Human Resource Management, Business Performance, and Innovation in Small and Medium Enterprises

Extended Report of the HRMinSMEs study (2020-2023) in Greece and Cyprus and links to other research evidence

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PREFACE

SMEs have always been the main force behind market economies. Large firms depend on them for their supplies, for support in various tasks through outsourcing, for technical and digital services while in the form of startups they are the main source of innovation.

SMEs depend on their people or in real words exist thanks to their people. Therefore, having motivated, well trained, and satisfied employees is a matter of survival. At the initial stages everything depends on the talent of the owner/founder. As firms gradually grow, they face the challenges of introducing HRM policies and practices to help them guide their people in a fair and empowering way. It is therefore of major importance to find out how HR works in smaller firms, which are the practices that help companies perform better, which are the difficulties faced and how practices implemented by larger firms can be adapted to fit their actual needs. This report has carefully charted HRM in SMEs in order to better understand their needs and help them in acquiring and maintaining a satisfied and high performing workforce through various suggestions for managing people effectively.

Nancy Papalexandris

Emeritus Professor in HRM, Founder and former Director, AUEB
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INTRODUCTORY NOTE FROM THE EDITOR & PROJECT CO-ORDINATOR

The HRMinSMEs is a research project conceptualized in 2018, when the first application for funding was developed. It received approval from the Hellenic Foundation for Research and Innovation (HFRDI) in 2019 (project number 1683) and started being implemented at the HRM Laboratory of the Athens University of Economics and Business from 2020 to 2023.

During its realization, it has been graciously supported by many constituencies, both organizations and individuals. First, we received generous funding from HFRDI and we were hosted by the Athens University of Economics and Business, in the HRM Lab. Second, we partnered with the University of Cyprus for the collection, analysis, and dissemination of the data gathered. Third, multiple organizations supported in numerous ways the project activities. With the fear of missing out some of them and to name only a few: the Greek Ministry of Development, the City of Athens, the Greek People Management Association, the Hellenic Confederation of Professionals, Craftsmen, and Merchants, and more than 200 firms that contributed time and knowledge and participated to the research by providing data.

It has also been supported by numerous individuals. First and foremost, by the researchers who worked on the project during all its stages and have contributed as co- authors of the present collection[1]: Ioanna Deligianni, Nikolaos Pahos, Leda Panayotopoulou, Nancy Papalexandris, Irini Voudouris, and Irene Zografou from the Athens University of Economics and Business, and Christiana Ierodiakonou from the University of Cyprus. Also, it was supported by the researchers who provided work, experience, and knowledge capital, without participating in the current collective volume, but their involvement was critical for the HRMinSMEs final outcomes: Eleni Stavrou from the University of Cyprus, Michael Morley from the University of Limerick, Emma Parry from the Cranfield University, and Evi Blika from the Athens University of Economics and Business. Second, almost 1000 individuals anonymously participated as respondents in the multiple research studies conducted as part of the overall project (interviews, focus groups, organization level, and employee- level surveys). Finally, numerous administrative employees at the Athens University of Economics and Business at various stages enabled the implementation of the HRMinSMEs project. To name only the most impactful, Rania Roditi, Stefanos Bourazas, and Katerina Stamatiadi.

[1] The names of the researchers are listed in alphabetical order.

I wish to wholeheartedly thank you all, organizations, and people. Without your trust and support, the HRMinSMEs outcomes would not have been possible! Having mentioned outcomes, only to highlight the extensive effort and care invested to HRMinSMEs, I would like to name the most representative ones:

- a systematic literature review and respective chapter,
- 45 interviews with SME owners/ directors,
- development of 2 survey questionnaires (1 addressed to enterprises and 1 addressed to their employees), both in Greek and in English,
- 5 papers presented at academic conferences,
- collection of 1000 questionnaires and subsequent analyses,
- 4 academic papers under review in scientific journals,
- 2 academic papers under development,
- 1 leaflet shortly reporting the major outcomes from all the research studies conducted, and
- the present collective volume. In the present work, descriptive statistics results from the survey conducted in Greek and Cypriot SMEs (company level questionnaires) are summarized and discussed by the core researchers of the HRMinSMEs project.

I sincerely hope that the present work will prove useful to business professionals as a benchmarking tool, to policy makers as a strategic planning, evidence-based, policy calibration instrument, and to business researchers and students as a reference and source of valuable information when formulating future research design and questions.

Eleanna Galanaki

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INTRODUCTORY NOTE FROM THE ASSISTANT EDITOR

It is with great pleasure that I welcome you to the first edition of this publication. As the Assistant Editor, I am honored to present this comprehensive report that delves into the intricacies of Human Resource Management (HRM), Business Performance, and Innovation within Small and Medium-sized Enterprises (SMEs).

Over the past three years, our team of professors, researchers, and experts have conducted extensive literature reviews, collected, and analyzed data, to provide you with the most up-to-date and relevant information in business areas that are essential for the success of SMEs. This report aims to inform, inspire, and challenge conventional thinking, serving as a valuable resource for professionals, and scholars seeking a deeper understanding of HRM, Business Performance, and Innovation issues within SMEs. It offers various practical insights and recommendations to help professionals navigate unique challenges and seize opportunities in the dynamic world of SMEs.

Our insights are derived from real-world case studies, with renowned authors and experts having shared their knowledge in their respective fields. On this note, I would like to express my gratitude to everyone who contributed to the creation of this publication, including our esteemed authors, as well as our funding institution (H.F.R.I.). My sincere gratitude also goes to all the SME owners and general managers who participated in this project, dedicating their valuable time, and demonstrating their willingness to contribute to this effort.

I encourage you to explore the contents of this report and reflect upon the insights shared within. We hope this report serves as catalyst for dialogue, encourages critical thinking, and inspires your intellectual and professional growth. I am confident that it will spark new ideas, foster meaningful conversations, and contribute to further advancement in the fields of HRM, Performance and Innovation in the context of SMEs. Humbled by the opportunity to present this work to you, I trust that it will be as enriching an experience for you as it has been for us.

Irene Zografou

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Her research work largely revolves around Strategic and International Human Resource Management. She is intrigued by the discourse on how HRM practice links with performance at different levels of analysis and settings.

Lately, she has been involved in research on HRM and performance in SMEs, HRM and performance for an aging workforce and HRM and performance internationally. She has published in leading academic journals in the fields of HRM and Organizational Behavior, such as the International Journal of Human Resource Management; European Management Review; Career Development International; New Technology, Work and Employment; International Journal of Manpower; Personnel Review; Leadership and Organization Development Journal; Transformations in Business & Economics; Evidence-Based HRM; Gender In Management; Thunderbird International Business Review; EUROMED international journal; and others. She is author or editor of 7 books on HRM and she has contributed several chapters in collective volumes with blind review.

For her academic performance she has received various awards and distinctions. She is a member of the editorial board of the International Journal of Human Resource Management and of the Editorial Advisory Board of Employee Relations. She also serves as member of the Scientific Committee and as OB SIG program chair, and she has served as member of the Executive Board as Greek representative (2015-2019), at the European Academy of Management (EURAM).

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His current research interests focus on innovation and people management, with a particular focus on management practices and employee or team-level innovation and performance outcomes. Nikos has a quantitative methodological background and applies methodologies such as Structural Equation Modelling with multilevel data. Parts of his work have been published in international academic journals, including the Human Resource Development Quarterly and Work, Aging and Retirement among others. His work has also been presented in international conferences, such as the Academy of Management and the European Academy of Management conferences. Finally, Nikos teaches Innovation Management and Leadership and Technology Management to engineering students, at the bachelor's and master's level.

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She has wide teaching experience both in the academic field, where she teaches Management, Human Resource Management and Managerial Skills Development at an undergraduate and postgraduate level, and in business. She has done extensive research in the field of HRM as she is a member of the two international research networks, namely CRANET and 5C. Her research interests include Strategic HRM, Career Management and SMEs. Her work has been published in leading journals like *The International Journal of HRM* and *Personnel Review*. She has also worked on a consulting basis with a number of firms, mainly in the area of employee satisfaction surveys and design of human resources systems. She is the Head of the Career and Employment Office of AUEB.

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She has studied Business Administration and obtained her M.A. from New York University and her Ph.D. from the University of Bath in the U.K. She teaches Principles of Management, Human Resources Management, Organizational Behavior, Public

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She has many years of work experience in several areas, including corporate training and development, project management, and customer service, both inside and outside Greece. Irene has been awarded for her professionalism and overall work performance by the Emirates Group (Dubai, United Arab Emirates), where she used to work. Her work experience has driven her to pursue a career in academia and explore new avenues for understanding the contribution of employer branding in improving business results. Therefore, her research work revolves around strategic HRM, employer branding and organizational performance. Her work has also been presented at competitive international conferences, including the European Academy of Management and the Cranet Conference.

Irene has served as an adjunct lecturer in training and development courses for the executive MBA program at the National and Kapodistrian University of Athens. She has also held the role of a teaching assistant in Entrepreneurship, Business Administration, and HRM courses at the AUEB, where she contributed to the development of teaching material for bachelor's courses, in marking assignments, and in supervising postgraduate students. Additionally, she has been actively involved in designing and co-teaching e-learning material for courses related to management in service-oriented SMEs. Irene has also been involved in several research projects, national and European. Finally, she serves as communications officer in the OB SIG at the European Academy of Management.

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I. THE HRMinSMEs STUDY

1. BACKGROUND, METHODOLOGY, AND SAMPLE

E. Galanaki

INTRODUCTION

This chapter goes through the foundation, the motivation, and the methodology of the HRMinSMEs project. A short history of how it all started is provided, along with a description of all stages of the research and the safeguards of research validity and reliability adopted by the research team, throughout the project. The chapter concludes with a brief description of the survey sample.

HRMinSMEs: how it all started

Background

SMEs in the economy

Over 95% of businesses globally are small and medium-sized enterprises (SMEs) and they provide about 60-70% of total employment across the world (OECD, 2023). According to the Eurostat demographic methodology, the categories in business demography definition (Table 1), and their participation in the total enterprise population, employment, and value added (Table 2 and Figure 1) are as follows:

Table 1: EU definition of SMEs

Company category	Employees	Turnover	Balance sheet total
Micro	< 10	< €2 million	< €2 million
Small	< 50	< €10 million	< €10 million
Medium-sized	< 250	< €50 million	< €43 million

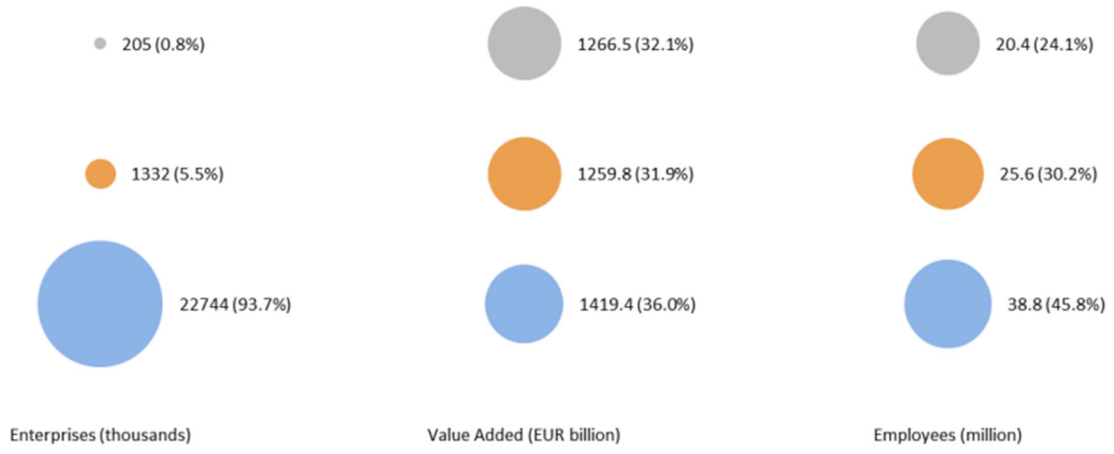
Source: Commission Recommendation of 6 May 2003 concerning the definition of micro, small, and medium-sized enterprises (2003/361/EC), Official Journal of the European Union, L 124/36, 20 May 2003

Table 2: SMEs and large enterprises: number of enterprises, employment, and value added in 2022 in the EU-28 non-financial business sector

Class Size	Number of Enterprises		Number of Persons Employed		Value Added	
	Number	Share	Number	Share	Billion €	Share
Micro	22,744,173	93.5%	38,790,351	29.4%	1,419.4	18.6%
Small	1,332,100	5.5%	25,602,334	19.4%	1,259.8	16.5%
Medium-Sized	204,786	0.8%	20,493,722	15.5%	1,266.5	16.6%
SMEs	24,281,159	99.8%	84,886,407	64.4%	3,945.8	51.8%
Large	43,112	0.2%	46,918,978	356.0%	3,673.8	48.2%
Total	24,324,271	100.0%	131,805,385	100.0%	7,619.6	100.0%

Source: Annual Report on European SMEs 2022/2023: p.3

Figure 1: Share of different EU-27 SME size classes in the number of enterprises in the NFBS[2] and of NFBS employment and value added in 2022.

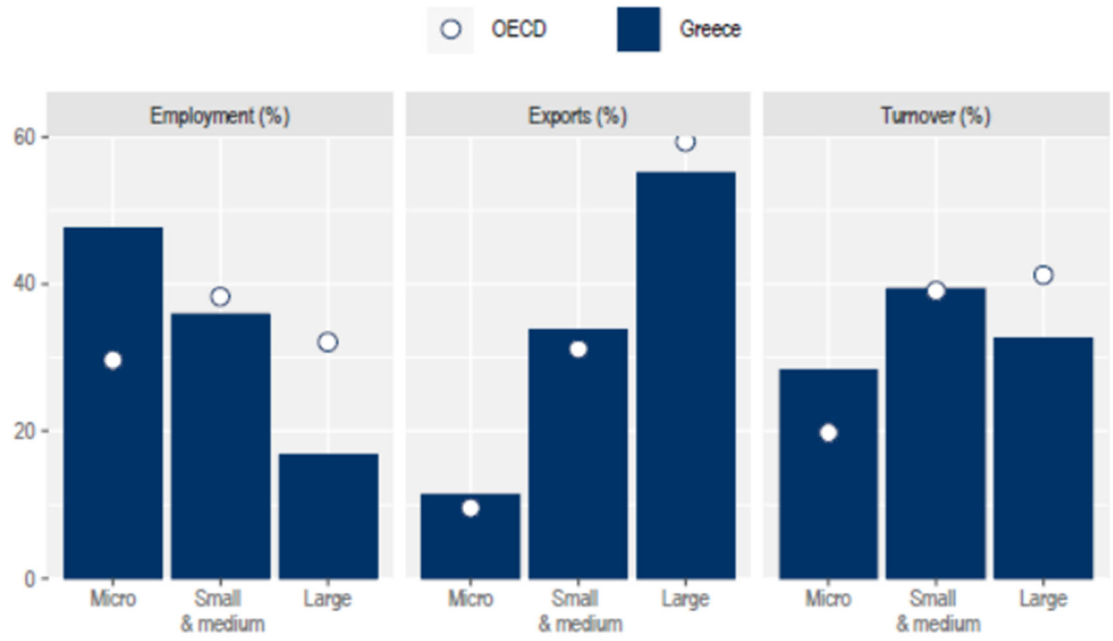


Source: Di Bella, L., Katsinis, A., Lagüera-González, J., Odenthal, L., Hell, M., & Lozar, B. (2023). Annual Report on European SMEs 2022/2023. Luxemburg.

[2] NFBS: Non-Financial Business Sector

The contribution of SMEs to employment is particularly important in Bulgaria, Cyprus, Estonia, Greece, Italy, Latvia, Lithuania, Malta, and Portugal, where SMEs account for more than three quarters of total employment. Specifically, in Greece, only 18% of the total working population is employed in large enterprises. 48% of all Greek employees are employed in Micro and 35% in Small and Medium-sized enterprises, accordingly (OECD, 2023, p. 323).

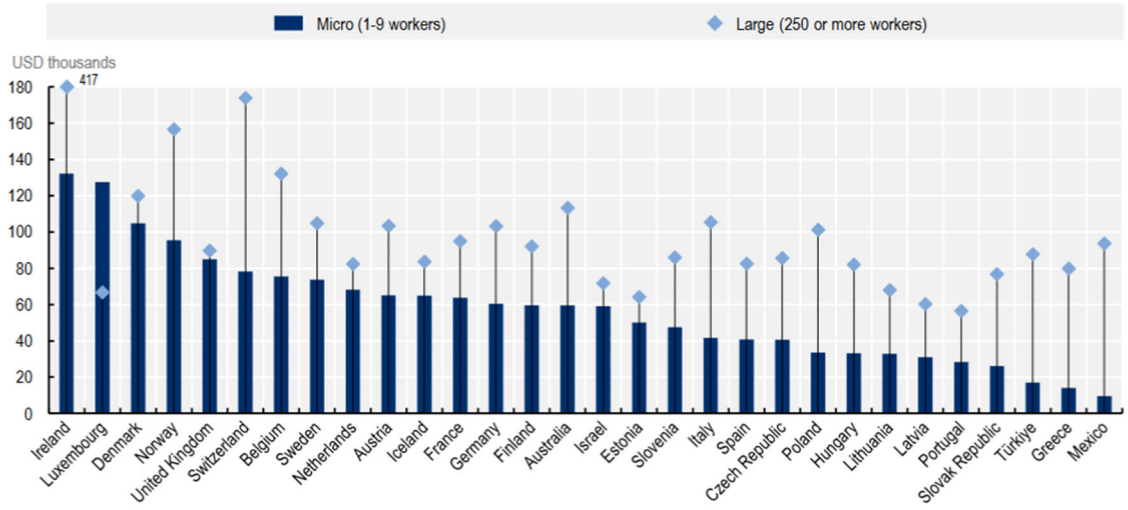
Figure 2: Greek SME share of employment, exports, and turnover



Source: OECD (2023), OECD SME and Entrepreneurship Outlook 2023, OECD Publishing, Paris, https://doi.org/10.1787/342b8564-en : p.323

Larger enterprises typically have higher productivity levels than smaller ones, as they benefit from economies of scale and scope effects (Figure 3). At the same time, SMEs are seen as more flexible and resilient to external or internal challenges.

Figure 3: Labor productivity in micro and large firms- Value-added per person employed, current purchasing power parity (PPP), 2020 or latest available year, business economy.



Source: OECD (2023), OECD SME and Entrepreneurship Outlook 2023, OECD Publishing, Paris, https://doi.org/10.1787/342b8564-en : p.37

Project's main goals, objectives, and challenges

The Cranet research network experience

The Cranfield Network on International Human Resource Management (Cranet), launched in 1989, was established to meet the need for ready access to information on best practice and comparative performance within Europe and now globally. Cranet is now an established research collaboration with a proven track record of collecting powerful, representative data, on a continuing basis, undertaking rigorous analysis and disseminating high quality results.
The Network itself is a collaboration between over 40 universities and business schools which:

- Carries out a regular international comparative survey of organizational policies and practices in comparative Human Resource Management across the world.
- Provides benchmarks for comparing Europe with developments elsewhere in the world. This allows a systematic comparative analysis of HRM trends within employing organizations.
- Disseminates research findings through newspapers, practitioner press, academic journals, and books, through conferences and seminars and in teaching.

Cranet is now the largest HRM network in the world and the only one that has been collecting comparative data on HRM in different countries for more than two decades. Articles based on the Cranet data have been published in some of the world's best journals and presented at some of the world's most prestigious academic conferences. But Cranet is also proud to have presented its data at practitioner conferences around the world and to have had it published in local journals, in newspapers, and through the broadcast media.

The purpose of the network has not changed. The objective was and is to gather hard evidence, in the local language, about the way that HRM policies and practices varied between countries and to see how they were changing over time.

The Cranet survey in its current form runs every five years and is funded by the Universities participating in it. The number of partners grew each year. At the beginning partners had to be persuaded to join but relatively quickly countries started applying to join and the problem became one not of finding partners but of applying rigorous standards to ensure that the applicant partners matched those already in the network.

Each questionnaire is designed by a multi-cultural volunteer working group representing all the members. As it has developed, Cranet is very much a "club": each member owns their own data and can only work with the other countries' data with permission; no-one can be coerced to do the work – Cranet is effective because the partners all share a common curiosity about comparative HRM and are prepared to work together and to compromise to make the Cranet work.

Greece was introduced in Cranet in 1993 with Professor Nancy Papalexandris (member of the HRMinSMEs project) who carried out the research in all research rounds thereof, with her team (members of which have been both Eleanna Galanaki and Leda Panayotopoulou, also members of the HRMinSMEs project). Over this period, more than 50 publications and conference announcements, including four books in Greek, have been realized by the Greek team, based on Cranet data.

The HRMinSMEs project is to a large extent inspired by Cranet and its way of operation. Actually, three members of the research team and the Principal Investigator (P.I.) are also long- standing members of Cranet, with extensive experience of running international research projects in collaboration.

Theoretical Background

Conceptually, the proposed project is grounded on three major theoretical streams of thought that have shaped the field of human resource management:

- Human Capital.
- Ability, Motivation and Opportunity; and
- Contingency Strategic HRM theories.

The overall proposition of the Human Capital theory is that human resources can be approached in the same way as capital and that there are investments that employers can make to substantially enhance the value and returns of their human capital (Becker, 1962; Hansson, Johanson, & Leitner, 2004; Lepak & Snell, 1999). In this sense, Human Resource Management is the enactment of investments in human capital. Even if the main proposition of the Human Capital Theory is generally accepted, the mechanisms with which investments in HRM can maximize a firm's outcomes are still under study. For example, several researchers propose that such investments bring the maximum outcome if the HRM practice is aligned with the business strategy (Hansson, et al., 2004; Lepak & Snell, 1999). In the same vein, others claim that the business sector is crucial for the mechanism through which HR investments increase business outcomes and therefore differing HRM mixtures maximize business performance, depending on the sector in which the business operates (Datta, Guthrie, & Wright, 2005). Other researchers claim that there is a standard set of HRM practices (also known as high performance work systems and best practices in HRM) that maximize the return on investment of HRM in all firms (Posthuma, Campion, Masimova, & Campion, 2013; Way, 2002). In the HRMinSMEs research project we accepted and examined both conceptualizations. We intended to explore the existence of best practices in HRM for SMEs. Nevertheless, we also wished to examine the effects of strategic alignment of the HRM practices for their outcomes on firm performance, most notably innovation.

The theory of Ability, Motivation and Opportunity (AMO) has also shaped the way in which HRM is formulated both in paradigm and in action. According to this theory, individual performance is the outcome of a combination of factors, i.e., of ability, motivation, and opportunity to perform. Each of them is necessary for human performance. In reality, all functions of human resource management aim at enhancing each of the three factors of the AMO theory and High-Performance Work systems are to a large extent tailored to address the factors that this theory proposes (Peter Boxall & Macky, 2009). Therefore, researchers attempt

to explain which combination of "investments" in human resources maximize the return on investment by satisfying all factors of the AMO theory concurrently. As an example, employee training is a substantial investment that a firm can make in its human resources. According to the AMO theory, training may increase employees' abilities and motivation, but if not coupled with the opportunity to implement the acquired knowledge and skills, training will not bring about the maximum outcome. Therefore, HRM functions act in collaboration to satisfy AMO factors and maximize performance. In the proposed research project, we adopted the AMO theory to propose a best mix of HRM practices for SMEs.

Finally, the contingency strategic HRM theory was developed as an outcome of the attempt to prove that HRM, and in particular good HRM, actually adds value to organizations (Paauwe, Wright, & Guest, 2013). Since the 1980s, a growing number of studies have attempted to examine this relationship and develop a solid and consistent theory for it (Jlang, Lepak, Hu, & Baer, 2012). There are researchers that focus on a single HRM practice and examine its effect on various performance measures. Others examine the effect of bundles of HRM practices on performance. A final group of studies is concerned with the characteristics or orientation of the HRM function and their link to performance. All these past studies, using a wide variety of HRM practices and organizational performance outcomes, and carried out in different levels and industries, have managed to demonstrate a positive association among HRM practices and organizational performance (Boselie, Dietz, & Boon, 2005; Combs, Liu, Hall, & Ketchen, 2006). An important issue in the field of Strategic HRM is how firms should make strategic choices in managing people. The universalistic model argues for the adoption of "best practice" in HRM, irrespective of context (Becker & Gerhart, 1996). Despite the fact that there are some HRM practices that are commonly accepted as being "best practices", the proposed lists vary significantly among advocates of the universalistic model (Boxall & Purcell, 2000). An alternative is the contingency approach, claiming that HRM practices will be more effective when appropriately integrated to the specific organizational and environmental context (Boxall & Purcell, 2000). Supporting this argument, Baird & Meshoulam (1988) argue that HRM practices must fit the organization's state of development, calling this "external fit". For example, start-up firms will have a more informal and flexible style of HRM, and as companies mature, their HRM style will become more formal and professional.

HRM and competitive advantage in SMEs

In the last decades, a growing body of literature has suggested that certain distinct but interrelated Human Resource Management (HRM) practices, when implemented as a 'package', can create value for organizations and employees (Huselid, 1995; Takeuchi, Lepak, Wang, & Takeuchi, 2007). These practices (such as training and development, employee participation, appraisal, rewards, status and security, selective staffing) are named High Performance Work Systems (HPWS) and have been linked to firm performance outcomes (Datta, et al., 2005), as well as employee skills, motivation, commitment, employee performance and opportunities to contribute (Lepak, Liao, Chung, & Harden, 2006; Liao, Toya, Lepak, & Hong, 2009). Comprehensive and rigorous theoretical models that relate human resource management with small and entrepreneurial management do not exist (Dabić, Ortiz-De-Urbina-Criado, & Romero-Martínez, 2011).

Most of the research in the field of human resource management (HRM) is focused on large and established companies, but some researchers recently started to explore and obtain significant results in the field of HRM in SMEs (Harney & Alkhalaf, 2021; Harney & Nolan, 2014). HRM is not as formalized in SMEs as it is in larger organizations and formality has been shown to increase with firm size and workplace size (Storey, Saridakis, Sen-Gupta, Edwards, & Blackburn, 2010). Instead, ad hoc and informal HR practices are the norm in SMEs (Singh & Vohra, 2009) and there is considerable diversity amongst SMEs in relation to their use of HR practices (Cassell, Nadin, Gray, & Clegg, 2002). As proposed by diverse researchers, contextual variables, such as the extent of the competition and the availability of the workforce (Altinay, Altinay, & Gannon, 2008) and business strategy (Aragon-Sanchez & Sanchez-Marin, 2005) affect to a large extent the HRM practices employed by small businesses. However, formal HRM systems can help increase performance (Singh & Vohra, 2009).

On the other hand, evidence suggests that job quality is higher in smaller workplaces, and that employing an HR professional (a key indicator of HR formality) lowers self-reported job quality in single-site SMEs (Storey, et al., 2010). Further, micro firms appear to not significantly benefit from introducing HR practices and in these firms formal HR practices are less important than personal relations between the employer and his or her employees (De Grip & Sieben, 2009).

In this actuality of contradicting evidence, the consideration of family –owned and -run firms (a majority in SMEs) makes understanding of the HRM in SMEs phenomenon even more

difficult. In family businesses, key defining factors such as firm size, (the presence of a) formal business plan, and employees' specialization appear to play a crucial role in HRM practice formalization (de Kok, Uhlaner, & Thurik, 2006).

Innovation in SMEs

Innovation has long been identified as a key driver affecting SME success, increasing its chances of growth, and fueling its competitive advantage (Branzei & Vertinsky, 2006). However, it is shown that the majority of SMEs belong to the so-called "modest majority" (Davidsson & Gordon, 2012) that face difficulties in innovating (Senyard, Baker, Steffens, & Davidsson, 2014) due to liabilities of smallness (Stinchcombe, 1965). On the other hand, the literature is also full of evidence suggesting that numerous SMEs, despite or perhaps because of their smallness, do manage to innovate (eg. Katila & Shane, 2005). Recent studies have shown that the majority of innovating SMEs seldom invest in formalized and well-planned product development processes (eg. Marion, Friar, & Simpson, 2012; Senyard, et al., 2014). Indeed, they are found to use little or no written procedures during the innovation processes, putting more emphasis on action and a "learn as you go" approach. This suggests that SMEs rely on alternative pathways to achieve innovation. However, the question of why certain SMEs innovate while so many others cannot, remains largely unanswered.

Innovation at the firm-level has been considered as a continuous evolutionary process, based on the accumulation of resources and capabilities. It involves the application of existing as well as new knowledge (Roper & Love, 2004), which may facilitate the introduction of new products (Edwards & Gordon, 1984). Organizational knowledge is embedded in a variety of entities, such as tools, tasks and technologies and people (Kang, Morris, & S.A., 2007). Among the most important knowledge-based resources enhancing a firm's ability to innovate are the technical, creative, or collaborative skills rooted in the workforce (Martinez-Sanchez, Vela-Jimenez, Perez-Perez, & de-Luis-Carnicer, 2009). An organization's human resources are carriers of tacit knowledge that may generate the valuable, rare, inimitable, and non-substitutable resources (Barney, 1991) than can significantly affect a firm's ability to be entrepreneurial and innovative (Wiklund & Shepherd, 2003)). Under this perspective previous studies investigated the impact on innovation of certain human resource practices that are likely to enable organizations "to draw upon the latent tacit knowledge of those closest to the task in hand" (Shipton, West, Dawson, Birdi, & Patterson, 2006). Plenty of empirical evidence exists to support a positive association between several human resource practices and

innovation. Yet, little is known about whether such evidence apply to SMEs. Such firms suffer from liabilities of smallness which may limit their access to resources, threatening their potential to innovate. Thus, an SME may have to take advantage of its workforce in a different way than its larger counterparts.

In any case, even if the causal link between HRM and organizational performance in SMEs has been convincingly documented by some researchers (Sheehan, 2014), research on the potential of HRM to enhance innovation in SMEs is impressively scarce and fragmented. For example, Castrogiovanni, Urbano, & Loras (2011) provide evidence on this specific issue, but could only identify open communication and personal relationships as leading SMEs to innovation.

Family Businesses in the SMEs' ecosystem – Innovation and Family Businesses

The family business is a very common formulation for SMEs. In some countries (especially smaller countries) family businesses are equated to SMEs in public and policy discussions. Further, on average it appears that substantially more than 60% of SMEs in Europe are family businesses (this is higher in some countries, reaching 95% in some) (Austrian Institute for SME Research, 2008). Sharma, Chrisman and Chua (1997, p. 2), define a family business as a 'business governed and/or managed on a sustainable, potentially cross-generational basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families.'

Interestingly, innovation researchers have largely ignored family-owned firms (Craig & Moores, 2006). Nevertheless, Rössl, Kraus and Fink, (2010) argue that the culture and unique characteristics of family firms make their innovation behavior different from that of non-family firms.

Some literature argues that family firms are less innovative than non-family ones due to their strong attachment to tradition and the past (De Massis, Frattini, & Lichtenthaler, 2012). One of the dominant reasons why family firms are considered to be resistant to innovation is an excessive reliance on the firms' past, their history, as well as the founders' decision-making approach (Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008). In the same vein, Allio (2004) and Carney (2005) argue that the close ties among family members along with capital restrictions act as barriers to innovation and contribute to a reluctance to take risks. Similarly, De Massis, Frattini, Pizzurno and Cassia (2013) suggest that family firms that allow socio-emotional goals to take over may suppress innovation. Research also shows that one of the

main barriers to family firm innovation is their allocating fewer resources to innovation (Chrisman & Patel, 2012). At the HRMinSMEs project we consider in detail the family ownership's effects on the formulation of HPWS and firm outcomes (most notably innovation).

Specific Objectives of the HRMinSMEs project

HRMinSMEs aims at studying HRM in SMEs, to identify and propose best practices that support and enhance innovation and business performance. We developed and ran a survey on dominant HRM practices in Greek and Cypriote SMEs. The purpose is to measure the impact of HRM practices on innovation and organizational performance in SMEs, by answering to 3 questions:

1. Which are the dominant HRM practice configurations in SMEs?

To answer this question, the unit of analysis is the firm and the respondent is the person responsible for HRM. A questionnaire was developed based on systematic literature review and an exploratory series of in-depth interviews with SME owners and managers, followed by discussions among HRM and SME management academics. The questionnaire was developed in English, translated into Greek, back translated and pilot tested.

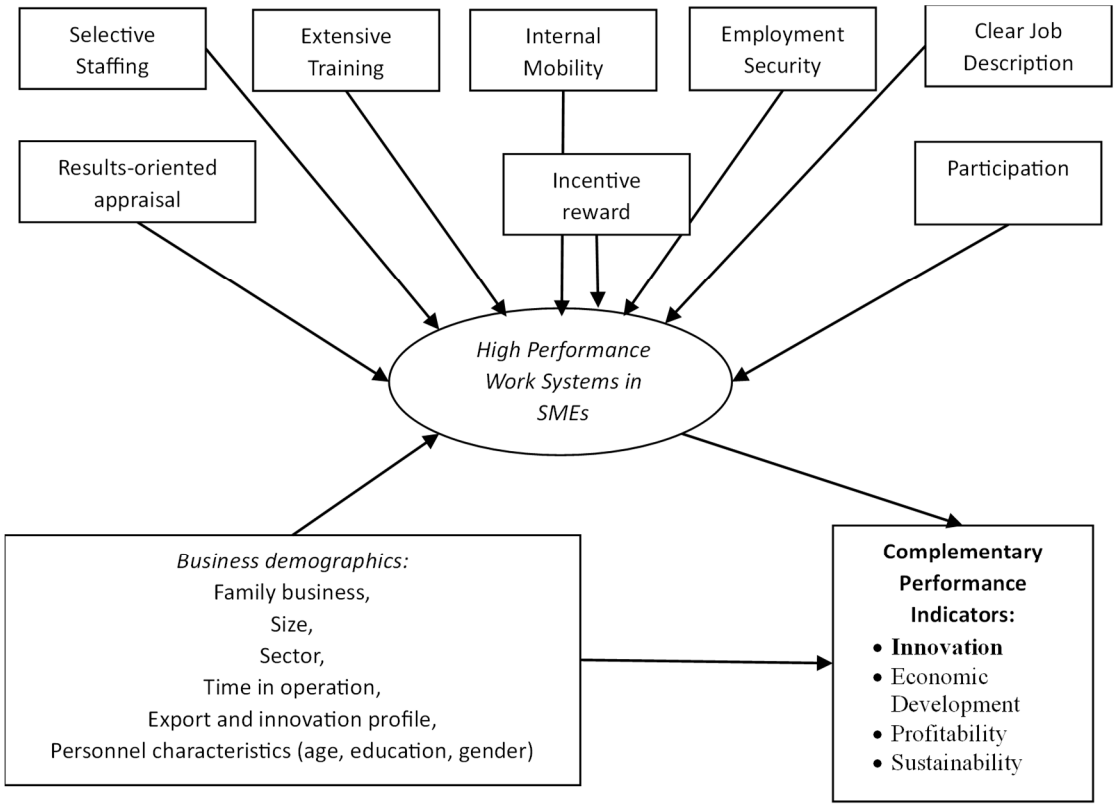
2. Are HRM practice configurations in SMEs linked with specific business demographics?

We attempted to formulate profiles of HRM application for SMES, using cluster analysis and/or fuzzy set qualitative comparative analysis (fsQCA).

3. Which HRM practice configurations in SMEs lead to higher innovation and business outcomes?

We attempted to identify the dominant profiles of HRM application in the best performing SMES. The main goal is practically to identify and propose to SMEs sets of High-Performance Work Systems, as is the case in larger organizations. Figure 4 shows the relations under study in the project.

Figure 4: Research Model



METHODOLOGY

The HRMinSMEs project used a triangulation of qualitative and quantitative research methods. First a systematic literature review (Tranfield, Denyer, & Smart, 2003) was conducted to identify the key issues in relation with HRM, HPWS, SMEs, family businesses, performance, and innovation.

Then, at the exploratory, initial empirical phase, semi-structured, in-depth interviews with SME owners and managers were conducted to confirm the literature review findings and formulate the main axes of the subsequent, quantitative survey. At this stage, the content analysis technique, coupled with fuzzy-set Qualitative Comparative Analysis (with fsQCA) were adopted (Duriau, Reger, & Pfarrer, 2007).

For the development of the questionnaire, tested and validated measures were adopted. The final questionnaire consisted of 72 questions gathered in 6 sections:

A. HRM activity,

B. Resourcing practices,

C. Employee development,

D. Climate (Entrepreneurial orientation/Innovation),

E. Organizational characteristics, and

F. Demographic questions.

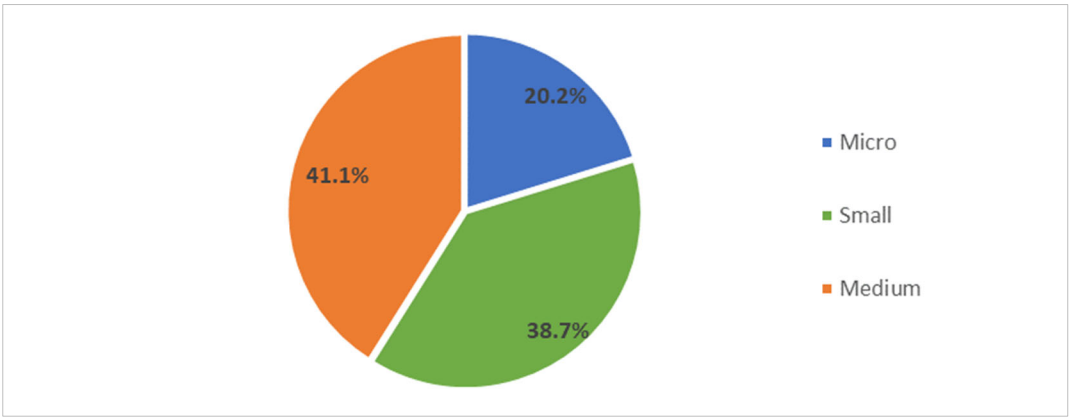
The questionnaire is provided in the Appendix.

After the survey data collection, data was cleared for outliers and missing case analysis. Then, the data were analysed in SPSS and STATA for standard descriptive analytical procedures (for example, central tendencies, normality, correlations, (M)ANOVA).

SAMPLE

In the final data set, 407 organizations are represented, 341 from Greece and 66 from Cyprus. 20% of them were micro, 39% small and 41% were medium-sized enterprises (Figure 5).

Figure 5: Sample description-size class



In almost half of them, there is a dedicated HRM department or manager (Figure 6), while this HRM professional has the primary responsibility for HRM issues in only 17% of the cases. In most cases, the primary responsibility for the HRM issues lies in the hands of the owner/ founder or a professional CEO or General Manager (Figure 7).

