Organisational Change in Queensland Small and Medium Size Enterprises (SMEs)

A Dissertation submitted by

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Abstract

A substantial amount of change management research exists internationally and in Australia in relation to the causes, processes and outcomes of organisational change in large organisations. However this does not reflect the change scenarios in SMEs. Furthermore, the academic and professional discipline of organisational change in Australia, while well-researched in some areas, remains embryonic when translated to SMEs in a dynamic environment. Very few large scale state-wide and national surveys have been conducted in Australia. This study is filling the theoretical gap in relation to the theory and practice relating to the nature, extent and characteristics of organisational change in Queensland Small and Medium Size Enterprises (SMEs).

The objective of this study was to examine the nature and extent of organisational change in Queensland SMEs. Five research questions were developed to inform this research objective, including: What are the forces of change in Queensland SMEs?; To what extent does the main change driver (change agent) in SMEs possess effective change management skills?; What mental models do Queensland SME managers espouse in relation to the management of organisational change?; What is the nature and prevalence of change interventions for achieving organisational change in Queensland SMEs? ; and What is the impact of organisational size on the nature and prevalence of organisational change in Queensland SMEs? Eleven hypotheses in relation to the last research question were developed and tested.

To answer the research questions, the study employed the use of quantitative data which was collected through a state-wide mail survey of 1000 Queensland SMEs. A 34 percent response rate was achieved. The survey was adapted from a previous validated questionnaire measuring employee management and organisational change practices in Australian SMEs.

The results indicate that by far the most important factor in the decision to introduce change in Queensland SMEs was customer expectations for quality. The survey results also show that, overall, the SMEs were able to achieve the objectives they

pursued when implementing significant changes. The findings indicate that the main change drivers in Queensland SMEs possess a moderate profile in relation to change management skills. Furthermore, the findings reflect the view that managers tend to support forms of limited employee participation and consultation.

Change practices are only moderately represented in Australian SMEs. Taken together with low participation of employees in the decision to employ these changes; low levels of union membership; a low presence of specialist HR managers in SMEs; and the fact that the majority of SMEs that do have written strategic plans do not use it to develop operational plans and drive day to day operations; a 'transforming' scenario in Queensland SMEs is unlikely. However, one very positive trend is the achievement by the majority of SMEs of change objectives pursued. Nevertheless, the fact that the mental models of Queensland SMEs favoured managerial prerogative is of more significance for the effectiveness of both the management of employees and the performance of SMEs.

The findings show that organisational size is significant for the factors important in the introduction of organisational change, however size is not particularly significant in relation to the objectives pursued and achieved in the introduction of organisational change. Furthermore, size is also not significant in relation to the extent to which the main change driver (change agent) in SMEs possesses effective change management skills, and the mental models that Queensland SME managers espouse in relation to the management of organisational change. In contrast with these findings, the analysis suggests that organisational size is significant for the prevalence of change interventions/practices, with medium organisations employing change interventions to a significant greater extent. The thesis concludes with commentary on the practical implications for SME managers and policy and several directions for future research.

CERTIFICATION OF DISSERTATION

I certify that the ideas, experimental work, results, analyses, software and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

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ACKNOWLEDGEMENTS

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE: INTRODUCTION

1.1 Background

It is difficult to ignore the unprecedented evidence that the rate of change is increasing, driven at least partly by the technological escalation in the western, developed world (Grey 2003). Perhaps the only conclusions we can draw with confidence are that change is a relatively stable feature in organisations and that the nature of change in a specific period defines its dominant characteristics.

This study was conducted within the business context of Queensland, Australia. According to the Office of Economic and Statistical Research (2008), organisations in Queensland and their labour forces are fundamentally changing. Although some changes may be linked to cyclical patterns in worker demands for certain industries, other changes are more permanent, reflecting likely trends in the labour market for decades to come. This new work environment requires a fresh approach to employee management and organisational change to meet the current and future needs of the labour force and the organisations within which they work.

The sections that follow outline the: justification for this research, key contributions of the study, research objective and research questions, key terms in the study, methodology, delimitations of the scope of the study and the structure of the study.

1.2 Justification for the Research and Problem Statement

The increasing importance of Small and Medium Enterprises (SMEs) has been acknowledged as a global phenomenon brought about by market forces, technological advances, personal career aspirations and the underlying demographic changes of the population (Curran and Blackburn 2001). Furthermore, in the international arena, the development and strengthening of SMEs is a priority area for the Asia Pacific Economic Cooperation (APEC) due to the significant potential that SMEs hold for future economic growth (APEC 2002). SMEs have also been identified as key to the economic future in Australia for a number of reasons, including the fact that SMEs are the major provider of

jobs in Australia (54% of jobs, 89% of private sector firms, calculated from ABS 2001) and are very active in knowledge-based sectors such as the high technology sector, business and consultancy services and other areas where economic development comes from creativity and innovation (ABS 2005).

However, despite the strategic significance of SMEs to both national employment and economic sustainability, there remains a paucity in research on SMEs (Curran and Blackburn 200; McAdam 2002). SMEs are assumed to not only survive, but to grow and contribute to the Australian economy and the Asia Pacific. However, very little attention has been given to the development of SMEs' ability to meet these expectations, especially in relation to their ability to utilise and implement human resource and organisational change capabilities.

The academic and professional discipline of organisational change, while well-researched in some areas, remains embryonic when translated to SMEs in a dynamic environment. Factors such as globalisation, advances in technology, and labour market conditions have created an external environment dominated by increasing competition (Anthony, Perrewe and Kacmar 1996). A key to managing these challenges is via the effective development and management of human resources and appropriate change capabilities which could create competitive advantage within SMEs (Caudron 1999; Wright McMahan and Williams 1994). It is the unique combination of individuals employed within an organisation that develops and maintains an organisation's sustainable competitive edge (Pfeffer 1995; Lado and Wilson 1994; Kydd and Oppenheim 1990). However, in SMEs, where lower functional differentiation, lower administrative intensity, and less organisational slack are more common, less is known about how to apply basic change principles, particularly with respect to its functional and tactical elements, than is understood for large firms. The teaching and application of organisational change is to a large degree synonymous with large firm organisational management.

Studies of SMEs have been continuously eclipsed by a much greater research effort involving large firms. More recently, studies have emerged on the contribution of employee management and organisational change initiatives to the competitive advantage of firms (Huselid 1995; Arthur 1992; Ichniowski, Shaw and Prennushi 1994; Delery and Doty 1996). However, once again, these studies have mostly been conducted in large

organisations and amongst large firms. Amongst small and medium-sized enterprises, this topic is still very much unexplored. There is very little evidence of international and Australian studies focusing on the link between change initiatives and the generation of competitive advantage in SMEs. Welbourne and Andrews (1996), Kotey and Meredith (1997) and Heneman and Berkley (1999) are examples of studies that provide statistical support for the relationship between employee management and firm performance in smaller firms. However none of these studies were large scale studies and they only focused on very narrow areas within the employee management domain.

Various researchers report this distinct lack of studies on SMEs in general (Curran and Blackburn 2001; Wilson 2002; Wiesner and McDonald 2001; Hammond 2001) and, more specifically, the challenges faced by SMEs in implementing change initiatives such as Total Quality Management (TQM) (Mohd and Aspinwall 2001), their ability to implement reengineering (McAdam 2000), their ability to innovate (Todtling and Kaufmann 2001), their effectiveness in new product development, (Huang, Soutar and Brown 2002), how they handle the practice of strategic management (Woods and Joyce 2003) and the relationship in SMEs between quality and innovation, (McAdam and Armstrong 2001). However, none of these studies were large scale studies which offer a more complete exploration of organisational change characteristics.

As evident from Heneman, Tansky and Camp's (2000) study which after a literature review of more than 400 articles concluded that the available research appears to be rich in prescriptions, limited in sound descriptive surveys, and sparse in analytical research. They point to the dearth of studies of a quantitative nature, in which hypotheses on employee management and organisational change within SMEs are specified and tested empirically (Heneman, Tansky and Camp, 2000, p. 15). Within the Australian context, apart from Wiesner and McDonald's (1999) study in 1998, there has been no large scale survey work on the nature of organisational change in Australian SMEs. This study will assist in filling this gap in the current Australian SME research context.

Furthermore, a substantial amount of employee management and change research exist internationally and in Australia in relation to the causes, processes and outcomes of organisational change in large organisations (eg., Dunphy and Stace 1992, 1996; Littler and Innes 1994). However this does not reflect the change scenario in SMEs. It is only recently

that there has been research on aspects of employee management and organisational change in SMEs, particularly among British (Duberley and Walley 1995; Bacon, Ackers, Storey 1994; Reid, Morrow, Kelly and McCartan 2000) and North American scholars (Kaman et al. 2001; Heneman, Tansky and Camp 2000; Wagar 1998).

Other than the relative paucity of organisational change research developed from, and tested on, SMEs, two main arguments can be made, which together demonstrate the importance of specific attention of research in SMEs. The first is a quantitative argument: SMEs form a large and vital part of the Australian economy. Over a million private sector small firms operate in Australia, employing over 3 million workers. SMEs in Australia make up some 97.3% of existing Australian Business (Australian Bureau of Statistics 2008). Furthermore, there has been a 9 per cent increase in the SME business sector since 1999 (ABS 2001). If data on workplaces is restricted to those with more than 20 employees (the Australian Workplace Industrial Relations Survey 1995), the proportion of workplaces between 20 and 199 employees in size is 92 percent, employing 56 percent of the workforce (ABS 2001).

The second argument is more qualitative: despite the heterogeneous character of the SME sector (Audretsch, Morrow, Kelly and McCartan 2002). SMEs differ from large enterprises in many respects. Put more formally, the contextual dimension 'firm size' is related to the other dimensions of organisational characteristics. It is clear that SMEs have very unique characteristics which are quite distinct from those of large organisations. These characteristics are discussed in detail in chapter 2.

Furthermore, organisational change strategies can have quite a significant impact on firm performance. The two common axes of significant change strategies comprise growth v decline and core v peripheralisation (Atkinson 1984) of labour status. In large organisations, research has focused on the interrelationships and impact of downsizing and peripheralisation on the firm's skill basis (Littler and Innes, 2003; Innes and Littler 2004). However, given SMEs smaller size and greater potential for change, and the possibility for use of peripheralisation to greater effect, it is unclear to what degree SMEs employ various types of change initiatives. These aspects are of crucial applied and theoretical significance and will be addressed in this study.

