

**Organisational Change in SMEs: Change Innovators or Laggards?**

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## Background

The academic and professional discipline of organisational change, while well-researched in some areas, remains embryonic when translated to SMEs in a dynamic environment. Factors such as globalisation, advances in technology and labour market conditions have created an external environment dominated by increasing competition (Anthony, Perrewe and Kacmar 1996). A key to managing these challenges is via the effective development and management of human resources and appropriate change capabilities which could create competitive advantage within SMEs (Caudron 1999; Wright McMahan and Williams 1994). It is the unique combination of individuals employed within an organisation that develops and maintains an organisation's sustainable competitive edge (Pfeffer 1995). However, in SMEs, where lower functional differentiation, lower administrative intensity, and less organisational slack are more common, less is known about how to apply basic change principles, particularly with respect to its functional and tactical elements, than is understood for large firms. The teaching and application of organisational change is to a large degree synonymous with large firm organisational management.

Various researchers report this distinct lack of studies on SMEs in general (Curran and Blackburn 2001; Wilson 2002; Wiesner and McDonald 2001; Hammond 2001) and more specifically, the challenges faced by SMEs in implementing organisational change initiatives such as Total Quality Management (TQM) (Mohd and Aspinwall 2001), their ability to implement reengineering (McAdam 2000), their ability to innovate (Todtling and Kaufmann 2001), their effectiveness in new product development, (Huang, Soutar and Brown 2002), how they handle the practice of strategic management (Wiesner and Millett 2009) and the relationship in SMEs between quality and innovation (McAdam and Armstrong 2001). However, none of these studies were large scale studies which offer a more complete exploration of organisational change characteristics. Within the Australian context, apart from Wiesner and McDonald's (2001) study, there has been no large scale survey work on the nature of organisational change in Australian SMEs. This study will assist in filling this gap in the current Australian SME research context.

Furthermore, organisational change strategies can have quite a significant impact on firm performance. The two common axis of significant change strategies comprise growth v decline and core v peripheralisation (Atkinson 1984) of labour status. In large organisations, research has focused on the interrelationships and impact of downsizing and peripheralisation on the firm's skill basis (Littler and Innes, 2003; Innes and Littler 2004). However, given SMEs smaller size and greater potential for change, and the possibility for use of peripheralisation to greater effect, it is unclear to what degree SMEs employ various types of change initiatives. These aspects are of crucial applied and theoretical significance and will be addressed in this study.

In view of the discussion above, the **objective** of this paper is to determine the nature and prevalence of change interventions for achieving organisational change in Queensland SMEs and to determine whether these SMEs could be characterised as change innovators or laggards?

## Literature review

According to Dawson (2001), one problem, which arises from the commonsense definitions of organisational change is that it is not differentiated from the more general study of organisations. In other words, the study of organisational change virtually becomes the study of organisations. However in using such a general definition, this study would become unwieldy. Therefore to overcome this problem, Dawson's (2001) definition of organisational change has been adopted for the purpose of this study. He defines organisational change as '*new ways of organising and working*' (Dawson 2001 p211).

Organisations are able to change and develop by employing: (1) structural, (2) strategic, (3) human process and (4) human resource management interventions (Cummings & Worley 2001). This study focuses on the first three interventions for achieving organisational change. Human Resource Management interventions focusing on the functions of HR are beyond the scope of this study.

### **Structural organisational change interventions**

Structural organisational change interventions can be divided into *flexible organisational structures* and *employment flexibility* (Cummings and Worley 2001). Several studies have focused on these types of flexibilities (Atkinson 1984; Valverde et al. 2000) but very few studies have focused on these types of flexibilities in the SME context (Ruiz-Santos et al; 2003),; Horstman 1999; Story 1997).

