The link between Performance Measurements and HRM systems in SMEs

Using Swedish case studies in the trade show industry

Bachelor’s thesis within Business Administration
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Abstract
In the economic setting of Sweden, it has become increasingly important to evaluate a firm’s performance in order to increase the successfulness and competitiveness. In recent years an interest on how small and medium sized enterprises should be managed to prosper has sprung up. This interest has discovered a need to gain information regarding the role of human resource management in the success stories. So far the topic is relatively uncovered, particularly with the aspect of Sweden. Therefore has an attempt to outline the relationship between human resource management and performance in the setting of small and medium sized enterprises with a formal management system been done. To do this we have used a qualitative approach with case studies. The organizations interviewed are located in the same business setting and industry, both companies are SMEs and have an appointed human resource department. The interviews have been done with the human resource managers and with open-ended questions. These interviews have created empirical findings sufficient to generate a valid analysis. The results from the study have indicated a difference between reality and theory, as well as national differences for Sweden, in certain HR practices and critical success factors. While certain findings only are valid for the business sector, many of these can be generalized. Briefly, the most important differences concern policy and regulations impact, monetary reward systems, the owners influence on strategy and decision-making, the establishment of regional value-creation, the HR managers’ role in relation to strategic alignments, the usage of external consultancy to evaluate performance and the custom of long-term thinking.
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I Introduction

1.1 Background

1.1.1 SME and HRM development

In recent years has a shift from big Industrial Corporation to smaller and more intimate businesses occurred around the world, and this has created a theoretical gap. As the business environment has developed, a research interest within the topic of SMEs has arisen, as well as a desire to know how these types of firms should be managed for optimal results (Garengo, Biazzo & Bitici, 2005; Knight, 2000).

Most of the research is still mainly descriptive and at an explorative stage, and in comparison to studies regarding larger corporations, these are few in number and generally from the managers’ perspective (Sels, de Winne, Delmotte, Maes, Faems & Forrier, 2006; Heneman, Tansky & Camp, 2000). To which extent HRM affects firm performance is however not perfectly clear (Teo, Le Clerc & Galang, 2011). The more extensive studies that can be found are mainly based of cases in England, Finland and Italy (Garengo et al., 2005; Sels et al., 2006; Kotey & Slade, 2005). Theories based on studies with a Swedish perspective are so far very rare, or at least not made for an international audience.

HRM began to take form in the late 1970s; it was done in order to confirm the employees’ efforts and add the new focus on firms’ performance and competitiveness in a market. While it is generally accepted that SMEs do not have very developed PMSs nor utilize HRM to a fully implemented extent, little is known why this is the case (Mayson & Barrett, 2006; Taticchi, Balachandran, Botarelli & Cagnazzo, 2008; Hudson, Smart & Bourne, 2001; Heneman et al., 2000). However, small firms who are part of a larger complex tend to have a more developed and formal HRM approach. Research states that SMEs are not unstructured; but the degree of the structure is simply much lower than in big firms (Cassell, Nadin, Gray, & Clegg, 2002). Previous research came to the conclusion that there was no HRMS at all in SMEs, instead of looking at it from an informal point of view. A reason for the informality in SMEs derives from not having an appointed HR professional within the firm (Mayson & Barrett, 2006; Sels et al., 2006). Since HRM lack a clear definition, the concept can easily be seen as vague (Marlow,
SMEs have many definitions, but in this thesis the European Commission’s (2013) definition be applied (see page 9). Sels et al. (2006) argue that SMEs are an excellent place to start the development of HRM. The most mentioned reasons for this statement are the direct communication, flat hierarchy, transparent business organization, obvious employee contribution, greater responsiveness compared to larger corporations and the flexibility of the firm structure (Sels et al., 2006; Verhees & Meulenberg, 2004; Robson & Bennett, 2000).

For a long time SMEs were operated in the same way as large corporations (Cassell et al., 2002), which for SME managers meant that the “correct” way to handle business could be completely wrong! The entrepreneurs of SMEs say that they find HRM practices important, and stress the usefulness of HR knowledge when making decisions. While compensation of various kinds is fairly covered, are many aspects of HRM still very uncovered. This is surprising, since what SME entrepreneurs seem to value is how to make a fit between personnel and the organizational values and culture. Strategy is an aspect that is fairly covered, even if managers do not seem to find this important. This is worrying since HR and strategy is so tightly linked together, and has potential of becoming an important competitive advantage (Heneman et al., 2000; Huselid, 1995; Teo et al., 2011). Heneman et al. (2000) and Huselid (1995) do however seem somewhat outdated: managers have recently begun to realize the importance of the strategic alignment with HRM (Teo et al., 2011).

Strategic human resource management (SHRM) is considered to be important; it looks at the firms’ performance in regard of HRM, and it does so by combining practices to business goals. This is said to increase performance (Mayson & Barrett, 2006; Huselid, 1995; Heneman et al., 2000; Lepak & Snell, 2002; Delery, 1996). Huselid (1995) and Wright & McMahan (1992) continue by saying that an HRMS could create a strong advantage, partly since employees have unique sets of skills, in terms of competitive strategy. A common assumption is that all firms have their own unique strategy, which would explain the variation of existing human resource systems (HRS) (Delery, 1996).

The general idea of SHRM is to shift focus from an individual practice in order to integrate the new framework with the strategic influences that human capital generates.
This is done through HRM to support the growth, competitiveness and performance in the firms. It is however important to remember that the employees contribute to the firms survival (Mayson & Barrett, 2006; Cooke & Wills, 1999; Lepak & Snell, 2002). In order to maintain and gain competitiveness for the SME is a strategic approach essential both in external and internal perspectives (Marlow, 2006).

There are two established approaches of HRMS within SMEs; informal and formal. In SMEs has the concern been if HRMS exists rather than issues with practices. This can be explained by informality (Mayson & Barrett, 2006). Many researches argue that informal management is a problem, since informal systems tend to overlook employee’s contributions and not fully understand their value creation. Formal management can be the wrong approach for SMEs, since it to some extent halts flexibility. It shall also be noted that formal HRM is not equivalent to successful firm performance (Mayson & Barrett, 2006).

There is growing evidence that SMEs might have more sophisticated PMSs than earlier assumed, however most systems are argued to be informal (Sels et al., 2006). This being said, even if SMEs do have HRS (informal), do most organizations not harbor HR professionals. However, firms with more than 100 employees are very likely to develop formal systems, which indicate that informal HRSs evidence is mainly adaptable to micro- and small firms (less than 100 employees). This does however not answer the question if SMEs implement PMSs correctly or if formal HRSs are covering performance. As studies have shown does little research, which concerns the performance management perspective of HRM in SMEs, exist (Mayson & Barrett, 2006). SMEs do just as large corporations face HR related problems. The existing research leans towards the discovery that HRM in SMEs has a positive relationship. Indeed, Sels et al., (2006) performed a quantitative research and found that SMEs certainly can benefit from intensive HRM. Even if HRM typically create value in terms of increased productivity, which affects performance, does it also create direct and indirect costs in relation to labor. Regardless, other benefits beside productivity are created, which exceed the costs (Sels et al., 2006).
1.1.2 SME development and contemporary status

In the beginning of the 20th century start-ups of SMEs were not common, they were constantly decreasing and most employment was localized in big corporations until the late 70ths. Currently the situation is reversed: larger firms are abating and losing market shares. The surge of successful SMEs is argued to be dependent on the technology-based era, where firms of lesser size are said to have bigger opportunities and higher competitive advantage. Another reason for the increase of SMEs in Europe could be globalization, which makes room for the comparative advantage in the new technological market. A third argument is that self-employment is not looked down on anymore, which encourage entrepreneurs to start their own businesses. It has been said that SMEs and self-employment are harming the economy, but recent research argue very differently. Instead, as unemployment rises, self-employment is normally following and new businesses are created (Carree, van Stel, Thurik & Wennekers, 2002; Wagenvoort, 2003; Cassell et al., 2002; Knight, 2000).

According to Wagenvoort (2003), SMEs account for two-thirds of the jobs and half the turnover in almost all business sectors. Robson and Bennett (2000) and Knight (2000) agree that SMEs are progressively significant to boost economic growth. It is said that SMEs do tremendous work with keeping business environment and employment rates stable (Robson & Bennett, 2000; Cooke & Wills, 1999). This may well be due to SMEs reluctance to hire in expansion and fire in recession, in comparison to large companies. Rather, the range of employees in SMEs is normally based on past experience than economic changes. Note however that although SMEs have a less fluctuating work environment, with a higher likelihood of remaining employed in bad times, are monetary rewards and salaries remarkably lower than in large corporations (Fendel & Frenkel, 1998).

The growth of SMEs according to governments is based on the increased employment rate, since SMEs are a “tool” to reduce unemployment. Robson and Bennett (2000) however say that SME managers usually are most interested in financial performance, rather than employment growth. Apart from employment generation, the government value economic growth and competitiveness, measured by company turnover or profitability. Westhead and Birley (1995) state that internal factors, such as owners, do not af-
fect growth to the same extent as external factors. Their study does not consider all aspects even though it is very extensive, but is backed up by Robson and Bennett (2000). They considered factors both similar and different from the variables used in Westhead and Birley’s hypothesis.

Wagenvoort (2003) stresses the importance of SMEs particularly during economic downturns and turmoil in the market, and economies must therefore promote growth to be successful. In recession economies are usually hindering themselves by limiting SMEs’ access to finance. By doing this could employment be stalled and growth prevented, and it will take longer for an economy to get back on its feet. But SMEs are usually hesitant to speak about their structures, growth plans and strategies, and withholding such information creates a trust-issue for lenders. But since all SMEs are unique, do these financial constraints not apply to all firms.

However, SMEs are normally more accessible to grants or other governmental help in EU (Wagenvoort, 2003), which are, but is not limited to; survival aid, help with start-ups, policy creation and advice. Many of these have been implemented as a response for the increasing importance of SMEs (Robson & Bennett, 1995; Carree et al., 2002). Though, not all SMEs take the opportunities, or lack motivation to educate themselves further (Cassell et al., 2002). However, SMEs advised by government consultants usually preform worse than those without external advice. Proof does however exists that firms with external consultancy from the privet sector normally have more use of being consulted. Not all departments benefit from advice, but recruitment and strategy-planning are said to be improved by consultants. About 84% of SMEs have at some point utilized external consultancy; many also ask for direction from friends, customers and suppliers however, not all advisers are proven to have a positive relation (Robson & Bennett, 2000; Westhead & Birley, 1995).

Globalization has been helpful for SMEs, particularly in the western world where the decline of large firms has created a demand for SME expansion (Carree et al., 2002) However for SMEs to enter the international market, they customarily need to create alliances, either with conveniently located SMEs or with larger companies (Robson & Bennett, 2000). Also remember, that SMEs tend to have fewer resources than big firms
and thus when encountering complex international issues many of them is unable cannot coop (Gargeno et al., 2005). But what really seems to be the key to success are strategy and its implementation, as well as proper preparation and planning before entering the new market place. Particularly mentioned is the implementation of modern technology which also serves a purpose of innovative creation, as a response to globalization, to keep competition at bay and increase customer satisfaction. This likewise makes the SME, with their unstable nature, better off in a turbulent economy (Knight, 2000; Carree et al., 2002).