1.3 Key Contributions of the Study

In view of the discussion above, the *first* contribution of this study is filling the theoretical gap in relation to the theory and practice relating to the nature, extent and characteristics of organisational change in SMEs. The scholarly contribution of this study revolves around filling this gap by providing a comprehensive profile of organisational change in Queensland SMEs. While the significance of SMEs to Queensland's economic growth and productivity is recognised, SMEs have received very limited direct research attention that would help them build efficiency and effectiveness. Even where a large scale longitudinal study of small business in Australia was conducted, one question alone related to business improvement programs; there was none on other features of organisational change (Productivity Commission/Department of Industry Science and Tourism 1997).

Furthermore, SMEs are significant not only by their impact on the organisational landscape and labour force experience in Australia, but by their potential to generate and regenerate productive capacities in an increasingly changing and turbulent economic context. SMEs are by far the modal organisational architecture among private sector firms in Australia (ABS 2001). However, what is less understood about SMEs is in relation to their ubiquitous nature with respect to creativity and innovation. Scrutiny of the Australian Bureau of Statistics efforts in otherwise disparate research streams shows some interesting overlaps. For example, in the ABS' most recent survey of small and medium enterprise, the highest growth in business numbers was clustered in three industries: Education, Health and community services, and Property and business services (ABS 2001a: 17). When cross-referenced with ABS' study, a year later, of advanced 'selected qualifications' (ABS 2001b: 27) the same three industries represent those most-dominated by knowledge-worker representation and participation. In almost direct contrast, later research noted a general trend for greater skills in larger organisations in the context of innovation (ABS 2005: 21). The research, and its indicators, rarely provides a clear insight into the dynamics of organisational context and innovation. Most often such research does not specifically examine the managerial or organisational contexts of SMEs in driving innovation and entrepreneurship. However, the understanding of the deliberate management of such organisational contexts through organisational change capabilities has the potential to provide a basis for size-specific and generalisable models critical to driving productive capacity within a relatively understudied organisational context.

Indeed, the lack of empirical research into small and medium enterprises in the context of innovation has been noted in yet other ABS discussion papers (see ABS 2002: 23). More recent evidence has provided descriptive evidence that SMEs may be just as capable of generating ideas from the market environment as those large firms with greater than 100 employees (67.3%: 67.6% respectively, ABS 2005). Once again, such comparisons reveal that SMEs are somewhat less incapable than what might be expected when comparing with larger organisations. In some instances small firm-dominated industries have recorded higher levels of innovative change. For example, the ABS (2005) study into Innovation in Australian Business found that Cafes, Accommodation, and Restaurants had the highest increases in all three types of innovative processes in the study period (2003-5), including new organisational and managerial processes. However, the pertinent questions left unanswered by such large-scale studies regard how such SMEs manage their change processes, in an externally turbulent and changing environment.

The *second* contribution of this study lies in an improved theoretical and practical understanding of how to optimise organisational change capabilities in SMEs which will help SMEs to meet these performance expectations. Such research is important not only because SMEs represent a large portion of organisations and labour participation, but because they hold much potential to seed and buttress wider economic and national productivity through relatively understudied organisational innovations.

The *third* contribution of this study lies in the potential value to both participating and non-participating SMEs. The results of this research have the potential to provide understanding on how SMEs use organisational change to cope with their changing environment and to encourage the survival and growth of SMEs in Queensland. The results may also be of value in informing government policy as the various levels of policy makers move to assist SMEs to achieve their potential in the economic arena. The research is also expected to raise awareness of successful change practices for the SMEs participating in the research.

1.4   Research Objective and Research Questions

This study focuses on organisational change in Queensland SMEs. In view of the discussion above, the **research objective** of this study is:

To examine the nature and extent of organisational change in Queensland SMEs.

Five **research questions** were developed to inform the research objective above. These research questions are as follows:

RQ 1 – What are the forces of change in Queensland SMEs?
Three aspects are explored regarding the forces of change in Queensland SMEs:

RQ 1a –What factors were important in the decision to introduce organisational change into Queensland SMEs?
RQ 1b – Which objectives of change have Queensland SMEs pursued in introducing organisational change?
RQ1c –   Which objectives of change have Queensland SMEs achieved in introducing organisational change?

RQ 2   To what extent does the main change driver (change agent) in SMEs possess effective change management skills?

RQ 3 – What mental models do Queensland SME managers espouse in relation to the management of organisational change?

This study explores two aspects of the mental models of Queensland SMEs managers including:

RQ 3a – to what extent do SME managers view certain change management skills as important in successfully managing change in their organisations?

RQ 3b – which management styles do SME managers use in pursuing change objectives and in deciding to introduce organisational change initiatives?

In RQ 3b, management styles are operationalised through (i) the extent to which organisational change objectives have been pursued through management initiative or through consultation; and (ii) whether SME managers employ an 'inclusive' or 'exclusive' style in the decision to introduce organisational change.

RQ 4 – What is the nature and prevalence of change interventions for achieving organisational change in Queensland SMEs?

RQ 5 – What is the impact of organisational size on the nature and prevalence of organisational change in Queensland SMEs?

1.5   Definition of Key Terms

Key terms and concepts discussed in this study are provided below with the aim of achieving a baseline understanding of such terms and concepts, so that a consistent interpretation is applied throughout the study.

Organisational Change

Dawson (2001) argues that at a general level, organisational change could be defined as organisational change which encompasses all aspects of change within any form of organisation. Under such a broad definition, change initiatives could range from corporate restructuring and the replacement of key personnel through to the minor modification of basic operating procedures within a particular branch or plant. According to Dawson (2001), one problem, which arises from these commonsense definitions, is that organisational change is not differentiated from the more general study of organisations. In other words, the study of organisational change virtually becomes the study of organisations, including the introduction of human resource management initiatives. However in using such a general definition, this study would become unwieldy. Therefore to overcome this problem, Dawson's (2001) definition of organisational change has been adopted for the purpose of this study. He defines organisational change as '*new ways of organising and working*' (Dawson 2001 p211).

Small and Medium Size Enterprise (SME)

The definition proposed by Wiesner and McDonald (1997) based on employee numbers, was used for the purpose of this study. This was done because the current study employed an adapted version of their survey instrument on employee management and organisational change. They adopted Baron's (1995) definition and defined a small enterprise as an organisation having 20-100 employees, and a medium sized enterprise having 101-200 employees. Wiesner and McDonald (1997) based their decision on two major premises. Firstly, organisations with more than 20 employees were more likely to have a more formal management structure, and secondly, the ABS defines small organisations as those with 100 or fewer employees, and medium organisations as those with 101 to 200 employees. A more detailed discussion of the definition of a SME follows in chapter 2.

1.6 Brief Overview of Methodology

The research method employed in this study consisted of a survey approach using quantitative data (Gable 1994). Primary data was collected in this study by administering a state-wide Queensland survey questionnaire to a sample of 1000 Queensland SME managers. A 34% response rate was achieved. This methodology is in line with a positivist paradigm. The purpose of the survey was to determine the nature and extent of organisational change in Queensland SMEs.

Data analysis was conducted by using established and recognised quantitative procedures (see Chapter 3). Thereafter, the interpretation and discussion conducted on the results of analysis served to: firstly develop a profile of organisational change and its management in Queensland SMEs, and secondly, to highlight the impact of organisational size on the nature and extent of organisational change (see Chapter 4).

SPSS was employed in the analysis of the data in order to answer the research questions and test for the hypothesis outlined in chapter 3.

1.7   Delimitations of Scope of the Study

There are a number of limitations embedded in the nature and scope of this study. This study focuses on a specific geographical region and the sample of this study is limited to SME managers and their organisations in Queensland. The results therefore, only reflect what was happening in that state in relation to the specific sample within a specific time frame and therefore cannot necessarily be generalised to apply in a larger context.

In view of Dawson's (2001) argument that the study of organisational change could become the study of organisations, the scope of this study had to be defined. Since the study field of organisational change is extremely broad, the scope of this study will only focus on a very small part of the study area. The focus areas of this study include drivers of change, mental models of SME managers in relation to managing organisational change, organisational change interventions and the impact of organisational size on the nature and prevalence of change interventions in Queensland SMEs. The topic area of human resource management (HRM) interventions falls outside the scope of this study.

Since the findings from the survey were derived from voluntary completion of a questionnaire, it is possible that self-selection bias may have occurred in that only those organisations viewing themselves pro-active in adopting organisational change practices chose to participate.

The survey methodology itself has some inherent limitations. These limitations are outlined in detail in chapter 3.

1.8   Structure of the Study

This thesis comprises a series of five major stages. Associated with these stages, the thesis is organised into five chapters, following a widely-accepted model of presenting postgraduate work (Perry, 1998). Briefly, this includes: providing some background to the study and outlining the problem to be investigated (Chapter 1); providing a framework of the theoretical components of the study in the form of a literature review (Chapter 2), describing the methodology used for data collection (Chapter 3), reporting the results of the data analyses (Chapter 4); and concluding the study with a discussion, integration and

interpretation of the literature and the results of the data collection (Chapter 5). These stages and how they relate to each of the chapters in this study are described in Figure 1.1 below.

Figure 1.1: Outline of the study

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┌─────────────────────────────────────────┐
│  Stage 1: Background to the study and    │
│  outlining the problem to be investigated │
│                                          │
│  CHAPTER 1: INTRODUCTION                 │
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                    │
                    ▼
┌─────────────────────────────────────────┐
│  Stage 2: Discussing the forces of change, │
│  providing a theoretical framework and    │
│  discussing change management and change  │
│  interventions.                           │
│  CHAPTER 2:  FORCES OF CHANGE,           │
│  THEORETICAL PERSPECTIVES AND CHANGE     │
│  INTERVENTIONS IN SMEs                    │
└─────────────────────────────────────────┘
                    │
                    ▼
┌─────────────────────────────────────────┐
│  Stage 3: Methodology used for data       │
│  collection and analysis                  │
│                                          │
│  CHAPTER 3: METHODOLOGY                   │
└─────────────────────────────────────────┘
                    │
                    ▼
┌─────────────────────────────────────────┐
│  Stage 4: Reporting the results of the    │
│  survey                                   │
│                                          │
│  CHAPTER 4: ANALYSIS OF RESULTS           │
└─────────────────────────────────────────┘
                    │
                    ▼
┌─────────────────────────────────────────┐
│  Stage 5: Critical discussion of the      │
│  results in view of the literature,       │
│  practical implications for SME managers  │
│  and policy, directions for future research │
│  and conclusions.                         │
│  CHAPTER 5: DISCUSSION, PRACTICAL        │
│  IMPLICATIONS, DIRECTIONS FOR FUTURE     │
│  RESEARCH AND CONCLUSIONS                 │
└─────────────────────────────────────────┘
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A brief summary of the content of each of the five major stages and the five chapters in this study is provided below.

