

## THE IMPACT OF HUMAN RESOURCES AND CAPABILITIES ON THE GROWTH OF SMALL FIRMS: EVIDENCE FROM TURKEY

Gülruh GÜRBÜZ<sup>1</sup>, Sinem AYKOL<sup>2</sup>

<sup>1</sup>Marmara Üniversitesi, İ.İ.B.F., İngilizce İşletme Bölümü, Doçent Dr.

<sup>2</sup>Marmara Üniversitesi, İ.İ.B.F., İngilizce İşletme Bölümü, Öğretim Görevlisi Dr.

---

### THE IMPACT OF HUMAN RESOURCES AND CAPABILITIES ON THE GROWTH OF SMALL FIRMS: EVIDENCE FROM TURKEY

**Abstract:** This paper explores impact of human resources and capabilities on growth of small firms. Human resources and capabilities of the small firm are analyzed from two dimensions: resources and capabilities of owner/manager and labor. Age, gender, education and training, work experience, professional organization membership, having entrepreneurial parents, and responsibilities in other firms are considered as the resources and capabilities of the owner/manager. The human resources and capabilities for the small firm are identified as availability of human resources, recruitment, selection, orientation, training, compensation, appraisal and career management. Regression analysis results show that training and compensation are determinants of sales growth. Owner/managers with entrepreneurial parents, members of professional organizations and additional responsibilities in other firms are important owner/manager's resources and capabilities for small firm growth.

**Keywords:** SME Growth, Human Resources and Capabilities; Small Firms.

---

### KÜÇÜK İŞLETMELERİN BÜYÜMESİNDE İNSAN KAYNAKLARININ ETKİSİ: TÜRKİYE'DEN BULGULAR

**Özet:** Bu çalışma şirketlerdeki insan kaynaklarının ve yeteneklerinin küçük ölçekli işletmelerin büyümesine etkisini incelemektedir. Küçük işletmelerdeki insan kaynakları ve yetenekleri 2 boyutta incelenmiştir: sahip/yöneticinin ve işgücünün kaynakları ve yetenekleri. Yaş, cinsiyet, eğitim düzeyi, aldığı eğitimler, iş tecrübeleri, iş hayatı ile ilgili derneklere üyelik, ebeveynlerin girişimci olması ve başka şirketlerde sorumluluk sahibi olmak sahip/yöneticinin sahip olduğu kaynaklar ve yetenekler olarak alınmıştır. İşgücüne ulaşabilme, işgören bulma ve yerleştirme, oryantasyon, eğitim, ücretlendirme, performans değerlendirme ve kariyer yönetimi de küçük işletmedeki işgücüne yönelik insan kaynakları yetenekleri olarak alınmıştır. Regresyon analizi sonuçlarına göre eğitim ve ücretlendirme de büyümeyi etkileyen fonksiyonlar olarak ortaya çıkmıştır. Girişimci ebeveyne sahip, iş hayatı ile ilgili derneklere üye ve başka şirketlerde sorumluluk sahibi olmanın da küçük işletmelerin büyümesinde sahip/yöneticiye ait önemli kaynaklar ve yetenekler olduğu ortaya çıkmıştır.

**Anahtar Kelimeler:** KOBİ'lerde Büyüme, İnsan Kaynakları, Küçük İşletmeler.

## I. INTRODUCTION

Small and medium-sized enterprises (henceforth SMEs) have always been important for national economies. In general, SMEs are the major contributors to national economy and usually described as the "engines" of economic growth [1]. Small firms play a key role in job creation, promoting innovation, creating economic wealth, and thus increasing the general welfare of economies [2,3]. As SMEs are the major sources of economic flexibility and growth, they create stability and improve the health of a nation's economy [4,5]. Small firms also enable regional development that enables successful national economic growth [6]. Therefore, SMEs are crucial for national and regional economic development [7].

In addition to the benefits mentioned above, the small firms have better growth potential than bigger firms. In fact, the growing firms are vital contributors to

regional and national economy by creating new jobs regardless of their sizes [8-10]. The high growth small firms are also the main contributors to a nation's economy [11]. According to the Turkish National Statistical Institute [12], 95.03% of total employment in Turkey is working in small businesses and 98.3 % of business establishments in Turkey are small businesses. The life cycle of organizations in Turkey is also rather short. The average age of an organization is 8.4 years. These statistics prove that the Turkish firms are mostly small and new. These figures also confirm that Turkey in fact has a great capacity for small businesses and entrepreneurship. Furthermore, these small businesses - if they manage to be successful and grow - can be the solution to the healthy development of Turkish economy. Successful and growing SMEs distributed to each region of Turkey would improve regional development and entrepreneurial potential of individuals. Similar to the other countries, SMEs have ability to create employment and new jobs for Turkish economy. In Turkish economy,

the solution to high unemployment rate is having successful and high growth SMEs that are distributed to all over the country [13]. For example in cities like Gaziantep, Denizli and Konya regional development is achieved through the successful and growing SMEs [13]. Consequently, growing and successful small firms are important contributors to economic welfare in a developing country like Turkey. Moreover, having a more entrepreneurial and developed national economy, would enable faster integration of Turkish economy to the global economy [14]. However, in Turkey like in other countries small firms face some difficulties. Besides from the finance and taxing problems, Turkish small firms also have problems related to human resources and capabilities. Most of the Turkish small firms face difficulties in finding and retaining qualified workforce. Qualified employees either prefer to work in big companies or they use small companies as a career step that can help them to find jobs in big companies. This directly affects their quality standards in production. Producing at a lower quality, inevitably impacts their capacity to export. In reality, the proportion of SMEs in total export volume of Turkey is only 9%. In the USA this number is 32%, in Germany it is 31 %, in India it is 40% and in Japan it is 38 %. Therefore, the Turkish small firms have to improve themselves in order to compete in the national and international market [14].

## II. RESOURCE BASED VIEW AND SMALL FIRM GROWTH

There are several factors that affect the growth and performance of the small firm. These factors can be internal or external. One of the internal factors that affect the performance of small firms is human resources and capabilities. Therefore resource-based view considers *human resources and capabilities* of an organization as a strategic resource [15, 16].

The resource-based perspective mainly focuses on the link between a firm's internal resources and performance [17, 18, 19]. This perspective has its roots from the work of Penrose [20]. Resource-based view concentrates on the firm's specific resources and argues that these resources can provide competitive advantage to the organization [21]. In other words, internal resources enable the firm to survive and compete in the market [18, 19, 20, 22]. The resources can only create sustainable competitive advantage for the firms if they employ four attributes. These attributes are; being valuable, rare, difficult to imitate and having no substitutes. The human resources are important and vital for organizations because they employ these four characteristics. They are valuable, rare, cannot be imitated and have no substitutes [21].

In literature, there is no consensus on the definition and classification of resources and capabilities. Barney

(1991) defines resources as "all assets, capabilities, organizational processes, firm attributes, information, knowledge etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness"[17]. Wernerfelt (1984) defines resources like "anything that could be thought of as a strength or weakness of a given firm, which could include tangible and intangible assets" [19]. These two definitions characterize resources from a broader perspective and consider every internal characteristic like a resource [17,19,23]. Grant [24], however, identifies resources and capabilities like two separate dimensions. He defines resources like the inputs of the production process and gives capital equipment, skills of employees, patents and finance as examples of resources. On their own, most of the resources are not productive. Therefore, a capability is the "capacity for a team of resources to perform some tasks or activity" as defined by Grant [24]. Capabilities require coordination between and within resources which forms the organizational routines and processes [24]. This point of view makes a clear distinction between resources and capabilities [15,24,25]. Although definitional and conceptual differences exist, researchers compromise that resources and capabilities are vital and essential for organizations [25].