In relation to the *flexible organisational structures*, inevitably, changes in organisational structure have profound implications for work in terms of job content, employee motivation, job security and organisational commitment, especially given the evidence that employers often appear to have used the 'flexibility' rationale for reorganisation to justify redundancies (Child and McGrath 2001). Grimshaw *et al.* (2002) notes that, theoretically at least, in flatter, non-hierarchical, networked organisations, workers will have greater autonomy, often work together in teams and be able to adapt more quickly to change. However, one apparent contradiction in this process of restructuring is that delayering (for example, the removal of a hierarchical level of management) tends to undermine the linkage between training and career advancement, key elements in the establishment of a strong internal labour market and in developing employee commitment. In particular, for lower-level workers in 'flatter' organisations, there has been a widening of the gap up to the next broad band of mid-management positions and a withdrawal of the organisation from the programs of skills development necessary to bridge this gap. Subsequently, the hourglass feature of a skills-polarised external labour market can also be found within internal labour markets, reflecting the same set of 'winner takes all' characteristics where those with access to the 'top' of organisations benefit from preferential terms and conditions of employment compared to those below with no clear path to such positions. As a result of this ongoing rationalisation of organisational structures and associated job insecurity, it is argued that workers in the knowledge economy must develop new 'career' strategies (Inkson 2001). This paper reports on the use of flexible organisational structures on the following three levels: Restructuring of management level practices, workforce level practices and organisational level practices.

In terms of *employment flexibility*, this study examines the use of functional, numerical, temporal and spatial (or locational) flexibility. *Functional flexibility* is where a SME develops the ability of employees to undertake a range of tasks, either horizontally (employees are multi-skilled to perform a range of tasks at the same organisational level) or vertically (employees have increased responsibility up and down the organisational hierarchy). A distinction is made between multi-skilling (providing employees with a range of transferable skills, associated with vertical functional flexibility, empowerment and enhanced terms and conditions) and multi-tasking (expanding the range of tasks and responsibilities of an individual horizontally, associated with work intensification and no commensurate improvement in reward) (Atkinson and Meager 1986).

*Numerical flexibility* refers to the organisational ability to alter the number of employees (directly) employed. Firms seek the ability to hire, fire and re-hire workers with relative ease resulting in insecurely or irregularly employed workers. This form of flexibility is associated for example with the use of casual, short-term, temporary, agency and self-employed workers and the outsourcing and sub-contracting of certain activities (Atkinson and Meager 1986).

*Temporal flexibility* refers to the organisational and individual ability to vary the number and timing of hours worked. This is associated with patterns of non-standard patterns of working that diverge from the 9-5, 38-hour working week. Such arrangements include for example part-time working, flexi-time; shift work, weekend work, over-time, annualised hours, term-time working, compressed hours and seasonal working (Storey 1997). *Flexibility of 'location'* is where work is carried out through, for example, home-working, teleworking and the use of consultants or freelancers/contractors. This can be implemented either to reduce overhead facilities costs to the employer or to respond to work-life balance demands of workers (Storey 1997).

### **Strategic interventions**

In light of a range of external forces impacting on SMEs and exponential upsurge in new entrants to the market environment, SMEs experience stiff competition in the market place (Umble et al., 2003). Furthermore owing to the unique characteristics of SMEs many SMEs are vulnerable because they operate in sectors where there are few barriers to new entrants and where they have little power to dictate their needs to suppliers (Achanga, Shehab, Roy and Nelder 2006). McKee (2003) argues that an evolutionary approach to productivity and performance improvement is likely to be effective in

the longer-term. This entails utilising 'old' tools properly and applying them in a disciplined and systematic way. He further argues that no single 'productivity tool or practice' is the 'right one'; what works for one organisation at one point in time may be inappropriate for another organisation—even in the same industry sector at the same point in time. The prevalence of the following five types of strategic change interventions are examined in this study, including: productivity improvement practices; re-engineering practices; quality practices; transorganisational development practices; and business expansion practices.

### **Human Process Interventions**

The third category of organisational change initiatives discussed by Cummings and Worley (2001, p. 216-277) is that of Human Process Interventions. These issues have to do with social processes occurring among organisation members such as group processes. These interventions are directed to the improvement of work relationships, the ability of people to work together and joining people together in teams with the intention of achieving certain goals. We examine five team approaches in Queensland SMEs including team building, self-managing teams, joint consultative committees, cross-functional project teams and the establishment of work teams with direct responsibility for setting and achieving targets.

