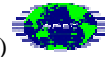


**NEW ZEALAND BIZ PROGRAMME :  
INCREASING OPPORTUNITIES FOR HRM IN SMES?**

**John M. Collins  
Psychology and Employment Relations Group  
School of Management  
Open Polytechnic of New Zealand (New Zealand)**



## NEW ZEALAND BIZ PROGRAMME : INCREASING OPPORTUNITIES FOR HRM IN SMEs?

### ABSTRACT

Like other countries, New Zealand's small and medium business enterprises have received support from a variety of sources. This paper analyses central governmental assistance that has been provided over recent years. The historical evolution of this assistance is traced and the level of support for the development of human resource management is discussed.

Traditionally, and up until 1995, the New Zealand government's business development programmes were essentially based on a grants-based focus of assistance. The approach reflected a hands-on emphasis and the programme was administered by the Ministry of Commerce. The programme providers were Business Development Boards acting as crown entities designed to encourage business development in their region.

During 1998 the structure of the business development programme was reviewed. There seemed to be support for a programme that was more responsive to the needs of different businesses and of those in different regions. The government was seeking to re-orient the programme so that delivery would come from experienced community providers, contracted by the government and with a focus on helping to achieve better business management. The new programme, *BIZ*, launched in April 1999 was designed to provide services to small and medium sized businesses throughout the country with the stated aim of improving their management capability.

The small business owner often brings a technical background to the business. While some management experience may be evident, this is by no means always the case. Human resource management skills get even less of a look-in than general management in this environment. By way of comparison, the accounting perspective is far more visible in the early stages and initial growth of the business. Training initiatives, compliance demands, externally-driven deadlines and the financial institutions who fund newer enterprises are factors that tend to drive this emphasis. Thus, for many managers, the elements of best practice in human resource management are often lacking.

Unfortunately, human resource management did not have a high profile in the earlier business development programmes. This appears to be a bleak picture for the development of human resource management in SMEs. In order to address this perceived gap, it was necessary for those businesses that recognised the need to cover the area through the use of specific training or by receiving assistance from various mentors or agencies, including the firm's external accountant, rather than human resource specialists *per se*. However, the new programme, *BIZ*, does offer increased opportunities for human resource management initiatives and principles to become more evident in the smaller business enterprises. This paper advances why there are increased opportunities and how these might be further encouraged.



## INTRODUCTION

During a recent literature review I came across a book entitled *The Rise and Decline of Small Firms*. [Boswell] Admittedly it was written in 1973, but it resulted in some reflection.

There has been a prevalent view that many SMEs fail in their first few years of operation and that they have a greater failure rate than large businesses. However, evidence suggests that pure statistics present a harsher picture than actually exists for these recorded "deaths" signify such diverse aspects as, for example, changes in location, ownership, or seasonal fluctuations. [Joint SEEANZ and IIE Conference]

Major changes publicly trumpeted from the rooftops have heralded the restructuring of larger enterprises. Large companies are not only downsizing, they are disappearing. According to information provided by the US Census and Department of Labor, between 1980 and 1994, 40% of the Fortune 500 companies disappeared through break-up, acquisition, or bankruptcy. However, it has been estimated that for every job lost in the Fortune 500 companies, 2.5 jobs are created by small companies.

Most of us are aware that small business has become a vital and vibrant part of the business environment in the developed countries, and that they have become the job creators.

APEC reported in 1995 that most members recognise that the primary role of government in assisting SMEs is to create a business environment conducive to strengthening SME competitiveness. [Best Practices for Small and Medium Enterprises in APEC, APEC, 1995]

At the April 1999 APEC Small and Medium Enterprises Ministers' meeting held in Christchurch, New Zealand an action plan was formed to promote the growth of SMEs in the region. In a prepared statement the chairman, Max Bradford, said, "Ministers and business representatives acknowledged their joint responsibility to promote the growth and profile of SMEs, which are emerging as the engine rooms of the knowledge-based APEC economies of the future." In addition, ministers *inter alia* advanced a number of projects proposed by member economies relating to business networks, e-commerce, enhancing management performance and improving consumers' information.

Like other countries, New Zealand? SMEs have received support from a variety of sources over the years. This paper discusses support that has been provided through one central governmental assistance programme in particular known as the Business Development Programme (BDP). The historical evolution of this assistance is traced and the level of support for, and development of, HRM within that assistance is analysed.



## SETTING THE SCENE

Before considering the BDP and its evolution, it would be helpful to place the programme in context. This will enable more appropriate comparisons to be made with other countries or jurisdictions. A few facts and figures about New Zealand follow to assist in contextualising the situation:

- Physical area - a comparatively small country by international standards of about 270,500 square kilometres (roughly the size of countries such as Japan or Great Britain)
- Population - the resident population is estimated to be about 3.8 million (31/12/98)
- Labour force - 1.875 million with a participation rate of around 65% and unemployment about 6.5%
- Full-time workers - 77% (F/T = 30+ hours pw). Over the last decade full-time employment has grown by 7.9%, while part-time employment grew by 42.8%.
- Average working hours - 39pw. This has remained in the range of 38.7-39.4 since 1987.

