



## **Is small always beautiful? Experiences of employees working in small retail shops in Masvingo Urban.**

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### **Abstract**

*1. Small and Medium Sized Enterprises (SMEs) currently dominate the business landscape as they contribute more than 50% of the GDP and are responsible for the livelihood of 80% of the Zimbabwe's population. As such their people management practices are a cause for concern amongst both academics and entrepreneurs. This is against the background laid by some scholars who argue that the small size of the farms and the corresponding family-like environment lays fertile ground for harmonious people management practices (small is beautiful). Meanwhile, by nature SMEs operate with lean budgets on the verge of the formal economy and as such this may dent their approach to people management. This study therefore sought to review the validity of the "small is beautiful" adage by exploring the employment relation from the view of employees employed in the SMEs. This study employed the qualitative approach and targeted employees working in SME retail shops in Masvingo urban by conveniently sampling small retail shops derived from the Masvingo City registered businesses database. The main findings were that SMEs do not have a stand-alone HRM department therefore are characterised by informality of HRM operations, a paternalistic management style, less bureaucracy along with a close working relationship between the employer and employee. Further research should be done to further entrench the view that HR practices in SME firms are unique and most appropriate for the structural environment characterizing SME firms.*

*2. **Keywords:** Human resource practices, Formalisation, Family-owned SMEs, Owner-managers*



## 1 Introduction

There is a general consensus across the globe that the Small and Medium sized Enterprises (SMEs) are a major contributor to the global economy as a large SME sector in a country generally signifies a rapidly growing economy (Zafar & Mustafa, 2017). The same view is expressed by Abor and Quartey (2010) who reports that the robustness of an economy is reflected by the number of SMEs competing for space in the economy. For example, in the United States, SMEs contributes 50% to the GDP and produce 29% of all exports (Frimpong, 2013). Likewise in Europe, the SME sector constitute 99.8% of all business enterprises and 66.6% of total European Union (EU) employment generating €4,030 billion in 2016, representing 56.8% of total income added to the EU in that year (PWC, 2018).

In Zimbabwe, the SME sector has emerged as a strong replacement of the contracting formal economy contributing more than 50% of the Gross Domestic Product (GDP) (RBZ, 2007). The same view is echoed by Dlamini (2020) who reports that SMEs have emerged as the biggest employer since the death of commercial agriculture since the year 2000.

Despite the contribution of the SME sector to employment generation, Dzansi and Tassin-Njike (2014) observes players in the sector often operate on the fringes of the formal economic sector and as such are associated with undefined workplaces, unsafe and unhealthy working conditions, short-term contracts, low skills, low and irregular incomes, long working hours and low unionisation. This is the same view expressed by Wiesner and Innes (2010) who reports that the small size of SMEs firms automatically translates into resource limitations (liability of smallness) which negatively impacts on the delivery of all management practices including people management practices. . In other words, as Dundon and Wilkinson (2018) reports, Human Resource Management (HRM) in SMEs is conducted informally leading to HR practices characterised by general poor working conditions, higher levels conflict, higher turnover and high absenteeism rates, conditions akin to a bleak house. This is in contrast to the arguments made by Rauf (2016) who argues that the small size of SMEs makes them the ideal home at work where the family-like environment spawns a health, fulfilling working relationship between the owner-manager and his/her employees characterised by commitment, unitarism and employee motivation. In light of these constating views on the nature of Human



Resource (HR) practices in SMEs, this study to review the validity of the “*small is beautiful*” adage by exploring the employment relation from the view of employees employed in small grocery shops in Mucheke suburb of Masvingo.

