

Smallness of firm and HRM: the key role played by proximity

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Abstract: Using the concept of SMEs developed by the GREPME (Canada), the authors show that all the standard characteristics of SMEs can be interpreted as a particular form of proximity: *hierarchical proximity*, *functional proximity*, *spatial proximity*, *temporal proximity*, *coordination proximity* and so on. Proximity creates the conditions needed for action in a centralised organisation that has a low level of specialisation, simple internal and external information systems and intuitive, or barely formalised, strategies.

Keywords : HRM, SME, proximity

“A small business is not a little big business” This is almost certainly the most commonly quoted sentence in introductory chapters to books and articles on the management of SMEs. Over time, the postulate of the SME as an entity governed by specific laws of management has established itself as a genuine paradigm structuring research in the field (Torrès and Julien, 2005), giving legitimacy to the creation of scientific journals and research associations like the ICSB (*International Council for Small Business*) in the English-speaking world or the AIREPME (*Association Internationale de Recherche en Entrepreneuriat et PME*, International Association for Research in Entrepreneurship and SMEs) in French-speaking countries.

This paradigm of the specificity of SMEs has now been widely accepted. It nevertheless has one major drawback. It does not precisely define the specificity of SMEs. If SMEs are specific, it must also be admitted that large companies are, too (Aldrich and Auster, 1986). Using the same term, *specificity*, to define two such fundamentally different realities is clearly unsatisfactory. The two types of specificity thus need to be qualified and given a more precise term.

The argument that we put forward is that the specificity of the management of SMEs is proximity. Proximity refers to the classic concepts of family, friendship and neighbours, as well as to more modern concepts such as “link” and “social capital”. All these concepts have the particularity of revealing a great importance for the small business.

Taking the “proximity” factor into account when discussing the management of SMEs is part of a broader research trend that grants greater importance to relational aspects than to transactional aspects. It is precisely the importance and quality of these relations that are one of the key points of the analysis of the specificities of SMEs. Fuller (2003) even states that relations and personalisation are at the very heart of the specificity of the management of SMEs. “Small businesses embody the personalities of their owners, and their ways of doing business with stakeholders are largely personal. The human “touch” and personal networks create the opportunity for enterprises with little market or financial power to stay more in control of their future” (Fuller, 2003). These remarks coincide with those made by Gibb (1997: 18), “The very essence of small company management is the personal day-to-day handling of transactional and other relationships with networks of customers, suppliers, bankers, accountants, solicitors, agents, marketing channels, workers and regulatory authorities as well as (more intimately) acquaintances, friends and family” (Gibb, 1997: 18).

The aim of this article is first to propose a reformulation of the concept of SME and to show to what extent proximity can be considered as the federating element behind the specificity of the management of SMEs. Secondly, we will show how proximity can also qualify finance in SMEs.

1. SME like a proximity management model

To highlight the central role of proximity in managing SMEs, we will use the concept of SME formulated by Julien (1990; 1998)¹. This concept is characterised by small size, 1) centralised management, 2) a low level of labour specialisation, 3) simple, informal and direct internal and external information systems and 4) intuitive, implicit and short-term strategy. We will demonstrate to what extent each of these specificities of SME management can be analysed as a particular form of proximity.

1. 1. From centralised management to hierarchical proximity

The management style of an SME is highly centralised, sometimes exclusively concentrated on the person of the company owner-director, to such an extent that in opposition to the hyperfirm, which defines an extremely large multinational company, we can propose the term “*Egofirm*” to define a small, or very small, business. Although it is generally admitted that the level of centralisation depends on the size of the company, on the character of the director and on the value of his subordinates, it also depends on the conditions of the company. The considerable centralisation of the owner-director’s power can be effective only under conditions of great proximity and within the framework of a compact structure. It is because he is in close contact with his employees that the owner-director increases his hierarchical domination. The influence of the owner-director on his company depends on his omnipresence. “As it is uncommon for a small company to have several geographically dispersed sites, the owner-director can be personally acquainted with almost every employee and is able to assess his or her qualities. Moreover, he is personally known to all of them” (Barreyre, 1967). The small dimension of SMEs thus facilitates the multiplication of direct,

¹ According to Boissin, Castagnos and Guieu (2000), who have conducted a detailed bibliometric study on works devoted to the subject of SMEs for the period 1990-1995 into the French-speaking area, one very clear result is that scientific production is concentrated on the dominant authors and centres. The most notable result, beyond the number of articles published, is that Pierre André Julien is one of the most often cited authors (with Michel Marchesnay), making this author the central pivot in a network on the specificity of SMEs.

personal contact and a management style often directed towards tasks and people. “Better integration such as this leads to a personal valorisation for individuals and, in cases where the owner-director is the mainspring of this valorisation, centralisation will be more than accepted: it will be wished for.” (Gervais, 1978).

