting to the needs of line management in response to day-to-day operational problems. Indicative of a welfare and clerical role.;

(3) 'Regulator' who operates in an interventionist mode but rarely at the level of strategy formulation. This approach is representative of a traditional Industrial Relations orientation with the senior Human Resources practitioners responsible for devising and negotiating policies & procedures to ensure the smooth operation of the company. The Human Resources contribution is significant at an operational level rather than at a strategic level;

(4) 'Change maker' who acts as a specialist and is highly interventionist and strategic in perspective. This represents the highest level of operation of the Human Resources Function. In this model senior Human Resources practitioners are aware of both the 'soft' and 'hard' elements of Human Resources and employee relations practice.

However, Storey's model tells the situation of around 1992 and in this research, Caldwell, R. (2003) found that the roles mentioned by Storey no longer existed in the current business society.

2.5.2.3 Ulrich

Ulrich(1997) started his research when there was a debate on whether or not HR should be abolished entirely. There were serious and widespread doubts about HR's contribution to organizational performance. The main reason for this he states is that the competitive landscape is changing, new models of competitiveness are needed to deal with the challenges ahead. Ulrich wants to shift away from what HR professionals should do and more to what they deliver. He wants to breathe renewed life in HR so that line managers and HR professionals can together champion the competitive organization of the future. In short he wants to secure the place of HR through showing how organizations (and specifically the hr-department of that organization) can add value to investors, customers and employees. To create and deliver results, Hr professionals must begin not by focussing on the activities or work of HR but by defining the deliverables of that work.

Ulrich developed a framework that identified four key roles that HR professionals must fulfil to make their business partnership a reality. As an answer to the question he suggests to create an entirely new role and agenda for the field that focuses not on traditional HR activities, but on outcomes (deliverables). Do not just focus on one role, but carry out a multitude of roles, with a focus-role fitting company strategy with that of HR. The four roles Ulrich defined are: Strategic partner, Administrative expert, Employee champion and Change agent.

Figure 5: HR-Role framework
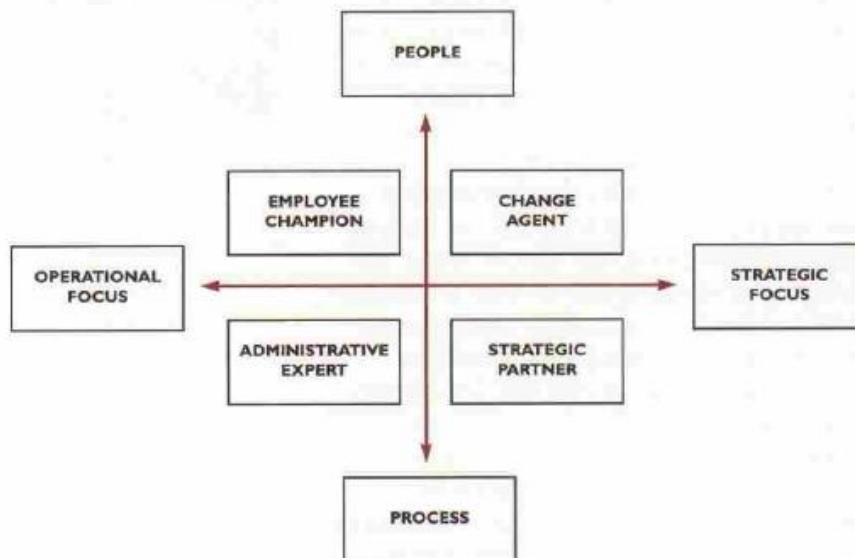
Source: Ulrich, 1993.

Strategic partner
In this role the hr professional works to be a strategic partner, helping to ensure the success of business strategies. By fulfilling this role, hr professionals increase the capacity of a business to execute its strategies (which is the main deliverable). Translating businesses strategies into HR practices helps a business in three ways. First, the business can adapt to change because the time from conception to execution of a strategy is shortened. Second the business can better meet customer demands because its customer service strategies have been translated into specific policies and practices. Third, the business can achieve financial performance through its more effective execution of strategy. The primarily actions will be to identify the HR practices that make the strategy happen (also called organizational diagnosis).

Administrative expert
Creating an organizational infrastructure has been a traditional HR role. Hr professionals create infrastructure by constantly examining and improving HR processes. The deliverable is administrative efficiency and the actions to make this happen can be seen as continual reengineering of HR processes.

Employee champion
In this role HR professionals encompass their involvement in the day-to-day problems, concerns and needs of employees. The deliverable here is increased employee commitment and competence. The actions used are listening, responding and finding ways to provide employees with resources that meet their changing demands.

Change agent.
The change agent manages transformation and change. Transformation entails the fundamental cultural change within the firm and change refers to the ability of an organization to improve the design and implementation of initiatives to reduce cycle time in all organizational activities. Hr professionals help to identify and implement processes for change. The deliverable is the capacity for change and the actions include identifying and framing problems, building relationships of trust, solving problems and creating and fulfilling action plans.

This model was tested by Conner and Ulrich (2002). They used a 40 item questionnaire with a 5 point Likert scale. Their sample were respondents that came to workshops about hr-strategy. A total of 256 surveys where filled in. They found that three of the four roles as described below exist. The results suggest that human resource practitioners play discrete multiple roles.

It will be interesting to see if the four HR roles can be found in SME's. Are the hr-roles recognized at all and where do hr-specialists place themselves? Will there be differences in emphasis on one or two main hr-roles, based on either size or strategic orientation of the firm? Ulrich prescribes that the HR-department should deliver value for the organisation. The hr-role of the hr-department should vary according to the overall business strategy. For instance; a company with a defender profile would seek to minimize costs and optimize efficiency. For such a company the HR department which focuses on the administrative expert role will add more value for the company then if it would focus on activities that lead towards a renewed organization. An administrative expert role seeks to streamline its own processes and that of the business and such it tends to lower costs

2.5.3 Hr-activities; the link between hr roles, horizontal alignment and action dimension.

Human resource management is about the management of an organisation's workforce. Managing a workforce first of all requires the presence of a workforce, which calls for activities in the fields of recruitment, selection, appraisal and compensation. Next, the workforce must be organised: tasks and responsibilities must be determined and communicated.

To ensure that employees possess required knowledge and skills, training and development activities can be carried out. Such activities may influence the working climate within the organisation, and thus employee commitment and job satisfaction. Organisations may also employ activities that directly aim to improve commitment and satisfaction, either because job satisfaction is a goal in itself, or because it is believed to have a positive impact on organisational performance.