### **Research Methodology**

#### ***Sample and Procedure***

The survey questionnaire measuring organisational change practices was adapted from Wiesner and McDonald's (1998) study on employee management and organisational change in Australian SMEs. The questionnaire was adapted for this study by adding relevant 'newer' organisational change practices which were not included in Wiesner and McDonald's (1998) earlier survey. These 'newer' practices were identified by conducting an in-depth research and literature review on current organisational change practices. The survey includes a range of demographic variables and statements measuring whether organisational change practices have been applied in the SME in the past three years. Fifty-one change practices are measured, including: twenty-eight structural organisational change interventions (including nine flexible organisation structure interventions and nineteen employment flexibility interventions); nineteen strategic interventions and four human process interventions. A nominal scale of 'yes' or 'no' was employed.

The content validity of the questions employed in the survey as well as their relevance was tested through an initial qualitative phase of the research. This involved in-depth interviews with an additional 14 SME managers (one from each of the ABS industry categories) and the evaluation of the questionnaire by a multi-national group of 10 academic experts from Australia, New Zealand, South Africa, The Netherlands, Canada and Malaysia who have published in the area of organisational change. Discussions were also held with members of the Australian Chamber of Commerce which is an employer-representative body. Furthermore, the survey questionnaire was also tested and modified through a pilot phase which formed part of the field-work phase of the project. This involved 20 SME managers. Each SME manager was asked, following Lawshe (1975: 567), whether each of the survey questions actually measured specific and current firm recruitment practices and subsequently were revised in line with the feedback.

The survey was sent out to 1000 Queensland SMEs. The sample frame was derived from a Dun and Bradstreet database, stratified by: all Australian Bureau of Statistics (ABS) industry categories excluding agriculture; employee size between ten and two hundred employees; and representation of each state and territory in Australia. After allowing for incorrect mail addresses and closed businesses (approximately 6% or 60 questionnaires of the total sample), a response rate of 34% was achieved (N=340). This constitutes a very good response rate since comparative studies in SMEs estimated a figure of 10-20% (Mohd and Aspinwall 2000).

The Statistical Package for the Social Sciences (SPSS) was used to analyse the survey data. Descriptive statistics were used to summarise and describe the demographics of the respondents, as well as the frequency of responses to individual questions in the questionnaire. These are presented in the form of frequency and percentage distributions in order to identify trends in the data (Moore 1995; Healy 1991).

In determining whether Australian SMEs are change innovators or laggards, we draw on the work of Wiesner and McDonald (2001) regarding the adoption of Human Resource Management practices. They defined a high level of adoption of an individual HR practice as occurring where 70 percent or more of SMEs employ that practice. This criterion was decided upon after giving a panel of 10 SME managers a choice between various cut-off points in relation to what constitutes a high level of adoption in their view. The same interpretation of these concepts is employed in this paper.

### **Demographic Profile of the Sample**

In terms of the organisational demographics of respondent firms, small businesses (fewer than 100 employees) constituted 53 percent of the sample and medium businesses (100 – 200 employees), 47 percent. The ABS industry categories were used to describe the main operations of the organisations. Manufacturing organisations dominated the responding organisations, with retail organisations in second place. Each of the remaining categories represented 10 percent or less of the sample. Forty-six percent of organisations were family organisations of which family members managed 64 percent of these organisations. Sixty-two percent exported their products or services, of which 85 percent had been exporting for more than three years. Only 3 percent of SMEs were franchise operations. Twenty-seven percent of organisations operated from a single location and 58 percent in 2 to 10 locations. The remainder operated in more than 10 locations. Almost all SMEs could be said to be 'surviving' businesses that have been established for more than five years. Fifty percent of respondents had both a HR department and/or a specialist manager responsible for HR. Sixty percent of respondents said their organisation has at least one union member with more than two-thirds of the sample estimating that there was less than 10 percent union membership. All SMEs had access to the internet, with 88 percent in possession of a web site. As far as the personal demographics of respondents are concerned, more than a third of respondents (38%) indicated they are an owner or part owner of the business; more than two third of respondents (71%) have been with the firm for more than 5 years and possess tertiary qualifications (74%). Sixty-one percent of respondents are older than 45 years and almost two thirds are male (64%).