Among these various definitions and classifications of resources and capabilities, human resources and capabilities find their place in each classification. Barney [17] argues that human capital resources include training, experience, decision-making, and relationships of people working in the organization. According to Wernerfelt [19] employment of skilled personnel is a type of resource. Grant's [24] classification includes human resources as a resource. Hofer and Schendel (1978 cited in [26]) classify resources as financial, physical, human, organizational and technological resources. Greene (1995 cited in [27]) proposes that human capital resources are the education, work experience and attributes of the people in the organization. These definitions and classifications confirm that human resources and capabilities are important components of organizational success according to resource-based view [16].

## III. HUMAN RESOURCES AND CAPABILITIES OF THE SMALL FIRM

*The human resources and capabilities* of the small firm have two dimensions; the resources and capabilities of the owner/manager and the labor. The *owner/manager's resources and capabilities* are extremely important for small firm success because everything is dependent on the owner/manager. Penrose [20] argues that a firm's growth capacity is limited by the management's ability to manage the resources and the firm. Therefore, the resources and capabilities of the owner/manager are important factors to consider

especially in the study of the small firm growth. The owner/manager of the small firm has a tremendous impact on the direction of the firm when compared with the larger firm. Every activity in the organization is influenced by the owner/manager. These activities are either limited or enhanced by the owner/manager's educational background, experience and socio-economic background [28,29]. The *network of the owner/manager* is also an important resource for the small firm. Through networks, the small firm can enhance its knowledge base, receive more orders and improve production capabilities [29,30], and thus improve its performance [31,32]. Personal networks are the means through which owner/managers of the small firms can get access to other resources in the environment like information, finance or business related activities [32]. Mainly there are three types of networks; social networks are the relatives, friends, supporting networks are the organizations like banks, government and non-governmental organizations and inter-firm networks are the other private organizations in the environment. For the small firm the recommended type of network is the social linkages because they provide faster and cheaper access to other resources [32]. Through social networks, the owner/manager gathers information about the external environment and develops a better understanding of his own firm [31]. Being a member of a professional organization or ownership of other firms is also considered to be the networks of the small firm owner/manager [33]. Having *entrepreneurial parents* is considered to be an important factor for success [9,34]. Entrepreneurial parents form a role model and create management know-how for the individual entrepreneur [9]. Children of entrepreneurs learn the factors involved in running a business and consider establishing a new organization as a natural career option. Hence, it is hypothesized that having entrepreneurial parents will lead to success [9,35,34]. The owner/manger's *experience* can be divided into three components; entrepreneurial, managerial and industrial [31]. *Management experience* is the overall management experience of the owner/manager regardless of the industry and firm type [31]. Managerial experience can affect the performance through application of better management techniques [9,35]. *Industry experience* is having experience in the industry in which the firm operates [31]. This experience improves the understanding of key factors in an industry like knowledge about the products, technology, customers and suppliers. In addition, having industry experience indicates that the owner/manager has established relationships with customer and/or suppliers which will lead to superior firm performance [9,35,36]. Entrepreneurial experience in other words *previous ownership* is the number of involvements and role of the owner/managers in new venture creation [31]. This type of experience is also expected to have a positive impact on small firm's performance [9,31]. Involving in the establishment of different firms will provide the

entrepreneur with the opportunity of knowing the risks and problems associated with new venture formation [36, 37]. *Higher education* is a sign of analytical and technical knowledge and skills, commitment and discipline. Therefore, in the small firm higher education level of the owner/manager is expected to lead to better performance [9,31,33,35]. Especially receiving knowledge intensive and industry related education is proposed to be very advantageous for the owner/manager [36]. However, there are contradictory findings such as level of education negatively relates to growth [38]. In addition to the formal education, receiving some level and form of management and industry related training is also linked to high growth in small firm [33,39]. *Age of the owner/manager* is another dimension that has been widely researched and there are contradictory views of effects of age on the performance of the small firm [28,33,40,41]. Some researchers argue that younger owner/managers perform better since they are more motivated and proactive in trying new ways of doing things [28,40]. On the other hand, some argue that older owner/managers can manage their firms more effectively because they have more experience in the industry and management. In accordance, skills, competence and knowledge also increase with age. *Gender* is another factor that received attention in small firm literature. Female entrepreneurs are inclined to have less growth ambition and their firms grow at a less extent than male entrepreneurs [37].

In addition to the human capital of the small firm owner/manager, the human capital of the employees is also recommended to be included in the study of small firm success [42]. To be successful, the small firm has to build capabilities that attract and retain quality employees [5,36]. Research shows that human resources management (HRM) capabilities are influential on the success of small firms [5,21,43].

The main human resources management (HR) practices for larger organizations are HR planning, recruitment and selection, training and development, performance appraisal, compensation management, and employee relations [21]. However, the nature of human resources and capabilities in the small firm is and has to be different than the large organizations. First of all, in general, small business owner/managers pay less attention to HRM practices than finance, production and marketing [44,45]. Subsequently, in the small firm, the HR practices are more simple and uncomplicated [76]. The sophistication of HR practices increase with the size [45]. In small organizations, there is less likely to be a separate HR department and the HR practices are more likely to be informal [46,47,48]. HR practices are generally handled by the owner/manager of the small firm [45]. Three primary concerns of the small firm owner/manager are staffing, compensation and rewarding [46,49]. Their HR problems can be different from the larger ones because they face difficulty in finding and retaining key

employees. In small firms the recruitment is done through direct and inexpensive ways. They tend to employ informal recruitment practices [49]. The main recruitment channels are direct applicants, referrals and advertisements [50]. Selection is found to be positively related to high growth [36]. Selection in the small firm is mainly based on interviews. In smaller organizations, the most important selection criterion is the cultural values of the candidate rather than his skills or qualifications [50]. The owner/manager prefers to select people with similar cultural values to improve communication within the organization [29]. In line with this, the small firm owner/manager tries to match the employee competencies with organizational values and culture. The alignment of competencies with the requirements of jobs is not considered as an important concept for the small firm owner/managers [49]. Compensation is extremely important for the small firm. Small business owner/managers have to provide competitive wages to employees because it is the only way the small firm can retain its workforce [44]. Most of the research on small firm compensation system focused on the pay mix characteristics especially on incentives. In smaller organizations, incentives are mainly used for motivation and team work. The pay structures in small firms are flat because there are fewer managerial levels. Pay raises are not fixed to a certain date but certain levels of raises are given to employees when the firm is successful. Compensation is not systematic in smaller organizations. Training is also mostly informal in the small firm [47]. The type of training usually provided is on the job training. On the job training is mostly given by senior workers rather than professional trainers [46]. In fact, training and education is one of the areas that have been neglected by the small firms because they lack either willingness or resources like time and money to train [10,47,51]. The off-the-job trainings are regarded as waste of time and energy, because the employee will be away from the job for some time [46]. In general, training focuses on the deepening of a specific skill. In the small firm, the owner/managers need flexible employees. Hence, training in the small firm emphasizes multitasking rather than deepening of a specific skill [46]. Another reason for lack of training in the small firm is that the turnover rates of small firms are higher than their large counterparts. The small firm owner/manager considers training employees who could possibly leave as a waste of time, money and energy [10]. Cardon and Stevens [46] did not come across a research related to the performance management practices of the small firms but it is noted that formal performance appraisals are also rare in the small firms.

