

EDITORIAL

## SMEs, innovation and human resource management

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Small and medium enterprises (SMEs) are regarded as the pillar of economic growth in many nations and account for 80% of global economic growth (Jutla, Bodorik, & Dhaliwal, 2002). In developing and newly industrialized countries, SMEs are known to employ the largest percentage of workforce and are responsible for income generation opportunities (Singh, Garg, & Deshmukh, 2008) for these countries. Specifically, they provide job opportunities, supply goods and services to larger organizations (Rahman, 2001), improve profitability (Rahman, 2001), speed up the quality transformation process (Bemonski, 1992), promote employee morale and reduce employee turnover (Shea and Gobeli, 1995). Indeed, the Organization for Economic Co-operation and Development approximates that SMEs make up about 90% of firms and employ about 63% of the workforce in the world (Munro, 2013). Nevertheless, SMEs face several challenges (Liñán, Paul, & Fayolle, 2019) and are constantly under pressure to sustain their competitiveness in domestic and global markets (Singh, Garg, & Deshmukh, 2008). These challenges are more complicated for indigenous SMEs. Altogether, the development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation (Cook & Nixon, 2000).

In this issue (Issue 27.1), we examine the nexus between SMEs, innovation and human resource management. We begin with the theme on SMEs and innovation and with the paper ‘SME growth and financing sources: before and after the financial crisis’ by Serrasqueiro, Leitão and Smallbone. The paper provides an empirical evidence of SMEs’ growth determinants. The authors found that evidence of growth stimulating factors include cash flow and GDP while the restrictive factors are: debt, firm size, age of the firm and the interest rate. Additionally, they found that in the period after 2008, the financial crisis and implementation of austerity measures in the Portuguese context, produced a negative effect on SME growth. Finally, in the period 2008–2012, i.e., after the beginning of the financial crisis, cash flow had less importance, while debt was found to have a stronger negative effect on SME growth, compared to the pre-crisis period.

In the second paper in this issue, Ren investigates ‘How personal-life inclusion affects Chinese turnover intention: a moderated mediation model of work interference with family and perceived family demands’. Drawing on conservation of resources theory, the study identifies how the culturally remarkable aspect of supervisor-subordinate guanxi – personal-life inclusion – may cause a ‘burden’ for Chinese employees and to reveal the moderated mediation mechanism between personal-life inclusion and turnover intention by examining the mediating role of work interference with family (WIF) and the moderating effect of perceived family demands. The data from 182 Chinese employees indicate that personal-life inclusion is positively correlated with turnover intention and WIF mediates this relationship. Moreover, perceived family demands were a moderator on the mediated relationship between personal-life inclusion, WIF and turnover intention.

Our next paper takes an indigenous perspective on SMEs. The paper, ‘Indigenous entrepreneurial orientation: a Maori perspective’, adds to the conversation on entrepreneurial orientation as published in *JMO* (see Bojica, del Mar Fuentes, & Gómez-Gras, 2011; Huang & Chu, 2015; Şahin & Gürbüz, 2020; Mika & O’Sullivan, 2014; Mika, Warren, Foley, & Palmer, 2017). In the current article, Mrabure, Ruwhiu, and Gray suggest that despite growing interest in indigenous entrepreneurship and entrepreneurial orientation, few studies have bridged these two domains empirically. Thus, the authors develop a model for exploring entrepreneurial orientation in indigenous communities. Specifically, the article assesses the possible dimensions of indigenous entrepreneurship orientation in a qualitative study of Māori business owners in New Zealand. The findings suggest that there are three orientations: *kaupapa Māori EO* reflecting a focus on cultural values, beliefs and customs when deciding, a *WEO* that includes the sorts of values, goals, strategies and practices commonly taught in business schools and a *hybrid orientation (HEO)* where entrepreneurs combine indigenous cultural values with Western business practices, creating an ‘in between’ space. The authors conclude that existing and aspiring new business owners should not feel compelled to aspire and/or conform to a single predetermined form of EO if they are to become successful Indigenous entrepreneurs. Rather, they need to find a balance between their own cultural values and their economic aspirations.

On a similar note and in the next paper ‘Success factors of Maori small business: a regional perspective’, Ruwhiu explores the critical success factors as perceived by Māori entrepreneurs in the Otago/Southland regions of New Zealand. Employing raw narratives from 11 Māori entrepreneurs and four representatives of support services, the narratives revealed three main thematic concerns for both Māori SME owners and regional agencies: notions of identity and how Māori SMEs position themselves as Māori business, the external business environment in which Māori SMEs operate and how participants engaged with notions of performance and growth. These findings highlight the connection between place and identity as a critical success factor for Māori SMEs. The author proposed a culturally constituted entrepreneurial ecosystem approach to better support Māori SMEs as they grow.

Corner, in the paper ‘Scaling-up social enterprises: the effects of geographic context’ asserts that although social enterprises implement business-like approaches to address social problems, scaling up these enterprises beyond one geographical context extends their impact to better match the scope of the problem being addressed. However, only a few social enterprises manage to expand to new contexts, making scale-up one of the most important but least understood outcomes of social entrepreneurship. This is the subject explored in this article. The authors employ a multi-case study research design and the dynamic capabilities framework to demonstrate how social enterprises amass and configure resources for expansion. Findings suggest that scale-up may be a second act of entrepreneurship because the gap between initial and scale-up contexts necessitates product modification, different partnerships and idiosyncratic resource configurations. These findings challenge existing literature’s focus on standardization (or generic resource configurations) for scale-up of social enterprises to new geographical contexts.