1.1.3 Geographic choice – Sweden

Sweden’s environment as a field of interest has many advantages. Its business environment is ranked the 13th best in the world when doing business (The World Bank, 2013). Sweden has little corruption, a stable political situation and competitive economic settings where firms are highly encouraged by the government. The government is very transparent with efficient policies and good institutions to generate growth, even if Sweden currently experience a stall (+1.3% 2012 compared to +4% in 2011) due to less exports and household demand. This in combination with their low-risk asset portfolios ensures good bank credits. Thus, the business environment is great when running or starting up a new SME, even with these weaknesses taken into account (globalEDGE, 2012).

In Sweden, the structure of the SME sector resembles the overall in EU. The number of firms (555,159 SMEs) is proportional to the average European standard. An argument for this is the large public sector in Sweden, which generate many work-opportunities (European Commission, 2012).

![Employment in enterprises in Sweden](image)

*Figure 1-1: Employment in enterprises in Sweden*
Sweden is currently performing above average and is handling the present economic crisis better than most EU countries. SMEs added value is about 110 billion €, which represents about 30% of the total GDP. Generally entrepreneurship, governmental help, access to finance, innovation and internationalization is good among Swedish SMEs, even if some laggard policies are dragging business activity down (European Commission, 2012).

Figure 1-2: SME value creation in Sweden

Sweden is nevertheless facing negative effects in the turmoil economy. Despite a high living standard and highly skilled population, is the worsening labor market one of the major weaknesses in the country (currently 7.5 %). Additionally, company bankruptcies have increased with 25% compared to the period prior to the financial crisis of 2008 (Coface, 2013; Central Intelligence Agency, 2013). This indicates a need for Sweden to figure out how to keep businesses floating. Generally, SMEs are having much more unreliable business environments and are thus experiencing more damage than large corporations during this point in an economic cycle (Garengo et al., 2005). This can be seen as a very good time to investigate how performance can be affected (Coface, 2013; European Commission, 2012).

1.2 Problem

In the modern business environment have human resource management (HRM) been recognized with regard to both policies and practices to be an important part of firm performance (Huselid, 1995).
Currently, little research regarding HRM in the context of small and medium sized enterprises (SMEs) in general, and with the aspect of Sweden, exists. This includes almost every aspect of HRM, strategic planning, critical success factors and out of the literature. Also, entrepreneurs highlight the importance of HRM and stress the use SMEs can have of it. The concerned HRM practices cover how different firms and organizations use their knowledge regarding HR to run the business in a rewarding manner. Organizational performance is positively linked with a firm’s investment in HR and with a good human resource management system (HRMS). Also, a positive link is proved to exist between business strategy and HRMS, and thus the conclusion that performance is definitely affected by a firm’s HRMS (Teo et al., 2011). Considering performance evaluation or performance measurement systems (PMS), is the research often limited to financial perspectives and the actual human resource (HR) evaluation is often scarce (Hene-man et al., 2000).

By taking the somewhat turmoil yet attractive working environment that currently exist in Sweden, will this particular geographical area be of interest (European Commission, 2013). However, the business environment is not the only reason for our geographical choice: we do neither know if the Swedish business practices match the existing models, nor if it differs a lot. And if it does, is it important for firms’ performance and the SME owners? What can be learned from the Swedish HR culture and way of measuring performance?

1.3 Purpose

The purpose of this thesis is to investigate how intensive and structured HRM is affecting the performance, and outline this relationship. The formal management perspective has been chosen because in our experience is this way of running a business the most effective.

This study will be done by interviews with HR managers who utilize formal HRMS in their firms. The interviews will provide an opportunity to get more in-depth information regarding the Swedish attitude towards performance and HRM, and to have the opportunity to find variables which could be omitted by a questionnaire or survey.
The analysis will answer if the Swedish SMEs seem to follow the theoretically pattern found in existing HRM studies, or if there is a notable difference. The intention is to evaluate the HRMSs (in terms of performance) in SMEs and while doing so add the Swedish perspective.

The results will allow researchers to gain first-hand knowledge regarding HRM and the link to performance in a Swedish perspective. It will also provide managers with information about the Swedish attitude towards HR, and allow firms with similar structure to benefit from the results and conclusions that have been made.

1.4 Delimitations
In this thesis the strategic aspect of HRM will be discussed, however the focus will not lie upon SHRM itself or its implications. Rather, strategy in the light of a performance factors will be taken into consideration.

This thesis is not focusing on micro-firms or how these are using PMS to create better performance. Instead, the focus will be the one of SMEs of the larger size, which would imply medium sized or “big small” firms.

It should further be noted that the SME criteria’s concern the number of employees and annual turnover, and exclude limitations such as ownership percentages.

1.5 Definitions

*Small and Medium Sized Enterprise:* We have chosen to adopt the European Commission’s definition of SMEs. Hence, the enterprises are not allowed to have more than 250 employees or a turnover of 250 Million Euros (European Commission, 2013). This appears to be the most suitable and dependable definition available.

*Human Resource Management:* HRM has been defined as the system used to handle employees, managers and owners. The system is ruled by at least one specific manager who is in charge of making sure the HR practices are performed in a correct and efficient manner.
Performance Measurement: Performance measurement is defined as the factors which are covered during evaluation of success in a business. Since the factors taken into consideration vary largely across firms, it is not possible to specify these with one definition. However, the measurements must be possible to compare to competitors or previous performance, either in terms of degrees within a scale, percentages, actual economic numbers or time.

Performance Measurement System: This refers to an integration of various PM factors, put together to a system in which it is possible to get a clear overview of all aspects of the organization. This is done to comprehend what areas the firm needs improvement to increase their successfulness.

2 Theoretical framework

The performance of a company’s HR department can be closely linked to the integration with the company’s strategy, as mentioned. Contemporary articles and authors indicate that firms do try to create a synergy of HRM and strategic goal (Huselid, 1995; Wright & McMahan, 1992; Teo, et al., 2011). Additionally, it is further argued that a well-functioning HRS should increase performance as long as the system consists of policies and practices that work well together (Huselid, 1995). Furthermore it is said that individual HR practices should not be developed alone, since it will cause damaging inconsistency within a firm (Cassell, et al., 2002; Lepak & Snell, 2002; Delery, 1996).

2.1 Critical performance issues

The desire of maintaining good reputation towards stakeholders, and running operations successfully, factors which affect performance will be essential to know due to preserve the business. An attempt to distinguish which factors that is critical and describe the reasoning behind them will be defined in this section.

Importance of keeping track of performance has been bustling up in order to help managers improve their competitiveness in the modern market (Taticchi et al., 2008). SMEs on average have an absence of formal PMSs and proper HRM, and there are several reasons for this, which finds blame in both external and internal factors (Garengo et al., 2005). Huselid (1995) debates that internal and external factors do not necessarily disa-
gree; the highest performance level possible would be reached with an HRMS that concerns both external and internal environments of a firm. Which HR practices that is important for good performance is difficult to say: since all firms differ there will be a case-to-case outcome. However, certain HR practices do always improve performance of a firm, such as strategic development, employment security and result-oriented appraisals (Delery, 1996; Huselid 1995).

For starters will the external perspective be examined. Firstly, until recently all traditional PMS models were generated to match large corporations, and had a too stressed focus of the financial aspects of performance. The argument is that SMEs do not need complex models, which until recently were all there was to find in literature. Nonetheless, the complexity of HRMS in SMEs might be more advanced than old research suggests, but these are unreported due to their informal nature (Garengo et al., 2005; Sels et al., 2006).

Secondly, around the mid-80th a shift towards more intangible asset performance occurred, and present research is creating models for SMEs (Garengo et al., 2005). Since the mid-90th have managers specifically reported that the old-fashioned systems, which only focused on finance, are misleading and insufficient in the current market. The realization was that no single financial (or non-financial) measurement can create a functioning overview of a business, but that a model which includes several aspects was needed. Another critique of financial-based models is that they only focus on business survival, and thereby discourage entrepreneurs to invent and develop. Early, one-legged models are regularly excluded from more recent comparisons due to their lack of holistic views (Kaplan & Norton, 1992; Laitinen, 2001; Neely, Richards, Mills, Platts & Bourne, 1997; De Toni & Tonchia, 2001; Chennell, Dransfield, Field, Fisher, Saunders & Shaw, 2000).

Thirdly, the existing HRM research tends to focus on HRM for the individual rather than the HRMS for the organization (Huselid, 1995). Indeed, shortage of research in terms of HR practices in SMEs is one of the most essential problems. Findings argue that HR is very ad hoc, but so far has no conclusion about how important “package HRM” is been reached (Cassell et al., 2002; Lepak & Snell, 2002; Teo, et al., 2011).
This is an important notion, since it reflects of incapability of covering aspects just as the earlier one-legged models for PMS does.

Fourth, stakeholders might not be expecting a formal PMS in SMEs, even if the reports and results from such an analysis are very useful (Garengo et al., 2005).

Fifth, SMEs normally have more uncertainty in their business environment compared to larger corporations. Technically, this increases motivation to adopt systems that can measure and evaluate their business. Nevertheless, the possibly large investments required to implement a system might make the businesses be very hesitant to make changes; due to the fear of not having enough capital for the day-to-day operations (Garengo et al., 2005; Mayson & Barrett, 2006).

Sixth, the absence of respectable HR experts’ affects the lack of PMSs. HR experts helps with developing well-functioning HRMSs, but this is a luxury not all SMEs can afford. If a firm cannot find a proper educator to brief the manager and employees, can the issue of implementation become more difficult (Sels et al., 2006; Teo et al., 2011).

Seventh, as Huselid (1995) argues, does it most likely not exist a perfect set of HR policies and practices. The reasoning for this is that every company has its own strategy, and thus a general framework might not be possible to construct. Lepak and Snell (2002) emphasize that it can even be seen as very senseless to think that one HRM model can suit every firm.

Eighth, SMEs are often part of supply chains. Therefore external pressure from big customers, who might demand proper HR practices to keep up the collaboration, is a very common trigger for SMEs to develop formal HRMSs (Cassel et al., 2002).

Lastly, the settings in the field of production and labor market have impact on SMEs. This is mentioned to be one of the main reasons for the existing usage of informal HRMSs in SMEs (Mayson & Barrett, 2006).
Internally, explanations of different natures can be spotted. Firstly, many managers misinterpret or have misconceptions regarding the extent PMS can be employed to benefit the organization (Garengo et al., 2005). Incompetence among managers is the main reason for failure among SMEs (Mayson & Barrett, 2006; Sels et al., 2006). However, this type of perspective could also result in a consistent change towards higher performance, if implemented correctly (Huselid, 1995).