Another dimension that has to be added to the study of human resources in the small firm is the availability of human resources for the small firm. The availability of resources in terms of quantity and quality is extremely important on the firm's behavior because these

resources are needed for the organizational processes [24]. Thus, the quality and quantity of resources available to the small firm inevitably affect its growth rate [30,52]. Due to their size and lack of power, the small firms may not have a chance to employ all the required resources. Moreover, small firms mostly face problems in finding and acquiring necessary resources from the external environment which limit their growth [30]. Small firms may have difficulties in obtaining and using necessary resources and capabilities [46]. However, having access to these resources can be more important for the small firm. Having access to and employing resources will affect the performance and even survival of the small firm [26,46,53,54]. To sum up, the small firm should have access to valuable, rare and inimitable resources in order to grow [17,53]. This is also true for human resources. Penrose [20] also emphasizes the importance of human resources for organizations and considers shortage of labor as an important shortage. The small firm should at least have access to labor. They should have the ability to find and attract employees with right qualifications at an adequate cost.

#### IV. METHODOLOGY

The human resources and capabilities are assumed to have significant impact on the performance of the organizations [15]. To be successful, the small firm has to build capabilities to attract and retain quality employees [5,36,48]. Research shows that human resources management capabilities are influential on the success of small firm [5]. However, research on overall HR issues and HR-performance linkages in small firms is in fact rather limited [15,49,55,56]. Most of the studies on HR practices are applied to large firms. The basic HR theory is built upon the needs and challenges of larger, well-established organizations [49,56]. Therefore, it is rather difficult to derive information about human resources that are specific to small firm from HR literature [15,49,56]. It can be misleading to apply human resource theories developed for larger firms to smaller organizations since HRM practices of small and large firms are proven to be different [44,46]. In line with the deficiencies mentioned, this study tried to derive the human resources and capabilities that are specific to small firms from literature. Therefore, the human resources and capabilities dimensions in this research do not cover all the HR practices and they are tailored to meet the needs of the small firms. However, two dimensions that are specific to small firm are added: the resources and capabilities of the owner/manager and availability of the human resources. The owner/manager of the small firm is included as a human resource in this study. In the study of human resources and small firm growth, the owner/manager cannot be excluded since s/he is the most important "human resource" for the small firm. Availability of labor should not be left out because the small firm first has to

find the human resources to manage. Therefore they should easily have access to human resources.

In fact, human resources management and small business management are extensively studied disciplines by themselves. Moreover, the relation of HR practices with performance is a widely researched area [21,57]. Unfortunately, there is little evidence about the characteristics and impact of human resources in the small firm [58,75]. In other words, Human resources and capabilities in the small firms and their relation with performance lack empirical research [46,77]. This lack of information is problematic for research because little is known about the human resources in small firms. Cardon, and Stevens [46] analyzed the articles in scholar journals and found only 37 articles related to the HR issues in small and emerging firms. Among these 37 articles, only half of them were empirical. Heneman, Tansky, and Camp [49] examined scholar and practitioner literature and found that only 17 articles were empirical between 1984 and 1999. This study aims to fill this gap and provide empirical evidence on the importance of human resources and practices on the growth of small firms.

In addition, the main HRM concern has been on the well established large organizations operating in the USA. There is need for studies conducted in other countries in order to develop an “international perspective” for human resources practices in SMEs [49,77]. This study also aims to provide empirical evidence on the human resources and capabilities specific to small firms operating in a developing economy. Turkish small firms are important examples because Turkey and its institutions including the SMEs are going through dramatic changes since Turkey is making necessary adjustments to enter European Union. In addition, Turkey has a different cultural setting than Europe and USA. Conducting research in such a setting is beneficial for HR and small firm literature since this study will also test the applicability of theories developed in very different cultures.

Human resources are considered important internal factors according to the resource-based view. Therefore, our model is built upon resource based view. Although resource-based view has made valuable contributions to the study of organizations, this contribution is mostly at the theoretical level. There is still a great need for empirical studies to test and provide support for the theoretical model [15]. This study aimed to fill this gap and provide empirical evidence on the importance of internal factors on small firm growth.

As mentioned in the literature review, there are different definitions and classifications of resources and capabilities. In general, it is more logical to consider resources and capabilities like separate concepts. Resources are the inputs of production and capabilities are

the capacity of bundle of resources to perform particular activities or tasks [24]. In the context of large organizations, this separation of resources and capabilities can be more logical and accurate. In large and established organizations, as a result of formalization and departmentalization, it is easier to track the resources in other words “inputs of production” and their combinations. These resource combinations, in other words capabilities, usually take place in certain departments. However, in the small firm context, the separation of resources and capabilities is not so easy. For instance, the background and network of the owner/manager is a type of resource for the small firm, but these resources also function like capabilities if needed. The owner/manager may have a technical background, and this resource can turn into a production capability when required. Measuring resources and capabilities like two separate dimensions will be very difficult because most of the resources and capabilities are in the hands of the owner/manager. Therefore, in the study of the small firm, considering resources and capabilities like two separate dimensions is not necessary [41]. In this study, the resources and capabilities of the small firm are considered as a joint concept. According to the resource-based view, functions of human resources management can so be classified as “capabilities” [15]. As a last note, in this study generic rather than core or distinctive resources and capabilities are analyzed. Generic resources and capabilities are not specific to one organization and can be applied to different kind of organizations [59].

#### **IV.1. Measurement of Resources and Capabilities of the Owner/Manager**

The most important human resource for the small firm is the owner/manager. Although some studies found no relation between owner/manager characteristics and the performance [34], the characteristics of the owner/manager is still believed to be an important factor for the small firm growth. They should be taken into consideration in the empirical studies on the small firm growth because small firm is the extension of its owner/manager [28].

As the resources and capabilities of the owner/manager, age and gender are taken. In addition to that, educational background of the owner manager is also included. Educational background has two main components; formal educational level and trainings received. The trainings are analyzed in two parts; the level of management training and the level of industry related training he received. The work experience of the owner/manager is an important resource for the small firm. In this study, the work experience of the owner/manager composed of having work experience in larger firms, rapid growth firms, firms in other industries, as a manager in other firms, or in the establishment of

other businesses. Besides from professional and educational background, the family background that is having entrepreneurial role models in the family is also taken. Memberships to professional organizations are also included as resource in this study. The last component of this dimension is whether or not the owner/manager has responsibilities in other firms.

#### **IV.2. Measurement of Human Resources and Capabilities of the Small Firm**

The human resource practices are assumed to have significant impact on the performance of the organizations [15]. The human resources dimensions that will be used in this study are derived from the small business management literature. Therefore, these dimensions do not cover all the HR practices. The HR practices covered are defined in line with the characteristics of the small firm. The recruitment in the small firm covers the use of several sources for attracting new employees. These sources for the small firm are usually limited with advertisements on industrial magazines, the references of the current workforce and rarely the use of consultancies [60]. The selection function in the small firm is also not very complex. Thus this dimension covers the basic selection function determinants. Using or having job analysis information and using different selection techniques apart from the interview which is the most common technique among small firms are included in this function [60]. A selection criterion only specific to small firms is also covered. In the small firm, applicants having similar cultural values with the organization are preferred over applicants with required knowledge and skills [46]. The reason for this criterion is that due its small size one person not compatible with the organizational culture will affect other employees in a very short time. Most owner/managers assume that if the applicant has similar values, it is easier to provide the necessary skills to him. The orientation dimension of the small firm is operationalized by whether the orientation is given by the employer or not. In most of the small firms, the orientation is not formal and provided by the immediate supervisor or coworkers [46,60]. The training function in this study is the type and content of training. The type of training deals with whether or not the employees receive on the job or off the job training. Another important question in the small firm is whether the firm values and provides a budget for training at all or not. The content of training is also important because having a flexible and multi-skilled work force is an important characteristic of the small firm. In the small firm, the training contents are expected to focus on multitasking and flexibility [46,60]. The only tool to retain workforce is the compensation management because the turnover rate is high in the small firms [10]. In order to maintain the workforce, the small firm has to provide competitive wages, incentives and if possible performance related pay [60-62]. In the small

firm, the performance appraisal is usually informal. This informal appraisal system covers basic performance appraisal areas like explaining the appraisal criteria to employees and providing them feedback if required [60,63]. The only dimension in human resources and capabilities that is added by the authors is the career management. The extent to which the small firm can provide opportunities for promotion and advancement is expected to enable the organization to retain its qualified employees because the small firm faces difficulties in maintaining its workforce [64]. In addition, a growing small firm owner/manager is anticipated to have the capability to provide career opportunities for its qualified employees. This study also includes a separate dimension to human resources and capabilities. This dimension is the "availability of human resources" for the small firm. The resource availability is operationalized as having access to human resources in terms of cost and quality. This study aims to find out the availability of human resources for the small firm.