Figure 6: Existence of an HRM department

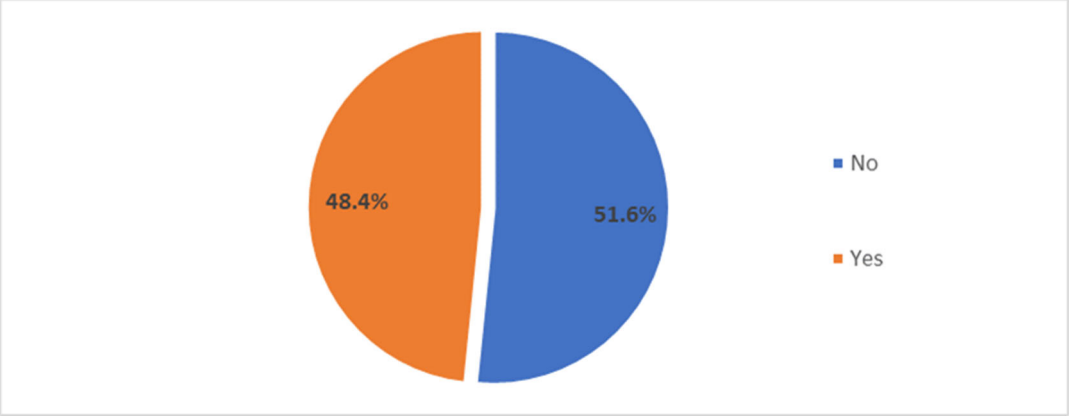
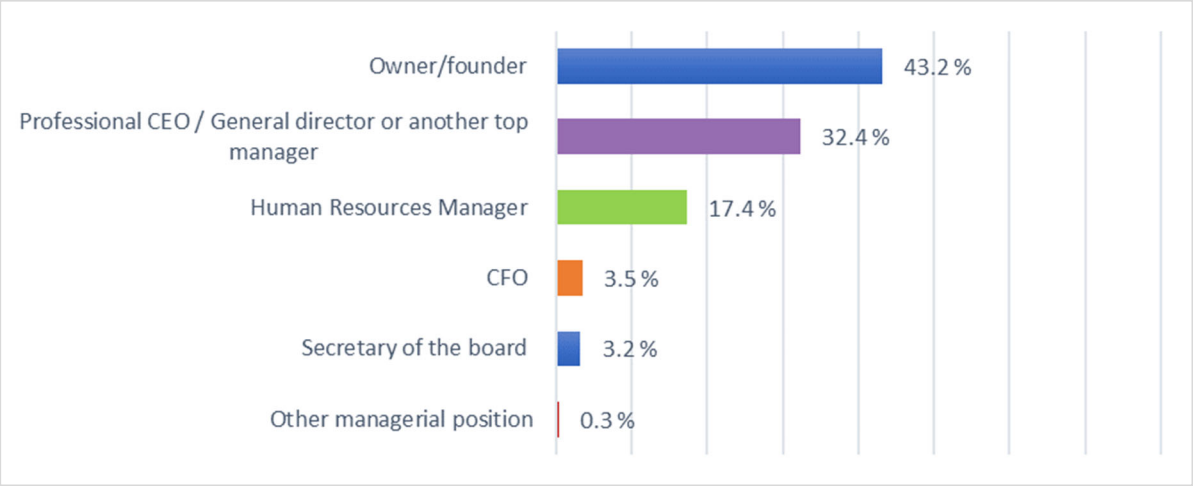
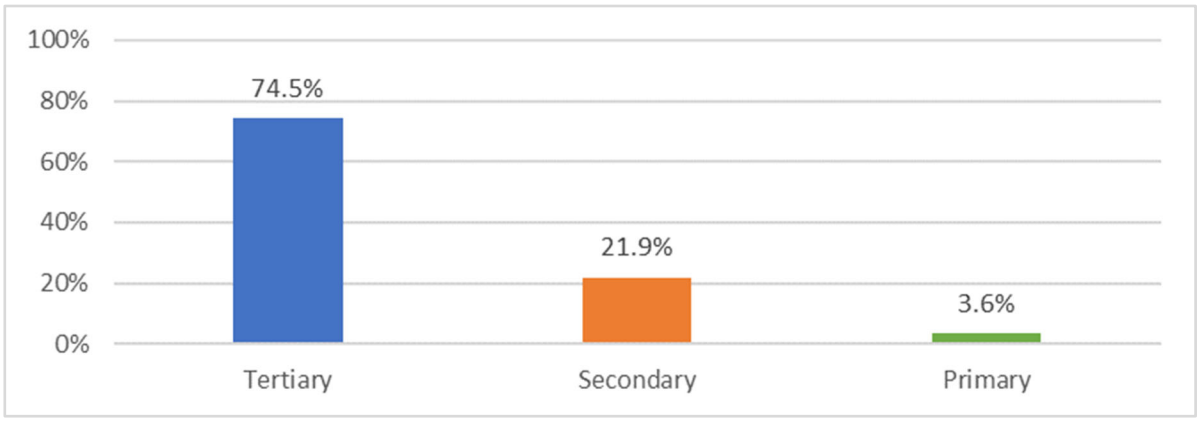


Figure 7: Main responsibility for workforce issues



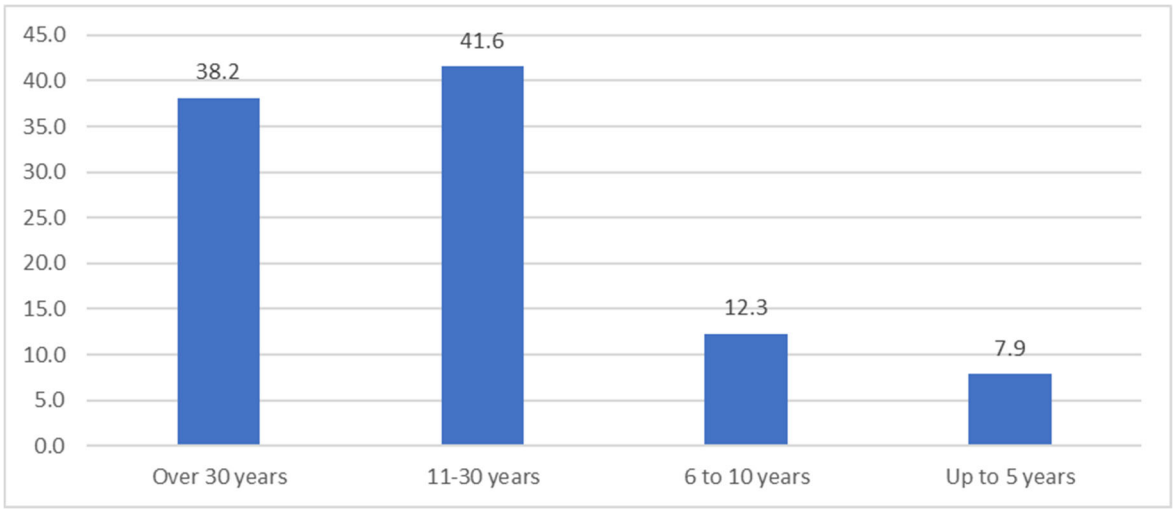
The vast majority of the responding firms are operating in the service sector, followed by manufacturing firms (Figure 8). Both Greece and Cyprus belong to the developed economies cluster, where the service economy is the norm. What is more, SMEs in their majority operate in the services sector, where there is low level of initial capital necessary to start operation and achieve break even (OECD, 2017).

Figure 8: Business sector



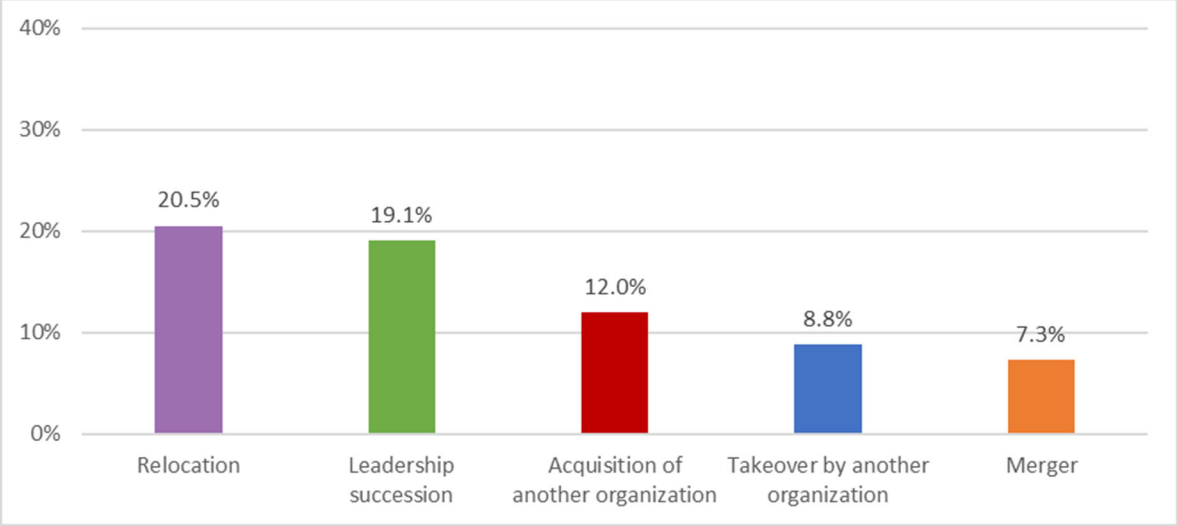
The majority of the firms covered in the sample are within the one to two generations time frame, but startups are also represented (8% of the sample, Figure 9).

Figure 9: Business age



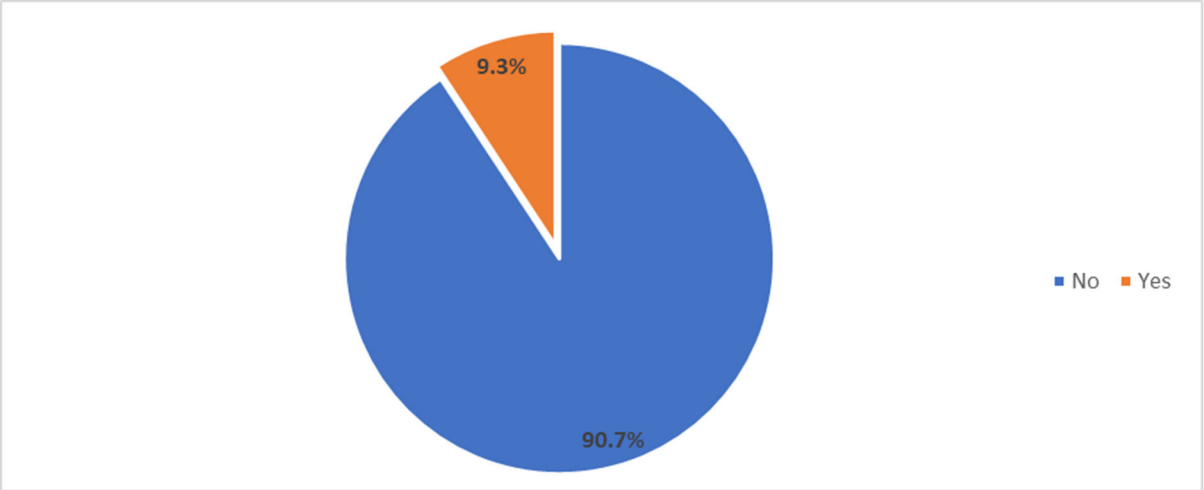
A substantive number of the businesses represented in the sample operate in a dynamic context. Specifically, 1 in 5 of the organizations participating in the research have experienced significant changes such as relocation or leadership succession (Figure 10).

Figure 10: Business context dynamism



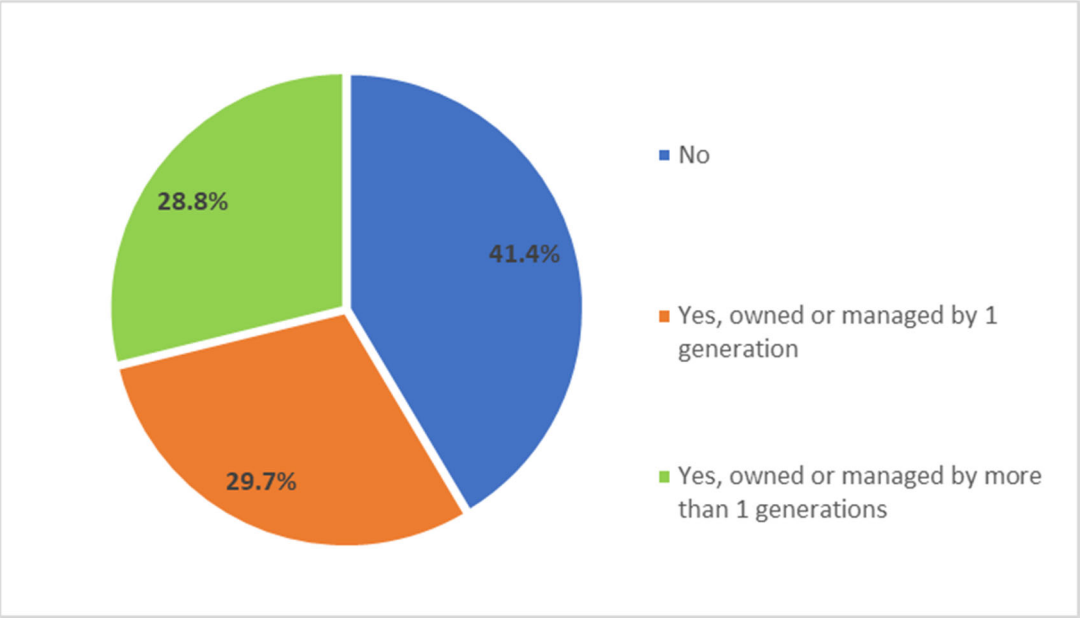
Also, 1 in 10 respondents represented a firm that is publicly traded in the Stock Exchange Market (Figure 11).

Figure 11: Firms publicly traded in the Stock Exchange Market



Not surprisingly, the majority (appr. 60%) of the sample were family businesses (Figure 12), and in half of them, two or more family generations are involved in the business.

Figure 12: Family- owned and family- run businesses



What's more, in most family businesses, business ownership is by majority kept to the hands of the family (Figure 13). Furthermore, the family is actively involved in management in at least 85% of the cases examined (Figure 14).

Figure 13: Percentage of family ownership

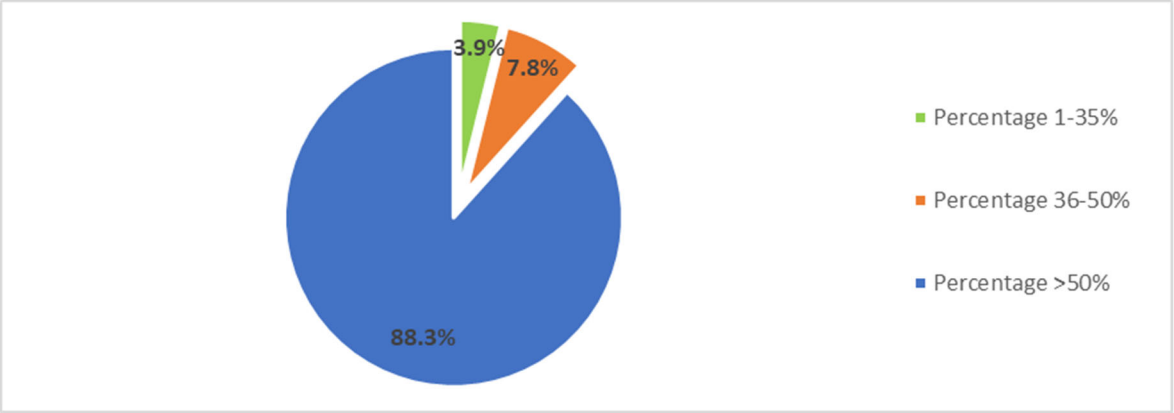
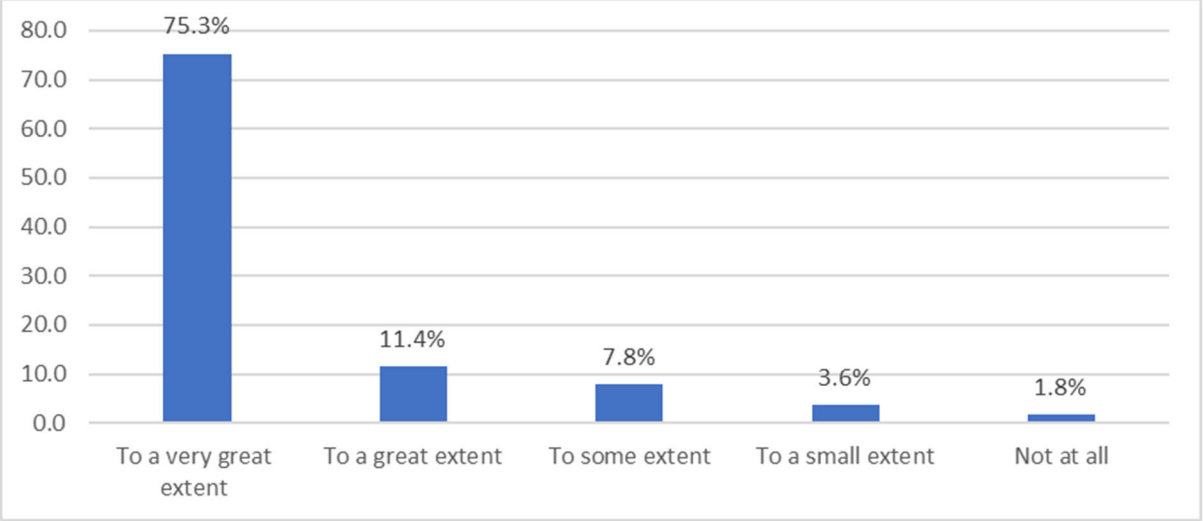


Figure 14: Family involvement in management of the firm



Regarding business performance, only 24% of the respondents achieved less than 500.000 euros in annual turnover. 1 in 3 of the respondents (33.7%) achieved more than 5m euros in annual sales last year (Figure 15). What is more, 80% of the firms generated profit (Figure 16).

Figure 15: Annual sales

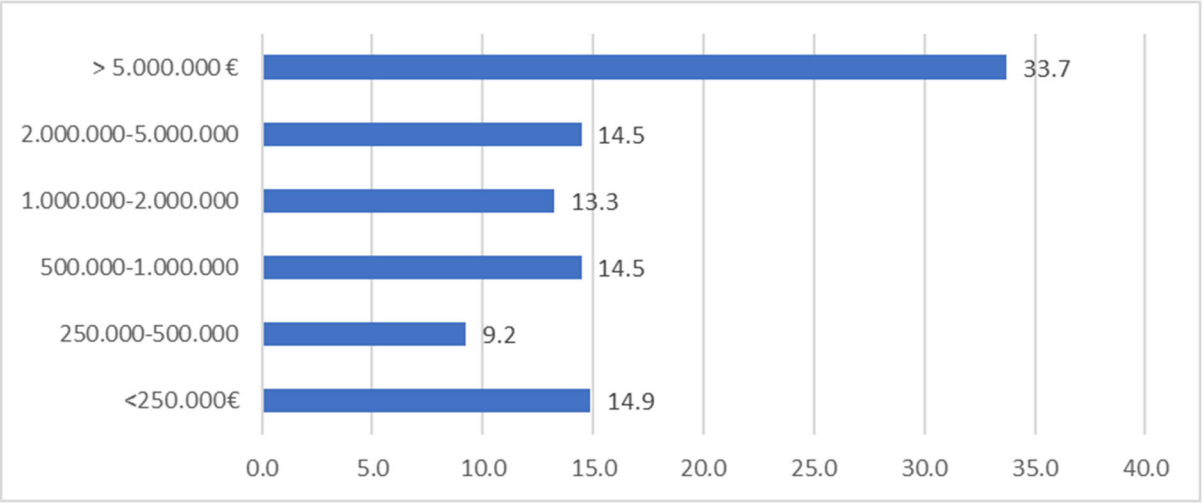
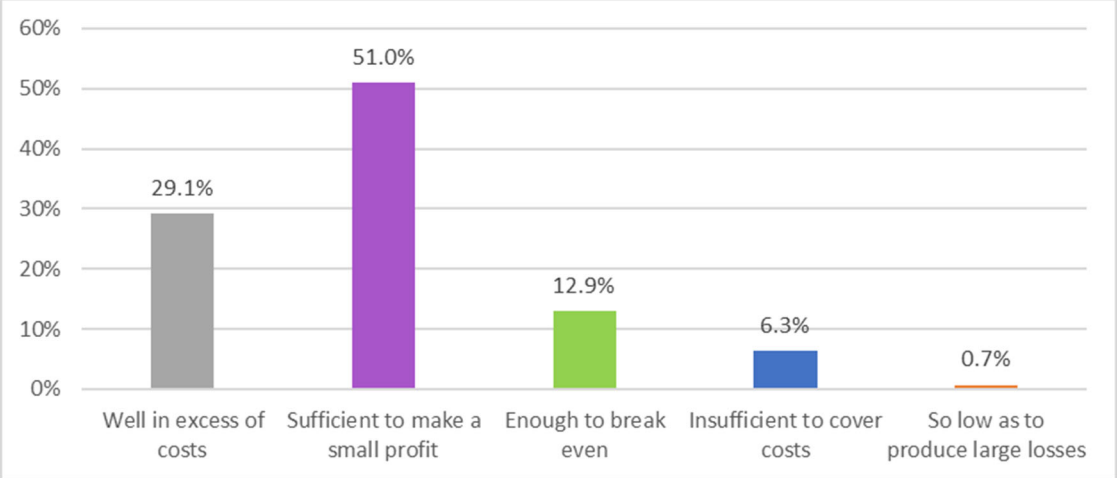


Figure 16: Profit generation



Regarding the dynamism of the market served, the majority of the sample (38%+14%= 52%) serves a worldwide or European market. 26% serve a national market and only 22% serve a regional or local market (Figure 17). Furthermore, most firms attest that their market is growing (32%+28%=60%), while only 12% of firms claim that their market is declining (Figure 18). Finally, half of the sample experience a rise in competition in their sector (50%), with only a feeble minority (4%) seeing the competition of their market as declining (Figure 19).

Figure 17: Market served.

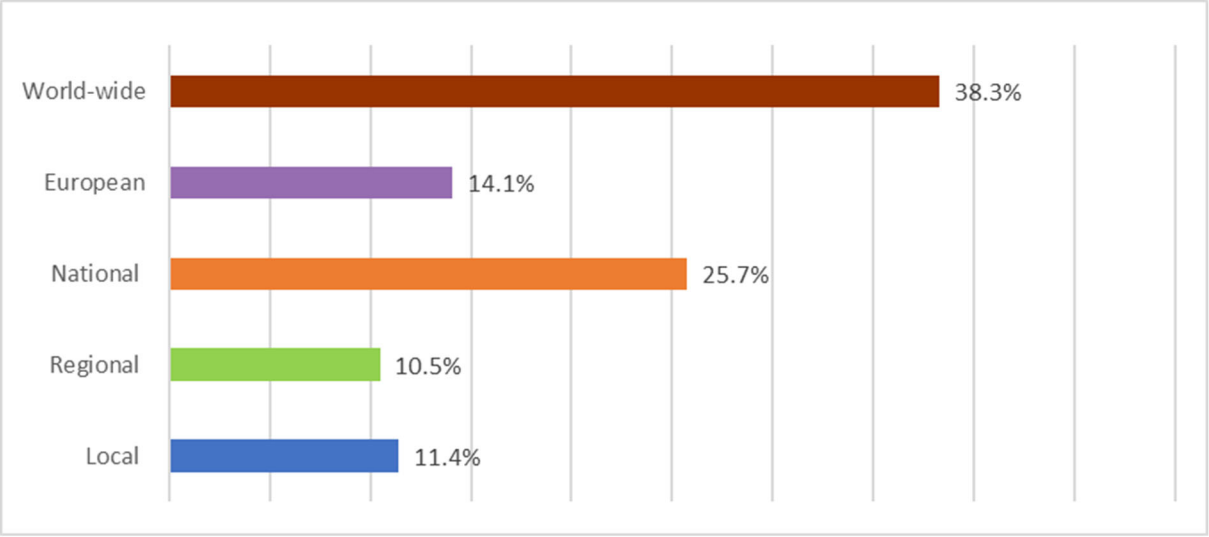


Figure 18: Tendency of the market served.

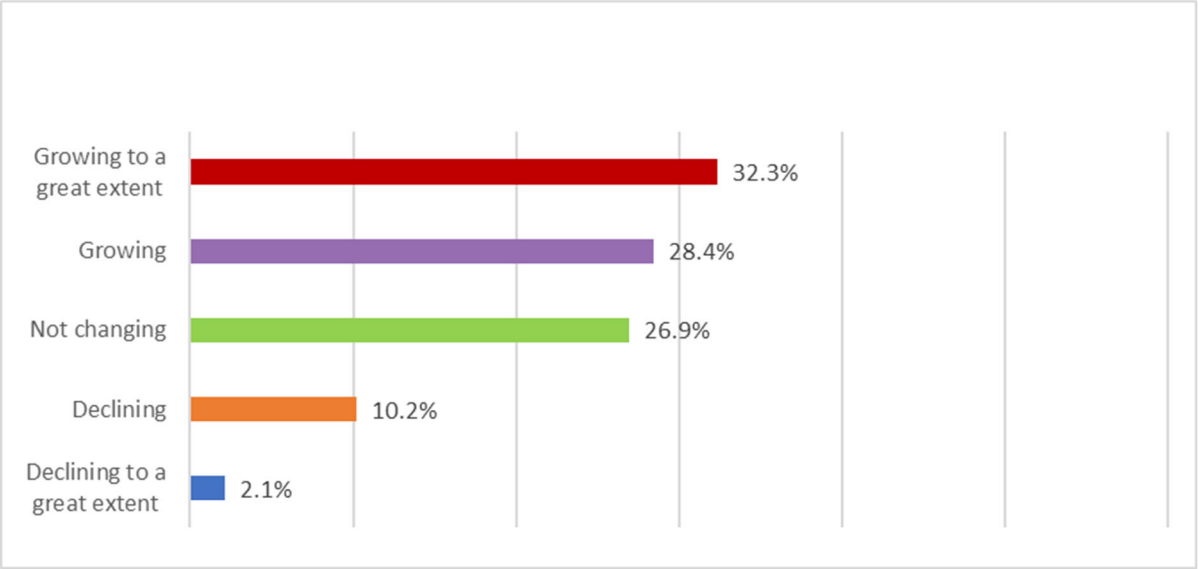
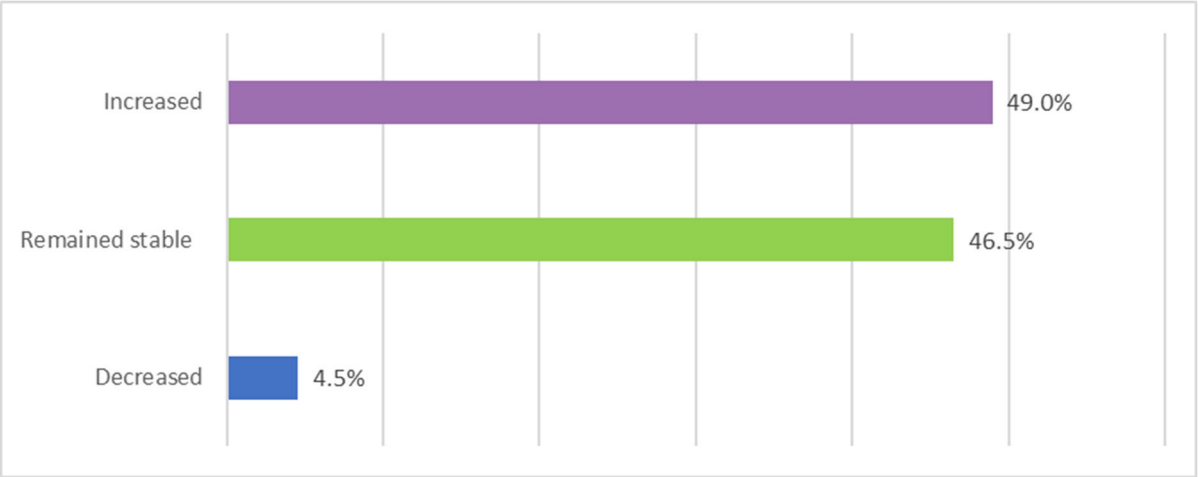


Figure 19: Level of competition



In this chapter, the background and methodology of the HRMinSMEs study were presented. From the description of the sample provided, it appears that the companies represented in the study are mostly successfully operating in dynamic and challenging environments, predominantly family businesses, incorporating multiple actors and family generations in their management.

In the following chapters, the way the HRM function is operated will be described, followed by a discussion on correlates and outcomes of the HRM practice in SMEs.

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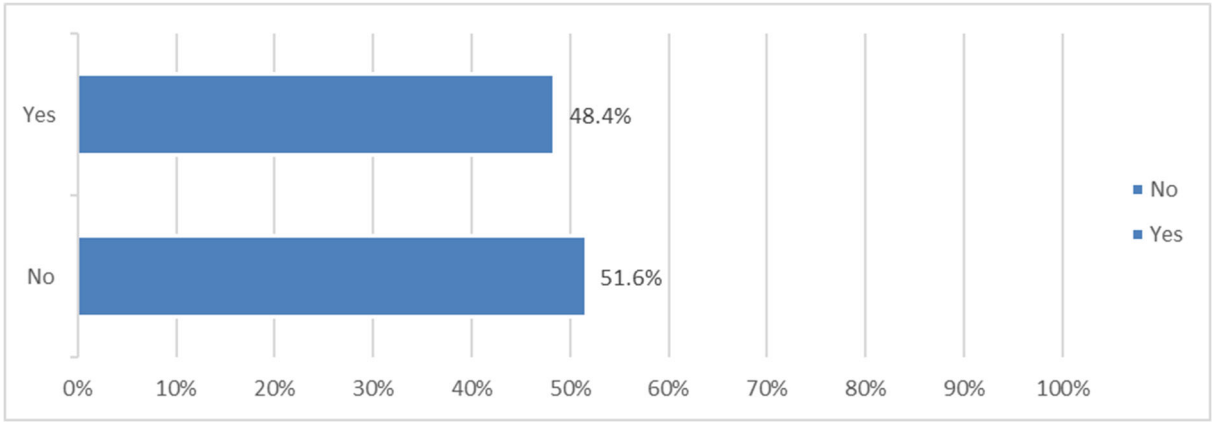
2. THE HRM FUNCTION IN SMEs

N. Papalexandris

INTRODUCTION

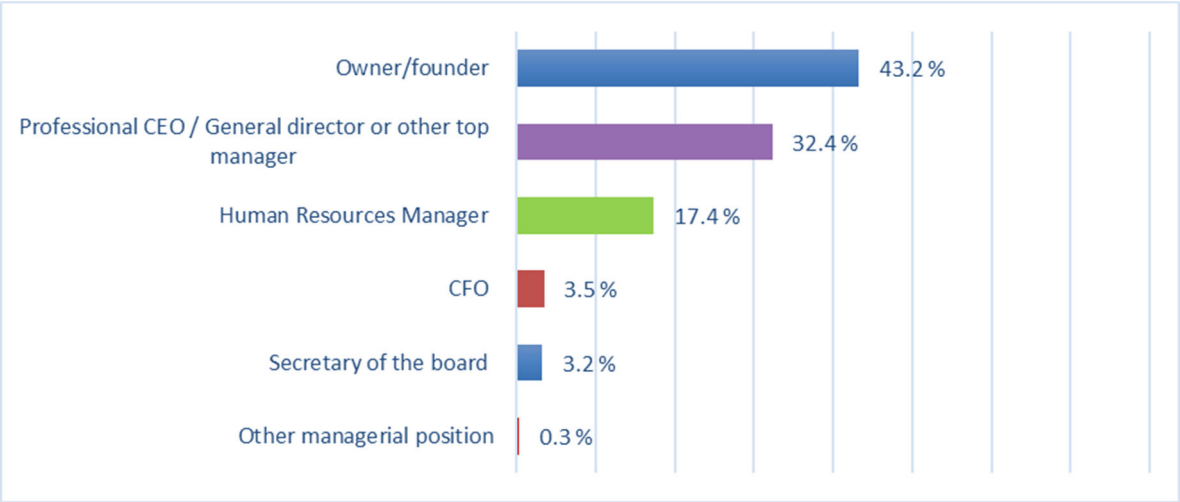
One of the main questions often asked to SMEs is whether they have dedicated personnel or HRM department. The answer depends on the size of the company (Krishnan & Scullion, 2017). As a rule, firms with over 90 employees feel the need to appoint a person responsible for HR or establish a separate unit. Our respondents belong to micro, small and medium-sized firms. In micro firms the owner/founder has, as a rule, the main responsibility for workforce issues since the function of HR is considered very important to be delegated. In larger SMEs the existence of an HR unit is common while even smaller firms increasingly recognize the need for professional handling of people matters, and some plan to appoint a qualified professional (Cardon and Stevems, 2004) (Figure 20).

Figure 20: Existence of an HRM department



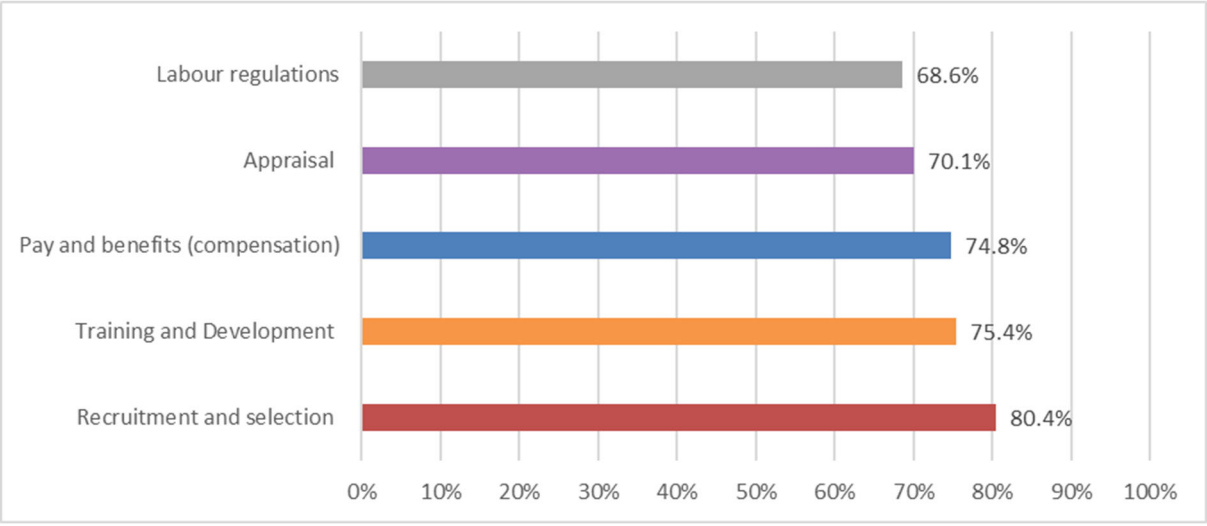
The main responsibility for workforce issues rests with the owner/founder or some other top manager under the capacity of the general director or professional CEO. This shows that even in firms where an HR professional is appointed, important workforce issues such as layoffs or transfers are handled by top management (Harney & Alkhalaf, 2020) (Figure 21).

Figure 21: Main responsibility for workforce issues



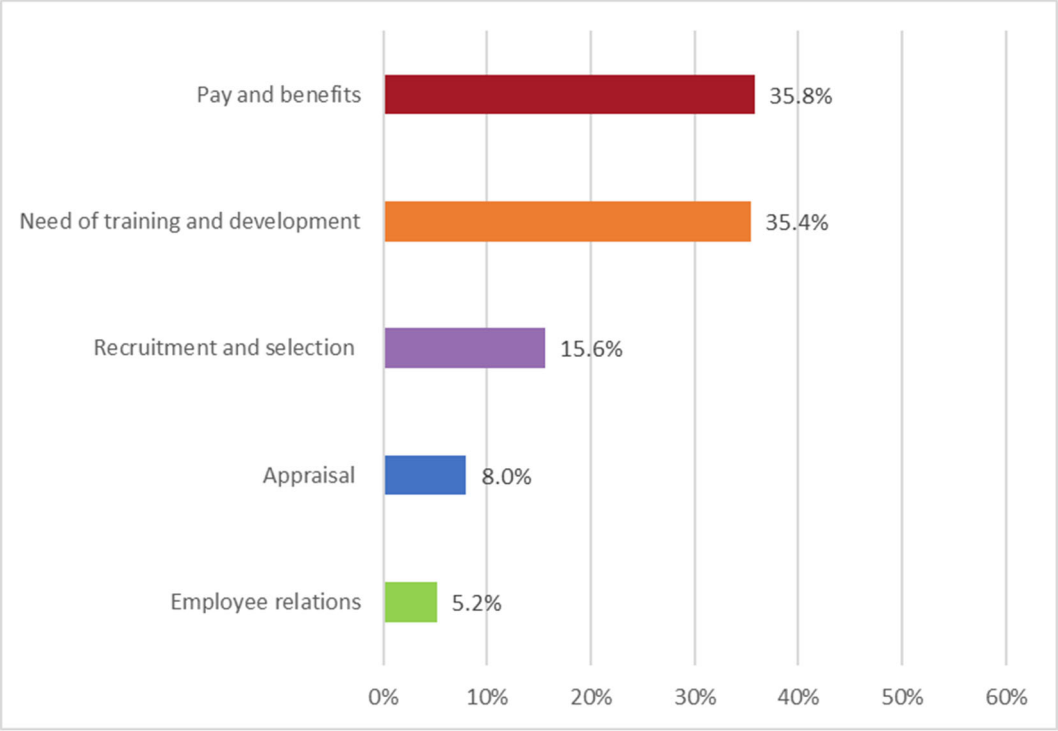
As expected, recruitment and selection represent the most important HR activities within an SME, therefore some specific policies exist. The same hold true for training & development and compensation (Cardon & Stevens, 2004; Kotey & Slade, 2005). The comparatively lower emphasis on appraisal is also expected since in smaller firms a formal appraisal system is often considered unnecessary, as performance in a closed environment can be easily observed and assessed (Barrett & Mayson, 2007). Additionally, labor regulations are dictated by law and firms need to observe them in order to avoid legal action for labor violations. Consequently, there is limited evidence of specific policies in this area (Figure 22).

Figure 22: Policies on HRM issues



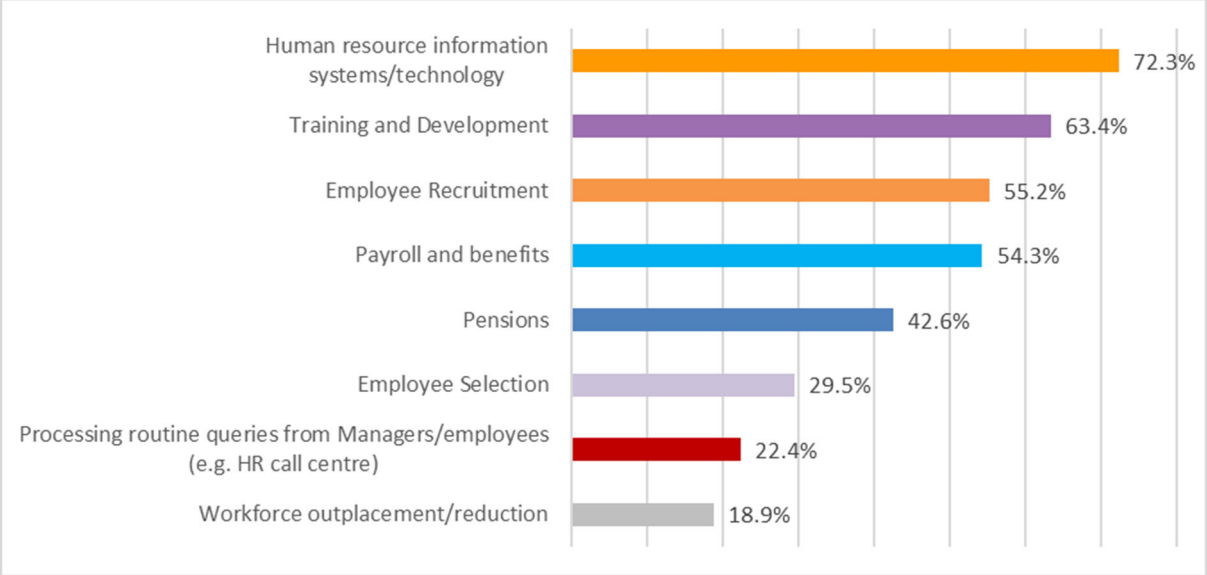
The great developments in Technology and A.I., the increasing importance of digitalization, the increasing need for innovative solutions in the production of goods and services, have created the urgent need for reskilling and upskilling of the workforce (European Commission, 2022). Therefore, in the coming years, training and development of employees appear as a major challenge. Additionally, the issue of pay and benefits will be crucial for the survival of SMEs, as they often cannot compete with high renumerations in a labor market where unemployment from previous years has shifted to labor scarcity due to the brain drain and the recovery of the economy (Table 23).

Figure 23: Management challenges for future employees



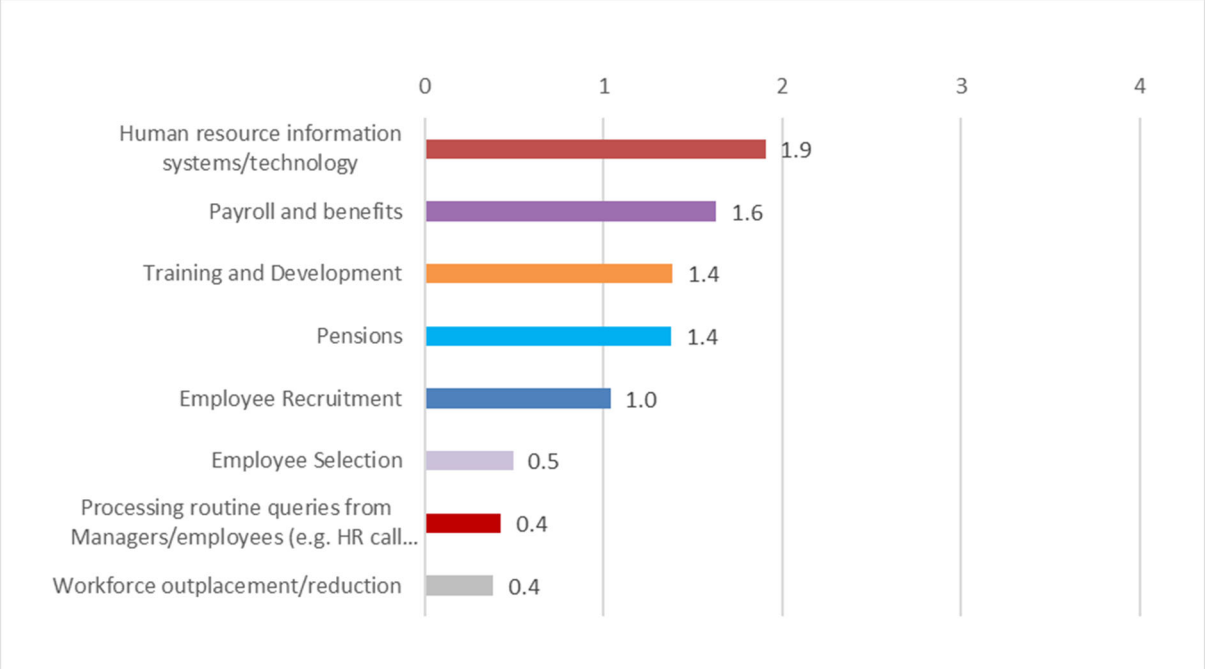
External providers often offer valuable assistance to SMEs in various areas (Klaas, McClendon, & Gainey, 2001). HR Information system specialists are the most difficult to find and hire internally. Therefore, many SMEs turn to external assistance to fulfill their needs. Also, training and development along with recruitment can be costly and time-consuming for smaller firms. It is common for SMEs to outsource in the areas mentioned (Figure 24) although not extensively as revealed in the following question (Figure 25).

Figure 24: Outsourcing frequency by area



Respondents were asked to declare the degree of outsourcing on a scale of 1 to 4, with human resource information systems showing a higher level of outsourcing, consistent with the previous question (Figure 25).