## **Results**

### **Structural Organisational Change Interventions**

#### **Flexible Organisational Structures**

Table 1 summarises the results regarding the prevalence of change in flexible organisational structures. Three types of flexible organisational structure interventions are distinguished: restructuring of management level practices, workforce level practices and organisational level practices.

**Table 1: Flexible Organisational Structures**

<b>Change Practice</b>	<b>N</b>	<b>All SMEs</b>	<b>Small</b>	<b>Medium</b>	<b>Chi-Square</b>
<b>Flexibility of Organisational structures</b>					
<b><i>Restructuring - Management level practices</i></b>					
(1)New Ownership	306	58(19)	37(22)	21(15)	1.967
(2)Staff reduction (in Managers)	306	74(24)	26(15)	48(35)	16.484 **
(3)Reorganisation of Mgt Structure	309	217(70)	113(65)	104(77)	4.53 *
(4)Change in Mgt personnel	309	251(81)	131(76)	120(88)	7.819 **
<b><i>Restructuring - Workforce level practices</i></b>					
(5)Staff reduction (in Employees)	303	71(23)	44(26)	27(20)	1.296
(6)Changes to Structure of Workforce	304	132(43)	64(38)	68(51)	5.234 *
(7)Change in Job Roles of Employees	306	225(74)	117(68)	108(82)	7.117 **
<b><i>Restructuring - organisational level practices</i></b>					

(8)Cultural change	303	113(37)	68(40)	45(34)	1.213	
(9)Organisational Structure Change	309	224(75)	114(66)	110(81)	8.576	**

\* p< 0.05 \*\*p<0.01

It is clear from Table 1 that Queensland SMEs employed four of the nine flexible organisational structural changes to a great extent. These changes occurred at management level, workforce level and organisational level. The change practices include: a change in management personnel (81%); a reorganisation of management structure (70%); a change in organisational structure (75%); and a change in job roles of employees (74%). However, even though significant changes have occurred at management level, these changes do not seem to be driven by an agenda to reduce staff. Only 24% of SMEs indicated a reduction in managers and only 23% a reduction in employees. Furthermore, new ownership occurred in only 19% of SMEs. Changes which occurred at a moderate level include: changes in the structure of the workforce (43%) and cultural change (37%).

A mixed profile therefore emerged in relation to the use of flexible organisational structure changes in Queensland SMEs. Three of the flexible organisational structure changes are prevalent in more than 70% of Queensland SMEs; two are prevalent to a moderate extent (in 40% to 60% of SMEs) and three to a low extent (less than 30%). The size effect was significant in relation to the majority (6 of the 9 practices) of flexible organisational structure change practices. All six practices were significantly more prevalent in medium organisations compared to small organisations.

### Flexibility of Employment

Table 2 summarises the results regarding the prevalence of change in employment flexibility interventions. The results in relation to four types of employment flexibility interventions are reported, including: functional flexibility; temporal flexibility; numerical flexibility; and spatial flexibility. Temporal flexibility is divided into flexible/restructured, scheduling practices, voluntary reduced work practices and leave time practices.

**Table 2: Employment Flexibility Interventions for Achieving Organisational Change**

Practice	N	All SMEs	Small	Medium	Chi-Square
<b>Employment flexibility Interventions</b>					
<b>Functional flexibility practices</b>					
(1) Job Enrichment	331	136(41)	59(33)	77(50)	9.45 **
(2) Job Rotation	334	154(46)	77(44)	77(49)	1.028
<b>Temporal Flexibility</b>					
<b>Flexible/restructured scheduling practices</b>					
(3) Phased retirement Options	328	43(13)	16(9)	27(18)	6.239 **
(4) Compressed Work week	331	48(15)	17(9)	31(21)	8.139 **
(5) Flexible Hours	339	291(86)	148(82)	143(90)	4.134 *
(6) Part-time Work	339	319(94)	166(92)	153(96)	2.438
<b>Voluntary reduced work practices</b>					
(7) Annualised Hours	331	48(15)	16(9)	32(21)	10.025 **
(8) Flex days	337	203(60)	112(62)	91(58)	0.635
<b>Leave time practices</b>					
(9) 48/52 Work Arrangements	329	69(21)	29(17)	40(26)	4.369 *
(10) Paid parental leave	336	108(32)	39(22)	69(44)	19.508 **
(11) Career Breaks	334	136(41)	70(39)	66(41)	0.541
(12) Job Sharing	334	190(57)	99(55)	91(59)	0.566
(13) Study leave & Assistance	339	226(67)	97(54)	129(81)	28.197 **