Several authors have categorized HR-activities, which are listed in table (2.3) below. Fombrum et. al (1984) define HR activities into 4 categories: selection; development; appraisal and rewarding. Beer et al (1984) categorize HR activities as: Human resource flow; reward system; work system; employee influence. Thomason (1988) gives a very detailed explanation about the HR-activities namely: human resource planning; recruitment; training and development; performance evaluation; remuneration and reward; Communication; organisational development; changing perspectives and attitudes. Leijten (1991) adapted Buitendam's (1979 categorization and named HR activities as; Arbeidsvoorzieningen; Arbeidsvoorwaarden; Arbeidsomstandigheden; Arbeids Verhoudingen..Butler (1991) listed HR activities as Staffing; Training & development, Performance evaluation; Industrial relations; Reward systems. According to Biemans(1999) the more commonly used type is arbeidsvoorzieningen, arbeidsvoorwaarden, arbeidsomstandigheden, arbeidsverhoudingen.

Table 2.3 : Different authors on Hr-activities

Fombrun e.a. (1984)	Beer e.a. 1984	Thomason, 1988	Buitendam, (1979 Leijten (1991)	Butler e.a 1991	Biemans, 1999
Selection	Human resource flow	human resource planning	Employment policy	Staffing	Staffing
Development	Reward systems	recruitment and selection	Fringe benefits	Training & development	Development
Appraisal	Work systems	training and development		Performance evaluation	Remuneration
rewards	Employee influence	performance evaluation	Working condition	Reward systems	Work
		remuneration and reward		Industrial relations	Industrial relations
		Communication	Industrial relations		Support
		changing perspectives and attitudes			
		organisational development			

Source: adapted from Biemans (1999)

In the Dutch context the activities of Leijten(1979) are well known, Biemans(1999) stated that this is the most commonly used HR-activity classification in the Netherlands. Because the classification of Leyten (1991) and Biemans (1999) are tailored to the Dutch context this pilot study will use its own classification. This makes the results on HR-activities more comparable with other international researches on this subject.

The activities used in this research are; HR planning, Recruitment and Selection, Training and Development, Performance evaluation, Rewarding and Remuneration, career development, Employer-employee relations and Sickness policy. In this pilot study is intended to get a proper indication if there is a HR-department, what its activities are, how successful these activities are, by who these activities are implemented. To this end some rough performance indicators will be used as well: personnel turnover, sickness%, total turnover over past 2 years.

A preliminary link can be made using the work of Schuler and Jackson (1987) as shown in paragraph 2.2.4.1. In the table below I put the strategy, the means of the strategy of the hr-department, the hr-deliverable according to Ulrich and the matching hr-role.

Table 2.4: Schular & Jacksons needed role behaviours versus Ulrich's deliverables.

Strategy	Hr strategy	Hr deliverables	Hr-role
Innovation strategy	facilitate cooperative, interdependent behaviour that is oriented toward the longer term, and foster exchange of ideas and risk taking	creating a renewed organization	Change
Quality enhance strategy	ensure highly reliable behaviour from individuals who can identify with the goals of the organization and, when necessary, be flexible and adaptable to new job assignments and technological change	Increase employee commitment and capability Executing strategy	Strategic partner. Employee champion.
Cost reduction strategy	maximize efficiency by providing means for management to monitor and control closely the activities of employees	Building an efficient infrastructure	Administrative efficiency

Source: Ulrich (1998), Schuler & Jackson (1987).

The relationship between the strategy and hr-roles is uncertain but it is promising and well worth taking in the consideration for this pilot study. This pilot study uses the short self-evaluation questionnaire that Ulrich and Conner (2002) used to identify the different HR-roles being used by the company. This survey provides two kinds of information. The total score can be used to give an overall assessment of the quality of hr services offered within that business. Second the allocation of points among the four roles indicated the current perception of quality of HR services for each, providing a picture of the HR function that allows a business to evaluate it more effectively. In line with the build up of this theoretic chapter it is expected that all roles will be recognized and that differences can be related to size, strategic orientation and the position (if available) of the HR-department.

Ramlall(2003) examined the strategic role of HR and its main practices, described the outcomes of each respective category of HR practices. He hoped that companies one day can use this to determine how particular HR-practices correlate with better business result. The Fundamental role of HRM is essentially to maximize profitability, quality of work and life through effective management of people (Caseio, 2{H)3). Ramlall used the approach Ulrich (1997) prescribed in his book; shifts away from what HR professionals should do and more to what they deliver (in other words focus on outcomes).

Table 2.5 Hr measurement framework

Clusters	Outcomes	Measurement
Strategic planning	Analysis, decisions, and actions needed to create and sustain competitive advantage	Financial profitability Social Responsibility-—viewed by society as ethical, moral, and a preferred employer Integrating in all areas of the organization Efficient utilization of available resources
Acquisition of employees	Effective contribution of new employees to business strategy implementation Planning process, advertising and recruitment sources support business strategy Interviewers effective in selecting right candidates	Adequate number of qualified incumbents Relatively short period of time to hire qualified candidate Reduced cost per hire Increased applicant pool Reduced employee-turnover ratio Higher performance output from incumbents
Training and development	Positive change in attitude of participants Increased expertise in areas applicable to job Opportunities to practice newly acquired skills on the job Support from peers, supervisors, and others in using knowledge gained	Improvement in the performance of the individual, process, and organization
Organizational change and development	Higher levels of productivity. quality of products and services Positive change in responsiveness in meeting customer needs Culture reflects organization and supports business strategy Fluid organization structures	Ability of organization to compete effectively in current internal and external environments Quality of output with respect to customer expectations Service provides competitive advantages Effective response to changes in external environment Maximum sharing of information, leveraging each employee and work unit, and resolving any internal or external challenges
Performance management	Each position and task supports strategic business objectives Effective process for maximizing performance	Job descriptions developed through timely and effective job analysis Feedback shared continuously among all stake holders Every employee is fully aware of his or her role in organization Measurable outcomes identified and measured for each position Process and system viewed as credible, fair, valid, and reliable
Reward systems	Reward system motivates increased performance Incentives provided to achieve individual and organizational behaviors aligned with business strategies and investments	acceptance of employment offers based in part on attractiveness of reward system Reward system reflects employees' personal values and overall culture of organization Cost-effective outcomes of reward system
Organizational behavior & theory	Employee behaviors reflect desired organizational culture and alignment with business strategy	Ability of HR and other leaders to understand, predict, and influence employee behaviors Ability of HR and other leaders to plan for the future based on historical data and current environment

Source: Ramlall (2003)

When the outcomes/ deliverables of Ulrich(1997) are compared to the outcomes of Ramlall and the more classical HR-activities are tied to these outcomes the following table can be made

Table 2.6 The outcomes of Ulrich vs the outcomes and activities of Ramlall

Outcome Ulrich	Outcome Ramlall	Activities Ramlall.
Executing strategy (strategic partner)	• Analysis, decisions, and actions needed to create and sustain competitive advantage • Effective contribution of new employees to business strategy implementation • Planning process, advertising and recruitment sources support business strategy • Interviewers effective in selecting right candidates	Strategic planning Acquisition of employees
Building an efficient infrastructure (administrative expert)	• Each position and task supports strategic business objectives • Effective process for maximizing performance	Performance management
Increase employee commitment and capability (employee champion)	• Employee behaviors reflect desired organizational culture and alignment with business strategy • Reward system motivates increased performance • Incentives provided to achieve individual and organizational behaviors aligned with business strategies and investments • Positive change in attitude of participants • Employee behaviors reflect desired organizational culture and alignment with business strategy	Organizational behavior & theory Reward systems Organizational change and development
Creating a renewed organization (change agent)	• Higher levels of productivity, quality of products and services • Positive change in responsiveness in meeting customer needs • Culture reflects organization and supports business strategy • Fluid organization structures	Training and development Organizational change and development

Source: Adapted from Ramlall (2003), Ulrich (1997)

However this is highly speculative and it remains to be seen if SME's recognize HR-roles within their company let alone tie certain more classical HR-activities to that. But I want to say it is logical to find that companies find certain HR-activities more valuable then others because it delivers/ creates more value for their organization.