Ultimately, the high level of centralisation of SME management styles, as well as the weakness of their hierarchical structure, are features which can only be enhanced in a context of proximity. Proximity increases centralisation and lessens interest in creating intermediaries. This phenomenon of intensification of the centralisation of SMEs can be interpreted as a form of *hierarchical proximity*.

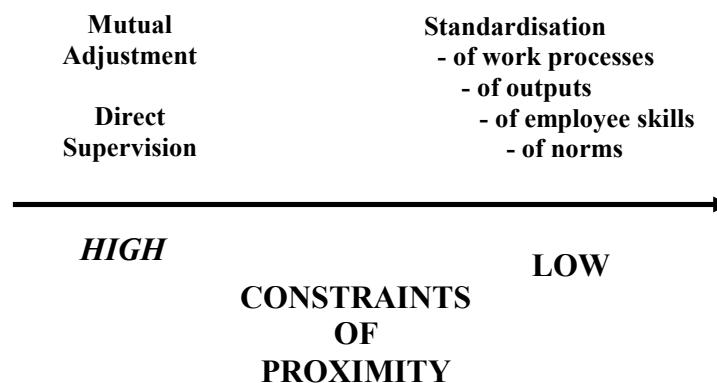
1. 2. From a low level of specialisation to functional proximity

According to Capet, Causse and Meunier (1986), “in small companies, the division of work is not very intensive. Only a few services or functions are concerned. Many tasks are performed by the owner-director, who not only manages, but also plays the role of service manager, and even carries out tasks himself”. SMEs can be considered as “a whole, where all the functions are integrated or at least very highly connected, and where the owner-director controls every aspect, managing several functions and taking part personally in some of them” (Julien and Marchesnay, 1992). Generally, small companies seem to have a low level of specialisation. “At the decisional level, there is considerable interweaving between the decisions of finalisation (strategic), animation (administrative) and exploitation (operational). Here again, we can speak of a low level of specialisation, with the owner-director occupying the roles of composer, conductor and sometimes even performer” (Marchesnay, 1991). SME management is based above all on the versatility of its employees.

This versatility can only be used if the owner-director and members of the company are permanently in touch with the various problems arising in their organisation. Here also, proximity between the players makes versatility possible, turning all concerned into permanent observers of the various problems faced by the other members of the company. Sales staff are closer to the factory workers and operatives. These numerous, and repeated, contacts lead to better awareness and understanding of the various problems faced by the company. Proximity stimulates versatility and, as a result, discourages task separation within the company.

Similarly, the intensity of the constraints of proximity differ according to the coordination mechanisms implemented by the organisation. Proximity modifies both the nature of organisation relations and the efficiency of coordination modes. By taking up Mintzberg's typology of coordination mechanisms (1989) and looking at them from our viewpoint, that is, integrating the notion of proximity into the understanding of organisations, it can be considered that mutual adjustment and direct supervision are the modes that are the most sensitive to proximity, unlike others which make distance management and coordination easier, such as standardisation of work processes, outputs, employee skills and norms.

Figure 1. Mintzberg's coordination mechanism and proximity constraints



(source: Torrès, 2004-a)

It can nevertheless be seen that SMEs are generally characterised by coordination mechanisms that are highly constrained by proximity. The small size of the businesses makes it pointless turning to standardised mechanisms. Given that SMEs are generally characterised by a compact structure, it can also be considered, however, that this characteristic favours the implementation of proximity-based coordination mechanisms. If internal communication is barely formalised and most often verbal, this is because the proximity conditions required for this type of communication are effective. Once again, proximity appears as the mechanism that explains the coordination modes that are specific to SMEs and that define their framework of validity.