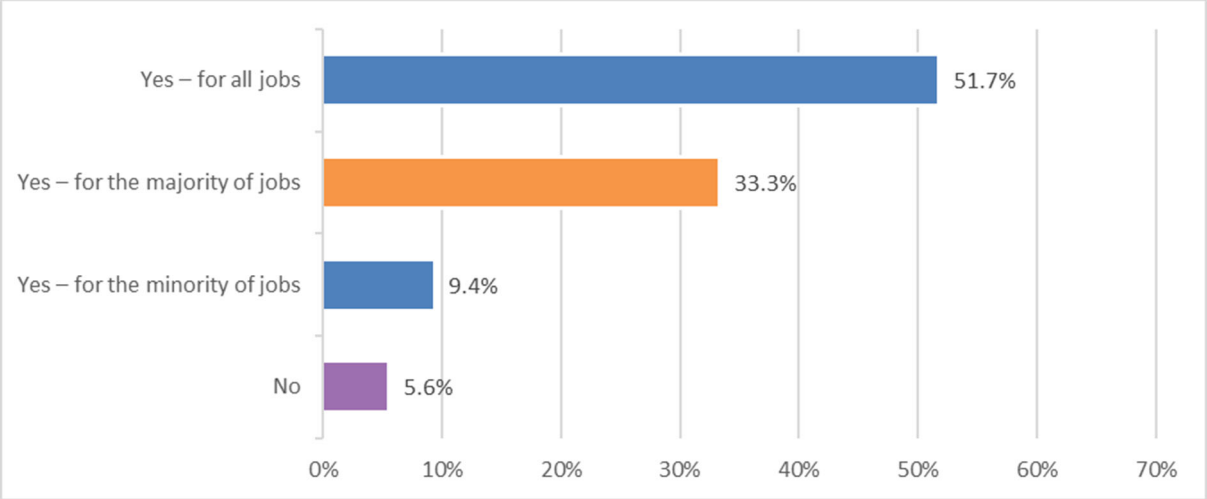
Figure 25: Extent of outsourcing by area



One of the main HR characteristics of SMEs is the lack of formalization (Harney & Alkhalf, 2020; Tsai, 2010). In larger firms, job descriptions are necessary to define specific tasks for

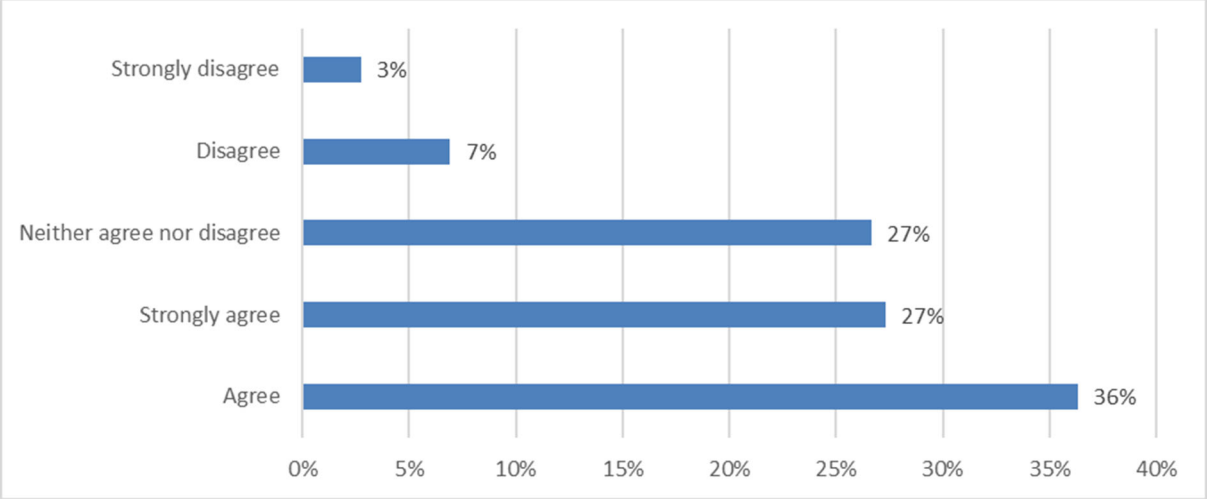
each job holder, preventing overlaps and misunderstandings that can lead performance gaps. In smaller firms, the need is not so urgent. According to our respondents, job descriptions for all jobs is not a universal practice. Half of the firms show evidence of job descriptions for all jobs, while a small number of firms declare that job descriptions exist only for a small percentage of jobs (Figure 26).

Figure 26: Existence of job descriptions



The majority of respondents either agree or strongly agree with their employees taking over tasks other than those of their primary job role. In fact, this practice is quite common for smaller firms, where overlapping and replacement between job holders are frequent, and employees are prepared to replace each other if needed. The responses show the degree of task flexibility which is often considered as an advantage for smaller firms (Matejun, 2014). Depending on the nature of the job, this flexibility allows them to operate with more adaptability to meet personnel shortages or to respond to temporary peaks in their demand (Figure 27).

Figure 27: Levels of consensus on expanding job roles



CONCLUSION

The presence of a dedicated HRM department in SMEs often depends on their size, with larger ones commonly having an HR unit. In micro firms, the owner/founder typically handles HRM responsibilities directly. Recruitment, training, and compensation are highlighted as critical HRM activities, while formal appraisal was less emphasized. Amidst technological advancements, reskilling, and upskilling gain paramount importance, while the centrality of pay and benefits, coupled with the challenges of labor scarcity, become crucial for SMEs survival. Given their limited internal resources, SMEs frequently outsource HRM functions, notably HR Information systems. Finally, the informality in job descriptions is a distinctive trait of SMEs, where task flexibility proves beneficial for navigating employees' shortages and demand fluctuations.

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3. HRM PRACTICES IN SMEs I: STAFFING AND TRAINING

L. Panayotopoulou

INTRODUCTION

The search for talent is a dominant issue among employers and has been discussed in multiple articles in academic literature as well as in the business press. This is an even greater challenge for SMEs that are competing for the best employees against large organizations with well-established employer brands. Typically, SMEs invest less to their visibility in the job market and often opt for recruiting from distinct labor markets compared to larger corporations (Festing et al., 2015). This is reflected in our data, as most SMEs claim that the primary source of recruitment is their own employees. Almost 94% of the companies in our sample say that they recruit either by employee referrals or internally for more than half of the vacancies filled. These methods can ensure greater fit with the firm culture, a criterion that is very important when selecting employees in smaller firms (Krishnan and Scullion, 2017). Recruitment by employee referrals is considered very effective, as it reaches a large pool of potential applicants at a low cost. It has been found that word-of-mouth applicants are most likely to be hired during the selection process and remain in the organization for longer (Brown et al., 2016).

A way to access a large pool of applicants, especially younger ones that are familiar with technology, is e-recruitment. Our respondents report a high use of job posting on commercial (78%) and company (62%) websites, as well as through social media (61%). They use these methods for almost half of their vacancies. Job advertising in traditional newspapers is also used, to the same frequency and extent as e-recruitment. A considerable number of SMEs in our sample (almost 55%) recruit walk-in applicants, or are liaised with an educational institution, since they make use of career offices, and internship or traineeship programs. However, the extent of use of such methods is quite low. The least used recruitment methods are career fairs and agencies/consultants, as expected, because of their high cost. Our findings are in line with previous research suggesting that, because of lack of resources and HR specialists, recruitment in small firms is pursued by owners or line managers, in addition to their other roles. Therefore, more informal practices are adopted, such as networks and referrals, as opposed to using employment agencies and university programs (Leung, 2003).

Figure 28: Frequency of use of recruitment methods

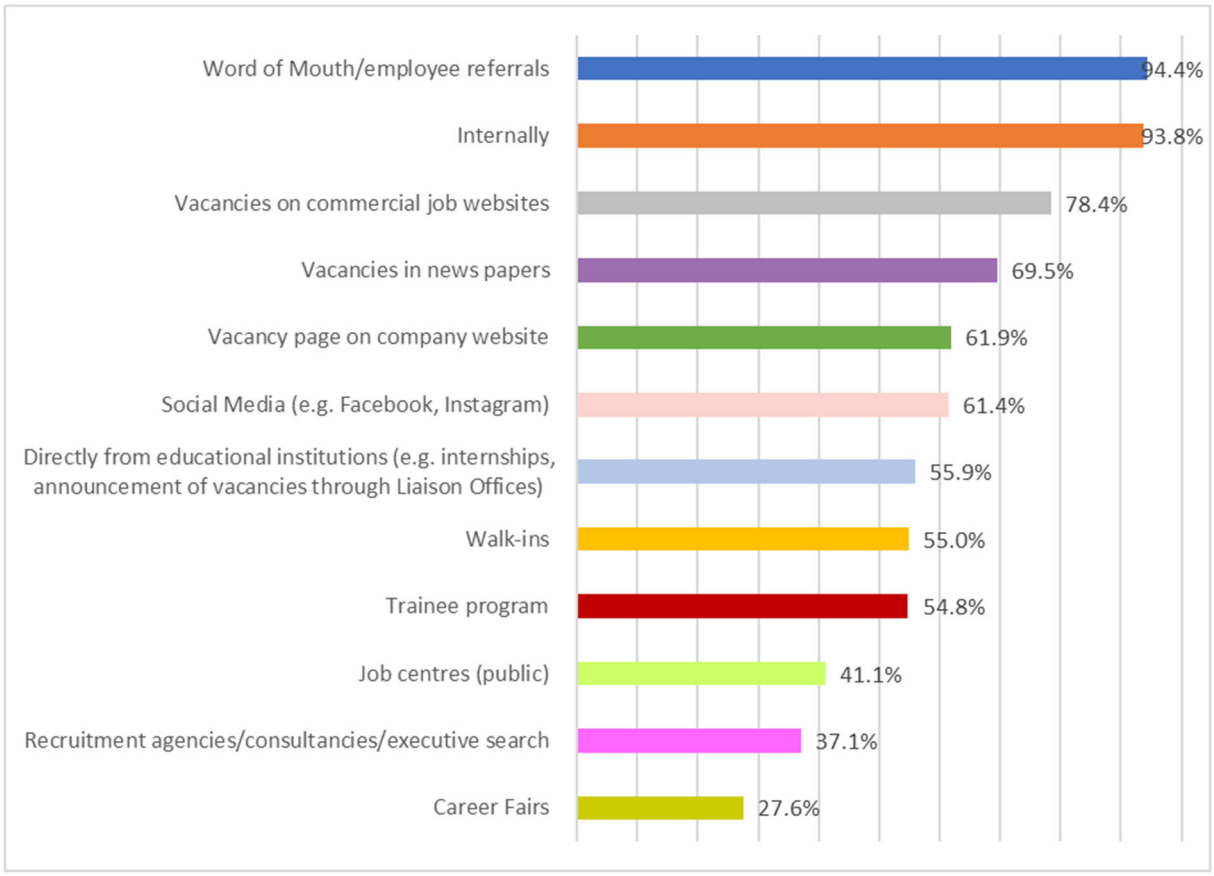
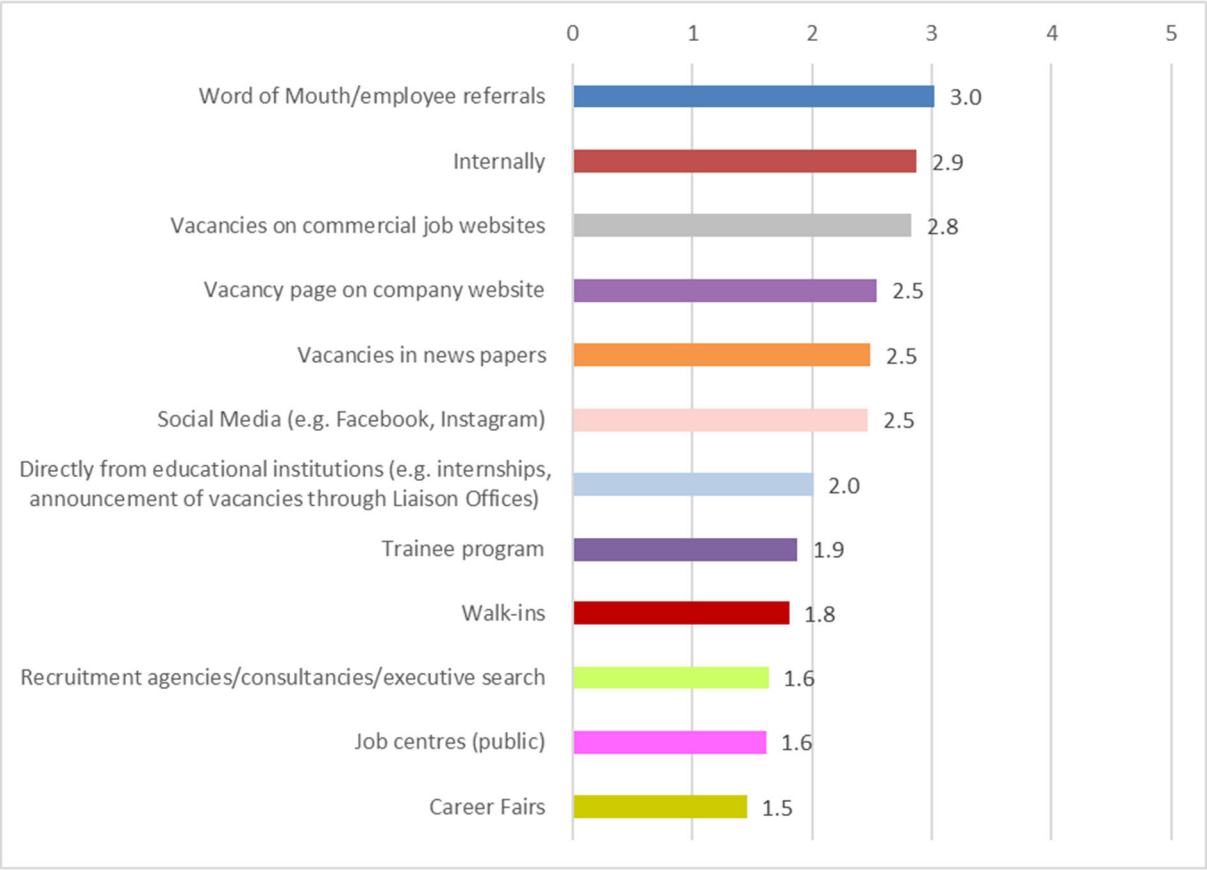


Figure 29: Extent of use of recruitment methods



SELECTION

Selection is very important for SMEs and can have implications for the people management of the firm. In many cases, due to the company's small size, employees have to handle various tasks as part of their daily responsibilities (Cardon and Stevens, 2004). This affects the selection criteria for SMEs, which, as described in the literature (e.g., Cardon and Stevens, 2004; Festing, 2007; Krishnan and Scullion, 2017), are usually a combination of the following. First, the personal characteristics of employees seem to be more heavily weighted in selecting employees for smaller firms. However, human capital attributes such as education, experience and skills are equally important, as they can be critical resources for small firms. In general, SMEs look for employees with more generalist than specialist knowledge. Finally, norms, values, and beliefs are essential in order to guarantee 'fit in' of the new hire to the firm culture.

When it comes to selection methods, our findings support previous research suggesting that, because of limited resources, SMEs tend to employ more cost-effective and convenient

methods for attracting, selecting, and hiring employees (Festing et al., 2015). As presented in the tables below, most SMEs in our sample use interviews and references when selecting candidates. Interviews are used for almost every position filled, while references are used for more than half of them. These two selection methods can offer some insight into candidates' personal characteristics and person-organization fit. Another selection method that is quite often used is the application form. Tests and social media profiles are used by almost 50% of SMEs in our sample, and psychometric tests are used in a very small number of cases.

Figure 30: Frequency of use of selection methods

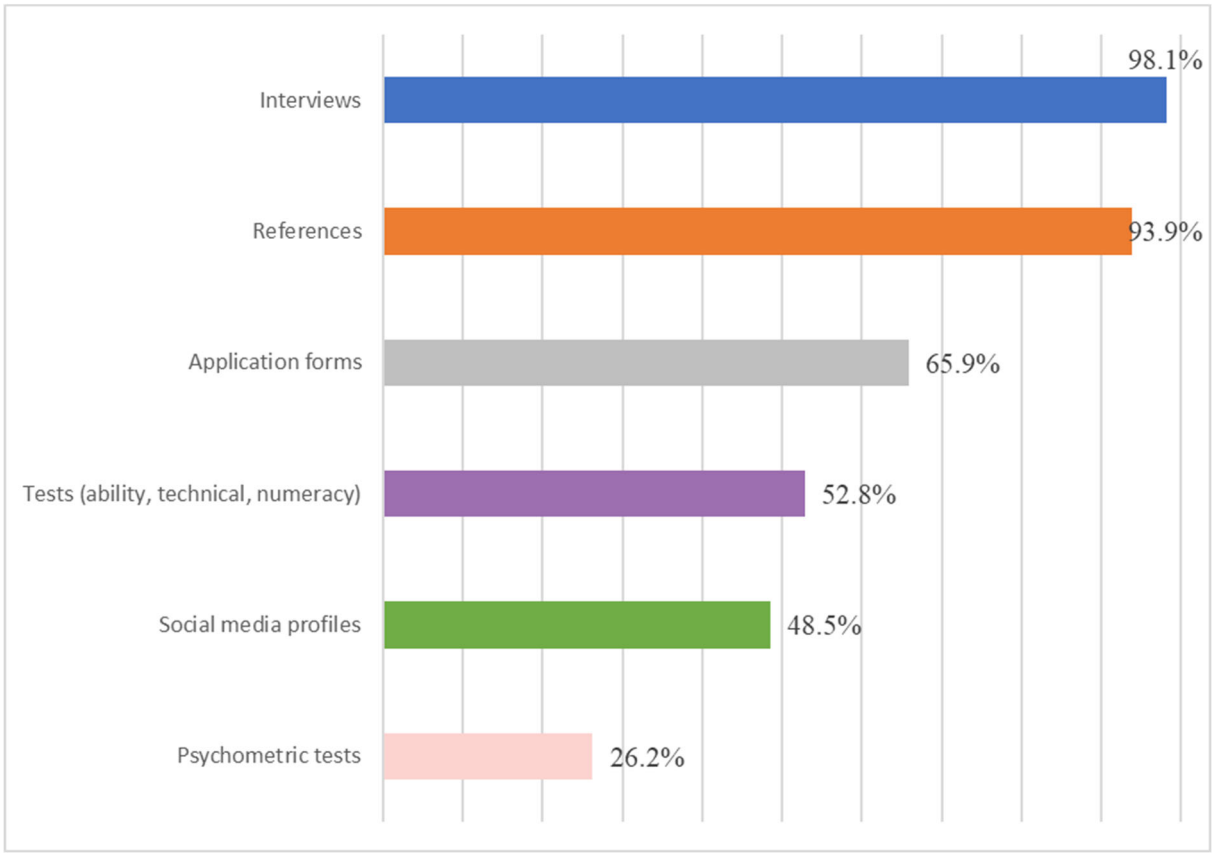
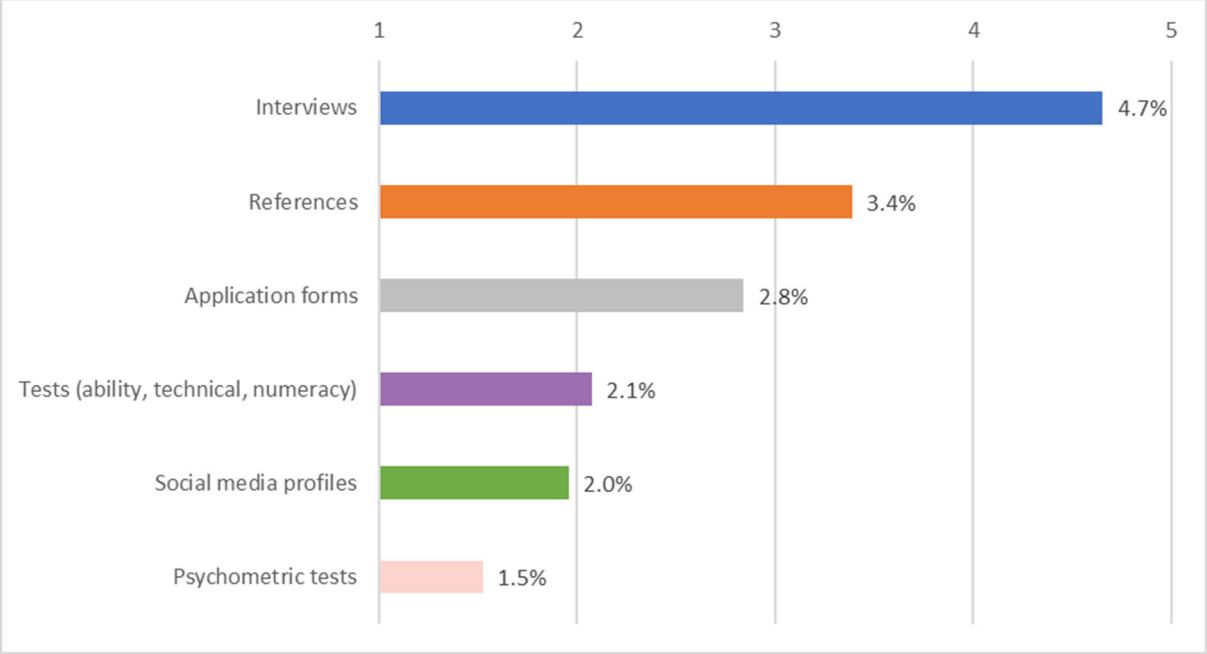


Figure 31: Extent of use of selection methods



TRAINING

Small firms typically face external uncertainty, which results in taking actions that deliver primarily short-term payoffs and that can be adjusted at low cost in the event of changed circumstances. Therefore, they may not prioritize formal employee training programs, which usually offer returns over the medium term (Storey et al., 2010). Cordon and Stevens (2004), summarizing previous findings on SMEs training, suggest that small organizations determine what training opportunities to provide based on the cost of training programs and time spent away from productive work. They also indicate the CEO/owner as the key decision-maker in training and development issues, additionally highlighting that despite limited resources, development and advancement of employee skills are quite important to small firm managers.

The vast majority of SMEs in our sample (93%) provide training to their employees. The most common training method adopted is on-the-job training, which is used in almost all cases of training. Our respondents also use seminars and funded training programs, to a lower extent. These results support international findings showing that, as sources of formal training are restricted for small firms, unstructured training, informal on-the-job instruction, and organizational socialization are quite important and are often seen as substitutes for formal training processes, along with trade associations, short college seminars, and in-house training for employee development (Cordon and Stevens, 2004).

Figure 32: Training provided to employees.

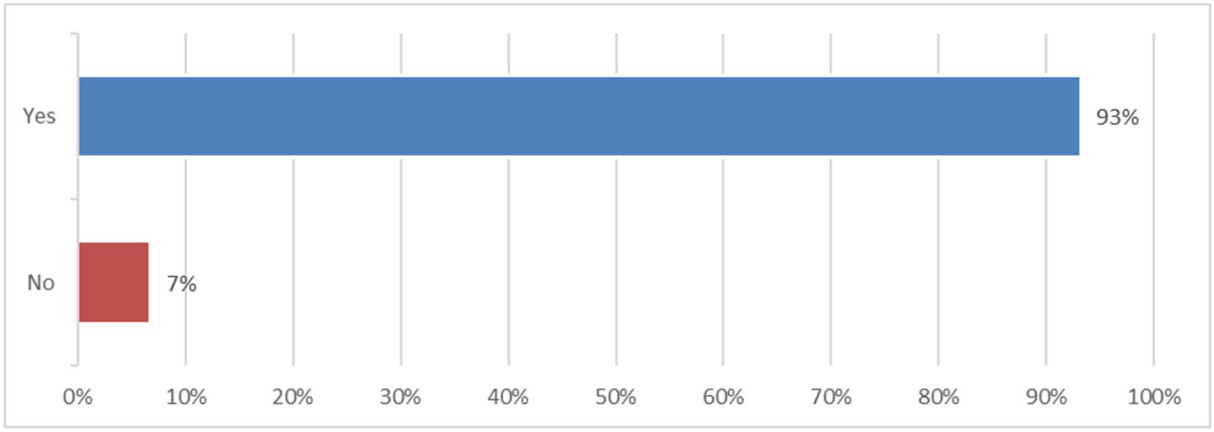


Figure 33: Training methods implemented.

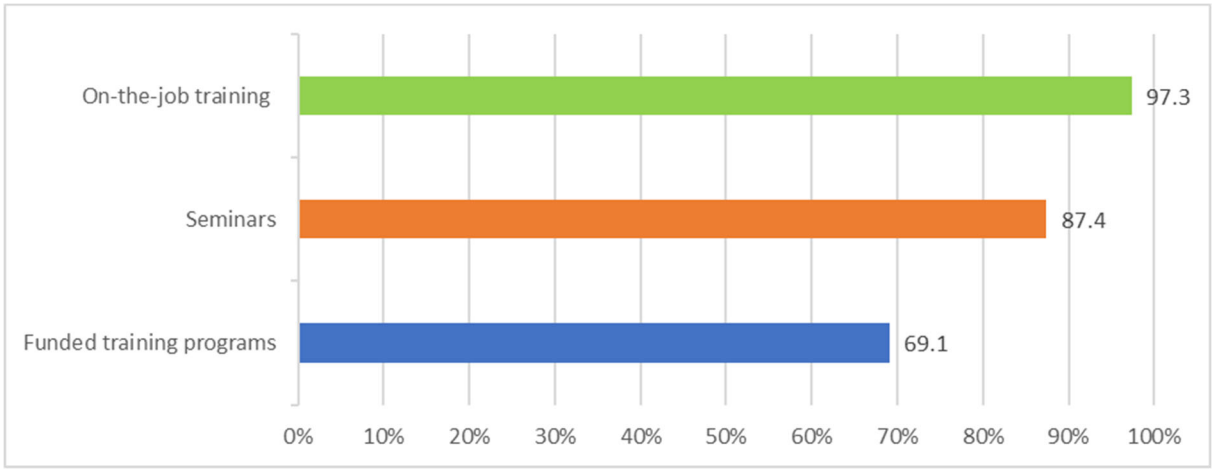
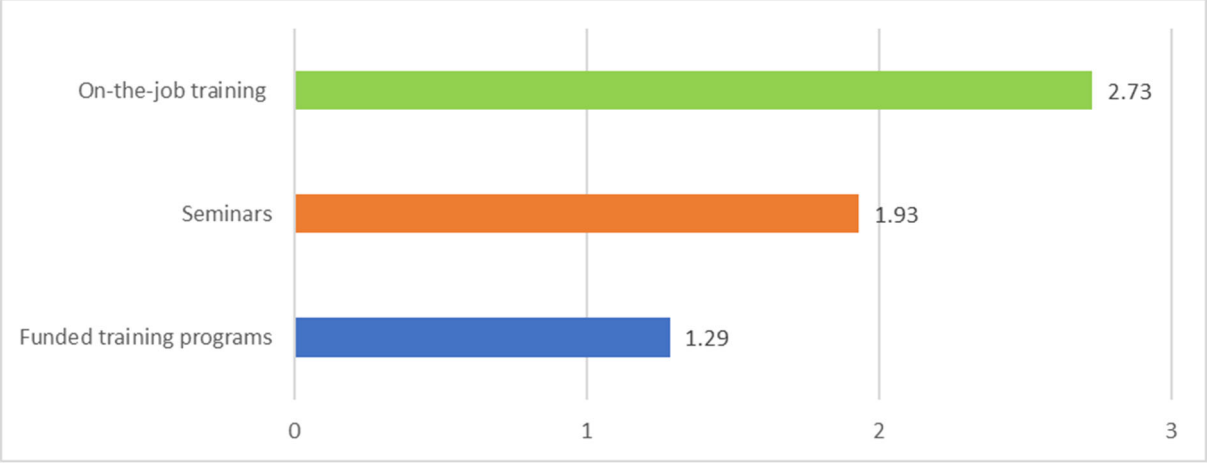


Figure 34: Extent of implementation of diverse training methods.



A quarter of the firms in our sample claim that they regularly train their employees. In most cases, SMEs train their employees upon hire or promotion, while half of them link training with performance appraisal results. Finally, when it comes to training needs evaluation, it is often or always carried out in something less than 70% of SMEs in our sample. The rest of the firms evaluate their training needs less often.

Figure 35: Training schedule

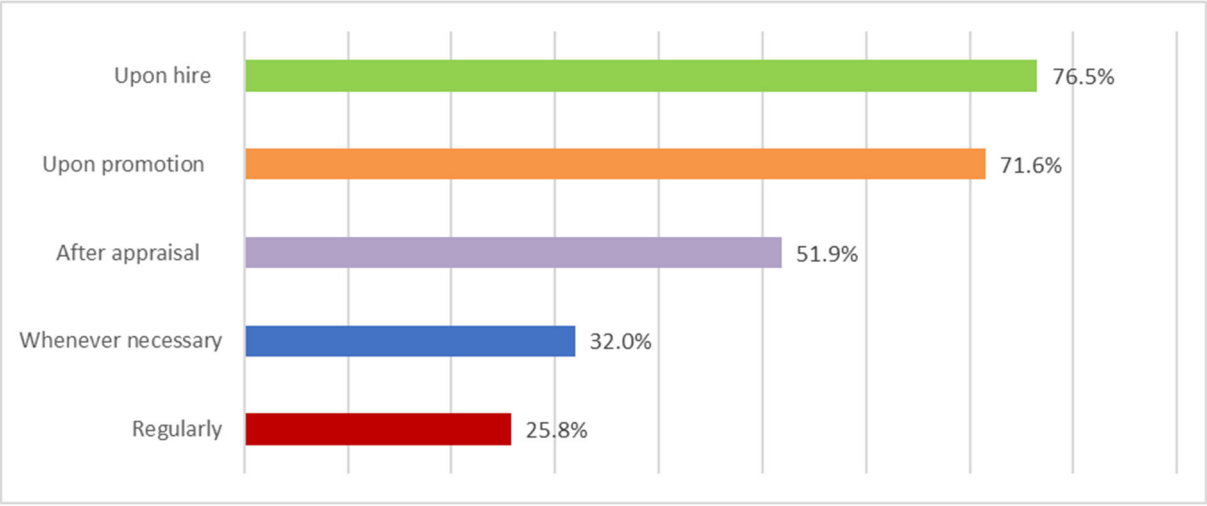
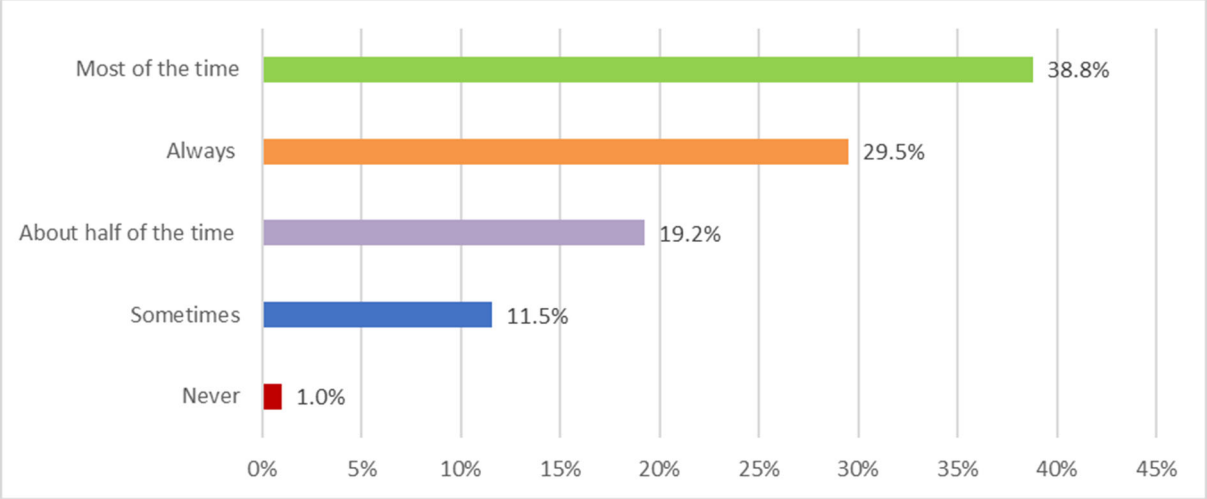


Figure 36: Training frequency



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4. HRM PRACTICES IN SMEs II: PERFORMANCE MANAGEMENT AND COMPENSATION & BENEFITS

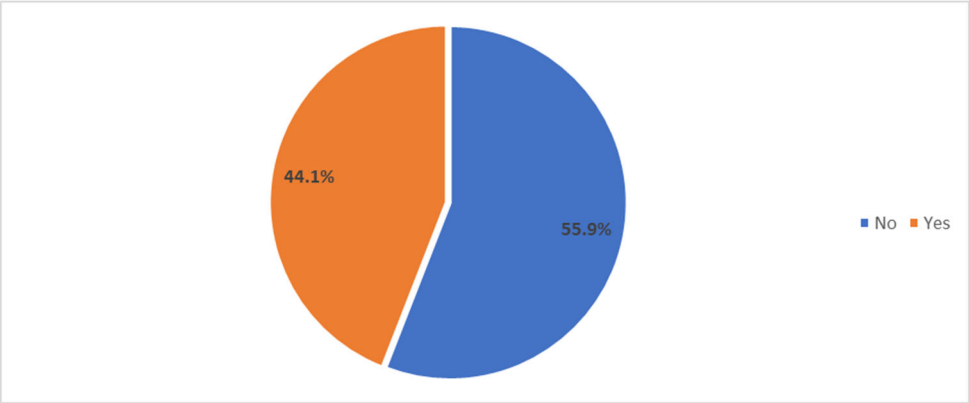
E. Galanaki

In this chapter, two pillar functions of HRM are explored with the use of HRMinSMEs evidence: Performance Management and Compensation & Benefits.

Performance Management

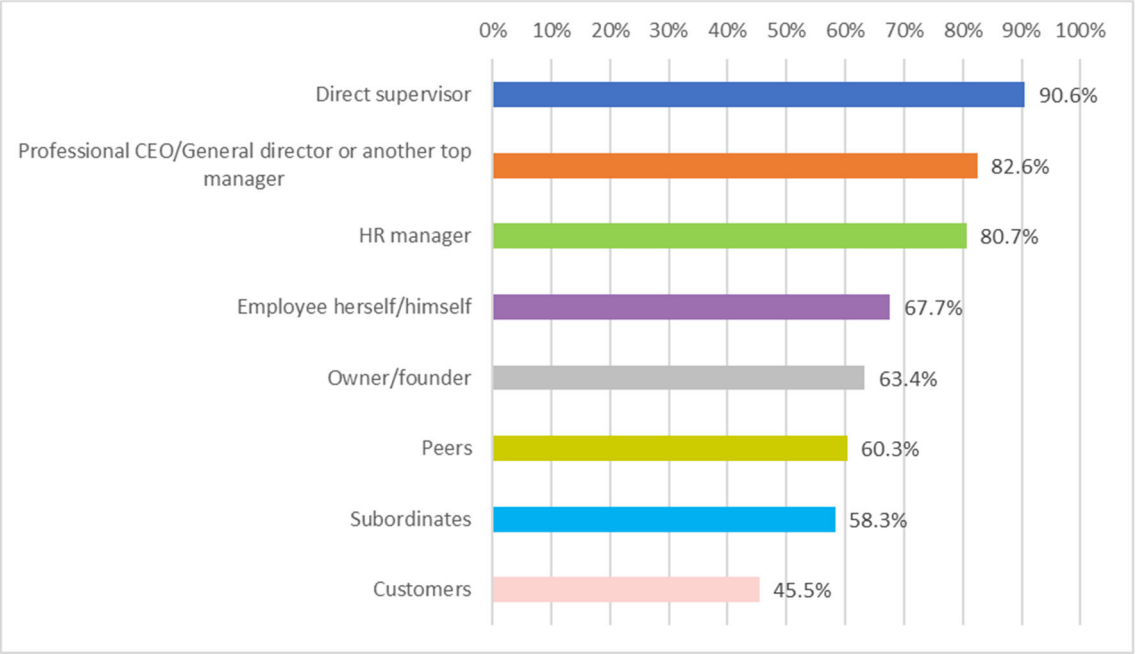
The first question in this category was if the firm applies a formal employee performance appraisal system. As depicted in Figure 37, below, the majority of SMEs (55%) do not have any formal appraisal system in place. This agrees with the literature suggesting that employee performance appraisal is conducted in informal ways in SMEs (Marlow, Taylor, & Thompson, 2009).

Figure 37: Existence of a formal appraisal system



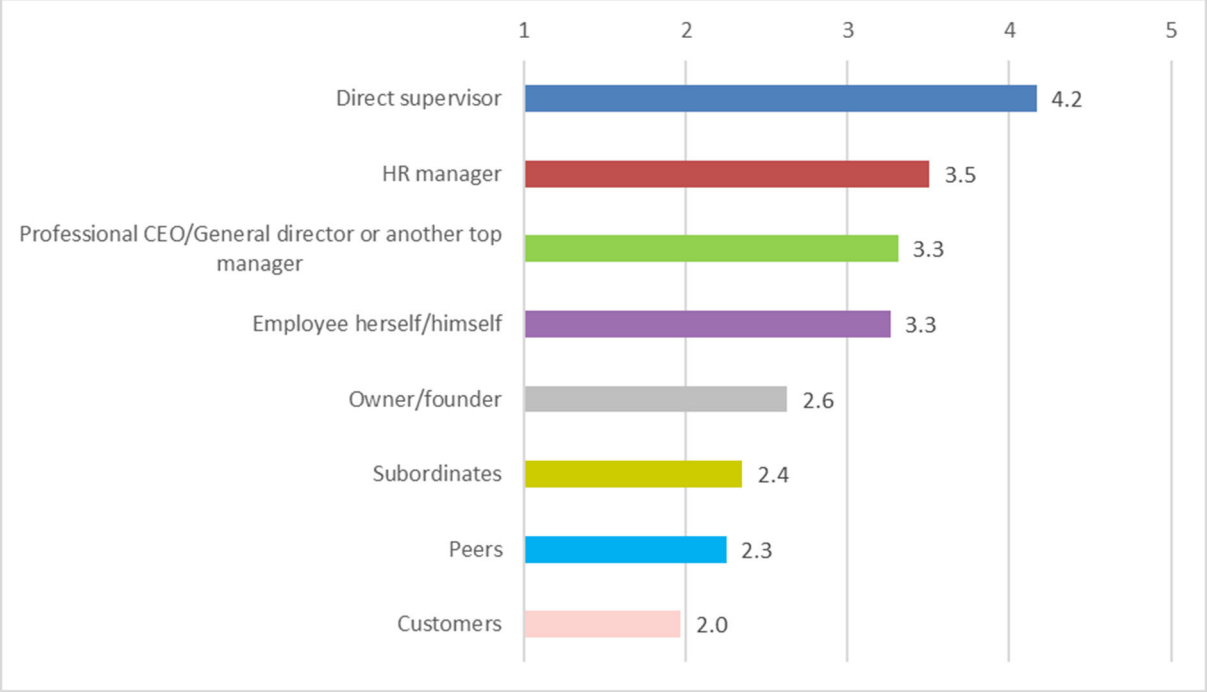
To the firms mentioning that they have in place a performance appraisal system a second question was posed, asking who participates as evaluator providing data to the employee appraisal process. Findings from this question are presented in
Figure 38, below. In agreement with typical previous findings (e.g., Papalexandris, Galanaki & Panyotopoulou, 2016), the evaluation by the direct supervisor is the most common evaluation practice. However, 360º evaluation is also a reality in many SMEs, as in almost half of the enterprises examined, peers, subordinates, and customers also get involved in the performance appraisal process.

Figure 38: Input for employees' appraisal process – frequency.



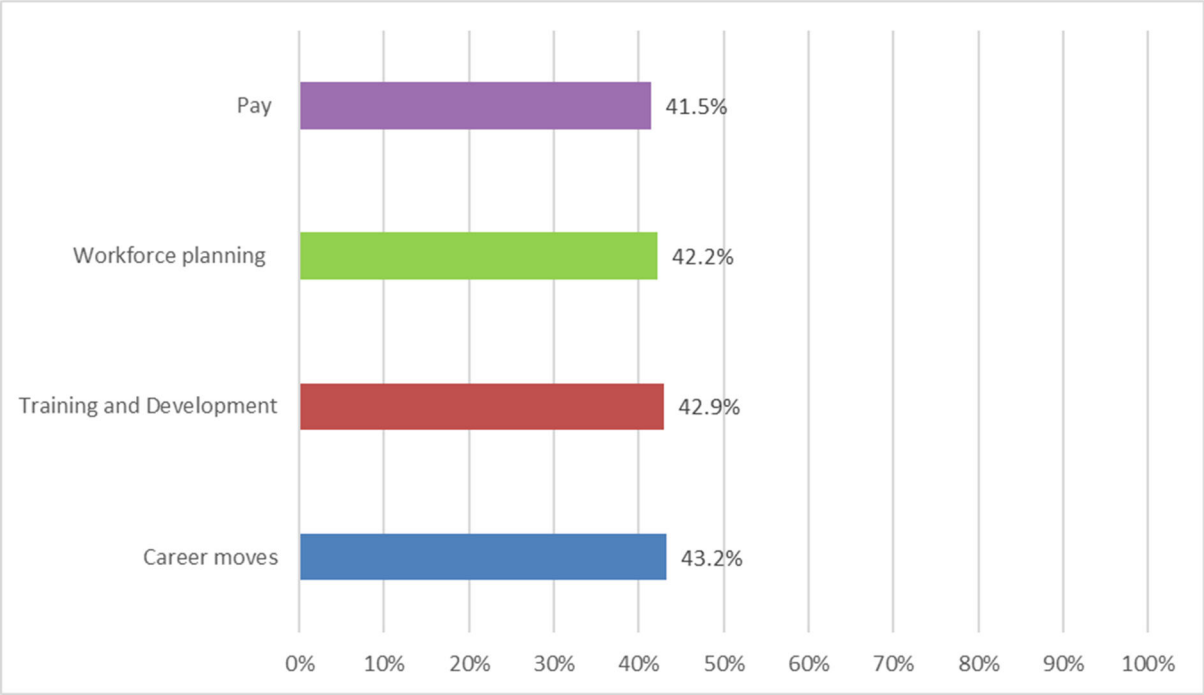
Moreover, the respondents were asked to evaluate the degree of involvement of the identified evaluators in the application of the performance evaluation process. In this question, as in the first one, also the direct supervisor was the most intensively involved evaluator, followed by the HR manager and the top management and then by the employee him/herself (Figure 39).

Figure 39: Extent of input in performance appraisal



The way in which enterprises use the information collected during the performance appraisal process is critical for the effectiveness of performance management. Our research revealed that many SMEs utilize performance appraisal to inform rewards and training decisions (a best practice also known as the performance management cycle: appraisal-rewards – training). They also apply it to inform decisions about workforce planning and career development (Figure 40).