## **2 Literature Review**

### **2.1 The SME sector in Zimbabwe**

The Zimbabwean government has placed its faith in SMEs as the answer to the economic challenges that has been glaring at the country for decades. As the RBZ (2007) notes, the SME sector has emerged as the largest employer in Zimbabwe since the economy took a dip in 2000. Therefore, taking cognizance of the significance of the SME sector to the economy, the government of Zimbabwe has put in place enabling systems to support their growth through the establishment of the Small and Medium Enterprises Development Corporation (SMEDCO) – a quasi-government department responsible for the establishment of SME firms in Zimbabwe (Dlamini, 2020). In addition, the Ministry of Small and Medium Enterprises and Cooperative Development (MSMECD) was established in 2002 for the sole purpose creating and maintaining a conducive environment that promotes the development of SMEs so as to facilitate economic growth and provision of employment (ILO, 2016). As such, as the OECD (2012) reports, the SME sector has proven to be a safe haven for employees in developing economies as they eek a living either as entrepreneurs or employees in the sector. In Zimbabwe Gatsvaira and Mtisi (2016) reports that the SME sector has provided a safety net for many people against the debilitating effect of the economy post year 2000. In other words, as Manzoor et al., (2019) notes, SMEs are the most reliable vehicle for economic emancipation and economic growth particularly for the vulnerable urban poor like employees in developing countries like Zimbabwe. However, as Rand and Torm (2012) cautions, SMEs are vulnerable to the shocks in socio-economic operating environment which often forces them to adopt underhand survival tactics such as tax evasion, under-declaration of income or salaries and other illegal activities which may affect the employment relationships. As such, this paper seeks to examine the perceptions of employees employed in the SME sector on the prevailing employment relationships.



## 2.2 HRM in small firms

Wiesner and Innes (2010) in their seminal study concluded that HRM in SMEs can be viewed from two divergent perspectives; the “*small is beautiful*” and the “*bleak house*” perspective. The “bleak house” approach describes HR practices in SMEs as characterised by low wages, numerical flexibility and an exploited workforce. Employees work within a sweat shop environment characterised with long hours and poor working conditions.

In contrast, the *small is beautiful* approach is characterised with HR practices that fosters a familiness in the SME business where there is less bureaucratic control, good employee relations, and mutually beneficial goals between the employees and the owner-manager (Lai, et al., 2017; Rauf, 2016). This picture is reflective of the soft version of HRM, which according to Armstrong (2013) refers to a relationship where the interest of employees takes centre-stage in shaping the strategy of the organisation. Therefore, as Rauf (2016) reports, given the small size of SMEs, the owner-managers are naturally compelled to treat employees as the most important resource in the business and therefore strive at meeting the needs of individual employees through fostering their needs, motivation, interests and commitment. In other words, SME owner-managers practicing soft HRM pay strategic focus on longer-term workforce planning, strong and regular two-way communication, competitive rewards, and in short, a democratic leadership style.

Another discerning characteristic of SMEs is that most of them do not have HRM departments and as a result major decision are usually made solely by the owner-manager (Michels et al., 2017). Even in the minority of cases where HRM specialists are employed, it is still the owner-manager who is generally seen to be in charge of HRM (Psychogios, et al., 2015). This owner-manager thus assumes a paternalistic role and strives to keep every member of the family business happy through the application of HR practices that appeals to the interest of everyone in the business.

This observation is supported by a research by Kroon, et al., (2013) who concluded that the smallness of SME plays fertile ground for a healthy psychological contract between the SME owner-manager and the employees. The scholars argue that the small size of SMEs and the closer working relationship between the owner-manager and the employees contributes to



perceptions of fairness and trust and increase the likelihood of employees feeling that management delivers on its side of the ‘contract’ or ‘deal’. In addition, (Saridakis, et al., 2013) argues that workers in SMEs are highly satisfied and have better working conditions than their counterparts in large organisations.