There is no universally accepted definition of an SME as these can vary across industry sectors, and between different countries. Common definitions are based on number of employees, invested capital, total value of sales, sales volume, and shareholders' funds. By whatever criteria is used, New Zealand is predominantly a country of smaller firms with an average of five full time equivalent workers in each geographical unit. (The formulae used in this calculation regards a geographical unit as one that is economically significant which itself is defined as having \$30,000+ in GST expenses or sales or being GST exempt; part-time workers are calculated as being half-time; and the calculation excludes farms, property owners, etc.).

## THE EARLY 1990S BUSINESS DEVELOPMENT PROGRAMME

The 1991 Review of Enterprise Assistance proposed a rationalisation of the Government's enterprise assistance measures. As a result, the Government made changes in a number of specific areas including proceeding with the Business Development Boards Act 1991 which established the Boards as independent Crown agencies (entities from 21/12/92). The day-to-day operating rules and guidelines for the Boards were set down in a single Code for all Business Development Boards which, as required, was amended or revoked as provided for under Section 7 of the Act. By their very nature these Codes were prescriptive. For example, the 1993 Code (No. 2) contained 135 pages and included a raft of forms for each grant type.

The programme was administered by the Ministry of Commerce and the approach reflected a hands-on emphasis. The Ministry was to administer the legislation, appoint board members, review the Boards' Code and pay the Boards' operating costs. The providers of the programme were to be the Boards acting as individual Crown entities designed to encourage business development in their region.



Twenty one Boards were established throughout New Zealand in February 1992 with responsibility for the delivery of the BDP. The Boards operated with 4-7 members, appointed by the Minister of Business Development, but they had the authority to co-opt special assistance from others on a voluntary basis.

The legislation enabled the devolution of responsibility for decision-making on grants to the Boards. Although the Boards were also empowered to provide business advice and referrals, and to encourage business development in their region, the focus was on three types of grant assistance:

- Business Development Investigation Grant - to help applicants investigate business ideas new to the region. Paid 50% of approved costs, \$20,000 maximum.
- Expert Assistance Grant Scheme - to help businesses engage specialists to improve their management skills. Paid 50% of approved costs, \$8,000 maximum.
- Enterprise Growth Development Scheme - to help businesses improve their international competitiveness. Paid 50% of approved costs, \$20,000 maximum.

The Ministry of Commerce? Business Development Group was to assist the Minister to consider appeals against the Boards' decisions on grant applications (of which there were 84 in the year ending 30/6/64). The Business Development Group was part of the Ministry's Business Policy and Programmes Division whose purpose was to promote and sustain the international competitiveness of New Zealand business. Among other things, the group was also to assist the minister to promote and organise the Business Development Quality Awards (BDQAs), develop the ExcellenceNZ programme, produce monthly issues of "Business Development News" and promote better co-ordination among government agencies involved in delivering enterprise assistance.

The BDQAs were entry level quality awards, complementing the premier New Zealand National Quality Awards. Delivered nationally on an annual basis, they were open to all organisations and had no entry fee. The ExcellenceNZ package comprised three measures: Total Quality Management, World Competitive Manufacturing and World Competitive Service. The package? initiatives were offered by the Ministry in agreement with the Business Improvement Branch of the Department of Industry, Science and Technology in Canberra. The ExcellenceNZ initiatives were delivered by consultants contracted to the Ministry which organised consultant training utilising the authors of the initiatives and monitored the performance of the contracted consultants.

### **THE MID-1990S PROGRAMME REVIEW**

Up until 1995 the New Zealand government sponsored BDP in the regions was essentially focused on a grants-based focus of assistance. In September 1994, Cabinet directed the Secretaries of Commerce and Labour to carry out a "stocktake" review of enterprise assistance measures. In May 1995 a broad strategy for enterprise assistance measures was agreed and this included refocusing the BDP to a business capability framework to grow SMEs.



The revised BDP was introduced with effect from 20 November 1995 although new applications to the existing grant schemes had been terminated on 13 September. This gap enabled the Boards to process the applications on hand and to provide training in the refocused programme. An extensive business information needs survey was undertaken by the Ministry and the Boards to assist in developing an appropriate strategy for providing timely and relevant information to businesses.