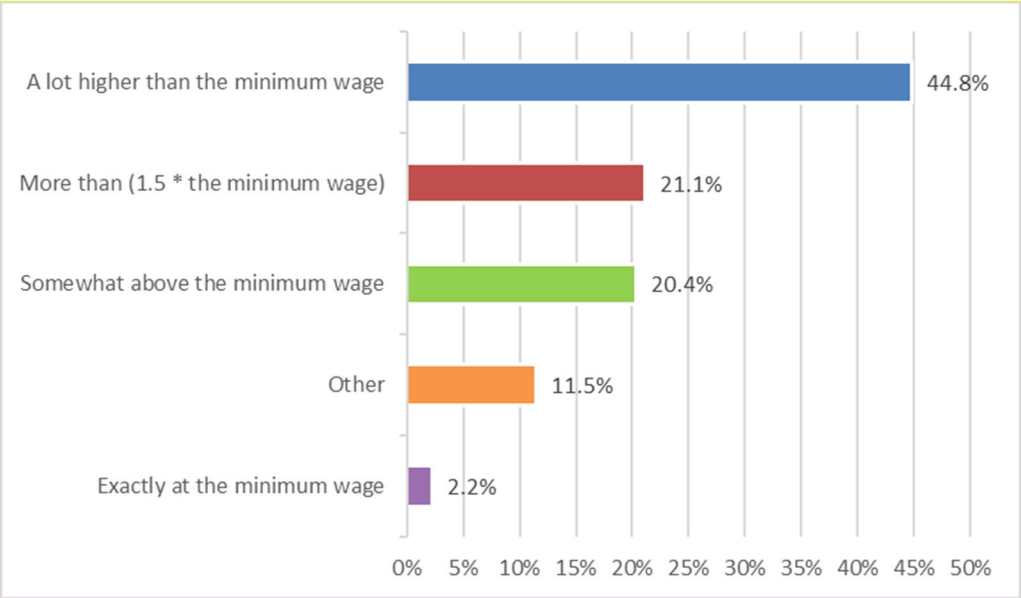
Figure 40: Usability of Performance Appraisal



EMPLOYEE COMPENSATION AND BENEFITS

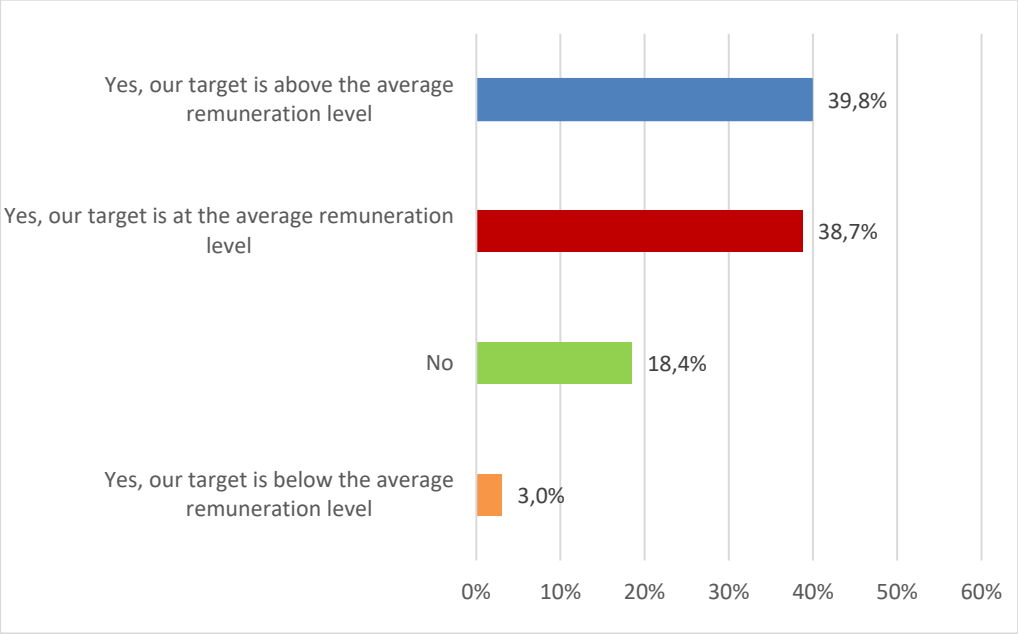
Employment compensation is seen as Achile's heel of the HRM function in SMEs, due to the generally limited resources and liquidity in smaller enterprises (Rutherford, Buller, & McMullen, 2003). However, our research reveals that most SMEs give salaries substantially over the minimum wage (45% a lot higher, and 21% over 1.5 * the minimum wage, Figure 41). Only 2% pay exactly at the minimum wage and 20% pay somewhat above the minimum wage.

Figure 41: Total Compensation terms



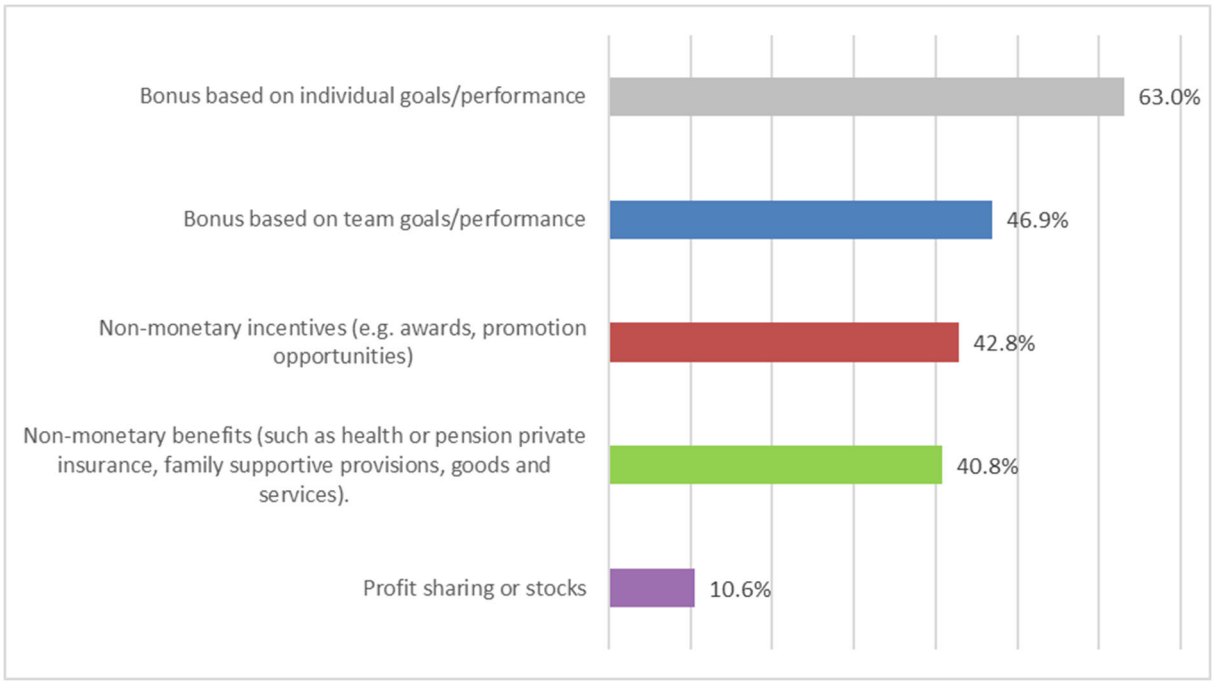
What is more, most of the SMEs participating in the research reported that they monitor the labor market and the salary benchmarks to remain competitive and that they have an employee rewards strategy to pay either above the average (40%) or exactly at the market average remuneration (39%). Only 18% admitted that they do not monitor the averages and only 3% that their remuneration strategy is to pay below the market average.

Figure 42: Salary Benchmarking



Beyond the salary, many SMEs offer monetary and non- monetary incentives and employee benefits (Figure **43**). The most widely used incentive is the bonus based on individual performance which is used by 63% of the respondents, followed by the bonus based on team performance (in 47% of the sample) and by non-monetary incentives, i.e., provisions dependent on performance, but not necessarily in money, such as awards, promotions etc. (in 43% of respondents). Also, the provision of non-monetary employee benefits that are not dependent on performance, such as insurance schemes, scholarships, tuitions, family benefits, services, coupons, etc. is quite extensive (41%), contrary to the expectation that employee benefits, as a result of the economies of scale effects that can be realized in large workplaces, are more likely to be given by large enterprises (Galanaki, 2019).

Figure 43: Incentives and employee benefits.



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5. EMPLOYER BRANDING IN SMEs

I. Zografou and E. Galanaki

Employer branding definition

Employer branding refers to a firm's reputation as an appealing and desirable place to work. The main objective of employer branding is to establish a perception among jobseekers and current employees that the firm is an "employer of choice". But what does the notion of "employer of choice" stand for? An "employer of choice" is a firm that jobseekers aspire to work for because it is perceived as different and superior to other employment options (Moroko & Uncles, 2008). This status is achieved when candidates actively choose the firm as their first-choice employer and when current employees choose to remain with the firm, even when presented with other appealing employment opportunities. In other words, employer branding involves how a firm chooses to position itself in the labor market and how it is perceived as an employer. Thus, it encompasses several activities and strategies aimed at shaping the firm's image as a compelling place to work.

An employer brand is built on defining the essence and identity of a firm, reflecting its organizational culture. Successful firms need to create a well-designed and distinct employer value proposition (Biswas & Suar, 2016; Moroko & Uncles, 2009) that highlights the value they offer to both perspective and current employees (Backhaus, 2016). In this sense, the employer value proposition (Backhaus & Tikoo, 2004; Barrow & Mosley, 2005) serves as the central message stating what the firm provides to its employees, encompassing elements such as employment benefits or leadership styles. Once developed, the employer value proposition is then marketed and communicated to attract and retain talent.

The significance of a positive employer brand

The significance of a positive employer brand is evident in today's highly competitive business environment. Firms increasingly rely on employer branding as a strategic tool for attracting, developing, and retaining top talent (Backhaus, 2016; Backhaus & Tikoo, 2004; Näppä, 2022). Investing in employer branding can yield substantial cost savings in hiring and marketing efforts (Tanwar & Kumar, 2019). Building an attractive employer brand helps firms receive a larger pool of job-applicants, as employees are more inclined to join a firm with a positive reputation. Effective employer branding enables firms to target specific employee segment, fostering recognition, identification with the firm's values, and higher engagement levels

among current employees (King & Grace, 2008). Consequently, a strong reputation attracts suitable and high-quality candidates, broadening the talent pool, and ultimately influencing recruitment and overall organizational performance (Boyd, Bergh, & Ketchen, 2010; Martin, Gollan, & Grigg, 2011). Therefore, developing and promoting a compelling employer value proposition to attract and retain top talent is critical for firms to drive their business forward and gain a competitive advantage (Backhaus, 2016).

The value of employer branding for SMEs

Although large firms gain publicity due to their size and well-known products and services they provide to customers, SMEs have limited exposure and are less familiar to the public. Research has started to witness that reputation and brand dynamics might be even more critical for an SME than for a large firm (Ewerlin & Süß, 2016). This confirms two critical issues. First, the fact that all types of firms have their own reputation as employers, regardless of their size. Second, that there is always an employer brand among current and potential employees, whether or not the brand is actively managed.

While employer branding is a relatively new concept in academia, an increasing number of studies have shown that employer branding is particularly relevant in SMEs and holds significant potential for organizational success (Tumasjan, Kunze, Bruch, & Welpe, 2020). Therefore, SMEs may have a greater need to engage in employer branding to raise brand awareness in the labor market. In this sense, considering that SMEs constitute a substantial portion of global economic activity, one could argue that employer branding may be more critical for SMEs than for their larger counterparts.

On a practical level, while large firms have traditionally been associated with effective employer branding practices, employer branding gained increasing significance for SMEs on a global scale in recent years. SME managers have recognized the strategic role of employer branding in managing their reputation as employers, ensuring effective talent management, and enhancing employee engagement. Empirical evidence from the current research supports that Greek SME managers are not an exception, since in a measurement scale from 1 (strongly disagree) to 5 (strongly agree), all managers are in strong agreement that employer branding is essential to their HR strategy, that it flows through all their HR activities, that it is critical to their future success, and that it is necessary in running their firm.

Figure 45 presents the HRM in SMEs survey results, illustrating the significance and priority of employer branding for Greek SME managers.

Figure 44: Employer branding intention

Scale 1-5, explanation				
1: Strongly disagree	2: Disagree	3: Neither agree nor disagree	4: Agree	5: Strongly agree

Descriptive Statistics				
To what extent do you agree with the following?	Minimum	Maximum	Mean	Std. Deviation
Employer branding is essential to our HR strategy	1	5	4.43	0.873
Employer branding flows through all of our HR activities	1	5	4.37	0.850
Long-term employer brand planning is	1	5	4.34	0.874

Descriptive Statistics				
To what extent do you agree with the following?	Minimum	Maximum	Mean	Std. Deviation
critical to our future success				
Employer branding is essential in running this company	1	5	4.30	0.854

Importantly, no substantial difference was found in employer branding intention levels between firms of different sizes. In a scale 1-5, micro firms scored an average of 4.2, while small and medium-sized firms scored close to 4.4. Figures 46, 47, 48 provide a breakdown of employer branding intentions for each size of firm.

Figure 45: Employer branding intention in micro firms

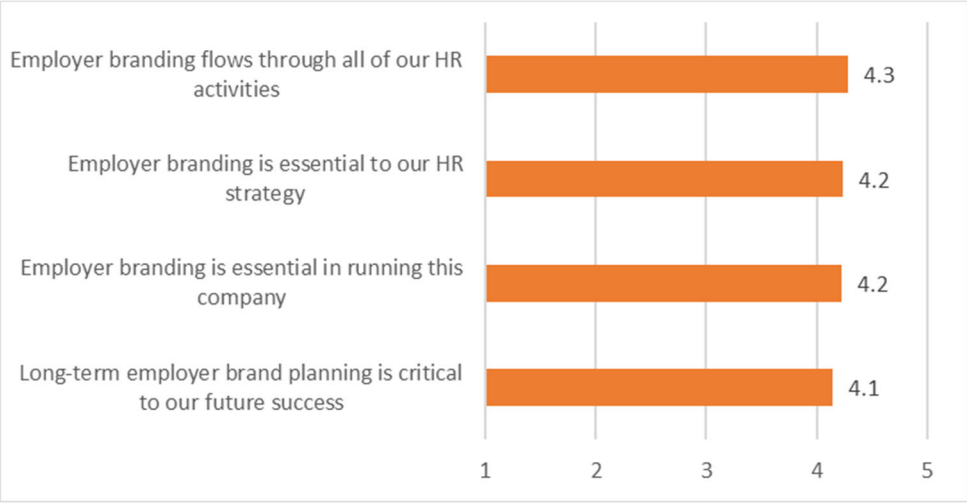


Figure 46: Employer branding intention in small firms

Figure 47: Employer branding intention in medium firms

The Figures presented above illustrate that employer branding is an emerging area with the potential to set new standards for organizational success in the SME landscape. Consistent with previous research highlighting the positive impact of employer branding on organizational success, such as SME performance (Tumasjan, Kunze, Bruch, & Welpe, 2020), the evidence from this study strengthens the notion that SMEs investing in employer branding tend to achieve higher levels of productivity ($r = 0.18$), especially among micro firms, and innovation ($r = 0.20$), particularly among small-sized ones. These findings suggest that effective employer branding can foster employee pride, strengthen an internal esprit de corps,

enhance motivation and engagement levels, which, in turn, contribute to increased creativity. Also, the findings further underscore employer branding potency in cultivating a supportive culture that promotes employee engagement and fosters innovation capability within SMEs.

The power of organizational culture in SMEs

Since the millennium, employers have begun recognizing the importance of prioritizing the labor market as a key stakeholder (Moroko & Uncles, 2009). In fact, firms have started to explore how to strategically attract and retain employees who share the organization's purpose and values and can contribute to the success of the brand. Employer branding efforts are typically divided into internal and external. Internal employer branding focuses on the adoption of the employer brand internally – within the firm – to ensure that existing employees embody the brand and deliver its promise to external stakeholders. Internal employer branding seeks to develop and enhance an inside-out, value-based ethos, usually attached to a form of corporate mission or vision (Mosley, 2007). Internal branding is based on internal and non-imitable resources and suggests that the distinctive cultural traits and capabilities of a firm are the only sustainable way to secure and sustain competitive advantage. Conversely, external employer branding refers to the way a firm communicates its employer brand to the external market.

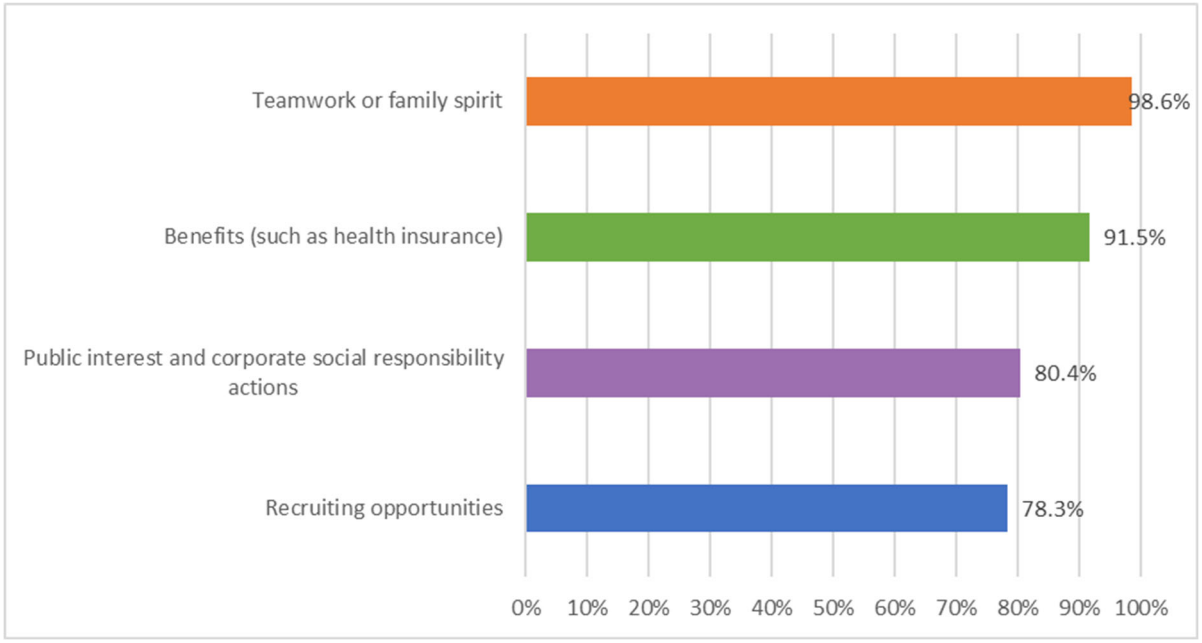
Recently, firms, including SMEs (mostly medium-sized), have increasingly adopted an integrated approach that aligns internal employee experiences with external recruitment promises and manages the relationship between internal understanding and external expectations. Involving HRM, such as training, in internal branding, enables firms to use internal communications to enhance employees understanding of the brand and their ability to contribute to its delivery. However, effective signaling of HRM practices is crucial to ensure employee identification with the firm and trigger employee commitment. When internal and external employer branding are aligned, employee engagement levels increase, the employer brand gains credibility (Collins & Martinez-Moreno, 2022), positive reputation levels improve, employee turnover is minimized, and stakeholders' interest is maintained (Aurand, Gorchels, & Bishop, 2005).

In SMEs, where HRM practices often occur informally, such as on-the-job training, or oral evaluations, social exchanges are reinforced, and a "family" image is often formed in employees' minds, regardless of whether the business is family-owned or not (Harney & Alkhalaf, 2020). Organizational trust and teamwork are critical predictors and integral parts of the firm's culture. The evidence from this survey supports that the SMEs investing in employer

branding are typically characterized by a strong emphasis on trust, open communication, and a supportive organizational culture. This study aligns with existing literature, indicating that SMEs placing emphasis on employer branding are generally firms that foster and advocate for a supportive organizational culture. The research identifies a positive correlation between employer branding and the presence of a supportive culture (Sok, Blomme, & Tromp, 2014).

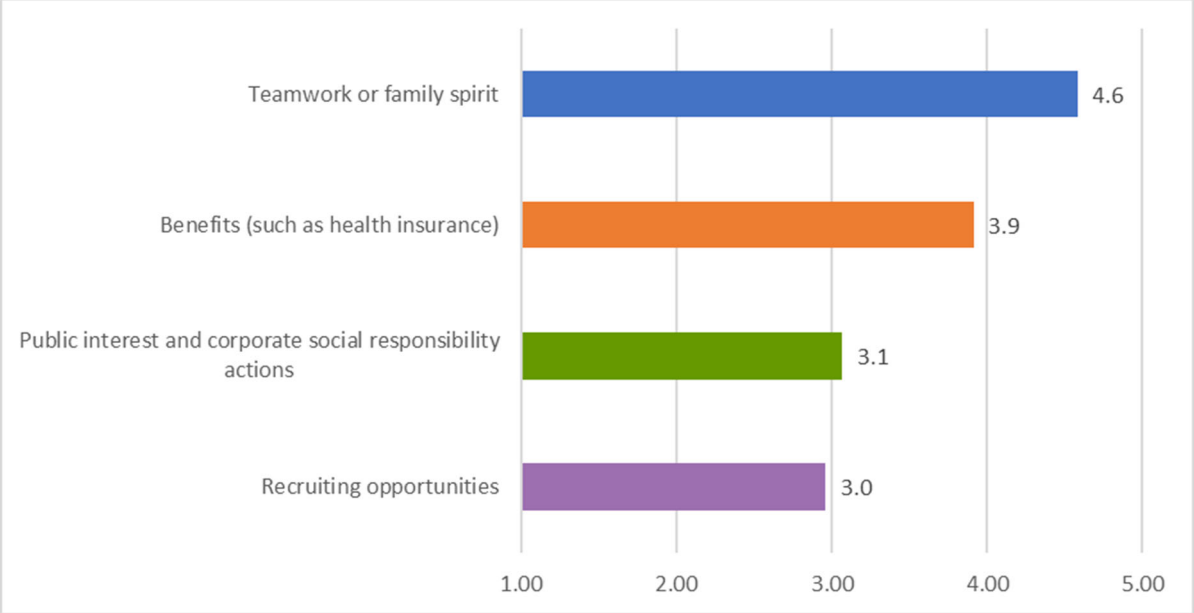
Building on this perspective, our research confirms the significance of teamwork or a family climate in maintaining or improving the employer image of SMEs, with additional benefits, such as corporate social responsibility and recruitment opportunities to follow (Figure 49). Importantly, teamwork or family climate was not only the characteristic with the highest score, but it was the characteristic that represented most firms (98.6%) with the greatest extent of use. Although recruitment opportunities scored lower, still represented more than 75% of the firms (78.3%), but with moderate extent of use levels. Figure 49 shows the frequency of cultural characteristics, and Figure 50 illustrates the extent of use of these characteristics, respectively.

Figure 48: Frequency of cultural aspects



With reference to the extent of use of cultural aspects, our research indicated that teamwork or family spirit received more emphasis than the other three cultural aspects. Using a scale 1-5, the findings demonstrated that teamwork or family spirit received a higher score than the remaining aspects.

Figure 49: Extent of use of cultural aspects



Scale 1-5, explanation				
1: Strongly disagree	2: Disagree	3: Neither agree nor disagree	4: Agree	5: Strongly agree

Descriptive Statistics				
Do you highlight the following to improve your image as an employer?	Minimum	Maximum	Mean	Std. Deviation
Teamwork or family spirit	1	5	4.58	0.753
Benefits (such as health insurance)	1	5	3.91	1.279
Public interest and corporate social responsibility	1	5	3.06	1.408
Recruitment opportunities	1	5	2.96	1.399

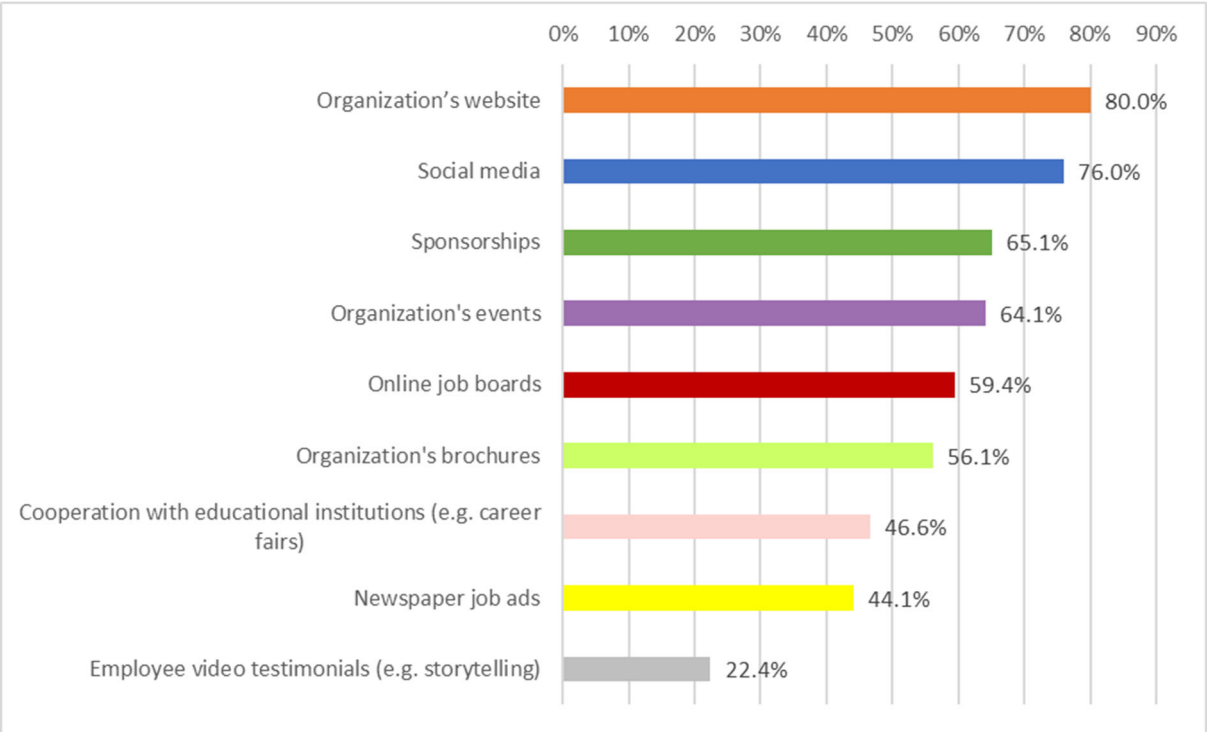
It is noteworthy that among micro firms with strong employer branding intentions, there is a greater focus on promoting a family spirit, offering benefits, and showcasing recruitment opportunities, rather than taking corporate social responsibilities actions to improve their image as an employer. These firms exhibit positive correlations between employer branding and productivity, indicating a positive relationship between the two variables (r= 0.45). On the

other hand, small firms that are highly committed to employer branding efforts seem to promote all the above-mentioned characteristics. Interestingly, medium-sized firms primarily focus on corporate social responsibility actions. Additionally, small firms that prioritize all the aforementioned characteristics exhibit higher levels of innovation, as a positive relationship between employer branding and innovation was found (r= 0.29).

The power of communication in SMEs

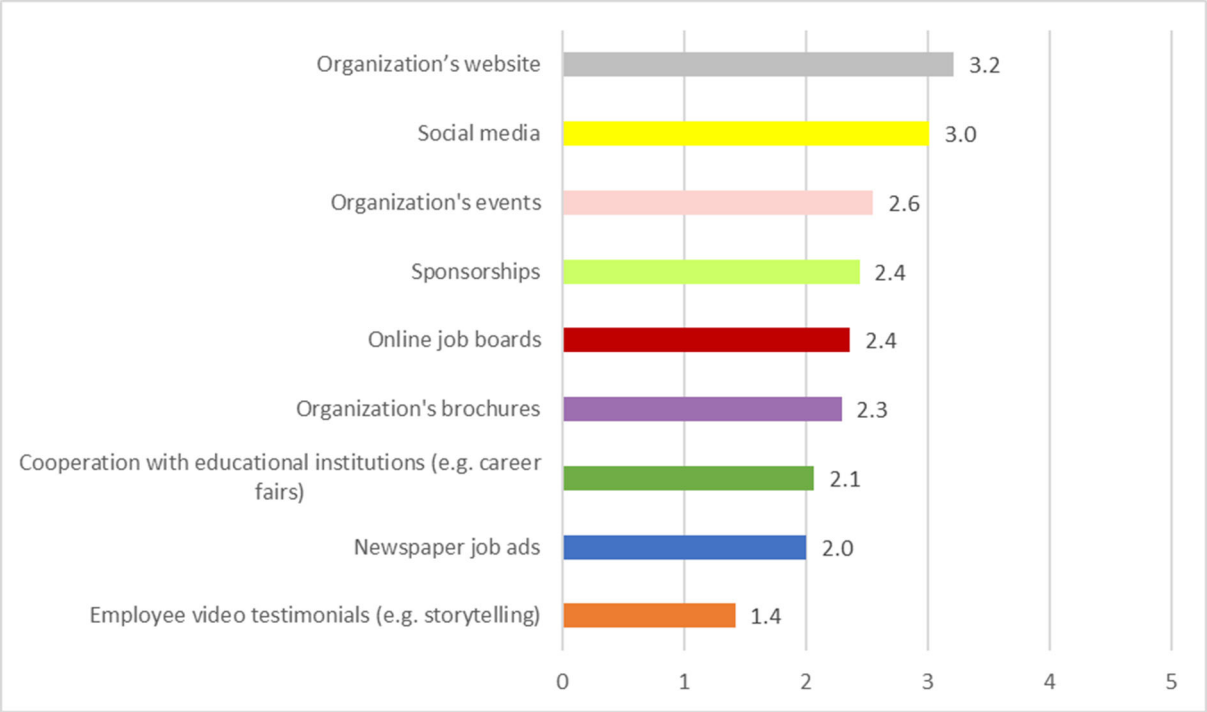
Technology plays a critical role in enhancing employer branding and facilitating the communication of the employment experience. In today's digital era, SMEs have the advantage of utilizing online communication channels to effectively disseminate employer brand-related messages, thereby raising brand awareness and to attract talent (Cesaroni & Consoli, 2015; Zhang & Zhu, 2021). Our research confirms that SMEs primarily rely on online communication channels, primarily their corporate website, and social media platforms, such as Instagram, or professional network of LinkedIn to promote their employer brand and increase brand visibility. Conversley, newspaper advertisements and storytelling via employee video testimonials have the lowest utilization rates (Figure 51).

Figure 50: Employer branding communication channels



While Figure 51 provides a detailed breakdown of the frequency of communication channels used by Greek managers, Figure 52 illustrates the extent of usage across these channels. On a scale of 1-5, our findings reveal that both a firm's website and social media hold equal significance as the most essential tools employed by SME managers, while press and video testimonials are rated the lowest in importance. Thus, the corporate website and usage of social media emerge as the most frequently and extensively used communication channels for broadcasting the employer brand.

Figure 51: Extent of use of communication channels



Scale 1-5, explanation				
1: Strongly disagree	2: Disagree	3: Neither agree nor disagree	4: Agree	5: Strongly agree

Descriptive Statistics				
Do you apply the following mediums to improve your image as an employer?	Minimum	Maximum	Mean	Std. Deviation
Organization's website	1	5	3.22	1.459
Social media	1	5	3.01	1.473
Organization's events	1	5	2.55	1.449
Sponsorships	1	5	2.44	1.358
Online job boards	1	5	2.36	1.415
Organization's brochures	1	5	2.29	1.427
Cooperation with educational institutions (e.g., career fairs)	1	5	2.06	1.369
Newspaper job ads	1	5	2.00	1.328
Employee video testimonials (e.g., storytelling)	1	5	1.42	0.938

Analytically, the research findings indicate that micro firms with strong employer branding seem to mainly use their corporate website and social media platforms to enhance and improve their image as employers. This group of firms demonstrate high performance, as positive correlations were evidenced between employer banding and productivity (r=0.45). Small firms investing in employer branding, make use of various communication channels (excluding organizations events and video testimonials) and exhibit high levels of innovation, with positive relationships observed between employer branding and innovation (r= 0.29). This confirms the notion that social media can serve as an excellent complement for knowledge acquisition, exploration, and exploitation, enhancing not only performance but also fostering innovation (Muninger, Hammedi, & Mahr, 2019). In contrast, medium-sized firms place emphasis on sponsorships to increase and maintain brand awareness in the labor market.

The power of leadership and type of ownership in SMEs

The role of leadership has been a critical issue both for practitioners and researchers. According to recent studies, the role of leadership, which is usually taken over by the owner or the general manager in an SME, plays a catalytic role in predicting employer branding success (Biswas & Suar, 2016). Descriptive statistics of the HRM in SMEs research show that most participants are business owners (24%), who are mainly responsible for HRM and employer branding efforts, with HRM managers (21%) and CEOs (other than the owners, 17%) to follow. The remaining 38% is distributed between executives, member of the family owning the firm, second generation owner, later generation owner and CFOs. An interesting finding from this research shows that most of the SMEs managed by owners or CEOs tend to invest in employer branding and achieve high levels of innovation. For these firms, positive correlations are found between employer branding and innovation, with the strength of the relationship being nearly equal for both owners ($r = 0.48$) and CEOs ($r = 0.44$).

In relation to the type of ownership (family or non-family), family SMEs managed by owners or HRM managers exhibit strong investment in employer branding and achieve higher levels of productivity. The relationship between employer branding and productivity is strong for the HRM managers' group ($r= 0.50$), and moderate for the owners' group ($r= 0.39$). Family SMEs, investing in employer branding, may also realize considerable levels of innovation, particularly when under exclusive management by their owners.

While non-family SMEs with pronounced intentions for employer branding, under the management of any of the three dominant top management categories, do not seem to correlate with productivity, a distinct pattern emerges for non-family SMEs. Specifically, those exclusively managed by owners demonstrate a prioritization of employer branding, resulting in the achievement of substantial levels of innovation ($r= 0.65$). Thus, in both family-owned and non-family-owned and managed SMEs, when investments are made in employer branding, a tendency exists for these endeavors to yield increased levels of innovation (table 3).

Table 3: Matrix of leadership and type of ownership

	Productivity	**Innovation**
Family SMEs		
Owners	✔	✔
CEOs	✘	✘
HRM managers	✔	✘

	Productivity	Innovation
Nonfamily SMEs		
Owners	✕	✔
CEOs	✕	✕
HRM managers	✕	✕

Note: Both family and non-family SMEs exhibit significant levels of employer branding

Conclusion

In summary, the promising role of employer branding in SMEs emerges as a strategic imperative for cultivating a positive workplace image and attracting top talent. The success of implementing employer branding strategies in SMEs depends significantly on management and ownership discretion. By recognizing the importance of aligning organizational values with employee experiences and effectively communicating these aspects, management can shape a compelling employer brand. This, in turn, not only enhances recruitment efforts but also fosters employee engagement, retention, and overall organizational success. As SMEs navigate the competitive landscape for skilled professionals, acknowledging and leveraging the influence of employer branding remains a dynamic and pivotal factor in positioning these enterprises for sustained growth and success.

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II. OTHER TRAITS OF SMEs

6. INNOVATION IN SMEs

I. Voudouri and I. Deligianni

Definition and idiosyncrasy of SMEs' innovation

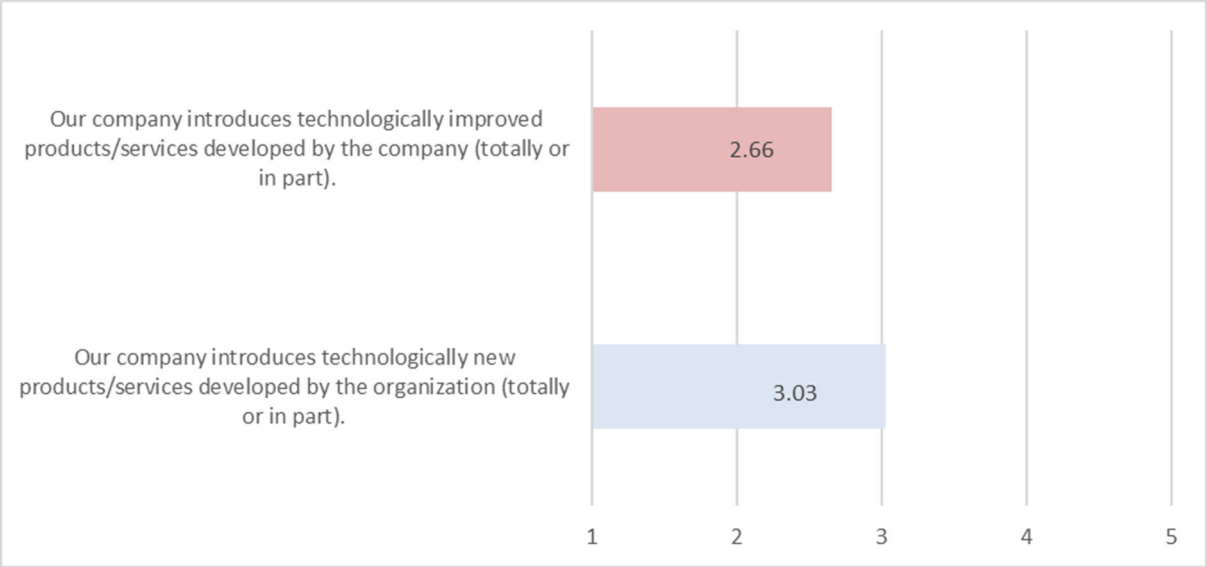
Innovation has been one of the primary themes of research in management for several years. Having roots back in Schumpeter's (1942) notion of the "innovative" entrepreneur, the field has considerably widened and now is rather inclusive, comprosing of several different aspects. The definition of "innovation" has also changed significantly in recent decades. This concept was originally associated with the role of research and development (R&D), whereas currently, it tends to be linked with the knowledge applied during idea generation (i.e., invention) and idea conversion and diffusion (i.e., commercialization) (Lasagni, 2012; Demirkan and Srinivasan, 2022).

While to date, several studies have showed that innovation is a key component of success and survival for organizations (De Massiss et al., 2018), its importance for driving performance has proved even more crucial for small-and-medium-sized entreprises (SMEs). Innovative SMEs can be less vulnerable against intense competition, having important advantages compared to their larger, well-established counterparts (Rosenbusch et al., 2011). Yet, innovation in SMEs is not an easy task. SMEs are faced with important challenges when it comes to innovation. Unlike large firms, SMEs experience what is called "liabilities of smallness", rarely possessing the assets to address the demands of innovation at any given time (Yli-Renko, Autio and Sapienza., 2001). They lack reputation and bargaining power (Crook & Combs, 2007;) while they are also subject to poor internal organization (Dodge et al., 1994), and constrained access to external finance (Cassar, 2004). Such resource constraints often prevent them from pursuing innovation in a structured way, limiting at the same time the amount of growth opportunities they can exploit. Moreover, due to their small size, SMEs have limited ability to spread the costs of failed innovations across a large number of projects (Rammer et al., 2009). Contrary to larger organizations which can diminish their cost of failure by diversifying it across their different activities, SMEs have to deal with increased risks since the initiation of an innovative project that proves to be less promising can directly threaten their survival (Nohria and Gulati, 1996). The existence of such challenges that are linked with the idiosyncrasy of SMEs suggest that while innovation is critical for SMEs' performance, these firms should at the same time be cautious regarding the management of the innovation process, diligently investing in assets that will enhance their ability to innovate effectively.

Evidence from the HRM in SMEs research supports that Greek SMEs find it difficult to engage in high incremental innovation (the average score of incremental innovation in our sample is 2.66 out of 5) while they do not also demonstrate a high score in radical innovation as well (3.03 out of 5).

Figure 53 illustrates the HRM in SMEs survey results on SMEs' radical and incremental innovation.

Figure 52: Degree of radical and incremental innovation in SMEs



Scale 1-5, explanation				
1: Strongly disagree	2: Disagree	3: Neither agree nor disagree	4: Agree	5: Strongly agree

Descriptive Statistics				
To what extent do you agree with the following?	Minimum	Maximum	Mean	Std. Deviation
Our company introduces technologically new products/services developed by the organization (totally or in part).	1	5	3.03	1.426
Our company introduces technologically improved products/services developed by the company (totally or in part).	1	5	2.66	6.152

Importantly, no substantial difference was found in radical and incremental innovation levels between firms of different sizes. Figures 54, 55, 56 illustrate analytical innovation scores for each type of firm.