Secondly, the implementation of formal systems is a struggle. Usually the operations and big decisions are fully dependent on the owners or entrepreneurs in SMEs. This creates working environments that neither have formal structures nor a complex way of dealing with operating decisions (Garengo et al., 2005; Teo, et al., 2011). However, proof states that the entrepreneurs do not influence to any significant level in SME growth. Instead customers, suppliers and external competition are the main drivers for change (Westhead & Birley, 1995; Robson & Bennett, 2000). Knight (2000) does nonetheless counter-argue that the entrepreneur in highly globalized firms are important for innovation and therefore SME development, while in lowly globalized the leadership matters less.

Thirdly, even among those SMEs that do utilize PMS systems, they tend to implement them incorrectly. This can be due to poor implementation or clashes with informal systems the company may have. Even so, the authors argue that it is still rarely holistic; this means it usually excludes things such as HR, workplace atmosphere, etc. (Garengo et al., 2005). A high level of complexity among SMEs has occurred during recent years. This has created a demand for models that supports managers, as their business-style can be very sensitive and the uncertainty in the market is great (Garengo et al., 2005; Taticchi et al., 2008).

Fourth, SMEs are told to be neglecting proper training of employees. This causes a decrease of employee motivation, and can make good employees leave the firm to chase better opportunities. This might be because the employee feels undervalued or uncompensated for the performed work (Huselid, 1995; Mayson & Barrett, 2006; Kotey & Slade, 2006). However firms tend to educate their employees differently depending on
their role. This does not have to be negative, it might even be strategically wise, but no department should drag behind since it will cause inconsistency (Lepak & Snell, 2002).

Fifth, the use of reward and compensation systems are said to play a large role in employee performance. According to Huselid (1995), the work commitment will increase as the employees are compensated for their accomplishments monetarily. Note that the positive link between reward-based HR and business performance is said to be more obvious for employees than for managers and experts (Teo et al., 2011).

Sixth and lastly, which blame both the external and internal side, there is a gap between theory and practice. Other factors of importance are limited resources; poor strategic planning or the firm cannot find the critical success factors to remodel according to. The question is really how the companies make decisions, when they do not have any material to justify their choices (Garengo et al., 2005; Mayson & Barrett, 2006).

Strategic decision-making and HRM are closely linked in a positive manner, just as the link between strategic business orientation and HRMS implementation. It is at the same time argued that firms with many strategies do not have to include their HR department in every strategy. Since some strategies do not require HRM alignment, would it instead have a negative effect on decision-making (Teo et al., 2002). Another advantage with SMEs is that they tend to be very goal-focused, which help the firm prioritize among decisions. Good decisions increase customer value and chances of meeting future and current customer needs. One feature of a successful firm is good market orientation, where the idea is to have knowledge to make good decisions within a market segment, rather than a pure customer focus. The market orientation idea of continuous improvement is the key to have successful performance in turmoil markets (Verhees & Meulenberg, 2004).

### 2.2 Management structures

Generally two management styles exist which could be combined in some aspects or practices within a firm. These approaches will be discussed below, with argumentations for and against both. The findings imply that the approaches differ in usefulness depending on size of the firm as well as operational industry.
2.2.1  Informal management
Evidence points to elementary characteristics of ad hoc and informality within the HRM in SMEs. Mayson and Barrett (2006) highlight the growing evidence of HRM in SMEs and its characteristics of informality. It is also important that SMEs is seen as nonstandard, thus the effect of their size have to be taken into consideration (Mayson & Barrett, 2006; Kotey & Slade, 2005).

Managers within organizations with an informal HRS might suffer from either data overload or lack of integration with business processes. Data overload and the lack of integration have nevertheless brought many HRMSs to shift from formal to informal to support the managerial decision-making (Laitinen, 2001).

Results state that the more investments in human capital, indeed employee and firm performance is very depending on the HR attitude (Teo et al., 2011). Since HR is normally ad hoc, it causes inconsistency within a firm. The product and labor market are also factors that can help to clarify why informality occurs in SMEs HRMSs. Examples of these HRM aspects are legal requirements, trade unions and factors that will affect the employees, for example safety issues and equal opportunities and rights for all employees (Mayson & Barrett, 2006; Kotey & Slade, 2006; Cassell et al., 2002).

Entrepreneurs within SMEs should confine confidence for the employees; an informal approach to HRM embraces this (Marlow, 2006). The flexibility and informality in SMEs are great assets however, it should be remembered that the informality could lead to diminishing returns and shortage of good result in the long run. Informality in SMEs may also be seen as negative, since it suggest that employees’ contributions are not valued within the firm (Mayson & Barrett, 2006).

2.2.2  Formal management
It is argued that the existence of formal HRMSs and communication strategies are rare, the employment associations within SMEs are therefore identified by informality. Evidence states that the shift from informal to formal management in organizations tends to occur when a firm reaches a level 20 employees (Kotey & Slade, 2006). Formal man-
agement is claimed to improve performance of a firm (Huselid, 1995). Support of a
collection between growth and formal HRMSs has been found as well as proof of a
strategic approach in relation to a firm’s growth and sustainability. It is nevertheless un-
common to have a formal HRS or an assigned HR professional until the firm’s size ex-
ceeds 100 employees (Marlow 2000; Mayson & Barrett, 2006; Kote\y & Slade, 2005).
Middle managers will be appointed as firms grow, and more attention will be put on
personal development of the employees (Kote\y & Slade, 2006).

A drawback that can be found in SMEs with a formal HRMS is becoming apparent
when recruiting new employees. In a formal system managers conduct interviews and
later hires the person most suitable for the job however; the person at hand might not be
the most suitable for the organization and its culture (Mayson & Barrett, 2006; Marlow,
2006; Kote\y & Slade, 2006; Cassell et al., 2002). Kote\y and Slade (2006) argue that a
more formal approach towards hiring new employees by references and by using em-
ployment agencies is evident as the SME grows. The authors argue that one of the rea-
sons behind why a formal hiring process is not being used more often is because it is
expensive (Kote\y & Slade, 2006; Mayson & Barrett, 2006; Sels et al., 2006).

To what degree formality exist in an SME is often neglected when mentors and advisors
implement changes within existing practices, and this is especially transparent in SMEs.
It is assumed that strategic thinking regarding the employees’ skills, attitudes and be-
behavior has to be recognized in order to achieve a firm’s vision in formal HRMSs (Kote\y
& Slade, 2005).

The desire to have a formal HRMS grows with the desire to grow as a firm, which is
linked to the owner/manager and their ability to assign tasks to their employees. The
formal system is also linked with the knowledge of the laws and legal requirements.
This covers both HRM and the employee benefits such as occupational health and safe-
ty (Mayson & Barrett, 2006). To find a formal approach of HRM is hard in SMEs, since
the HRS is mainly controlled by the owner/manager, while a professional is given the
responsibility as the firm grows. However, the owner/manager often prefers to have
control as long as possible (Marlow, 2006).
2.3 Performance measurement system models

Taticchi et al., (2008) did in a research map out the characteristic for SMEs, and how to align these with customized PMSs. The resources are more limited than in big firms and the customer relations are usually deeper, and thereof the theory highlights the importance of stakeholder satisfaction (Taticchi et al., 2008; Gargeno et al., 2005). SMEs do tend to work short-term, which is in disagreement with the commonly strategic, long-termed and structured PMSs. The high level of informal exchange of data is also ruining the accuracy of PMSs, and this can be blamed on the flat, centralized hierarchy. Research shows that the term “strategy” is often excluded when interviewing SME managers. This is argued to be one of the reasons the traditional models fail for SME; they are too strategy focused, and too resource intensive (Hudson et al., 2001).

Several balanced models have been created for large corporations rather than SMEs (Gargeno et al., 2005; Hudson et al., 2001; De Toni & Tonchia, 2001). The most influential is The Balanced Scoreboard. There are several motives for indulging in this model. Firstly, it takes several tangible and intangible aspects into consideration, compared to earlier models. Secondly, it provides a good overview of important aspects. The relevance of the chosen aspects has been proved since it has much influence and many other PMS models are derived from this one. Thirdly, to realize the difference between large and small firms’ models, a need to have knowledge about the traditional models is evident. The model embraces four aspects, which can be found in Figure 3-1 below.
By following this principle companies should decrease the amount of irrelevant information, which has a tendency to group up as the organization matures (Kaplan & Norton, 1992; Gargeno et al., 2005; Hudson et al., 2001). The overload of information in a firm has a base in the old-fashioned financial models, where the commonly used informal information systems lead to a confusing structure which affects decision-making negatively (Laitinen, 2001; Taticchi et al., 2008).

A benefit with The Balanced Scoreboard’s implementation is that it includes more than the just financial managers. Also, since it do not cling onto a control-focus, but instead a visionary and strategic focus, it helps in several ways when dealing with decision-making (Kaplan & Norton, 1992; Gargeno et al., 2005). Evidence states that recently huge emphasis on company strategy has shifted to stakeholders. Even if strategic alignment still is important, it does make many models look outdated (Gargeno et al., 2005). Lack of strategic alignment is however one of the major criticisms to traditional PMS,
together with earlier mentioned lack of non-financial aspects (Hudson et al., 2001). Laitinen (2001) did point out that The Balanced Scoreboard is utilized to steer strategy and identify areas in need of improvement. But a critique he has found is that many managers did not acquired any deeper understanding of the link between company performance, objectives and their jobs after adapting The Balanced Scoreboard. Nor have the authors explained why they have decided on the particular perspectives used in their model, so it has no mechanism to rate the relevance of their defined measures (Hudson et al., 2001; Neely et al., 1997).

2.4 SME specific models

Researches have in the last ten years started to gather some SME specified models to evaluate performance, such as several modified versions of The Balanced Scoreboard created to suit SMEs. But most of these models exclude one or several of the areas that should be covered in a model (see figure 3-1). A selection of the models is listed below;

- Activity Based Costing in SMEs
- Theory and Practice in SME Performance Measurement Systems
- Organizational Performance Measurement
- Integrated performance measurement for small firms
- Quality Models in SME Context (Taticchi et al., 2008; Gargeno et al., 2005).

Out of these models two will be further investigated. The first one is the Organizational Performance Measurement created by Chennell et al. (2000), since this was the first well-known model to be developed for the purpose of SMEs. Thus this is a very good start for comparison to traditional models, as well as comparison with models that have appeared afterwards. The second model is Integrated Performance Measurement for Small Firms by Laitinen (2002), which the second most mentioned, but this is not our only argument for using it. Laitinen has created the model based upon Finnish SMEs, which implies that his results should reflect and be in line with the Swedish businesses to a greater extent than models based on other nationalities since the nations culture overlaps. To involve additional models would seem unnecessary, since these two are plenty to link factors relevant both to SMEs as well as to the models for larger corpora-
tions. The factors derived from these two models, and *The Balanced Scoreboard*, will be sufficient to create a valid analysis and create good questions for the interviews.

Organizational Performance Measurement is based on the links between strategy and employee action, process monitoring, system improvement, value-addition and the business environment; where the main focus of the model is stakeholder satisfaction. The three key factors that the authors consider important are alignment, practicality and process thinking (Chennell et al., 2000; Gargeno et al., 2005). This can both be discour-age and associated with the models’ conclusion, depending on how significant the customers are valued to be in comparison to other stakeholders (Laitinen, 2001). However generally findings imply that customer satisfaction and financial measures is what man-agers have most interest in. A critique is that this model is not properly tested, and ob-jectives are not defined in a clear way (Taticchi et. Al, 2008).

