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A consideration of organisational sustainability in the SME context

A resource-based view and composite model

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Abstract

Purpose – The purpose of this paper is to consider organisational sustainability in the small- to medium-sized enterprises (SME) context focussing on a resource-based view. The paper overlays two contrasting perspectives: those of the SME and human resource (HR) perspectives to allow for the development of a composite model of organisational sustainability for SMEs.

Design/methodology/approach – The paper overlays four models of Carson's (1985, 1990) small firm evolution and unique characteristics of SMEs; Wright *et al.*'s (2001) pertaining to the application of the resource-based view of the firm perspective to strategic HR and Boudreau and Ramstad (2005) model of effectiveness, efficiency and impact of talentship. The paper, in particular, considers the human resource management (HRM) perspectives pertaining to the overlay and considers how these might impact organisational sustainability.

Findings – An outcome of the paper is the development of a composite model to the SME and HR perspectives of organisational sustainability and its applicability to the SME context.

Research limitations/implications – The paper suggests a number of emergent areas for future research. Future research should focus on the intangible aspects and softer elements of the organisational resource base. The majority of work in this area is grounded in the positivist paradigm. Future research should consider a pluralists perspective and draw on traditions of the post-positivist paradigm, for example, social constructionism.

Practical implications – SME-support agencies and consultants who work with SMEs need, therefore, to work with them in assessing their competency spectra and then to help them develop the talent pools required to effect continued growth and success. In doing so SMEs need to be guided towards a better understanding of the traditional temporal cycle of recruitment; in essence, they need to ensure that they have the right competency set in situ in the early stages of the firms' development.

Originality/value – This paper is unique in its approach to the examination of sustainability within the context of SMEs and, in particular, the HRM aspects which contribute towards organisational survival, growth and sustainability.

Keywords Resource-based view, SME, Organisational sustainability, SME growth

Paper type Conceptual paper



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Introduction

The adoption of social responsibility reporting is growing in large multinational organisations (Smith, 2011). A shift away from a fixation on constant economic and organisational growth towards more balanced and sustainable practices and philosophies is increasingly evident (Ardichvili, 2012). Global organisations are increasingly developing management systems for sustainability built on and reporting against the triple bottom line (TBL) standard (Spooner and Kaine, 2010). TBL is an accounting and reporting system incorporating not just economic but also social and

environmental outcomes (Elkington, 1999). However, whilst much scholarly attention has been focussed on the issue of sustainability as directed to environmental matters, there is an emerging interest in organisational sustainability. Moreover, there is growing public and business interest in building sustainable organisations, as well as an increasing research and educational interest in the topic of organisational sustainability (Pfeffer, 2010).

The business case for the introduction and continued support of sustainability in an organisational context has been shown to be a factor which has the potential to affect important workplace issues such as:

- positive corporate performance (Orlitzky *et al.*, 2003);
- competitive advantage (Porter and Kramer, 2006);
- customer loyalty (Ellen *et al.*, 2000);
- enhanced company image and goodwill (Peterson, 2004);
- legitimacy (Brønn and Vidaver-Cohen, 2009); and
- improvements in employee recruitment and retention (Aguilera *et al.*, 2007).

Yet, the abstract nature of the concept and the inability to define exactly what is meant by it leaves its measurement and those within the organisation responsible for it as a moot point.

The majority of research seeking to examine organisational sustainability have done so within the confines of large multinational organisations to the exclusion of small- to medium-sized enterprises (SMEs). Assumptions that small firms or SMEs are considered “scaled-down” versions of a large firm have been successfully challenged in the literature, and there is widespread acceptance that small businesses are not just “little big businesses” (Hill *et al.*, 2002). SMEs have their own particular characteristics that affect the way they operate (Doern, 2012; Filley and Aldag, 1988; Kohtamakii *et al.*, 2012; Kwong, Jones-Evans and Thompson, 2012; Roper and Scott, 2009; Tierney *et al.*, 2012). This supports the assertion that the unique characteristics of the SME require existing organisational sustainability models to be revisited to take cognisance of the particular context and circumstances in which such firms operate.

The paper adopts the lens of the resource-based view of the firm to highlight the link between internal human resources (HRs) and capabilities as a potential source of competitive advantage for SMEs and the long-term sustainability of the enterprise. Despite the fact that the majority of literature in the area of organisational sustainability adopt a large firm perspective, it is argued herein that it has an even greater relevance to the SME sector. The paper argues that the unique characteristics of the SME mean that organisational sustainability is more likely to occur in organisations that pay sufficient attention to the talent pool and employee behaviours. The challenge is to convince owner/managers of these organisations of the value inherent in such a resource-based approach and the need to strategically invest in their own development.