2.6 Other variables

2.6.1 Unionisation

The institutional context has especially in the Netherlands a profound influence on the shape of human resource management (Boselie et al., 2001 in de Kok et al 2002). Institutional forces have their greatest impact on newly formed or small organizations, often constraining the range of activities available to these companies (Aldrich & Auster, 1986; Stinchcombe, 1965), an understanding of the effect that societal factors may have on HR is particularly relevant for small business. In the Netherlands, for example, approximately 800 collective labour agreements (CLAs) have been signed, which frequently contain requirements for more formal HRM practices (Rojer and Pulleman, 2000 in de Kok et al 2002).. In addition, every organization with more than 50 employees is legally obliged to install a works council, which has various legal rights. Consequently, we have no clear-cut idea about the impact of the degree of unionization on the formalization of HRM practices in Dutch companies, and therefore do not specify a hypothesis. (De Kok et al, 2002)

2.6.2 Family ownership

Recently, in the Netherlands, interest in the subject has increased. Family businesses are obviously important for the Dutch economy. Regarding the share of family businesses in the SME sector, some estimates are even as high as 80%. (Henriëtte Hulshoff, 2001) Family-owned and -managed organizations apply less formal HRM practices, as do businesses without a business plan. Family-owned and -managed organizations apply less formal HRM practices, as do businesses without a business plan. These businesses are also less likely to have an HRM department or HRM manager. The presence of an HRM department or manager is related to more formal HRM practices, which implies that firm size, family business and the availability of a business plan are both directly and indirectly related to the formality of HRM practices. Ownership seems to be an unlikely contingency variable; it is unlikely that the relationship between formalization of HRM practices and firm performance depends, ceteris paribus, on whether or not a business is owned and managed by members of a single family. The relevance of family business is more likely to reflect differences in goals, attitudes and abilities of the management of the enterprise. (De Kok et al, 2002)

3 Methodology

In order to find out the HR roles, positions, and activities in SME's in the Netherlands, an HR-scan research was conducted from June 2005 to July 2005.
The research scanned 145 SME's in the Netherlands by means of a structured telephone questionnaire interview. This chapter is going to start with the research model and the instrument development (3.1) after which there the data gathering method will be discussed (3.2), the sample character is given (3.3).

3.1 Research model and instrument development

The preliminary research model for the first questionnaire in this pilot study can be drawn as followed:

Figure 3.1
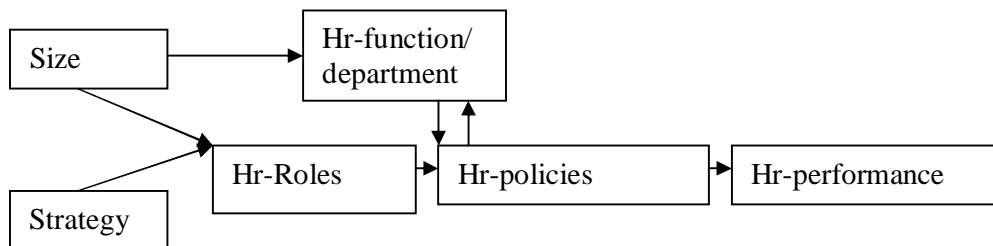
It features Firm size (2.1), Strategy (2.2), Hr-function (2.3), Hr-roles (2.3.1), Hr-policies (2.3.2) and Hr-performance. In the rest of this paragraph a small summary is given over each of these with the way they were researched.

Firm size
It is assumed that firm size is a very important factor in research on SME's in this pilot study. There are d classification used for firm size in different empirical studies. Different size classes should be taken into account because firm size determines among others the level of formalisation needed. Once a certain level is reached, the need to have an HR-department increases. Having a HR-department influences the formalisation and sophistication of HR-policies and practices.
Firm size is measured in this pilot study by asking the respondent the number of employees employed and the total full time equivalent positions in the firm.

Strategy
Strategy can be seen here in two different ways and both have to do with strategic choice. The first kind of strategic choices are made by the dominant coalition and are more long term oriented. These choices determine the technology used and the market the company will be in. The second kind of choices are of a more tactical level and refer to how the resources are deployed to reach the company goals. nA wat to operationalised this would be to ask if the respondents could give the company mission statement. A mission statement states in which branch the company will operate and what activities it will use. To operationalise the second, more tactical, type of choices the typology of Miles & Snow will be used. This is operationalised by asking respondents to choose between four descriptions, each representing one specific strategy.

Hr Department/ function
In this pilot study we assume the way the hr function is organized is to be governed by firm size (2.1) and company strategy(2.2), other variables could also play a role like unionisation(2.4.1) and family ownership(2.4.2). Here we research the role and position of hr within the company. When a company has an HR-department we believe the firm will make more use of high performance HR-practices and will be more formalised then a company without an hr-department.
Because the mere presence of an HR-department is important for the way HR is carried out in the firm questions were asked if there was an HR-department, the size of this department and what positions the workers in that HR-department have.

Hr-roles
In paragraph 2.3.2, the vertical alignment, it was stated that HR-roles are a good approximation of the vertical alignment. When the company strategy and the hr-roles are aligned company performance should be higher then companies that do not have a vertical alignment. Since HR-roles have, to our knowledge, never been tested in the Dutch SME's the main priority here is to see if the HR-roles will be recognized and if a certain pattern can be found in the emphasis on certain roles, related to size and or strategy. To this end the Human Resource Role-Assessment Survey, made by Ulrich, was used. This was done because it was convenient and he displayed high cronbach alpha scores. Cronbach's Alpha is probably the most common measure of test reliability reported in testing manuals. However our population was very large (MKB Netherlands) and the sample only contained 10 companies that fitted the profile. This means that the cronbach alpha scores are not very reliable.

The Ulrich questionnaire used gave the following Chronbach alpha scores.

Table 3.1 Chronbach alpha's for Ulrich questionnaire.

	Chronbach alpha found	Number of items
Administrator (question 1-4)	0,19	4
Employees champion (question 5-8)	,499	4
Advisory role (question 9-12)	,806	4
Change agent (question 13-16)	,635	4

Questions 1 to 4 where intended to measure if the company had an administrator role or not. The questions are not measuring the same thing. We can only clearly state that the questions aimed at measuring the change agent role where measuring the same role. The advisory and employee champion role questions where decent but are still relative low. This is strange because the questionnaire has been tested and used by Ulrich for a long time. It could be that the respondents where not familiar with this type of questioning.