Figure 53: Degree of radical and incremental innovation in micro firms

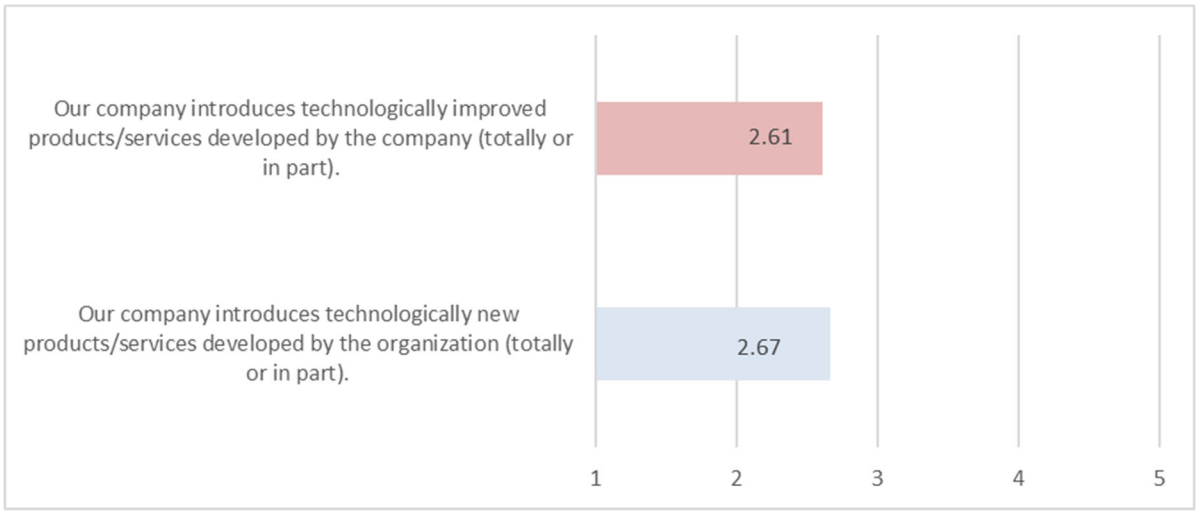


Figure 54: Degree of radical and incremental innovation in small firms

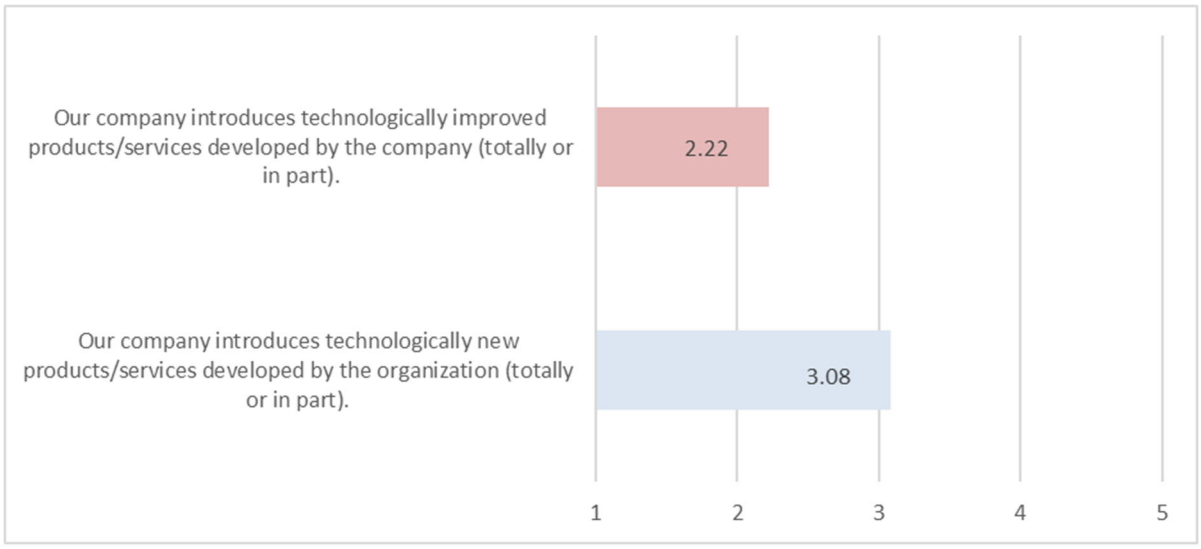
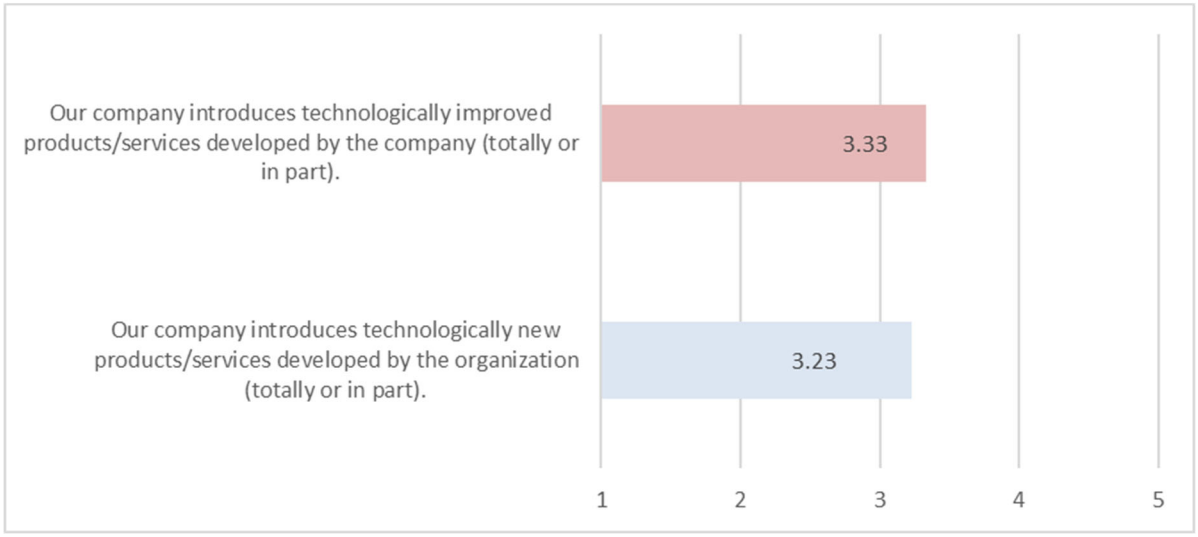


Figure 55: Degree of radical and incremental innovation in medium firms



Entrepreneurial orientation and SMEs' innovation

Existing literature points towards an important relationship between Entrepreneurial Orientation (EO) and innovation (Dess and Lumpkin, 2005). EO is broadly conceptualized as "a firm level attribute that is recognizable through the exhibition of sustained entrepreneurial behavioral patterns." (Covin and Lumpkin, 2011; p.859). When EO is conceptualized in this way, a firm that engages only in sporadic acts of entrepreneurial behavior does not show a strong EO. Even though EO can be broadened to include additional aspects of entrepreneurial behavior (e.g., Lumpkin, Cogliser, & Schneider, 2009), the majority of studies focus on entrepreneurial behavior in terms of three distinct dimensions, i.e. risk taking, proactiveness, and innovativeness to capture EO (see Miller, 2011). These three dimensions do not reflect the actions of the firm; rather, they reveal how the firm operates (Lumpkin and Dess, 1996). This is what differentiates EO from innovation, rendering it, however, a major antecedent of innovation. For instance, Kollmann and Stöckmann (2014) argue that EO reflects a firm's direction towards progression and change, whereas innovation include both exploratory and exploitative activities aimed at both developing and commercializing completely new products and incrementally improving existing ones.

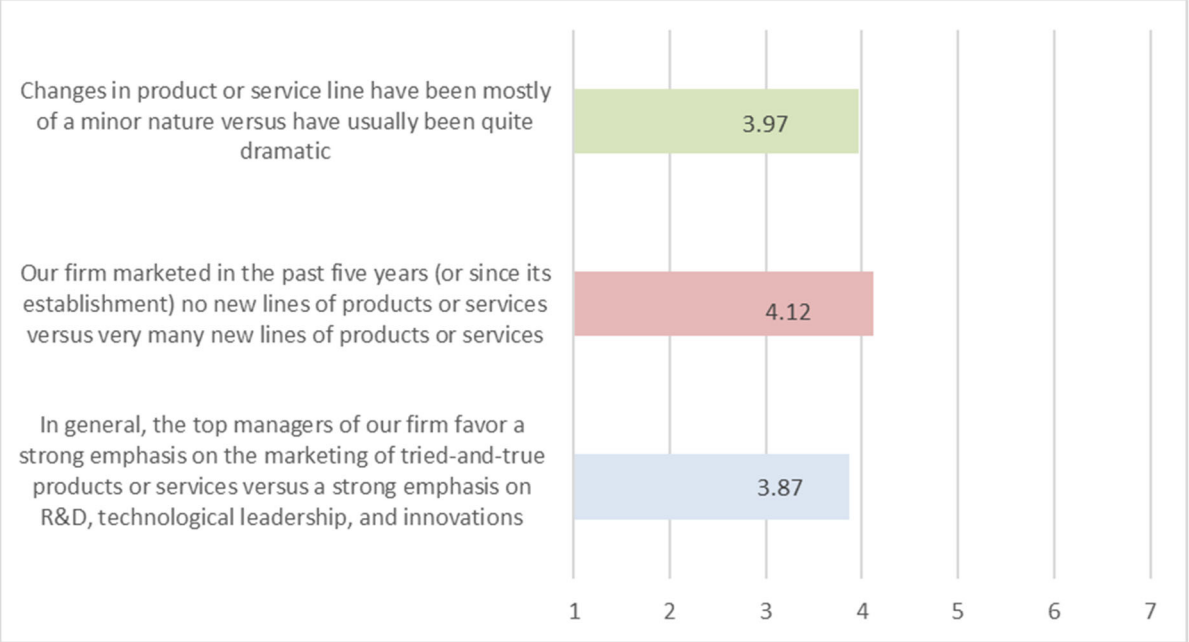
Prior research demonstrates that while the beneficial impact of EO can only be realized through the engagement in an actual innovation process, EO does not automatically translate into such a process (e.g., Lumpkin and Dess, 1996; Moreno and Casillas, 2008; Wiklund, 1999; Wiklund and Shepherd, 2003). This is particularly evident in the case of SMEs. Many studies

have shown that SMEs with a higher EO do not always manage to reach important innovation outcomes (e.g., Schepers et al., 2014). For instance, there is research to suggest that the resource constraints that smaller firms are faced with often lead SMEs to experience the so-called "willingness-ability paradox", according to which their willingness to innovate may not correspond to their ability to do so. In a similar vein, there are studies showing a gap between innovation input and output SMEs (e.g., Duran et al., 2016). Therefore, seeking to develop a deeper understanding of the challenges SMEs face in translating their EO into actual innovative behaviors is crucial for unraveling the sources of heterogeneity in SMEs' innovation.

Evidence from the HRM in SMEs research supports that in terms of the innovativeness dimension of EO, Greek SMEs score 3.99 out of 7, ranging from 3.87 (score indicating the emphasis the managers place on R&D, technological leadership and innovations) to 4.12 (score indicating the focus of the company on marketing very many new lines of products or services). Also, in terms of the proactiveness dimension of EO, Greek SMEs score 3.88 out of 7, ranging from 2.88 (score indicating whether the managers typically adopt a very competitive, "undo-the-competitors" posture) to 4.42 (score indicating the focus of the company on initiating actions to which competitors then respond). Finally, in terms of the risk-taking dimension of EO, Greek SMEs score 3.36 out of 7, ranging from 3.19 (score indicating the emphasis the managers place on adopting a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities) to 3.53 (score indicating the focus of the company on high-risk projects (with chances of very high returns).

Figure 57, 58, 59 illustrates the HRM in SMEs survey results on the SMEs' innovativeness, proactiveness and risk-taking dimensions of EO.

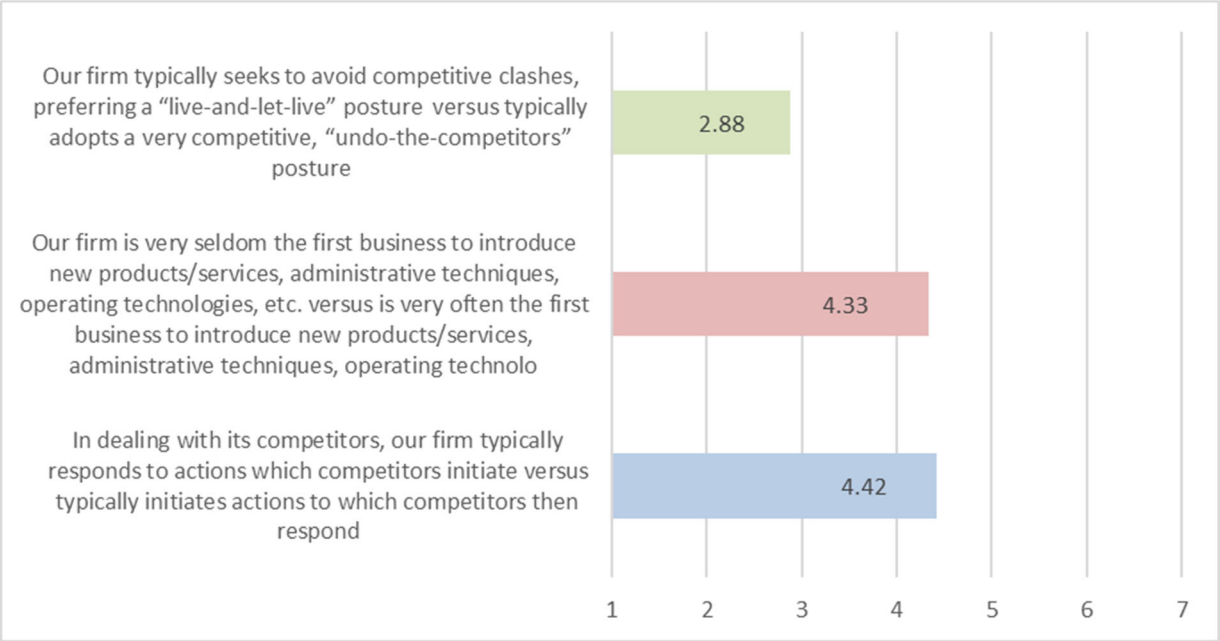
Figure 56: Degree of the innovativeness dimension of EO in SMEs



Scale 1-7, explanation						
1: Strongly disagree	2: Disagree	3: More or less disagree	4: Neither agree nor disagree	5: More or less agree	6:Agree	7: Strongly agree

Descriptive Statistics				
To what extent do you agree with the following?	Minimum	Maximum	Mean	Std. Deviation
In general, the top managers of our firm favor a strong emphasis on the marketing of tried-and-true products or services versus a strong emphasis on R&D, technological leadership, and innovations	1	7	3.97	1.78
Our firm marketed in the past five years (or since its establishment) no new lines of products or services versus very many new lines of products or services	1	7	4.12	1.60
Changes in product or service line have been mostly of a minor nature versus have usually been quite dramatic	1	7	3.87	1.65

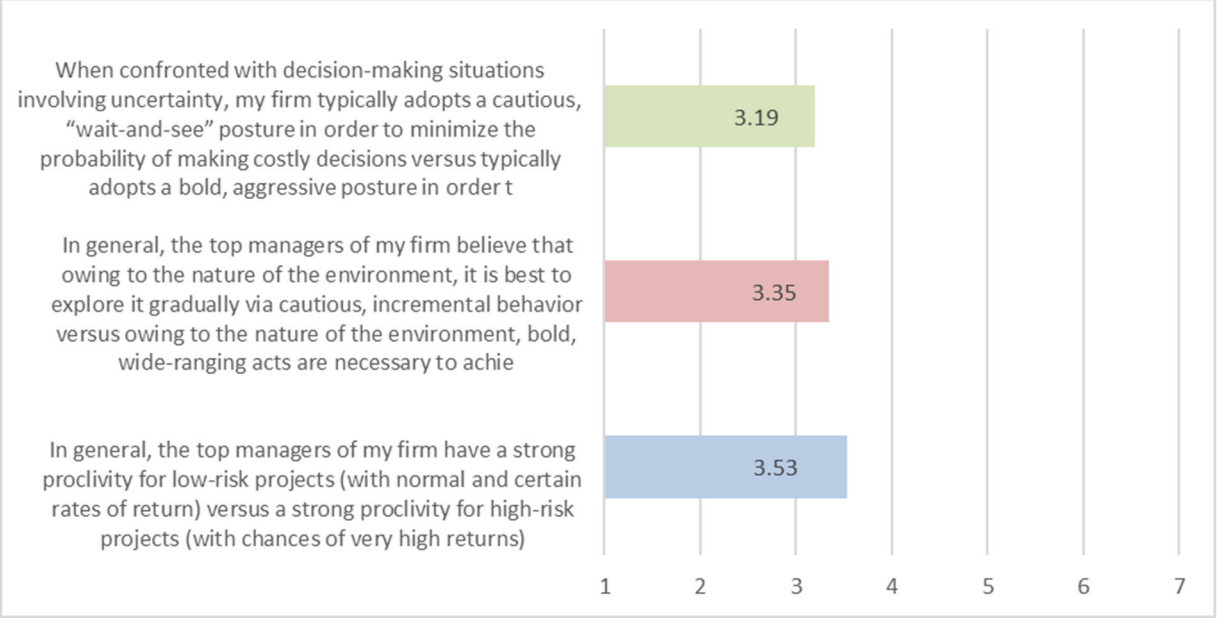
Figure 57: Degree of the proactiveness dimension of EO in SMEs



Scale 1-7, explanation						
1: Strongly disagree	2: Disagree	3: More or less disagree	4: Neither agree nor disagree	5: More or less agree	6:Agree	7: Strongly agree

Descriptive Statistics				
To what extent do you agree with the following?	Minimum	Maximum	Mean	Std. Deviation
In dealing with its competitors, our firm typically responds to actions which competitors initiate versus typically initiates actions to which competitors then respond	1	7	4.42	1.56
Our firm is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc. versus is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.	1	7	4.33	1.63
Our firm typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture versus typically adopts a very competitive, "undo-the-competitors" posture	1	7	2.88	1.44

Figure 58: Degree of the risk-taking dimension of EO in SMEs



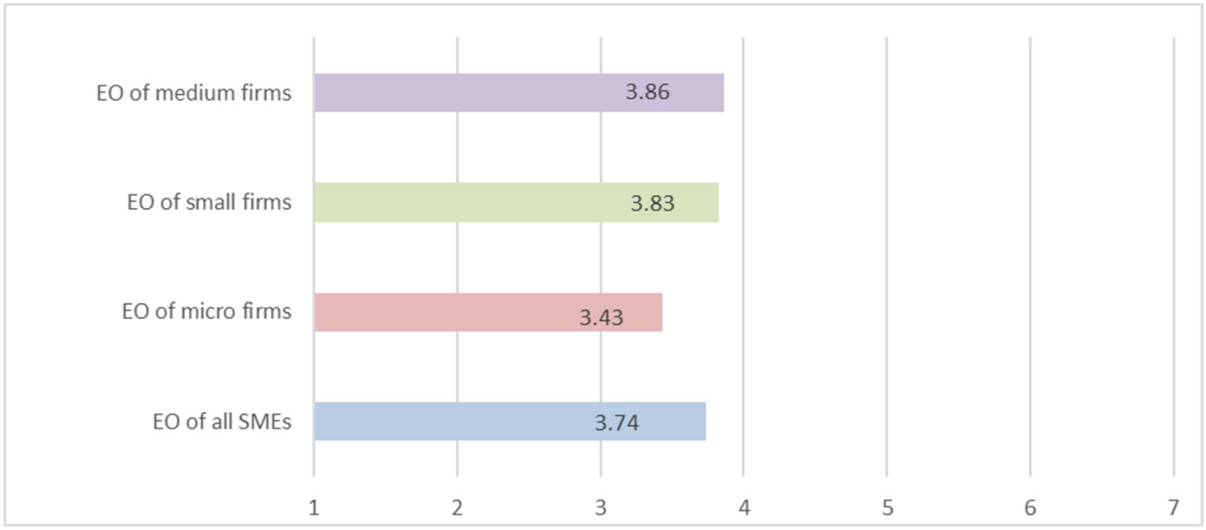
Scale 1-7, explanation						
1: Strongly disagree	2: Disagree	3: More or less disagree	4: Neither agree nor disagree	5: More or less agree	6:Agree	7: Strongly agree

Descriptive Statistics				
To what extent do you agree with the following?	Minimum	Maximum	Mean	Std. Deviation
In general, the top managers of my firm have a strong proclivity for low-risk projects (with normal and certain rates of return) versus a strong proclivity for high-risk projects (with chances of very high returns)	1	7	3.53	1.49
In general, the top managers of my firm believe that owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behavior versus owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives	1	7	3.35	1.42
When confronted with decision-making situations involving uncertainty, my firm typically adopts a cautious, "wait-and-	1	7	3.19	1.47

Descriptive Statistics				
To what extent do you agree with the following?	Minimum	Maximum	Mean	Std. Deviation
see" posture in order to minimize the probability of making costly decisions versus typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities				

Taking an overall score of EO, considering all three dimensions in conjunction, evidence from the HRM in SMEs research support that Greek SMEs demonstrate a score of 3.74 out of 7 in EO. Importantly, no substantial difference was found in EO levels between firms of different sizes. Figure 60 illustrate analytically EO scores for each type of firm.

Figure 59: Overall degree of EO in each type of firms



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7. HRM CORRELATES IN SMEs: EFFECTS ON ORGANIZATIONAL PERFORMANCE AND INNOVATION

N. Pahos

HRM, Performance and Innovation in SMEs

Human Resource Management (HRM) is one of the most important organizational functions, as it manages the most valuable asset: the people. From a research point of view, the impact of HRM practices on business goals and organizational effectiveness has been a leading area of research in the field of management for years (Delaney & Huselid, 1996; Huselid, 1995). Previous literature concludes that the successful HRM practices can give to a firm the ability to operate effectively within a competitive landscape (Becker & Huselid, 1998; Delery & Doty, 1996). But what does the notion of HRM practices refer to? HRM practices are the management practices that organizations implement in order to manage their workforce effectively. Specifically, organizations that highly invest in the practices such as recruitment and selection, training, or performance appraisal, are more likely to reach their organizational goals.

Implementing HRM practices can be also an important driver of organizational innovativeness. Innovation plays a crucial role in fostering technological advancements and driving economic growth. There is no doubt that organizations that manage to innovate, are more likely to succeed and survive in rapidly changing environments (Anderson et al., 2014). However, no innovation can be effectively implemented without the involvement of the human factor. According to Steve Jobs, "*Innovation has nothing to do with how many R&D dollars you have… It's not about money. It's about the people you have, how you're led, and how much you get it.".* Given that innovation is a knowledge-intensive activity (Lin & Sanders, 2017), human resources play a pivotal role in innovation at the individual and organizational levels. This is widely reflected in the research field, where a large number of studies shows that the implementation of HRM functions is an indicator of increasing innovation (de Azevedo et al., 2021; Shipton et al., 2006; Than et al., 2023). Specifically, organizations implement Human Resource Management (HRM) practices, as a way to attract and develop creative and talented individuals, as well as to create a culture of innovation. For example, organizations invest in training for creativity and innovation, as a means to foster innovation capabilities, such as creative skills for exploration (Rampa & Agogue, 2021). Another example comes from the recruiting and selection context, where organizations highly invest in innovative recruiting practices, such as attracting innovative talent from competitors, as a way to foster their product

innovation activities (Rao & Drazin, 2002). Moreover, specific compensation and rewards practices might also have a strong impact on organizational innovation outcomes. For example, CEO compensation incentives are positively associated with investment in R&D expenditures and number of patents (Sheikh, 2012), showing the impact of such practices on innovation outcomes.

Although it is logical to understand the important role of HRM for performance and innovation in the context of large firms, the reality is relatively different when it comes to smaller organizations. One can easily imagine that it is easier for larger organizations to highly invest in the implementation of HRM practices, compared to smaller ones for several reasons. HRM in small and medium-sized enterprises (SMEs) are more intuitive (Buisson et al., 2021) and less formal (Harney & Dundon, 2006) than in larger organizations, which have the capacity to implement more sophisticated policies when it comes to the management of their workforce. At the same time, human resources are often seen as a weakness and a major obstacle for SMEs (Adla et al., 2020), who end up questioning the usefulness of their HRM organization when they want to innovate. However, previous research shows that an extensive use of HRM practices can still benefit SMEs in multiple ways, such as by contributing to increased performance outcomes (Sheehan, 2014), as well as to the development and improvement of new products (Nam & Luu, 2022).

Overall, the topic of HRM in SMEs has gained a growing interest during the last decades (Allen et al., 2013; Sheehan, 2014; Wuen et al., 2020), while there is also an increasing interest in investigating the role of HRM practices in supporting organizations' capacity for innovation (Jotabá et al., 2022). However, especially in the context of SMEs, previous literature on the on the effects of HRM in both organizational performance and innovation, remains underexplored. Also, the contradicting nature of the -limited- literature findings in the specific research field, opens up a meaningful research avenue for investigating this relationship. Based on the above, our study aims at answering the following research question:

How does the implementation of HRM practices relate with organizational performance innovation in the context of Greek SMEs?

HRM and Innovation in Greek SMEs – Results from our study

In order to answer the research question, we realized a survey in the context of 341 Greek SMEs. Specifically, a questionnaire was distributed to the SME managers, who were asked to evaluate the degree to which the implemented specific HRM practices in their organizations, as well as their organizational performance and innovation.

Regarding our measures, we first we measured the degree to which the SMEs had a HRM department in their organogram (yes/no question). We also included 4 HRM practices in the analyses, namely staffing, performance appraisal, compensation and training. For the measurement of staffing, items in relation to recruiting and selection were taken into account. Sample items included 'please indicate how frequently you use referrals as a recruiting method', and 'please indicate the frequency of using interviews as a selection method'. The number of hires was also included in the study as an additional variable, as we strongly believe that this is a crucial variable that reflects the efficiency of staffing process within an organization. For the measurement of performance appraisal, managers evaluated the degree to which they use appraisal data in relation to activities such as workforce planning, career moves and pay. Regarding compensation, participants rated the use of compensation and rewards, such as profit sharing or stocks, performance-based bonuses, as well as salaries and wage. Training was measured through the average score of 3 items related to training needs, participation in training programs and timing of training. Innovation was measured through 6 items, though which the managers evaluated the degree to which their organization introduces new products or new product lines, the frequency of replacement of new products and the proportion of innovative products as part of the company turnover. Finally, performance was measured with 8 items, though which the managers evaluated the degree to which their organization is performing in aspects like financial turnover, gross revenue and profitability.

In order to estimate the correlation between HRM practices, performance and innovation, Pearson's correlation analysis was performed. The results are presented in the Table 4 below.

Table 4: Correlation matrix – HRM, Performance and innovation

Variables	1	2	3	4	5	6	7	8
1. HRM dpt presence	1							
2. Number of hires	0.004	1						
3. Staffing	**0.162****	0.044	1					
4. Training	**0.211****	**0.141***	**0.351****	1				
5. Performance appraisal	**0.491****	-0.047	**0.278****	**0.417****	1			
6. Compensation	**-0.133***	-0.046	**0.149****	0.095	0.043	1		
7. Innovation	**0.201****	-0.114	**0.404****	**0.237****	**0.253****	0.066	1	
8. Performance	**0.267****	-0.068	0.084	0.102	**0.217****	0.058	**0.258****	1

*Note: ** $p < 0.01$; * $p < 0.05$;*

According to the table there is a positive correlation between the presence of a HRM department and both performance ($r = 0.267$, $p < 0.01$) and innovation ($r = 0.201$, $p < 0.01$). In other words, Greek SMEs that have a proper HRM department in their organizational chart, are more likely to highly perform and innovate. In addition, the implementation of staffing practices relates significantly with innovation ($r = 0.404$, $p < 0.01$). This finding shows that investing in recruiting practices, such as referrals and social media marketing, as well as in selection practices, such as tests and interviews, is an indicator of high innovativeness. On the other hand, a high investment in staffing does not correlate with high performance ($r = 0.084$, $p > 0.05$). Also, the number of hires within the last year does not relate significantly with neither with performance ($r = -0.068$, $p > 0.05$), nor with innovation ($r = -0.114$, $p > 0.05$). Moreover, our findings did not show a significant correlation between the implementation of training practices and performance ($r = 0.102$, $p > 0.05$). On the other hand, investing highly in training, positively relates with innovation ($r = 0.237$, $p < 0.01$). This finding shows that a high investment in on-the-job and off-the-job training methods at different moments of an employee's lifecycle (e.g., onboarding, promotion, etc), is related with an increased performance in terms of new product/service development, or similar innovative activities. In addition, the application of extensive performance appraisal methods positively associates both with performance ($r = 0.217$, $p < 0.01$), and innovation ($r = 0.253$, $p < 0.01$), demonstrating that SMEs that perform regular performance reviews with their employees, are more likely to innovate and highly perform at the organizational level. Also, Table 1 shows that a high degree

of implementing compensation practices, does not positively correlate with high performance ($r = 0.058$, $p > 0.05$) and innovativeness ($r = 0.066$, $p > 0.05$). In other words, a high provision of fixed and variable rewards and benefits is not related with an equal increase in innovation and performance outcomes for Greek SMEs. As a final step, we estimated the correlation between a second-order construct of HRM practices with performance and innovation. The variable was created as the average score of staffing, performance appraisal, training and compensation. The relationship between the HRM practices and innovation was positive and statistically significant ($r = 0.339$, $p < 0.01$), showing that overall, SMEs that highly invest in implementing sophisticated HRM practices, are more likely to innovate. Similarly, HRM practices were positively and significantly correlated with organizational performance ($r = 0.185$, $p < 0.01$).

Finally, as an additional finding, we performed an independent sample t-test analysis, in order to identify if the SMEs that have a HRM department are more innovative, compared to the ones that do not have such a department. Based on our findings, SMEs that have a HRM department reported higher measures of innovation (mean = 3.322) compared to the organizations without such a department (mean = 2.888). Similarly, SMEs that have a HRM department reported higher measures of performance (mean = 3.909) compared to the organizations without such a department (mean = 3.494). This difference is statically significant ($p < 0.01$), and its interpretation confirms the positive correlation that was identified in the correlation analysis presented before. The results of the t-test analysis are presented in Table 5.

Table 5: Independent sample t-test – HRM presence and innovation

	HRM department presence	Mean	S.D	S.Error
Innovation	No	2.888	1.060	0.080
	Yes	3.322	0.954	0.089
Performance	No	3.494	0.761	0.058
	Yes	3.909	0.741	0.058

		Sig.	t	df	Sig. (2-tailed)
Innovation	Equal variances assumed	0.093	-3.546	286	**0.000**
	Equal variances not assumed		-3.619	263.339	**0.000**
Performance	Equal variances assumed	0.749	-5.049	332	**0.000**
	Equal variances not assumed		-5.054	331.324	**0.000**

Discussion and Implications for Greek SMEs

The purpose of this study was to connect HRM with performance and innovation research and to contribute towards a better understanding of how HRM can be deployed to support SMEs in their performance and innovation efforts. Our results indicate the crucial role of HRM practices towards organizational performance and innovativeness in the context of Greek SMEs, while also adding to the ongoing discussion on the existence of a "black-box" in the relationship between HRM and organizational outcomes (Jiang et al., 2012).

First, the positive correlation between the presence of a HRM department and organizational outcomes, as well as the results of the t-test analysis, indicate the importance of possessing a formal HRM function for increasing performance and innovation. This finding aligns with previous research indicating that smaller organizations need to adopt a formal approach to HRM in order to attain favorable results (Bobera & Bjekić, 2016). Second, our study identified a positive and significant correlation between staffing practices and innovation, but not with performance. It is evident that implementing sophisticated recruiting and selection practices is crucial for innovation, contradicting previous findings that do not relate such practices with R&D outcomes (Stock et al., 2014). Our findings also show a positive correlation between performance appraisal practices with both performance and innovation. This finding is aligned with previous literature findings on the positive effects between such practices and organizational outcomes (Zhang & Li, 2009), while contradicting previous research that does not show links with individual creativity (Jiang et al., 2012). In addition, this study demonstrated a positive relationship between training practices and innovation but not with performance, indicating the important role of such practices for creativity and innovation (Rampa & Agogue, 2021). Overall, our findings suggest that HRM practices are positively related with performance and innovation when they are treated as a second-order variable, consisting of all 4 practices. In other words, implementing "bundled" HRM practices (Delery & Doty, 1996) associates with organizational performance and innovation outcomes, indicating the need for synergistic effects between HRM practices that add value to the organization (Barney & Wright, 1998).

Our findings provide significant implications for managers and HRM practitioners in SMEs. First, organizations should invest in having a dedicated HRM department, and in that way ensure an effective implementation of staffing, appraisal, compensation and training practices. Second, the positive relationship between staffing and innovation, indicates the need for Greek SMEs to highly invest in recruiting and selection practices. Specifically, when such organizations think "out of the box" and deviate from the standard approaches when it comes

to the implementation of such practices, they are more likely to increase their potential to innovate. Therefore, we encourage HRM and recruiting departments to invest in the application of more sophisticated practices, such as social media recruiting, employee referrals and even consider outsourcing their recruiting process in external agencies. Such practices are commonly used in larger organization, but still not widely applied in the context of SMEs. At the same time, this suggested investment in staffing practices, should not necessarily be accompanied by an aggressive hiring policy, as this does not occur from our findings.

Third, our findings show that the implementation of extensive performance appraisal practices is positively related with performance and innovation. Therefore, we encourage SME owners to establish formal and regular performance reviews as part of their businesses' operations. It is evident that employees in SMEs are more creative and innovative when their performance is monitored on a regular basis, and as a result they are more likely to contribute to new product development or other innovative activities. Similarly, employees who are evaluated on a regular basis, are more likely to contributed to the overall organizational performance. We suggest that regular discussions about innovation can help employees understand the organization's expectations and provide them with guidance to enhance their innovative and performance capabilities.

In addition, the non-significant relationships between compensation with performance and innovation also provide important recommendations for SME owners and HRM departments. Specifically, it suggests that simply offering higher compensation may not directly result in a significant boost in innovation. Similarly for training, it is suggested that by simply offering more training opportunities, the organization cannot achieve higher performance. However, it seems that training activities are crucial towards increasing organizational innovativeness. Therefore, we encourage organizations that prioritize innovation to invest in sophisticated training activities, even though this will not guarantee an increase in their performance outcomes.

Overall, the positive relationships between the "bundled" HRM practices construct with performance and innovation, highlight the importance of a holistic approach to fostering organizational outcomes. SMEs and HRM departments should consider a combination of various practices, including training programs, sophisticated staffing and appraisal, compensation structures, and other innovative practices, to create a high-performing environment conducive to innovation. And having such a fertile environment for innovation, will be always a key to creating value for new and established SMEs (Rosenbusch et al., 2011).

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8. DIFFERENCES BETWEEN GREECE AND CYPRUS

C. Ierodiakonou, E. Stavrou and I. Zografou

Introduction

This chapter provides a summary of the data collected from Cypriot SMEs and discusses these in relation to data from SMEs in Greece to identify areas of similarities and/or difference. Such a comparison is useful in terms of both practice and research. Practically, Greece and Cyprus are often thought as highly similar and therefore expanding business operations from one to the other is typically seen as a low-risk strategy requiring few adaptations. It is therefore useful for companies to understand the degree of similarity in HRM practice between the two countries in order to more strategically adapt when expanding from one country to the other.

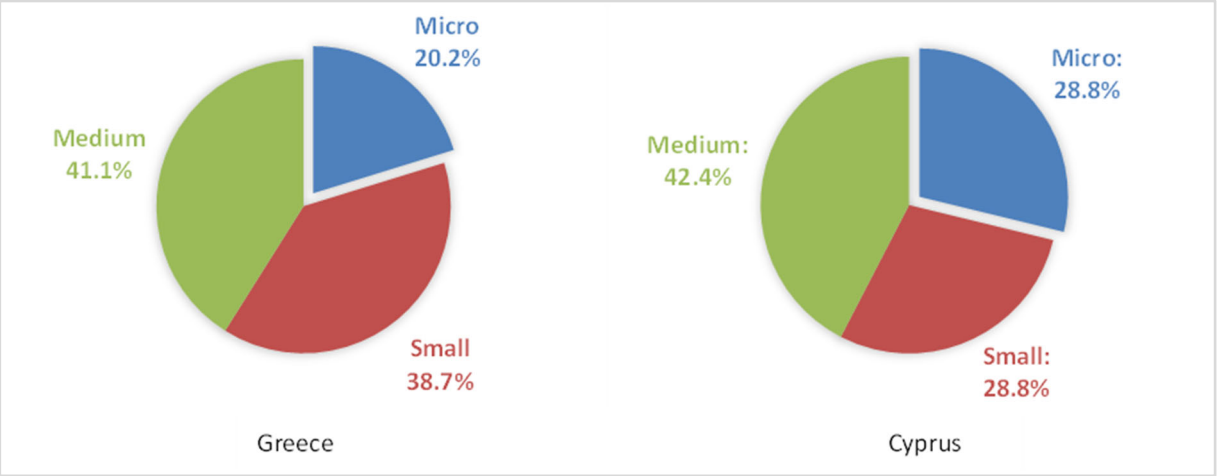
European HRM research focusing on SMEs is typically limited and mainly focused on Western countries or large Eastern economies (Psychogios, et al., 2016). In this context, other countries are often viewed as passive adopters of HRM expertise, often with limited acknowledgement of the challenging infrastructure, market conditions and institutional framework within which they operate (Psychogios, et al., 2016). Furthermore, studies that do incorporate the so-called peripheral economies into their explorations, tend to view southern and eastern European countries as a group, typically vis-à-vis northern ones (see for example, Ignjatovic and Svetlik, 2002; Nikandrou, Apospori, and Papalexandris, 2005), which may in turn conceal any within-group differences that would help advance research in the field. Therefore, each of these economies merits exploration on its own so that we better understand the idiosyncrasies of HRM practice and further debate on whether there is a southern European HRM model that is internally homogeneous and distinctive from others.

In what follows, we summarize data from Cyprus SMEs and discuss them in relation to Greek data, noting differences and similarities. We structure this discussion around the following major areas of HR practice: HRM activity; resourcing practices; performance management; and family businesses. Main conclusions are discussed at the end.

HRM activity

In our sample, the *average size* of organizations, in terms of number of employees, is 68.8 in Greece, but 38.6 in Cyprus. This difference in the average size of organizations is attributed to the higher percent of micro firms employing fewer than 10 people in Cyprus (Figure 61), at large reflecting the smaller size of the economy.

Figure 60: Average size of SMEs



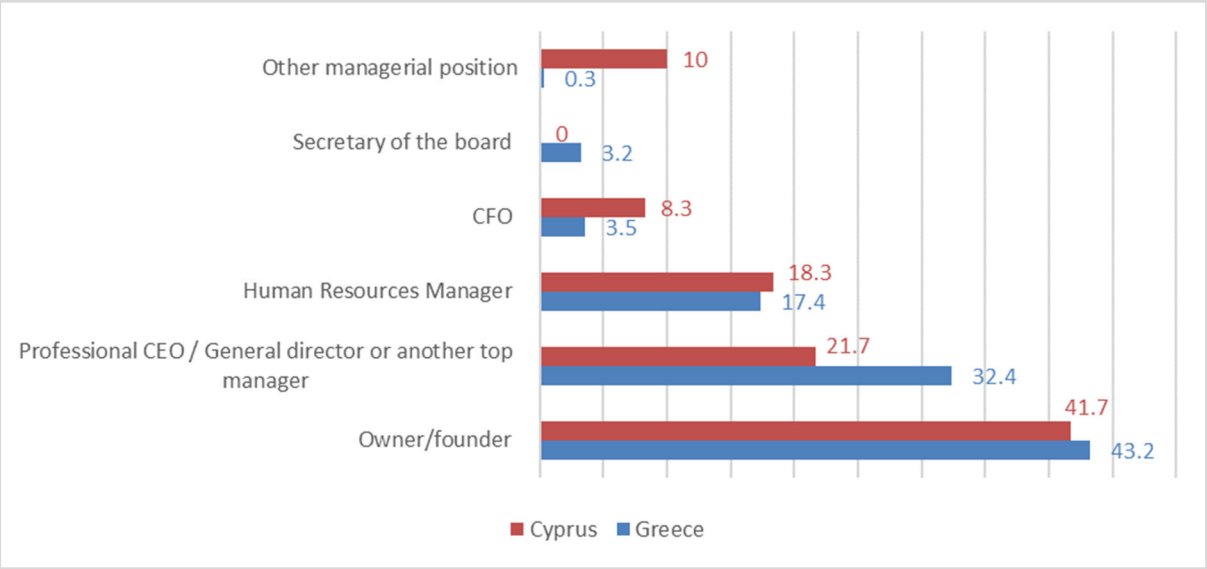
The small size of SMEs in both countries, and particularly in Cyprus, is Cyprus to be considered when evaluating the degree of HRM sophistication and formalization, since it relates to the ability, willingness and potential of the firm to set up and implement extensive HRM systems. Bivariate correlations show that, in our sample, the size of the organization relates positively with: the existence of an HR department (0.53***); having a formal employee appraisal system (0.40***), as well as with higher perceived profitability (0.20***) and stock value (0.25***) compared to other organizations in the same sector.

SMEs in our sample do not necessarily *have an HR department.* In both Greece and Cyprus, only about half of them (48.4% in Greece; 50% in Cyprus) have an HR department. Quite interestingly, however, when asked 'who has the main responsibility for HR issues in the organization', those who indicate the human resources manager as responsible are much fewer (17.4% in Greece; 18.3% in Cyprus). Instead, in both countries, it is more likely for the owner/ founder (43.2 in Greece; 41.7% in Cyprus) or the CEO/ general manager (32.4% in Greece; 21.7% in Cyprus) to have primary responsibility for HR issues (Figure 62).

This is a notable commonality between the two countries that may indicate that, even at the presence of in-house HR expertise, the HR function is limited to more administrative roles with limited capacity to contribute to major decisions on HR issues. This is in accordance with previous findings. For example, Nikandrou, Apospori, and Papalexandris (2005) found that, compared to north-western European countries, south-eastern ones are less likely to involve the HR function in strategic decisions. In any case, however, our findings in Greece and Cyprus seem to confirm a more general tendency in SMEs:

"SMEs do not generally have HRM departments and major decisions are usually made solely by the owner or managing… Even in the minority of cases where HRM specialists are employed, it is still the owner or managing director who is generally seen to be in charge of HRM" (Psychogios, et al., 2016).

Figure 61: Main responsibility for workforce issues

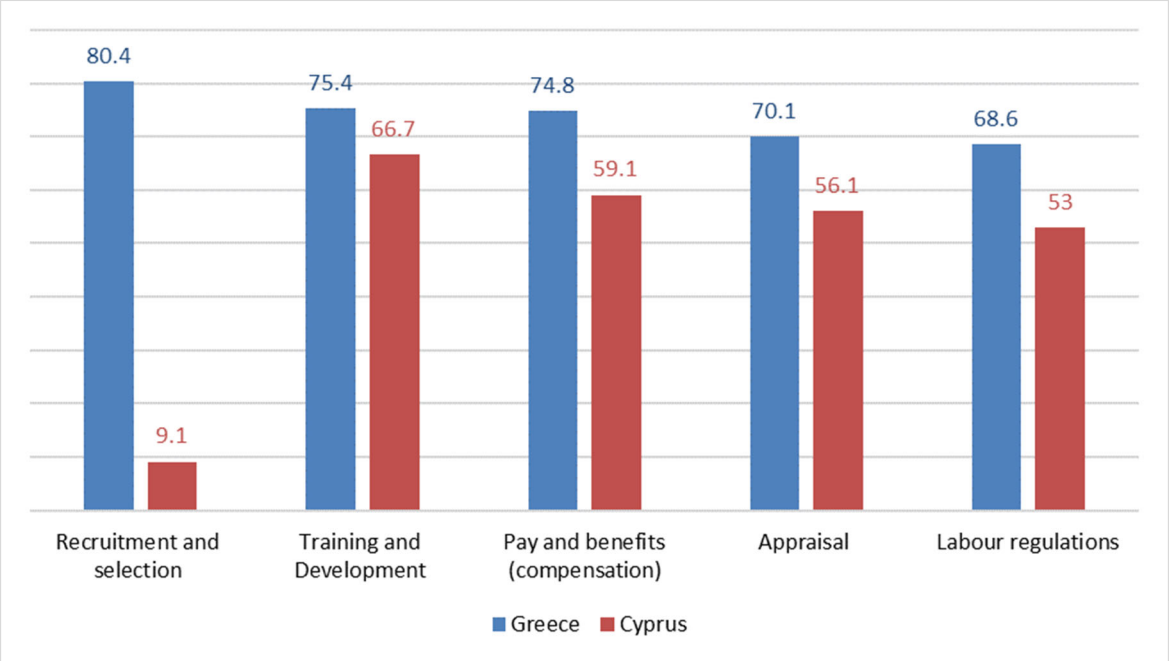


This could also suggest a lack of strategic orientation towards HRM within these SMEs, especially since responses indicate an overall hesitation to *outsource HR activities,* therefore using external HR expertise. When considering areas of HR that are completely outsourced or outsourced to large extent, it becomes apparent that outsourcing is not a popular option; this is particularly applicable tin Cyprus, compared to Greece. A larger degree of outsourcing takes place among SMEs in Greece in relation to HRIS (40%), payroll and benefits (37%), and pensions (33%). In Cyprus, outsourcing completely or to a large extent is more limited: training and development (35%), HRIS (24%), and pensions (18%). Altogether, these data suggest a less strategic approach to HRM that revolves around major relevant decision-making being more centralized to owners or general managers, without necessarily employing HR expertise – internal or external – to a large extent.