In outlining the above case, this paper considers and focusses on four relevant models from the literature. Carson's (1985, 1995) models of SME evolution and SME limitations provide a solid SME characterisation and the critical framework for consideration and development of a resource-based view of the SME as a potential point of competitive advantage and organisational sustainability. This framework is then viewed through the lens of consideration of SME internal HRs and capabilities, the mooted potential

source of competitive advantage and sustainability, via an overlay of the Wright *et al.*'s (2001) model of the strategic human resource management (HRM) perspective and Boudreau and Ramstad's (2005) model of talentship and sustainability. What is clear is that the context in which SMEs operate is both dynamic and evolutionary. Moreover, acceptance of such a paradigm accentuates the need for the emergence of new sources of competitive advantage and pathways to organisational sustainability.

SME operating environment

It is important to note that traditionally the SME environment was assumed to be local and artificially segregated from other markets, particularly the international competitive environment (Etemad, 2005). Other studies often intimated that the SME was, in some way, insulated from the threat of larger multinational enterprises (MNEs), as if they did not operate in the same market space or compete for the same customer base. The rise of the Internet has radically revolutionised the competitive landscape for many SMEs. On the one hand, allowing them to access markets never previously within reach has also opened them up to increased competition which is often difficult to identify and react to in a strategic traditional sense. The rules have changed beyond recognition. More than other firms, SMEs feel the on-going change and are subjected to the associated competitive pressures (Etemad, 2005). All SMEs, therefore, must compete effectively on an international scale just for survival. Globally competitive entities can enter into local markets and competitively challenge, if not transform, them (Levitt, 1983). In this regard, the demands on SMEs to identify and nurture sources of competitive advantage are crucial to their long-term success and sustainability. In addition, SMEs must move beyond traditional sources of competitive advantage and embrace the changes and dynamism of their internal and external environments to ensure such advantage and to increase the likelihood of sustainability. There must also be a clear understanding of how competitive advantage, in all its many guises, can actually contribute to long-term sustainability.

Competitive advantage as a pathway to organisational sustainability

Barney (1995), in his seminal work, on competitive advantage argues that a complete understanding of the sources of competitive advantage requires an analysis of not only the external environment but also a firm's internal strengths and weaknesses. A shift in focus from an exclusive examination of external environmental factors has led to a growing acceptance that internal resources could be a potential source of competitive advantage. While Barney (1995) defined a firm's internal resources to "include all financial, physical, human and organisational assets used by the firm to develop manufacture and deliver products or services to customers which reside within an organisation", the focus of this paper is primarily on the HRs and capabilities which reside within an organisation. People after all are not easily replicated or imitated. Therefore, in a world where companies that compete on a global scale can easily copy a competitor's product, manufacturing process or route to market one of the only remaining areas where companies can still uniquely differentiate themselves over the long term is through the individuals they employ. These employees or firm's HRs, therefore, offer the potential to develop sustained competitive advantage leading to long-term sustainability for the organisation.

De Clercq and Voronov (2011) adopt a slightly different perspective and highlight the role and meaning of sustainability in business practices and how it differs in the entrepreneurial/SME context, in that entrepreneurs need to derive legitimacy from balancing sustainability and profitability. Moreover, they also note the on-going struggle of the SME or the new or growing enterprise to balance profit and sustainability on an on-going basis. Terziovski (2010), on the other hand, is more simplistic in the view he espouses with respect to a resource-based view of the SME. He concludes that the SMEs' performance is likely to improve as they increase the degree to which they mirror large manufacturing firms with respect to the largely intangible resources of formal strategy and structure. They note the importance for SMEs to align their innovation and culture strategies, for example, to those of the larger firm throughout what they refer to as the innovation process.

Rangone (1999) is much more relevant, however, to what we are looking at in this paper. He notes that the resource-based view of the firm when applied to the context of the SME has its roots in economic theory (Penrose, 1959). His key point though is that the long-term competitiveness of a company depends on its endowment of resources that differentiate it from competition and, in the case of the SME, clearly a key aspect to consider. Moreover, he notes, as does Barney (1995), that it is better if those resources that differentiate the SME are durable and difficult to imitate and substitute (Porter, 1981). In the context of this paper, we must, therefore, consider how such competitive resources might be categorised within the resource-based view. The obvious ones are financial resources, physical resources, HRs and reputational and organisational aspects. Rangone (1999), however, notes that others simply classify resources as tangibles and intangibles, while many talk of the differences between assets and skills and others again talk of competence and capabilities. In the context of this paper, the models considered (Boudreau and Ramstad, 2005; Carson, 1985, 1990; Wright *et al.*, 2001) encapsulate all of the perspectives, but, in essence, the focus here is on the HR, human resource development (HRD) and human capital (HC) perspectives that reside in the intangibility, capability, competent and organisational resource paradigm. Finally, the other consideration here is how such a paradigm of the resource-based theory can help SMEs to not only develop competitive advantage but also move towards sustainability as a consequence of this resource-based interpretation.