The refocus had four specific components - information provision, business capability improvement, some grant support and improved inter-agency co-operation. From late 1995 then the Boards' new services were:

- Information - on New Zealand? overall economic and regulatory environment, the regional economy, sources of advice and assistance and techniques to improve business skills.
- Preliminary business appraisal - an independent assessment of business capabilities. Provided on a dollar-for-dollar basis, up to \$500, and free to individuals going into business.
- Business capability improvement programme - a training and education programme built on the results of the appraisal. Businesses attend at their own cost.
- Grant scheme - allows businesses to test and apply the skills gained in three areas - strategy, innovation and research & development, and implementation. Reimburses 50% of eligible costs, up to \$20,000 in a financial year and to a maximum of \$50,000 per business. Restricted to businesses employing up to 50 full time staff.
- Quality initiatives - to foster the application of TQM principles and best practice.

Subsequently, a further area was added to these services:

- Hard business networks - to help a group of companies form a network. This was provided on a dollar-for-dollar basis, up to a maximum of \$20,000 annually to a group.

The BDP continued to include the BDQAs and ExcelleNZ initiatives, to encourage and support the development of a quality culture, best business practice and excellence. However, the then Minister signalled that the refocused programme would involve more rigorous monitoring and evaluation measures to ensure that existing funds were spent in a way that provided maximum value and benefit to taxpayers and that there would be an increased emphasis on fostering participation by women, Maori and Pacific Island people.

### **GATHERING CLOUDS**

In April and May 1997, the Ministry, as part of its monitoring and evaluation measures, undertook a review of 473 grant approvals made by the Boards. On 6 August 1997 the Ministry reported to the Minister of Business Development that "a large proportion of clients are receiving grant funding for which they or the project are not eligible." The Ministry was



advised by the Crown Law Office that payments for grants approved in breach of the BDP Code criteria would be contrary to the appropriation provided by Parliament. Consequently, such payments would be contrary to the Public Finance Act and, therefore, unauthorised and illegal.

The matter was referred to the Auditor-General whose conclusions in March 1998 *inter alia* stated:

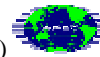
? e identified 17 cases of grants approved by six Business Development Boards that did not comply with the criteria contained in the *Code for Business Development Boards 1995*. This is a serious matter because of its implications for the Ministry of Commerce in making payments which are other than in accordance with the appropriation provided by Parliament, and are therefore unlawful.... The six Boards we reviewed were conscious of their responsibility to comply with the Code. We found no instances where they purposely disregarded the limits of their authority.... The current arrangements that separate who approves grants (Boards) and who pays them out (the Ministry) create a division of responsibility and accountability which is unusual and gives rise to a duplication of effort because both the Ministry and the Boards must satisfy themselves of the validity of the grant approvals given. The more usual arrangement for similar grant schemes is that the entity that has the power to approve a grant is also funded to pay out the grant.” [Office of the Controller and Auditor-General, p.7]

Parliament had previously validated the unappropriated expenditure on the basis that the Ministry was to develop procedures to be in place by 1 September 1997 to assist Boards to comply with the Code; and to put in place a monitoring and evaluation regime. The Ministry took this action including the issuing of *Guideline Notes for Business Development Board Members* about their respective roles and functions and a booklet entitled *Business Development Boards - A Guide to the Accountability and Relationship Framework for Crown Entities*.

The Ministry reported to the Cabinet Committee on Industry and Commerce on a wide range of concerns including the following:

- The reporting and accountability requirements placed on Boards through the Public Finance Act impose heavy demands on the resources of individual Boards
- Boards have difficulties complying with the *Code for Business Development Boards 1995*, which sets out the activities they are to undertake and the criteria for grant assistance
- The grant measures are very expensive to run, with considerable overheads, locally and centrally - in 1996/97 it cost approximately \$6 million to make payments of approximately \$12 million
- The awareness of the BDP is low in the business community. Research indicates that employer and industry associations are commonly used sources of business assistance while government agencies, including Boards, are considered to be (the) least valuable sources of assistance





- The relevance of the BDP to the needs of target groups (Maori, Women, Pacific Island peoples) has been questioned. Boards are generally not considered to be proactive in delivering services to these groups and accordingly the awareness of the BDP among these groups is low
- The BDP overlaps with initiatives delivered through other government agencies and the private sector.

These and other perceived problems led to a review of the policy approach at the microeconomic level in a paper to the Cabinet Committee on Industry and Environment. Business development assistance was regarded as a subset of enterprise assistance which had been defined previously as those measures targeted at addressing problems which constrain business, especially small to medium-sized firms, from achieving optimal performance. Business development assistance had previously distinguished itself from other forms of enterprise assistance by aiming to improve the performance of small to medium sized firms by improving managerial potential, as opposed to employment potential, trade potential or tourism potential.

The Ministry was authorised to undertake consultation on a BDP review and this was completed by early February 1998. Commerce officials met with representatives from 50 organisations with an interest in business development including the 21 Boards, chambers of commerce, local council enterprise agencies, employers and manufacturers organisations. The Ministry invited 186 organisations to make written submissions, including all enterprise agencies and a range of business and sector groups and about 100 submissions were received. Many points were advanced during this consultation process. Although many of the points do not relate specifically to HRM all the key themes advanced in a paper subsequently presented to the Cabinet Economic Committee are presented (as Appendix I) as they provide insight into the SME sector. A perusal of these is appropriate at this point.