The story is not so straightforward, however, once we also review the *existence of written HR policies*. A less informal and administrative approach to HR would be reinforced by the lack of formal HR policies. In our sample, however, this is not the case. In Greece particularly, a significant proportion of SMEs have specific policies on different areas of

HRM, including recruitment and selection, training and development, compensation, employee appraisals and labor regulations. In Cyprus, such specific HR policies exist among the majority of SMEs, but are not as popular as in Greece, showing perhaps a more informal approach to managing people in Cyprus. The most notable difference between the two countries concerns the recruitment and selection policy, which exists only in 9% of Cypriot SMEs, as opposed to 80% in Greek SMEs (Figure 63).

Figure 62: Policies on HRM issues



These results may indicate a tendency among (some) southern European countries to start converging towards north-western countries in regard to the formalization of HR practice. In their comparative study between two large clusters of European countries, Nikandrou, Apospori, and Papalexandris (2005) found that south-eastern countries were more likely to have informal and unwritten HR policies. Concerning SMEs specifically, Psychogios, et al. (2016) argue that they typically rely on informal management systems, where policies are not written down or systematically applied. Among SMEs in our sample, we find this to be (partly) the case in Cyprus, but not in Greece, perhaps denoting an emerging tendency towards HRM formalization taking lace primarily in Greece, with Cyprus following at a slower pace.

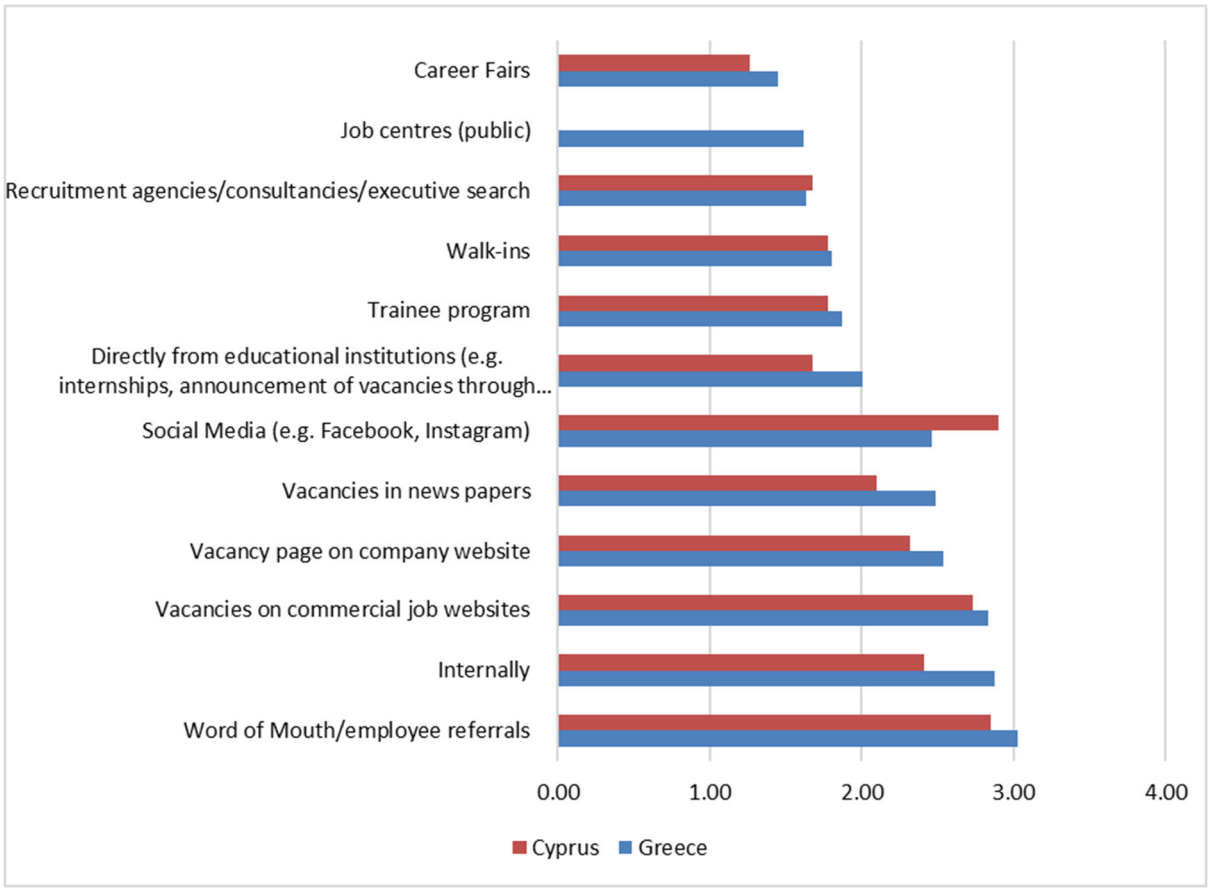
Taking together the fact that HR-related policies tend to exist in SMEs while at the same time the main responsibility for workforce issues largely falls outside the HR function, we may conclude that in both countries, the HR function in SMES has a rather administrative

role – if it even exists at all – but yet, human resources management is not practiced informally: it is formalized in the absence of HR expertise, to a considerable degree.

Resourcing practices

Focusing on the *recruitment methods* used in SMEs, the three most frequently used methods are common in both countries: word of mouth/ employee referrals; internal recruitment; and vacancies posted on commercial websites. In Cyprus, the other frequently used recruitment method is social media (e.g., Facebook, Instagram), while Greek SMEs more frequently post vacancies in newspapers and on their corporate websites. Regardless of few – larger or smaller – differences in the use of different recruitment methods in the two countries, it is notable that Cypriot firms tend to use social media for recruitment more frequently compared to Greek firms and that the different recruitment methods are generally used less frequently in Cyprus (Figure 64). In all, it seems that SMEs in our sample – more so those in Cyprus – do not invest as much in recruitment and therefore use lower-cost methods that result in recruiting from distinct labour markets (Festing, et. al., 2017).

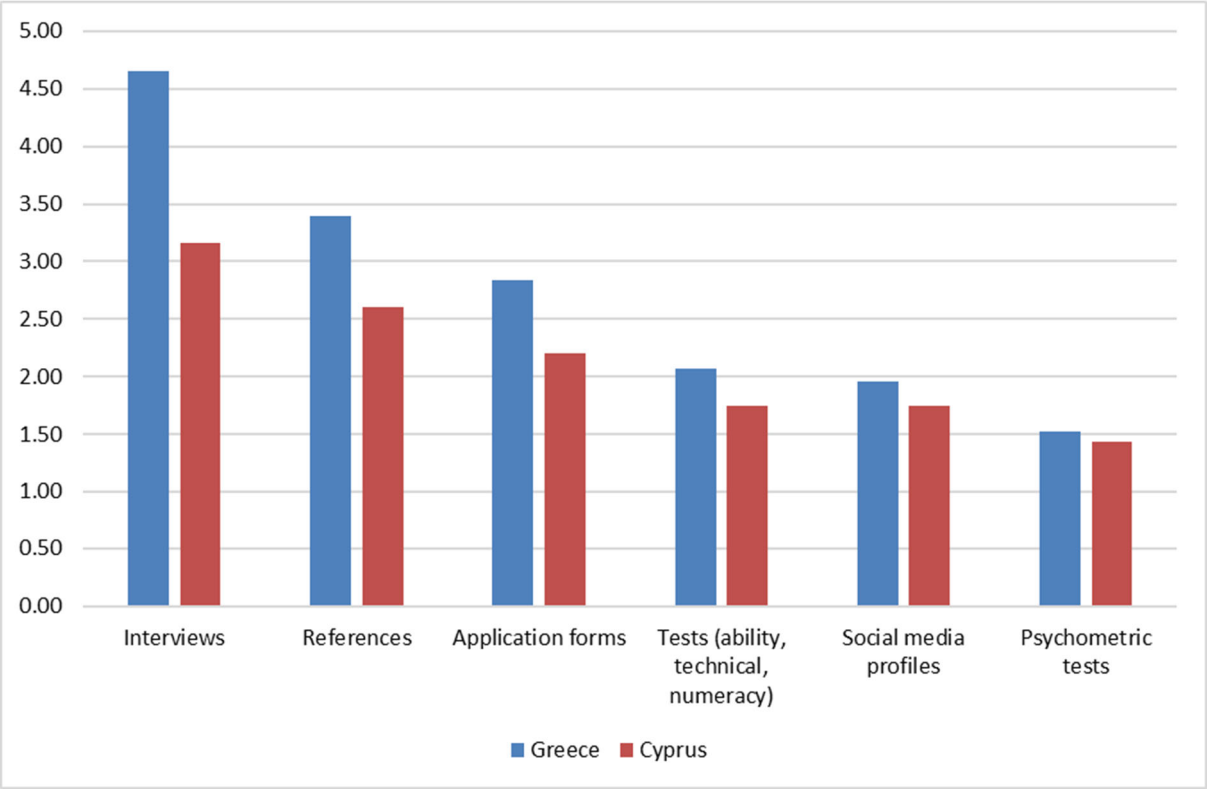
Figure 63: Extent of use of recruitment methods (1: never - 5: always)



For *employee selection,* both Greek and Cypriot SMEs use more frequently the so-called 'classic trio' of methods: interviews, references, and application forms. These three methods seem to generally remain widely used across countries and organizations (Wilk and Cappelli, 2003). SMEs use employee selection tests less frequently; psychometric tests represent the employee selection method that is less frequently used, most probably because of the higher costs and expertise associated with the use of such tests. In fact, data shows a positive correlation between the use of ability and psychometric tests and the existence of an HR department in the organization (0.12-0.16**).

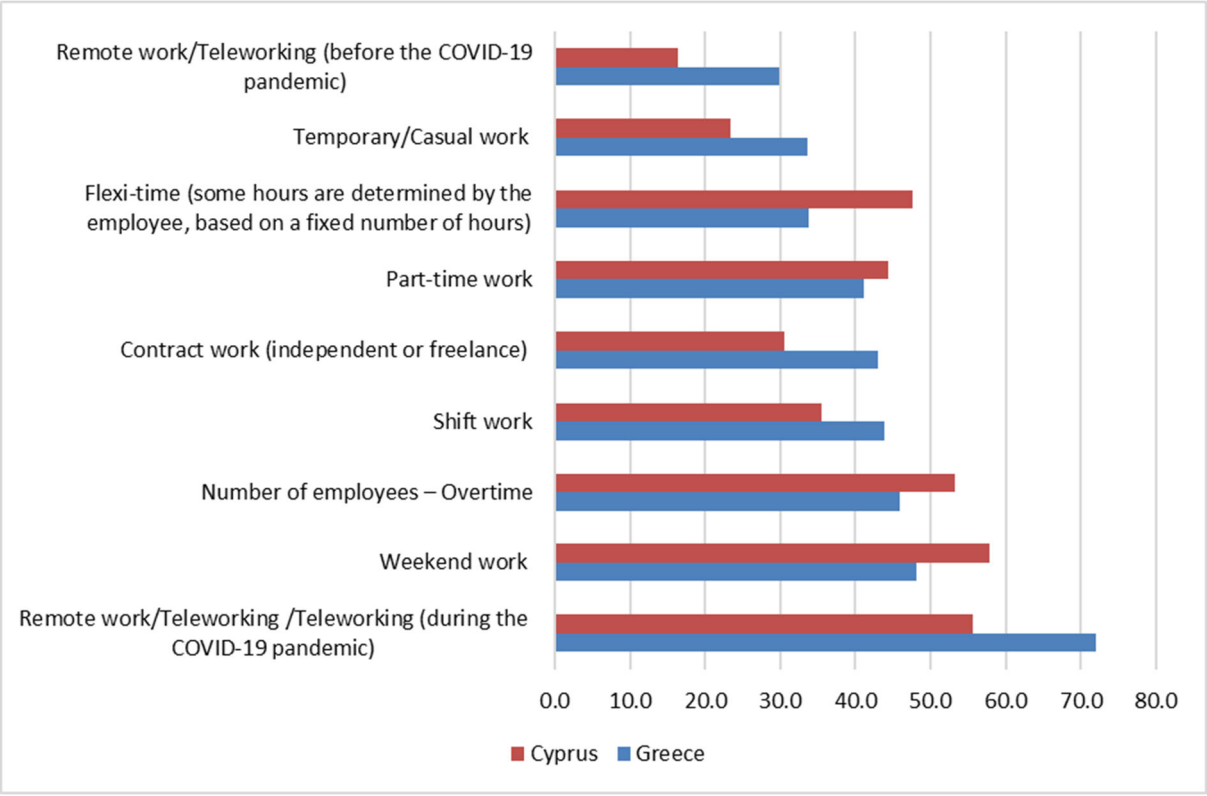
Nonetheless, the extent of use of different employee selection methods seems considerably lower in Cyprus. To indicate, the most popular selection method in both countries is interviewing. While interviewing is almost always used by Greek SMEs (mean 4.7 out of 5), its extent of use is rather average in Cyprus (mean 3.2 out of 5) (Figure 65). This could be alarming, as the insufficient or wrong use of selection techniques may result to a larger degree of homogeneity, with negative effects on organizational adaptability and performance (Wilk and Cappelli, 2003).

Figure 64: Extent of use of different methods for employee selection (scale 1-5)



Respondents were also asked to note whether they use alternative working arrangements, typically referred to in the literature as *flexible working arrangements* (FWAs). Results show both similarities and differences between the two countries, even though the differences are not necessarily substantial. Specifically, in both countries, the two most popular FWAs are weekend work and overtime, both typically seen as more employer-friendly rather than employee-friendly, since they better serve organizational needs for functional flexibility and not employee needs for flexibility in their working time and place (Stavrou and Ierodiakonou, 2011). A notable difference is that other FWAs that are frequently used by Greek SMEs also belong in this category of employer-friendly arrangements and include shift work and contract work. In Cyprus, however, the next most frequently used are employee-friendly arrangements, including flextime and part-time work. In both cases, remote-work/ teleworking was the least used FWA, at least before the Covid-19 pandemic. As expected, its use increased significantly during the pandemic – reaching notably higher levels in Greece compared to Cyprus – but whether this will be sustained in the future to a degree denoting a change in modes of working within SMEs remains to be seen (Figure 66).

Figure 65: Percentage of organisations using flexible working arrangements

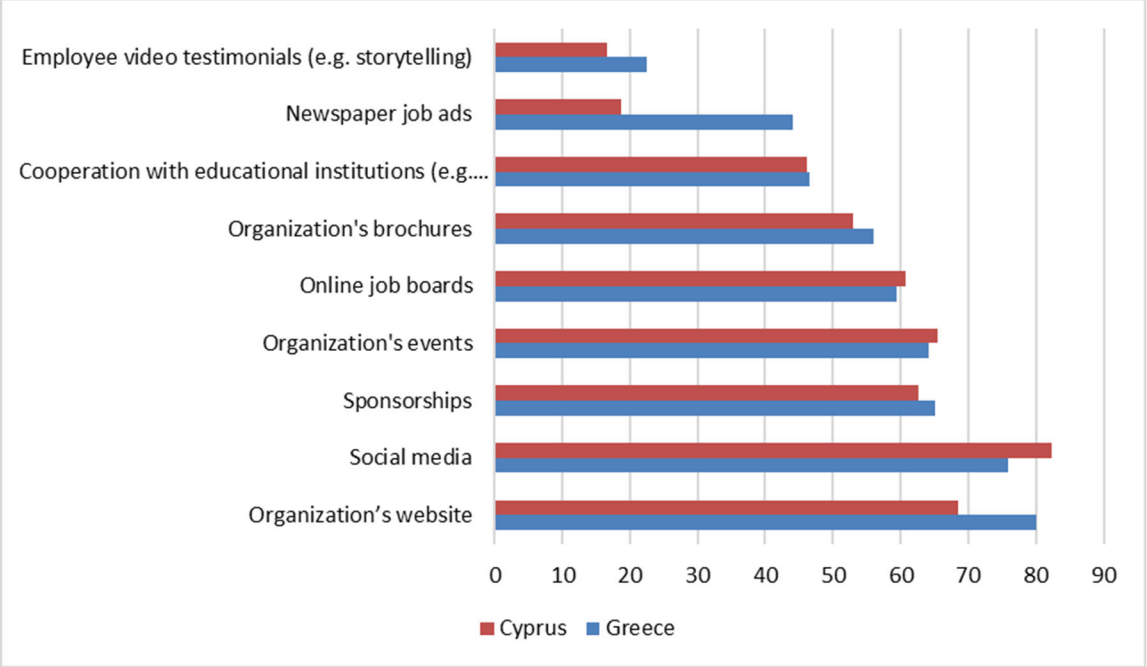


Delving more into how SMEs achieve flexibility, the questionnaire also focused on the existence of job descriptions, as well as on the degree of deviation from such descriptions. Most SMEs in our sample had *job descriptions* for all or for the majority of jobs in their organization (85% in Greece; 81% in Cyprus). Provided that these job descriptions remain updated, this is a positive sign suggesting that there is a basis to build a solid HRM system on. At the same time, however, we asked respondents to indicate whether employees are asked to take over tasks other than those of their primary job role. In Greece, 63.7% of respondents either agreed or strongly agreed that this is indeed the case. The respective percent in Cyprus was lower, but still substantial (52.9%). Taken together, these data show that, despite the existence of formal job descriptions, SMEs are likely to achieve flexibility in adjusting to changing demands by assigning employees to duties that expand beyond their formal and expected roles, perhaps in a more ad hoc and informal manner (Psychogios, et al., 2016).

We further asked respondents about their views and practices in relation to a rather new area developing at the intersection of HRM and marketing, namely *employer branding.* Focusing first on managerial perceptions, responses indicate that employer branding is generally perceived as an important, if not critical, issue, but that these perceptions are more prevalent within Greek SMEs, compared to Cypriot ones. In both cases, most respondents agreed or strongly agreed that employer branding is essential to their HR strategy and in running the business, critical to their future success and – to a less degree – an aspect that flows through all their HR activities. Nonetheless, it was more likely for respondents in Cyprus to express some degree of disagreement with these statements, more so than those in Greece, suggesting perhaps that the notion of employer branding is not yet seen in Cyprus as a matter of strategic importance for companies.

This conclusion is further reinforced when looking at the mediums that SMEs typically use to improve their image as employers. In Greece, the most frequently used medium is the organization's website, while in Cyprus social media are more typically used for the purpose. In both countries, SMEs tend to emphasize teamwork/ family spirit and benefits offered to improve their image as employers (Figure 67).

Figure 66: Mediums used for improvement of employer image.

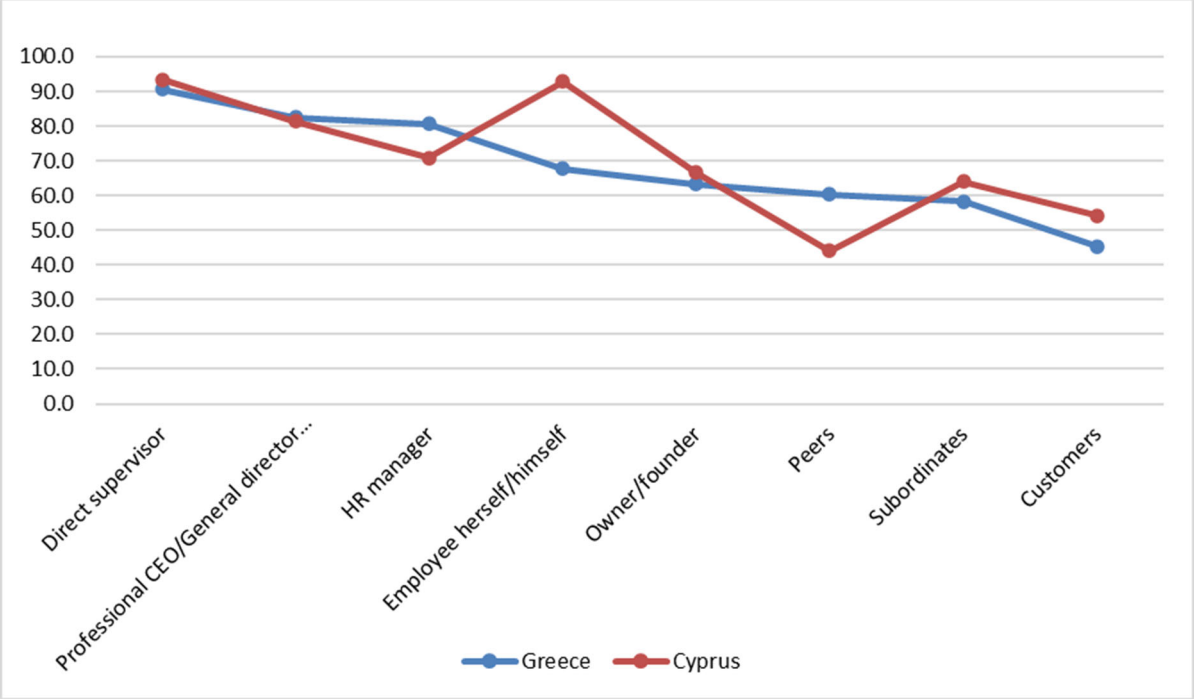


Performance management

Performance management, which is viewed as a series of HR practices focusing on employee performance assessment, training and rewards, is one that is typically viewed in the relevant literature as strongly associated with corporate performance (Delery and Doty, 1996). It is also one area of HRM that SMEs tend to approach more informally, since they lack the resources and expertise for more sophisticated and holistic approaches to performance management. This seems to be the case in the SMEs included in our sample as well.

Specifically, in both Greece and Cyprus, only a bit more than half of SMEs have a *formal appraisal system*. The existence of a formal appraisal system appears to correlate positively with the organization's size (0.40***) and with the existence of an HR department (0.54***). Where such a system is in place, in both countries the direct supervisors are the ones most frequently expected to provide data for the appraisal process for employees. In Greece, these are more likely to be supplemented by the CEO/ general director and by the HR manager. In Cyprus, however, there is a considerably higher use of employee self-assessments, followed by contributions from the CEO/ general director (Figure 68).

Figure 67: Input for employees' appraisal process



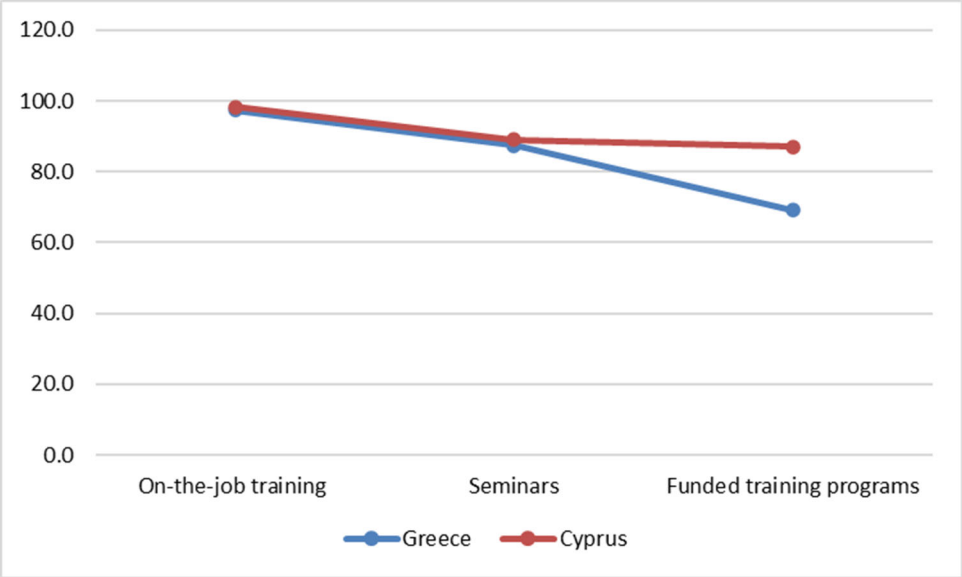
Even when an appraisal system exists, the use of its outcomes to make decisions on people management is relatively small, but a bit higher in Cyprus compared to Greece. To indicate, about 42%-43% of Greek SMEs use performance appraisal data to inform decisions on career moves, training and development, workforce planning or pay. The respective percent among Cypriot SMEs is 52%. This is indeed an area of concern, since a holistic approach to managing the performance of employees requires a formal performance appraisal system that is aligned with other HR practices, especially with employee training and career management (Delery and Doty, 1996).

Among those SMEs that do not have a formal appraisal system, only a marginal percent (8% in Greece; 4.5% in Cyprus) does not provide any feedback to employees on their performance. Most provide such feedback verbally, either form the immediate supervisor or from the owner/manager, while in fewer instances employees also receive performance feedback from customer reviews. These patterns are similar in both countries and all link back to a rather universal characteristic of SMEs to use more informal and casual approaches to managing people, instead of strictly written and formalized systems (Psychogios, et al., 2016).

Regarding *training and development*, the majority of SMEs in both countries train their employees (93% in Greece; 89% in Cyprus). Training appears to take place through a variety of methods. Even though the frequency and extent of using on-the-job training is significantly higher than other methods, SMEs seem to also use seminars for the purpose, as well as funded

training programs. Regarding the latter, their use is considerably higher in Cyprus compared to Greece (Figure 69).

Figure 68: Training methods.

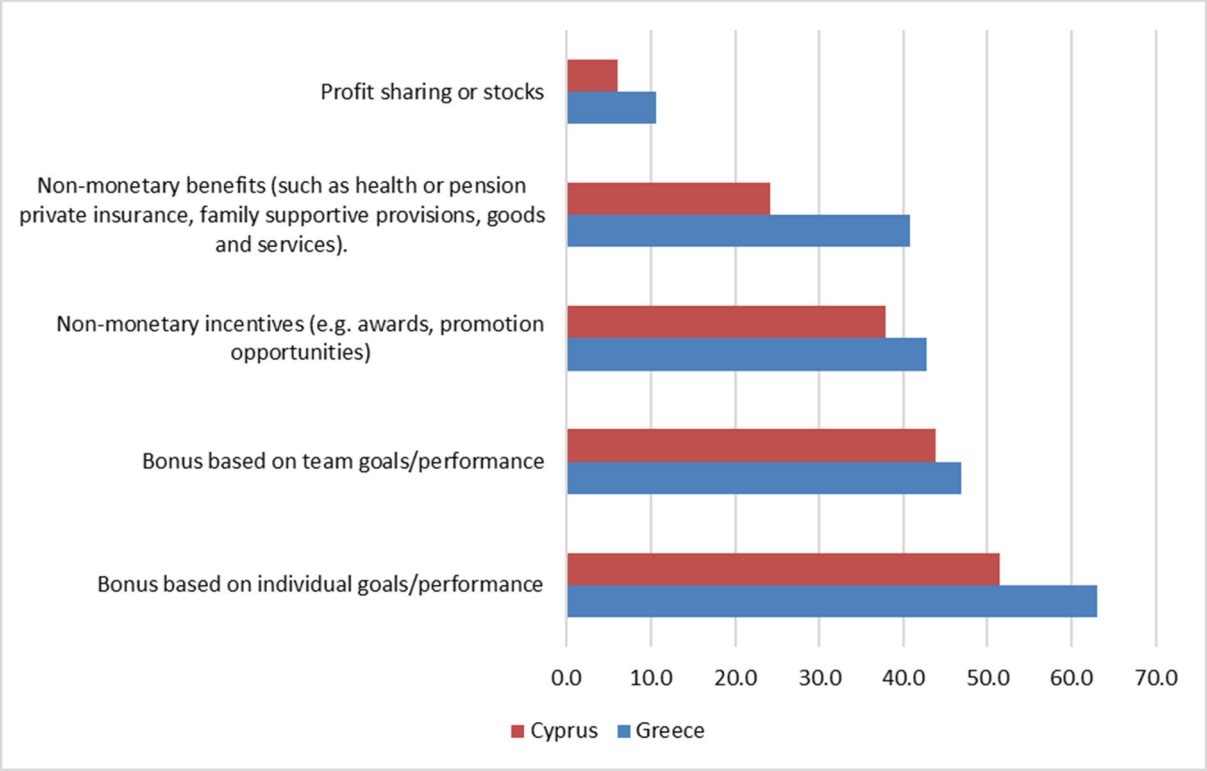


The fact that employee training and development appear quite widespread is undoubtedly positive, as it indicates that knowledge and skills remain updated to contribute to these organizations' competitiveness. Nonetheless, there is also evidence that training may not be offered in a systematic manner. For example, when asked how often training needs are assessed, about 60% responded either 'always' or 'most of the time', leaving about a third of SMEs in the sample doing training needs assessment more rarely. Further, when asked when employee training takes place, most respondents noted 'whenever necessary' and 'upon hire', but only a bit more than half noted 'regularly.' This may suggest a more informal and perhaps less systematic approach towards employee training and development. So, while there is strong evidence in the literature associating employee training with individual, organizational and strategic outcomes, it must have a strategic orientation, by which training is aligned with both the corporate strategy and with other HR practices, for it to be linked to high organizational performance (Delery and Doty, 1996). Collected data provide reason to doubt that this is the case here.

Focusing now on the *salaries and wages* offered by SMEs, the majority report offering salaries that are higher than the minimum wage, with almost half the SMEs in both countries offering 'a lot higher than the minimum wage.' Further, most SMEs (80% in Greece and 72% in Cyprus) report that they monitor salary levels in their sector or the labour market to define

remuneration levels in their organization, targeting to maintain an average or above average remuneration level. Regarding any additional incentives offered to employees, data shows that overall, both monetary and non-monetary incentives are more likely in Greece compared to Cyprus. Regardless, in both countries monetary incentives appear more popular than non-monetary ones, apart from profit sharing or stocks, which is very limited (Figure 70).

Figure 69: Offered incentives



Family Businesses

Around 60% of SMEs in both samples are *family-businesses*, which are owned or managed by members of the family. In most of these firms (88% in Greece; 76% in Cyprus), the percentage of family ownership is above 50% and the family is significantly involved in the management of the firm. To indicate, 87% of SMEs in Greece and 73% in Cyprus indicated that the family is involved in management to a great or to a very great extent. These family businesses are, in their majority, rather 'young' in the sense that they are currently managed and owned by either the first generation (founders) or by the second generation.

Interestingly, data show a tendency among the first generation to maintain the majority of stocks even upon passing on the responsibility for managing to the second generation. When management is passed on to a second generation, it is the children of founders that tend to take

over; in only a few cases management has been passed on to other family members or even to non-family members. This is indicative of the strong family ties that comprise a typical characteristic of the Greek-Cypriot culture, quite similarly to other southern Mediterranean countries. Also, indicative is the fact that the sons of owners, as opposed to the daughters, are considerably more likely to become 2nd generation managers, which captures fundamental patriarchal values that have been reflected in both Greek and Cypriot societies and traditional gender roles and that seem to endure over time.

Regardless, the data collected from family businesses included in this sample tell a story of strong commitment to family and to maintaining the familial character of the business. To indicate, around 90% state their intention to maintain the current number of working family members in the business, while about 22-23% explicitly acknowledges that the family relationship is a main criterion in the hiring of family members. Other criteria included education and professional experience. Furthermore, 34% of family business in Greece do not evaluate the work of family members, while this percent comes up to 50% in Cyprus, reflecting the strong commitment to family members and the intention to retain them in the company regardless of their performance or outputs.

Conclusions

Taking all the above together, we may conclude that there is more similarity rather than difference in the HR practices of SMEs in Cyprus and Greece. This could be attributed to the cultural and institutional proximity of the two countries, which composes a more similar rather than different context in which they operate, generating thus similar responses. Of course, the considerable degree of similarity in HRM practice could (also) reflect a modus operandi common in SMEs across contexts; one that blends a small degree of HRM formalization – typically designed around lower-costs methods – with a considerable degree of decision-making centralization to owners/ managers and an informal approach to people management. This would denote a rather hybrid approach to HRM taking place in (these) SMEs that moves between 'universal' good practices in HRM and practices adapted to the internal characteristics and external context.

Our sample from Greek and Cypriot SMEs has shown such significant commonalities in their approach towards HRM. From those discussed in this section, we highlight as a conclusion the general lack of an influential HR function within SMEs. This is shown by the complete absence of HR departments, or by their disempowerment, in cases they do exist, from control exercised by owners/ general directors. If we also consider the large proportion

of SMEs that are family businesses – which strongly intend to maintain their familial character and strong reliance on family members – we may conclude that SMEs in Greece and Cyprus remain far from what we know as a strategic approach to HRM. That said, there is evidence of SMEs adopting elements of such an approach, as indicated by investments in employee training, performance-related rewards, and flexible work arrangements.

Despite similarities between the two countries, a descriptive view of the two national samples also indicated some differences. Perhaps the two most notable differences are that, compared to Cypriot SMEs, Greek SMEs tend to have more formalized HR policies and assign more strategic value to employer branding. Even though these differences may not seem substantial, exploring their implications further could be interesting, since they may relate to varying practices and outcomes, affecting both practice and research. Besides, as Apospori, et al. (2008: 1202) note, "treating various European countries together may disguise interesting differences."

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9. DIFFERENCES BETWEEN SMEs AND LARGE BUSINESSES (Greece only)

E. Galanaki and I. Zografou

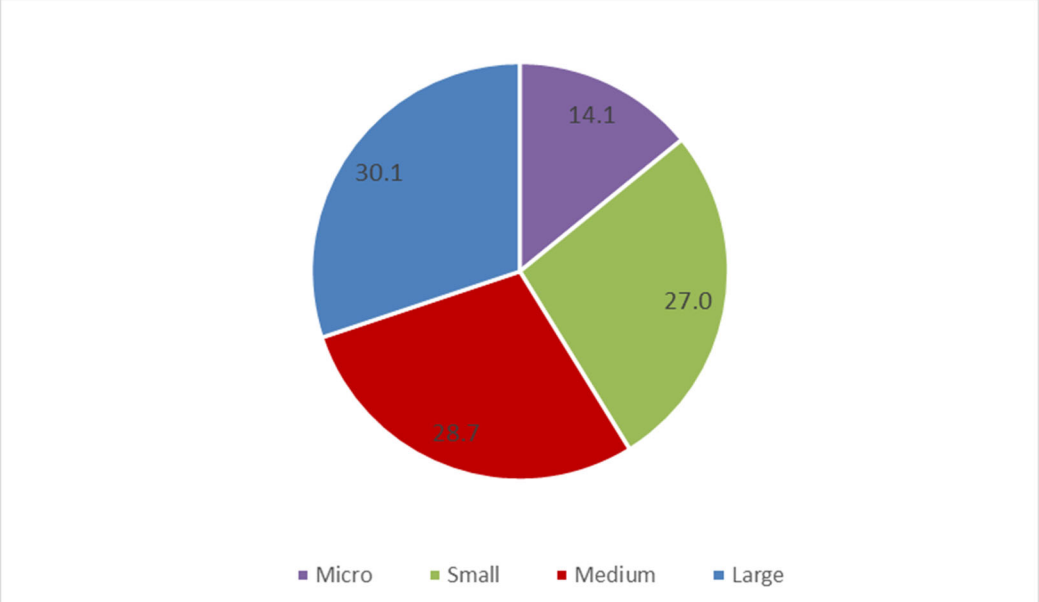
Introduction

In this chapter, we present comparative findings regarding the HRM practices applied in enterprises of diverse sizes, operating in Greece. To this end, we combine observations from two research projects realized by the HRM Laboratory, the HRMinSMEs project for micro, small and medium enterprises and the CRANET project for large enterprises. For more information about both projects, you may refer to the first chapter of this collection.

Sample by enterprise size class

In total, the Greek combined sample gathers 488 firms, spanning micro, small, medium, and large sizes. These firms represented a wide range of sectors and were located across the entire geographic spectrum of the country.

Figure 70: Sample composition by enterprise size class



More specifically, the combined sample covers:

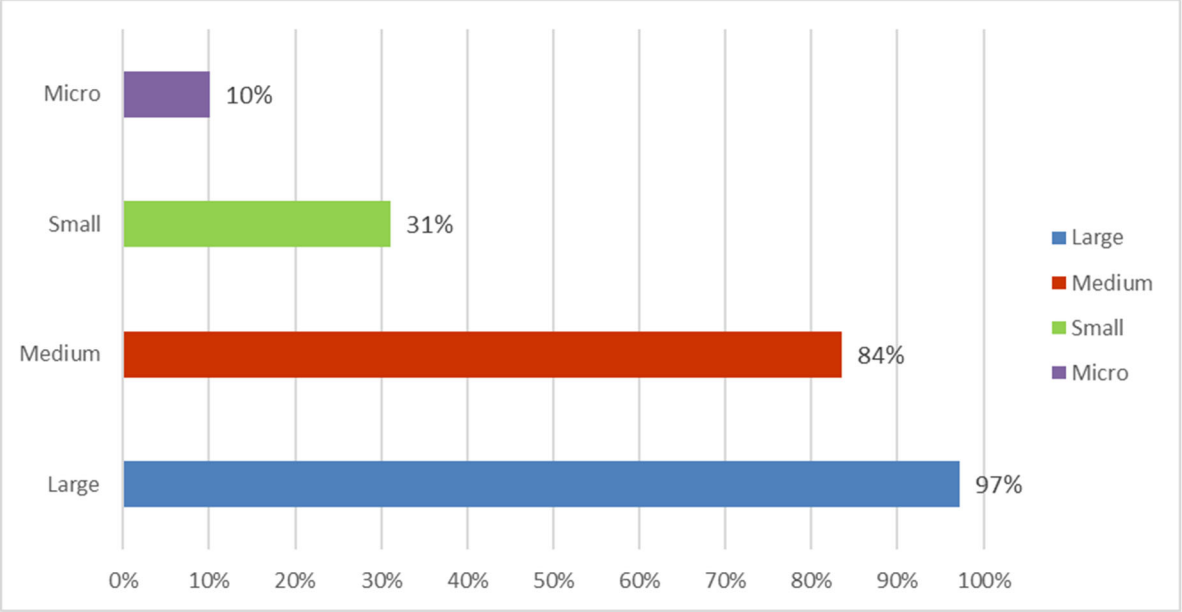
- 30% (147) large,
- 29% (140) medium,

- 27% (132) small, and
- 14% (69) micro firms.

Existence of HRM department or Manager

As expected, the presence of an HRM department or manager in a firm is typically less likely in smaller firms. Past Cranet evidence shows that on average in most countries, an HRM department is common in firms with more than 80 employees. Current evidence depicts that HRM departments or managers are a common feature in 97% of large firms, but we found them in only 10% of micro and 31% of small firms (Figure 71).

Figure 71: Frequency of existence of HR manager or HRM department by enterprise size class



As expected, the presence of an HRM department in a firm is typically less likely in smaller firms (Harney, 2020). HRM departments or managers are a common feature in nearly all large firms, but they are found in only 10% of micro and 31% of small firms (Figure 72).

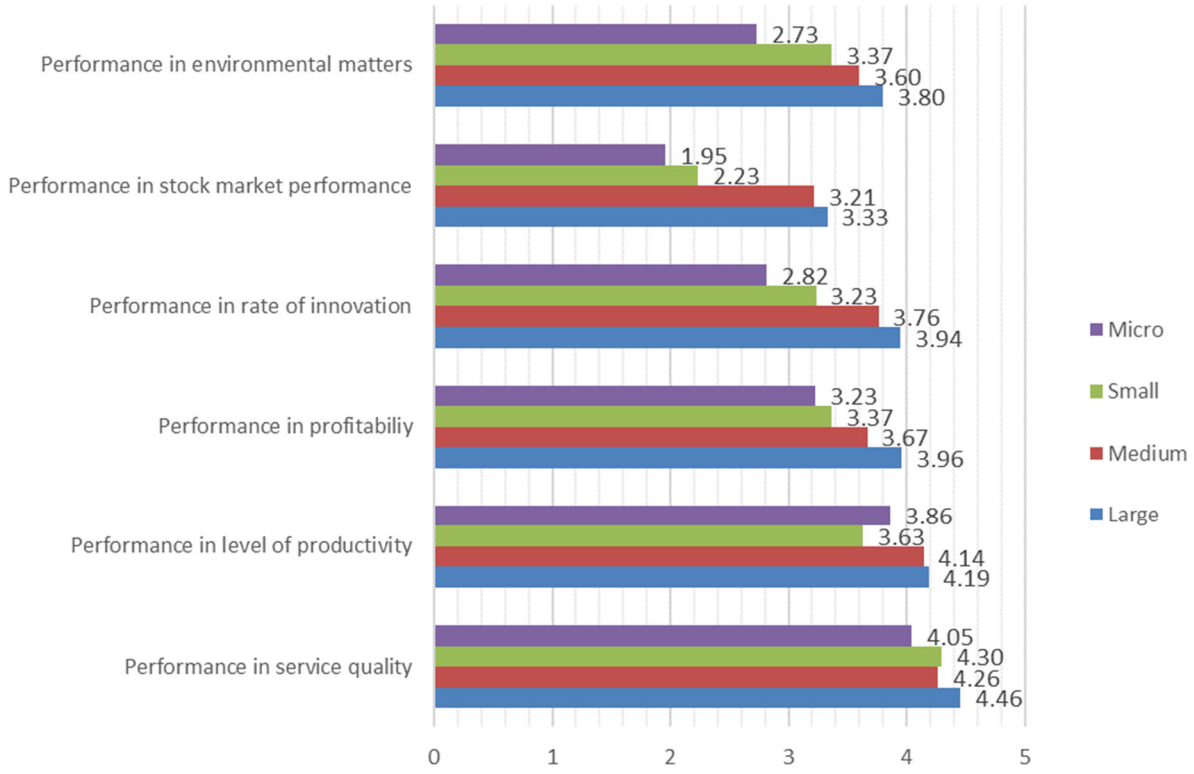
BUSINESS PERFORMANCE

Measuring business performance is crucial for the survival or success of any business. Evaluating key performance indicators such as profitability or productivity empowers them to

make informed decisions, adapt to changing market conditions, and strategize for long-term growth.