The strategic HR perspective

Wright *et al.* (2001), writing from a strategic human resource management perspective, have presented a model which looks to leverage the resource-based view of the firm to identify the areas within HRM in which sustained competitive advantage might be achieved. The model identifies three key areas for examination; the HC pool, people management practices and employee relationship and behaviours. While a firm might achieve a superior position in one of the three components, sustainable competitive advantage requires superior position in all three.

The strategic HR perspective considered in the SME context

The first component of the Wright *et al.* (2001) model refers to the importance of a well-stocked HC pool as one such potential source of sustained competitive advantage amongst firms. One of the most important responsibilities of strategic managers is to constantly evaluate whether their firm's resources and capabilities continue to add

value despite changes in the external environment. In this regard, the role of owner/managers in SMEs is crucial. The first early recruits to an SME must be in a position to quickly add value and make a meaningful contribution to the firm. The traditional large firm approach of longer induction and training may not be available within the limited resources and confines of an SME. Equally, in a small firm, there is no capacity to carry staff that is not making a contribution in the same way that larger firms can often absorb underperforming staff.

A second component of their model relates to what they refer to as people management practices which include all the formal structures and processes in place which drive and reward desired behaviour amongst those staff in the HC pool. This component is particularly interesting from an SME perspective, given the relative low formalisation of HR structures and process within small firms. If it is thought to be essential that all of the dimensions of the model are required if HRs are to be seriously considered as potential sources of competitive advantage, then it is vital to consider how the absence of this dimension or its fuzzy nature might impact on the possibility or opportunity for long term sustainability.

The final component of the model, employee relationship and behaviours acknowledges individuals as cognitive and emotional beings who possess free will and who possess the ability to make decisions regarding the behaviours they engage in and, importantly, choose not to engage in. HC theory states that these are individuals and employees who own the intellectual capital not the actual firms. Individuals decide, therefore, whether to invest or use it for the strategic benefit of the firm. This component of the model is so vitally important from an SME perspective. Having fully committed and loyal employees who are willing to go that extra mile is, therefore, essential to the development-sustained competitive advantage.

Creating sustained competitive advantage depends on the unique resources and capabilities that a firm brings to competition in its environment. It, therefore, makes sense that for SMEs looking to achieve long-term organisational sustainability that they would seek to look internally at their HRs and capabilities to set them apart from their competitors and allow them to compete more effectively. Yet, the unique characteristics of the SME often prevent this from occurring in the manner in which it might. SMEs have unique characteristics that differentiate them from conventional large organisations (Carson, 1990). The following section will, therefore, look in more detail as to what these unique characteristics are and how they impact negatively on organisational sustainability within SMEs.

The unique characteristics of the SME

Carson's (1985) models refer to a number of key limitations of SMEs which differentiate them from their larger counterparts and which warrant the examination of them as a completely separate phenomena ((Roper and Scott, 2009; Shaw *et al.*, 2005). Carson's contention that the SME typically refers to an entity with limited resources, lack of specialist expertise and lack of impact is well supported in the literature (Miles *et al.*, 1997; Molian and Birley, 1995). These characteristics can be further delineated into three core areas where SMEs differ, namely, in terms of their strategic approaches to strategy development and implementation, the role of the owner/manager and the absence of formalised HR policies and practices. More recently, however, some new dimensions to

SME characteristics presented in the literature are pointing to the emergence of some new approaches to strategy development in such enterprises.

The dominant and prevailing view of the strategy process in the literature can be summarised as being one of a planned, deliberate and rational set of actions (Wiesner and Millett, 2012). What is referred to as “emergent” strategy, however is gaining greater attention, particularly amongst SME organisations. Gibbons and O’Connor (2005), in their study of Irish SMEs, found that those firms that had a mechanistic structural orientation tended to use more formal planning processes while those with a more organisation orientation tended to have a more emergent response to strategy development.

This emergent approach to strategy formulation is an uneasy bedfellow of the prevailing management literature which overwhelmingly links business success with business planning (Jocumsen, 2004). Strategy formulation is often perceived as the preserve of large organisations that can afford to put in place the necessary structures and people to focus exclusively on planning activities (Gibcus and Kemp, 2003). The strategic planning processes that exist in the context of large firms might not apply or be relevant to their smaller firm counterparts (Wiesner and Millett, 2012). Matthews and Scott (1995) found that as firms become larger, they have more available resources for planning, while smaller firms have resource gaps including, but not limited to, lack of staff, expertise and time. O’Gorman and Doran (1999) have warned that planning models appropriate for large firms may not be viable or suitable strategies for their smaller firm counterparts. The use of sophisticated strategy formulation and implementation tools may not be available to the smaller firm due to lack of resources (some of the tools used to inform strategy and implementation are notoriously expensive) or more often due to lack of expertise in the management team of the SME which invariably leads to a reactive time-compressed environment whereby strategy development and planning is viewed as a luxury.