Stage one: Setting the Background to the study and outlining the problem to be investigated

Chapter 1 provides the background to the study, outlines the research problem, provides justification for the research and discuss the contribution of the research. Furthermore the research objective and questions are outlined and key terms in the study are defined. A brief overview of the methodology is provided and the delimitations of the study are discussed. Finally the structure of the study is outlined.

Stage two: Discussing the forces of change, providing a theoretical framework and discussing change management and change interventions.

Chapter 2 provides the theoretical background of the measurement constructs of the study. In particular this chapter seeks to provide a platform from which to explore complexities of organisational change, specifically within the SME context. The chapter discusses the drivers of change, mental models of organisational change including change management styles and organisational change interventions.

Stage three: Methodology

Chapter 3 provides a description of the research design and research methods employed in this study. Details of the survey methodology are discussed, including the measurement instrument, data collection and sampling, statistical analysis, recoding of the survey data, limitation on the use of survey data, reliability and validity and ethical considerations.

Stage four: Reporting the results of the survey

Chapter 4 presents the quantitative analysis of the survey data. The results in relation to each research question are presented and the hypotheses regarding the impact of organisational size on the nature and prevalence of change interventions are tested.

Stage five: Critical discussion of the results in view of the literature, practical implications for SME managers and policy, directions for future research and conclusions.

Chapter 5 presents a discussion, interpretation and integration of the organisational change literature and the survey data, discusses various implications for SME managers and policy, identifies directions for future research and draws some final conclusions.

CHAPTER 2: FORCES OF CHANGE, THEORETICAL PERSPECTIVES AND CHANGE INTERVENTIONS IN SMEs

2.1 Introduction

Change is an ever-present feature of organisational life, both at an operational and strategic level. Graetz, Rimmer, Lawrence and Smith (2006) stress the importance of sound management of organisational change against a backdrop of increasing globalisation, deregulation, the rapid pace of technological innovation, a growing knowledge workforce, and shifting social and demographic trends.

The question could be asked, 'why have organisations not become more adept at managing and implementing change considering that change has become such a familiar and age-old phenomenon?' Perhaps it's because change itself has been undergoing a metamorphosis. Until the mid-1970s changes were quite familiar, identifiable and incremental within a framework of highly protected, largely domestic industry environment against a backdrop of relative security, stability and predictability. The 1980's spelt the demise of the Industrial Age and the dawning of the information and knowledge age as the economic focus started shifting from the manufacturing and commodities sector to the information, communications and services sector. This new information of the knowledge age calls for a well educated, highly skilled and qualified and self-reliant workforce (Graetz, Rimmer, Lawrence and Smith 2006).

Organisations in the knowledge-based economy are challenged to meet their demand for highly trained employees in labour markets characterised by a shortage of qualified labour (Audretsch and Thurik 2000, 2001). Therefore, human resources, what organisations do to change and the management of these resources in changing organisations are becoming more important. Supporting this notion at a macro level, endogenous growth theories argue that macro-economic growth is generated by the acquisition of human resources (Lucas 1988, 1993; Romer 1987, 1996; and Mankiw, Romer and Weil 1992). At a micro level, resource-based theory argues the importance of human resources as the major generator of competitive advantage for organisations (Ferligoj, Prasnikar and Jordan 1997; Koch and McGrath 1996; Wright et al. 1994).

At the same time, one of the main characteristics of the knowledge-based economy is the increasing share of small and medium-sized enterprises or SMEs (Audretsch and Thurik 2000; Audretsch et al. 2002). It has been argued by various scholars that SMEs pay less attention to employee management and organisational change than their larger counterparts (Barron, Black and Loewenstein, 1987; Hornsby and Kuratko, 1990). However this creates a tension because on the one hand, there is the rise of the knowledge-based economy which increases the importance of employee management and organisational change, and on the other hand the SME sector, which employs most employees in Australia, is traditionally associated with a lack of HRM and organisational change practices (Wiesner and McDonald 2001; McDonald and Wiesner 1997). This thesis attempts to add to a better understanding of the current situation in relation to this tension.

The aim of this study is to contribute to an increased understanding of the nature and extent of organisational change. This chapter provides the theoretical basis for the study of organisational change in SMEs through presenting an overview of the current knowledge on organisational change within SMEs. This entails a critical discussion of the following aspects of organisational change: defining a SME; the SME context; change perspectives underlying this study; factors influencing organisational change which include forces of change in an organisation's external and internal environment; content issues which include the change being implemented; process issues which include change management skills, change management styles, and achieving change through management initiative or consultation; individual differences; and organisational change interventions.

2.2. The SME Context

The context for this project is the SME sector in Queensland, the largest generator of job and growth. In the State of Queensland, 93% of enterprises are classified by the Queensland State Statistician as small businesses. The high proportion of small businesses to the total number of businesses is similar to that of other states of Australia, as well as overseas (Goldsworthy date unknown).

A key to making a profit, creating jobs, making a contribution to the growth of the economy and continuing in perpetuity is via the effective management of the human resources and change within SMEs. However, currently SMEs have to rely mainly on

organisational change knowledge generated in, developed for and amongst large organisations. Therefore, there exists a need in relation to the development of SME-specific organisational change knowledge and application. It has been pointed out in chapter 1 that SMEs have unique characteristics (McAdam 2002; Welbourne and Andrews 1996; Kotey and Meredith 1997; Heneman and Berkley 1999) and are not just a similar and smaller version of larger enterprises. The direct application of large firm human resource management and organisational change strategies is therefore questioned by various authors (McAdam 2000; McAdam & Armstrong 2001; Wiesner and McDonald 1999). This warrants the exploration and examination of the characteristics which make SMEs unique (McAdam 2002).

This section outlines various distinctive features of SMEs. These features include: organisational size, the dominant role of the SME manager, uncertainty, limited resources, flexibility, technology, structure and strategy.

2.2.1 Organisational Size: Defining a SME

SMEs are defined in various ways. Most definitions rely on statistical criteria. Turnover is sometimes used, but the most common criterion is the size of the workforce. This criterion will also be used in the current study. Boundaries that distinguish SMEs from large firms vary between 100 employees (Statistics Netherlands), 200 employees (ABS Australia), 250 employees (Eurostat), and 500 employees (U.S. Small Business Administration). Within the group of SMEs, a more detailed classification into micro, small and medium-sized enterprises can be made. However once again, the boundaries between these categories vary between (and within) countries and industry sectors (Johns, Dunlop and Sheehan 1989; von Potobsky 1992; Storey 1994; Cutcher-Gershenfeld, McHugh and Power 1996; Osteryoung, Pace and Constand 1995).

Even in Australia, the Australian Bureau of Statistics (ABS), applies different size categories for small business depending on the industry sector. A small organisation is defined by the ABS as fewer than 100 employees in the manufacturing sector and fewer than 20 in retail, wholesale, construction and service sectors (Johns and Storey 1983). In this study, small businesses are constituted by 100 or fewer employees, (applying the ABS

definition of small business in manufacture to all industries) and medium-sized businesses ranging from 101 to 200 employees.

However, the researcher used 20 employees as the lowest extremity for size because the research project is about employee management and therefore following Baron's (1995) definition of SMEs as organisations between 20 and 200 employees. Furthermore, Wiesner and McDonald (2001) argue that SMEs with a workforce with more than 20 employees are likely to have a management structure. In 2004, there were 77,656 businesses in Australia registered in this category (ABS Business Register 2004) which account for 9.3% of all registered businesses with employees (72.2% of businesses had no employees) (ABS 2005). The main concentration of these businesses was in Retail (16.9%), Property and Business Sevices (16.8%), Manufacturing (13.1%) and Cafes, Restaurants and Accommodation (11.9%). Furthermore, businesses in this size category, in 2005, were more likely to report employment growth than their smaller counter parts (1-20 employees), but less likely than larger businesses. During 2005 more businesses in this size category (20 – 200) reported growing investment levels than declining levels. However, the situation in 2008 has not been so optimistic with a drop in business confidence and losses rising (Fujitsu 2008).

In terms of analysing the unique characteristics of SMEs, the issue of firm size is a contextual dimension which is related to other dimensions of organisational characteristics. For example, firm size can influence the structural dimensions of organisations. When organisations grow larger, a need for decentralisation is created and communication between employees and departments increases. This requires a certain level of standardisation, specialisation and formalisation (Daft, 1988; Nooteboom, 1993).

The other dimensions of SME characteristics are now discussed.

2.2.2 Dominant Role of the SME manager

Whether the SME fails or succeeds is very often the result of external factors such as economic, political, social-economic and technological factors. These factors are mostly beyond the control of a single owner-manager. For example, the recent economic events in the form of a credit crunch during late 2008, which lead to speculation of entering into a global recession, illustrates the susceptibility of the Australian and Queensland economy to

16

global events (Skill Info 2008).   However, the strategic choices of the owner-manager and the choice of employing particular change management practices in the organisation are within the control of the owner-manager. Furthermore, in contrast with the situation in large organisations, the SME owner-manager has much greater control over the utilisation of management strategies. According to Howard (1997), in nine out of ten times the owner-manager will be working in the business, compared to just 35% of larger organisatons. Furthermore, SMEs are less likely to be unionised as evident from the results of the 1995 Australian workplace industrial relations survey. Only 17% of workers in small businesses were unionised compared to 74% in large organisations (Morehead, Steel, Alexander, Stephen and Duffin 1997).   In the present study, more than two thirds of organisations estimate a union membership of less than 10%. This allows SME owner-managers a greater degree of managerial prerogative than in larger organisations.