In both surveys conducted, respondents were asked to evaluate their business performance in comparison to their direct competition on a 1-5 Likert scale. Across all firm sizes, positive evaluations were reported, particularly in service quality, productivity, and profitability (Figure 72). In addition, medium and large firms exhibit satisfactory levels of innovation, with the latter typically displaying higher levels. It should be noted that small firms are not significantly far behind their larger counterparts in this respect. As expected, micro firms tend to maintain lower levels of market performance and innovation, reflecting the resource constraints that often hinder their pursuit of innovation (Cassar, 2004).

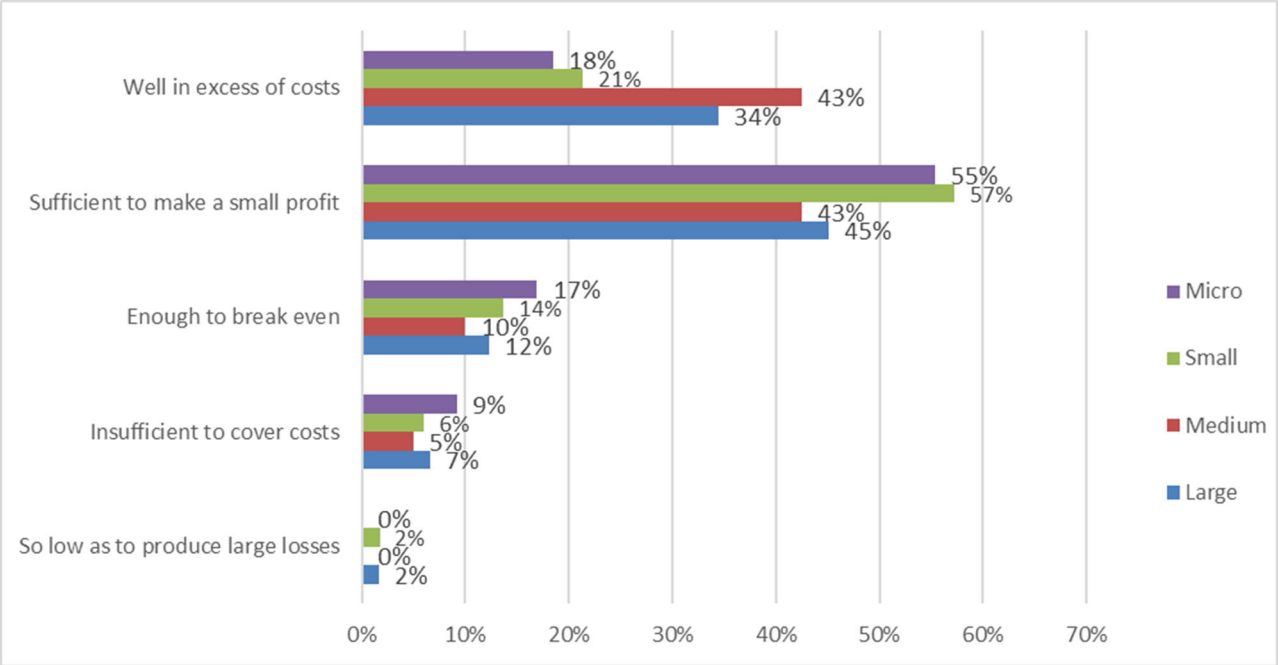
Figure 72: Business Performance I (Self-evaluation by enterprise size class



In terms of gross revenue over the last three years, the majority of firms reported making a small profit. Micro and small firms had the highest rates in this regard. In fact, the performance of small firms in terms of gross revenue was good, with more than 70% of these firms reporting that their revenue for the last three years exceeded their costs. However, small firms were far less likely to report revenues well in excess of costs (18-21%) than their medium and large

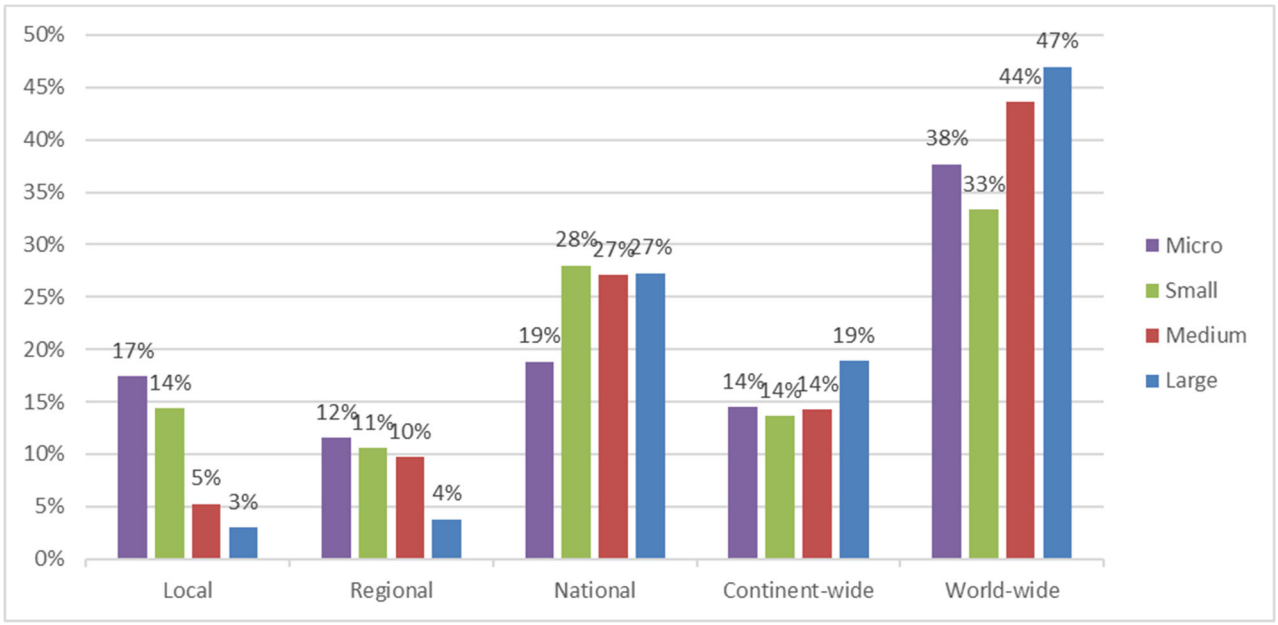
counterparts (43% and 34% respectively). They were also more likely to report marginal profits or even losses than medium or large firms (Figure 73).

Figure 73: Business Performance II (Gross revenue over the past 3 years by enterprise size class)



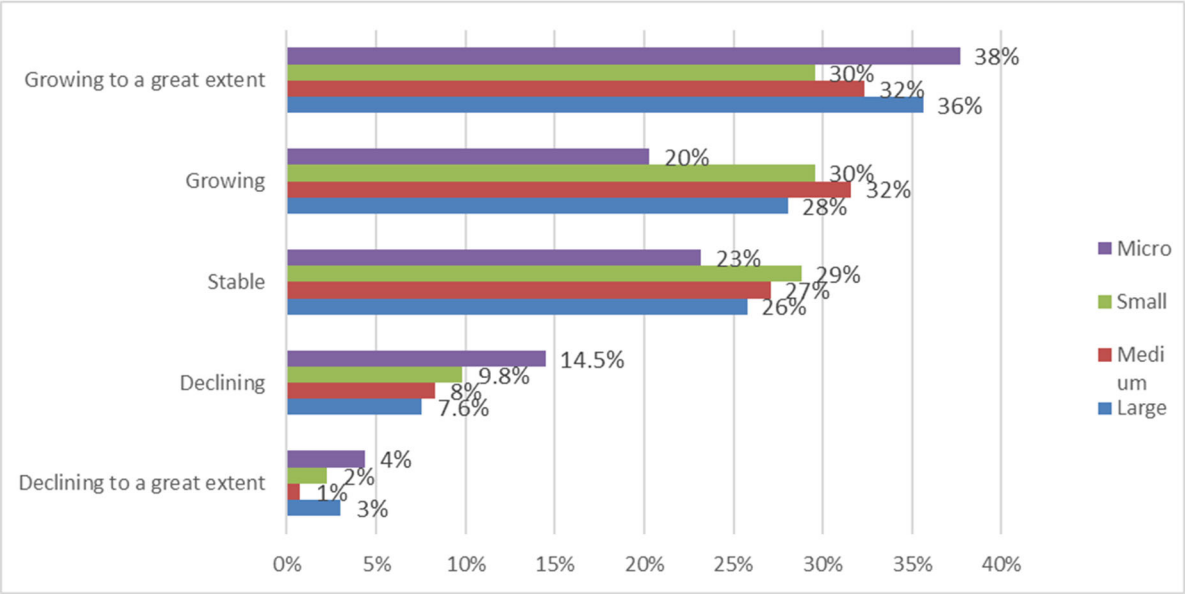
A crucial aspect affecting business performance is the size of the market served. A business operating in a large market usually is less vulnerable to offensive moves of direct competitors and more resilient to macroeconomic oscillations, The size of the market served by the current sample firms regardless of their size is much promising as they primarily operate on a global scale, with fewer focusing on national and continental markets (Figure 74). This global orientation suggests a common trend of firms seeking broader reach and international opportunities, regardless of their size. However, as one would expect, the smaller the enterprise, the more probable it is to focus on the local or regional market.

Figure 74: Size of the market served (Main market for product or services by enterprise size class)



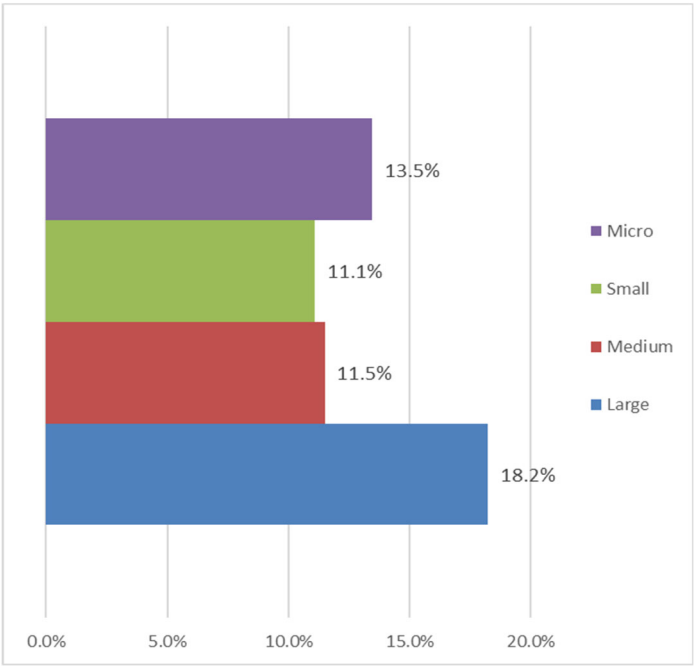
In addition to the size of the market, its dynamism is also critical for the performance of any business. The majority of firms in our sample have reported a consistent growth of their market, while others have indicated that it remains stable (Figure 76). It should be noted that it is more common for smaller businesses to report operating in declining markets than their larger counterparts. For example, 18.5% of the micro businesses, as opposed to only 10.6% of the large businesses face a decline in their market.

Figure 75: Trends of the market served (Change in the main market served by enterprise size class)



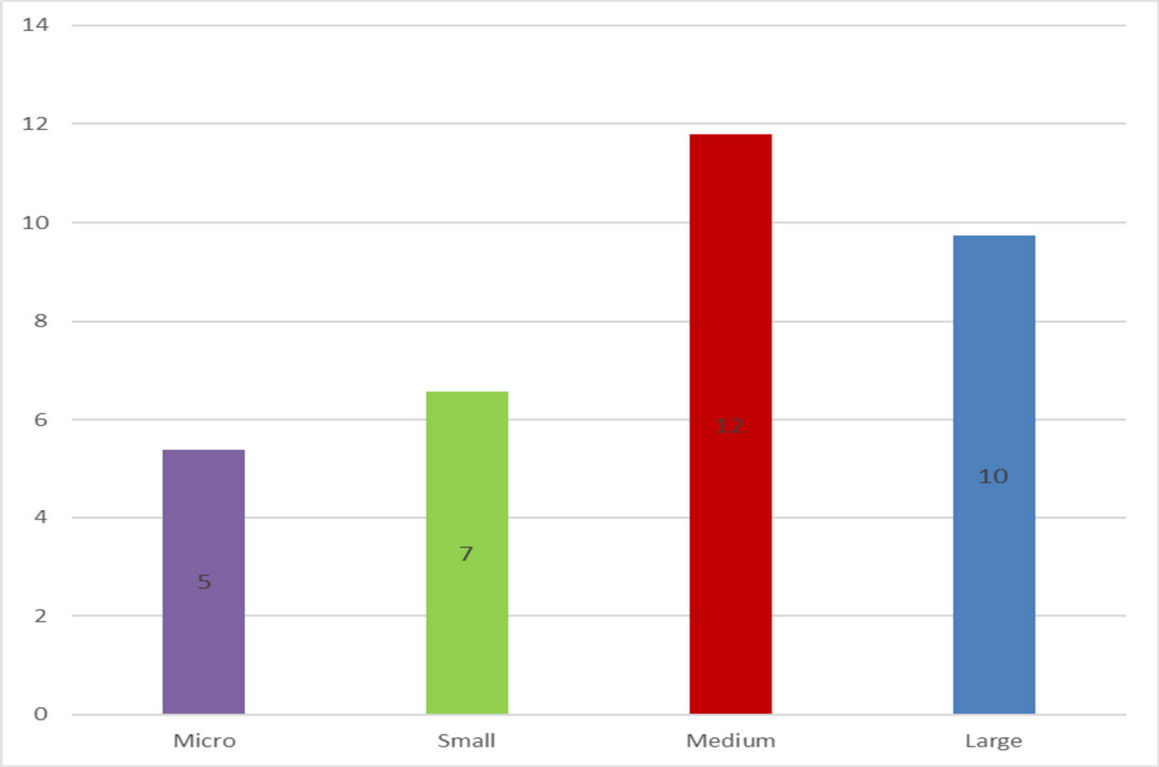
Finally, a key indicator of a wealthy and growing business is its employment trends. Enterprises of all sizes reported an average growth of over 10% in their staff over the 3 years preceding the research. In analyzing the dynamics of the workforce, it is interesting to note that small and medium-sized firms display similar levels of workforce growth, whereas micro firms demonstrate a more moderate level of workforce expansion. In fact, micro enterprises fall in between the employment growth rates observed in small, medium, and large firms, offering a unique perspective on workforce fluctuations within the Greek business landscape (Figure 76).

Figure 76: Average growth in workforce by enterprise size class



Absenteeism or the number of work hours or days lost is a key human resource metric used to assess the efficiency of the HRM function. It is linked to productivity and performance. Absenteeism in firms of all sizes in the current sample counts on average 9 days per year. Note that in larger firms, employees are absent twice as much as employees in micro firms. This agrees with the theory that employees in smaller firms feel a stronger sense of motivation, commitment, and accountability towards their work (Bryson & White, 2019), leading to lower absenteeism rates compared to their counterparts in larger firms (Figure 77).

Figure 77: Absenteeism/sick leave (days per year)



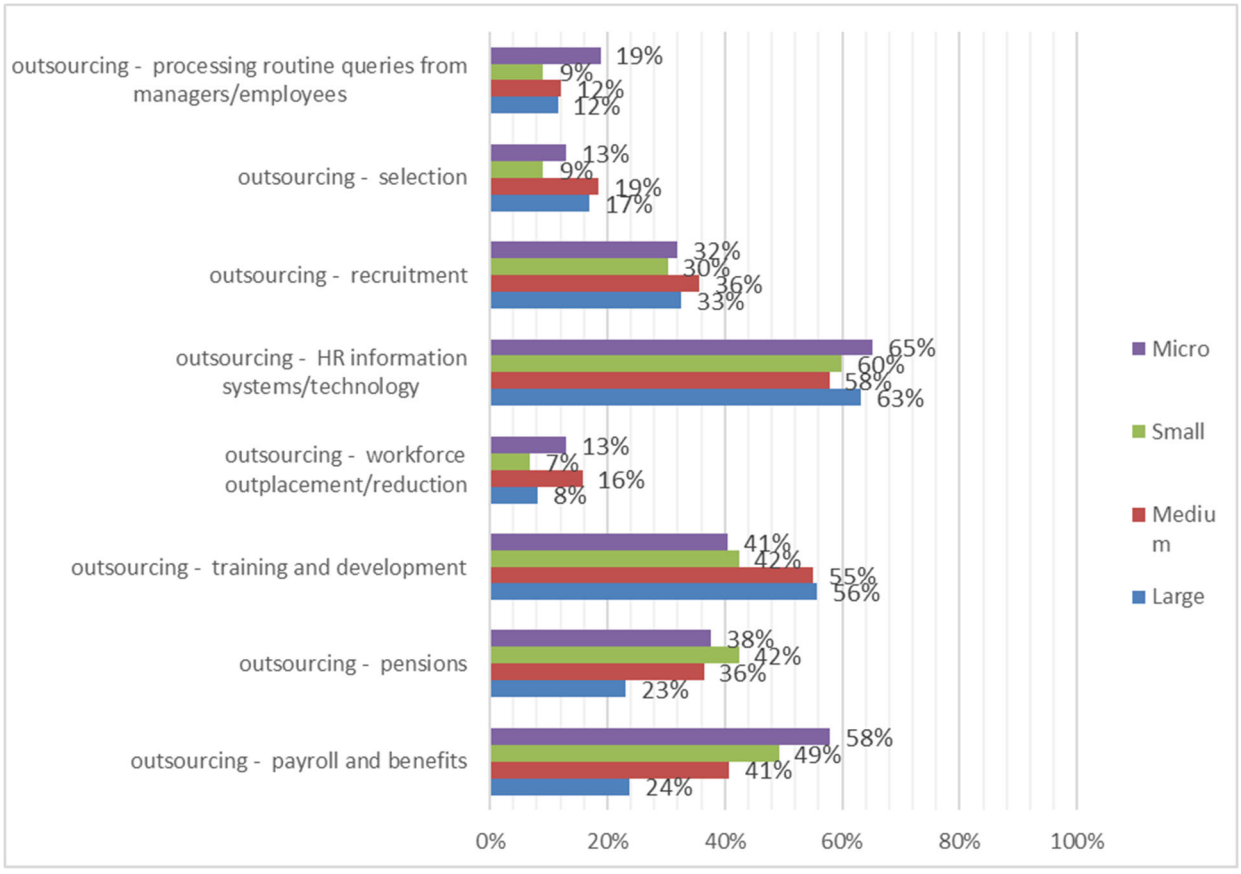
HRM OUTSOURCING

The use of outsourcing of HRM functions was measured in two ways during the present research. First, respondents were asked if they outsourced 10 HRM- related functions (a yes-no question). Their responses to this question are depicted in Figure 78. Then they were asked to put a mark to the degree to which they outsourced each function (a Likert scale ranging from 0= "not outsourced" to 4= "completely outsourced"). The findings from the second question are depicted in Figure 79.

In examining outsourcing practices among firms of varied sizes, noteworthy trends emerge (Figure 78). Firms across the spectrum primarily outsource HRM information systems and technology, with micro and small firms demonstrating the highest rates. This may be due to the cost-efficiency and expertise gained by outsourcing technology-related functions, which is particularly advantageous for smaller firms with limited in-house resources (Harney and

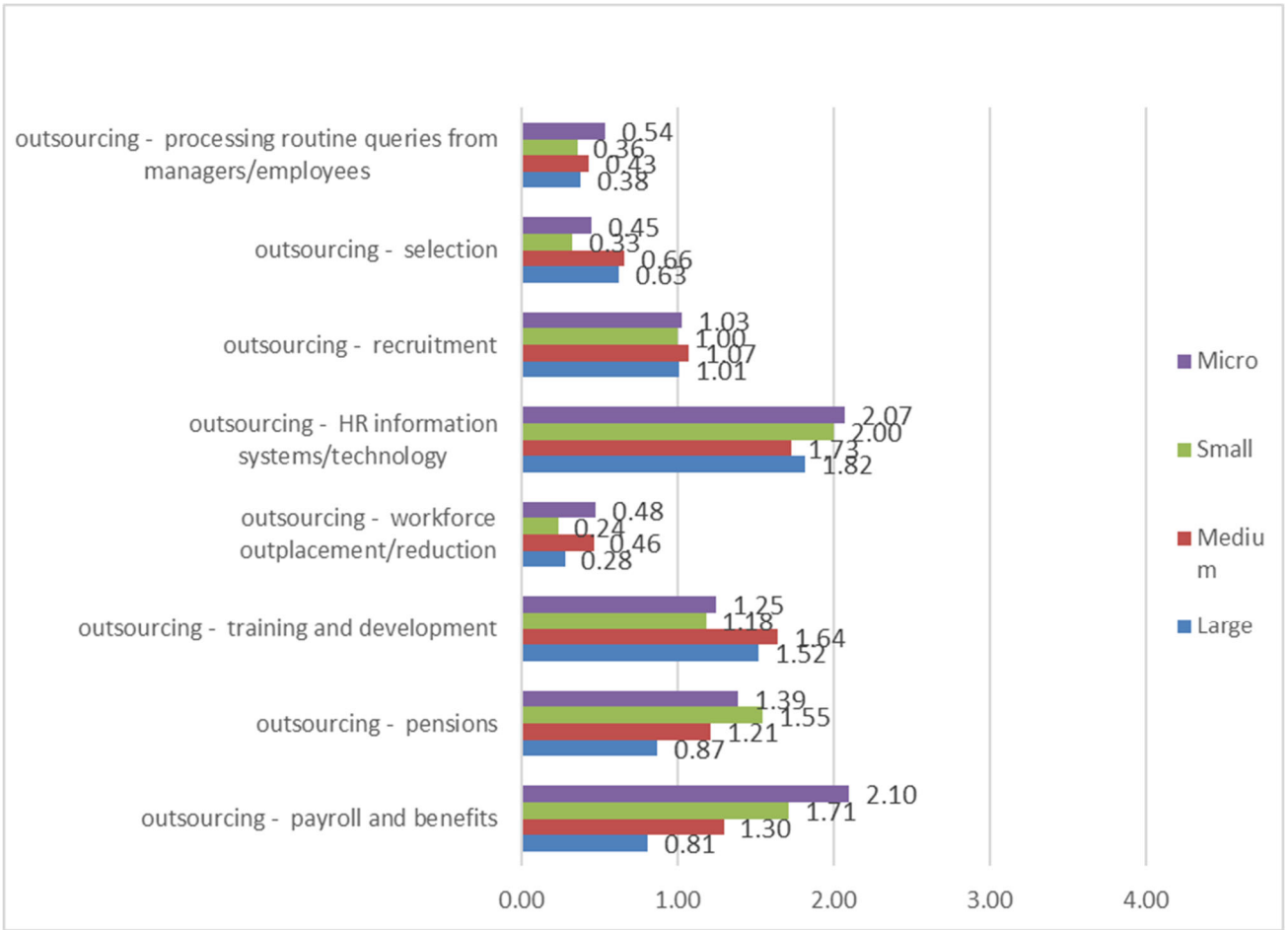
Alkhalaf, 2020, Sheehan, 2014). Conversely, medium, and large firms predominantly outsource workforce training and development. This could be attributed to the scale and complexity of training programs that often require specialized expertise, and larger firms may have more extensive training needs that benefit from external support and specialized trainers (Cardon & Stevens, 2004). Basic HRM functions like recruitment see outsourcing across the board, with consistent rates across firm sizes. This practice could be a result of firms seeking to streamline and optimize their recruitment processes by leveraging external expertise. In addition, in terms of compensation and benefits, small and large firms take the lead, exhibiting the highest outsourcing rates. This might be due to the intricacies and legal complexities related to compensation and benefits, where firms find value in outsourcing to ensure compliance and competitive offerings.

Figure 78: Frequency of outsourcing by HRM function by enterprise size class.



In terms of the extent of outsourcing by HRM function, HRM information systems, training and development, and compensation and benefits also emerge as the most outsourced areas (Figure 79). Here we also observe that small and micro businesses exhibit the highest rates of outsourcing for HRM information systems and technology. Following closely, the extent of training and development outsourcing is primarily led by small and large firms. Lastly, in relation to compensation and benefits, it is micro and small firms that demonstrate the highest rates of outsourcing. This diversity in outsourcing practices reflects the specific needs and strategies of firms across varied sizes and industries.

Figure 79: Extent of outsourcing by HRM function by enterprise size class.

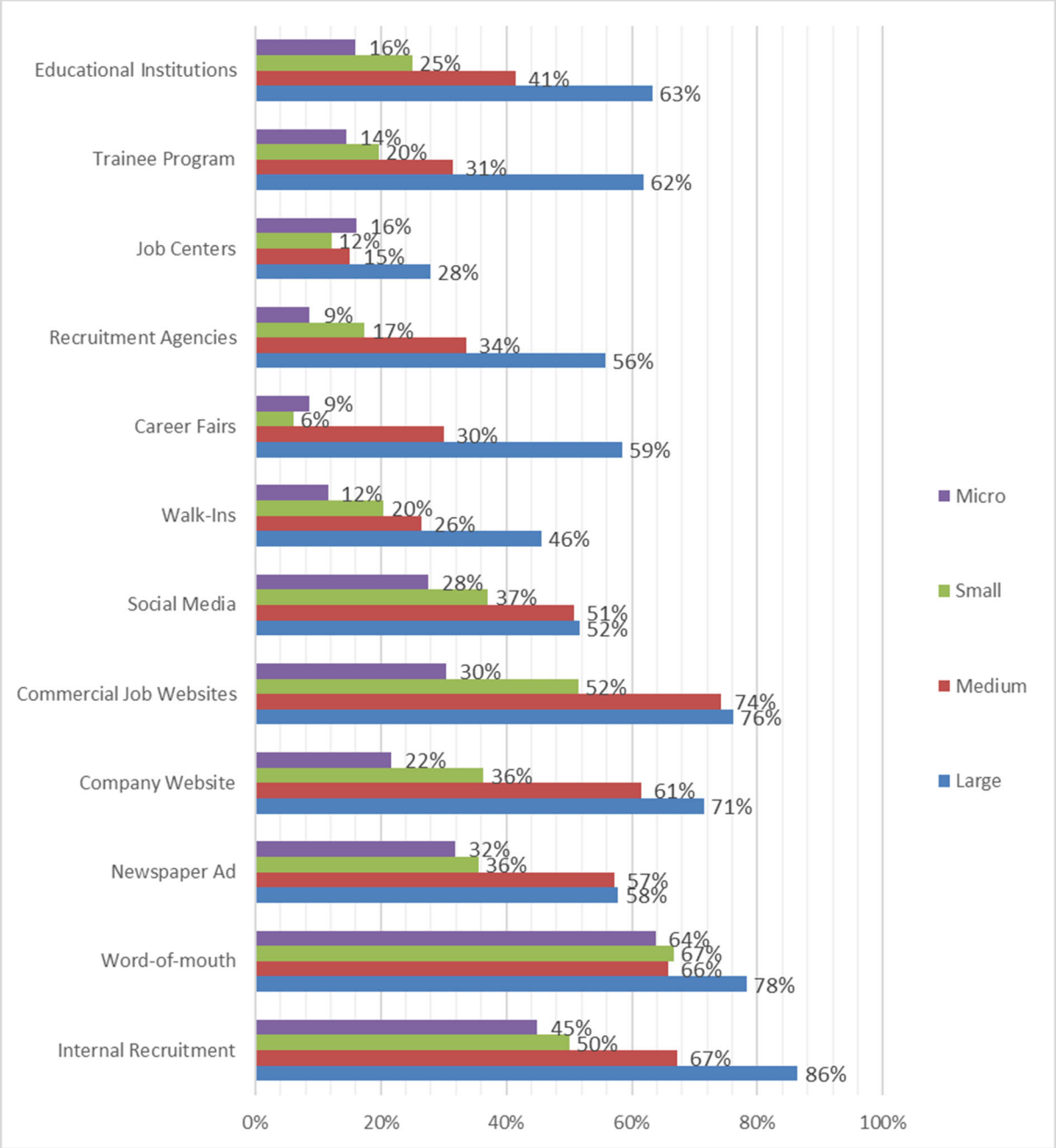


EMPLOYEE STAFFING (RECRUITMENT & SELECTION)

Employee recruitment is critical for the success of any staffing endeavor. A successful recruitment effort is expected to bring close to the firm high potential job candidates therefore increasing the probability of making positive additions to the human capital of the organization. It becomes evident from the present survey that the larger the firm, the wider the array of recruitment practices used (Figure 80). Therefore, larger enterprises have a higher chance to recruit the best talent, as their job openings appear on more communication media, therefore intensifying and enriching the outcome of any job opening announcement.

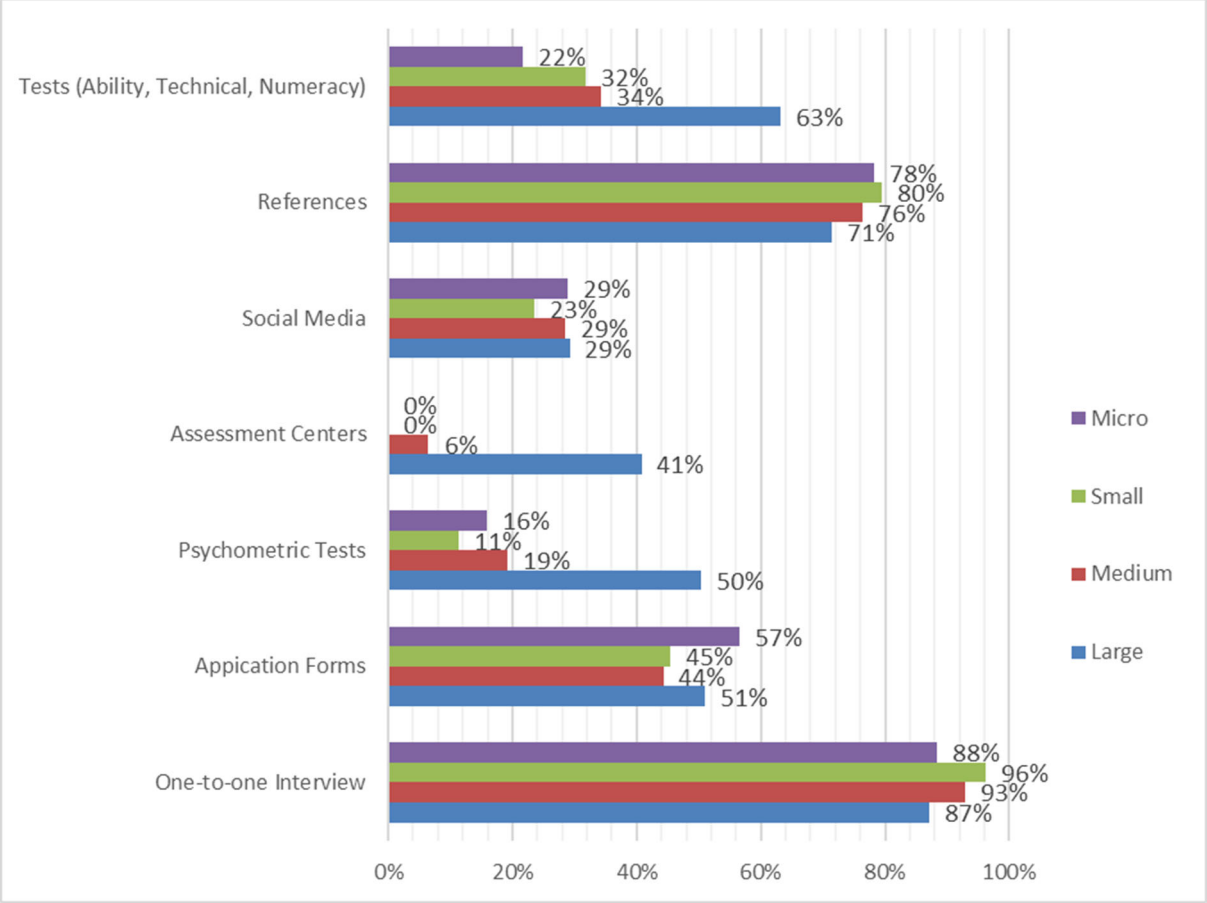
In some recruitment methods, such as career fairs, educational institutions and internships, the difference in recruitment applications across business sizes is huge. The difference of adoption by enterprise size class is less pronounced in practices such as of social media, word-of-mouth, newspaper ads, and commercial job websites. These recruitment practices appear to be the ones most widely used, too.

Figure 80: Use of recruitment practices by enterprise size class



A similar pattern is revealed in the case of employee selection practices (Figure 81). The more widely used practices, such as one-to-one interviews, references, and application forms, are utilized similarly by firms of all sizes. Social media is deployed equally by organizations of all sizes, even if not widely applied for employee selection yet. Probably because it is a cost-effective alternative. More advanced and costly practices such as ability, technical, numeracy tests, assessment centers and psychometric tests are used considerably more by large enterprises than by all SMEs.

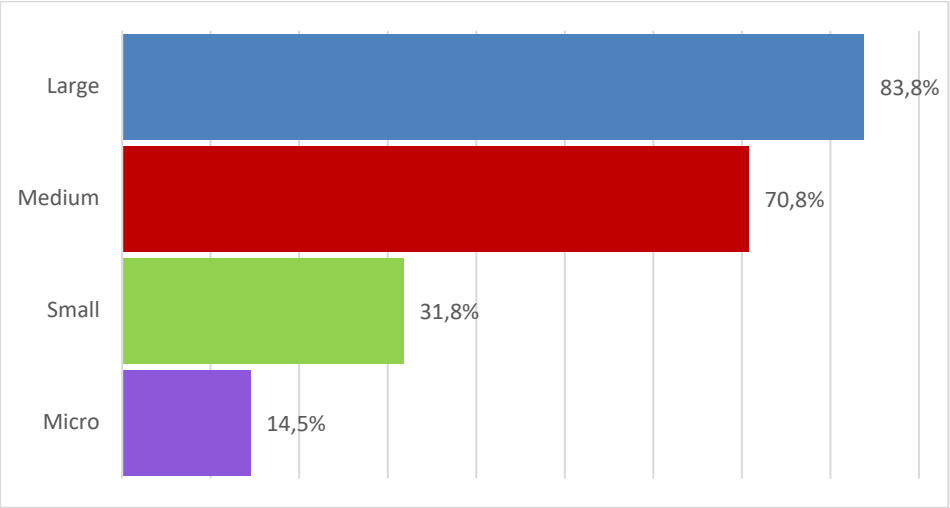
Figure 81: Use of selection practices by enterprise size class



EMPLOYEE PERFORMANCE EVALUATION

To assess the availability of tactical employee evaluation system in organizations, we asked if there is such a system. As appears in Figure 82, the existence of an appraisal system is highly dependent on the size of the firm and ranges from 14% probability in micro businesses to 84% in large businesses. The larger the enterprise, the more probable to run formal employee appraisals.

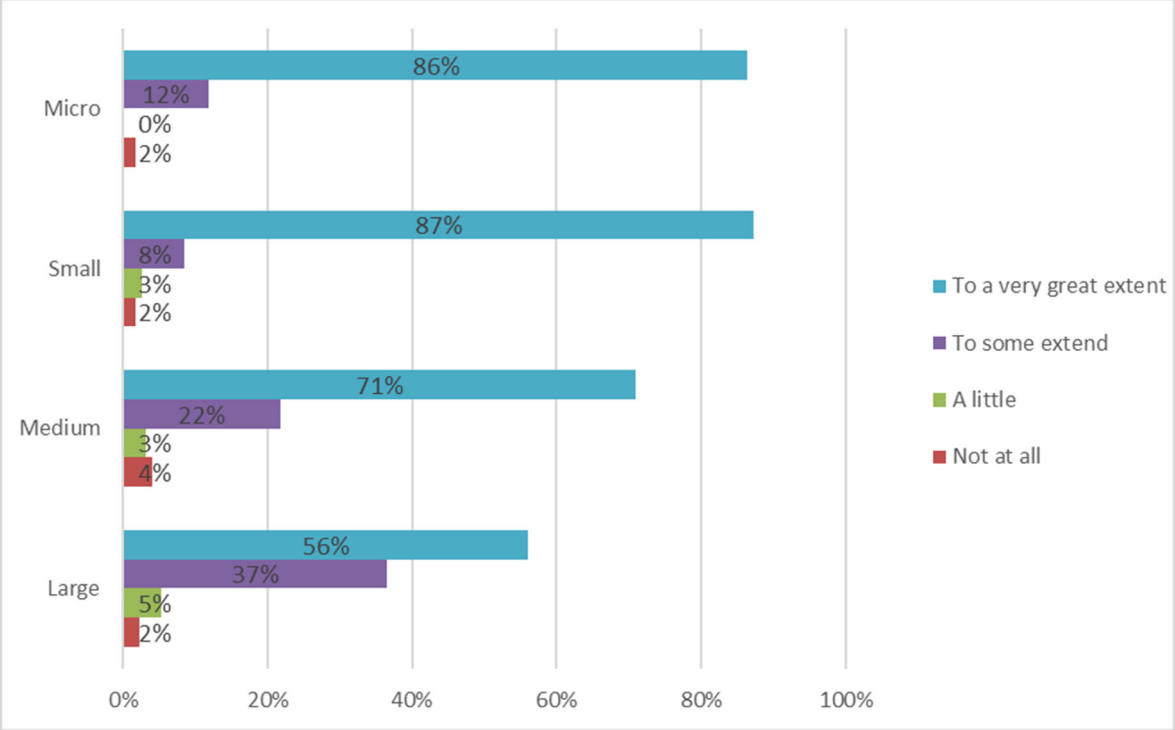
Figure 82: Use of Appraisal system by enterprise size class



EMPLOYEE TRAINING

Employee training is the key investment that any enterprise can perform on its human resources. From all forms of employee training, on- the- job training is a practical approach to acquiring new competencies and skills needed for a job in a real, or close to real, working environment. Rather than showing employees presentations or giving them worksheets, they learn about the job by doing it. This training happens at the workplace, with guidance from a supervisor, manager, or another knowledgeable employee. Generally, it is considered as a most cost-effective practice, as it is very job- specific and it allows to reduce training costs that more generic training methods bear. As shown in Figure 83, the cost-effective on-the-job training is used more extensively the smaller the firm is. Larger enterprises tend to apply it in combination with other training practices, not in isolation, and more moderately.

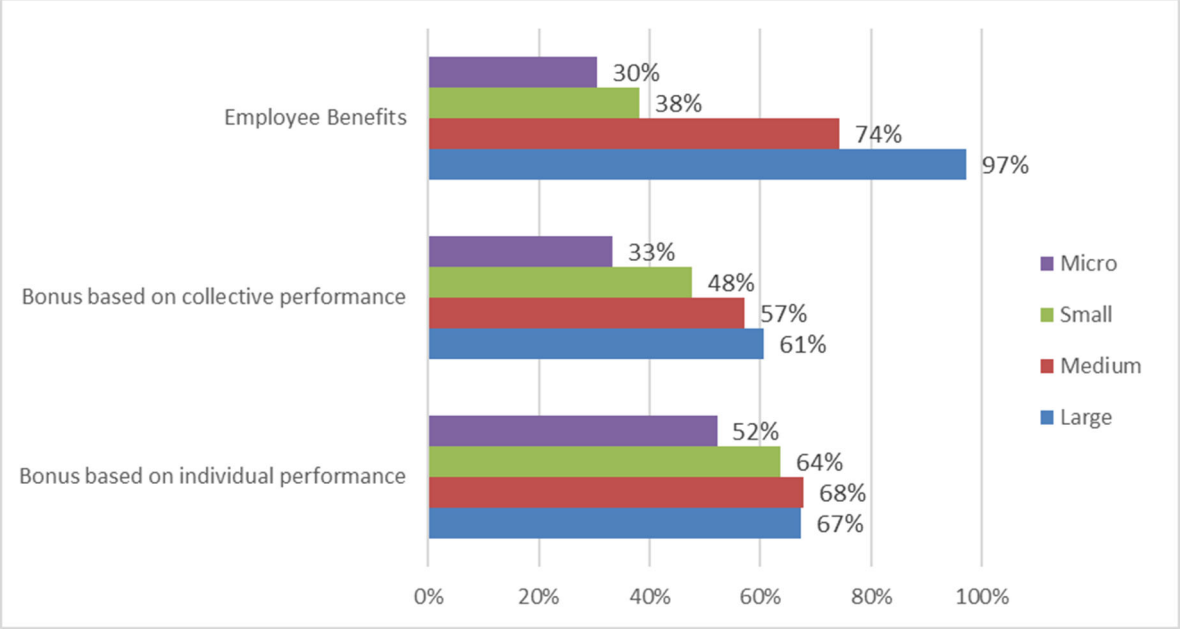
Figure 83: On-the-job training by enterprise size class



EMPLOYEE REWARDS

In regard to employees' total rewards, our findings indicate that large firms take the lead in all types of over the salary rewards. Especially when it comes to providing employee benefits large enterprises are the dominant employer model providing them, in agreement to previous research showing that economies of scale effects are the main advantage on which larger businesses capitalize when providing employee benefits (Galanaki, 2019). Across all firm categories, there is equal investment in offering individual performance-based bonuses, with minor variations (less in micro firms, more in large firms) (Figure 85). This agrees with the larger firms' capacity to allocate resources towards comprehensive employee reward packages, while smaller firms, such as micro firms, may face resource constraints that limit the extent of their investment in individual performance-based bonuses (Harney and Alkhalaf, 2020).