Finally, if SMEs are a management model with little structure, this is because they correspond to a compact spatial configuration. Low levels of task specialisation are highly

conditioned by a context of proximity. Proximity amplifies low levels of specialisation and lessens the interest in creating more elaborate task divisions.

To summarise our argument, we have retained the notion of *functional proximity* as a description of the reinforcement of the SME's low level of specialisation, and the notion of *coordination proximity* as a description of the preference of SME directors for mutual adjustment and direct supervision.

1. 3. From simple and informal internal and external information systems to proximity information systems

The main characteristic that defines the internal information systems of SMEs is simplicity and low structuring. The literature dealing with this specific field has often highlighted the preference of SME managers for the most informal media, and verbal information. According to Julien (1998), "small companies function by means of dialogue or direct contact. Conversely, large-scale organisations have to set up a complete formal (and written) mechanism to ensure that information is transmitted whilst simultaneously minimising rumours and encouraging control. Very large-scale organisations even publish an "in-house newspaper" to broadcast general information and prevent rumours from interfering with the company's efficiency". This preference for direct contact and verbal communication characterises the traditional operation of SMEs.

The external information systems of SMEs are also usually very simple because of a "relatively close market, either geographically or psychologically (...). This is how managers attentive to the slightest change in a market can rapidly become aware of changes in the local or regional traditional market; up to a certain point, this may offset their limitations in terms of expertise or the time available for thinking" (Julien and Marchesnay, 1988). In small companies, the owner-director functions by means of dialogue and direct contact with members of the staff as well as with his clients and suppliers, thus gaining direct knowledge of their needs and tastes, or explaining the different aspects of his products (Julien, 1998). The information systems are simple because they are based on close physical proximity between the SME's owner-director and the main leading players in the SME environment. Thus, through the study of the operation of a very small innovative business during its start-up phase, Planque (1988) shows that "the means of obtaining information are a group of

interpersonal and informal relationships which are non-institutionalised and unstructured. Given the communication type used, the localisation of network “junctions” is mainly restricted to the area in which the prospective innovator might easily move around”. This type of behaviour is directly linked to the characteristics of small organisations: the relational aspect is more important than the organisational aspect. Generally speaking, the direct link between spatial configurations and the firm’s information capacities can be seen quite clearly here (Michun, 1994).

All in all, information systems in an SME context seem undersized. This characteristic is often interpreted as the consequence of the little interest certain company executives generally show in the strategic value of information (Chapellier, 1995). However, this undersizing may also be considered as the result of a concentrated spatial configuration favouring the setting up of direct, flexible and informal information systems. The proximity of the players facilitates direct and verbal communication; formalisation and writing are not essential. The often-observed link between proximity and a minimalist information management policy is thus understandable. We will adopt here the idea of *proximity information systems*.

1. 4. From intuitive, short-term and barely formalised, strategy to temporal proximity

“The cycle of strategic decision, in which SME time schemes are often short-term, is based on reaction rather than anticipation. Moreover, these companies use few management methods and techniques such as forecasting, financial analysis and project management. The decision-making process of SME managers is considered more intuitive, “informed guesswork”, and less dependent on information and formal models of decision making” (Blili and Raymond, 1998). In SMEs, “the decision-making process usually works according to the intuition-decision-action pattern. The strategy is above all implicit and very flexible” (Julien and Marchesnay, 1988). Considering P.A. Julien’s comments, the informal and intuitive characteristics that make up the specificity of SME strategy are explicitly founded on proximity: “Whereas large-scale companies have to draw up relatively precise “plans” for forthcoming actions that the company executives can refer to, the owner-managers of small companies are close enough to their key employees to explain every change of direction when necessary”.

Similarly, the notions of reactivity, flexibility, interactivity and adaptability – qualities generally associated with SMEs - can be interpreted as being derived from a strong temporal proximity as well. These characteristics, specific to small companies, have “advantages of their own, such as rapidity for decision implementation, market proximity as well as a greater potential for adaptation and change of orientation in the short term” (Blili and Raymond, 1998). “The efficiency of SMEs is based on knowing how to take advantage of all local opportunities and resources in order to exploit market changes. For this very reason, production flexibility is inherently a matter of local flexibility. Organisational flexibility is “fundamentally local” as the different forms of flexibility are based more on tinkering than on standard and acknowledged know-how” (Courault, 1993).