In essence the SME context immediately presents a problem in terms of the absence of a focussed, deliberate, strategic approach to strategy formulation and implementation. The premise of the resource-based view of the firm is that such a deliberate, strategic approach to the management and development of internal resources and capabilities is evident. The ability of the owner/manager to recognise the importance of strategy formulation and implementation to the firm’s performance is key to the opening up of new avenues of strategic advantage and market advantage and arguably facilitates some potential to recalibrate strategic positioning statements to address the dynamics of the markets within which they operate and compete. Such marginal gains in strategic advantage may materialise to be the difference between growth and decline or success and failure.

Carson *et al.* (1995) model draws particular attention to the management style, suggesting that it is this characteristic that tends to dominate the prevailing literature on SMEs. Moreover, they argue that this characteristic is often cited as the single most significant factor influencing the development of the business. This aspect of SMEs is highlighted by many others such as (Gartner, 1989; Johnson, 1990; Kao, 1991; Kets de Vries, 1985). Tate *et al.* (1975) go a little further by referring to the limited formal business education amongst SME owner/managers. The key thesis of this work is that there is a clear lack of formalised managerial competency spectrum in SMEs.

[Carson's \(1985\)](#) model specifically highlights limitations with respect to specialist expertise as a consequence of owner/managers tending towards being generalists rather than specialists. Owner/managers, as generalists, tend to be jacks-of-all-trades, dilettantes, and hence any potential edge or advantage is diluted. This shortcoming impedes the ability of the owner/manager of an SME to recognise the importance of forward planning and to incorporate organisational sustainability as part of any strategic planning initiative. In essence, his model argues that they focus on the immediate here and now issues in a reactive way. Conversely, [Quinn and Dalton \(2009\)](#) conclude that leaders adopting sustainability practices are similar to other "effective" leaders and need to be, hence, a dichotomy. However, they note that they must also have additional capacity and a mindset that includes a wider set of stakeholders and a different mindset as to the purpose of the organisation, i.e. a mindset which considers factors beyond pure financials. In the SME context, if the deficit in relation to specialist expertise remains unchecked, the lifecycle of the SME is likely to be severely negatively impacted in the long run. The absence of the ability to develop specialist expertise is a clear impediment to the life cycle growth curves of SMEs leading to stagnation, decline or outright failure. The extant literature does not place sufficient emphasis on this aspect of the owner/manager specialist expertise deficit, given its importance to the long-term sustainability of such enterprises.

Moreover, it is important to consider the relevant literature that examines the formalisation of the HR process in the developing firm, as well as the consequences for the developing firm that does not develop a HR capacity. Indeed, it is well documented in the literature that a strategic approach to managing staff is vital for the success of all firms ([Pfeffer, 1994, 1998](#)). This is particularly the case in growth-oriented small firms where increased complexity results from greater numbers of employees required to carry out the organisation's core activities ([Arthur, 1995](#)). Once again, however, if the necessity to embrace the HR paradigm is applied to Carson's picture of the SME landscape, it could be argued that the relative small size of most SMEs compared to their larger counterparts actually prohibits them from developing formalised and/or sophisticated HR policies and practices which, in turn, limit the impact of important initiatives within the enterprise. It is noteworthy, however, that there is a range of studies indicating that small firms are characterised by informal HRM practices ([Kotey and Sheridan, 2005; Nguyen and Bryant, 2004](#)). Small firms tend to opt for informal practices ([Barrett and Mayson, 2007](#)). The focus of the small firm tends to be, as with most functional areas, on fire fighting in relation to HR policies and practices. Recruitment is as and when required with little forward or strategic thought. Reward tends to be *ad hoc* without any reference to salary/compensation surveys or similar market benchmarking.

This may also pertain to the investment in training and development of staff within SMEs. [Fenwick \(2007\)](#) posited that sustainability is learned through everyday practice and interaction as people share, question, tinker with and invent sustainability approaches. There is no question that an organisation in high growth is likely to be learning through its every day interactions – a kind of "learn as we go" mentality. There is little evidence, however, of formal training being provided in SMEs despite a recognition of its importance ([Storey, 2004](#)).