The Integrated performance measurement for small firms is dealing with the company progress in five internal aspects:

- Costs
- Production factors
- Activities
- Products
- Revenues

And two external aspects:

- Competition
- Environment

All of these are tied together in a value chain. The “Integration” is referring to a bal-anced system between financial and non-financial performance levels. As for the earlier models, the mission is to make decision-making simpler and more reliable through the systems. Authors even state that a good PMS can be the one most critical success factor of a firm (Laitinen, 2001; Gargeno et al., 2005).
2.5 The models’ definition of performance and factors

How to define performance is a huge issue and very important for this research. To get a good range over existing definitions we are using: The Balanced Scoreboard (Kaplan and Norton, 1992), Organizational Performance Measurement (Chennell et al., 2000), and Integrated Performance Measurement for Small Firms (Laitinen, 2001). These are also used to find factors to investigate further. This part might be a slight repetition of the previous model explanations, but is necessary to highlight what the models considered important factors.

Kaplan and Norton’s (1992) idea is to grasp a firm’s performance by dividing the factors into four main-aspects. They can be summarized as customer perspective, areas in need of improvement for competitiveness, value-addition, and how shareholders perceive them (for a better overview, see figure 3-1). The authors state that the critical measures should be provided from both internal and external advice, but mainly consists of: customer satisfaction, shortening response time, improving quality, emphasizing teamwork, reducing development processes and creation of long-term thinking. Interaction and balance between all these factors is equally important as improve at them separately. Out of these several key factors can be derived and applied to this research: quality, time-management, value-creation contribution, employee skills, productivity, communication, innovation, continuous improvement, involvement of managers, vision and motivation of employees. Some of these factors demonstrate that this model is created for larger firms, such as the focus of supply-chain and the many factors related to the production, which are only indirectly linked with the sort of performance this thesis attempts to research. Nonetheless, many factors are directly linkable to the sort of HRM that will be examined.

Chennell et al. (2000) stresses the strategic importance in collaboration with processes, improvements, stakeholder satisfaction and value adding. To reach a good performance are alignment, process thinking and practicality important. These points are good for overall performance measurement, but many of these factors do not apply directly to HRM.
Laitinen (2001) argues for a difference in factors, which is dependent on internal and external measures. He has created several definitions to explain performance. However, since many of these are in no way useful for this thesis, only factors that could be relevant for HRM are mentioned here; competence, motivation, capacity utilization, time, cost, flexibility, quality, innovativeness, results and customer profitability. Laitinen (2001) also emphasize that the factors chosen to be of importance must be relevant, and the logic both behind each considered factor as well as the balance and interrelationship of the chosen factors must be obvious and easy to understand.

We can see that many factors that are considered important overlap within the models, such as capability of employees, customer satisfaction, quality of work and time-efficiency. All of the models have important factors, which serve as a good foundation when establishing our own definition and what factors are significant for this thesis.

### 2.6 Our definition of performance and factors

Our definition of performance has foundation of internal satisfaction and good external perception. Since the performance is what needs to be examined, all factors must be straightforward and very closely linked to this. After searching for logical connections through the literature and evaluating these to our purpose, several factors have been determined. All of these are mentioned either in the discussed models or based on the literature as a requirement for great performance. We have evaluated and weighted these key factors as to be the most essential, and conducted the semi-structured interview questions based on these:

- **Experience** – is defined as actual experience within the HR manager. If the appointed manager has high knowledge concerning HR and HRSs, it should be reflected in design and implementation of the HR practices and PMS systems among employees in a clear way. It should also lessen the need for consulting an external HR expert.

- **Rewards** – concerns reward systems appointed from the HR department, such as monetary or verbal rewards. According to the literature, monetary reward systems are said to decrease opposition and create engagement within the employees.
• **Consistency** – this is referred to the consistency between different HR practises, policies and among employees regardless of hierarchical level. Inconsistency, or improvements in limited subdivisions of a firm, can be disastrous and make a company uncompetitive and underachieving.

• **Feedback** – this factor has been generated as a combination of various mentioned factors and is not expressively stated in the models. Nonetheless, the idea of feedback is linked with so many aspects of PM and HRSs that it cannot be neglected; consistency, continuous improvement, strategy and decision-making to mention a few. We refer to feedback as the evaluation process with a customer before and after the services has been provided. We also focus on evaluation of employees, such as personal development, training and improvement on an individual level.

• **Value creation** – concerns factors essential for business survival that are non-financial and relatively difficult to measure with a PMS. The three aspects decided to study further are customer focus, long-term thinking and group dynamic.

• **Strategy** – this definition is fairly straightforward; it concerns the link between the HR manager and the business goals. Several authors stress the importance of HR management and strategic alignment as a crucial factor for good performance.

• **System control** – refers to controlling the performance systems used within a firm. This includes, but is not limited to, making sure the PM variables are “correct”, and HRMSs are working. How to address and solve problems that occur shows clearly if the firm is implementing these two systems correctly.

• **Balance** – this has been stated in all models, and addresses the financial and non-financial balance in an organization. Even if our focus do not lie upon financial performance per say, the economic availability should allow a HR manager to improve and upgrade more freely.

• **Flexibility** – competition, the business environment (external and internal), the ability to rapidly switch direction is required (external response-time).– considered in terms of flexible HRS (practices time), flexible towards

• **Continuous improvement** – this is also a rather direct factor to investigate. A HRS can often be further optimized, and needs to search for ways to improve
and be ahead or at the same level as the competitors, customers and the business sector require.

Out of these ten factors, six were put more focus on: consistency, feedback, intangible processes, flexibility and continuous improvement. These were considered more important than the other four, due to their vivid appearance in literature and good, fundamental nature.

3 Method

3.1 Research approach

A research can be divided into two research approaches; inductive and deductive. Deductive is mainly used in quantitative research and draw conclusions based upon logic. From the existing literature will hypotheses be made, and these will be tested and then rejected or accepted. Inductive consists of drawing general conclusions regarding empirical evidence and is commonly used in qualitative research (Ghauri & Grønhaug, 2010; Patton, 1987). Trusty (2011) argues that implementation of a qualitative research is difficult, since the question of the study is normally not perfectly clarified, and broad answers are therefore needed from the participant. The qualitative research approach will however give results that are a combination of rational and explorative findings, which will highlight the skills and experiences of the researcher when analyzing the data (Ghauri & Grønhaug, 2010). Cassel et al. (2002) add that due to the SMEs diversity, a quantitative research data says very little and is thus of little use for the literature and our study. A qualitative research will give a deeper understanding of the research rather than scratching on the surface. Through qualitative research may unexpected turn of events or omitted variables surface which is impossible to discover with statistical tools. This thesis has therefore undertaken an inductive, qualitative research approach.

Assessments are made in two ways within an inductive research. The first approach consists of asking the participants about their experiences. The second approach is concerned with exclusive characteristics (an example is the firm’s culture), which has implied that all cases are different. When the inductive interviews have been made, are they analyzed together and conclusions has been drawn based on real experiences and facts (Patton, 1987). This is of importance in this thesis since we interviewed HR man-
agers with experience in the field of interest. The results from the interviews will therefore be more useful with this approach.

### 3.2 Research purpose

Three different kinds of basic research design exists; exploratory, descriptive and casual research (Ghauri & Grønhaug, 2010), and a mixture of exploratory and descriptive research design, which to some extent overlaps, will be utilized in this thesis. An exploratory research is used when the theory lack grounds for a specific problem or question and to clarify the uncertainty that may appear. In our study this refers to the Swedish aspect, which is currently almost non-existent. Exploratory research can be divided in three ways; search for literature, interviews with experts and interviews with focus groups, of which the first two are being used in this study. The design is flexible and adapts to changes, which is important since new factors have occurred during the research (Saunders, Lewis & Thornhill, 2009). In a descriptive research are rules, structures and procedures the most important elements. Variation within this type of research should be as minimal as possible and the gathering of information should occur in a similar manner for all interviews. Another positive trait of the descriptive approach is that more than one factor can be evaluated (Ghauri & Grønhaug, 2010; Saunders et al., 2009). This was of great importance, considering our research questions, but we still require a structured approach to be able to analyze the results from the two interviews properly and to avoid biasedness. Nonetheless, since we wanted to have the possibility to investigate specific performance factors, this was taken into consideration when conducting the interviews.

### 3.3 Research Strategy

Several different strategies can be used when conducting a research, example of these are experiments, action research and case studies. The chosen strategy should be based upon the studies objectives and meet the purpose (Saunders et al., 2009). We have chosen the strategy of case studies in order to gain as deep and detailed information as possible (Patton, 1987). The reasons why this strategy was used is explained in the section below.
3.3.1 Case study

Two forms of case studies exist; single-case studies and multiple-case studies. Single-case studies concern only one case, while two or more cases are studied in a multiple-case study (Yin, 2009). Elmia AB and Svenska Mässan Stiftelse were chosen for a multiple-case study in this thesis and the companies will be introduced in the next section. Multiple-case studies are used when an interest of discovering if the same or similar findings can be found in multiple cases. Generalization can therefore be made from these studies and it is furthermore argued that the use of multiple-case is preferable (Saunders et al., 2009; Creswell, 2007). Our cases were chosen based upon their valuation purpose, which concerned both how valuable and valid they were. It is furthermore argued that case studies are useful when the researcher would like to find differences and conclusions, which are individualistic within the field of research (Patton, 2002). Since we investigated the relationship between performance and HRM with the case studies, these were confirmed to be in agreement with the three key influences of the qualitative research approach; describing, grasping and clarifying (Hamel, Dufous & Fortin, 1993).

Our main argument for using a case study is because of the opportunity to discover a more in depth relation behind HRM and its practices. The findings may then be compared and evaluated to the theory. It is important to be consistent when conducting a qualitative research, especially during the analysis.

3.3.2 Elmia AB/Svenska mässan Stiftelse

When choosing which two companies to base our case studies on, was a homogenous approach taken to minimize the difference between the companies and clarifying certain characteristics in these sample groups, which make the analysis easier to conduct (Patton, 2002). Several criteria and requirements had to be met by the companies to match the intended profile. Firstly, the companies had to be within the constraints of our SME definition. Secondly, the firms required a formal HRMS, or at least an appointed HR manager. Thirdly, the businesses we investigated had to be in the same business sector. This might not seem important, but we are confident that to make a fair comparison and analysis the firms must face the same business environment, threats and opportunities to be valid. This is also the reason why the companies must be located in Sweden, and preferably in similar settings (located in a city and not a rural area). Why we decided to
focus on the trade show industry is mainly because firms in this sector are managing huge numbers of employees, even if they are SMEs. Thus there was a great likelihood that the systems utilized in the organizations would be formal and possible to evaluate in relation to the literature.