#### **IV.3. Growth**

In this study, a common definition of growth is used. Growth mainly refers to 'changes in size' [65]. Growth is a complex process and in literature several methods have been used to measure it [8]. The measurement of growth has vital importance for the research and evidently affects the results. The measurement of growth affects the relationship between independent and dependent variables which in turn affects the theory development. Therefore, data characteristics should be considered when determining the measurement of growth [8]. The basic growth indicators in literature are categorized as objective and subjective measurements of growth. In terms of objective measurements of growth, the most commonly used growth indicators are turnover/sales, employment and assets [8,10,33,41]. Between specified time periods, an increase in the sales, number of employees and assets are considered as indicators of a growing firm. Sales growth is the main indicator of growth because it is commonly acknowledged that without an increase in sales the firm is unlikely to hire new employees or invest in new machinery or plant [66, 67]. Subjective measures of the growth are the entrepreneur's own perception of the company's growth rate compared to its competitors. Delmar [8] considers subjective measures of growth not appropriate because they are the own perceptions of the entrepreneurs. On the other hand, Chandler and Hanks (1993, cited in [68]) found that the owners' subjective assessment of business performance was highly correlated with archival sales figures. However, the authors of this research finds it appropriate to follow Delmar [8]'s advice and use objective measures of growth. In the light of the information above, in our study, sales will be used as an indicator of growth. In other words, growth will be defined in terms of increase in sales. As mentioned

earlier, sales growth has been found to be the best growth measure in literature. It would be beneficial to measure growth in terms of sales because growth process starts with sales growth [22]. Among the three common measures of growth, sales figures are the most commonly used especially in the studies of small firm. Sales growth measures are more common because they are easily remembered by the small firm owner/manager compared to other performance indicators. Owner/managers also measure their firms' growth through sales which makes sales figures easier to obtain [65,69].

**IV.4. Proposed Research Model**

In line with the variables described above, the conceptual model of the impact of human resources and capabilities on sales growth in the small firm can be found in the following figure.

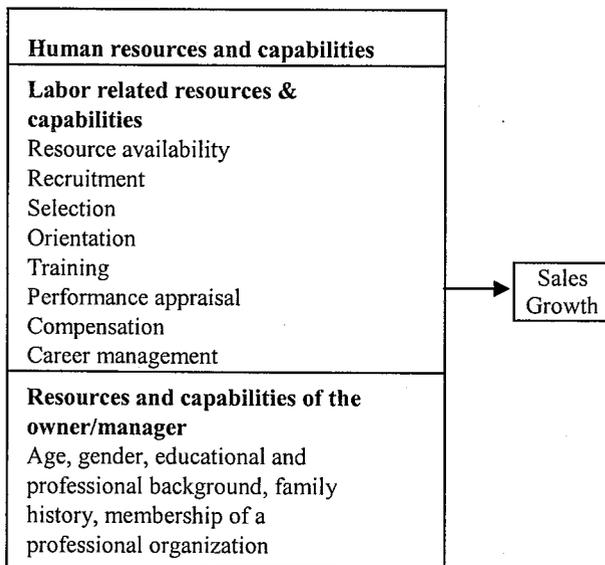


Figure.1. Proposed Research Model

**IV.5. Data**

Data for this study were collected from a sample of 221 small firms operating in two major industries in Istanbul, Turkey. Two distinct industries, a growing and a shrinking industry, are selected. The industries are automotive parts and components industry and textile industry. The rationale for choosing these two distinct industries was their growth rates. Automotive parts and components industry is a growing industry at the times of this study. Textile industry which has been the engine for Turkish economy for years is in decline. Recent studies focus on small and medium sized firms operating in high technology industries. However, still more research is needed about the SME's operating in more traditional industries and most of the SME's in most of the countries especially in developing countries are still trying to survive in such industries [70].

The study is conducted among SMEs in Istanbul. There are various definitions for small and medium sized enterprises. KOSGEB's definition of SMEs is used. KOSGEB (Small and Medium Industry Development Organization) is a governmental non-profit organization which is established to support SMEs operating in Turkey. According to this definition, in the manufacturing sector enterprises employing 1 to 50 employees are small sized enterprises. Medium sized enterprises are the ones which employ 51 to 150 employees in the manufacturing sector. In this study the firms employing less than 150 employees are included. Another important criterion for firm selection was that the small firm had to be independently owned and operated. The sample of this study was independently owned and operated manufacturing small firms employing less than 150 employees that operate in automotive parts and components industry and textile industry. A structured questionnaire was developed in order to investigate the factors related to small firm growth. Data was collected through personal face to face interviews and mail surveys. The questionnaire was conducted to the owner/managers of the SMEs because in small organizations the most knowledgeable person is the owner/manager [68]. In total, the questionnaire was applied to 221 firms in both industries. 109 firms were from automotive parts and components industry. 112 firms were from textile industry. The characteristics of the sample are provided in the Table 1 and 2. Most of the firms in the sample are small firms. 51.1 % of the whole sample has 11 to 50 employees. The small firms in our sample are quite young. 37.1% is less than 10 years old and only 12.2% is older than 30.

Table.1. Sample Distribution by Industry, Firm Age and Number Of Employees

	Frequency (n)	Percent (%)
<b>Industry</b>		
Automotive parts and components	109	49.3
Textile	112	50.7
<b>Total</b>	<b>221</b>	<b>100.0</b>
<b>Firm Age</b>		
<10 years old	82	38.1
10-20	71	33.0
20-30	35	16.3
>30 years old	27	12.6
<b>Total</b>	<b>215</b>	<b>100.0</b>
<b>No. of employees</b>		
1-10	62	28.1
11-50	113	51.1
51-150	46	20.8
<b>Total</b>	<b>221</b>	<b>100.0</b>

#### IV.6. Instrument

Data was collected through a structured questionnaire. The questionnaire is composed of 3 parts which are general information about the firm and the owner/manager, HRM practices and growth figures. The questionnaire has 57 items in total. 17 questions aim to measure the resources and capabilities of the owner/manager. These measures were based on studies by Barkham et al. [33], Storey [10] and Wiklund [41]. Human resources and capabilities scale is composed of availability of human resources, recruitment, selection, training, orientation, compensation, and appraisal and career management dimensions. Human resources and capabilities scale has 34 items. Questions about the availability of human resources are based on the study of Steiner, and Solem [62]. Recruitment is measured based on the study of de Kok, Uhlaner and Thurik [60]. Selection, training, orientation questions were developed in the light of Cardon, and Stevens [46] and de Kok, Uhlaner, and Thurik [60]'s studies. Compensation questions were derived from the studies of Khatri [21] and de Kok, Uhlaner, and Thurik [60]. Performance management questions were developed from Fombrun, and Wally [63] and de Kok, Uhlaner, and Thurik [60]. Career management questions are original and developed by authors influenced by the study of Kickul [64]. The owner/managers were asked to rate their degree of agreement with items on a six-point scale ranging from "strongly disagree"=1 to "strongly agree"=6.