Our second theme is on *Innovation and technology*. Generally, firms frequently desire innovation for competitive advantage (Utterback, 1994). It is also critical that firms’ results are improved to enable them to compete in a turbulent globalized world (Domínguez-Escrig, Mallén-Broch, Lapedra-Alcamí, & Chiva-Gómez, 2019). In this regard, innovation is a key driver of firms’ operations (Santos-Vijande & Álvarez-González, 2007). More specifically, how firms manage knowledge and deploy their resources are key to their innovative behaviours (Mousa, Chowdhury, & Gallagher, 2020). Yet, sustaining innovation is frost with many challenges (models: Koen, Bertels, and Elsum, 2011), and especially with open innovation (West & Gallagher, 2006). The next few articles explore the concept of innovation in firms.

In the paper ‘The effects of organizational controls on innovation modes: an ambidexterity perspective’, Wang builds on Hitt’s internal control system framework (see Hitt, Ahlstrom, Dacin, Levitas, & Svobodina, 2004) and the ambidexterity perspective and their focus on the interplay and tensions between different organizational control types. Using survey data from 182 Chinese firms in innovation-intensive manufacturing industries, the data revealed that besides the independent use of strategic control, both the combined and balanced use of strategic and financial controls are important for internal innovation. For firms specializing in cooperative innovation, however, financial control is more effective and the combined use of strategic and financial controls may discourage cooperative innovation. These findings provide a more in-depth understanding of organizational control itself and its connection to the ambidexterity perspective and innovation theory.

In the next paper ‘Impact of extended alliance portfolio configuration on firm innovation’, Kim extends the scope of alliance portfolio configuration (APC) from one to three degrees from focal firms based on the three degrees of influence rule in sociology; one degree has been the focus in APC research, although the scope of alliances that influence focal firms does not stay at one degree. To assess the effects of extended APCs, 186 three-year window snapshots of the extended APCs of 31 Korean bio-pharmaceutical firms from 2007 to 2014 were created. The effects of structure (density), size (number of alliances and partners) and relationships on firm innovation using the two-step generalized method of moments estimates were measured. The results show that structural sparseness and larger-sized extended APCs are more favourable for innovation, and structural sparseness and size have a positive relationship on performance. This empirical study enriches existing APC perspectives and provides more generalized and practical views for APC research.

Panda and Rath, in their next paper ‘Information technology capability, knowledge management capability, and organizational agility: the role of environmental factors’, investigate the relationship of information technology (IT) and knowledge management (KM) capabilities with organizational agility along with the moderating influence of external environmental actors on this linkage. A matched-pair field survey was conducted and pre-tested structured questionnaires were administered to accumulate primary responses from 300 business and IT personnel working in various Indian financial groups. The research findings demonstrate that IT and KM capabilities are enablers of organizational agility, while KM capability is more effective on agility. Additionally, a more diverse and less hostile environment is required for IT and KM capabilities to have more positive influence on agility. Furthermore, the moderating effects of environmental factors are found to be more on IT–agility linkage than on KM–agility relationship. Business and IT executives should focus on leveraging both IT and KM capabilities to augment organizational agility.

The paper, ‘Commercializing LanzaTech, from waste to fuel: an effectuation case’ by Karlson, Bellavitis and France profile Lanzatech. Lanzatech is a New Zealand-based company co-founded in 2005 by scientists Sean Simpson and Richard Forster, who developed a microbe which fermented the waste gases generated from steel manufacturing to produce ethanol and other chemicals. This case study chronologically outlines the early phases of the company, focusing particularly on how Lanzatech developed, refined, patented and began to commercialize their research. The case also identifies key challenges around capital raising, developing a business model and forming partnerships. Lanzatech represents a company committed to retaining its research base in New Zealand, and some of the opportunities and drawbacks of operating in a small economy at a distance from key market players.

Now moving from innovation and technology to the theme of human resource management, our last paper in this issue, ‘Service-oriented high-performance human resource practices and employee service performance: a test of serial mediation and moderation models’ by Gürlek and Uygun investigates how and under what conditions service-oriented high-performance

human resource practices affect employee service performance. Data gathered from 1,525 full-time hotel employees and line managers demonstrate that human resources attributions, trust in the organization and affective commitment serially mediated the relationship between service-oriented high-performance human resource practices and employee service performance. Additionally, the results confirm the moderating role of person–supervisor fit and person–vocation fit in the relationship between person-life inclusion and turnover intention.

In sum, the articles in Issue 27.1 provide a deeper insight into SMEs and the challenges that they continue to face. More specifically, this issue has given us a different and albeit important indigenous perspective on SMEs. Innovative practices and technology have also been investigated especially using case method. We are aware that human resource management (HRM) is connected with innovation (Meacham et al., 2017). Yet, we know that due to SMEs' scarce resources (De Massis et al., 2018), SME leaders and managers are usually unable to implement costly HRM practices (Adla, Gallego-Roquelaure, & Calamel, 2020). At best, HRM is generally informal and intuitive in SMEs making it more challenging for them to innovate and get to their utmost performance and profitability. A research agenda is needed to investigate the nexus between SMEs, innovation and HRM and especially isolating how SMEs could better engage HRM innovative practices to improve their productivity and competitive advantage.

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