The consultations undertaken by officials and written submissions received had expanded the initial concerns expressed earlier. The key themes are recorded in Appendix I but further issues identified specifically related to the BDP and the Boards:

- the BDP grant scheme was important to Boards for attracting clients who then receive assistance with non-grant elements of the BDP;
- it is the enhanced skills and capabilities that result from business education and upskilling that are important to SME growth, rather than grants;
- there are difficulties in measuring value for money and additionality;
- the Code is seen as inflexible to meet the regional needs of business;
- the autonomy of the 21 Boards had worked against any national co-ordination and promotion of the BDP; and
- in the main centres Boards are considered by some as not being proactive and not having a profile in the business community.





The papers presented to the Cabinet Committee traversed various options for the future and proposed

“... that capability enhancement assistance be delivered to small and medium-sized enterprises (SMEs) by way of a local autonomy model under a service contract approach.”

It was argued that this approach would allow for flexible and tailored responses to varying business needs, including target group needs and would encourage SMEs to take responsibility for enhancing their own capabilities. The approach would involve a reverse contract system whereby interested parties would tender for government funding to design and deliver capability enhancement and information facilitation assistance (within defined broad parameters) in areas, and to target groups, throughout New Zealand. Deliverers would need to demonstrate an intention and ability to co-ordinate delivery with other enterprise assistance deliverers in their area of coverage, and would be held accountable for achieving agreed outcomes.

The Minister announced that the Coalition Government has decided in principle to terminate the grant elements of the programme. This is because they are not effectively meeting our business development objectives, and because of the administrative difficulties highlighted in the recent Controller and Auditor-General's report.”

Six of the Boards legally challenged the suspension but in February 1999 the High Court refused an order which effectively would have lifted it at that stage. Subsequently the suspension on grant approvals was lifted to enable the approximately 900 applications to be processed, but the Boards were required to give assurances that they would apply procedures designed to ensure their compliance with the Code.

### **THE 1999 BDP**

The new programme, *BIZ*, was designed to provide services to small and medium sized businesses throughout the country with the stated aim of improving their management capability. *BIZ* with the by-line “Achieving Better Business Management” is a nation-wide government funded scheme set up to offer training, advice and mentoring to SMEs. Under the reshaped programme, government awards a contract for service to business assistance experts to design and provide services for their local region, and in some instances nationally. As appropriate, these organisations may then contract themselves with specialist sources of professional, management or technical skills that the programme will provide to businesses. The second element of the new programme was to set up a national business information service (NBIS) to deliver user-friendly information.

These moves signalled a complete change of focus for the BDP. The government was to replace the grants-based focus of its assistance and would no longer be a hands-on provider. The two initiatives were budgeted to receive about \$12 million of annual funding from the government.

The Ministry of Commerce was to manage the delivery of *BIZ*, including quality assurance monitoring and auditing of performance against the contracts. The Ministry, via the *BIZ* programme funds a variety of training and advisory workshops and courses giving access



to training and advice aimed at upskilling owners/managers of SMEs. Effectively there are to be no price barriers to a person gaining knowledge that will assist in the successful running of the business.

The 21 Boards who were the providers of the existing BDP, were to cease to operate as crown entities by the end of 1998 but they were eligible to participate in the tender process, if they wished to operate as new business entities. On 30 September 1998, the Ministry sought expressions of interest on an open tender basis in the government? reshaped BDP, *BIZ* and the NBIS. Applications closed on 13 November and were evaluated by four people from the private sector and two from the Ministry.

The preferred providers were selected from over 400 who tendered and the Ministry worked towards finalising the contracts for an official launch in April. Services provided by the 46 providers contracted under *BIZ* include business needs assessment, financial forecasting and HRM training, strategic planning, IT, accounting and cashflow training, mentoring and networking, legal compliance training. These providers represented a mix of national and regional providers to ensure national coverage and to cater for local needs. Some of the providers under the previous BDP were successful in gaining contracts.

The Ministry also received 10 proposals from parties interested in operating the new NBIS to provide a single source of information about the assistance available to small and medium sized businesses. *BIZinfo* is a free service provided by NBIS Ltd., which was successful in winning the contract. NBIS Ltd is a partnership of four organisations - the New Zealand Chambers of Commerce, a combined NZ Employers' Federation-NZ Manufacturers' Federation grouping, Poutama Trust and the Pacific Island Business Trust.