Consequently, the preference for the short term, the intuitive aspect of strategic formulation and the qualities of flexibility and reactivity shown by SMEs are all characteristics based on the effects of proximity. To qualify this phenomenon, we will use the notion of *temporal proximity*.

1.5. From management specificity to proximity management

All the characteristics showing the specificity of SME management mentioned above can be considered as a particular form of proximity. The concept of SME defined by Julien (1990; 1998) can be understood as a *proximity mix* (Table 1).

Hierarchical, functional, temporal and spatial proximity (to name but four) make up a coherent framework producing the conditions required for action and reflection within a centralised and non-specialised organisation, which consists of simple internal and external information systems and which favours informal and intuitive strategies. It is in this sense that proximity management, as we see it, is not confined to simple metric measurement. It is the choice-making principle for owner-managers. All other things being equal, the SME manager will opt for what is both geographically and temporally closer to him. This preference for proximity, and the ensuing management, is a strategic and organisational construction enabling the SME manager to keep control of his firm and its development.

This reformulation enables us to move from a descriptive approach (a mere listing of characteristics) to an explanatory approach (highlighting a superior principle). The latter

combines all the features of SMEs around a federating mechanism (proximity) and transforms this mechanism into the essential requirement for the standard operation of an SME. In other words, our perspective is that of a specific management style for SMEs that obeys a *proximity principle* (Torrès, 2004-a ; 2004-b).

Table 1: SMEs as a proximity mix

From management SPECIFICITY... (According to Julien, 1998)	...to PROXIMITY management (According to Torrès, 2004-a)
Small size	<i>Spatial proximity</i>
Centralized management	<i>Hierarchical proximity</i>
Low level of specialization	<i>Functional proximity</i> <i>Coordination proximity</i>
Simple and informal information systems	<i>Proximity information systems</i>
Intuitive and short-term strategy	<i>Temporal proximity</i>

Source : Torrès (2004-a)

Emphasising the *proximity principle* as an operative and explanatory approach to SME management is the foundation of a genuine research programme in all fields of management: what is the role of proximity in marketing, in HRM, in the strategic management of SMEs? What is the influence, role and significance of the effects of proximity on small-sized companies? Do the effects of proximity play the same role, and with the same intensity, in all business sectors? It is easy to imagine that this type of research programme could cast considerable, and innovative, light on SME management practices. If SME management specificity does exist, it must have a name. For our part, we call it “proximity”.

2. HRM in SME as a social proximity mix

We have just seen how the management model for SME can be conceived as a proximity mix. This is the source of our main question: From a strictly human resources point of view, can we consider that proximity is also a fundamental characteristic of HRM in SME? In other words, can proximity provide a framework for the general analysis of the various specificities of HRM in SME?

If we take the question of personnel at its source, that is, when the original team is composed, academic research is almost unanimous in considering that the recruitment process in the creation or start-up phase is subject to the effects of proximity.

These arguments are an excellent starting point for developing our theory. In this second part, we will thus show how the different forms of proximity mentioned above are also found in HRM practices in SME. Our aim is to describe the social specificities of SME as multiple forms of proximity and to conclude that there is indeed proximity management as an analytic framework for HRM in SME.

2. 1. Hierarchical proximity in small business HRM

There is considerable personalisation of human resource management in SME. This personalisation is found first of all in the significant centralisation of recruitment decision-making. Unlike commercial, production and accountancy departments, human resources is the one most often the reserve of the director (along with finance). It is rare for a director to delegate this type of decision as, in the opinion of many directors, recruitment is strategic in nature. The feeling that there is no room for error serves to reinforce this centralisation. A large company can afford to make recruitment mistakes as this error will be diluted in the mass and a small number of incompetent people do not stop a large company functioning. The theoreticians from organisations such as Cyert and March (1963) come to the same conclusion when they evoke the “organisational slack” concept. There are “dead-end jobs” in every large company or administration. It can even be said that these dead-end jobs have the advantage of short-circuiting the effects of incompetent employees by neutralising them and allowing the company to continue its development. But in SME with little means, this type of subterfuge is impossible because it is too costly. Every employee recruited is the result of a strategic decision as it involves the financial solidity of the company. A single mistake can be fatal. As a result, in many cases the directors of SME tend to recruit employees like themselves. This homophilic reflex is reassuring (and can sometimes explain why immigrant workers find it hard to integrate SME). The centralisation is so considerable that it is easy to predict that the personal characteristics (of the owner-director), such as his education, experience, age, place of birth, origins etc. will have an influence on his recruitment decisions. Recruiting personnel with profiles similar to that of the director can make it easier to build up the trust-based