Figure 84: Total rewards by enterprise size class

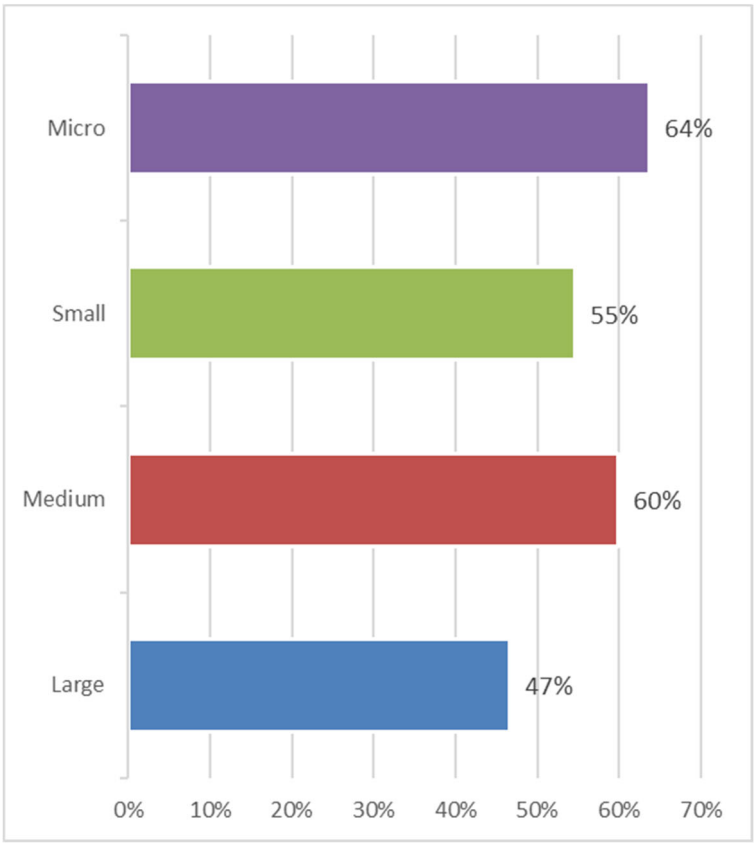


FAMILY FIRMS, DIVERSITY, FLEXIBLE WORKING PRACTICES

Family ownership and management

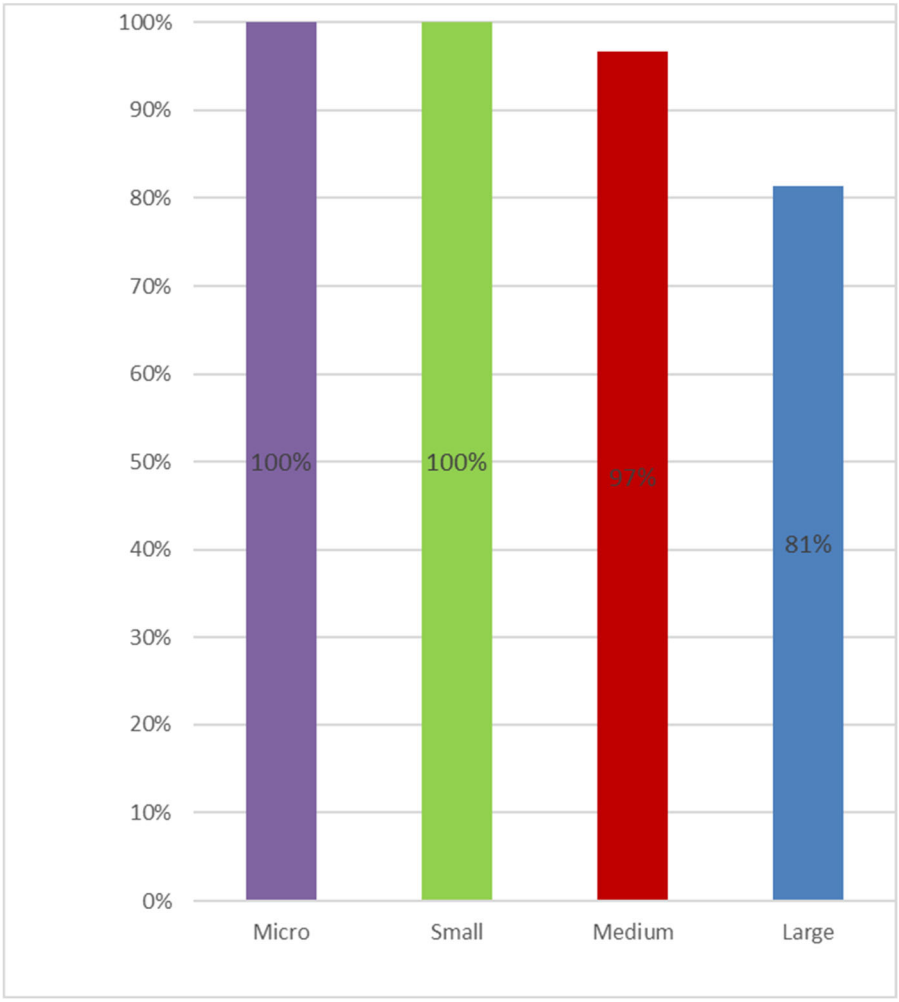
It is worth mentioning that SMEs globally are mostly family businesses, reflecting a prevalent trend in the business landscape (Valenza, Caputo, & Calabrò, 2023). We observe a notable pattern in the ownership and management of firms across different sizes. Family ownership is most prevalent in micro firms, followed by medium-sized firms, small firms, and lastly, large firms. However, what is particularly interesting is the substantial presence of family ownership across all firm sizes, with nearly half of large firms, over half of small firms, and almost two-thirds of medium and micro firms being family-owned (Figure 86).

Figure 85: Family ownership



Additionally, it is worth noting that in all micro, small, and medium-sized firms, family members are primarily responsible for the company's management. In large firms, the extent of family management is notably high, but not as high as in SMEs, reaching 81% (Figure 87). This data underscores the significant role of family involvement in both ownership and management within businesses of diverse sizes, especially in SMEs, shaping their operational dynamics and strategies (Pittino, Visintin, Lenger & Sternad, 2016; Valenza, et al., 2023).

Figure 86: Family involvement in firms' management



Diversity and Inclusion

One would expect that a large business is able to address issues of diversity and inclusion better, given its size and the multiple opportunities for employee staffing and development decisions. Also, larger enterprises tend to develop policies that support equal opportunities and meritocracy, therefore minimizing the probability of exclusion of marginal and less represented groups of employees. The present analysis agrees with the above hypothesis. When focusing on underrepresented age groups (people younger than 25 years and older than 50 years), the non-discriminatory levels of employment, i.e., 1-5% and 6-20% were common notably in large, secondarily in medium enterprises. On the contrary, it was more common in micro and small enterprises for the marginal age groups not to be represented in the workforce (0%) (Figure 87 and

Figure 88).

Figure 87: Proportion of the workforce under 25 years by enterprise size class

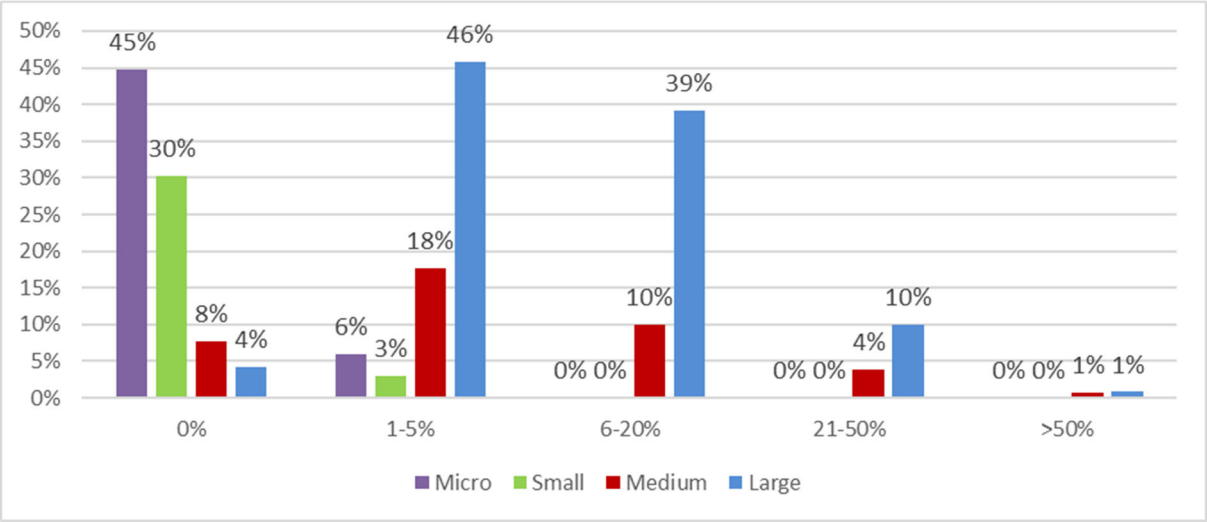
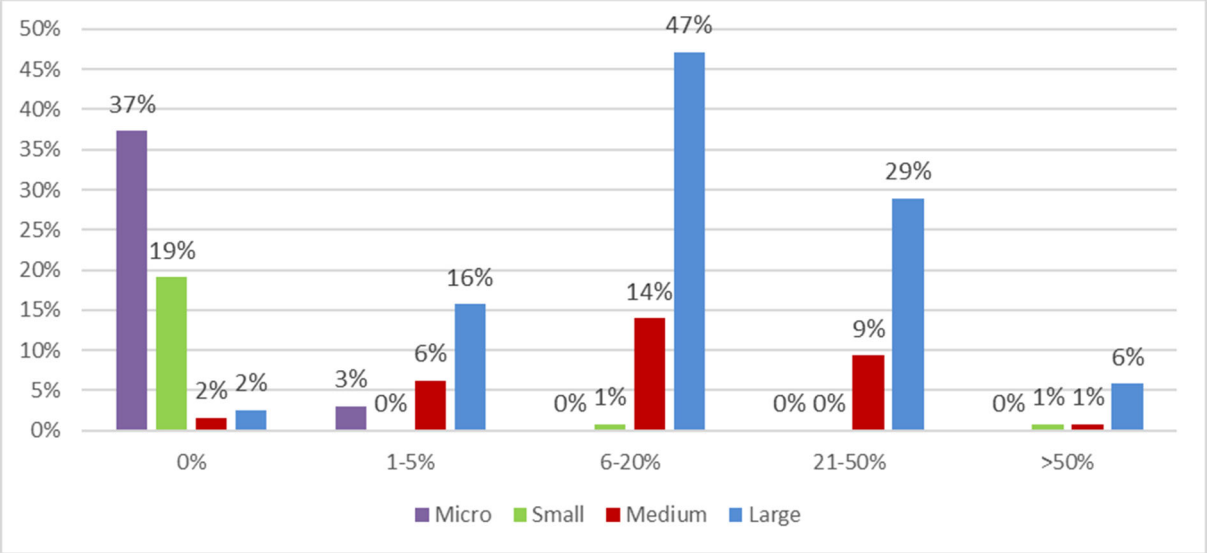


Figure 88: Proportion of the workforce 50 years and above by enterprise size class



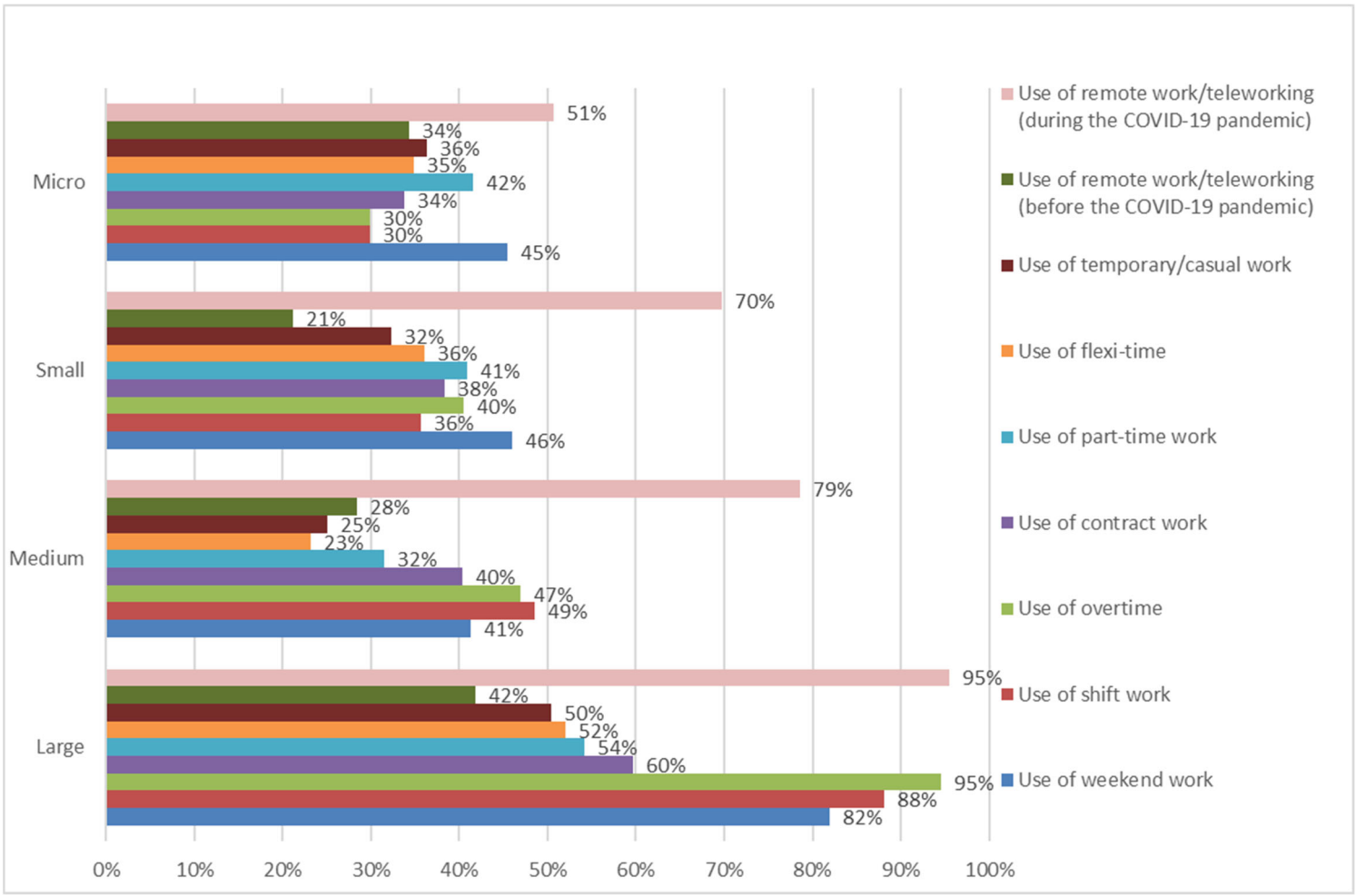
Flexible Working Practices

SMEs have generally been considered to be more flexible in terms of their management processes, standards, and decision- making. They are deemed to be swifter, and more adaptable to the changing environmental challenges. In the current research, responding firms were asked if they employ any of the following flexible working practices:

- Weekend work
- Shift work
- Overtime
- Contract work (independent or freelance)
- Part-time work
- Flexi-time (some hours are determined by the employee, based on a fixed number of hours)
- Temporary/Casual work
- Remote work/Teleworking (before and after the COVID-19 pandemic)

As appears in Figure 89, all flexible working practices in large enterprises have a higher chance of application. This is probably true because large firms employ staff in multiple alternative job roles and functions, each of which may require different working arrangements due to a diversified nature of work. Also, large enterprises, as a result of their economies of scale potential, tend to employ specialized staff in HRM, which facilitates them to administratively accommodate multiple types of working contracts and time- or location-specific working arrangements. They also possess technically advanced systems that allow them to efficiently implement multiple working arrangements that align to their specific business needs. When looking at the classification of flexible working arrangements in SMEs, though, micro enterprises appear to be better equipped to apply multiple flexible working arrangements than small or medium enterprises. Specifically in the case of innovative flexible working arrangements, such as teleworking, the enterprise size seems to be positively linked with the probability of application.

Figure 89: Proportion of businesses applying flexible working practices by enterprise size class.



Conclusion

From the analysis presented it appears that Greek SMEs do implement a different HRM practices portfolio to the one used by large enterprises. They also face different challenges to those of the large firms. Possibly, enriching the knowledge capital in HRM skills of SME owners and managers could assist them in implementing more of the practices already in place in larger enterprises. For example, some of the practices that have been found to be at a low implementation level in SMEs, such as internships and participation in career fairs (for employee recruitment), aptitude tests (for employee selection), training seminars (for employee development), or employee benefits (for employee rewards) can be successfully implemented

through collaborative activities of chambers of commerce, employers' associations or state and municipality job centers services.

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APPENDIX

Questionnaire

This questionnaire has been drafted under the research project HRMinSMEs (https://www.dept.aueb.gr/en/HRMlab/ HRMinSMEs) and aims to evaluate the importance and utility of Human Resources Management Practices, for both the employees and the organizations in which they are employed. It is addressed to the executives who deal with Human Resources Management in Small and Medium-sized enterprises and organizations, independent of all economic activity sectors.

The completion time is around 20'. All responses are strictly confidential and will not be used for purposes other than the current research.

Please answer honestly to all questions in this questionnaire. This is necessary for the research team to reach, elaborate and draw valid conclusions. Thank you in advance for your participation in this research. Your contribution is priceless. We are at your disposal for clarifications and information on the progress of the research (hrmlab@aueb.gr, www.dept.aueb.gr/hrmlab).

Eleanna Galanaki,

Scientific director of the HRM laboratory

Please indicate below the organisational unit to which the answers on the questionnaire refer:

1. Is your organization part of a larger Group of companies/institution? Yes ❑$_1$ No ❑$_0$

2. If yes, are you answering for the whole Group in your country? Yes ❑$_1$ No ❑$_0$

A. HRM activity:

1. Please indicate the name of the organization you work for:

_____

2. Approximately, how many people are employed in your organisation? In total
_____Male _____ Female _____

3. Do you have a personnel/human resource (HR) department? No ❑0 Yes ❑1

4. Who has the main responsibility for workforce issues? (please tick only one)

Owner/founder	□1
Professional CEO / General director or another top manager	□2
Human Resources Manager	□3
CFO	□4
Secretary of the board	□5
Other managerial position	□6
Other (please specify) _____	

5. Do you have specific policies for the following issues of human resources management? (click all that apply)

5.1 Recruitment and selection	□1
5.2 Training and Development	□1
5.3 Pay and benefits (compensation)	□1
5.4 Appraisal	□1
5.5 Labour regulations	□1

6. Which of the following do you consider as the biggest challenge in the management of your employees in the next 3 years?

Pay and benefits	□1
Need of training and development	□2
Recruitment and selection	□3
Appraisal	□4
Employee relations	□5
Other (please specify)	_____

7. To what extent do you outsource the following areas to external providers?

	Not outsourced				Completely outsourced
7.1 Payroll and benefits	□0	□1	□2	□3	□4
7.2 Pensions	□0	□1	□2	□3	□4
7.3 Training and Development	□0	□1	□2	□3	□4
7.4 Workforce outplacement/reduction	□0	□1	□2	□3	□4
7.5 Human resource information systems/technology	□0	□1	□2	□3	□4
7.6 Employee Recruitment	□0	□1	□2	□3	□4
7.7 Employee Selection	□0	□1	□2	□3	□4
7.8 Processing routine queries from Managers/employees (e.g., HR call centre)	□0	□1	□2	□3	□4

B. Resourcing practices

1. How has the total number of employees in your organisation changed over the last year?

Number of hires: _____

Number of separations (voluntary/resignations): _____

Number of separations (involuntary/dismissals): _____

2. Please indicate the frequency of use of the following recruitment methods in your organization

	1 Never	**2** Sometimes	**3** About half of the time	**4** Most of the time	**5** Always
2.1 Internally	☐1	☐2	☐3	☐4	☐5
2.2 Word of Mouth/employee referrals	☐1	☐2	☐3	☐4	☐5
2.3 Vacancies in news papers	☐1	☐2	☐3	☐4	☐5
2.4 Vacancy page on company website	☐1	☐2	☐3	☐4	☐5
2.5 Vacancies on commercial job websites	☐1	☐2	☐3	☐4	☐5
2.6 Social Media (e.g. Facebook, Instagram)	☐1	☐2	☐3	☐4	☐5
2.7 Walk-ins	☐1	☐2	☐3	☐4	☐5
2.8 Career Fairs	☐1	☐2	☐3	☐4	☐5
2.9. Recruitment agencies/consultancies/executive search	☐1	☐2	☐3	☐4	☐5
2.10 Job centres (public)	☐1	☐2	☐3	☐4	☐5
2.11 Trainee program	☐1	☐2	☐3	☐4	☐5
2.12. Directly from educational institutions (e.g., internships, announcement of vacancies through Liaison Offices)	☐1	☐2	☐3	☐4	☐5

3. Are there job descriptions in your organization?

Yes – for all jobs ☐3

Yes – for the majority of jobs ☐2

Yes – for the minority of jobs ☐1

No ☐0

I don't know □-9

4. Please indicate the frequency of use of the following selection methods in your organization.

	1 Never	**2** Sometimes	**3** About half of the time	**4** Most of the time	**5** Always
4.1 Interviews	□1	□2	□3	□4	□5
4.2 Application forms	□1	□2	□3	□4	□5
4.3 Psychometric tests	□1	□2	□3	□4	□5
4.4 Social media profiles	□1	□2	□3	□4	□5
4.5 References	□1	□2	□3	□4	□5
4.6 Tests (ability, technical, numeracy)	□1	□2	□3	□4	□5

5. Please indicate the approximate number of those working for your organization under the following working arrangements:

	Not applicable
5.1 Number of employees - Weekend work _____	□
5.2 Number of employees - Shift work _____	□
5.3 Number of employees – Overtime _____	□
5.4 Number of employees - Contract work (independent or freelance) _____	□
5.5 Number of employees - Part-time work _____	□
5.6 Number of employees - Flexi-time (some hours are determined by the employee, based on a fixed number of hours) _____	□
5.7 Number of employees - Temporary/Casual work _____	□
5.8 Number of employees - Remote work/Teleworking (before the COVID-19 pandemic) _____	□

5.9 Number of employees - Remote work/Teleworking /Teleworking (during the COVID-19 pandemic) _____ □

6. Please indicate the number of employees who experienced a change in their role and/or department within the firm during the past year: _____ employees

7. Is it possible for the employees to take over tasks other than those of their primary job role?

1	**2**	**3**	**4**	**5**
Strongly disagree		Neither agree nor disagree		Strongly agree
□	□	□	□	□

8. To what extent do you apply the following mediums to improve your image as an employer?

	1 To a very small extent	**2**	**3** To some extent	**4**	**5** To a very great extent
8.1 Social media	□1	□2	□3	□4	□5
8.2 Organization's website	□1	□2	□3	□4	□5
8.3 Online job boards	□1	□2	□3	□4	□5
8.4 Organization's brochures	□1	□2	□3	□4	□5
8.5 Cooperation with educational institutions (e.g., career fairs)	□1	□2	□3	□4	□5
8.6 Organization's events	□1	□2	□3	□4	□5
8.7 Sponsorships	□1	□2	□3	□4	□5
8.8 Employee video testimonials (e.g., storytelling)	□1	□2	□3	□4	□5
8.9 Newspaper job ads	□1	□2	□3	□4	□5
8.10 Other (please specify) _____	□1	□2	□3	□4	□5

9. To what extent do you highlight the following to improve your image as an employer?

	1 To a very small extent	**2**	**3** To some extent	**4**	**5** To a very great extent
9.1 Teamwork or family spirit	☐1	☐2	☐3	☐4	☐5
9.2 Benefits (such as health insurance	☐1	☐2	☐3	☐4	☐5
9.3 Public interest and corporate social responsibility actions	☐1	☐2	☐3	☐4	☐5
9.4 Recruiting opportunities	☐1	☐2	☐3	☐4	☐5
9.5 Other (please specify) _____	☐1	☐2	☐3	☐4	☐5

10. To what extent do you agree with the following?

	1 Strongly disagree	**2**	**3** Neither agree nor disagree	**4**	**5** Strongly agree
10.1 Employer branding is essential to our HR strategy	☐1	☐2	☐3	☐4	☐5
10.2 Employer branding is essential in running this company	☐1	☐2	☐3	☐4	☐5
10.3 Long-term employer brand planning is critical to our future success	☐1	☐2	☐3	☐4	☐5
10.4 employer branding flows through all of our HR activities	☐1	☐2	☐3	☐4	☐5

C. Employee development

1. Do you have a formal appraisal system? Yes ❑1 No ❑0

2. Are the following formally expected to make an input/provide data for the appraisal process for employees?

	1 Never	**2** Sometimes	**3** About half of the time	**4** Most of the time	**5** Always	I don't know/ no answer
2.1 Owner/founder	☐1	☐2	☐3	☐4	☐5	☐-9
2.2 Professional CEO/General director or another top manager	☐1	☐2	☐3	☐4	☐5	☐-9
2.3 Direct supervisor	☐1	☐2	☐3	☐4	☐5	☐-9
2.4 HR manager	☐1	☐2	☐3	☐4	☐5	☐-9
2.5 Peers	☐1	☐2	☐3	☐4	☐5	☐-9
2.6 Subordinates	☐1	☐2	☐3	☐4	☐5	☐-9
2.7 Employee herself/himself	☐1	☐2	☐3	☐4	☐5	☐-9
2.8 Customers	☐1	☐2	☐3	☐4	☐5	☐-9
2.9 Other (please specify) _____	☐1	☐2	☐3	☐4	☐5	☐-9

3. Is the appraisal data used to inform decisions in the following areas?

	0 Not at all	**1**	**2**	**3** To a very great extent	I don't know/no answer
3.1 Pay	☐0	☐1	☐2	☐3	☐-9
3.2 Training and Development	☐0	☐1	☐2	☐3	☐-9
3.3 Career moves	☐0	☐1	☐2	☐3	☐-9
3.4 Workforce planning	☐0	☐1	☐2	☐3	☐-9

4. If you don't have a formal appraisal system, how do employees get feedback on their performance? (Please click all that apply)

4.1 Verbally, the immediate supervisor with the employee during working hours ☐1

4.2 Verbally, the owner/manager with the employee during working hours ☐1

4.3 Through reviews from customers ☐1

4.4 Other (please specify) ☐1

_____

4.5 They don't ☐1

5. Do you train your employees? Yes ❑1 No ❑0

6. If yes, how and to what extent?

	0 Not at all	**1**	**2**	**3** To a very great extent
6.1 On-the-job training	☐0	☐1	☐2	☐3
6.2 Funded training programs	☐0	☐1	☐2	☐3
6.3 Seminars	☐0	☐1	☐2	☐3
6.4 Other (please specify) _____ _____	☐0	☐1	☐2	☐3
6.5 No provision of training	☐ 0			

7. When does employee training take place? (tick all that apply)

7.1 Upon hire ☐1

7.2 Upon promotion ☐1

7.3 After appraisal ☐1

7.4 Whenever necessary ☐1

7.5 Regularly ☐1

8. How many employees participated in training programs during the previous year? _____employees

9. How often do you estimate the need for training of employees in your organisation?

1	**2**	**3**	**4**	**5**	I don't know/no answer
Never	Sometimes	About half of the time	Most of the time	Always	
□	□	□	□	□	□

10. Do you offer any of the following? (click all that apply)

10.1 Profit sharing or stocks	□1
10.2 Bonus based on individual goals/performance	□1
10.3 Bonus based on team goals/performance	□1
10.4 Non-monetary incentives (e.g. awards, promotion opportunities)	□1
10.5 Non-monetary benefits (such as health or pension private insurance, family supportive provisions, goods and services).	□1

11. Salaries and wages are defined:

Exactly at the minimum wage	□1
Somewhat above the minimum wage	□2
A lot higher than the minimum wage	□3
More than (1.5 * the minimum wage)	□4
Other (please specify)	_____
I don't know/no answer	□-9

12. Do you monitor salary levels in your sector or the labour market to define remuneration levels for your organization?

No	☐0
Yes, our target is below the average remuneration level	☐1
Yes, our target is at the average remuneration level	☐2
Yes, our target is above the average remuneration level	☐3
I don't know/no answer	☐-9

D. Climate (Entrepreneurial orientation/Innovation)

1. Do the following take place in your organization?

	1 To a very small extent	**2**	**3** To some extent	**4**	**5** To a very great extent
1.1. Market introduction of technologically new product (good or service) developed by this unit (totally or in part).	☐1	☐2	☐3	☐4	☐5
1.2 Market introduction of technologically improved product (good or service) developed by this unit (totally or in part)	☐1	☐2	☐3	☐4	☐5
1.3 Development of new lines/ranges of product (good or service)	☐1	☐2	☐3	☐4	☐5
1.4 Frequency of replacement of old product (good or service) by others with important changes	☐1	☐2	☐3	☐4	☐5
1.5 Proportion of technologically new or improved product (good or service) in the turnover of the company	☐1	☐2	☐3	☐4	☐5
1.6 Product (good or service) innovation performed by the unit	☐1	☐2	☐3	☐4	☐5

2. For the following statements, please choose the number that most closely describes the existing climate in your organization. The two statements left and right express the meaning of the extreme values, 1 and 7, respectively.

2.1 In general, the top managers of my firm favour …

1 2 3 4 5 6 7

A strong emphasis on the marketing of tried-and-true products or services	A strong emphasis on R&D, technological leadership, and innovations

2.2 How many new lines of products or services has your firm marketed in the past five years (or since its establishment)?

1 2 3 4 5 6 7

No new lines of products or services	Very many new lines of products or services

2.3What applies to the new lines of products or services that your firm has marketed in the past five years (or since its establishment)?

1 2 3 4 5 6 7

Changes in product or service lines have been mostly of a minor nature	Changes in product or service lines have usually been quite dramatic

2.4 In dealing with its competitors, my firm …

1 2 3 4 5 6 7

Typically responds to actions which competitors initiate	Typically initiates actions to which competitors then respond

2.5 In dealing with its competitors, my firm …

1 2 3 4 5 6 7

Is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc..	Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.

2.6 In dealing with its competitors, my firm …

1 2 3 4 5 6 7

Typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture	Typically adopts a very competitive, "undo-the-competitors" posture

2.7 In general, the top managers of my firm have …

1 2 3 4 5 6 7

A strong proclivity for low-risk projects (with normal and certain rates of return)	A strong proclivity for high-risk projects (with chances of very high returns)

2.8 In general, the top managers of my firm believe that …

1 2 3 4 5 6 7

Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behaviour	Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives

2.9 When confronted with decision-making situations involving uncertainty, my firm …

1 2 3 4 5 6 7

Typically adopts a cautious, "wait-and-see" posture in order to minimize the probability of making costly decisions	Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities

3. What is the role of trust in your organization?

	1	**2**	**3**	**4**	**5**
	Does not apply at all				Totally applies
3.1 Trust plays an important role in our organization	☐1	☐2	☐3	☐4	☐5
3.2 Caution and mutual distrust are uncommon in our organization	☐1	☐2	☐3	☐4	☐5
3.3 Important developments are frankly communicated in our organization	☐1	☐2	☐3	☐4	☐5

	1	**2**	**3**	**4**	**5**
	Does not apply at all				Totally applies
3.4 The cooperation among employees is characterized by mutual trust	☐1	☐2	☐3	☐4	☐5

4. Please circle the score that most closely corresponds with how you see your organization.

	0 Does not describe my organization	**1**	**2**	**3** Describes my organization most of the time
4.1 Collaborative	☐ 0	☐ 1	☐ 2	☐ 3
4.2 Relationships-oriented	☐ 0	☐ 1	☐ 2	☐ 3
4.3 Encouraging	☐ 0	☐ 1	☐ 2	☐ 3
4.4 Sociable	☐ 0	☐ 1	☐ 2	☐ 3
4.5 Personal freedom	☐ 0	☐ 1	☐ 2	☐ 3
4.6 Equitable	☐ 0	☐ 1	☐ 2	☐ 3
4.7 Safe	☐ 0	☐ 1	☐ 2	☐ 3
4.8 Trusting	☐ 0	☐ 1	☐ 2	☐ 3

E. Organizational characteristics

1. Please indicate the main sector of industry or services in which you operate (please tick the one that most closely resembles your organisation's activity)

1.1 Agriculture, hunting, forestry, fishing, mining and quarrying	☐ 1
1.2 Manufacture of food, beverages, textiles, wood and paper, coke and refined petroleum, and related products	☐ 2
1.3 Manufacture of chemicals, pharmaceuticals, and medicinal chemical products	☐ 3

1.4 Manufacture of basic metals and metal products, plastic and other non-metallic products	□ 4
1.5 Manufacture of computer, electronic products, electrical equipment	□ 5
1.6 Manufacture of computer, electronic products, electrical equipment	□ 6
1.7 Manufacture of transport equipment	□ 7
1.8 Other manufacturing	□ 8
1.9 Electricity, gas, steam, and water supply, waste management	□ 9
1.10 Construction	□ 10
1.11 Wholesale and retail trade	□ 11
1.12 Transportation and storage	□ 12
1.13 Accommodation and food service activities, publishing, broadcasting activities	□ 13
1.14 Telecommunications, IT and other information services	□ 14
1.15 Financial and insurance activities	□ 15
1.16 Accounting, management, architecture, engineering, scientific research, and other administrative and support service activities	□ 16
1.17 Public administration and compulsory social security	□ 17
1.18 Education	□ 18
1.19 Human health services, residential care and social work activities	□ 19
1.20 Other industry or services (please specify) _____	

2. How many employees are 25 years old and under? _____ employees

3. How many employees are 50 years old and above? _____ employees

4. How many employees have a higher education/ university qualification? (first degree or higher degree) _____ employees

5. What is the level of absenteeism/ sick leave? (average days per employee per year): _____ days

6. In what year was your organisation established? _____(YYYY)

7. Has your organisation been involved in any of the following changes in the last 3 years? (tick all that apply)

7.1 Acquisition of another organization	□ 1
7.2 Takeover by another organization	□ 1
7.3 Merger	□ 1
7.4 Relocation	□ 1
7.5 Leadership succession	□ 1
7.6 None of the above	□ 0
I don't know/no answer	□ -9

8. Is your organization:

Private sector	Public sector	Non for profit	Mixed
□ 1	□ 2	□ 3	□ 4

9. If private sector, are you a Public Limited Company (on the stock market)?

Yes ❑1 No ❑0

	National	Regional	Local
10. If public sector,	□ 1	□ 2	□ 3

11. Is your organization a <u>family business</u>? (owned or managed by members of the family)

Yes □1 No □0 **<u>(if not, please proceed to question 22)</u>**

12. What is the percentage of the family ownership?

Percentage 1-35%	Percentage 36-50%	Percentage >50%	Other (please specify)	I don't know/no answer
☐ 1	☐ 2	☐ 3	_____	☐ -9

13. To what extent is the family involved in its management?

Not at all		To some extent		To a very great extent
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

14. Which generation is managing the organization today?

The first (founders)	2nd (e.g., children)	3rd (e.g. grandchildren)	4th	>4th
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

15. Which generation owns the majority of stocks today?

The first (founders)	2nd (e.g., children)	3rd (e.g. grandchildren)	4th	>4th	I don't know/no answer
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ -9

16. What is the relation between the family member who has taken over management, with the founder?

Son	Daughter	Cousin	Nephew/Niece	Grandchildren	Not a family member	Other (please specify)
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 6	_____

17. Do you intend to maintain the current number of working family members in the business?

Yes ❑1 No ❑0 I don't know/no answer ❑-9

18. The hiring of family members is based on the following criteria: (click all that apply)

Educational background	Professional experience	Education and Experience	Family relationship	Other (please specify)	I don't know/no answer
☐ 1	☐ 1	☐ 1	☐ 1	_____	☐ -9

	1 Not at all	**2**	**3** To some extent	**4**	**5** To a very great extent	I don't know/no answer
19. To what extent does the organization provide training in management issues for family members?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ -9
20. To what extent do you evaluate the work of family members?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ -9
21. To what extent does the reward of family members correspond to their performance rating?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ -9

22. Please specify the financial turnover (total sales) of your organization during the last financial year

<250.000€	250.000-500.000 €	500.000 - 1.000.000 €	1.000.000 - 2.000.000 €	2.000.000 - 5.000.000 €	> 5.000.000 €
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 6

23. If you are a private sector organisation, would you say the gross revenue over the past 3 years has been:

Well in excess of costs	☐ 5

Sufficient to make a small profit	☐ 4
Enough to break even	☐ 3
Insufficient to cover costs	☐ 2
So low as to produce large losses	☐ 1
I do not know/no answer	☐ -9

24. Compared to other organisations in your sector, how would you rate the performance of your organisation in relation to the following?

	Poor or at the low end of the industry	Below average	Average or equal to the competition	Better than average	Superior	Not applicable	I don't know/ no answer
24.1 Service quality	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 0	☐ -9
24.2 Level of productivity	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 0	☐ -9
24.3 Profitability	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 0	☐ -9
24.4 Rate of innovation	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 0	☐ -9
24.5 Stock market performance	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 0	☐ -9
24.6 Environmental matters	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 0	☐ -9

25. How would you describe the main market(s) for your organisation's products or services? (Please tick only one)

Local	□ 1
Regional	□ 2
National	□ 3
European	□ 4
World-wide	□ 5

26. Is the market you currently serve:

Declining to a great extent		Not changing		Growing to a great extent
□ 1	□ 2	□ 3	□ 4	□ 5

27. In general, would you say that during the last year the level of competition has:

Decreased □ 1 Remained stable □ 2 Increased □ 3

28. In which country is the corporate headquarters of your organisation based? (Please refer to ultimate parent company if your organisation is part of a larger group) _____

F. Demographic questions

1. You are:

1.1 Entrepreneur/ founder	□1
1.2 Member of the family owning the firm	□2
1.3 2nd generation owner	□3
1.4 Later generation owner	□4
1.5 Professional CEO/General director or another top manager	□5
1.6 HR manager	□6
1.7 Middle manager without HRM responsibility	□7
1.8 CFO	□8

1.9 Secretary of the board □9

1.10 Other (please specify) _____

2. If you are not HR manager, are you responsible for HR decisions in the organization?
Yes □1 No □0

3. What is your gender? Man □1 Woman □2

4. What is your age? _____ years old

5. What is your educational background? (please mention your most advanced qualification)

5.1 High school diploma □1

5.2 Certificate of vocational training □2

5.3 University degree □3

5.4 Postgraduate degree □4

5.5 Doctoral degree □5

_____

6. In what main field did you study for your most advanced degree?

6.1 Generic programmes and qualifications □1

6.2 Education □2

6.3 Arts and humanities □3

6.4 Social sciences, journalism and information □4

6.5 Natural sciences, mathematics and statistics □5

6.6 Information and Communication Technologies □6

6.7 Engineering, Manufacturing and Construction □7

6.8 Agriculture, forestry, fisheries and veterinary □8

6.9 Health and Welfare □9

6.10 Services □10

6.11 Business, administration and law □11

7. Contact details (necessary if you want to receive report with the aggregated findings of the research)

Last name: _____

First name: _____

Tel. number: _____

e-mail: _____

Other things you want to mention/comments :

_____

_____

_____

Thank you for your participation in our research effort. Without your contribution, we would not be able to conduct this research.

We are at your disposal for clarifications and information on the progress of the research (hrmlab@aueb.gr). You will receive the report with the aggregated findings of the research as soon as we prepare it (if you have filled in your contact details, above).

We also wish to inform you that the current research project runs at two levels (basic-advanced). You have just completed the basic part of the survey. The organizations that wish to measure through the advanced research their employer brand and the attitudes of their employees (job motivation, organizational commitment, and climate), compared with averages of the market, are given the opportunity to run the second (much shorter) part of the research, in which employees of the organization are entitled to answer.

Participation in all stages of the research and the provision of all reports are completely free of charge and to the benefit of participating organizations and academic research. The collected data are strictly confidential and anonymous and will not be used for any purpose other than the current academic research.

If you are interested in participating in the advanced version of the research, please state it by clicking below (make sure you have filled in you contact details above).

I am interested in the advanced research **Yes** 1□ **No** 0□

Thank you for your participation!

If you are interested in following our activities, you can visit the link:
https://www.dept.aueb.gr/el/HRMlab

Semi-Structured Interview Guide

Before we begin, we would like to mention that our research focuses on Human Resources Management practices and organizational performance of Small and Medium-sized enterprises before the outbreak of the COVID-19 pandemic. For this reason, we kindly ask you to bring to your mind your organization and its business conditions before the pandemic crisis.

On your organization:

1. When was your enterprise founded?
2. What is its legal form?
3. Please provide some financial data (e.g., turnover, initial capital invested/capitalization for 2019)?
4. Please describe your main competitors
5. What is your market share? is it comparable with that of your competitors (2019)?
6. How would you describe the achievement of business targets and the profitability of your organization (2019)?
7. Who is at the board of directors and take important decisions for the organization?
8. When and how did you start working in the organization?
9. Please describe your career path since then
10. Please describe a key success for your organization during the last three years
11. Please describe the biggest challenge/difficulty/risk the organization had to face during the last three years

HRM practices:

12. How many people are employed in your firm?
13. Are there different departments (e.g., sales, customer service) and how many employees work in each?
14. Have you done any hiring during the last three years?

(Recruitment)

15. Please indicate the recruitment methods you have used to communicate possible vacancies (bring in mind your last experience or the most typical one).
16. In general, do you use social media or the business website to inform about career opportunities in the organization?

17. Do you take any action to promote a positive image of your organization as an employer (either inside the business or outside)? Please describe what kind of actions and how regular are they?

(Selection)

18. Which selection method(s) do you use to decide which candidate will eventually be hired for a position? Do you take interviews? psychometric or other tests? Anything else?
19. If you take interviews, who participates in the process?
20. If you take tests, what about?
21. Who took the final decision for the coverage of the position?

(Structure)

22. How are employees informed about their duties and responsibilities?
23. Are there job descriptions?

(Rewards)

24. What do you offer to your employees as compensation?
25. Is it a fixed or variable reward?
26. If it is a fixed reward, is it dependent on the minimum wage or is it much higher than the minimum wage?
27. If you offer variable rewards, what are the different types of these rewards? (e.g. bonuses, commissions, piece rate, profit-sharing etc)

(Appraisal)

28. Do you conduct performance appraisals?
29. How? When/how often?
30. Who conducts the appraisal?

(Training)

31. Do you train your employees?
32. How? When/how often?

(HRM and Performance)

33. On average, how much time do your employees remain with the firm? Are there differences in the tenure rate between departments/specialties?
34. Do you think that effective HRM enhances organizational performance and innovation in your business? Please share examples from your experience