*BIZinfo* was launched on 14 April 1999 by the Prime Minister to provide businesses with one-stop access to information and assistance. There are over 30 physical locations nationally although the majority of these occupy an area staffed by people from associated enterprises who have access to resources including the NBIS website. The five stand-alone metropolitan offices also act as the call centres for a national call-free telephone number. *BIZinfo* works in conjunction with *BIZ*, to steer businesses in the right direction for information, advice and assistance to help them "survive and thrive". It has a comprehensive database of government agencies, business advisors and education and training providers.

By 23 June *BIZinfo* had received 3,000 phone calls and recorded almost 60,000 searches for information at its website. The website indexes a wide range of topics and the subject headings include *BIZ* programmes (free of charge); business associations and networking; business skills; financial advice; grants and funding sources; importing, exporting and trade; markets and marketing; as well as a weekly update section. Each subject area gives access to details of relevant organisation publications and businesses, with over 200 sources indexed in several of the subject areas. Users can also search the website by location, selecting their home region for a listing of available services.

The scheme is pitched at people who have probably been in business for two to five years and need to improve their skills. Although there will not be courses for those wanting



advice on how to start out, the NBIS website does include a "Business Start-Ups" subject category also to direct searchers to other public and private sources of assistance.

It seems that the new programme may have struck a responsive chord. A weekly New Zealand business newspaper, *The Independent*, summed up the new programme with the banner head-line "IZ Delivers Lists And Lessons, Not Lolly" [Speden, p.19].

At the political level with an election later this year, the major opposition party in the New Zealand parliament, Labour, re-released its industry policy in April 1999 with little change from last year's draft. It also proposes contracting out business training programmes to providers like local bodies and business groups. It proposes no new nation-wide delivery network, which could see something like the *BIZinfo* survive. Labour's policy specifically allows for *BIZ* training contracts to be "honoured and woven in" to its own scheme.

### **SMEs AND HRM**

The role of HRM is under scrutiny. Recently, I read a couple of brief articles about the outsourcing of HR. [Ceelen; Field] They described the benefits and problems associated with organisations wanting to outsource non-core business activity. Such protagonists believe that there are surplus activities within organisations and that HRM may be one of them.

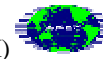
Re-engineering and restructuring are, as the terms imply, "engineering" responses to organisational challenges. The restructuring in New Zealand, as elsewhere, has been based on what might be termed an "economic rationalism" model which, as far as employee motivation is concerned, largely dismisses the optimistic view of human nature held by the mainstream writers on motivation.

And what about the skills required by the future organisation? We are all aware of the impact of the pace of technological change. Burstein and Kline (p.2) express it as follows:

"The next few decades will witness profound alterations not only in the way we live, work, entertain, and inform ourselves, but also in the strategies of businesses, the dynamics of the marketplace, the competition between companies and between countries, the process of wealth creation, and even the role of government."

Computer literacy is a recognised skill. Computer fluency is another skill altogether as it involves being able to access and process information without thinking about technical abilities. A study conducted by the US Bureau of Labor Statistics of 54 jobs identified as having the highest growth between now and the year 2005, found that only eight do not require computer fluency. This reinforces again that we need the ability to constantly acquire new knowledge and skills and will have to be lifelong learners. The response to this is a challenge for us all as well as for HRM.

Likewise, as the number of businesses is increasing and the average size of businesses is shrinking, the specialist HRM role becomes more problematic. Perhaps the changed environment demands a different response from those who espouse HRM's importance? Reference to some recent studies provides some clues.



A forthcoming publication (due September 1999) is based on a study of New Zealand manufacturers' business practices and compares the results internationally. An initial stage of this comprehensive study by the Ministry of Commerce and Statistics New Zealand was based on the results of a questionnaire distributed to 1,400 manufacturers with more than 10 employees. There was a high 84% response rate and participating firms were sent a score-card of their results allowing them to compare themselves with the average firm in their sector and to benchmark. This study followed a 1994 joint study *Leading the Way* carried out in Australia and New Zealand by the Australian Manufacturing Council and the New Zealand Manufacturing Advisory Group.

Although as yet unpublished, initial results found New Zealand manufacturers have a high degree of customer focus. They also have well developed supplier relations, quality and operations practices but need to focus on improving their leadership and staff development practice if they are to achieve world-class performance. Manufacturers should also look at taking a more strategic approach to innovation, rather than letting technology drive their business.

The study found that many manufacturers still have relatively weak leadership and planning practices. Although the majority of firms have well developed planning processes, the extent of consultation with stakeholders, especially employees, appears to be limited. This suggests that there is scope for developing effective employee practices. Many businesses do not seem to recognise that their performance depends not only on their ability to attract and retain the best people, but on empowering them to reach their full potential and providing them with incentives to commit themselves to the firm's objectives.

The second view emanates from the strategist Professor Michael Porter who asserted in an address to business people and government representatives in Wellington on 10 November 1998 that New Zealand has to fundamentally change the character of its economic reform process. This was a follow-up visit seven years after he wrote a study of New Zealand's competitive advantage, the so-called "Porter Project", based on an analysis of the country's top 20 export industries.