HR-policies
As stated in paragraph 2.3.3 the horizontal alignment a company will likely find certain HR-activities more important then others because they will add more value to their company. To measure this, questions were asked about which HR-policies were seen as most important, who made these policies, who carried them out, and how successful they. Also we asked if these policies were influenced by unionisation (collective labor agreement and unions) and if the company was family owned.

Some general questions were asked about the respondents themselves, such as; age, function, working hours etc.

3.2 Data gathering method
A survey was done within Dutch SME's to find out how HR-departments perform in their respective environment. An empirical survey was chosen because of the lack of data on this subject. This survey is explorative and descriptive by nature.
A preliminary list of potential respondents was obtained from Saxion Hogeschool Deventer which contained 146 good contacts. These companies where good contacts of Saxion Hogeschool Deventer and because of this we hoped they would cooperate easier with the

research. This list was screened, based on size, which resulted in 139 SME's suitable companies.

These companies were sent a letter and a short version of the questionnaire. With sending the short questionnaire in advance we hoped that the survey taken by phone would go faster because the respondents had more time to prepare for the hard questions and look up certain information about the company. The letter had several purposes; to state what this research is about, what we expect of them and to motivate them to participate in the research (see appendix for this letter).

To increase the number of respondents 40 more companies where contacted. They were obtained from the yellow pages and SME sites. These 40 companies where asked if they were interested in joining the research. From these 40 companies a selection was made based on size (50-500) and as a result 7 letters with the example questionnaire was sent by email. From this we obtained 2 more active participants. In total the letter and example questionnaire was sent to 145 SME's of which 32 participated in the research giving it a response rate of 22%, which is an acceptable response rate.

Table 3.2: participants

		Count	%
Participant	Yes	32	22,1%
	No	113	77,9%

Some companies however wished to participate even though they where too big, 3 companies where found to be too big based on FTE size.

If companies didn't want to participate in the research they were asked for a reason. The main reason for companies not to participate was; time restraints. Other reasons included: too big, double entries (due to the list of Saxion some companies were double in the list, different contact person for the same company) and certain companies were simply unreachable.

Table 3.3: reasons to not participate

		Count	Col %
Reasons not to participate	No reason/ time	67	59,3%
	To big	22	19,5%
	Unreachable	17	15,0%
	Double	7	6,2%

This research used a structured telephone interview. Several other means of doing a survey are possible; face-to-face, post or internet. Sturges & Hanrahan (2004) showed that telephone interviews could stand in for qualitative research. Respondents who agree to be

interviewed about sensitive topics may prefer the relative anonymity of telephone versus face-to-face interaction with the researcher (quoted in Sturges & Hanrahan (2004); Fenig & Levav, 1993). Telephone interviewing may provide an opportunity to obtain data from potential participants who are reluctant to participate in face-to-face interviews or from groups who are otherwise difficult to access in person (Tausig & Freeman, 1988, pp420). Telephone interviewing is a cost-effective method of data collection, particularly when compared to face-to-face interviews located in the respondent's normal environment (quoted in Sturges 2004; Tausig & Freeman, 1988; Aquiline, 1992; Miller, 1995). This interview incorporated several complex questions (the questions about strategy and the statistical data) and it was known that several respondents would be hard to reach because of time restraints. Doing face to face interviews would be too time consuming and expensive so interviewing by telephone was chosen.

The companies that received the letters by post were phoned 2 to 4 days after sending the letter so it was fresh in their memory. They were then asked if they wanted to participate in the research and if they were willing to make an appointment to perform the interview. There were 34 telephone interviews conducted which took an average of 30 minutes

3.3 Sample

We contacted 145 companies and in total 32 companies were interviewed. The descriptives of these companies and the respondents are given below.

Company situation

Firm size:
In summary most of the companies unfortunately did not fit the research population this pilot study aimed for. Several were to big (>500 employees) and were therefore dismissed from the research leaving us with 25 companies. Ten more companies did not fit the research population because they were part of a larger corporation and five companies were part of a larger governmental organisation. This meant that only 10 companies fitted the research population. With only 10 companies that fit the research population no relevant conclusions can be drawn because the population is just too small. Two companies have less then 50 employees, 2 companies have 51-100 employees, 6 have 101-200 employees; 6 have 201-300 employees; 301-400 have 7 employees, 3 have 401-500 employees and 12 have more then 500. This means that we have quite a lot companies that have more then 500 employees who are out of the scope of this research. We decided to take them into the research regardless to be able to compare the SME's against the larger companies and see if they

really differ from larger companies on the aspects we mentioned in paragraph 2.2.

Table 3.4: Firm size. :

		Frequency	Percent
Valid	50-100	2	6,3
	101-200	2	6,3
	201-300	6	18,8
	301-400	7	21,9
	401-500	3	9,4
	>500	12	37,5
	Total	32	100,0

Branch:
We interviewed companies in several branches. Most of the companies we interviewed where in healthcare (8), and industry (8), and 6 are governmental agencies.

Table 3.5a: branche

		Frequency	Percent
Valid	Financial services	1	3,1
	Healthcare	8	25,0
	Wholesale	1	3,1
	HR-service	2	6,3
	Industry	8	25,0
	Education	1	3,1
	Government	6	18,8
	Other	1	3,1
	Other business services/ consultancy	4	12,5
	Total	32	100,0

Table 3.5b: Branche * grootte Crosstabulation

		grootte						Total
		50-100	101-200	201-300	301-400	401-500	>500	
Branche	Other business services/ consultancy	0	1	3	0	0	0	4
	Government	0	0	1	1	1	3	6
	Healthcare	1	0	0	2	0	5	8
	HR-service	1	0	1	0	0	0	2
	Financial services	0	1	0	0	0	0	1
	Wholesale	0	0	0	0	0	1	1
	Industry	0	0	1	3	2	2	8
	Other	0	0	0	1	0	0	1
	Education	0	0	0	0	0	1	1
Total		2	2	6	7	3	12	32

Table 3.5a only shows the companies located in a certain branch. Because we had several companies were larger then 500 employees table 3.5b gives a better representation of the actual sample. We can see that the bigger companies are more in the governmental sector and in the healthcare industry. The companies in the industry sector are spread over the sizes 201 to 500+.

Ownership:
Most of the companies answered that they are a business unit, a governmental agency and or a foundation.