<b>Numerical Flexibility Practices</b>					
(14)Dependant Contractors	325	64(20)	32(18)	32(22)	0.64
(15)Contracting Out	331	117(35)	53(30)	64(42)	4.861 *
(16)Independant Contractors	336	188(56)	88(49)	100(64)	7.848 **
(17)casual Work	339	295(87)	150(83)	145(91)	4.620 *
(18)External change mgt consultants	312	151(48)	67(39)	84(59)	12.076 **
<b>Spatial (or locational) Flexibility Practices</b>					
(19)Telecommuting	339	135(40)	69(38)	66(42)	0.355

\* p< 0.05 \*\*p<0.01

Overall, only three employment flexibility practices were employed to a great extent. These include two flexible scheduling practices (flexible hours at 86% and part-time work at 94%), and one numerical flexible practice, namely casual work (87%). These practices represent traditional employment flexible practices.

The majority of practices (11 of the 19 practices) were employed to a moderate extent by Queensland SMEs (employed by between 30% and 70% of Queensland SMEs). These practices include: both functional flexibility practices – job enrichment (41%) and job rotation (46%); flex days (60%); four of the five leave time practices – paid parental leave (32%); career breaks (41%); job sharing (57%); study leave and assistance (67%); two of the four numerical flexibility practices – contracting out (35%) and independent contractors (56%); and both spacial flexibility practices – telecommuting (40%) and external change management consultants (48%).

The five practices least popular with Queensland SMEs included interestingly, the other two flexible practices: phased retirement options (13%) and compressed work week (15%) as well as annualised hours (15%); 48/52 work arrangements; and dependant contractors (20%). All of these practices represent more recent types of employment flexibility change practices.

It is therefore clear that overall, the profile of Queensland SMEs in relation to flexible employment practices is skewed to a moderate - low adoption of these practices. Of the nineteen flexible employment change practices, three practices are prevalent in more than 70% of Queensland SMEs; eleven are prevalent to a moderate extent (in 40% to 60% of SMEs) and five to a low extent (less than 30%).

In relation to impact of size on the prevalence of employment flexibility practices, the majority of practices (11 of the 18 practices) were employed to a significant greater extent in medium organisations compared to small organisations.

### **Strategic interventions**

Table 3 summarises the results regarding the prevalence of strategic change interventions in Queensland SMEs. The results in relation to five types of strategic change interventions are reported, including: productivity improvement practices; re-engineering practices; quality practices; transorganisational development practices; and business expansion practices.

**Table 3: Strategic Change Interventions for Achieving Organisational Change**

Practice	N	All SMEs	Small	Medium	Chi-Square
<b>Productivity improvement practices</b>					
(1)Productivity Improvement Schemes	322	132(41)	59(35)	73(48)	6.351 *
(2)Significant increased production levels	303	159(53)	97(58)	62(46)	4.693 *
(3)Quality problem Solving Teams	328	175(53)	96(54)	79(52)	0.121
<b>Re-engineering practices</b>					
(4)Major Change in product or Service	306	113(37)	49(29)	64(47)	10.787 *