3.3.3 The companies

3.3.3.1 Elmia AB

Elmia AB consists of three business areas: meetings, trade shows and theme shows. They wish to inspire and create successful meetings by being available for the clients and provide their knowledge and experience to deliver best possible service. Elmia AB’s values are based on security for clients. Openness and progressiveness, both internally and externally, are other core values they strive to achieve (Elmia AB, 2013).

The company was created in the 60th, and the firm has always had a focus on trade shows within the topics agriculture and environment. During the 70th the firm halls were built, as well as offices, conference rooms and a restaurant. The expansion continued during the 80th, and a feedback-and-quality-control system started to take form. The development kept going strong, and concerts, sport events and the world-famous LAN Dreamhack added an international and modern flavor to the mix (Elmia AB, 2013; Elmia AB, 2011).

After conducting the interview it was possible to describe the systems of Elmia AB, but note that this information was not available at their website or annual reports. The HRS consists of one HR manager that deals with all the aspects of HR apart from salaries, which has been outsourced. Currently, is Elmia AB facing issues with competition and competences, and a huge reform is taking place (V. Lindberg, personal communication, 2013-04-09).

The performance measures are generally decided by the owners. These factors have been chosen before the current HR manager were hired and why those specific measures had been selected is she unaware of. But what seems to be the most obvious measure of importance are the visitor-effects. This is measured in collaboration with “Handels- och utvecklingsinstitutet”, a research organization. They measure direct ef-
fects in terms of generated employment and profits, both within the firm and in the region. They also measure indirect effects that the trade shows produce, such as lodging and transportation (V. Lindberg, personal communication, 2013-04-09).

3.3.3.2 Svenska Mässan Stiftelse

Svenska Mässan Stiftelse is a trust fund that holds exhibitions and conferences of various kinds, and is considered to be one of the most efficient meeting points in the Nordic countries. This refers to business meetings, competence development and networking opportunities. They also own and manage one of Scandinavia’s largest hotels (and by 2015 one of the five largest in Europe), along with a huge restaurant department. Their mission is to serve the commercial and industrial life of Gothenburg. Because of the many different departments, the number of employees actually reaches 600 (Svenska Mässan Stiftelse, 2013). However, since we are only focusing on the exhibition personnel and operations, the number rapidly decreases to 93 (S. Lindgren, personal communication, 2013-04-19). Note also, that Svenska Mässan Stiftelse is very close to the allowed SME limit in turnover, and thus are on the limit of being a large company. Both these issues are carefully taken into consideration when conducting the analysis and drawing conclusions. It was deliberated to be a fair choice to investigate Svenska Mässan Stiftelse despite their size, in order to have two companies in the same business sector with appointed HR managers to compare (Svenska Mässan Stiftelse, 2013; Svenska Mässan Stiftelse, 2012).

The company was founded in 1918, but it was not until 1936 the company became a trust fund. With the change new facilities were built, and by 1953 the company joined the global association of the Exhibition Industry, UFI. Continuous work with new halls, acquisition of firms and collaborations moved business forward and in 1993 Svenska Mässan Stiftelse began to manage the Hotel (Svenska Mässan Stiftelse, 2013).

In the culture of Svenska Mässan Stiftelse is openness, equality, health among employees valued, and wants to make their employees feel that they are a part of the machinery. Many of these values are very obvious, for example is the board of directors divided 52%-48% between males and females (Svenska Mässan Stiftelse, 2013; Svenska Mässan Stiftelse, 2012). Today, the premises are owned by the trust fund and consist of
145000 square meters of various exhibition halls, restaurants and the hotel, all of them located conveniently in Gothenburg. Currently, to become globally competitive is the plan, and the prospects, according to the company itself, are looking good. However, they are not taking credit out of thin air; on the contrary they have been awarded in a national competition for their great working environment (Svenska Mässan Stiftelse, 2013).

After the interview it is possible to describe the systems of Svenska Mässan Stiftelse, which we were unable to do before. Their HRS consists of six persons where one is the manager and the remaining five are staff. Three of the team is working administratively, and the remaining three are working strategically. The manager works strategically as well as operationally, and the main purpose of the HR team is to support and develop the owners/leaders at higher hierarchical levels. They also consider employee turnover as a measurement if their HRS is performing well (S. Lindgren, personal communication, 2013-04-19).

The performance measures that are considered important for Svenska Mässan Stiftelse are the visitor-effects, which is a mission stated in their byelaws that have been created by the owners. This includes direct effects for the company and the commercial and industrial life. The measurement is then showed in the company’s growth, profits and the regions increased lucraviveness. This is being measured by “Handels- och utvecklinginstitutet”. When assessing the employees’ performance, they conduct a survey once a year, which is bought from an external company that is used to evaluate employee satisfaction, as well as having regular meetings with the staff. The level of performance is then measured by how well the pre-decided goals have been reached and how much engagement has been showed (S. Lindgren, personal communication, 2013-04-19).

### 3.4 Data collection

There are different kinds of data collections; we used primary and secondary data. The primary data is collected for the currently conducting research, while secondary data has been collected by other scholars and may have a different initial purpose compared to the primary data (Ghauri & Grønhaug, 2010).
3.4.1 Primary data

The foremost advantage with primary data is that it is collected for the current study, and therefore is more coherent with the purpose. It is also advantageous because it gives a greater insight into attitudes and intentions when people’s opinions are of importance (Ghauri & Grønhaug, 2010). We wrote this thesis with the focus on interviews, which are one of many ways of collecting primary data. Using interviews in a qualitative research is very common. From the interviews are direct quotations possible, with respect to the interviewee’s own experiences and knowledge (Patton, 1987). Interviews can be seen as humanitarian, which indicates that they could be transparent and untrustworthy. However, since a biased interviewer can be discovered quickly is it highly unlikely that an interview give untrue answers. The author also argues that interviews combined with secondary data will complement each other (Czarniawska, 1998). By using interviews is a deeper understanding of the topic possible, and by observing and listening to the interviewee (Taylor & Bogdan, 1984).

3.4.1.1 Semi-structured interviews

This thesis will use the active interview approach called semi-structured; this is a flexible style with incorporated guidelines (Holstein & Gubrium, 1995). When using a semi-structured interview is a good knowledge base important, to understand the firsthand information from the primary data and to utilize the knowledge you had beforehand. Since a structured format exists in this kind of interview, is a fixed order of open-ended questions of importance (Patton, 1987). Factors that the interviewer might have overlooked will appear and open-ended questions provide many chances of adjusting the lost factors and are therefore able to incorporate them in the result.

After initial contact with the HR managers at Elmia AB and Svenska Mässan Stiftelse, were one interview conducted at each company. During the interviews did both authors participate and the interviews lasted for 43 respectively 30 minutes. By implementing a individualistic, unbiased manner, do we firmly believe that this will lead to the most valuable results (Patton, 1987). It furthermore gives the interviewee the possibilities to give more open answers of the relevant experiences that are connected to the research topic (Saunders et al., 2009).
In the beginning of each interview was permission to record asked and both interviewees accepted, which has been of great value for the accuracy of the analysis. Also, notes were taken throughout the interview. The interviewees are kept anonymous to assure confidence and openness. Therefore the names have been replaced with Manager A and Manager B as well as Firm A and Firm B when necessary throughout the empirical finding and analysis. The structured questions asked at the interviews can be found in appendix 1.

3.4.1.2 Validation of interviews

During both interviews were the relevant themes discussed which gave a controlled yet flexible interview (Saunders et al., 2009). When conducting our interviews, the following sections were most important to get answers to:

- How does the HRS look?
- How is performance measured, and which factors matters for the company?
- How are these factors decided?

Patton (1987) stresses the importance of wording the questions; they should be formulated without giving any inclinations for answers, this has been kept in mind during the construction of questions. The main questions were then arranged to capture different perspectives, to see which factors the managers argued for, and if the responses differed if the questions were tilted differently. It was also done in this manner to avoid biasedness and trying not to omit important aspects. Even if this approach was used during the construction of questions, was it not a tool to determine which questions to ask. Since we sent the questions to our interviewee in advance they were they fairly open and few in numbers. We brought personal follow-up questions for the interview due to get clearer understanding if an answer were unsatisfying. The questions were based upon multiple variables of equal importance. First the purpose, which explained what was going to be investigated. Second the PM factors, which were found in the models discussed in the theoretical framework. The factors were carefully evaluated to the purpose and literature before being chosen. The last variable we have based our questions on are the common issues of HRM mentioned by previous researchers.
3.4.2 Secondary data

The secondary data is used to gather knowledge within the area of the study, as well getting a better understanding of the research problem. The secondary data in this thesis consist of articles from various journals and databases such as Google Scholar, Scopus and SAGE, online data sources and books. When choosing the articles was the publication date as well as number of citations the main criteria. This thesis has mainly used articles since these will provide more unbiased information compared to other alternatives (Ghauri & Grønhaug, 2010). To be able to conduct an empirical gathering properly is a foundation of pre-existing knowledge essential, since the questions cannot be made up as the interview unfolds, and thus a theoretical base as guideline is very useful.

3.5 Analysis of data

Before starting the analysis of the collected data is a validation of the gathered, important findings required (Patton, 1987). Each interview has been transcribed by the research team, and resulted in 19 pages of text that has been stored and can be accessed upon request. The interviews were both conducted and transcribed in Swedish. It should be noted that the quotes has been translated to English, where extensive time has been devoted to make them as accurate as possible.

When analyzing primary data are quotations important and will help with addressing certain research questions (Patton, 1987). Holstein and Gubrium (1995) argue that the findings from interviews will emphasize the secondary data knowledge and will therefore give more correct results. The analysis will discuss the different factors that can be found on page 21-23, which is based upon previous researchers work, and how important they were in accordance to Elmia AB and Svenska Mässan Stiftelse. It will also look at the fit of the Swedish aspect, based on results from the conducted interviews.

4 Empirical findings

4.1 Experience

Within the topic of experience we found a disagreement in our two cases. The experiences of the two managers were not completely dissimilar. They were about the same age and both had previous experience within the HR field and to some extent in the
same branches, however not in the same companies. The two firms do not manage their HRSs in the same manner, and the managers describe their roles rather differently. Manager B works in a team of six people, in which she is the supervisor. Three of them work with administration while the remaining three, herself included, works strategically. Manager B also engages to a great extent with operative questions, even though it is not in her appointed tasks, in order to have a good flow in the organization. Manager A works alone and her role as HR manager require a broader field of personal knowledge. Manager A also says that the firm use external consultants to improve certain areas where they do not have the competencies internally. An important note is that the managers have vastly different views on their companies. Manager A highlights a positive company culture where she mainly has adapted the culture and systems which existed when she was hired 2 years ago. Manager B instead emphasizes their current rejuvenation of employees, mainly due to pensions. She explains that HR can be helpful with the creation of a good and stable base for the company culture.

### 4.2 Rewards

Manager A points out that her company do not use any form of monetary reward system, but instead give verbal acknowledgements for tasks well performed. She emphasizes that the company has a very intensive feedback culture, particularly for positive achievements.