Table 3.6a company ownership percentage

Ownership	Amount	Percentage
Family business	4	12,5%
Business unit	12	37,5%
franchise	0	0%
Independent Ltd	5	15,6%
government institution	9	28,1%
Foundation	11	34,4%

Table 3.6a company ownership percentage

	Size						Total
	50-100	101-200	201-300	301-400	401-500	>500	
Family business			1	1	1	1	4
Business unit	1		1	4	2	4	12
franchise							
Independent Ltd	1		2	1	1		5
government institution		1	1	1	1	5	9
Foundation		2	3	2		4	11

Respondent Individual Situation:
Gender and age:
Within the 32 respondent, 22 are woman which is 69%.

gender

10, 31%

■ mal e
■ f emal e

22, 69%
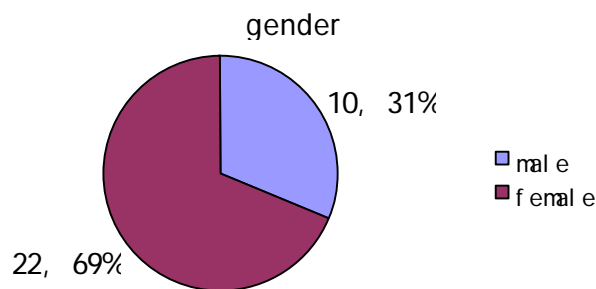
Age:
The respondents age varied from 20-65. (see table 3.7) The respondents where a total of 32 of which 3 did not want to give their age. The average age is 38,55 years.

Table 3.7 age situation

age	count
20-30	4
31-40	15
41-50	8
51-65	2

Education level:
62.5% of the interviewees are educated to a level of higher school, 34.4% are Higher Education. Of the respondents there was one that did not want to state his level of education

Table 3.8 Education

	Amount	Percentage of total
HBO	20	65%
MBO	11	35%

Working experience:
The working experience of the respondents varied considerably ranging from 3 months to 15 years in function and at the company. Most respondents worked for the company for a long time and most had been in the function for several years (3-5 years).

Table 3.9 Working experience:

Years	In company	In Function
<1	1	2
1-3	4	5
3-5	9	10
5-7	6	6
7-10	1	2
10-15	11	6

Working hours:

50% of the respondents (15) answered that they work more then 36 hours a week.

Table 3.10 Frequency Statistics of working hour

		Frequency	Percent
Valid	<12	1	3,1
	12-23	3	9,4
	24-31	5	15,6
	32-36	6	18,8
	36<	16	50,0
	Total	31	96,9
Missing	System	1	3,1
Total		32	100,0

4 Results

Although only 10 companies fitted the profile we were aiming for, companies between 50-250 employees in the private sector, we can still give some results for our research model. We analyse the results for the 32 companies that participated in the research, this to see if firm size matters. While the results are limited in reliability we still present them because little is known about human resources in SME's in general and it will also help us to determine how effective the questionnaire was; what worked well and what did not work. To present the findings our research model from chapter 3 is used.

Figure: 4.1
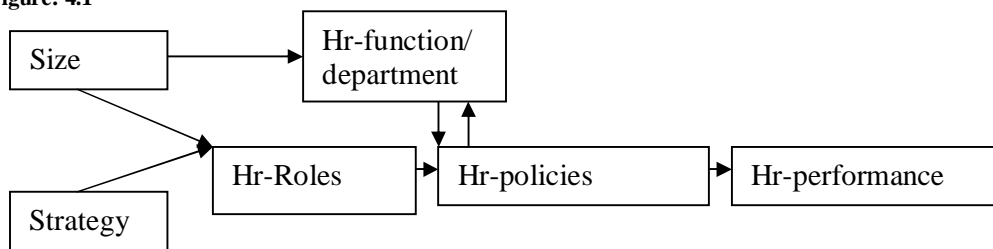
This model was developed to identify a vertical alignment (strategy and hr-role), what hr-policies SME's find important and if there is a HR-department, what its activities are, how successful these activities are and by who these activities are implemented.
In order to analyze if the companies have a vertical alignment we first need to see if the companies follow a clear strategy which is done in 4.1. In 4.2 we check if the companies have a specific HR-role. After this we to analyze if the hr-roles and strategies differ for company size. We look if companies following a specific strategy and have a specific hr-role and this is discussed in 4.4. In 4.5 we discuss how important the hr-department finds hr-activities, how successful they find them, by who they are implemented and by makes the policies for these activities. In 4.6 we discuss the other variables as pointed out in 2.6.

4.1 Strategy

In general the respondents had no difficulties answering most questions in the questionnaire, a notable exception where the questions about strategy. Here respondents were asked to score on a 5 point likert scale if they agreed with the short descriptions of the different strategies. The answers let to remarkable results (as can be seen in table 4.1a).

Table 4.1a Main strategy vs strategy.

		Main strategy			
		Innovator	Defender	Analyst	reactor
Secondary strategy	No clear strategy	4	4	5	3
	Innovator	10	2	2	1
	Defender	2	4	3	1
	Analyst	2	3	9	1
	Reactor	1	1	1	2
	Total	14	8	14	5

The table shows that respondents would agree at the same time to contradicting strategies, stating e.g. that they thought the company was both a defender and an innovator at the same time and equally so. Seven companies in total did not have a clear strategy. The most frequent comment from the respondents here was that they saw a little bit of every strategy in the company strategy.

One might consider from the results that the respondents saw no clear strategy in their company, but the results can also be interpreted differently. We feel the results cast some doubt on the method used which was intended to force the respondents to choose either one of the strategies exclusively. Forced to make a choice it is known from previous research, the respondents will do so. It is however doubtful if this response can be trusted. Hence in this research, where respondents could indicate each strategic position on a five point scale, gives mixed results. It might be that the respondents, hr-employees, were not in the right position to give a good answer. It could also be possible that the company had no clear strategy to begin with or that the questions themselves do not discriminate. We cannot be sure if in previous research it was the forced choice that suggests a clean strategy, while this was in fact not the case but an artefact produced by the research method.

Changing respondents, from the hr-department to a higher hierarchical level, might be a way to get more reliable answers. Because the respondents found related questions to questions about the company strategy (branch and mission statement) also difficult to answer. Theory on SME's state that SME's rarely have a formalized strategy therefore asking the manager/ owner for the strategy could be a better way; because he could have clear vision what the strategy is. He may not communicate this vision to the rest of the company so others don't know this.

Another problem could be that the questions themselves are hard to answer and question 2 (analyst) seems the most difficult with 6 respondents that did not answer that question. If short description of the strategies are used it seems more sensible to ask the manager/ owner for his / her opinion.

4.2 HR-role

We expected to find that the administrative role would be the most important role because from previous research we know that this is the basic role the HR-function needs to perform. If we take a look at Tyson and Fell (1986) they state clearly (in 2.5.2.1) that an hr-department needs to begin with clerks of work role, then the contracts manager role and finally the architect role.