(5)Re-engineering Business practices/Processes	328	165(44)	69(39)	76(50)	4.255	*
(6)Major restructuring of How Work is Done	309	149(48)	74(43)	75(55)	4.668	*
(7)Process Change	306	168(55)	91(54)	77(57)	0.291	
(8)Introduce new products & services	303	186(61)	101(59)	85(64)	0.637	
(9)Major New Plant, equipment or Technology	306	195(64)	101(59)	94(69)	3.079	
(10)Systems Change	309	215(70)	108(62)	107(79)	9.498	**
<b>Quality practices</b>						
(11)Best Practice (O/S)	328	103(31)	42(34)	61(40)	10.51	**
(12)TQM	325	123(38)	53(31)	70(46)	8.686	**
(13)Quality Programs	328	127(39)	57(33)	70(46)	5.55	*
(14)Benchmarking	322	148(46)	72(43)	76(49)	1.364	
(15)Best Practice (in Aust)	325	193(59)	97(55)	96(65)	3.384	
<b>Transorganisational development practices</b>						
(16)Alliances with Skill/Product providers	330	173(52)	83(48)	90(58)	3.292	
<b>Business expansion practices</b>						
(17)Open the Same business Elsewhere	300	68(23)	28(17)	40(30)	7.481	**
(18)Sell Equity in Business	300	22(7)	10(6)	12(9)	1.003	
(19)Open new Locations	303	132(44)	52(31)	80(60)	26.524	**

\* p< 0.05 \*\*p<0.01

Overall, a moderate profile in relation to strategic change interventions is evident from Table 3. Only one strategic change practice was employed to a significant extent in Queensland SMEs. This includes one re-engineering practice – systems change (70%). On the other side of the continuum, the two least favoured change practices include two business expansion practices – sell equity in business (7%) and open the same business elsewhere (23%). The remainder of the change practices were prevalent to a moderate extent in Queensland SMEs (in 30% to 70% of SMEs).

Therefore all of the productivity improvement practices, re-engineering practices (with the exception of system change), quality practices and the one transorganisational practice (alliances with skill/product providers), were prevalent to a moderate extent in Queensland SMEs (practiced by 30% to 70% of QLD SMEs). One business expansion practice (open new locations) was also employed to a moderate extent.

In relation to impact of size on the prevalence of strategic change interventions, a majority of practices (10 of the 19 practices) were employed to a greater extent in medium organisations compared to small organisations. Only one intervention was employed to a greater extent in small organisations.

### **Human Process Interventions**

The results in relation to the prevalence of human process interventions in the form of team approaches are presented in Table 4

**Table 4: Team approaches for achieving organisational change**

Practice	N	All SMEs	Small	Medium	Chi-Square
<b>Team Approaches</b>					
(1)Cross Functional Project teams	322	107(33)	46(26)	61(41)	7.873 **
(2)Joint Consultative committees	331	117(35)	45(25)	73(47)	16.394 **

(3)Self managing Work teams	328	163(50)	83(48)	80(52)	0.589
(4)Team Building	333	227(68)	105(60)	122(77)	10.279 **

\* p< 0.05 \*\*p<0.01

It is evident from Table 4 that all four team practices were practiced only to a moderate extent by Queensland SMEs (used by between 30% and 70% of QLD SMEs). Team building is the most popular at 68%, followed by self managing teams (50%).

In relation to impact of size on the prevalence of team approaches in Queensland SMEs, 3 of the 4 practices were employed to a significant greater extent in medium organisations compared to small organisations.

## Discussion

Overall only 8 of the 51 interventions showed a *high level* of adoption. Of the 8 interventions, 7 were structural organisational change interventions which include 4 flexible organisational structure interventions (reorganisation of management structure, change in management personnel, change in job roles of employees and organisational structure change) and 3 employment flexibility interventions (flexible hours, part-time work and casual work). Only one strategic intervention showed a high level of adoption. No human process intervention was adopted at a high level.

Thirty-four interventions were adopted at a *moderate level* and 10 interventions showed a *low level* of adoption. Of the 10 interventions, 8 were structural interventions including 3 flexible organisational structure interventions (new ownership, staff reduction in managers, and staff reduction in employees); and 5 were employment flexibility interventions (phased retirement options, compressed work week, annualised hours, 48/52 work arrangements and dependant contractors). Two strategic interventions showed a low level of adoption. No human process intervention was adopted at a low level.

In view of the profile described above, a predominantly 'moderate' profile emerged in relation to the adoption of organisational change interventions in Queensland SMEs. The results regarding the respective change interventions will now be further discussed.