#### IV.7. Measurement of Growth

In this research, the growth is measured by sales. Weinzimmer, Nystorm, and Freeman [67] points out the importance of inflation in growth studies and indicates that inflation adjustments are needed when growth is measured by changes in annual revenues or any other variable affected by inflation. Consequently, in this study the inflation adjustments were made by calculating differences in the Producer Price index between the years 2001 and 2004.

The time period that the growth is measured is another important issue. The most common time periods are five years, one year and three years [8]. In this study a three year period was chosen in order to analyze the growth rates of firms after the economic crisis in 2000.

The growth rate of each firm was calculated in the following manner. After the inflation adjustments were made to the sales figures, the growth rates were calculated. The adjusted sales figure of year 2001 was subtracted from the sales figure of year 2004. The result was divided to the adjusted sales figure of year 2001.

## V. RESULTS

### V.1. Reliability and Factor Analysis of Human Resources and Capabilities Scale

The human resources and capabilities scale had 34 items and the factor analysis was conducted. KMO was 0.847 and significance of Bartlett test was 0.000. When the principle component analysis with varimax rotation was conducted, the scale resulted in 9 factors. 9th factor had only one item therefore it was eliminated because this was not a real component. In the further factor analysis, the 8th factor also had one item therefore it was also eliminated. Then the items with factor loadings lower than 0.50 were eliminated and the result of the factor analysis was 7 factors. The eliminated dimensions were the "selection" and "orientation" components of human resources capabilities. When the reliability analysis was conducted for the remaining factors, the 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> factors were excluded because of low reliability. Then the factor analysis was conducted again. 4 factors with 18 items were extracted. These factors are also labeled in line with their operational definitions. "Performance Appraisal", "Training", "compensation Management" and "Availability of Human Resources" were the labels of the remaining factors with reliabilities of 0.802, 0.836, 0.706 and 0.653 respectively.

**Table.2. Reliability and Factor Analysis of Human Resources and Capabilities Scale**

	Factor load.
<b>Performance Appraisal</b>	
$\alpha=0.802$ ; Var. explained: 18.055	
We inform employees about the performance standards.	0.825
We provide performance related feedback to our employees.	0.813
The expectations for performance are defined.	0.783
We can provide career opportunities for our qualified employees.	0.617
We evaluate performance of our employees on regular basis.	0.609
<b>Training</b>	
$\alpha=0.836$ ; Var. explained: 17.390	
We aim to give training that focuses on multitasking to our employees.	0.755
Our firm values training.	0.711
Generally formal in-house training by professionals is provided to our employees.	0.692
Generally we send our employees to training.	0.667
There is a budget available for formal training in our company.	0.649
Generally formal in-house training by internal staff is provided to our employees.	0.600

**Table.2. Reliability and Factor Analysis of Human Resources and Capabilities Scale (cont.)**

<b>Compensation management</b>	
$\alpha=0.706$ ; Var. explained: 14.405	
We give bonuses on annual basis to our employees.	0.763
We can provide additional financial benefits.	0.684
We give incentives for individual accomplishments to our employees.	0.668
We reward outstanding employee performance.	0.534
<b>Availability of human resources</b>	
$\alpha=0.653$ ; Var. explained: 10.713	
We can easily find low-cost workforce.	0.784
We can easily find qualified workforce.	0.714
We can easily find educated workforce.	0.692
<b>Total Variance Explained: 60.562; <math>\alpha=0.856</math></b>	
<b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</b>	0.847
<b>Bartlett's Test of Sphericity</b>	
App. Chi-Square	1463.0
df	50
Sig.	153
	0.000

**V.2. Multiple Regression Model for Human Resources Management Capabilities and Sales Growth**

Among the capabilities of human resources management, the capabilities that had a significant and positive correlation with sales growth are compensation management and training ( $R^2= 0.241$   $F= 32.260$ ,  $p=0.000$ ). Compensation management and training together explains 24.1% of the sales growth in small firms. Compensation management has the highest contribution and training has a lower contribution with  $\beta = 0.351$  and  $\beta = 0.238$  respectively. Availability of resources and performance appraisal do not have a significant relation with the sales growth.

**Table.3. Multiple Regression Results for Human Resources and Capabilities and Sales Growth**

Independent Variables		Dependent Variable	
	$\beta$ coefficients		
Compensation management	0.351	Sales growth	$R^2=0.241$ $F=32.260$ $p=0.000$
Training	0.238		

**V.3. Independent Sample t-Test Results for Sales Growth**

In this part, the direct relationships between the resources and capabilities of the small firm owner/manager and sales growth are analyzed by using

Independent Sample t-Test and the results are represented in Table.4. A significant relation is found between management training and sales growth ( $t=-4.546$ ,  $p=0.000$ ). Owner/managers who have received management training have firms with higher levels of sales growth than the owner/managers who have not receive management training (mean training=114.615, mean no training=32.213). in addition to that, the owner/managers that have received training related to industry have higher levels of sales growth whereas the owner/managers that have not received this type of training have lower levels of sales growth ( $t=-3.959$ ,  $p=0.000$ , mean training=101.053, mean no training=34.423). The sales growth is higher in the firms in which the owner/managers have an entrepreneurial role model in the family ( $t=-2.479$ ,  $p=0.014$ , mean no=50.236, mean yes= 93.738). A significant result is found between the owner/manager's involvement in another firm and sales growth ( $t=-2.655$ ,  $p=0.009$ ). The owner/managers who are involved in another firm's activities have firms with higher levels of sales growth than the firms whose owner/managers are not involved in such an activity (mean no=62.632, mean yes=118.163). Membership of professional organizations and sales growth also revealed significant results ( $t=-2.416$ ,  $p=0.017$ ). The owner/managers who are members of professional organizations are have higher levels of sales growth than the firms which are not members (mean no=49.080, mean yes=92.348).

**VI. CONCLUSION**

The overall aim of this paper has been to investigate whether human resources and capabilities influence the sales growth of small firms. In the conceptual model, two general human resources and capabilities were hypothesized to influence sales growth; labor related resources and capabilities and resources and capabilities of the owner/manager. Labor related resources and capabilities are resource availability, recruitment, selection, orientation, training, performance appraisal, compensation and career management. Resources and capabilities of the owner/manager are age, gender, educational background, professional background, family history, and membership of a professional organization.

The multiple regression analysis results show that two important human resource and capability for the small firm are compensation management and training. In addition, an owner/manager with management and industry training, entrepreneurial role models, additional assignments in other firms and professional organizational membership is also a growth related resource for the small enterprises.