Table 4.2 The clear hr-role

		Frequency	Percent
Valid	No clear role	7	21,9
	Administrative expert	15	46,9
	change agent	2	6,3
	Employees champion	4	12,5
	Advisor	4	12,5
	Total	32	100,0

We find that the administrative role is the highest ranked with 15 companies. This is in accordance to Tyson and Fell and Ulrich who said that this is the basic of HR-work. However for the rest the roles are very spread and this is in accordance with Ulrich who states that a HR-department should for fill all HR-roles.
The scales have been tested, developed and used by Ulrich for a long time in relative large companies and it was specifically developed for the HR-function. He presented high alpha scores. We cannot give a reliable cronbach alpha because we only have a small sample (see 3.1) However our questionnaire did differ from the way Ulrich asked the questions to his respondents;
The first difference is we send out a few questions in advance with the aim to familiarize the respondents with the type of questioning. The questions that where send all belonged to the defender role.
Another difference is that we asked the questions in groups that belonged to each other while Ulrich asked the questions randomly.

4.3 Size

In 2.1 we argued that SME's differ from large companies on many aspects like; resources, formalisation degree, specialists and flexibility. For example Porter said that small and medium sized companies are better off following a differentiation or focus cost leader strategy because they lacked the resources to pursue an overall cost leader strategy and lack the resources for a broad differentiation strategy. In the table below we see that very small companies 50-200 do indeed follow either an analyst or an innovator strategy, however this is only 4 from the total. We cannot say much considering the small sample size.

Table 4.3 Size * The clear strategy Crosstabulation

		The clear strategy					Total
		No clear strategy	Innovator	Defender	Analyst	Reactor	
grootte	50-100	0	0	0	2	0	2
	101-200	0	1	0	1	0	2
	201-300	1	3	1	1	0	6
	301-400	1	3	1	1	1	7
	401-500	0	1	1	1	0	3
	>500	5	2	1	3	1	12
Total		7	10	4	9	2	32

Of the total respondent group, most companies followed an innovator strategy (10), an analyst strategy (9) or had no clear strategy (7). From the companies that had no clear strategy 5 from the 7 where large companies. We don't find that companies follow a certain strategy based on firm size.

Another (characteristic of large companies is that they have an HR-department. We asked specifically if they had somebody in charge of HRM and if so how many FTE was related to specific hr-functions. The results indicate that all had at least one person in charge of HRM related activities.

4.4 Vertical alignment

We expected to find some indication of a vertical alignment. It seems very logical to deploy resources in such a way that it would benefit the strategy of that company. We stated that having a match between strategy and hr-role would indicate a vertical alignment within the company. However do not find any relations. The table below gives the results. Seven companies gave no clear strategy roles and 7 companies gave no clear hr-roles. This means we do not find that our respondent companies use vertical alignment. This is to no surprise because of the mixed results on questions about strategy and the spread of answers on hr-roles.

Table 4.5 Clear strategy vs Clear hr-role

		The clear hr-role					Total
		No clear role	Administrative expert	change agent	Employees champion	Advisor	
The clear strategy	No clear strategy	1	6	0	0	0	7
	Innovator	3	3	2	0	2	10
	Defender	0	2	0	1	1	4
	Analyst	2	4	0	2	1	9
	Reactor	1	0	0	1	0	2
Total		7	15	2	4	4	32

The administrative expert role is the role taken by most companies regardless of strategy which was already the case for company size.

4.5 Characteristics of Hr-work in SME's

We can give the characteristics of HR work in SME's since we did ask how important certain hr-policy areas were for the companies, who determined the content of these hr-policies, who carried them out and how successful these policy areas were.
The first table 4.5.1 shows the importance of a specific policy area for different company sizes. Table 4.5.1b shows how effective the respondents thought these hr-policies were for their company. In the attachments tables 4.5.2 to 4.5.9 shows who makes the hr-policies and 4.5.10 to 4.5.18 shows who performs these activities.

4.5.1a Importance of specific activities for company sizes.

	50-100	101-200	201-300	301-400	401-500	500+	Mean
Training & selection	4,00	2,000	3,667	3,429	4,00	3,833	3,613
Employee planning	3,50	2,50	3,00	3,86	3,67	3,58	3,47
Performance evaluation	4,50	4,00	3,17	3,57	3,00	3,00	3,32
Training and development	3,50	3,50	3,33	3,86	3,67	3,58	3,59
Career development	2,50	2,50	2,33	3,29	3,33	3,42	3,06
Remuneration and reward	3,00	3,00	2,33	3,43	3,00	2,92	2,94
Employment relations	3,00	3,50	3,00	3,43	4,00	3,42	3,38
Sickness leave policy	3,50	3,50	4,33	4,14	5,00	4,17	4,19

1-5 Scale

4.5.1b Effectiveness of specific activities for company sizes.

	50-100	101-200	201-300	301-400	401-500	500+	Mean
Training & selection	3	3.5	4	3	3	4	3,6
Employee planning	2.5	3.5	3.17	2.83	4	2.73	3
Performance evaluation	2	4	3.5	2.33	3	2.45	2,77
Training and development	3	3.5	3	3.17	4.67	3.36	3,37
Career development	2.5	3	3.17	2.5	4	3.18	3,07
Remuneration and reward	2.5	3.5	2.67	2.5	3.33	3	2,93
Employment relations	3.5	4	3.17	3.33	4.33	3.27	3,43
Sickness leave policy	3	4	4.17	3.17	4.67	3.82	3,80

1-5 scale

We find that the hr-department find the importance and effectiveness of hr-activities even important regardless of firm size but these findings are only based on our small sample.
We expected to find that the greater the degree of freedom an owner has, the greater the influence of his or her idiosyncratic stamp on overall strategy and hr-policies. In small companies the owner plays a more dominant role and therefore we expected to find that the owner dictates the hr-policies. Our results show that the hr-function can decide or help decide most of the hr-policies regardless of size. The influence of other hierarchical levels (the owner/ director, concern table 4.5.2-9) plays a bigger role in larger companies but then it becomes a joint co-operation. The line manager plays a bigger role in employee planning and sickness leave then in other policies.

We find the HR-function plays the role of support function. Were it helps the line manager and the management to establish hr-policies and helps the line manager to execute/ implement these. It is therefore not surprising that the hr-department for fills a more executing / implementing role in smaller companies while in larger companies HR would play a more support role to both the management and the line managers. The results could be a bit distorted because the respondents could give more then one option of who made the hr-policies and who implemented them.

4.6 Other variables

We also wonder what influence the type of ownership has on overall strategy, the HR-roles and HR-policies in SME's alongside the influence of size. As stated before the greater the degree of freedom an owner has the greater the influence of his or her idiosyncratic stamp on overall strategy and HR-policies. De Kok, Uhlaner & Thurik (2003) said that family owned companies tend to keep in control themselves by not letting hr-specialists in. The degree of freedom from collective labour arrangement or forms of co-operation with other companies could also be important.

5 Conclusion

The topic of this pilot study is both scientifically and practically relevant. This is due the increased awareness of the importance of human resources as a fundamental source for sustained competitive advantage. Good personnel policies are not only important for large companies, they are important for SME's as well. Managers and owners of SME's find personnel practices important enough to spend their own time on, yet they lack the tools to implement good personnel management practices. More data and especially more empirical data about HR in Dutch SME's is needed to help the owners/ managers tackle the HR problems they face.