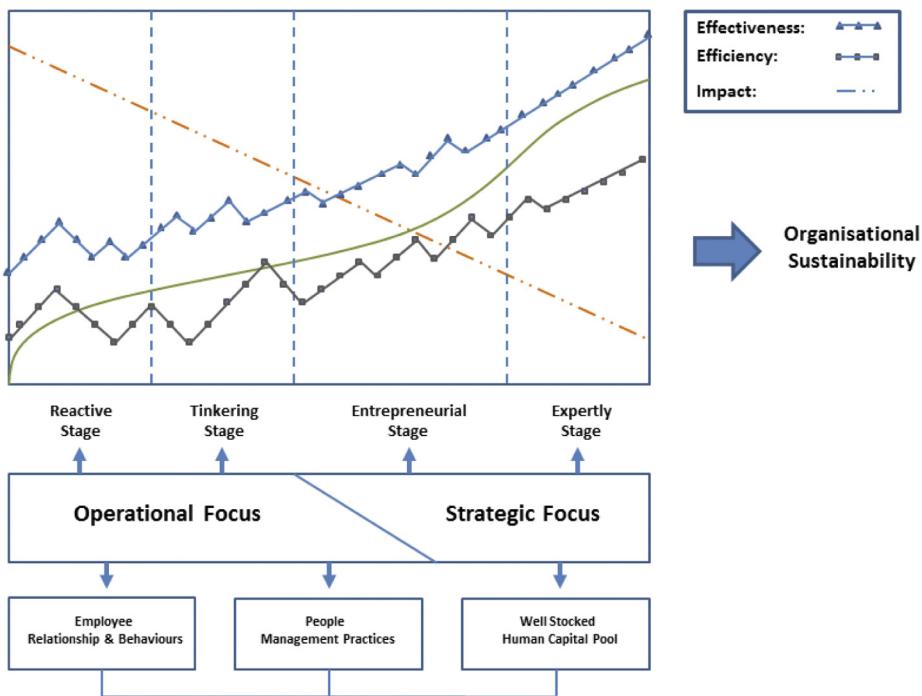
[Storey and Westhead \(1997\)](#) suggested that amongst SME owner/managers, there was a general indifference in relation to the value of formal training coupled with a fear

that cost of training was too high. The reason for a perceived lack of engagement by SMEs in formal training may neither be the indifference nor the market price/cost of such training but likely more rooted in the fact that the content of this training and the traditional mode of delivery of the training are inappropriate for an SME.

Having considered the relevant characteristics of SMEs as per Carson's (1985, 1990) models, the paper will now consider organisational sustainability as applied to the large firm agenda. In particular, it will consider and present an overlay of Wright *et al.*'s (2001) model of HRs and the resource-based view of the firm with Boudreau and Ramstad's (2005) model of talentship and sustainability (Figure 1). This overlay will then allow for the consideration and presentation of the strengths accruing from both the small firm's unique characteristics and the large firm's internal and external operational contexts as evidenced from the overlay of the contextually competing models.

Overlaying the key models

Figure 1 encapsulates and illustrates the overlay of the four models that influence and shape this paper. The X-axis represents the evolutionary stages of small firm development as outlined by Carson (1990). The Y-axis represents the elements of effectiveness, efficiency and impact. The "impact" line going from top left to bottom right represents Carson's (1985) three limitations model and also the third element, "impact", of Boudreau and Ramstad's (2005) model. The other two elements that they highlight, those of "effectiveness" and "efficiency", are represented by the two



Sources: Wright *et al.* (2001), Carson (1985), (1990) and Boudreau and Ramstad (2005)

Figure 1.
A resource-based view
and composite model of
organisational
sustainability for SMEs

fluctuating curves going from lower left of the Y-axis to upper right. The bottom three boxes illustrate the three elements of [Wright et al.'s \(2001\)](#) model, and the continuum demonstrates the shift from an operational focus or orientation to a more strategic one as the firm grows, develops and matures. Each of the models is addressed below.

Through their work in the area of talentship and sustainability [Boudreau and Ramstad \(2005\)](#) created The HC Bridge® framework which is based on three anchor points – efficiency, effectiveness and impact. [Boudreau and Ramstad \(2005\)](#) argue that the HR focus must be extended to a “decision science” approach that enhances decisions regarding HC in much the same way as marketers apply segmentation strategy. At the heart of [Boudreau and Ramstad's \(2005\)](#) model is the argument that HR and business leaders have now moved beyond a focus on success as measured purely in financial terms and increasingly define organisational effectiveness so as to encompass sustainability. The questions posed by [Boudreau and Ramstad's \(2005\)](#) model are equally as applicable, if not more so, to the SME; however, these questions are rarely explicitly asked of them. Indeed their model resembles that of [Carson's \(1985\)](#) posited model that encapsulates the SME challenge in the three limitations of specialist expertise, and impact. This is represented in the “impact” line in [Figure 1](#) which shows that in the early stage of the firm's development, such limitations are having a constant effect on survival and growth, but as the firm moves from the reactive though to the proactive stages represented on the horizontal axis, then the concerns re-impacting in all its guises lessen. This is also captured in the underlying continuum which shows the shift from an operational focus to a more strategic one as the firm matures.