Furthermore, in SMEs, the values and norms of the business owner(s) determine the culture of the organisation to a much greater extent than in large organisations. Organisational culture could be defined as the underlying set of key values, beliefs, understandings and norms shared by an organisation's workforce (Lewis 2001). These underlying values relate to ethical behaviour, commitment to efficiency, or to colleagues, customers or other stakeholders. An organisation's culture can be observed in its slogans, ceremonies, dress, and office layout (Daft, 1998). These values and norms may influence not only the goal of the enterprise, but also the strategy on how to obtain that goal (Kotey and Meredith, 1997). The organisational culture will not only be shaped by the owner's values, norms and goals, but also by the way in which the SME owner/manager communicates the issues to their employees (Marlow and Patton 1993).

The dominant role of the business owner is not only due to the owner's personality and characteristics, but also to the lack of other stakeholders in the decision-making processes. Often, the employer combines the roles of CEO, board of directors and HR staff. In addition, work councils, if present, have fewer rights than in large firms. Consequently, managers' internal room for manoeuvre is larger for smaller companies. This is illustrated by Simon (1996), who has examined over 500 successful small and medium-sized enterprises: '*I frequently ask managers what percentage of their energy they waste fighting internal resistance. In large corporations, the answer usually lies between 50*

and 80%, small to mid-size companies usually cite a range of 20 to 30%' (Simon 1996, p. 197).

Furthermore an important difference between small and large firms could be found in the relationship between ownership and supply of labour. In large firms there is an independence between ownership and labour supply, whereas in small firms the dominant position of the owner usually leads to the participation of the owner in the actual production process. The dominant role of the business owner or entrepreneur is summarised by Nooteboom (1993, p 287) as follows: '*The firm bears the personal stamp of the entrepreneur in many respects: on the primary goal of the firm (profit, growth, stability, job satisfaction); on orientation (technical, commercial, social); on style of internal and external communication, work conditions, etc. Some small-firm owners are motivated towards "true" Schumpeterian entrepreneurship, others towards maintaining established, traditional ways of doing things (craftsmanship), maintaining independence, staying small, having a quiet life. They can afford to entertain unorthodox objectives (unorthodox in the view of economic science) to the extent that they own the firm, which they often do*'.

2.2.3 Uncertainty

Some authors argue that the main characteristic of SMEs, beside their size, is uncertainty. Uncertainty regarding internal activities and procedures is lower for small-firm employers, because it is easier to directly monitor the activities of most or all employees (Barron et al., 1987; Westhead and Storey 1996). However, the external uncertainty is, higher for small firms. This is a direct result of their lack of power at various market places, for labour, capital, and output (Westhead and Storey 1996; Todtling & Kaufman 2001). This raises the transaction costs of transactions with external parties (Nooteboom 1993) and results in a relatively short time horizon for small firms (Storey, 1994; Westhead and Storey 1996). Furthermore, Australia as a whole, is a price taker, rather than a price maker in both export and import markets because of the size of its economy and therefore new entries of large organisations can have a devastating effect upon the niche markets of SMEs and their profitability and competitiveness.

Another issue which increases uncertainty for SMEs is the fact that SMEs are often dependent upon a particular market segment, and frequently only have one or two large

customers (Banham 2006). This dependency could have devastating effects on SMEs when these markets are eroded and when these customers are affected by changes. Furthermore, the profitability of SMEs could be severely affected by a change in ownership and management decisions of prime customers to manufacture components in-house rather than out-sourcing, financial difficulties, and design changes.

However, there is a counter-point to the argument of market vulnerability. Owing to its small size SMEs could sometimes be more responsive than larger organisations and adapt to market changes as they occur (McAdam 2002; McDonald & Wiesner 1997). According to McAdam (2000) this advantage is often due to loyalty and geographic proximity of SMEs to the market and they may be able to respond quicker to early signs of change.

Furthermore, legislation may also differentiate between small and large firms, mostly by being less stringent for small firms. Often, public and non government organisations have more attention for the actions of large firms than for those of small firms. In this respect, the environment is paying less attention to smaller firms than to larger organisations (Westhead and Storey 1996). This may be beneficial for smaller firms, in that they are less restricted in their activities and more flexible. However, this lack of attention can also result in a deficiency of information and services adjusted to the specific needs and requirements of small companies. For example many providers of training are focused on the requirements and needs of large firms, making their services less suitable for small firms (Westhead and Storey 1996).

2.2.4 Limited Resources

Organisational change initiatives require human resources, material and financial resources (Mc Adam 2002; Banham 2005), however limited resources are a reality for the majority of SMEs. This limitation places a major restriction on a SMEs ability to direct appropriate resources to innovation and effective change efforts. Within this context, SMEs are often forced to direct their resources to the achievement of short-term goals with the exclusion of more proactive approaches to changing their organisation for growth and prosperity.

Wind and Main (1998) argue that innovation is vital to growth and vitality in SMEs, however the lack of financial resources often makes this goal hard to achieve in SMEs.

This may be why SMEs innovate in different ways to large organisations (Freel 2000; Huang et al. 2002; Todtling & Kaufmann 2001; Banham 2005). Innovation is more likely to be incremental within SMEs and to occur in response to either, rather than radical, as a result of a new product or process development. A lack of internal resources, both human and financial also prohibits SMEs from export and concentrates their focus on domestic markets (Suarez-Ortega 2003; Todtling & Kaufmann 2001).

2.2.5 Flexibility

Differences in goals and strategy will, in turn, affect other dimensions of organisational characteristics (Banham 2005). For example, small-business owners who are oriented towards maintaining independence and keeping full control over their company may favour an informal and flexible organisation. Formalising procedures and agreements would not only reduce their flexibility, but also strengthen employees' rights, and thereby reduce the employers' control over his or her own company (Koch and Van Straten 1997). Various studies on entrepreneurship support the finding that small organisations are more likely to operate in an informal and flexible manner (Chaston 1997; Gibb 1997; Hendrickson and Psarouthakis 1998; Lee 1995; Marlow and Patton 1993; Pfeffe 1994; Storey 1994; Whittington 1993). This would apply especially to family businesses (Blais and Toulouse 1990; Bacon et al. 1996).

2.2.6 Technology

Production technologies often result in diseconomies of scale for SMEs owing to the lack of market power. However, the impact of production technologies is decreasing owing to recent developments in Information Communication Technologies (ICT) which have reduced the minimum efficient scale of many production technologies and consequently reducing the diseconomies of scale for SMEs (Audretch and Thurik 2000, 2001; Nooteboom 1993; de Kok 2003).

2.2.7 Structure

Owing to the smaller size of the workforce in SMEs, structures are less formal, flatter and more organic. This makes the flow of communication easier and more effective which plays in favour of SMEs in relation to the management of human resource and organisational change (Banham 2005; Francis & Macintosh 1997 as cited in McAdam;

McDonald & Wiesner 1997). However, White, Pearson & Wilson (1999) found the contrary when they examined the implementation of ten management practices relevant to Just-in-Time (JIT) Manufacturing. They found that large firms were more likely to adopt JIT practices. However, other variables may have played a role in this and not necessarily the structure of business (Banham 2005).

2.2.8 Strategy

Traditionally, management literature assumes that large firms apply a rational and deliberate strategic planning process as a means to achieve the goal of profit maximisation (Legge 1995). Methods like SWOT analysis (an analysis of an enterprise's Strengths, Weaknesses, Opportunities and Threats) are used to analyse markets and organisations, resulting in formal written strategies.

However, small and large firms may differ in their strategic planning, (implicitly or explicitly) applied to reach their respective organisational goals. The assumption of rational strategy formulation implies that employers will establish which information they require, obtain this information, correctly interpret it, and use it to arrive at an optimal strategy given the available information. However, strategy formulation may be more of an emergent process than a deliberate one (Mintzberg and Waters 1985; Legge 1995; Whittington 1993) in smaller organisations. Small firms have less experience and a more limited capacity for the acquisition of knowledge, which leads Nooteboom (1993) to conclude that small firms are more bounded in their rationality than large firms are.

This lack of experience and limited capacity is mostly due to a lack in human resources and management time. Day-to-day worries are often the result of the SME manager's participation in the production process (de Kok 2003). Formal management education and gaining management skills by co-operating with other managing employees are often limited and consequently the ability to use classical management tools properly is lacking (Lee 1995). According to Nooteboom (1993) small firms have less experience and routine in employee management activities owing to relatively few employees and not having to make Human Resources (HR) decisions on a regular basis.

As evident from the preceding discussion, the issue of size is integral to every aspect of this study. Furthermore, it cuts across all research questions explored in this study. In view of this, the following research question is examined in this study:

What is the impact of organisational size on the nature and prevalence of organisational change in Queensland SMEs?

2.3   The Change Perspectives Underlying this Study

The literature identifies numerous perspectives on organisational change. Perspectives on change are important because they underscore the fact that change theories make specific assumptions. It is also relevant because it reveals the lack of consensus on the nature of change and the best ways of tackling it. Each change perspective serves as a potential framework for the conceptualisation of organisational change. The ideas, metaphors and assumptions that different commentators make about change, all stem from one or more of these perspectives. In this way, it is important to recognise the variety of ways in which change can be interpreted. Graetz et al (2006) identify ten organisational change perspectives. The ten perspectives are summarised in table 2.1.