**Table.4. Independent Sample t-Test Results for Resources and capabilities of the owner/manager and Sales Growth**

		N	Mean	Std. Dev.		t	p
<b>Management training</b>	<b>No training</b>	122	32.213	90.524	<b>Equal Variances assumed</b>	-4.997	0.000
	<b>Training</b>	78	114.615	142.798	<b>Equal Variances not assumed</b>	-4.546	0.000
		<b>Levene's test for Equality of variances</b>			<b>F</b> 8.776	<b>P</b> 0.003	
<b>Industry Training</b>	<b>No training</b>	104	34.423	101.109	<b>Equal Variances assumed</b>	-3.959	0.000
	<b>Training</b>	95	101.053	135.181	<b>Equal Variances not assumed</b>	-3.908	0.000
		<b>Levene's test for Equality of variances</b>			<b>F</b> 3.778	<b>P</b> 0.053	
<b>Entrepreneurial role model</b>	<b>No</b>	106	50.236	118.355	<b>Equal Variances assumed</b>	-2.479	0.014
	<b>Yes</b>	103	93.738	134.992	<b>Equal Variances not assumed</b>	-2.474	0.014
		<b>Levene's test for Equality of variances</b>			<b>F</b> 0.680	<b>P</b> 0.411	
<b>Involvement in another firm</b>	<b>No</b>	171	62.632	129.456	<b>Equal Variances assumed</b>	-2.655	0.009
	<b>Yes</b>	49	118.163	127.740	<b>Equal Variances not assumed</b>	-2.675	0.009
		<b>Levene's test for Equality of variances</b>			<b>F</b> 0.807	<b>P</b> 0.370	
<b>Membership of professional organizations</b>	<b>No</b>	87	49.080	142.911	<b>Equal Variances assumed</b>	-2.416	0.017
	<b>Yes</b>	132	92.348	120.237	<b>Equal Variances not assumed</b>	-2.332	0.021
		<b>Levene's test for Equality of variances</b>			<b>F</b> 0.000	<b>P</b> 0.996	

The most outstanding and consistent finding of this study is the importance of training for the small firms. Training received both by the employees and small firm owner/managers lead to sales growth in manufacturing small firms. This finding proves that any kind of training enhances small firm growth. This confirms the vitality of training for the small firm. However, in literature there is no consistent evidence that supports the positive impact of training on small firm growth and performance [71, 77]. Studies of Wynarczyk et al. [72], Boreham et al. [73] and The Cambridge Small Business Research Center [74] were unable to detect positive relationships between training and small firm performance. On the other hand, Bishop (1994 cited in [71]) found positive link between training and productivity. Faems et al. [55] also found a relationship between training and productivity. Besides from financial performance measures, literature provides evidence for the benefits of training for individuals in terms of increased job satisfaction, increased job commitment or higher earnings. It can be argued that these benefits for the individual eventually enhance the performance of the organization. Policy makers need to

recognize the positive impact of training upon small firm performance. Although it is the duty of the small firm to get training, the policy makers have to develop incentive and training support systems which encourage small firms to provide training [71].

In order to retain their employees, the only way is to provide them adequate compensation. The turnover rate among small firms is rather high. Therefore, the distinct tool that the small firm has is the presence of competitive compensation [44]. In this study, as well compensation is found to be related to higher small firm growth. Faems et al. [55] found that compensation had a significant positive impact on productivity and profitability. They also found that compensation practices have a positive impact on personnel costs/value added.

In line with the literature, an owner/manager with entrepreneurial parents is an important resource for the small firm. Cooper, Gimeno-Gascon, and Woo [35] also found that having entrepreneurial role models in the family lead to survival. Having entrepreneurial parents

would enable the small firm owner/manager to have easier access to several resources like managerial expertise and finance because the self-employed parents can provide them these resources.

Networking activities of the owner/manager is also found to be related to small firm growth. Membership of professional organizations is a networking activity which enables the owner/manager to acquire business and industry related information easily. Being a member of a professional organization enables the small firm owner/manager to be a part of a professional network. This professional network provides access to information on recent developments and innovations. In addition, this membership indicates that this type of small firm owner/manager is curious and aim for personal and business development [33]. Having additional responsibilities in other firms enhances the vision and experience of the owner/manager. These other firms can be in the same industry or in other industry. This difference is not covered in this study. In our opinion, this makes no great difference because working in the same industry deepens the knowledge of the small firm owner/manager. On the other hand, having additional responsibilities in other industries enhances the vision of the small firm owner/manager and enables him/her to identify new opportunities in the new markets [33]. Therefore, this finding is not surprising.

This study also aimed to make contributions to the human resources and capabilities of small firms' literature. This study applied a theoretical framework utilized in developed economies to a developing economy and proved that small firms operating in Turkey and small firms operating in a developed economy have similar human resources and capabilities. Therefore, it can be argued that human resources and capabilities literature and theories are in fact applicable to different cultural settings. Another important contribution of this study is that small firms in our sample had human resources and capabilities similar to larger organizations. This finding can enhance the small firm and human resource literature because it proves that theories developed for larger organizations can be applied to smaller firms. Therefore, instead of developing new models for smaller organizations, the existing models can be applied to smaller organizations and then theories specific to small firms can be formulated.

It can be concluded that growing and successful small firms are the result of the human resources they employ. Human resources and practices are vital components for firm performance and the situation in the small firm is similar.

## VII. LIMITATIONS

Growth is a process that needs time to happen and has to be measured over time [22]. Therefore, the first point is to use longitudinal data in order to measure growth [8]. However, in this study the growth will be measured from an earlier point in time up to the time of investigation. This is the most common approach in growth studies due to difficulties in obtaining longitudinal organizational data.

In literature, it is highly recommended to use multiple indicators to measure growth rather than using a single indicator [8]. The characteristics of each country's economy or the industry of the firm may affect different growth indicators. For instance, under the circumstances of inflation, it is recommended to measure growth by numbers of employees. Growth in terms of assets is appropriate for manufacturing sector [8]. Although all of these measures can be used to measure growth from a multidimensional perspective, each of the measures assess different concepts [67]. In other words, the variables affecting sales and number of employees are different [66]. Keeping this in mind, further studies may use different measurements of growth.

This study only covered human resources and capabilities that are specific to small firms. Other human resources management concepts like development and utilization of human resource strategy in the small firm can be an interesting topic for further investigation.

## REFERENCES

- [1] Lin, Y.C. (1998). Success Factors of Small-and Medium-Sized Enterprises in Taiwan: An Analysis of Case. *Journal of Small Business Management*, 36(4), 43-56.
- [2] Morrison, A.; Breen, J. & Ali, S. (2003). Small Business Growth: Intention, Ability and Opportunity. *Journal of Small Business Management*, 41(4), 417-425.
- [3] Poutziouris, P. (2003). The Strategic Orientation of Owner/Managers of Small Ventures. *International Journal of Entrepreneurial Behavior and Research*, 9(5), 185-214.
- [4] Ibrahim, A.B. & Goodwin, J.R. (1986). Perceived Causes of Success in Small Business. *American Journal of Small Business*, 2(11), 41-50.
- [5] Lussier, R. & Pfeifer, S. (2001). A Crossnational Prediction Model for Business Success. *Journal of Small Business Management*, 39(3), 228-239.
- [6] Hart, M. & McGuiness, S. (2000). Exploring Small Firm growth in the UK Regions 1994-1997. *Northern Ireland Economic Research Center Working Paper Series*. No: 50.