Professor Porter described the areas where New Zealand had to change - in innovation, human resources (people), the New Zealand worker, university research, equity capital, investment, producer boards, customers, and clusters. These may not have been specifically ranked but the first three of these (and possibly the fourth) are fertile ground for "HRM". If one uses the term "human response" rather than HRM then the opportunities are even wider.

The Cabinet papers referred to earlier identified the six major barriers restraining growth of New Zealand SMEs as access to appropriate information; access to capital; technology development and innovation; developing linkages; management skills; and motivational factors. Again this looks like a strong demand for a "human response" to the perceived issues.

We must be conscious of the wariness expressed by SMEs to seek assistance as referred to earlier. But perhaps there is a perception problem also. Traditionally, a common image of HRM has been the person (or face) who helps (or hinders) in various people-



oriented processes. Consider an SME seeking to increase the level of staffing by a massive 20% ? his year”. In numerical terms that he/she may be talking about one person and that person may be part-time. HRM terminology such as training needs analysis, job analysis, position and person specification, recruitment policies, interviewing skills, assessment testing, selection, ability-job fit and the like is altogether too much for such people.

Tway in her book *People, Common Sense and Small Business* describes these in terms such as how to find the right people; hire the right people; train ...; motivate ...; develop the right people. This type of terminology is probably more SME-friendly.

In a sense, HRM needs a different paradigm package to present what it has to offer in assisting SMEs.

Ulrich presents a more radical conceptualisation using a three-domain framework. He and his fellow researchers have spent a number of years studying the relative competencies for HR professionals as business partners. In his recent book Ulrich (p.251ff) has analysed data from 12,689 associates which would suggest that HR people have four different roles to play and have to play all of them, all of the time. The relative weightings of the three key areas of knowledge and skills needed for effective performance in HRM are described by Ulrich as being:

1. Management of change (creating meaning, problem solving, innovation and transformation, relationship influence, role influence) - 41.2%
2. Knowledge of HR practices (staffing, development appraisal, rewards, organizational planning, communication) - 23.3%
3. Knowledge of business (financial capability, strategic capability, technological capability) - 18.8%

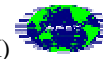
An interpretation offered by Ulrich is that knowing the business lets an HR professional *join* the management team; knowing HR practices helps the professional *contribute*; and managing change helps the HR professionals *make things happen*. Significantly, less than a quarter of this framework involves the functional and technical areas which have traditionally been the mainstay of HRM or personnel management.

Moreover, the picture is not complete without the fourth dimension of

4. Personal credibility - 16.7%

The researchers' interviews with HR professionals have yielded insights into what HR professionals can do to acquire this ? ersonal credibility”. The behaviours that enhance credibility include the following:

- Accuracy: being accurate in all HR work.
- Consistency: being predictable.
- Meeting commitments: doing what you say you will do on time and within budget.



- Chemistry: being personally comfortable with peers, subordinates, and supervisors.

This may be a missing link between the technical and professional skills of many HR practitioners and their ability to practice their craft effectively and successfully. This is likely to be compounded within the SME situations where there is no specialist HRM element.

Where can those SME owners/managers who seek to manage more effectively go for HRM assistance? Here is an interesting exercise. Take a visit to a typical public library. Not a specialist library that you may have access to through either an academic institution or a large corporate enterprise. In doing so I have found that there is a real dearth of information about how to manage people more effectively in a smaller enterprise. There are occasionally earlier editions of the text-books used in local tertiary institutions. In my experience of both manual and computer searches, I have found more resources to guide a business on purchasing a computer than on how to manage its people better. There are far more resources on how to prepare a business plan (with a financial emphasis) than on the management of the people in that business. HRM is the poor relation of accounting and information technology in that environment.

Within the BDP, HRM has not had a high profile to date. The earlier emphasis had been on establishment grants. The 1993 Code, for example, did have provision for HRM as one of nine types of projects eligible for funding under the Expert Assistance Grant Scheme where it was described as:

? RM assists the applicants to be a good employer and ensure productivity through the development of strategies and programmes that will:

- employ the right people
- pay them appropriately
- train and develop them
- ensure productivity.

Assistance will not be provided for ? ne-off' activities, such as staff training, recruitment, or negotiating pay rates."

As in many other countries, the SME owner often brings a technical background to the business. While some management experience may be evident, this is by no means always the case. HRM skills get even less of a look-in than general management. By way of comparison, the accounting perspective is far more visible at least in the early stages of the business. The training initiatives and the financial institutions who fund newer enterprises tend to drive this emphasis. Compliance costs, externally-driven deadlines and the like mean that for many managers the elements of best practice in HRM are lacking and often perceived as secondary.