"You really acknowledge each other and I think that is somewhat unique for X that it is one of those, it is a feedback culture..." - Manager A

Furthermore, she also claims that being acknowledged by your co-workers and supervisors create a very welcoming working environment. Manager B claims that you can increase salaries until people are content and by doing so avoiding conflicts, however, you cannot pay someone to be engaged and truly interested of an organization and its performance.

"With satisfaction you can basically buy it. Or you can avoid conflicts and the coworkers will be content... engagement is something that comes from within, when you want to be associated with the success story ... but okay add 10,000 more to the salary and the person will be content..." – Manager B
4.3 Consistency

It becomes evident when Manager A speaks of their modification in the firm that not all employees are aware of the HR functions. When they refined their company to improve the core competencies and internal knowledge, some noticeable gray zones surfaced by means of unclear codes of conduct. This was done to keep up with competition and other external pressures such as the industry and globalization. Manager A explains that consistency will have a higher presence after the remodeling to make sure the competencies are at the same level in all departments. It is thus very strategically intensive to figure out how to create and maintain consistency. Manager B does not appear to have these issues. Instead they have a differentiated way of managing the departments, which shows flexibility and resolve issues. Since her arrival the firm has developed the right HR competencies to achieve long-term benefits, and she says that the trick is to convey the owners that certain practices are the right way to go. She constantly attempts to make sure everyone is at the same level by working intensively with participation among employees.

4.4 Feedback

Feedback was a reoccurring topic in the interviews. Both Manager A and Manager B speak of external agencies that evaluate their organizations, and serves as a quality stamp. The agencies either scrutinizing the trade shows that have been conducted, the level of exhibitors and visitor satisfaction, making sure regulations are being followed or estimate the visitor-effects the organizations has in the region. However, the firms do not always utilize the same organization. The first organization is called Scandinavian Fair Control and gives a quality stamp on the companies’ trade shows to make sure they are keeping a certain standard. The second organization utilized is called Nu-gruppen, which is a research firm whom hires students to question both the exhibitors as well as the visitors regarding their experiences from and at the trade show. Both these two organizations are used continuously in one of the firms. The other firm uses Idevall, from which they buys employee surveys. Both firms are also scrutinized and in collaboration with “Handels- och Utvecklingsinstitutet”, a research organization. Manager A believes to be service minded is crucial for the company’s survival as well as keeping the service grade high after each trade show. The service grade is measured upon a five-degree scale. It also covers experienced degree of service by the stakeholders and how efficient
the show was perceived by the exhibitors. In Manager B’s firm they work with feedback from the exhibitors in the form of a questionnaire, which they send out to the exhibitors. Both managers highlight that the outlines for the measuring system were design by owners at different points in time and are there to help achieving the business goals.

As for the feedback regarding the employees are different approaches used by the companies. Manager A points out that their feedback culture makes the evaluation of the systems and HR practices easier. Manager A has not conducted any employee surveys since she was hired, they have instead put all their efforts into their continuous, intensive feedback culture. She continues by saying that her job is to make sure that policies, laws and contracts are being followed, and this creates a way of controlling the HRS in its own way. Meanwhile Manager B talks about personal meetings with the employees, since this will signal how well targeted goals have been achieved. Manager B does have a very sophisticated employee survey that consists of 54 questions with many different measurements on a five-grade scale that have been conducted since 2005. Manager B has also began a new way of evaluating the employees’ satisfaction at work, which she considers to be a clear indication if the systems are working and if the engagement and involvement among employees has increased.

Manager A also mentions employee turnover as a very obvious indication if the HRSs are working as they should. If there is a problem occurring within the system, she tries to find the source of dissatisfaction. By weighting the pros and cons she attempts to make the situation as good as possible, since holding onto a set of rules many disagrees with is never working and no good performance will come for displeased workers. Manager B agrees in some parts, such as the employee turnover as an indication of system success, and explains that she finds it hard to do actual measuring of HR practices. Nonetheless she can see indications if the policies and practices seem to make employees satisfied, and that way she knows if the organization is investing in the right areas.

“...I think it is important to measure, even if you put it like this, ‘but it cannot be measured, HR cannot be measured like that’. No but we perhaps should not measure and be rewarded for it, but it does give an indication if our investment...is good or...if we manage to continue to be this fantastic employer we wish to be. No, perhaps we aren’t because the employee turnover increases by X percent every year, and then maybe we should rethink what we really are doing.
So it might be more indications if we are doing right or wrong, rather than measuring at an individual level...” – Manager B

As for Manager A, does Manager B mentions byelaws and policies as factors that keep the HRSs in control. However, Manager B has a rather different method to evaluate their systems. For starters, Manager B has regular discussions with different department managers, where they discuss how to improve, and then the adaption will be implemented to fit their needs/demands/feedback. It is not just responding to the demands/feedback though, but understanding what causes the poor experience/feedback. We also asked the managers how the handle communications internally, to get a clearer view of their feedback systems. Manager B states that transmitting the information through the hierarchy levels is a problem the company is facing today, both in terms of letting the information flow upwards as well as downwards. Also, some managers let the information flow easily without being filtered for unnecessary noise; this is however only a small issue within the organization. Manager A mentioned a very high informality in their communication.

4.5 Value creation

Both Manager A and B put a lot of focus on the long-term goals within the firms. Manager A highlighted that certain profitability levels should exist but that a long-term rather than short-term approach towards the profits are taken, which stabilizes the organization. Manager B also emphasizes the usage of long-term thinking, which can be seen in their exhibitions that runs in cycles of 1-3 years. These cycles make it possible to plan working hours, the work force, the competition and financial restraints that may occur months in advance. Many of the exhibitors return at the reoccurring trade shows. The long-term thinking has therefor taken on both the processes and projects within the firm. Manager B does furthermore see long-term benefits with implementation of the new system, both with regards to the communication between the owners and employees as well as making sure the right competences are at the right place.

When looking upon the group dynamic within the firms does both Manager A and Manager B emphasize the importance of getting everyone on the same page. Manager B has since her arrival worked with creating groups consisting of the most negative as well as the most positive of the staff, to work with different questions and problems, this is due to three reasons. Firstly, it is impossible to work with focus groups including all
workers. Secondly, it will help to shorten the adaption time and thirdly, a more positive attitude towards the project can be seen even within the most negative employees. Manager A says that there will always be some people who think things should be handled different, especially when you are working with humans. But that’s a part of the charm, and she argues that people have to disagree; otherwise there would be no challenge, even if she keeps the discussions at a professional level.

Manager A highlights that not all employees should be at the office constantly, but instead should meet customers to create customer value, as well as finding new customers. Manager B does as well highlight the importance of customer value.

4.6 Strategy
Manager B explains that half of the HR department is focusing only on strategy. Manager A explains that they have outsourced certain functions to allow her to deeper engage in strategic improvement. They both speak of very strategic roles, how it has impacts on mission, decision-making, competencies, development and how they handle competition. Strategic HR is a constantly reoccurring theme.

4.7 Balance
To have a good balance between the financial and nonfinancial aspects of the companies do both managers emphasize, however not to the same extents. Manager B believes that there is a good balance in her company, but do argue that some departments are too focused on the financial aspect. She also argues that good control of the economy will increase the security of the employees and that security will be reflected in the performance, which leads to good results.

"I think that it exists [a balance focus], I don’t think that you will get the same answer if you ask all employees because then I think...most people say the same as in most companies, it is too much focus on the numbers. But I think that you have to turn it around, because if you don’t have attention on the numbers and deliver good results you won’t get any security of the employees either, so that is linked in some way.” – Manager B

She stresses that the HRS and the balance is closely linked, by stating that a good HRS may increase both engagement and turnover, if the HR practices are implemented cor-
rectly. Meanwhile, Manager A makes comparisons with the American firms she used to work for, where too much of the focus were put on the financial rather than human aspects. She agrees with manager B though; many departments do not have the desire of good balance to the same extent as the HR segment. Manager A also states that a certain level of profitability has to be reached; this creates an opportunity of long-term thinking, which stabilizes the business, and Manager B agrees.

4.8 Flexibility
Flexibility can be seen in both companies with similar behaviors. Both Manager A and B speak about working with trust in their employees, and a time-flexible schedule, possible due to the nature of the industry. The employees at Firm B work with projects and as long as these are finished by the deadline, is flexibility possible. Furthermore Manager A agrees regarding the subject of working hours, projects and deadlines as well as the impossible task of “regular office hours” within this field of business.

“No, it’s not possible in this kind of business...We have project managers who are for the third Friday in a row at the airport in Frankfurt because the planes are delayed and it’s in the middle of the night, if that person arrives at eleven on Monday morning nobody questions it. Instead you have freedom below responsibility, the important part is that you perform well” –Manager A

She explains that some part of the practices is more regulated than other such as vacations. She also speaks about a flexibility regarding improvements of poorly functioning tasks, and she implies that the company is responsive to its employees. Manager B adds that due to the organization’s structure does a degree of inertness exists, which they must eliminate in order to be more flexible.

4.9 Continuous improvements
Both managers mention continuous improvement as a driver for success. Manager B says it is important for her to never stop searching for new ways to improve, and she has made alterations in the systems to make it more modern. One thing she mentions is better relationships with Social Medias, to keep up with technology developments. This modernization can be seen in the rejuvenation of employees and their adaption of exhibitions to meet contemporary visitor demands. Manager A mentions competitors and pressures from internationalization to be two main drivers. The insights in which areas
that needs development is found via their feedback systems, evaluating their strengths and weaknesses compared to competitors and assessing how well they meet their goals. Both managers do also stress how much the results of visitor-effects matter when evaluating their performance.

4.10 Owners role, rules and regulations

Manager A explains that the owners are very integrated with strategy and decision-making; they make the final call, suggest or demands changes and decide which PM factors to evaluate. Manager B says that since the organization’s owners are partially external, the interest in firm performance and growth is not limited to the business. She also clarifies that her tasks are to support her superiors and managers of other departments. Both managers talk about reaching the owners goals and making the firm go in the same direction.

Since Firm A is partly externally owned are the rules and regulations important. Manager A says that one of her biggest responsibilities is to make sure they follow the legal framework. The HR system has foundation in a set of rules, laws and contracts. Not everyone likes the way the HR department interprets the rules, nor are positive to changes. However holding onto a set of rules many disagrees with will never work and no good performance will come from displeased workers.

5 Analysis

During the gathering of empirical material it was soon discovered that not all the factors considered essential did apply to the actual practice. While some factors matched the literature and models, other was clearly not applicable to the Swedish cases studied. There were also results that indicated a bigger influence of certain factors than originally assumed, and some factors that had not been anticipated to have any impact at all surfaced.

5.1 Experience

Since the absence of respectable HR experts, due to cost and unavailability (Sels et al., 2006; Teo et al., 2011), it is important that the appointed HR manager in a firm has extensive experience to compensate for the shortcoming. Even if the literature counter-argues that 82% of SMEs has at some point used external consultancy, this is rarely
from actual experts but rather from acquaintances. However, we have found that Manager A uses non-governmental consultants in more than one area of the firm, which contradicts the literature. Nonetheless, literature argues that strategic consultancy should be the most beneficial, but none of our cases is utilizing this but are still performing very well. We believe this is an important finding, since it seems to imply a bigger market for experts and consultants to exploit, and an opportunity for the market to create SME-specific experts.