The key contribution of the anchor point of impact asks “how do differences in the quality or availability of different talents pools affect strategic success?” This question requires a shift in thinking in the SME context. Arguably, SME owner/managers have an instinctive or intuitive approach which is effective, but a more formalised approach to the consequences of impact is laden with greater strategic possibility. The continuum in [Figure 1](#) shows the impact of such a shift in thinking of how the firm uses available talent pools. The more strategically oriented firm is more judicious in how it acquires and uses talent, but this capability only comes with maturity, and a steep learning curve is usually what characterises this journey. Yet talent or HC pools are essential to the growth and success of the SME. Few SME owner-managers would recognise what is referred to in the model as impact or talent pools, but if they are to grow and develop and succeed, then the acquisition of talent is crucial. It has already been noted that the early stages of the entrepreneurial SME life cycle tend to focus on survival and that their (SME or entrepreneurial) management behaviour is not that associated with the broad church of management functional areas but rather that of reaction to crisis after crisis (see [Figure 1](#) for evolutionary stages). Often these crises are negotiated via the acquisition and identification of new talent or the development of teams with effective competency sets. This suggests, therefore, that the element of impact has great resonance for the SME as well as for the larger firm.

This anchor point links very closely with that of the HC pool in the [Wright et al. \(2001\)](#) model. This is represented in the bottom right-hand box of [Figure 1](#). It coincides with reduced concern with the limitations of impact espoused by both [Carson \(1985\)](#) and [Boudreau and Ramstad \(2005\)](#). The three components of this element of the model refer to the skills, knowledge and ability of those employed within the organisation. The focus within the HC pool is both current and future looking. Organisations need to ensure that

they have the skills, knowledge and ability both to meet their current needs but also to have an eye on the future in terms of what they may require in the future to enable them to continue to compete effectively. This is a difficult balancing act which SMEs traditionally have struggled to grapple with. Without a clear strategic outlook, it is difficult to develop or buy-in the appropriate skills needed for the future development of the organisation. [Figure 1](#) demonstrates how the HC pool aspect links to the development of a more strategic orientation and focus and is associated with the entrepreneurial and expert stages of the SME's growth and development. SMEs traditionally employ family and friends, and these often, whilst traditionally loyal, turn out to be deficient in the competencies and capabilities essential to survival, growth and sustainability.

The anchor point of efficiency focusses on what resources are used to deliver HR practices. If efficiency is about focussing on the resources used to bring HR practices into compliance or to provide incentives that reflect community, environmental and social goals, it is contended that efficiency could be viewed as the least relevant anchor point with respect to SMEs. Whilst it is the element of the [Boudreau and Ramstad \(2005\)](#) model of least significance in any overlay of the unique characteristics of SMEs, it still has some relevance in the early stages of SME growth in particular as demonstrated in [Figure 1](#). This relevance is directly linked to the need for survival. Essentially the implication is that HR practices will be incorporated and adopted if they are perceived to have immediate value, whether that be with regards to the winning of a contract or gaining acceptance in some tendering process or if positioned correctly can give effect to a more motivated and committed workforce for example. [Figure 1](#) also shows that as the firm grows and matures, the anchor point of efficiency takes on much greater significance. A more mature organisation would typically seek to nurture and develop a lens that went beyond the boundaries of the immediacy traditionally associated with survival and sales and aggressive growth.

The anchor point of effectiveness applied in the sustainability definition of success would focus on how HR practices affect human capacity and aligned actions that go beyond traditional job and performance requirements. The element of effectiveness is the most relevant in terms of the overlay of Wright and Boudreau's and Ramstad's models. Whilst effectiveness has an on-going role to play in negotiating the challenges faced by the larger organisation, it, in many ways, encapsulates what makes SMEs unique entities. The evidence in SME studies as illustrated in [Figure 1](#) overwhelmingly points to enterprises that are replete with individuals who need to go beyond traditional job and performance requirements. Effectiveness fluctuates in line with the dynamism of the entrepreneurial enterprise. It may be required at a moment's notice but more on an "as and when" basis until a firm begins to mature when it then becomes an essential ingredient and mainstay of sustainability. As noted, entrepreneurs and those who work in the SMEs create and develop the need to be jacks-of-all-trades and they need to exhibit the capacity to adapt to new challenges that force them, by necessity, beyond the functional areas in which they are comfortable.

This anchor point of effectiveness also speaks directly to the employee relationship and behaviours component of [Wright et al.'s \(2001\)](#) model (see the bottom left-hand box in [Figure 1](#)). This supports the idea of engaging with employees in such a way as to engender in them a strong bond to the organisation such that they feel truly a part of it and are, as a consequence, willing to invest their HC for the benefit of the organisation

and to go beyond what is required. This type of behaviour is very typically behaviour associated with early-stage entrepreneurial activity and SME development.