Table 2.1: The ten organisational change perspectives

Perspective	Nature of change	Strengths	Weaknesses	Management focus
1. Biological	Ecological; organic and evolutionary	Explains life-cycle, fitness and survival	Heavy emphasis on environment; fails to explain	Environmental positioning; find industrial niche; progression of organisation through the life-cycle; growth
2. Rational	Directed and planned	Emphasises controllable aspects	Ignores or sidesteps external pressure	Strategy and planning
3. Institutional	Determined by institutional (industry) pressure	Reveals importance of industrial environment and pressures to conform	Lack of focus on need to find advantages against competitors	Industrial standards and benchmarks
4. Resource	Determined by access to resources	Shows need to acquire resources to initiate and sustain change	Assumes change cannot occur without internal resources	Acquiring and discharging resources; core competencies, particularly of management

Perspective	Nature of change	Strengths	Weaknesses	Management focus
5. Contingency	Every situation is different; fit between environment, structure and size	Illustrate dynamic nature of change and usefulness of addressing the needs of the specific situation	Easy to misread the situation and choose the wrong approach; demands an understanding of all approaches	Shifting depending upon situation
6. Psychological	Embedded in 'minds' of those affected	Highlights individual impacts and stresses of change	Can ignore systematic aspects of change in organisation (e.g. structure)	Managing employee transitions and psychological adjustments to change
7. Political	Conflict and power based	Demonstrates role of power and clashing ideology	Can ignore systematic aspects of change in organisation (e.g. structure)	Managing employee transitions and psychological adjustments to change
8. Cultural	Determined by entrenched values	Shows importance of collective beliefs and norms	Difficult to address directly	'Deep' rites, rituals and values
9. Systems	Interconnected with all aspects of organisation	Avoids the trap of assuming that change is contained in one organisational area	Complexities of keeping track of relationships between organisational variables	Change to all constituents and components of an organisation
10. Postmodern	Rejection of universal rules	Juxtaposition of old and new explains contradictions in change	Can results in no approach to change at all and confusion about nature of change	Flexibility, empowerment and responsibility

Source: Graetz et al. (2006)

Having mapped the range of various and sometimes competing theoretical bases of organisational change, it is important to acknowledge the predispositions of this study. Normative or descriptive studies can be performed without a specific theoretical background (Guest 1997; Storey 1992), but conceptual studies and studies which go beyond just description require a sound theoretical foundation. Even though this study is mainly exploratory and descriptive in nature, the following perspectives form the underpinning of this study: rational; resource based; contingency; and systems perspectives. These were chosen owing to their ability to provide an adequate context within which the various research themes in this thesis could be explored.

Change is complex and there is not always a pattern or logic to be found. However an awareness of different perspectives could provide for a better set of analytical views.

Throughout this study, the various perspectives mentioned are employed at various times. Perhaps in this way, the study is contingency-friendly. The limitation with the contingency approach, however is that there are few guidelines and provide little prescriptions regarding the management of change. Although the researcher acknowledges that plans often depart from reality, this study also encourages a rational perspective to change management. In the end, it is better to navigate with a plan than without, even if an uncertain environment means that planning is a never-ending process.

Furthermore, this study is also based upon the systems perspective, since this study acknowledges that the best way to approach change is to do it in a holistic manner. The various change perspectives which theoretically underpin this study are now discussed.

2.3.1 The Rational Perspective

The rational perspective, also known as strategic change is concerned with the alignment between the organisation's structure/competencies with its environment (Van de Ven and Poole 1995). This perspective on change assumes that an organisation is purposeful and adaptive. Accordingly, the development of an organisation is toward a goal or some end state. As Van de Ven and Poole (1995, p. 517) argues: *'Proponents of this theory view development as a repetitive sequence of goal formulation, implementation, evaluation and modification of goals based on what was learned or intended by the entity'*.

Consequently, even though goals may be reached, new ones are set, usually as a function of changes in the external environment. Establishing an organisational mission statement, creating a new vision, planning a different strategy, or simply listing a set of goals are all examples of this school of thought. Therefore, according to this perspective, organisational change is viewed as a result of purposeful social construction by the organisational members. According to this perspective organisational change consists of a cycle of goal formulation, implementation, evaluation and modification. Organisational change is goal driven, in other words, impetus for change emerges when organisational members perceive that their current actions are not enabling them to attain their goals and the focus is on the processes that enable purposeful activity toward the goals (Graetz 2006).

Furthermore, underlying this perspective is the understanding that planned change triggered by goal-oriented managers can prompt change in both the organisation and the

environment (Rajagopalan and Spreitser 1996). Following the logic of change as a goal driven process, several researchers have sought to understand the role of leadership in generating organisational change. Bass's transformational leadership framework (Bass 1985; Bass and Avolio 1994) posits that organisational change emerges as the result of leaders' attempts to develop their followers and transform follower goals to match more closely to the organisation. The strength of the rational perspective is that it is prescriptive and logical. Change comes about for a reason and the purpose of the change manager is to make sure that they provide the right reasons in the right order. This way bringing about change is about planning carefully for its introduction. Criticism of the rational perspective includes the fact that it seldom recognises the complexities of change and the impact that external, unplanned circumstances can have on an organisation – reality has a way of diverging rather quickly from idealised plans (Van de Ven and Poole 1995).

2.3.2 The Resource-based Perspective

The resource-based theory is based on the assumption that the unique physical, organisational and human resources of a firm not only differentiate it from its competitors, but are also durable and difficult to imitate and substitute (Hansen and Wernerfelt, 1989; Mahoney and Pandian 1992; Barney 1991; Prahalad and Hamel 1990; Rangone 1999). This perspective emphasises the fact that human resources are an important source to generate sustained competitive advantage. Not only do human resource systems contribute to sustained competitive advantage through facilitating the development of competencies that are firm-specific but they also generate implicit organisational knowledge (Lado and Wilson 1994, p. 699). However the assumption that human resources maintain competitive advantage relies upon the notion that these resources stay competitive, difficult to imitate and to substitute. Further to this, the argument has been made that the accurate projection of the needs of human resources, the identification of individuals who are best suited to contribute to organisational objectives, the training and development of employees, the adequate compensation of these individuals for their efforts and the effective management of performance - are expected to be positively associated with superior workforce performance and consequently also enhance the competitive advantage of a firm (Koch and McGrath 1996).

The internal fit of employee management and change practices is a core element of the resource-based approach. This implies the need for a specific employee management or

organisational change strategy which seeks to achieve competitive advantage, to also increase the commitment and competence of the workforce. This would require a set of internally consistent employee management and change practices (Huselid 1995; Legge 1995). This is in congruence with the 'best practice' or 'high-commitment' theory of employee management and organisational change (Graetz et al. 2006).

Nevertheless, there is not necessarily a cause and effect relationship between the resource-based approach, employee management and organisational change practices. Even though a specific employee management or change strategy is suggested, this strategy may call for different employee management and change practices for different firms (Koch and McGrath 1996). For example a SME may experience different needs in relation to individual employees which may result in different flexible work practices. Job sharing, may for example be more appropriate to the needs of some firms, while the most effective way of designing work practices in other firms may be flexi-time.

There are various interpretations in relation to the contribution of human resources to competitive advantage. Some researchers argue that human resources themselves are the source of sustained competitive advantage and not necessarily the practices used to attract, utilise, retain, manage and motivate them (Ferligoj et al. 1997; Wright et al. 1994). Others maintain that employee management and change practices could be classified as organisational competencies which have the ability to motivate employees. (Barney 1991; Narasimha 2000; Oinas and Van Gils 2001; Paauwe 1998). Nevertheless, regardless of the interpretation human resources are viewed as one of the most important contributors to the success of the firm. Furthermore, since human resources are integral to the successful attainment of organisational change this theoretical perspective is part of the theoretical underpinning of this study.

2.3.3 Contingency Perspective

According to the contingency perspective, organisational change is explained from behavioural viewpoint where managers should take into account the circumstances of change when they make decisions (Donaldson 2001). The notion of 'it depends' describes this perspective. In other words the best course of action is one that is fundamentally situational and matching the needs of the circumstances. Furthermore, change according

to this perspective is based on managing the alignment between technology, structure and size (Pfeffer 1982).   It is this fit that governs organisational success in change attempts and also explains why change is so troublesome to manage smoothly. The degree of fit between different organisational components that are most relevant to the situation at hand should be ones considered for change (Van de Ven and Drazin 1985). Furthermore, efficiency demands within the competitive environment force managers to modify their organisation's composition over the long term (Alder 1992). The environment therefore plays an important role in the contingency perspective and managers must respond by making decisions about the best way of reacting (Drazin and Van de Ven 1985).

The great strength of this perspective is that when applied to change management it encourages thinking about the most important facets of the organisation within the boundaries of environmental circumstances. Change can subsequently take any form and is not restricted to any further theoretical conditions or prescriptive approaches. The limitations of this approach are that it does not help to determine which issues or events are the most important or in deed what to do about them after they are identified (Donaldson 2001).

2.3.4 Systems Perspective

Systems thinking and general systems theory, assume that an organisation is a convoluted interaction of dynamic parts. Change is therefore not a simple causal exercise; an organisation is an open system in that it can be influenced by the environment, as well as any number of conditions affecting its parts (Gharajedaghi 1999). Therefore change from this perspective necessitates an awareness that even small changes to one part of an organisation will have multiple and, potentially ongoing effects. The implication of this perspective is that change must be undertaken across every organisational part and using every subsystem. One of the main limitations of this approach is that relationship between various organisational parts or variables are complex and it is almost impossible to keep track of these complexities.

2.4   Factors Influencing Organisational Change

Numerous researchers have attempted to provide insight into change dynamics and help organisations successfully implement change.   Lewin (1947) argued that a successful change must involve three distinct phases: unfreezing, moving, and freezing. Building on the Lewinian phase model, several change researchers have described steps practitioners can employ in implementing organisational changes (Armenakis et al. 1999; Galpin 1996; Judson 1991; Kotter 1995). However, adhering to the steps outlined in these models does not necessarily guarantee organisational change success. Change agents must also be conscious of several factors specific to the changing organisation.

In a review of organisational change research conducted during the 1990s, Armenakis and Bedeian (1999) identified three factors common to all change efforts. Specifically, they reviewed research that involved content issues, contextual issues, and process issues. Research has focused on each of these factors on an individual basis, but little research exists integrating these change factors. In fact, Damonpour (1991) suggested that change success may ultimately be determined by the fit between contextual, content, and process factors.

Another factor that cannot be ignored in organisational change research is individual differences among the change agents and the change targets. Until recently, these topics received little attention in the change literature. Recognising this absence, Bray (1994) called for an increase in organisational change research focusing on the micro-level factors influencing change success. Similarly, Judge et al. (1999, p. 107) suggested that change success may lie "within the psychological predispositions of individuals experiencing the change." Walker, Armenakis and Bernerth (2007) responded to this call by investigating the integrative effect of the factors common to all change efforts. They suggest that, change efforts are influenced by contextual, content, and process issues as well as the individual differences that exist among the change targets. The contextual, content and process issues as they pertain to this study are now discussed.