relationship and solidarity needed in small companies when faced with a crisis or the vagaries of the environment. Here, proximity is a factor that serves to reduce uncertainty.

This phenomenon can be observed particularly easily in SME in developing countries, where access to human resources is often limited to the somewhat fuzzy boundaries of the extended family. Working relations are dominated by relationships of dependency and family ties, giving the entrepreneur a certain flexibility with regard to the employees who are members of his family, as they are in debt to him for giving them a job (Hernandez, 1997).

This hierarchical proximity is also illustrated in the considerable personalisation of promotional decisions made within the SME. The subtle, and somewhat ambivalent, role played by the director's right-hand man or lieutenant is often given to the director's spouse or one of his children. When this is not the case, certain employees are chosen implicitly to act as a relay with the other employees. The hierarchical line is generally short in SME. Confident employees do not necessarily earn a better salary, but their role can be measured by the number of bonuses they receive. Obtaining bonuses, and being able to negotiate their amount, is sometimes the privilege of power.

This hierarchical proximity is strengthened by the absence of union members among the personnel. Trade unions are a genuine force of opposition in companies. But they are much less well-represented in SME (Wilkinson, 1999). Dundon, Grugulis and Wilkinson (1999) don't hesitate to use the expression "black-hole" to qualify the non-union relations in SME. In France, a personnel delegate is only obligatory if there are more than 10 employees, and the work's council only if there are more than 50 employees. These social thresholds are sometimes strategically managed by directors, who prefer to refuse all idea of expansion for fear that they will have to formalise human relations within the company. The famous dissociation between management and ownership functions highlighted in the 1930s by Berle and Means (1932) has little validity in the specific case of SME. The management functions are generally performed by the owner himself. Both these reasons support what we call hierarchical proximity, that is, the fact that decisions are made almost exclusively by the company's direction with no force of opposition. Where Berle and Means highlight the role shareholders play as a force of opposition, it is also possible to consider that a union presence is another form of force of opposition.

The smallness of companies accentuates the *domestication* of management practices (Torrès, 2004-b), the “family atmosphere” (Dundon, Grugulis and Wilkinson, 1999), the creation of a “home-from-home”, the personal space *par excellence* where the director is fully in control. It is this that makes personalised management possible. This buffer effect also makes it possible to explain why certain directors of small companies seem to be allergic to revealing their operating methods. The law for the 35-hour working week was seen by certain directors of SME as a genuine intrusion by the State into the internal workings of their company. Similarly, as Lepley (2002) state, small companies are characterised by an almost organic lack of institutions representing employees. “The trade union representative is often reviled, particularly because it is believed he would introduce exogenous procedures into the micro-organisation” (Lepley, 2002).

This hierarchical proximity is not only a given fact. It is often also the result of a desire, or more precisely a refusal, to open the company up to a union presence. Management of professional relations has not been made easier in SME because of difficult access to workplace law, which is more or less complex depending on the country. Similarly, the costs and necessary rearrangements associated with a more formal social policy are enough to dissuade most SME. This means that resorting to a new recruitment drive, and thus new jobs, is often a last resort solution, especially if the cost of redundancy is high and risky at the legal level.

In a longitudinal study on the evolution of employment in SME in the manufacturing sector, Smallbone and North (2000) show that resorting to “peripheral” workers (temporary staff, home workers or freelancers) in relation to centralised workers remains a relatively marginal practice. “From a management point of view, the use of overtime effectively has many advantages: lower management costs than those incurred by using peripheral staff, lower general costs in relation to additional staff working full time because of the general costs involved, greater reliability in the quality of the work performed and an increase in average salary. Most SME in the secondary sector thus prefer to use overtime than part-time workers, freelancers or home workers” (Smallbone and North, 2000 :136). Here, we can propose the theory of a form of proxemics where the employees in the centre are more important than those on the periphery. The use of overtime makes it possible to increase the production level without increasing the payroll, which would modify the social structures within the company. The priority given to the number of employees

internal to the company compared to the use of the employment market is evidence of a form of flexibility that we can call “proxemic” (Torrès, 2004-b).