What is important here is to recognise that when the unique characteristics of the SMEs, as per Carson's (1985, 1990) models, are overlaid with Wright *et al.*'s (2001) and Boudreau and Ramstad's (2005) models, as in Figure 1, we begin to gain a better understanding of why it is that existing models of sustainability are so fraught with difficulty in the context of the SME. While the elements of the two latter models have some resonance for SMEs, they speak, for the most part, to a large organisational paradigm and this poses some practical implications.

More than anything, the overlay model presented in Figure 1 emphasises the need for SMEs to focus on those aspects of the resource-based view of the firm associated with the intangible and softer elements of the organisation's resources. The overlay emphasises the employee, people and HC aspects of organisational growth and development. It goes further, however, in that in highlighting these intangible aspects of organisational resources, it points to a new and exciting pathway to the development of competitive advantage and sustainability for the entrepreneurial firm and the growing SME. The model demonstrates how careful consideration of the implications arising from such an overlay might actually assist SME decision-making in terms of recruitment or in creating effective entrepreneurial teams representing a broad competency spectrum essential to growth and survival.

The research implications

This paper has sought to address an important area in the general consideration of both sustainability and the resource-based view of the firm, that of competitive advantage and sustainability in the context of the SME. It recognises that the majority of studies looking at sustainability heretofore do so from a large firm perspective and from a resource-based view of the firm that generally seeks to align the development of competitive advantage and sustainability in the SME with the practices and behaviours of the larger more mature firm. Small firms are different (Carson, 1990; Hill *et al.*, 2002). This opens up an entirely new field of research in terms of mere recognition of this assertion. In addition, the majority of extant work and research tends to emphasise the tangible aspects of the organisational resource base and the structure of the organisation over the intangible aspects of competence, capability and talent. A second focus for new research should focus, therefore, on the softer elements of this organisational resource base (Porter, 1981; Rangone, 1999).

More importantly, existing studies tend to look at organisations and entities with a significant temporal history and place little or no emphasis on the type of activity born of the survival instinct of the new and developing firm (Carson, 1985; Kets de Vries, 1985; Miles *et al.*, 1997). The culture in such organisations tends to differ significantly from their larger counterparts in that it tends to be rooted in the dominant personality, traits and culture of an individual or a few individuals (Carson *et al.*, 1995; Gartner, 1989). This is an area of research that requires significant investigation from the perspective of a resource-based consideration.

The paper also points to the urgent need to address and to look at the management competency debate (Boyatzis, 1982; Hill *et al.*, 2002) in terms of an SME competency spectrum being viewed as a potential means by which an entrepreneurial SME can garner competitive advantage and organisational sustainability. Much has been written

in the management literature about management competency, but still relatively little has been published that considers and addresses management competency in the SME, entrepreneurial competency, HR competency in the SME and developing sustainability via the development of an effective and dynamic management competency spectrum.

With respect to the intangible view of a firm's resources, there is significant scope to conduct further study on the social aspects of the entrepreneurial personality and how SME owner-managers use social interactions and personal networking to develop, to survive and to sustain both competitive advantage and sustainability (Moore and Manning, 2009). Much has been written with respect to the social aspects of SME from the functional perspective of marketing (Carson *et al.*, 1995), but nothing has yet addressed sustainability from this innovative perspective.

Another notable aspect of existing research in the fields of sustainability, the resource-based view of the firm and HRD is that studies tend to draw on methodologies grounded and positioned in the positivist paradigms. Given the unique circumstances that pertain in the context of the entrepreneurial small firm and the influence exerted by such entrepreneurial individuals on the organisations that they create and develop, there is a need for more studies that adopt a pluralist perspective to the methodology or that operate under the auspices of the post-positivist paradigm, particularly studies that draw from the social constructionist paradigm for example (Hill, 2001).

Of course the characteristics of the SME and the impact of the same on how such firms draw upon their resource base in terms of developing sustainable entities that are fully committed to the corporate social responsibility (CSR) agenda provides a rich and highly important source of potential research. There has been, for example, a steady flow of emergent research that is looking at areas such as tendering. The majority of businesses in the developing world can be defined within a range of conceptualisations of the SME, yet the main thrust of CSR practices tends to focus on and draw from the practices of larger more established firms. Baden and Harwood (2011), for example, highlight the challenges faced by SME owner-managers when tendering for contracts. This is a particular challenge when tendering for government-type or EU contracts, as the practice and behaviour of SMEs is at odds with the practices of larger firms. In essence, while SMEs provide much evidence of socially responsible business practices, they cannot easily navigate the bureaucracy of the tendering process. The consequence of this is frustration within SMEs resulting in lower overall engagement with CSR practices.

In summary, there are many directions in which future research could be taken. The essence of recommendations around future research here is that studies that marry differing traditions hold huge potential. Prime amongst these, for example, would be the overlap of HR, HRD and talent pool studies with the various stages of SME growth and development. Another might be the overlap of trait and psychological models of the entrepreneurial personality and organisational sustainability. The possibilities are indeed limitless.