2.4.1 Contextual issues (forces of change in an organisation's external and internal environment)

There is consensus in the literature that change, triggered by internal or external factors, comes in all shapes, forms and sizes (Balogun and Hope Hailey 2004; Burnes 2004; Carnall 2003; Kotter 1996; Luecke 2003), and, therefore, affects all organisations in all industries.

There is an extensive amount of literature on the macro environmental influences and business forces that drive large organisations, however, there is a dearth of data and literature available in relation to these issues within the SME sector (Kerr & McDougall 1999; Kotey & Sheridan 2004; Reid et al. 2002; Wiesner & McDonald 2001; Wilkinson 1999). Paleno & Kleiner (2000, p. 132) in their research into SMEs stated that 'In Germany today, there is no evidence on the number of small firms in existence, nor any information on the change in the number of new firms each year'.

The same is true about research referred to in management texts in general. SMEs were referred to on only a few occasions. A search of the literature yielded limited information into these issues, nationally and internationally. In Australia only one national study by Wiesner and McDonald (1997) could be identified which examined the external triggers of organisational change. The contextual issues change factor, refers to the pre-existing forces in an organisation's external and internal environment (Walker, Armenakis and Bernerth 2007).

External contextual factors are commonly changes in the environment and may include competitive pressure (Meyer et al., 1990), governmental deregulation (Kelly and Amburgey, 1991), or legislative and technological changes (Haveman, 1992). The 'environment' is described by Nadler (1988 p152) as: 'All factors including institutions, groups, individuals, events, and so on that are outside the organisation'. Most researchers focusing on change in organisations stress the importance of the nature of the environment for organisational management and decision-making. Johnson and Scholes (1999) and Goodman (1995) refer to the political, economic, technological and social factors which have an impact on organisations, their strategies, structures and means of operating,

including their human resources. The changes as a consequence of these factors may be real or cosmetic, short or long term, reactive responses or amplifications of strategic readiness for the future. Typically, organisations have little control over the external contextual forces. Instead, they must make changes in response to such demands.

The literature reviewed, recognised that there are major issues facing SMEs throughout the world and in Australia, especially in relation to the external environmental forces that have impacted upon management and change issues in businesses, both externally and internally.

The impact of the global environment has been recognised in the UK (Garvey & Brennan 2006; Lloyd-Reason & Mughan 2002; Noori & Lee 2006; Nummela, Loane & Bell 2006; Paleno & Kleiner 2000). The impact of the global economy has also been recognised as a major external force of change in Ireland (Nummela, Loane and Bell 2006). Other significant forces of change identified in Ireland include a limited pool of talent, changing work force dynamics and cultural or family dynamics of smaller family owned and run SMEs. However, it has been found that the impact of these issues is firm specific (Birdthistle and Fleming 2005).

Harney and Dundon (2006) who performed a case study of six SMEs in the UK found that there is a complex interplay of external structural factors and internal dynamics that shaped SMEs in dealing with a changing environment. These practices however were not consistent with practices typically identified in the literature of larger organisations (Bacon et al. 1996). Other authors in the UK suggest that SMEs could implement appropriate practices in order to enhance their competitive position when dealing with external environmental forces which constrain businesses. These practices include, for example, total quality management (TQM) and advanced manufacturing technologies (AMT).

In line with these findings, Gunasekaran et al. (2001) investigated strategic change issues within twenty-five UK SMEs including the implementation of computer integrated manufacturing. They found that the following factors had a significant impact on the successful implementation of these changes: the co-operation between SMEs; involvement of employees in product and process development; the issues of time, money, and support to upgrade their current manufacturing operations; the introduction of new technologies

and methods; implementing better quality control systems; and improving workforce training was a significant factor in implementing the changes sort.

These arguments were supported by Gray (2002), however firm size and the age of the SME were found to have a direct relationship to the successful implementation of any change intervention by the organisation. SMEs were found to have a low resistive factor to change due to the entrepreneurial performance of SMEs. Gray (2002) also confirmed that there were strong positive links between growth-orientation, the setting of financial objectives, a propensity to introduce changes and actual growth in a global market.

A major external factor impacting upon SMEs in the USA in recent years, has been government and legal requirements to comply with equal employment opportunity (EEO) laws, labour force changes, quality requirements, and flexibility issues (Hartenian & Gudmundson 2000; Shenawy, Baker & Lemak 2007). Within this context SMEs must attract and retain reliable and competent staff—an essential element in building a successful and competitive company (Kickul 2001). Labour issues are seeing SMEs becoming increasingly dependent on a changing but limited skilled labour pool. This has negatively impacted on the success of organisations (Fernald, Solomon & Bradley 1999). It is therefore imperative that current staff in SMEs are managed in a proactive and flexible manner.

TQM requirements on SMEs in the USA have also impacted on their competitive advantage. The literature suggests that SMEs that embrace TQM along with building top management commitment /leadership, teams, training/education, and process efficiency in their organisations have experienced positive outcomes. However it was determined that of these five elements, in particular leadership is most strongly associated with competitive advantage of SMEs (Shenawy, Baker & Lemak 2007). Even though leadership is a major factor in the success of a business, Kickul (2001) who studied 44 SMEs, concluded that the psychological contract which SMEs have with staff is a critical component of their human resource strategy in building a sustainable competitive advantage within a changing environment.

A shift in the workforce from a collective to a more individualistic mindset has been reported as impacting on SMEs in Israel. Heilbrunn (2005) investigated change issues and

cultural change in sixty SMEs in 1997 and than again in 2004. Overall the results indicated that the organisational culture of SMEs was homogeneous, however the organisational culture trend was becoming more individualised over the study period. The implication of this was a radical structural change in organisations over the study period.

The external forces of change seem to be quite similar in New Zealand and Australia. These similarities may be because the two countries are not only geographically close but share similar cultural backgrounds and laws. These triggers are discussed in the next section. Gilbert and Jones (2000) and Massey et al. (2006) investigated a wide range of SME practices ranging from issues such as flexible work practices to technological changes. They found that these were generally informal, ad hoc, and often SMEs responded in an opportunistic way to the ever changing environment.

Several external environmental forces have had a significant impact upon Australian SMEs in recent years. These forces include for example, globalisation; changes in the labour force; free trade agreements; reduction in tariffs. These dynamics have created increased competition and challenges for contemporary Australian businesses whether small or large (Australian Bureau of Statistics 2005b; Wiesner & McDonald 2001; Wildie, Division & Treasury 1998).

Globalisation has had a particularly significant impact on the internal practices of SMEs to stay competitive. However globalisation could be positive or negative. On the negative side, Kotey and Sheridan (2004) who investigated change issues in 371 SMEs established that when the size of the organisation increases in a global market, flexibility of the SME has shown to decline as the amount of formal administration requirements augments. This is a concern because flexibility is often the competitive edge that SMEs have over larger organisations (Mazzarol 2003).

Changes in the labour force such as a more culturally diverse workforce are also impacting on Australian SMEs. Hartenian & Gudmundson (2000) found that a cultural diverse workforce can increase the performance of the organisation.

More recently economic events during late 2008 also illustrate the susceptibility of the Australian and Queensland economy to global events. A widespread collapse of

confidence in bank credit occurred caused by a crisis in the American sub-prime mortgage market. A credit 'bubble' has burst in the wake of loan defaults and repossessions throughout mainland America. This destabilisation in a key market sphere of influence has caused a negative ripple effect in relation to the world-wide devaluation of stock and trading market outlook. The impact on Australian markets was severe, causing extreme Australian stock market losses. The flow-on effect has also been a continuing volatility in both domestic and international stocks, rising and falling as it becomes clear that major financial institutions have been overexposed to the sub-prime mortgage market. In recent time, for the first time since the beginning of the nineties, the phenomenon of a global recession is openly talked about (Skill Info 2008). How SMEs respond to these economic challenges and action relevant organisational change interventions are crucial to their future survival and prosperity.

Internal contextual factors may commonly include factors in the internal environment which impact upon organisational change in the organisation (Senior 2002). Internal factors could for example include: a SME becoming unionized or de-unionised; a new chief executive officer, a revision in administrative structures, the redesign of a group of jobs, the redesign of a factory or outlet, the purchase of new Information Technology (IT) equipment, a new marketing strategy, a change in working arrangements in the firm and staff redundancies (Senior 2002).

The presence of a HR manager and the existence of a strategic plan have also been identified as internal contextual factors impacting upon organisational change in SMEs. McDonald and Wiesner (1998) argue that the impact of the presence of a HR manager on the prevalence of change practices is inherently linked to small and medium sized businesses rather than larger organisations because large organisations tend to employ a specialized HR manager and most often also have a HR department. This positive relationship between the presence of a HR manager and the introduction of organisational change practices is consistent with the work of Cummings and Worley (2001) because human resource practices are identified as one of the main categories of tools for introduction of organisational change. However, there is still a paucity of research which examines the role of the HR manager in the adoption of change practices and organisational change (Newton 1998; Sanchez, Kraus, White and Williams 1999). Terpstra, Mohamed and Rozel (1996) argue that the beliefs, assumptions and education of

HR managers have an impact upon the information they seek out and the employment practices they adopt. Owing to this selective focus of their attention, HR managers are best placed to have a positive impact on decision making relating to employee practices. This argument is supported by Murphy and Southey (2003). They argue that characteristics such as networking skills, political influence, knowledge and experience, professionalism and personality traits of HR practitioners influence their ability to conduct a needs analysis and identify appropriate high performance work practices for adoption, as well as obtain the requisite support, resources and opportunity.

In relation to the presence of a strategic plan as an internal contextual factor, there is debate on the benefits of engaging in strategic planning, especially in smaller organisations (Richardson 1995). Within this debate, Mintzberg (1979) is one of the leading members in the 'anti-planners' camp who argues that the world has become so complex and fast moving time spent on formulating plans is wasted (Joyce and Woods 2003). He characterises strategic planning as bureaucratic when what is needed is fast, flexible and incisive action. However, there is much literature arguing the counterpoint that strategic planning is essential in all businesses, including smaller ones. While much published research tends to reflect the experiences of large-scale businesses, it is at least possible that the same conclusions may be warranted for SMEs. Pettigrew and Whipp (1993) reported that part of the pattern of successful strategic change was the ability to take abstract strategic ideas and plan for the implementation of these ideas in a methodical manner. Their study on strategic change argues that planning of change is important. This entailed breaking down strategic intentions into actionable components and allocating responsibility for each of these. Joyce and Woods (2003) also point to the positive role that formal planning processes play in bringing about change and innovation in the growth of SMEs.