This appears to be a bleak picture for the development of HRM in SMEs. In order to address this perceived gap, it is necessary for those businesses that recognise the need, to cover the area through the use of specific training or by receiving assistance from various





mentors or agencies, including the firm? external accountant, rather than HRM assistance *per se*.

SMEs share mutual challenges, such as restrictions on time, space, money and staff. However, there are options available that might be considered and some of these are advanced now.

Effectively HRM has never been “insourced” in many SME business situations. There are some parallels then with the mainstreaming or even outsourcing of HRM in larger businesses. Here a common scenario now is for an HR Adviser to assist the line manager or team leader as and when required. This is the sort of model that is more appropriate to smaller enterprises where the whole business is the team.

Mentoring is an oft-quoted example of assistance. This is an option in New Zealand under the BDP as well as outside of it.

Another option available now is to tender for the specific provision of HRM advice and/or training within the contestable environment of the BDP.

Training or education opportunities allow people from smaller businesses to leverage these opportunities by attending classes or taking distance-learning options in conjunction with other businesses. Even if such training opportunities are not available “free” under the BDP or similar programme, the costs that may be incurred will be shared. Together small companies have more buying power and more options for accessing needed training.

The shared resource approach is also fruitful if the accountants that work with SMEs are aware of the benefits of using HRM skills appropriately. The accountant is often the most commonly used information source and should be able to access easily the skills required. Perhaps the real access to assisting SMEs with their people issues is through networking via accountants that specialise in SMEs’ business.

Katherine Curtis, former director of human resources at the American Society for Training and Development, suggests that one way to supplement a small (training) staff is to use volunteers from local colleges and high schools. They can provide valuable skills (training) where the business lacks specialised skills and could be obtained at low or no cost.

Likewise, there are many seasoned managers and others including those who are skilled in HRM who are looking for part-time working opportunities. They will have some of the credibility that Ulrich refers to and they may not be seeking permanent employ that involves set hours. The growth in the number of those who seek “portfolio” type of work situations for economic and/or life-style reasons has added to a pool of those who have appropriate people skills. Such people can perform a role that differs from the consulting image to which some small businesses may be averse.





## CONCLUSION

Small and medium sized businesses or enterprises constitute the majority of all enterprises in New Zealand:

- 85% of enterprises employ the equivalent of five or less staff
- 93% employ 19 or less staff
- 96% of business can be described as SMEs
- Enterprises with 100 or more staff make up less than one percent of all businesses in New Zealand.

Like many developed countries, New Zealand? SME sector has been growing. The owner/manager needs to be multi-skilled, rather than be a specialist, and also have expertise in a diverse range of areas. The owners/managers are also constrained by the amount of time and money that they can invest in searching for information and assistance. It is these different needs which the BDP has been designed to meet.

A vital topic to be addressed is ways of developing workplaces which are suited to future ways of working. Modern enterprises increasingly require motivated, highly skilled, innovative, committed employees who are capable of making decisions and taking responsibility.

The 1999 World Competitiveness Yearbook, released recently by the Switzerland-based IMD (Institute for Management Development), ranked New Zealand 39 out of 47 countries in the "rain Drain" list - saying that nearly six in ten well educated people left the country for other shores.

Opening the *BIZinfo* office in Wellington on 14 April, the Prime Minister advanced that the difference between a successful and mediocre business in today? environment was its people and their attitude. ? they need to have the right information. *BIZ* is a network of fresh ideas and information, providing hands-on experience and practical advice. It shows businesses how to improve management, especially within small and medium sized enterprises which are the real workshop of New Zealand business."

Improving the quality of management is seen by the government as the best and most cost-effective way of helping New Zealand? businesses to grow and succeed. Under the old grants-based programme, less than one percent of SMEs benefited and perhaps dependency may have become a problem for some of those. However, to be fair, some of those businesses owe their subsequent survival or growth to the grants and associated assistance that they received.

It is to be hoped that the changed focus on BDP will play a positive part in the upskilling of people and business practice. The signs appear positive so far and there are opportunities for HRM to play a part.



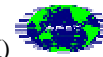
## APPENDIX I

### Results of consultation process

The following are the key themes to come out of the meetings that were held and written submissions received during this review:

- The main barriers to SME growth are limited access to information and lack of management capability within firms;
- Motivational factors can also inhibit SME growth. Factors such as owners' desire to grow, and their confidence to do so, are extremely important;
- SMEs do not have all the skills they need in-house (typically owner/managers are technical experts, not necessarily skilled in business management, marketing etc);
- Businesses receiving assistance should be required to make some sort of reinvestment in the future growth of the business community once they realise the benefits of the assistance received;
- Some SMEs are reluctant to utilise consultants and other professional advisors because of their high cost, uncertainty over their value, a lack of trust, and because SME managers do not always recognise the type of assistance they require;
- While a large number of consultants exist, some are not suitably qualified or experienced business advisors, and are primarily concerned with ensuring the profitability of their own business. This may affect their ability to provide honest and independent advice to clients;
- Regions vary considerably in the availability of business assistance services. Regions also vary in terms of the types of businesses that operate and the nature of problems faced;
- In the main centres, rationalisation of delivery is favoured by many. The large number of existing assistance sources is seen as confusing and detrimental to achieving enhanced SME performance;
- Outside the main centres, a "one-stop" or "first-stop" approach was favoured whereby all regional delivery agencies would be co-located and coordinated;
- Flexible, tailored responses to meet the needs of individual businesses, and account for local variations in these needs, is important;
- It is extremely difficult to measure the success of an assistance programme. Assessment relies a great deal on qualitative measures. Communication and face-to-face follow-up with firms may be the most effective method of determining additionality from assistance."