Practical implications

As a consequence of the review of both the unique characteristics of SMEs and the overlay of Wright *et al.*'s (2001) and Boudreau and Ramstad's (2005) models, we can derive some challenging insights. The overlay, positioned against Carson's (1985, 1990) characterisation of the SME allows us to develop a better understanding of

sustainability in general, but, more particularly, it allows for a consideration of its applicability and relevance within the SME context. The overlay discussion points to strong areas of commonality with respect to organisational sustainability and hints at the potential of these models if positioned in the correct manner to take account of the unique characteristics of the SME.

SMEs, notwithstanding the limitations which are inherent in their structure and DNA, should therefore seek to adopt a strategic approach to the development and maintenance of their pool of talent. While not in a position to adopt a market segmentation approach as advocated by [Boudreau and Ramstad's \(2005\)](#) model, there is scope to undertake analysis to identify the key skills required now and in the future to maintain the SME's competitive advantage in this regard. A tacit acknowledgement that active management of the talent pool can be a key potential differentiator in a highly competitive market space would be an obvious starting point.

The success of the SME is in adopting both a current- and future-looking skills gap analysis is important as is, consequently, seeking to actively recruit to meet any gaps strategically identified from this analysis. This would require a shift in owner/manager thinking and is likely, therefore, to only come about as the result of convincing them as to the value inherent in such an approach. While SME owner/managers have been criticised for being jacks-of-all-trades and masters of none, there remains significant scope to build a compelling business case for this strategic approach to talent management within their developing organisations.

Stakeholders working directly with SMEs would be well advised to consider repositioning their interventions to directly capitalise on the competitive advantage aspect highlighted in this research. Such interventions should reflect an understanding of the SME's need for survival and growth and speak directly in a no nonsense manner to such an agenda. Such interventions should appreciate the reactive nature of the early-stage SME or entrepreneurial company. The focus is largely on making the sale and this needs to be encapsulated into interventions. SMEs tend to struggle as a consequence of deficiencies in their competency sets. SME support agencies and consultants who work with SMEs need therefore to work with them in assessing their competency spectra and then to help them develop the talent pools required to effect continued growth and success.

The issue of resources and processes coupled with aligned actions is repeatedly highlighted in the large firm perspective of organisational sustainability. This is problematic from an SME perspective given what we know of their unique characteristics. The informal nature of much of the decision making process and structures inherent in SMEs does not lend itself easier to aligning processes which often don't exist.

While SMEs lack formalised structures and policies there is a need to recognise in a tacit manner that those individuals who are employed in any enterprise, large or small, have discretion over the amount of effort they are willing to invest in the organisation. The ability to harness this discretionary behaviour to maximum effect is key to a firm's success. The SME cannot afford to "carry" employees who are not fully committed in terms of effort and commitment to the organisation. Interventions and SME owner/managers would undoubtedly benefit by investing strategic time to understand and evaluate employee effort and how, if possible, to reward same in a way that would copper fasten employee commitment to the firm and its objectives.

Recognition of effort need not even be through a formalised process. It can, in fact, be very informal, but the benefits accruing to the SME are potentially very significant and so worthy of consideration. The benefits could well be the seeds that germinate sustainability. The owner/manager wants those involved in their firm to be as passionate and committed as they themselves are, and without some acknowledgement or recognition of employee effort, it is unlikely this will happen. The idea of organisational citizenship is well established in the large firm context, yet it is probably more important in a small firm context and in the recommended consideration of new approaches to organisational competitive advantage and sustainability.

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organisational
sustainability

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Conclusion

The adoption of a resource-based view of the firm lens to aid the development of competitive advantage and sustainability in SMEs is a novel, exciting and fruitful undertaking. The use of the resource-based view lens allows SMEs to clearly identify those heretofore under-considered areas of growth and operations where suitable and timely interventions are likely to pay dramatic dividends. The resource-based view of the firm and the idea of sustained competitive advantage are not always but need to become the language of SMEs who are often caught in the desperate bid for survival and growth.

The four primary models discussed herein, and illustrated in the overlay in [Figure 1](#), allow for and encourage fresh consideration of unique characteristics of the SME from the perspective of a new lens, therefore, facilitating new opportunities for development of competitive advantage and sustainability. The model arguably points to a heretofore ill-considered pathway. The language of the model in [Figure 1](#) is appealing and amenable to owner/managers and means that they can actually provide a clear roadmap leading to a set of new considerations for their organisations and how they might develop sustainability strategies. The interventions previously identified are not expensive to implement and simply require a shift in thinking and a repositioning of what appeared previously to be beyond them. Indeed such a shift in management behaviour is consistent with the notion of adaptability espoused first by [Carson \(1985\)](#) and later by [Hill \(2001\)](#).

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