The results of the present study indicate that eleven percent of respondents had no strategic plan. Of those organisations that indicated they have some form of a strategic plan, only 58% of the respondents indicated they have a written strategic plan that is used to develop operational plans and drive day to day operations. The research of Banham (2005) reported a similar scenario however also found a strong positive relationship between the existence of a strategic plan and the introduction of organisational change practices. Since business success has been strongly linked to the existence of strategic planning and organisational

change practices can be used to overcome internal weaknesses and build on internal strengths that are normally considered in the process of strategic planning, the strength of this relationship was not surprising. These findings were consistent with the literature reporting that many of these types of practices were present in successful small manufacturers (Rowden 2002).

General descriptive discussions about forces of organisational change are plentiful; however there is a dearth of empirical research in relation to which external and internal factors drive organisational change in the Australian SME sector.

Table 2.2 summarises some of the elements of an organisation's external and internal environment which trigger organisational change.

Table 2.2: Forces of organisational change

External forces of change	Internal forces of change
Customer expectations for price	Falling profits and/or services
Customers expectation for quality	Desire to compete globally
Increased competition in the market place	Inflexibility of the workforce
Advancement and availability of new technology	High labour costs
Changing products and services	Low labour productivity
Changes in the industrial relations legislation	Ineffective communication
Export market opportunities	Low employee commitment
Exchange rate fluctuations	High operational costs/expenses
Change in government regulation	Low quality products/services
Loss of market share	SME manager characteristics
Benchmarking data showing performance gaps	Internal SME characteristics such as presence of a HR manager and existence of a strategic plan
Threats to the survival of the firm	Growth of the organisation itself
Economy	
Globalisation	
Cultural changes	
Pool of talent availability	
Dissatisfied customers	

(Developed for this research)

What are the implications for SMEs in general? The first impression from the list of drivers in Table 2.1 is that there are two different agendas for change. But on reflection, the internal drivers could be considered to be a manifestation of external drivers for change. Furthermore, objectives of change could be considered a manifestation of internal and external forces of change. For example, if customers are becoming more demanding (external force) then, internally, there will be a need to improve the quality of products and services, or improve the innovation process (objective of change). Furthermore, if labour productivity is low (internal force) then SME management needs to develop associated change objective(s) to counteract this specific internal force of change. Therefore change in organisations is driven by external and internal drivers but at the same time there is an operational context that has to be taken into account in the form of change objectives. In view of this, it is clear that in order to manage change successfully there is a need to focus on both strategic and operational objectives which emanate from external and internal drivers of change. SMEs must therefore be cognisant of which forces of change are having the most significant impact on their organisation and develop their skills in order to adapt and effectively deal with any force of change impacting on the organisation (Kotler et al. 2007). It is also important that the SME sector understands which forces impact on the sector as a whole.

SME managers today are struggling to align their organisations with the current environment, ensuring stability to give employees a feeling of security and at the same time promoting change to prepare for tomorrow's environment. SME managers have the difficult task of promoting change when employees are seeking a sense of stability. It's just natural that employees would like to have a period of time when the organisation is 'having a rest' so they can assess where they are relative to the change. Unfortunately, the external environment is not stopping for a breather. It just keeps on changing. The job of the SME manager is to be a change leader and to challenge people to align their purpose, identity and mastery with necessary organisational change. This type of critical questioning can only take place in a safe environment. SME managers could help create this safe environment for this type of critical questioning to take place. Their role is to encourage people to collaborate, take risks, take responsibility and be accountable for the change process the organisation must continually undergo to maintain a leadership position in its industry and to deal with the external environment in an effective way.

The external environment constantly challenges the SME manager to make specific choices. Some of these choices are strategic and others more operational. On a strategic level, for example, SME managers have to make choices in relation to the strategy of their organisation—to follow a strategy of differentiation from their competitors; or a strategy of focusing on quality and/or to follow a strategy of cost reduction (Graetz et al 2006). They also have to make choices in relation to their strategic orientation –to pursue niche markets and a narrow product line and focus on stability and efficiency; to be opportunistic in its strategies, focus on a very narrow product, focus on innovation and flexibility; to operate in at least two product areas and adopt a combination of cautious innovation and stable efficient production systems; or to just try and survive and follow a non-strategic approach to dealing with the environment.

On a more operational level SME managers should ask themselves whether it is appropriate to respond to these changes in a formal of informal manner. In other words, should SMEs implement formal practices or maintain the informal practices (which the majority of SMEs currently pursue). The issues of cost and time management for a SME was raised as impediments to adopting formal practices in this paper, however several arguments are made in the literature why formal practices are sometimes appropriate in dealing with the challenges of operating in a global environment. The implication for SMEs lies in the implementation of the most appropriate practices and procedures. The right choice of change practices and procedures will bring benefits to both the organisation and its people (Harney & Dundon 2006; Nummela, Loane & Bell 2006).

Against this backdrop, the following research question is explored in this study:

What are the forces of change in Queensland SMEs?

2.4.2 Content issues (characteristics of change)

Content issues refer to the characteristics of the change being implemented and are specific to each organisation (Walker, Armenakis and Bernerth 2007). Some experts refer to organisational transformation to designate a fundamental and radical reorientation in the way the organisation operates. Some of this change may be described as radical change

which could be interpreted as actions that alter the very character of the organisation (Reger et al. 1994). This is change that results in a major make-over of the organisation and/or of its component systems. Radical change occurs infrequently in the life cycle of an organisation. However, when it does occur, this change is intense and all-encompassing. There may be times in an organisation's life when its survival depends on an ability to undergo successfully the rigours and demands of radical change. Radical change occurs when an industry's core assets and activities are both threatened with obsolescence, and knowledge and brand capital erodes along with the customer and supplier relationships. It is most commonly caused by the introduction of new technologies or regulations, or by changing consumer preferences (Wood et al. 2006).

Another and more common form of organisational change is incremental change (Walker et al. 2007). This is change that occurs more frequently and less traumatically, as part of an organisation's natural evolution. It is also often described as a step-by-step movement toward an organisational ideal. Management may attempt to fine-tune or adjust current operations to meet future goals. Typical changes of this type include new products, new technologies and new systems. Although the nature of the organisation remains relatively unaltered, incremental change builds on the existing ways of operating and seeks to enhance them or extend them in new directions. The ability to improve continually through incremental change is an important asset to organisations in today's demanding environments.

Similar to fundamental and incremental change, organisational content issues have also been characterised by episodic or continuous change. Episodic change is infrequent and intentional. Typically, management introduces change in an attempt to correct the misalignment between the current state of operations and the environmental demands. These changes may be spurred by external factors such as changes in technological demands or internal factors such as a change in key personnel (Weick and Quinn 1999). While episodic changes may include changes in structure or ownership, continuous changes are perceived to be ongoing and constantly evolving. Management may implement continuous change in an attempt to upgrade work practices (Brown and Duguid 1991) or social practices (Tsoukas 1996). Other researchers have adopted similar dichotomous distinctions about organisational change content such as first order and

second order change (Watzlawick 1978), continuous and discontinuous change (Hinings and Greenwood 1988) and piecemeal and quantum change (Miller and Friesen 1984).

Furthermore, changes in organisations can be planned or unplanned (Wood et al. 2006). Planned change occurs when an organisation deliberately attempts to make internal changes to meet specified goals or to pursue a set of strategies. For example, organisations often change their structures to meet given objectives or to pursue cost-cutting strategies. Also, an organisation may engage in major updating of its operational systems, which would mean engaging in some form of technological change. Planned change is a direct response to someone's perception of a performance gap. This is a discrepancy between the desired and actual state of affairs. Performance gaps may represent problems to be resolved or opportunities to be explored. It is useful to think of most planned changes as efforts initiated by managers to resolve performance gaps to the benefit of the organisation and its members.

Unplanned change is usually prompted by some external driver, such as market forces, economic crises, economic opportunities or social changes. Typically, organisations engage in organisation-wide change to respond to these forces and thereby evolve to a different level in their life cycle; for example, going from a highly reactive to a more proactive and planned development. However, not all change in organisations happens as a result of an intended (or change agent's) direction. In other words, unplanned change occurs spontaneously or randomly, and without a change agent's attention. The appropriate goal in managing unplanned change is to act immediately once the change is recognised, to minimise any negative consequences, and maximise any possible benefits.

The measurement of the extent to which change is radical or incremental, planned or unplanned falls outside the scope of this study.

2.4.2 Process issues (actions taken by change agents during the introduction and implementation of the proposed change).

Unlike content issues which involve the specific characteristics of the change itself, process issues refer to the actions taken by change agents during the introduction and implementation of the proposed change (Walker, Armenakis and Bernerth 2007). The

actions which change agents take include the way in which they communicate and facilitate the process of change. However the extent to which change agents possess effective change management skills; their mental models or attitudes in relation to how change ought to be managed; and their change management styles or the extent to which they include employees in the implementation of change interventions are likely to impact upon the types of changes they implement, the way in which organisational change is introduced and managed and the effectiveness of change in SMEs.

It has been argued that change agents must prepare employees for change through open, honest communication. Armenakis et al. (1993, p. 683) explain, 'creating readiness involves proactive attempts by a change agent to influence beliefs, attitudes, intentions, and ultimately the behaviours of a change target'.

Armenakis et al. (1999) suggested a successful change message must address five key areas. *First*, the discrepancy component involves an explanation of the gap between the current state of the organisation and the desired state. Management may choose to point out the organisation will not survive long-term if the current state of operations continue. *Second,* the appropriateness component is more specific and conveys the idea that the proposed change (i.e. content) is appropriate in bridging the gap between the current state and the desired state. The change agent should focus on the factors guiding the choice of a given change effort in comparison with other possible courses of action. Efficacy is the *third* component and expresses confidence in the organisation's ability to successfully implement the change. The change target should have confidence in their ability to successfully implement the change. *Fourth,* knowing that the leaders of the organisation, both internal and external leaders, are behind the change is also important to ensuring readiness. The principal support component addresses this objective. It is important for change agents to demonstrate that management is serious about the change and that this attempt is not just another "program of the month." Personal valence is the *final* component. It helps clarify the benefits of the change to the employees. The change target should clearly see the personal benefits of successfully implementing the change. For example, they may be able to perform their job better, pay might increase, or long-term job security may increase.