- [7] Sadler-Smith, E.; Hampson, Y.; Chaston, I. & Badger, B. (2003). Managerial Behavior, Entrepreneurial Style and Small Firm Performance. *Journal of Small Business Management*, 41(1), 47-67.
- [8] Delmar, F.(1997). Measuring Growth: Methodological Considerations and Empirical Results. (Eds.: Donckels, R. & Miettinen, A.). *Entrepreneurship and SME Research: On its way to the next millennium*. London: Ashgate Publishing Ltd., 199-215.
- [9] Papadaki, E. & Chami, B. (2002). *Growth Determinants of Micro-Businesses in Canada*. Research report presented at CEA 37th Annual Meetings Thursday, May 29-June 1, 2003. ([http://strategis.ic.gc.ca/epic/internet/insbrp-rppe.nsf/vwapj/growth\\_determinants.pdf/\\$FILE/growth\\_determinants.pdf](http://strategis.ic.gc.ca/epic/internet/insbrp-rppe.nsf/vwapj/growth_determinants.pdf/$FILE/growth_determinants.pdf)). [12.03.2004].
- [10] Storey, D.J. (1994). *Understanding the Small Business Sector*. London: Routledge.
- [11] Yonggui W.; Yuli, Z. & Lo, H. (2002). *The Key Factors Distinguishing High-Growth Small And Medium-Sized Enterprises From Those Of Poor Performance: Evidence From China*. ([www.ncer.tsinghua.edu.cn/lunwen/paper2/wp200212.pdf](http://www.ncer.tsinghua.edu.cn/lunwen/paper2/wp200212.pdf)). [31.03.2006].
- [12] DİE (2003). *2002 Genel Sanayi ve İşyerleri Sayımı*. ([http://www.die.gov.tr/sanayi\\_sayimi/gsisII141003.pdf](http://www.die.gov.tr/sanayi_sayimi/gsisII141003.pdf)). [20.12.2003].
- [13] Sarıaslan, H. (2001). Avrasya ve Türkiye’de KOBİ’lerin ekonomik kalkınmadaki yeri ve Önemi. *1. Avrasya Küçük ve Orta Ölçekli İşletmeler Kongresi*, Bişkek, Kırgızistan, 27-35.
- [14] Yılmaz, F. (2003). *Türkiye’de Küçük ve Orta Boy İşletmeler*. İktisadi Araştırmalar ve Planlama Müdürlüğü. ([www.isbank.com.tr/dosya/ekon-tr\\_kobiler2004.pdf](http://www.isbank.com.tr/dosya/ekon-tr_kobiler2004.pdf)). [31.03.2006].
- [15] Carmeli, A. & Tishler, A. (2004). Resources, Capabilities, and the Performance of Industrial Firms: A Multivariate Analysis. *Managerial and Decision Economics*, 25(6/7), 299-315.
- [16] De Kok, J. & Uhlaner, L. (2001). Organisation Context and Human Resource Management in the Small Firm. *Small Business Economics*, 17(4), 273-291.
- [17] Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120.
- [18] Teece, D.J.; Pisano, G. & Shuen, A. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18(7), 509-533.
- [19] Wernerfelt, B. (1984). A Resource Based View of the Firm. *Strategic Management Journal*, 5(2), 171-180.
- [20] Penrose, E. (1959). *The Theory of Growth of the Firm*. New York: John Wiley & Sons.
- [21] Khatri, N. (2000). Managing Human Resource for Competitive Advantage: A Study of Companies in Singapore. *The International Journal of Human Resource Management*, 11(2), 336-365.
- [22] Davidsson, P. & Wiklund, J. (2000). Conceptual and Methodological Challenges in the Study of Firm Growth. In Sexton, D. & H. Landström (Eds.). *Blackwell's Handbook of Entrepreneurship*. Oxford, MA: Blackwell, 26-44.
- [23] Ray, G.; Barney, J.B. & Muhanna, W.A. (2004). Capabilities, Business Processes, and Competitive Advantage: Choosing the Dependent Variable in Empirical Tests of the Resource-Based View. *Strategic Management Journal*, 25(1), 23-37.
- [24] Grant, R.M. (1991). The Resource Based Theory of Competitive Advantage: Implications for Strategy Formulation. *California Management Review*, 33(3), 114-135.
- [25] Ethiraj S.K.; Kale, P.; Krishnan, M.S. & Singh, V.J. (2005). Where Do Capabilities Come From and How Do They Matter? A Study in the Software Services Industry. *Strategic Management Journal*, 26(1), 25-45.
- [26] Chandler, G. & Hanks, S. (1994). Market Attractiveness, Resource-Based Capabilities, Venture Strategies and Venture Performance. *Journal of Business Venturing*, 9(4), 331-349.
- [27] Greene, P.G. & Brown, T.E. (1997). Resource Needs and the Dynamic Capitalism Typology. *Journal of Business Venturing*, 12(3), 161-173.
- [28] Miller, D. & Toulouse, J.M. (1986). Strategy, Structure, CEO Personality and Performance in Small Firms. *American Journal of Small Business*, 10(3), 47-61.
- [29] Yu, T.F.L. (2001). Toward a Capabilities Perspective of the Small Firm. *International Journal of Management Review*, 3(3), 185-197.
- [30] Gibb, A. & Davies, L. (1990). In Pursuit of Frameworks for the Development of Growth Models of the Small Business. *International Small Business Journal*, 9(1), 15-31.
- [31] Lee, D. & Tsang, E. (2001). The Effects of Entrepreneurial Personality, Background and Network Activities on Venture Growth. *Journal of Management Studies*, 38(4), 583-602.
- [32] Premaratne, S.P. (2001). Networks, Resources, and Small Business Growth: The Experience in Sri Lanka. *Journal of Small Business Management*, 39(4), 363-371.

- [33] Barkham, R.; Gudgin, G.; Hart, M. & Hanvey, E. (1996). *The Determinants of Small Firm Growth*. Gateshead, Tyne and Wear, UK: Athenaeum Press.
- [34] Sandberg, W.R., & Hofer, C.W. (1987). Improving New Venture Performance: The Role of Strategy, Industry Structure, and the Entrepreneur. *Journal of Business Venturing*, 2(1), 5-28.
- [35] Cooper, A.C.; Gimeno-Gascon, F.J. & Woo, C.Y. (1994). Initial Human and Financial Capital as Predictors of New Venture Performance. *Journal of Business Venturing*, 9(5), 371-395.
- [36] Barringer, B.R.; Jones, F.F. & Neubaum, D.O. (2005). A Quantitative Content Analysis of the Characteristics of Rapid-Growth Firms and Their Founders. *Journal of Business Venturing*, 20(5), 663-687.
- [37] Welter, F. (2001). Who Wants To Grow? Growth Intentions and Growth Profiles of (Nascent) Entrepreneurs in Germany. (Eds.: Reynolds, P.D.; Bygrave, W.D.; Carter, N.M.; Davidsson, P.; Gartner, W.B.; Mason, C.M. & McDougall, P.P.). *Frontiers of Entrepreneurship Research*. Wellesley, Ma: Babson College, 91-100.
- [38] Dyke, L.S.; Fischer, E.M. & Reuber, A.R. (1992). An Inter-Industry Examination of the Impact of Own Experience on Firm Performance. *Journal of Small Business Management*, 30(4), 72-87.
- [39] Birley, S. & Westhead, P. (1990). Growth and Performance Contrasts Between "Types" of Small Firms. *Strategic Management Journal*, 11(7), 535-557.
- [40] Cragg, P.B. & King, M. (1988). Organizational Characteristics and Small Firms Performance Revisited. *Entrepreneurship Theory and Practice*, 13(2), 49-64.
- [41] Wiklund, J. (1998). Small Firm Growth and Performance: Entrepreneurship and Beyond. *Doctoral Dissertation*. Jönköping: Jönköping International Business School.
- [42] Rauch, A., & Frese, M. (2000). Psychological Approaches to Entrepreneurial Success: A. General Model and an Overview of Findings. (Eds.: Cooper, C.L. & Robertson, I.T.). *International Review of Industrial and Organizational Psychology*. 15. Chichester Sussex: Wiley & Sons. 101-142.
- [43] Schuler, R.S. & Jackson, S.E. (1987). Linking Competitive Strategies with Human Resource Management Practices. *Academy of Management Executive*, 1(3), 207-219.
- [44] Deshpande, S. & Golhar, D. (1994). HRM Practices in Large and Small Manufacturing Firms: A Comparative Study. *Journal of Small Business Management*, 32(2), 49-56.
- [45] Hornsby, J.S. & Kuratko, D.F. (1990). Human Resource Management in Small Business: Critical Issues for the 1990s. *Journal of Small Business Management*, 28(3), 9-18.
- [46] Cardon, M.S. & Stevens, C.E. (2004). Managing Human Resources in Small Organizations: What Do We Know? *Human Resource Management Review*, 14(3), 295-323.
- [47] Kotey, B. & Slade, P. (2005). Formal human resource management practices in small, growing firms. *Journal of Small Business Management*, 43, 16-40.
- [48] Pearson, T.R.; Stringer, D.Y.; Mills, La Velle H. & Summers, D.F. (2006). Micro vs Small Enterprises: A Profile of Human Resource Personnel, Practices and Support Systems. *Journal of Management Research*, 6(2), 102-112.
- [49] Heneman, R.; Tansky, J. & Camp, S. (2000). Human Resource Management Practices in Small and Medium-Sized Enterprises: Unanswered Questions and Future Research Perspectives. *Entrepreneurship Theory and Practice*, 25(1), 11-26.
- [50] Heneman, H.G. & Berkley, R. (1999). Applicant Attraction Practices and Outcomes among Small Businesses. *Journal of Small Business Management*, 37(1), 53-74.
- [51] Voss C.A.; Blackmon, K.; Cagliano, R.; Hanson, P. & Wilson, F. (1998). Made in Europe: Small Companies. *Business Strategy Review*, 9(4), 1-20.
- [52] Covin, J.G. & Slevin, D.P. (1997). High Growth Transitions: Theoretical Perspectives and Suggested Directions. (Eds.: Sexton, D. & Smilor, R.). *Entrepreneurship 2000*. Chicago: Upstart Publishing, 99-129.
- [53] Chrisman, J.J.; Bauerschmidt, A. & Hofer, C.W. (1998). The Determinants of New Venture Performance: An Extended Model. *Entrepreneurship: Theory & Practice*, 23(1), 5-30.
- [54] Pelham, A.M. (1999). Influence of Environment, Strategy, and Market Orientation on Performance in Small Manufacturing Firms. *Journal of Business Research*, 45(1), 33-46.
- [55] Faems, D.; Sels L.; De Winne, S. & Maes, J. (2005). The effect of individual HR domains on financial performance: evidence from Belgian small businesses. *International Journal of Human Resource Management*, 16(5), 676-700.
- [56] Tansky, J. & Heneman, T. (2003). Guest editors' note: Introduction to the special issue on human resource management in SMEs: A call for more research. *Human Resource Management*, 42(4), 299-302.
- [57] Gardenne D. (1998). Critical Success Factors For Small Business: An Inter-Industry Comparison. *International Small Business Journal*, 17(1), 36-37.
- [58] Keating, M. Olivares, M. (2007), Human Resource Management Practices in Irish High-Tech Start-Up Firms. *Irish Journal Of Management*, 28(2), 171-192.