The notion that HR practices in SMEs are characteristic of a happy family has been refuted by Innes & Wiesner, (2012) who views the SME business as a “bleak-house” in the sense that SMEs suffer from the liability of smallness. This claim is drawn from the observation by Psychogios, et al., (2015) that since SMEs do not have professionally run HR departments., their HR practices are poor and characterised by poor working conditions, poor health and safety standards, limited access to trade unions, leading to higher levels of potential conflict, higher turnover and more absenteeism. This *bleak house* phenomena and attribute it to the informal way that most SME businesses are run

The *bleak house* scenario asserts that smaller firms are autocratically controlled by owner-managers with employees suffering poor working and inadequate safety conditions and have little involvement in the running of the business (Psychogios, et al., 2016). As a result, there are low levels of unionisation and few strikes owing to the absence of the collective element. Therefore, the *bleak house* scenario suggests there is neither collective representation nor participation and employee involvement in HR practices, a situation described by (Basly, 2015) as a ‘black hole’. As a result, employees employed in SMEs experiencing the *bleak house* phenomena suffer from low wages, minimal training, close supervision and monitoring, appraisal and short-term changes, minimal communication from the top and in short, an autocratic leadership style (Rauf, 2016).

Thus, in conclusion, according to the *bleak house* approach, HRM in SME firms is characterised with a high degree of uncertainty concerning individual, as well as, firm performance outcomes, “resource poverty” and a liability of newness and smallness. These conditions, in addition to the environmental dynamics that small firms are exposed to, leaves SME workers to fall outside the legal framework for formal workers, who have rights and protections around which to organise and make gains. Therefore, employees in SME firms usually do not have collective bargaining forums and exposure to other trade union benefits (Saridakis, et al., 2013).



The emerging picture in the literature explored in this section indicates that they are two polar viewpoints on the nature of HR practices in SMEs. On the one hand some scholars argue that the small size of the firms fosters close and harmonious working relationship between the employees and the owner manager. This close family-like relationship then lays fertile ground for the delivery of harmonious HR practices to the mutual interest and benefit of both the owner-manager and employees. Despite extant literature supporting this view, a different set of scholars argues that this scenario is utopian given the resource constraints and dominating role of the owner-manager in the firm which fosters an environment where every cent matters and in turn HR practices characterised by a *bleak house* environmental factors like long working hours low wages, conflict and exploitation, long working hours and all the features of a *bleak house*. In light of these divergent opinions to the practice of HR in SMEs, this study seeks to establish which of the two schools of thought explains the practice of HRM in Zimbabwean SMEs.

### **3 Materials and Methods**

This study adopted the qualitative approach to enable the researchers to zero in on feelings, perceptions and experiences of the study respondents in line with the major thrust of this paper. In other words, qualitative methodology was appropriate as it provided insights on the experiences of the employees working small retail shops, emphasising their narratives, discernments and challenges that they faced in their day-to-day work experiences.

The study targeted 25 employees working in SME retail shops in Masvingo urban by conveniently sampling small retail shops derived from the Masvingo City database of registered businesses. Data was collected using in-depth interviews. The in-depth interviews were used as they enabled the interviewer to frequently follow the employees' articulation of their opinions regarding working in SME retail shops.

### **4 Findings and Discussion**

In this study, the all the respondents were between the ages of 25-40 and all had less than 5 years' working experience. This study noted that SMEs grocery shops in Masvingo did not have a stand-alone HRM department they however do rely on a fusion of HRM practices like



training, remuneration, recruitment and selection and performance management as guided by their owner-managers.

### **3.1 Informality in the practice of HR**

A key theme emerging from the study's findings is that HR management in SMEs is characterised with informality of operations. The study revealed that the respondents were employed on the basis of a verbal contract with no defined contractual terms. As such the administration of the contract was determined by the personal whims of the owner-manager who could alter terms and conditions as when he/she pleases. One respondent aptly captures the nature of the employment relations in this statement

*“We work on the basis of verbal instructions and agreements. The only records I know of are the sales records everything else is by word of mouth”.*

This finding confirms a similar finding by Marchington and Suter (2013) who reports that the use of informal management practices sometimes in a key characteristic of SME operations as it proves advantageous to the firm as it results in faster decision-making, clarity of instruction and opportunities for employees to voice their ideas and concerns. However, Hann (2012) reasons that informality in HR management may prove untenable in the long run granted the fact that once an SME grows above a certain size, it becomes imperative for management to adopt a more professional and structured approach to its management in order to ensure consistent and fairness in the management of employees.