Source: Cabinet Economic Committee paper entitled *Review of the Business Development Programme*, March/April 1998(?), p.3



## REFERENCES, SELECTED RESOURCES AND CKNOWLEDGEMENTS

### Articles and Books

- Boswell, Jonathan. *The Rise and Decline of Small Firms*. London: Allen and Unwin, 1973. ISBN 0046581413.
- Burstein, Daniel and Kline, David. *Road Warriors: Dreams and Nightmares Along the Information Highway*. New York: Penguin Books, 1995.
- Byrne, David. *Small Business Management: Planning for Success*. Adelaide, Aust: Small Business Training Centre, Adelaide Institute of TAFE, 1998. ISBN 0 7308 5966 5.
- Ceelen, Vanessa. Outsourcing: It? HR? Turn in Employment Today. Auckland, NZ: Halstead Publishing. Issue 43, September/October 1998, p.16.
- Cohen, Sacha. Small Business Training in People & Performance, October 1998, pp.22-23.
- Crocombe, Graham T., Enright, Michael J., and Porter, Michael E. *Upgrading NZ? Competitive Advantage*. Auckland, NZ: Oxford University Press, 1991. ISBN 0 19 558224 1.
- Field, Graeme. Outsourcing: Alas Poor HR Manager in Employment Today. Auckland, NZ: Halstead Publishing. Issue 43, September/October 1998, pp.17-18. ISSN 1172 837K.
- Joint SEEANZ and IIE National Small Enterprise Conference. *Fostering Small Enterprise Growth*. Proceedings of the Joint SEEANZ and IIE National Small Enterprise Conference, Melbourne, September 1993. Newcastle, Aust: The University of Newcastle? Institute of Industrial Economics, December 1993. ISBN 0 7259 0801 7; ISSN 0812 1372.
- Ministry of Commerce Business Development Group. *Guideline Notes for Business Development Board Members*. Wellington: Ministry of Commerce, September 1997. ISBN 0 478 00021 9.
- Ministry of Commerce. *Annual Report of the Ministry of Commerce*. (various years).
- Ministry of Commerce. *Business Development News*. Wellington, NZ: Ministry of Commerce (various issues). ISSN 1171 7734.
- Office of The Controller and Auditor-General. *Report on Compliance with the Code for Business Development Boards 1995*. Wellington, NZ: The Controller and Auditor-General ISBN 0 477 02853 5.
- Pfeffer, Jeffrey. *Human Equation: Building Profits by Putting People First*. Boston, Mass.: Harvard Business School Press, 1998. ISBN 0 87584 841 9.



Speden, Graeme. Small Business: BIZ Delivers Lists and Lessons Not Lolly in The Independent, 21 April 1999, p.19.

Statistics New Zealand. New Zealand Official Yearbooks. Wellington, NZ: Statistics New Zealand (various years). ISSN 0078 0170.

Tway, Patricia. People, Common Sense, and the Small Business. White Hall, Virginia: Betterway Publications, 1992. ISBN 1-55870-245-8.

Ulrich, Dave. Human Resource Champions: The Next Agenda for Adding Value and Delivering Results. Boston, Mass: Harvard Business School Press, 1997. ISBN 08 7584 7196. TOPNZ: 658.3 ULR

**Relevant Internet sites include the following**

BIZinfo at <[www.bizinfo.co.nz](http://www.bizinfo.co.nz)>

Ministry of Commerce at <[www.moc.govt.nz](http://www.moc.govt.nz)>

New Zealand Government at <[www.govt.nz](http://www.govt.nz)>

Small Business Enterprise Centres at <[www.sbecnz.org.nz](http://www.sbecnz.org.nz)>

Statistics New Zealand at <[www.stats.govt.nz](http://www.stats.govt.nz)>

**Personal Acknowledgements**

APEC and the organisers of this HRM Symposium on SMEs for the opportunity to present this paper

The Ministry of Commerce and, in particular, Chris Wilson, Andrew Leslie, Rowan Greig and Stephen Knuckey of the Competition and Enterprise Branch for their assistance

The Open Polytechnic of New Zealand for its support of the research involved