- [59] O'Regan, N. & Ghobadian, A. (2004). The Importance of Capabilities for Strategic Direction and Performance. *Management Decision*, 42(2), 292-312.
- [60] De Kok, J.; Uhlaner, L. & Thurik, A.R. (2003). Human Resource Management With Small Firms; Facts and Explanations. *Erasmus Research Institute of Management, Report Series* No. ERS-2003-015-STR.
- [61] Chaganti, R. & Chaganti, R. (1983). A Profile of Profitable and Not-So-Profitable Small Businesses. *Journal of Small Business Management*, 21(3), 43-52.
- [62] Steiner, M. & Solem, D. (1988). Factors for Success in Small Manufacturing Firms. *Journal of Small Business Management*, 26(1), 51-56.
- [63] Fombrun, C.J. & Wally, S. (1989). Structuring Small Firms for Rapid Growth. *Journal of Business Venturing*, 4(2), 107-222.
- [64] Kickul J. (2001). Promises Made, Promises Broken: An Exploration of Employee Attraction & Retention Practices in Small Business. *Journal of Small Business Management*, 39(4), 320-335.
- [65] Davidsson, P.; Achtenhagen, L. & Naldi, L. (2004), Research on Small Firm Growth: A Review. *35th Entrepreneurship, Innovation, and Small Business Conference 2005*, Barcelona, 12-14 September 2005.
- [66] Delmar, F. & Davidsson, P. (1998). A Taxonomy of High-Growth Firms. (Eds.: Reynolds, P.D.; Bygrave, W.D.; Carter, N.M.; Davidsson, P.; Gartner, W.B.; Mason, C.M. & McDougall, P.P.). *Frontiers of Entrepreneurship Research*. Wellesley, MA: Babson College, 399-413.
- [67] Weinzimmer, L.G.; Nystrom, P.C. & Freeman, S.J. (1998). Measuring Organizational Growth: Issues, Consequences and Guidelines. *Journal of Management*, 24(2), 235-262.
- [68] Lyon, D.W.; Lumpkin, G.T. & Dess, G.G. (2000). Enhancing Entrepreneurial Orientation Research: Operationalizing and Measuring a Key Strategic Decision Making Process. *Journal of Management*, 26(5), 1055-1085.
- [69] Hoy, F.; McDougall, P.P. & Dsouza, D.E. (1992). Strategies and Environments of High-Growth Firms. (Eds.: Sexton, D.L. & Kasarda, J.D.). *The State of the Art of Entrepreneurship*. Boston, MA: PWS-Kent Publishing, 341-357.
- [70] Edelman L.F.; Brush, C.G. & Manolova, T. (2005). Co-Alignment in the Resource-Performance Relationship: Strategy as Mediator. *Journal of Business Venturing*, 20(3), 359-383.
- [71] Westhead, P. & Storey, D.J. (1997). Training provision and the development of small and medium-sized enterprises. *DfEE Research Report* No. 26, London, DfEE/HMSO.
- [72] Wynarczyk, P.; Watson, R.; Storey, D.; Short, H. & Keasey, K. (1993). *Managerial Labour Markets in Small and Medium Sized Enterprises*. London: Routledge.
- [73] Boreham, P.; Lafferty, G.; Roan, A. & Whitehouse, G. (1996). Training, Careers and Numerical Flexibility: equity Implications in Hospitality and Retailing. *Journal of Industrial Relations*, 38(1), 3-21.
- [74] Cambridge Small Business Centre (1992). *The State of British Enterprise: Growth, Innovation and Competitive Advantage in Small and Medium Sized Firms*. Cambridge: University of Cambridge.
- [75] Katz, J.A.; Aldrich, H.E.; Welbourne, T.M. & Williams, P.M. (2000). Guest Editors Comments Special Issue on Human Resource Management and The SME: Toward a New Synthesis. *Entrepreneurship Theory and Practice*, 25(1), 7-10.
- [76] Wang, T & Thornhill, S. (2008), Paying Right or Paying High: The Role of Compensation Policy and Employee Participation in Improving Smes' Entrepreneurial Action. *Academy of Management Proceedings (Best Paper Proceedings)*, 1-6,
- [77] Zheng, C., Morrison, M. & O'Neill, G. (2006). An empirical study of high performance HRM practices in Chinese SMEs. *International Journal of Human Resource Management*, 17(10), 1772-1803

**Gülruh GÜRBÜZ** ([gurbuz@marmara.edu.tr](mailto:gurbuz@marmara.edu.tr)) is an Associate Professor of Management and Organization in the Department of Business Administration at the Faculty of Economics and Administrative Sciences, Marmara University. Her research interests are strategic management and all human resources related issues.

**Sinem AYKOL** ([sergun@marmara.edu.tr](mailto:sergun@marmara.edu.tr)) is a lecturer of Management and Organization in the Department of Business Administration at the Faculty of Economics and Administrative Sciences, Marmara University. Her research interests are entrepreneurship, small business management and entrepreneurial strategy making.