Currently the research model as described in this pilot study can answer the main research question. What is the current role and position of the HR-department for SME's in the Netherlands? It takes the most relevant factors leading to HR-choices into account based on the literature overview. The most relevant variables being; firm size, strategy, HR-role and position, HR activities and HR-outcomes.

Firm size

Earlier research shows that company size matters and in this pilot study it is seen as one of the most important variables. As a company grows, its HR system will become more complex and more formalized. It seems that having 20 employees marks a critical turning point for a company, at which the owner/ manager tends to get overburdened and has to start to delegate hr-responsibilities. At 50 employees, 63% of the SME's create a formal HR-position, which in turn leads to more formalized practices. Based on these findings it is important to classify companies according to size. A proper classification would be >20, 21-40, 51-100, 101-250, where it is expected that the owner/ manager would dominate the hr practices and an increased formalisation and sophistication emerges as company size increases. At about 50 employees it is expected that a proper hr-function is found.

Strategy

Business strategy is seen in this pilot study as another major variable leading to certain HR-choices. The reasoning behind this is twofold; first it sets the market in which the company will operate and the technology it will use, second it gives a guideline as how the company will use its resources to fulfil its objectives. Human resources belong to the resources a company can utilize. Also ownership of the company plays an important role as family owned companies tend to use less formal HR-systems than non-family owned and they often lack an HR-person. So business strategy and ownership are important predictors for hr-development and sophistication.

The operationalisation of the Miles and Snow typology used in this pilot study proved too difficult for our population. This could be due to 3 main reasons; the operationalisation of the questions is not good, the respondents did not know the business strategy or there is no clear business strategy. The last reason could very well explain why this went wrong because it is known that SME's rarely make use of a formalized business strategy. Asking the management for the type of strategy could be more successful because of two reasons. The management should know the company strategy themselves even if they did not formalize and communicate the strategy. If the short abbreviation remains to be used the questions themselves need to be more unique so respondents would identify less with the strategies the company does not follow. A good operationlisation is still to be found here.

Hr-role and position

Hr-roles and positions as indicated by Ulrich have a very low Chronbach alpha score and it's doubtful it can be used as an approximation of the importance of HR in SME's. Maybe the questions where wrong given that they where taken from English and asked in Dutch or the way they where asked (different order) and sending a few questions in advance made the scales unreliable. The first group of four questions that belonged together where send in advance and perhaps the respondents thought they had to score different for each question. It was expected that it can be useful to give some indication of what the personnel function in SME's is concerned with and how they are positioned within the company. Further questions on the relevant fields of HR should help to fill in their activities.

Hr outcomes

Labour turnover and sickness rates together with annual turnover figures for the last two years should provide a rough indication for the performance to the company and it's HR-effectiveness.

To test the model and the research tools a small pilot study was conducted. Unfortunately it failed because the research population was inadequate. A lot was learned however and further testing of this research model would help to increase the empirical data about the HR-function in SME's in the Netherlands. A slight improvement to the questionnaire with regards to strategy and hr-outcomes would be advisable. This could be done by changing the questions or asking at a higher hierarchical level.

Reflection

In the current hectic world of ever increasing competition companies strive to gain a competitive advantage. One of the means to achieve sustained competitive advantage is Human Resources. It is not easily replaced, durable and can help to differentiate in area's the customers appreciate. Managing the human resources has yet to find a good way of doing so. In the past it has focussed on best practices; figuring out what works in certain conditions. In the Netherlands these best practices are widely used and enforced by the government. We must not forget this as we are investigating SME's within the Dutch context. These rules are more loosened, by the European Union, to increase competition amongst the different countries within the European Union and HR can really start to play a bigger role for a company to compete. It is a shame however that generally the hr-departments keep track of the performance of employees but not of their own performance. This can be seen as a real threat if the hr-department wants to play a certain role, like the advisory role, but they cannot back up their claims (higher profit) while other departments can. Hr-professionals should first look to their own processes and manage them in a correct way, align them so that it serves the interests of the company; 'deliver value' Ulrich would say. They should also keep track of their own performance because if the hr-department hopes to play a strategic role they should be able to convince the other departments of the usefulness of HR. This could be hard to achieve for many HR-professionals since they are not primarily responsible for formulating the hr-policies nor are they responsible for a good implementation. If the HR-professional would start to collect information on how to improve and manage their own process well they could start to get a powerbase to work from and increase their own position within the company with the aim to be responsible for the either good implementation of the policies and or for having good policies.

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Appendix

Who determines the hr-policies to company size.

4.5.2 Training & selection

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner		1	3	2		4
Concern			1	1		4
HR-department	2	1	2	4	3	5
Line manager					1	2
Ext agency						

4.5.3 Employee planning

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner	1	1	4	5	2	7
Concern			1	1		4
HR-department	1	1	1	1	2	3
Line manager			2	3	1	3
Ext agency						

4.5.4 Job performance

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner		2	2	2		5
Concern			2	1		4
HR-department	2	1	2	2	3	3
Line manager				1	1	3
Ext agency				1		

4.5.5 Training and development

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner		1	2	2		5
Concern			1	1		4
HR-department	2	1	2	3	3	5
Line manager			1	1	1	1
Ext agency						

4.5.6 Career development

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner		2	3	2		5
Concern			1	1		4
HR-department	2	1	1	3	3	4
Line manager			1	1	1	2
Ext agency						

4.5.7 Remuneration and reward

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner	1	2	3	2	1	6
Concern			1	2		4
HR-department	2	1	2	4	2	4
Line manager					1	1
Ext agency						

4.5.8 Employee relations

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner		1	3	2	1	6
Concern			1	2		4
HR-department	2	1	2	2	2	4
Line manager				1	1	1
Ext agency						

4.5.9 Sickness leave policy

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner		1	2	2		5
Concern			1	2		4
HR-department	2	1	3	3	3	4
Line manager			1		1	2
Ext agency						

Implementing Hr-policies to company size.

4.5.10 Training & selection

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner				1	1	
Concern						
HR-department	1	1	3	3	2	8
Line manager	2	1	3	3	1	12
Ext agency		1		1		

4.5.11 Employee planning

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner					1	
Concern	1	1				
HR-department			4	1	2	6
Line manager	2	1	2	6	1	9
Ext agency						

4.5.12 Job performance

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner					1	
Concern						
HR-department			2		2	3
Line manager	2	2	4	7	1	12
Ext agency						

4.5.13 Training and development

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner					1	
Concern						
HR-department		1	3	2	2	6
Line manager	2	1	3	5		12
Ext agency		1			1	

4.5.14 Career development

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner				1	1	
Concern						
HR-department	1	1	3	2	2	5
Line manager	2	1	3	6		11
Ext agency					1	

4.5.15 Remuneration and reward

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner			1		1	
Concern	1					
HR-department		1	3	4	2	5
Line manager	2	1	1	3	1	8
Ext agency		1				

4.5.16 Employee relations

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner			2	1	1	1
Concern	1					
HR-department	1	1	3	2	1	5
Line manager	1	1	1	5	1	11
Ext agency		1			1	

4.5.17 Sickness leave policy

	50-100	101-200	201-300	301-400	401-500	500+
Director/ owner					1	
Concern						
HR-department		1	2	2	1	5
Line manager	2	1	4	6	1	12
Ext agency		1			1	

Hr-policy control to branch.