It is amusing to note that many SME seem stuck at the threshold of 49 employees in France, thus avoiding the need to create a work’s council. It is true that, in strictly financial terms, the marginal cost of the 50th employee is not the same as that of the 49th because of this creation of a work’s council. There is also a third social threshold: more than 300 employees, which in France has made a social audit obligatory since the law passed in 1977.

The centralisation of recruitment and promotion decisions, the considerable concentration of positions of responsibility held by the director and/or his family, the often categoric refusal to open the company up to a union presence and the role and importance of overtime as a means of flexibility management are all aspects that give small company HRM significant hierarchical proximity, making the traditional division between business and entrepreneur almost impossible in SME.

2. 2. Functional proximity in small business HRM

The specialisation of tasks in SME is less advanced than in large companies. “Each employee is also likely to have a more varied role with a chance to participate in several kinds of work” (Wilkinson, 1999). This general distinctive characteristic can also be seen in the field of HRM.

First, it should be noted that the concept of HR does not in itself have the same meaning in SME or very small companies. Many authors have insisted on the fact that management methods are totally different, justifying the very existence of specificities and leading to very different forms of logic. Letowski (2003) thus speaks of “resources excluding employees”, Mahé de Boislandelle (1996) considers that it is more appropriate to talk of “human relations”, whilst Bentabet, Michun and Trouvé (1999 : 12) prefer to talk of “manpower management”, or “man management” as shown in the title of their study (“Man management and training in very small companies”). The concept of human resources “is part of a contractual relationship where the employee depends on the employer for defining and executing tasks”. Yet, “human resources for directors of small businesses goes way beyond employees. It refers to personal intimacy, its role and its own relationship with the director. It

is common in SME for certain human resources to be seen as part of an egalitarian relationship that is not always contractualised. Of these resources, Letowski (2003) distinguishes the spouse, apprentice, associate and other small business owners. The smaller the company, the greater seems to be the confusion between business and family unit. This is not without its own problems, inherent to this type of specificity. When conflicts occur, how can such affective proximity (conjugal and familial) be managed (Letowski, 2003)?

Whilst resources excluding employees is a determining feature of very small businesses, increasing the size of the company dilutes its impact later on. Even when growing in size, however, SME retain their specific type of human resource management.

The first point that attests to this functional proximity is the almost total absence of HR directors in SME. It is effectively very rare for the owner-director of an SME to recruit a human resources director. According to Basire (1976), there is the theory of the five levels, which describes evolution in the structure of an SME in the course of its growth. Basire considers that appointing a human resources director appears only as a final stage, from level 5 onwards, that is, when the SME has gone beyond the threshold of two hundred employees. This stage nevertheless comes considerably later than the appointment of a commercial, production or financial director (in Julien, 1994 : 11). This human resource function thus seems to be the field most often reserved for the director of the company. This type of absence of delegation is proof of the sensitive nature of choosing personnel. From this point of view, it is interesting to note that the directors of SME use the term “personnel” much more willingly than that of “human resources”, a concept that corresponds better to the anonymous management style of large companies. In SME, the director knows every member of his staff by his or her first name, and shares their joys and troubles.

Under normal circumstances, it is thus the owner-director who acts as personnel director. If the owner-director has not had any training in HRM, it can be deduced that the skills used are often relatively rudimentary in SME. The directors of SME often rely on their intuition, which is not without danger. At this level, we can note the crucial role played by the chartered accountant, often considered to be the preferred contact with SME. Chartered accountants are often the first “experts” to advise a small business. The chartered accountant is very much at the forefront of those consulted as the privileged vector for broadcasting the social measures and legal provisions of workplace law. It is thus in the network of proximity

experts that the stakes of restructuring and formalising social policy are played out. For this reason, raising the director's awareness of the social consequences of development depends highly on the active role played by the company's proximity partners.