### **3.2 HR practices in SMEs**

In terms of training, the fieldwork data revealed that the training function is the sole preserve of the owner-manager. New employees are given on the job training by the owner-manager and the training process seems to be life-long. This finding which is sync with *small is beautiful* approach is corroborated by Psychogios et al., (2015) who stated that working in small businesses is intrinsically and socially rewarding and employees experience high levels of job satisfaction given the never-ending training processes that bonds the employees with their owner-managers.



In terms of recruitment, the study revealed that the SMEs under review rely on their social networks when recruiting and are sceptical to recruit from the outside the close family network. This according to Rauf (2016) creates a family-like bond between all employees thus confirming that elements of the *small is beautiful* approach to HR management can be traced to SMEs in Zimbabwe. This was also confirmed in this by a respondent who said,

*“I got this job through someone who was working here before I came. Information on these types of jobs spreads fast and I am always asking around just in case there are better opportunities out there.”*

This finding concurs with an observation made by Cameron (2008) who argues that SMEs generally employ the majority of employees as unskilled labour from their family kinship ties. The rationale for employing friends and family members from the existing staff includes the belief that a member of the actual staff is unlikely to recommend unsuitable people, the preference for a known quantity and valuing someone who would fit in (Rand & Torm, 2012).

### **3.3 Communication and union activities in SMEs**

The respondents revealed that the source of information was the owner who doubled as the manager hence she was the only one who communicates information to employees. The respondents asserted that the word of mouth was mostly used to communicate information to employee. One participant had this to say;

*“ we don't use papers here. All our communication is done face to face”.*

This finding which may be reflective of the *bleak house* approach reiterates with Songini and Gnan (2013) who made a similar finding on a study on SMEs in Finland. In terms on trade unions, the respondents in this study indicated that that they do not have the desire to unionise as they find unionising not attractive thus indicating the harmonious (*small is beautiful*) relationships in the firm. This can be explained by the fact that since most of SME shops sampled for this study employed one person at a time and therefore experience less unionisation pressures. This is partly supported by Dundon et al., (1999) who notes that, SME's do not experience unionisation given their small size and the harmonious relationships therein. Working conditions. On another note, 40% of the respondents reported that they would





describe the working conditions as harmonious. This is line with the *small is beautiful* approach to HR management. One respondent had this to say;

*“all my time in this shop I have not quarrelled with my employer. She listens to me, and I do as ordered”.*

These sentiments clearly dovetails with the *small is beautiful* approach to HR management which is contrast with the bigger percentage of the respondents (60%) reported that the working conditions on small retail shops were bad as characterised by poor wages, long working hours and abusive employers much akin to the legendary *bleak house*.

#### **4 Conclusions**

The findings of this study failed to place a wedge between the proponents of the *small is beautiful* approach and the dissenting scholars pushing the *bleak house* approach. This is given the fact that the study’s findings show that the practice of HRM in small grocery shops in the Mucheke suburb of Masvingo is characterised by an equal measure of both elements of the *small is beautiful* and the *bleak house* approaches. In other words, the findings of this study have shown that SMEs have a unique approach to the practice of HRM which captures the peculiarities of SME firms by exhibiting characteristics of a familial environment and a hell-house all at the same time. This is probably line with reactions made by Michaels (2017) who reports that SMEs management practices (including HR management) is eclectic and fails to follow any given pattern as it is influenced by and follows the personal characteristics of the respective owner-manager. This article concludes that this state of affairs does not reflect anything wrong with the practice of HR in SMEs but rather explains the unique nature of HR practices that characterize SMEs, which are glaringly absent in larger firms

#### **5 Recommendations**

The sample used in this study has limitations in terms of generalizing the findings to a wider audience. The researcher therefore recommends replicating the study using bigger sample. Future researchers are also challenged to tunnel deeper and question the nature of the HR management practised in SME firms. Indeed, research should be carried out that will further



entrench the view that HR practices in SME firms are unique and most appropriate for the structural environment characterising SME firms.

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