“In such a company as X, where I am alone at the personnel department I do basically everything despite salaries, very operative to very strategic questions… while at a (large) company I worked at before we were seven at the personnel department beneath one superior, where I and another college had wide consultancy roles.” – Manager A

Here it becomes evident that Manager A experience a big difference in manager requirements depending on the size of the organization, which is confirmed by Manager B who have a team of more specialized workers, while simultaneously being a larger business. Hence we can draw the conclusion that the smaller the firm, the more demand is placed upon the HR manager in terms of skills. In other words, the smaller the firm, the more pressure on the HR manager to be self-sufficient and less specialized. This also indicates that as an SME grow, the need for more extensive HR grows as well.

In the end, the difference between the two cases does not seem to be directly affected by experience, but rather the role of the managers. This point out that experience should not be generalized for the case of Sweden. However, the company culture may play a larger role than experience. The literature states that managers value this fit, even if researchers do not seem to agree (Heneman et al., 2000; Huselid, 1995; Teo et al., 2011). We can neither find a strong nor clear link between experience and performance.

5.2 **Rewards**

The literature highlights the importance of monetary rewards to increase employee performance (Huselid (1995). It states that it should be used as a tool to create engagement among the employees however the reality seems to disagree. It should however be noted that this realization might be because of the argument from Teo et al. (2011), that managers are not as obviously related to monetary rewards. Since managers were inter-
viewed, they might not appreciate this sort of rewards while less influential employees do. However, we have not found anything that argues that this will be the case, based on the high degree of employee satisfaction in both firms. Rather, the argument from the manager that financial compensation only creates shallow satisfaction seems to be more accurate. Obviously, since money is a very tangible measurement if you are doing a good job it should be respected, while a verbal reward creates more pure engagement and will improve the successfulness of a firm to a much greater degree. Hence managers should keep placing focus on this. Thus, we clearly see that the empirical findings do not agree with the existing literature. It also means that we have found a negative link between monetary rewards and firm performance. Another motivation why this might be the case can be found in the research of Fendel and Frenkel (1998), which say that monetary rewards on average are lower in SMEs compared to big companies. But we argue that since at least Svenska Mässan Stiftelse is on the brink of being a large corporation, this input can be neglected. This means that Sweden is less focused on money compared to other countries, and that a national difference exists. Why this is the case can be debated, but we can see two reasons. Firstly, it is the stable employment environment. Since the employees can expect to remain in the firm for a long period of time, feeling harmonic and inspired at the workplace matters more than the excess money you earn from monetary rewards. The second reason could be the large opportunity to get assistance from governmental services, since it implies that even if the unemployed individual will get compensation of some kind. Another argument that could explain this difference is that Swedes have values that differ from the other researched countries, and that this affects their view on money. Remember nonetheless that there always is a risk in a qualitative research that the selected cases do not agree with the entire population.

5.3 Consistency
The literature argue that HR practices unfortunately are very *ad hoc* in SMEs, and should be developed together to get consistency, even if it is still unclear exactly how important. It is nonetheless said that this will affect the firm negatively in the long-run, which we see both can in literature and in the case studies (Cassell et al., 2002; Lepak & Snell, 2002; Teo, et al., 2011; Delery, 1996). For the two HR departments the main issue however seems to be inconsistency in competences across the organizations, rather
than in policies. Nonetheless policy issues are also observed, to a low degree, but looking at the organizations as a whole none of them has any big troubles with inconsistency. Even if the policies utilized do not make room for many grey ethical areas, they still exist. Another notion about the modification to improve core competencies is that it has been done to fill a gap with external requirements and internal capacity. This puts a lot of pressure on the employees to acquire the needed competencies, and can at least partly be blamed on earlier inconsistency. Manager A and B mention different goals within their firms, but literature states that this is no issue as long as the strategy is consistent (Lepak & Snell, 2002). This is the case, since both firms are very focused on long-term benefits. In both firms are the missions clear, and thus this can be neglected. But then there are factors where the organizations contrast. Another reason for their consistency is their advanced long-term planning and the HR manager’s belief in HRM as a tool to reduce inconsistency. We can also see that globalization plays a role when the firms are developing their businesses, which further proves that even SMEs are affected by the internationalization, not only in terms of opportunities (Knight, 2000) but also in terms of improvement pressures. To summarize, since changes within both firms are linked with inconsistency, we can evidently state that it is very important to be consistent to perform well and to remain competitive.

5.4 Feedback
Both organizations work to a large extent with feedback, which can be divided into three parts; exhibitors, employees and visitors. However in our research we have found that feedback and controlling systems are very interlinked, to such an extent that they cannot be properly separated. Nonetheless the case studies have provided findings, which clearly state that several ways to have control and measure the systems exist. This is something Manager A has neglected to do and has rather fallen into the existing feedback system due to the positive working environment at the firm. But since the firm already had a very intensive feedback culture, an employee survey might just create an unnecessary stream of information that the HR manager must deal with, and would thus be counter-productive. Meanwhile Manager B is in a higher need of employee feedback, due to the decentralization and huge number of employees. Even if we only wish to concern the trade show employees, in this scenario we must take the higher number of employees into account to make sense of our findings. Since the survey is externally
bought it means that it is standardized and thus unbiased, which in one way is good, but it would also imply that it might not take up issues specific for the firm. Even if both firms have extensive feedback systems, there is room for improvement in the communication, which could make the firm work smoother. Feedback is also the most transparent way to understand if your HRS is working correctly and if the firm is investing in the right areas. This transparency can be utilized to improve performance.

We argue that an intensive feedback culture is highly linked to performance. As the firm received constant reports on how well they are reaching their goals and create value for employees and customers, they are able to locate critical success factors and realize which areas that are in need of improvement. This link is stressed by several authors (Kaplan & Norton, 1992; Laitinen, 2001; Taticchi et al., 2008; Hudson et al., 2001; De Toni & Tonchia, 2001). Since HR and feedback is directly linked to performance, good feedback have appositive impact on HR and therefore on performance. As far as this research goes it appears to be greatly important in the Swedish business environment to have proper a feedback culture in SMEs to be successful. This does however not point to a national difference, since this is a reoccurring theme in the existing literature.

5.5 Value creation

Mayson and Barrett (2006) state that informal management is a problem, partly since it makes an organization unaware of how they contribute to value creation. Formal management is not a guarantee for good value creation, but the literature and we agree that it increase the probabilities of success. Sels et al. (2006) and Kotev and Slade (2006) adds to this conclusion by stating that HRM inside a firm increases both productivity, and thereby performance, and value creation. As mentioned in “Our definition of performance and factors” have we divided value creation into three parts; customer focus, long-term thinking and group dynamics. In all models we have investigated is customer focus and value creation as one of the important success factors (Kaplan & Norton, 1992; Laitinen, 2001; Chennell et al., 2000). Literature argues that since resources are more scarce in an SME, the stakeholder satisfaction becomes increasingly important (Taticchi et al., 2008). Both firms are having a big focus on external pressure groups, and one of the firms’ only reason for modifying their strategy is competition. Proof that customers and competition are the main components in SME growth exists (Westhead & Birley, 1995; Robson & Bennett, 2000). Indeed, good market orientation creates
good decision-making (Verhees & Meulenberg, 2004), which increases customer value and the chances of meeting future and current customer needs. Early literature showed that the focus within SMEs was put on the profits instead of the long-term thinking (Hudson et al., 2001), which at least partly is counter-argued by Taticchi et al. (2008) whose findings explains that customer satisfaction is one of two factors that managers have the most interest in. Our empirical findings provide another perspective, where while great customer focus is evident, long-term thinking is obviously at least as important to the managers. This is contradictory with the literature, implies a national difference within Sweden and indicates that SMEs are having a much bigger focus on growth rather than just survival than previously thought. By having this mindset regarding long-term thinking within the organization, managers, employees and customers can rest assured that the organization will be dependable, which in itself is a foundation to create value. By creating a good reputation, and a service that the customers find enjoyable, will the customers return and this will boost profitability and performance of the firm.

Why Sweden is so different is not obvious, but we have some ideas. Firstly, it might be so easy as stability and the desire to not be victim to the turmoil economy around the world. Long-term thinking is a good tool to avoid this, which the managers might have realized and thus implemented. As we will discuss in the next section, long-term thinking constitute a big part of strategy, which might have foundation in this argument. Another argument is drawn from the general focus on sustainability in Sweden. Being a very environmental friendly country that cares about the future could have rubbed off on the business environment. A third reason is linked with the second, since the environmental care is created by governmental organizations and demands on firms, which means that the government are very focused on long-term sustainability. So the government thus becomes a competitor, since many Swedish inhabitants agree with their mindset, and the companies must advance to keep up.

5.6 Strategy

Strategy and the strategic role of the managers left us perplexed. The importance and deep integration of this factor has been pointed out and referred to by both managers, and it is evident that it imbues all aspects of the organizations. Both organizations are involving strategy to all aspects of their business, and these are very much linked to the
firms’ goals, which is said to be critical for success (Knight, 2000; Carree et al., 2002; Huselid, 1995; Wright & McMahan, 1992; Teo, et al., 2011). This is a factor we should have thought much higher of initially. It should have been regarded as an important influence when deciding which performance measures to investigate. Strategy in SMEs is researched to a great extent and a positive link between SHRM and performance has been proven, but managers are still said to not consider it critical even if the most recent research have started to find disagreements (Heneman et al., 2000; Huselid, 1995; Teo et al., 2011; Mayson & Barrett, 2006; Lepak & Snell, 2002; Wright & McMahan, 1992; Delery, 1996; Cooke & Wills, 1999; Marlow, 2006). Our findings do clearly state that strategy is very important for the HR managers, to such an extent that we can ignore the old idea that managers do not value strategic alignment. Strategy is also said to be one of the departments where consultancy should be beneficial (Robson & Bennett, 2000; Westhead & Birley, 1995), but neither manager are utilizing experts in this area. SMEs are as well said to be reluctant to speak about their strategies (Wagenvoort, 2003), which we have not encountered to any degree. Regarding the roles of the managers, it is not uncommon for a firm to educate employees strategically wisely (Lepak & Snell, 2002; Kote & Slade, 2005), which implies that the two organizations value long-term strategy highly and implement this idea via the HR managers. Teo et al. (2011) states that the HR department must be included in all strategies, but since the relation between HR, consistency, growth and successful performance is so clear from both literature (Marlow 2000; Mayson & Barrett, 2006; Kote & Slade, 2005) and our empirical findings, we can therefore dismiss this notion. Strategic focus on goals to make good decisions and improve the daily operations are stressed in all discussed models (Kaplan & Norton, 1992; Gargeno et al., 2005), and is also said to be a main critique to the older traditional PMS models. Initially we agreed with the literature, that SME managers do not appear to be bothered with strategy, but we have been proven wrong. The conclusions we can draw is that the theory does not match the earlier practice, where managers dismiss strategy. In the modern business environment strategy is of utmost importance, and this supposed gap seems to be closed.