This lack of specialisation of tasks can also be seen in human resource management. Mahé de Boislandelle (1996) thus notes the low level of differentiation between personnel administration, the political level of personnel and the strategy level of HRM. "These 3 levels are often completely intermingled in the director's mind, particularly if these administrative, political and strategic aspects are played out and mixed up at the daily level. Problems with differentiation cause many directors of SME to consider HRM as part of the 1st level, thus keeping the 2nd and 3rd level for themselves within a global function of general direction." Yet, even though it is possible to suggest that a growing differentiation process is a sign of greater understanding and the guarantee of greater mastery of HRM in SME (Mahé de Boislandelle, 1996 : 266), the fact remains that this lack of differentiation of levels in HRM is a specificity of SME, which tends to increase the smaller the company is. We can thus put forward the hypothesis that the low general specialisation of SME also has an effect on its type of human relations, making the director play the part of an HRM generalist. For this reason, the range of HR tools to which SME can effectively have access remains limited.

2. 3. Proximity information systems in small business HRM

The preferred means of communication in SME is based on orality and direct relations, face to face. The relational ties that bind a director and his employees are crucial. In other words, in SME, HRM is not independent of the relational capacities of either the director or his employees. The non existence of employee representatives strengthens the direct nature of human relations management. There is little or no intermediary between the director and his employees. This makes easier a management mode based on mutual adjustment and direct supervision. In addition, the single-establishment aspect of SME further reinforces the links that are already frequent.

As an example of the importance of informal information systems in HRM, let us look at the case of training. SME, and very small businesses even more, prefer "training as you go" and the transmission of knowledge through learning. "These types of training programmes are characterised by a strong level of proximity between the master and the student, an

interpersonnel proximity without which there would be, according to directors, no training. This is why this method is still the first to be adopted, with the immediate, internal resources this presupposes. Hence the difficulty of extending distance learning programmes to SME” (Bentabet, Michun and Trouvé, 1999 : 91). This trend is further reinforced by the director’s type of profile. Thus, in France, “approximately 70% of directors of very small businesses have no higher education diploma. This “self-taught” aspect strengthens the demand for practical, down-to-earth training to the detriment of the more theoretical training courses that are poorly considered by directors. The theory of a rift between “technical training – practical skills” and “general knowledge – ability for analysis” certainly underlies this state of mind (Kalifa and Paradas, 1994). For this reason, more often than not, it is the director of the company who takes on the role of teacher for his employees.

This “training as you go” is based above all on the order to do rather than say. “In this respect, looking is decisive. In order to transmit a profession or know-how to an apprentice, it is necessary to “let him have a look” or “look at how it’s done”... the only rule seems to be “look, and try to do” (Bentabet, Michun and Trouvé, 1999 : 93). Such proximity training calls permanently on the sensorial capacities (hearing, sight, touch...) of individuals, making it possible to transmit not only know-how but also moral values and a way of being. It is for these reasons that we can talk of proximity information systems.

This proximity relationship is not only observable in the field of training. It can also be seen in recruitment methods. Carroll and al. (1999) find little evidence of the adoption of the recommended systematic procedures and a high use of "tried and trusted" methods including word-of-mouth recruitment and the hiring of "known quantities. Many new employees have been recruited on the basis of intuition, or after someone recommends a friend or colleague. Generally speaking, the smaller the company, the more it tends to privilege the ties made through proximity in its personnel management, and more particularly in its recruitment decisions. Millward et al. (in Jameson, 2000) found that, whereas larger enterprises relied greatly on formal methods and bureaucratic procedures by specialist personnel departments, the small business owner/manager is likely to handle recruiting and personnel matters without delegating and is unlikely to have any relevant skills. As Sarnin notes (1994 : 256), “It is not necessary to go to Africa to notice how much obligations towards friends and family weigh heavily on certain types of recruitment or on certain career paths. Does this mean that HRM science must necessarily provide itself with tools to

rationalise these choices? To do so, it would be necessary to include in the tool box elements such as trust, talent and obligations, even affectivity and the unconscious as all this “irrationality” is also an engine and an unequal pilot for action”.