### Structural Change Interventions

Changes in organisational structure have profound implications for work in terms of job content, employee motivation, job security and organisational commitment, especially given the evidence that employers often appear to have used the 'flexibility' rationale for reorganisation to justify redundancies (Child and McGrath 2001). A mixed profile emerged in relation to the use of *flexible organisational structure* changes in Queensland SMEs. Four of the flexible organisational structure changes were prevalent in more than two thirds of Queensland SMEs including a change in management personnel; a reorganisation of management structure; a change in organisational structure; and a change in job roles of employees. However, even though significant changes have occurred at management level, these changes do not seem to be driven by an agenda to reduce staff. Less than a quarter of SMEs indicated a reduction in managers and a reduction in employees. Changes which occurred at a moderate level include: changes in the structure of the workforce and cultural change. However, the change least likely to occur was new ownership.

*Employment flexibility* is integral to the flexible firm model, which shows how attempts to create a more adaptive and flexible workforce can have profound implications for the job content, job security and loyalty of different groups of workers (Fleetwood 2007). Overall, the findings indicate that the majority of Queensland SMEs are not currently utilising the full spectrum of employment flexible practices. When considering that flexibility is even more important in smaller businesses (particularly service enterprises) that cannot afford the luxury of carrying surplus labour to deal with peaks in customer contact workload and cannot afford reward strategies that do not promote employee performance (Hortsman 1999), this finding could be interpreted as somewhat surprising.

## **Strategic Interventions**

The findings indicate a moderate profile in relation to strategic change interventions. The results show that all of the *re-engineering practices* (with the exception of system change which was employed by 70 percent of SMEs) were prevalent to a moderate extent (practiced by 30% to 70% of QLD SMEs). Francis and MacIntosh (1997) suggested that business process re-engineering, with its emphasis on obliterating old functional structures, will naturally result in a more horizontal, process-oriented structure. Hammer and Champy (1993) seem to support this view and are quoted as saying that the most important thing about re-engineering is the notion of a process-oriented organisation (Watts 1994). However, it may be that moving from a wholly functionally-based organisation to a wholly process-based organisation, would simply be the equivalent of moving from vertical to horizontal walls or barriers (Francis and MacIntosh 1997). Hammer and Champy (1993) also claim that if business process re-engineering (BPR) is treated as a one-shot event, the enterprise has learned nothing (Watts 1994). Further to this case Francis and MacIntosh (1997) argue that part of the outcome of a BPR exercise should be the creation of an enterprise that expects continual change and learning. The re-engineered corporation is a learning organisation.

*Productivity improvement schemes and quality management practices* are important for SMEs for a variety of reasons. Firstly, small firms supply products and services to large organisations and most of these large organisations feel the pressure to increase their level of quality owing to the increase in national and international competition, ever demanding customers, or governmental purchasing rules (Temtime 2003). Secondly, research has shown that quality contributes to improved performance and results of SMEs (Sturkenboom, van der Wiele and Brown 2001). Of the eight productivity improvement schemes and quality management practices, five practices were employed by less than 40% of Queensland SMEs. The survey in this study only focused on the prevalence of a few quality practices in SMEs and the findings of Brown et al (1998) and van der Wiele et al (1998) are therefore particularly useful to complete the picture regarding quality in SMEs to a greater extent. They found that generally SMEs do not introduce formal quality management initiatives unless there is strong external pressure. In relation to setting up a quality system, such as ISO 9000, SMEs generally do only what is necessary to get the certificate and nothing more, quality principles are generally practised in an informal manner in smaller organisations.

The findings indicate that the two least popular change practices include two *business expansion practices*—sell equity in business and open the same business elsewhere. It has been argued that while high growth and expansion can be achieved by SMEs, one of the most important factors is the commitment of the owner/SME manager to achieving growth and/or expansion (Mazzarol 2003). In small firms where ownership and management are typically combined in one or two individuals, growth is simply not always an objective. For example, an owner's desire to retain control, as well as personal lifestyle and family factors may play as much of a role in determining business goals as commercial considerations. Given the alternative attitudes of owners toward business growth and expansion, it is likely that this characteristic can be used to help distinguish between growth and non-growth firms (Dobs and Hamilton 2006). However, the objectives and personal desires of SME managers in achieving growth and/or business expansion feel outside the scope of this study.