5.7 Balance

"...that you have a profit requirement from the owners... has been very clear, but I still think that it is balanced" – Manager A
The main critique regarding old PMS models is the lack of balance between financial and non-financial measures (Heneman et al., 2000; Garengo et al., 2005; Sels et al., 2006; Kaplan & Norton, 1992; Laitinen, 2001; Neely et al., 1997; De Toni & Tonchia, 2001; Chennell et al., 2000; Hudson et al., 2001), but recent theory has implemented non-financial aspects, in which HR is included. Nonetheless it is argued that the financial aspect is what managers find most important, and our findings imply the same idea: HR practices and humanitarian aspects are not as valued. It appears that the government is more interested in economic and employment growth than the organizations themselves (Robson & Bennett, 2000). However, profits are generated from stakeholder satisfaction (Taticchi et al., 2008; Garengo et al., 2005), and thus these aspects are being valued to some degree. We have found that there is a non-financial, strategically significant focus within both firms, but that owners and the organizations in general are much more interested in financial matters. Our evidence therefore agrees with the literature and models discussed in the theoretical framework: a good balance creates good performance.

5.8 Flexibility

We had flexibility stated as one of our main factors for good performance, and we still agree with this notion. To be flexible is vital within the exhibition industry, both when looking upon working hours and the way to reach the goals, in order to adapt to competition and customer demands. Laitinen (2001) stresses that flexibility is essential to achieve good performance. Flexibility is also shown in continuous improvements, since a lot of changes are occurring within the industry today. Both companies are at the moment going through large re-modification, which can be seen in all aspects of the organizations. This implies that the organizations can adapt to external pressures from competitors, costumer demands, regulations and collaborations. SMEs are generally said to be very flexible, however this assumption concerns informal HRSs (Sels et al., 2006; Verhees & Meulenberg, 2004; Robson & Bennett, 2000; Mayson & Barrett, 2006), while we have made the same discovery within formal management. Mayson and Barrett (2006) argue that formal management could be either a drawback or a way to solve short-term thinking in SMEs, and our evidence agrees with the former statement. The long-term focus might indeed hinder flexibility to some extent, but as mentioned does both firms currently show great flexibility via their remodeling, so we cannot say that
this is true. We do not believe that this is restricted to Sweden, but rather an effect from the globalization and modern business environment.

5.9 Continuous improvements

Continuous improvement is crucial in order to have a successful performance in a turmoil market environment, which Sweden as well as the industry itself experiences, partly due to globalization (Verhees & Meulenber, 2004; Knight, 2000; Carree et al., 2002). Kaplan and Norton (1992) stress this in their model, and that interaction with constant improvement in an organization is of essence. The drivers for change we have found can be divided in external and internal. The external are regulations, trade unions, the business environment and competition, commercial and industrial life, external surveys, internationalization and technological improvements. Constant attention to externalities and understanding what the customers’ demands helps establish what should be improved. The internal are owners and superiors, reaching goals in terms of profits and visitor-effects, feedback from customers and employees. The continuous improvement does have foundation in the need to create new competences to remain competitive, to improve the HR practices and to develop the organization as a whole.

“It is always possible to tweak and improve processes and operations within the HR area as well as all other departments, so it is a continuous job...” – Manager A

The idea of continuous improvement is evident in the long-term planning to meet future demands, where the improvements are made pre-emptively. This is crucial when the organization attempts to grow, because there will be fewer gaps to fill. As shown, the managers do agree with the current literature in this matter, and we have no need to neither disagree to their findings nor change our opinion regarding continuous improvement.

5.10 Owners role, rules and regulations

An important aspect that the literature mentioned was the owners’ role. However they paid less attention to the rules and regulations that affect the firm both in long- and short-term. These were factors that we did not take into consideration before the interviews, but were explained in depth during them. Both managers highlight the im-
importance and influence of their owners as well as the rules and regulations that follows with this business sector.

Incompetent owners are a proved reason for firm failure, since normally important decisions fully depend on them (Mayson & Barrett, 2006; Sels et al., 2006; Garengo et al., 2005; Teo, et al., 2011; Marlow, 2006). This is generally concerning informal management structure, but even so we find that HR managers can only attempt to convey managers or support their decisions even with a formal system. Moreover, external competition seems to be the foundation for the owner’s decision, which is in line with the literature (Westhead & Birley, 1995; Robson & Bennett, 2000; Knight, 2000). The actual importance of the entrepreneurs is not clear, but our findings do point to a very high degree of involvement.

Regarding policies and regulations, which particularly Manager A stressed, has been recognized to be important for performance, even if there are no such thing as a perfect set of rules (Huselid, 1995). Sweden is said to have an economic setting with efficient policies for companies, although a few are said to be dragging behind (The World Bank, 2013; globalEDGE, 2012; European Commission, 2012). A reason why regulations are valued to such an extent is because the policies are aligned to match the Swedish firms’ growth patterns. This creates a prospering business environment which organizations do not take harm by abiding to.

6 Conclusion

There is valid motivation to say that the Swedish way of dealing with HRMSs and performance measurement are not completely accurate in comparison to existing framework and literature. There are in many aspects similarities and the Swedish SMEs seems to value certain HR practices to the same degree as firms from other nationalities does. These similarities are utilizing feedback from employees, consultants, competition and customers. They also include the balance between financial and non-financial operations and continuous improvement to cope with internal and external pressures are two other factors where Sweden seems to agree with previous research.

Regarding the dissimilarities there were factors not cited or very briefly mentioned in the literature which played a huge part of the HRM and PM system designs. Firstly, the
regulations, laws and policies demanded from government, trade unions and similar organizations of the same kind are remarkably more influential than assumed. This might very well be a cultural impact factor for Sweden, rather than an omitted variable from literature. Secondly, Sweden seems to differ from the research regarding the HR practice of rewards. The findings clearly disagree with the idea of monetary compensation for good employee performance, and instead stress the importance of verbal appraisal and positive feedback. Third, the influence of the owners is more important than expected. Even if it is argued that much of the decision-making in SMEs are depending on the entrepreneur, the extent of this was greater than we thought. Fourth, the big focus on visitor-effects, and bringing value and profit creation to the local community was surprising. However, we are inclined to think this is due to the nature of the SMEs the case studies are based on rather than something that applies to Sweden. This could nonetheless be applied to the business sector in general. Fifth, the role of the HR manager differs from the expected findings and literature. Rather than working with making the employees run the firm smoothly, the managers appears to be more important for strategic alignment within the firm and supporting the owners or supervisors than we neither previously thought nor had read. This would mean that SHRM should be acknowledge further as important for an SMEs survival and growth. It does also make a point of stating that managers of today have realized the value of strategy and strategic integration in the daily operations and practices, as well as in the PMSs. The sixth important finding concerns the use of external organizations to measure performance. Even if the firms evaluate the results themselves, we have not found any theory which mentions this sort of consultancy. Outsourcing the critical PM factor investigation have benefits, such as being unbiased, but also drawbacks, as not being knowledgeable about things as company culture. The seventh and last dissimilarity can be found in the usage of long-term thinking. According to theory, SMEs tend to be very short-term thinking and focus a lot on the next month’s profit: we found nothing of this sort. Instead, a very high focus on long-run benefits, profits, competencies and long-term relationships with customers and visitors were found. We believe that to secure these findings a research with a larger number of firms, as well as a study using cases from other business sectors and industries, should be con-
ducted. There are reasons to believe some of these dissimilarities are valid for Sweden as a whole, other for the business sector at a national level.

7 Discussion

7.1 Limitations

A danger with non-financial measures is that it is hard to speak of improvement in terms of dollar-value, and that non-financial goals have a tendency to be short-termed. Thus it is fairly difficult for the interviewed to describe their systems properly.

Another big issue is the limited distribution of the findings between hierarchical levels in the organization. It is even stated that decision-making cannot be constructed from top-management alone, but that formal integration between top-and-bottom is required (Gargeno et al., 2005; Laitinen, 2001; Taticchi et al., 2008, Hudson et al., 2001). Since we neither had the opportunity nor the time to interview other employees is the result restricted to the HR managers’ perspective.

The primary time restraint is that we did not have unlimited time to conduct and complete the research. Another time limitation occurred in the gathering of empirical evidence through the semi-structured interviews. The interviewed managers only had a restricted time for answering the questions, which put huge restraints on both the interviewee and the interviewers.

7.2 Contribution

The purpose of this thesis was to discover if the Swedish businesses’ HRMSs follow the internationally generated ideas and how, or if, these HRMSs affects a firms performance. As could be seen in the analysis and conclusion the Swedish perspective of HRM differs in some aspects (rewards, focus on regulations and policies, owners’ influence, the broad view on performance measurements in terms of external contributions, the role of the HR manager, strategic focus and high emphasis on long-term thinking), and for some parts the dissimilarity is huge enough to cause problems for SME owners and HR managers if they are not aware of these differences. It can thus be stated that the HRM practices in Sweden affects the way performance is measured to a tangible extent. This is most evident with the actual measurement of performance, where the focus on
individual employee performance in SMEs appears very low, while how the performance is affecting the region and the big picture matters much more. Another important notion is the large usage of external organizations to measure performance of the firm. We believe that these inputs to the literature will be beneficial for HR managers who either wish to work in the Swedish business environment, those who already do and those who plan to start up a business in Sweden. The results of the thesis are directly applicable to the trade show and exhibition industry, and we have reason to believe it is applicable in other business sectors as well.

7.3 **Future research**

This is an exploratory study, and therefore further research is necessary. Based on the nature of this study are there some clear rooms for improvements and aspects of the topic that can be elaborated on to a great extent.

The main issue is the width of the research, a wider span would confirm if our results are national or if they are restricted to this business sector. Since the cases are only based in one industry do we have no possibility to investigate if some other sectors are not applicable to our findings. Nonetheless, our cases required being in the same business sector for validation and clear results.

Another idea is to go deeper with the importance of rules and regulations and how inert the manager and the organization become because of this. Even if our findings clearly state that this factor have a large impact are we not sure to which extent this is true.

Our findings have also spurred an interest of company culture and its impacts, as well as the link between company culture and performance. While company culture is a researched topic, has to our knowledge an unsatisfying amount of research been conducted with the two factors combined. On the other hand do a lot of research combining HR and company culture been found and what could be done is to do a research similar to ours to see if Sweden match.

Lastly, a topic that could be of interest for further research is HR manager role. While we found that the role of the HR manager in SMEs differ widely across firms, do both have very strategic roles as their assignments. If this is a contemporary and new trend, it should be researched further as well as the implications that it brings with.
References


Appendix 1 Structured Interview questions
With V. Lindberg 2013-04-09 and S. Lindgren 2013-04-19

• What is your background within HR and within the company?
• How does your HR system work and how do you use it?
• How many works with HR within your company today?
• How many hours do you spend with the employees in the context of HR?
• Do you make a difference depending on if the employee is hired on a long-term or a short-term basis?
• Which characteristics do you value in an employee?
• Which factors are considered important when you measure success/performance?
• How do you control that your HR system is working?
• How do you deal with problem solving with the HR department?