In a survey conducted in France on personnel management in small companies, Chassard and Bouruet (2003) showed that connections and word-of-mouth came out on top, well ahead of temping agencies and recruitment agencies. Directors of small companies do not like intermediaries, preferring to make use of their own address book when they need to recruit someone. This type of behaviour is perfectly rational, as someone’s personal recommendation is a guarantee of trust. It is for this reason that when the director of an SME hires someone, he often privileges first and foremost his spouse, then moves out into his family or circle of friends. It is only as a last resort that he will turn to the more anonymous employment market. Family, friends and close acquaintances are thus strategic resources when the director declares that he makes use of them as his main source of employment. It is the importance of these proximity human resources that made Letowski (2003) say, quite rightly, that the concept of Human Resources has no meaning in very small companies except when taking into account the human resources “excluding employees” such as the spouse, children, associates, peers and so on.

This proximity also explains the sometimes exaggerated attraction SME have for confidentiality. In this sense, confidentiality refers to the intimate nature of information that is only given to one’s very closest colleagues. This is the ambivalent nature of proximity (Torrès, 2004-b). It is this attraction to confidential information, transmitted in face-to-face contacts, that explains the high degree of asymmetry of information with regard to employees.

2. 4. Temporal proximity in small business HRM

The fourth form of proximity that can be seen quite easily in SME is temporal proximity. A considerable number of studies have shown the preference SME directors have for the short term. This characteristic is illustrated a number of times in the case of HRM.

For example, many studies have shown that, generally speaking, training is less developed in SME than in large companies (Storey, 1994 ; Paradas and Torrès, 1996 ; Jameson, 2000). One of the main reasons for this is that the beneficial effects of training can

only be felt in the long term. For this reason, training in SME is often occasional and has no real strategic dimension. The existence of a training programme is reasonably rare, and, when it does exist, is generally annual, more rarely pluri-annual. This makes the temporal horizon for training programmes rather limited.

Temporal proximity can also be observed in the planning of recruitment drives in SME when compared to those of large companies. Even when SME do plan ahead, the temporal horizons are generally more limited than those of large companies. Similarly, the use of a previsional planning and scheduling system for employment and skills is rare in SME. The result of all this is that the directors of SME often admit that they do not have any human resources policy, whilst simultaneously regretting that they do not have enough time or skill to deal with the question more. They recognise that they often use “case by case” management, where opportunism is the rule and planning the exception.

Conclusion: Moving towards proximity HRM

At the end of our analysis, it appears that the different forms of proximity that preside over the general management of SME can also be observed in the particular field of HRM. Our main theory is that the HRM of SME is subjected to the effects of proximity that produce specific behaviour. The following table summarises our arguments. The social mix described by Mahé de Boislandelle (1996) takes on the specific form, in SME, of a *social mix of proximity*. Beyond the descriptive interest of the notion of proximity as a way of explaining SME specificity in terms of HRM, this paper does not, however, make it possible to know whether or not this proximity is a source of sustainable competitive advantage. A future area of research would be to conduct an empirical test of these theories and to measure the impact of proximity on performance.

Table 2: HRM in SME as a proximity mix

From management SPECIFICITY... (According to Julien, 1998)	...to PROXIMITY management (According to Torrès, 2004-a)	... and its HRM implications
Small size	<i>Spatial proximity</i>	- <i>Predilection for recruiting from the close circle (family, friends, local...)</i> - <i>Centralised decisions</i> - <i>Predilection for resources from the centre</i>

Centralized management	<i>Hierarchical proximity</i>	<i>to the detriment of peripheral resources</i> - <i>Absence or insufficiency of a union force of opposition</i>
Low level of specialization	<i>Functional proximity</i> <i>Coordination proximity</i>	- <i>Limited range of HRM tools</i> - <i>Absence of HR direction or department</i> - <i>Lack of differentiation between the operational, political and strategic levels</i> - <i>Essential role played by the chartered account</i>
Simple and informal information systems	<i>Proximity information systems</i>	- <i>Preference for direct and personalised relationships</i> - <i>Preference for "training as you go"</i> - <i>Predilection for confidentiality</i>
Intuitive and short-term strategy	<i>Temporal proximity</i>	- <i>Absence or relative weakness of planning and scheduling training</i> - <i>Absence of previsional management for employment and skills</i>

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