Branche * Verantwoordelijk voor werving en selectie? Crosstabulation

		Verantwoordelijk voor werving en selectie?					Total
		Directeur	Concern	Pno	Lijnmanager	Pno & MLM	
Branche	Overige zakelijke dienstverlening	1	1	2	0	0	4
	Overheid	3	0	2	0	1	6
	Gezondheidszorg	1	4	2	1	0	8
	Hr-dienstverlening	0	0	2	0	0	2
	Financiele dienstverlening	1	0	0	0	0	1
	Groothandel	0	0	0	0	1	1
	Industrie	2	1	5	0	0	8
	Overheid	0	0	1	0	0	1
	Onderwijs	1	0	0	0	0	1
Total		9	6	14	1	2	32

Branche * Verantwoordelijk voor personeelsplannign? Crosstabulation

		Verantwoordelijk voor personeelsplannign?							Total
		Directeur	Concern	Pno	Lijnmanager	Pno & MLM	Directeur & Pno	Directeur & MLM	
Branche	Overige zakelijke dienstverlening	1	1	2	0	0	0	0	4
	Overheid	2	0	1	1	1	1	0	6
	Gezondheidszorg	2	4	1	1	0	0	0	8
	Hr-dienstverlening	1	0	1	0	0	0	0	2
	Financiele dienstverlening	1	0	0	0	0	0	0	1
	Groothandel	0	0	0	0	0	1	0	1
	Industrie	1	1	2	3	0	0	1	8
	Overheid	0	0	0	1	0	0	0	1
	Onderwijs	1	0	0	0	0	0	0	1
Total		9	6	7	6	1	2	1	32

Branche * Verantwoordelijk voor personeelsbeoordeling? Crosstabulation

		Verantwoordelijk voor personeelsbeoordeling?							Total
		Directeur	Concern	Pno	Lijnmanager	Pno & MLM	Directeur & Pno	Extern bureau	
Branche	Overige zakelijke dienstverlening	1	1	1	0	0	1	0	4
	Overheid	2	0	0	1	1	2	0	6
	Gezondheidszorg	2	4	1	1	0	0	0	8
	Hr-dienstverlening	0	1	1	0	0	0	0	2
	Financiele dienstverlening	1	0	0	0	0	0	0	1
	Groothandel	0	0	0	0	1	0	0	1
	Industrie	1	1	5	1	0	0	0	8
	Overheid	0	0	0	0	0	0	1	1
	Onderwijs	1	0	0	0	0	0	0	1
Total		8	7	8	3	2	3	1	32

Branche * Verantwoordelijk voor training en opleiding? Crosstabulation

		Verantwoordelijk voor training en opleiding?					Directeur & Pno	Total
		Directeur	Concern	Pno	Lijnmanager	Pno & MLM		
Branche	Overige zakelijke dienstverlening	1	1	2	0	0	0	4
	Overheid	2	0	1	0	1	2	6
	Gezondheidszorg	2	4	2	0	0	0	8
	Hr-dienstverlening	0	0	1	1	0	0	2
	Financiele dienstverlening	1	0	0	0	0	0	1
	Groothandel	0	0	0	0	1	0	1
	Industrie	1	1	5	1	0	0	8
	Overheid	0	0	1	0	0	0	1
	Onderwijs	1	0	0	0	0	0	1
Total		8	6	12	2	2	2	32

Branche * Verantwoordelijk voor loopbaanontwikkeling? Crosstabulation

		Verantwoordelijk voor loopbaanontwikkeling?						Total
		Directeur	Concern	Pno	Lijnmanager	Pno & MLM	Directeur & Pno	
Branche	Overige zakelijke dienstverlening	1	1	1	0	0	1	4
	Overheid	2	0	1	0	2	1	6
	Gezondheidszorg	2	4	1	1	0	0	8
	Hr-dienstverlening	0	0	1	1	0	0	2
	Financiele dienstverlening	1	0	0	0	0	0	1
	Groothandel	0	0	0	0	1	0	1
	Industrie	2	1	4	1	0	0	8
	Overheid	0	0	1	0	0	0	1
	Onderwijs	1	0	0	0	0	0	1
Total		9	6	9	3	3	2	32

Branche * Verantwoordelijk voor beloning? Crosstabulation

		Verantwoordelijk voor beloning?							Total
		Directeur	Concern	Pno	Lijnmanager	Pno & MLM	Directeur & Pno	9,00	
Branche	Overige zakelijke dienstverlening	1	1	1	0	0	1	0	4
	Overheid	2	0	0	1	1	2	0	6
	Gezondheidszorg	2	4	2	0	0	0	0	8
	Hr-dienstverlening	0	0	1	0	0	1	0	2
	Financiele dienstverlening	1	0	0	0	0	0	0	1
	Groothandel	0	0	0	0	0	1	0	1
	Industrie	3	1	3	0	0	0	1	8
	Overheid	0	0	1	0	0	0	0	1
	Onderwijs	1	0	0	0	0	0	0	1
Total		10	6	8	1	1	5	1	32

Branche * Verantwoordelijk voor arbeidsverhoudingen? Crosstabulation

		Verantwoordelijk voor arbeidsverhoudingen?						Total
		Directeur	Concern	Pno	Lijnmanager	Pno & MLM	Directeur & Pno	
Branche	Overige zakelijke dienstverlening	1	1	2	0	0	0	4
	Overheid	2	0	1	1	1	1	6
	Gezondheidsz org	2	4	2	0	0	0	8
	Hr-dienstverlening	0	0	2	0	0	0	2
	Financiele dienstverlening	1	0	0	0	0	0	1
	Groothandel	0	0	0	0	0	1	1
	Industrie	3	1	3	1	0	0	8
	Overheid	0	1	0	0	0	0	1
	Onderwijs	1	0	0	0	0	0	1
Total		10	7	10	2	1	2	32

Branche * Verantwoordelijk voor ziekteverzuim? Crosstabulation

		Verantwoordelijk voor ziekteverzuim?						Total
		Directeur	Concern	Pno	Lijnmanager	Pno & MLM	Directeur & Pno	
Branche	Overige zakelijke dienstverlening	1	1	1	0	1	0	4
	Overheid	2	0	0	1	1	2	6
	Gezondheidsz org	2	4	2	0	0	0	8
	Hr-dienstverlening	0	0	2	0	0	0	2
	Financiele dienstverlening	1	0	0	0	0	0	1
	Groothandel	0	0	0	0	1	0	1
	Industrie	1	1	6	0	0	0	8
	Overheid	0	1	0	0	0	0	1
	Onderwijs	1	0	0	0	0	0	1
Total		8	7	11	1	3	2	32