## **Human Process Interventions**

The lack of teams in SMEs could be an outcome of the directive management styles that SME managers predominantly tend to employ (Wiesner and Poole 2009) or it could be that other types of team approaches are used in Queensland SMEs. For example, Miller (2003) found in a Melbourne study, that teams are very much a part of the culture of small firms in a western region of Melbourne, but the teams tend to be very different to those described in the team literature. In none of her cases was there an attempt to achieve fully autonomous teams. Regardless, with the types of teams which Queensland SMEs employ, a team approach could help to give employees a voice in processes, some autonomy, greater flexibility and a sense of being able to co-operate with colleagues more readily. What would be beneficial to these employees would be for each organisation to craft a unique approach to teams that suite their own needs, technology and culture.

## **Conclusion and Practical Implications**

In conclusion, could Queensland SMEs be described as change innovators or laggards? It is true that large organisations are more likely to have the resources, technical knowledge and skills to implement organisational change programs and it is also true that the term 'laggard' could be used to label some

SMEs, but the results presented here indicate that it would be inaccurate to assume this is the norm in the SME sector. There are, however, factors that indicate that an 'innovator' label assigned to SMEs may not be appropriate. Fifty one organisational change interventions have been examined in this study. Eight interventions were adopted at a high level, 34 at moderate level and 10 at a low level. According to these results, SMEs have only a moderate affinity for an 'innovator' scenario. There are shades of innovator (8 practices) as well as 'laggard' (10 practices). Nevertheless, the fact that the mental models of Queensland SMEs tend to favour managerial prerogative in managing change is of more significance for the effectiveness of both the management of employees and the performance of SMEs, given the links between participation and the performance of firms (Wiesner and Poole 2009). In addition, in their study on the prevalence of HRM practices in Australian SMEs, McDonald and Wiesner (2000) found a low level of participative management in SMEs. The results of our study, confirm this finding, with only one team approach employed by more than three-quarters of the sample. Therefore the 'innovator' label could be clouded by low involvement of employees in decision-making as well as team related practices.

Questions concerning the substance of change raise a number of practical concerns over how to successfully manage organisational change. Two elements of particular importance centre on understanding what the change program is about (for example, what are the main constituents of the new technology or management technique) and also, ensuring that employees who have to adopt to new working practices (the changing context) are adequately trained in the use of new equipment, techniques and/or procedures. Considerable time and attention should be given to the substance of change in terms of the technical, financial and human implications of change for the organisation. This includes the need to appraise technical requirements against existing techniques and technologies, and the development of appropriate implementation and training programs within the financial constraints set by the company. This should involve discussions and decisions on work organisation, on who are going to be the major implementers, and how the process is going to be managed.

For most SMEs the initial years of company foundation require them to be 'micro-managers', constantly engaged in the everyday details of the business (Mazzarol 2003). In the first one to three years of operation, companies founded by one or two owners are largely dependent on these owners for their survival. However, as the business grows and becomes more mature, it is necessary for the owner(s)/manager(s) to develop a team and learn to delegate. Formichelli (1997) describes the problem as 'nanomanagement' and points to the risks of the owner failing to break free from the constant micromanagement associated with the early stages of the firm's lifecycle. These risks include a lack of time for the owner/manager to undertake important planning and business development tasks, failure to get the best out of their people and owner/manager 'burn-out' under the work pressure. Smith (1992) has highlighted the need for fast growing companies to develop good teamwork and delegation skills among senior managers. Baker (1994) also emphasises the importance for CEOs to empower their team by learning how to 'step back' and let empowerment take effect. As he explains, to abdicate responsibility completely is a recipe for disaster as control can be lost. Meddling around with teambuilding frequently fails because subordinates are not permitted to have real authority. What is needed is a manager who is able to adjust his/her style to what the situation requires (Dunphy and Stace 1993) and not just predominantly rely on one particular style of change management.

Finally, it has been argued in the literature (Dawson 2001) that whilst it is possible to identify guidelines there are no simple recipes for success. The management of organisational change is a political process, which cannot happen overnight, but takes time and will ultimately involve a range of political players who may shape the speed and direction of change at certain critical junctures during the process.

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