The ability of the management team to address these five message components is influential in the change target's ultimate commitment to the change (Armenakis et al. 1999). Other researchers adopt a similar approach to Armenakis et al. (1999) five key message components, placing emphasis on honest and open communication by the change agents (Galpin 1996; Judson 1991; Kotter 1995).

One could argue that how managers think about organisational change will impact on the actions taken by change agents during the introduction and implementation of the proposed change. Furthermore, it is critical in devising and managing change strategies. An essential part of this thinking about change is the importance they attach to effective change management skills since this could play a critical role in how they behave as agents of change (Graetz et al. 2006). Therefore, the views that SME managers espouse regarding the participation of employees in the organisational change decisions and the degree of consultation they employ when introducing organisational changes in their organisations, are likely to impact upon the effectiveness of change. These views that SME managers espouse regarding the participation of employees in the organisational change decisions are integral to the notion of strategic thinking about organisational change.

Stumpf defines strategic thinking as 'identifying different ways for people to attain their chosen objectives' (1989, p.31). If actions are to qualify as 'strategic', they need to be directed at achieving an organisation's purpose through important decisions that impact on the long-term direction of an organisation (De Wit & Meyer 2005). Strategy has an 'intended' component, pointing to a pattern of decisions formulated before action (De Wit & Meyer 2005) which is also referred to in the literature as the desired strategic direction (Johnson, Scholes & Whittington 2005). Another component of strategy is the term 'realised' strategy, which refers to the resulting strategic behaviour and can be deliberate when the intended strategy is realised or achieved (Johnson, Scholes & Whittington 2005). The component of 'emergent' strategy is the strategy that transpire through everyday activities and processes in an organisation and it occurs irrespective of the intended strategy (De Wit & Meyer 2005; Johnson, Scholes & Whittington 2005).

Further to this argument, one could argue that integral to the implementation of organisational change strategies is the issue of SME managers' mental models of thinking about organisational change. Mental models are frameworks (Denzau & North 1994;

Jacobs & Heracleous 2005) that provide representations of reality (Adamides, Stamboulis & Kanellopoulos 2003) that influence individuals' thinking processes (Senge et al. 1994) in understanding, interpreting, processing, ordering and predicting the environment (Denzau & North 1994; Jacobs & Heracleous 2005; Mathieu et al. 2000). These mental models are based upon the manager's core beliefs and values (Langfield-Smith 1989) and are also relevant experiences to which the individual is exposed (Fiske & Taylor 1991). When a manager thinks, a mental model about a specific domain is activated (Langfield-Smith 1989) and based on the manager's beliefs, values and experience, this domain is conceptualised, understood and predicted.

Within the context of this study, mental models could be described as the mental frameworks that SME managers have about a specific domain. In this study the domain is the management of organisational change. SME managers' mental models influence their thinking processes in understanding, interpreting and predicting the environment and it impacts upon the change implementation strategies they employ. It is based upon their core beliefs and values in relation to organisational change and it is also relevant to their previous experiences (Gentner & Stevens 1983). This study explores two aspects of mental models in Queensland SMEs, however before further examining these issues, the topic of change management skills is explored.

2.4.2.1 Change Management Skills

In order to uncover which change management skills SME management think are important in successfully managing change, this study has drawn on the work of Graetz (2000). She argues that change leadership involves two roles: instrumental; and charismatic. These roles integrate operational know-how with strong interpersonal skills and even though these two roles perform distinctive functions, they complement and strengthen each other. Graetz (2000) defines charismatic leadership as personalised leadership which is underpinned by strong interpersonal skills. She argues that charismatic leadership is essential in 'envisaging', 'empowering', and 'energising' followers (Graetz 2000, p. 550). According to her the key elements of instrumental leadership are organisational design, control and reward. This involves 'the task of managing environments in order to create conditions that motivate desired behaviour' (Nadler and

Tushman 1990, p. 85), putting in place the enabling mechanisms that reinforce the required new valued way of working.

Key dimensions of the charismatic and instrumental roles include:

First, challenging the status quo and creating a readiness for change (Graetz 2000; Kouzes and Posner, 1995; Kotter 1995; Tichy and Devanna 1990). *Second*, inspiring a shared vision and personally communicating the future direction with clear and honest answers to the what, why, and how questions. Organisational members need not only find the goal emotionally compelling', but they need to also have a clear understanding of how they will contribute to achieving that goal (Graetz 2000; Jackson 1997; Hamel and Prahalad 1994*).* *Third*, additional supporters of change at different levels of the organisation need to be created and as many as possible people need to be involved in order to build commitment to change (Graetz 2000). *Fourth*, others need to be enabled to act. This could be done through energising, empowering, building teams, providing tangible support with appropriate resources, and putting in place the appropriate systems and structures (Graetz 2000). *Fifth,* the use of symbolic and substantive actions is important by using rewards and recognition to gain support and recognising short-term gains or success stories to emphasise recognition of the new behaviours (Graetz 2000). *Sixth,* the need of top management to take decisive action in identifying and addressing resistance (Graetz 2000; Jackson 1997; Useem and Kochan 1992; Kotter 1995; Kanter et al. 1992). *Seventh*, top management need to model the way through personally demonstrating their involvement and commitment (Graetz 2000). This could be done through the enactment of new behaviours in deeds as well as in words. Authors such as Kotter (1995), Stata (1992), Stace and Dunphy (1996), Kanter et al. (1992) and Nadler et al. (1995) argue the importance of the involvement of senior management as fundamental to the success of the change process. *Finally*, Graetz (2000) argues that it is vitally important that the change message is communicated repeatedly up, down and across the organisation with the help of key stakeholders. This is important in ensuring that momentum and enthusiasm for change is not diminished over time. The importance of communication by top management is emphasised throughout the literature since this is seen as a powerful lever in gaining commitment and building consensus to required change. There are plenty of examples of companies which implement change successfully. In these companies, executives

generally 'walk the talk' and teach new behaviours by example (Kouzes and Posner, 1995; Kotter 1995; Kanter et al. 1992; Hambrick and Cannella 1989).

In view of this discussion the following research question is explored in this study:

To what extent does the main change driver (change agent) in SMEs possess effective change management skills?

2.4.2.2 Mental models regarding Organisational Change

As mentioned before, this study explores two aspects of the mental models that Queensland SMEs espoused through *firstly,* examining the extent to which SME managers view change management skills (as discussed in section 2.4.2.1) as important in successfully managing change in their organisations; *secondly*, through examining their change management styles in the introduction of organisational change. Furthermore, in this study, management styles are operationalised through (i) the extent to which organisational change objectives have been pursued through management initiative or through consultation; and (ii) the degree to which employees are consulted in the introduction of organisational change.

2.4.2.2.1 Achieving change through management initiative or consultation

There is no consensus in the literature regarding the extent to which organisational change objectives should be pursued or achieved through management initiative or through consultation. In other words, whether strategic thinking about organisational change should take place at the senior management level of the organisation (including the CEO and senior managers) or if employees from all organisational levels should be involved in strategic thinking about organisational change.

Drawing from conventional literature, creating the long-term direction for the organisation in relation to organisational change (strategic thinking about change) is viewed as the responsibility of the strategic decision makers and the senior managers in an organisation (De Wit et al. 2005; Hanson et al. 2005; Johnson 2005; Koontz & Weihrich 1988; Pearce and Robinson 1994).   These managers have to ensure that an organisational change strategy is created that will ensure sustainable competitive advantage for the organisation.

Contrary to this perspective, literature on change management suggests that the organisation should ideally involve employees from all levels in the change process and strategic thinking at multiple organisational levels is proposed as essential in creating and sustaining competitive advantage (DiVanna and Austin 2004; Hanford 1995; O'Shannassy, 2003).

Key words in the glossary of this newly emerging organisational model include novelty, quality, flexibility, adaptability, speed, and experimentation. In view of these requirements, the traditional organisational structure, with its hierarchical, top-down approach, centralised control and historically entrenched values of stability and security, is seen to be an outdated concept. The momentum is rather towards flatter, more `flexible and agile organisational forms' (Bahrami, 1992, p. 33). In these organisational forms the boundaries are 'fluid and permeable' (Useem and Kochan 1992; Kanter et al. 1992). It is argued that these changes have triggered a radical shift in the role of senior managers from the traditional authoritarian, command and control style to a more open, participative management style. There is a new emphasis on cooperation, collaboration and communication, and therefore SME managers need to develop a completely different range of leadership skills. Traditionally, SME managers focused on the technical or operational dimensions of management, however if SME managers are to be effective leaders in an environment of change, a second, interpersonal dimension becomes critical (Goleman 1998; Javidan 1995).

2.4.2.2.2   Degree of consultation on change

In examining the extent to which SME managers include their employees in the decision making of setting objectives and introducing organisational change initiatives, this study draws on the work of Dunphey and Stace (1990). Dunphy and Stace dealt with the concept of degree of participation in decision-making by developing a model of change leadership. They identified four styles of managing change: collaboration, consultation, direction, and coercion. The collaborative leadership style is characterised by the widespread participation of employees in important decisions about the organisation's future and about the means of bringing about organisational change. The consultative leadership style involves consultation with employees, primarily about the means of bringing about organisational change. Employees would possibly have limited involvement in goal setting relevant to their area of expertise or responsibility. Where the

main form of decision-making about the organisation's future, and about the means of bringing about organisational change, rests in the exercise of managerial authority and direction it is characterised as directive leadership. Finally, where managers, or executives, or other outside parties force or impose change on key groups in the organisation, the leadership style is said to be coercive (Dunphy and Stace 1988).

Dunphy and Stace (1990, p. 78) called collaboration and consultation, 'participative' style, and the directive and coercive types, 'directive/coercive style'. The directive/coercive style could also be referred to as a way of excluding employees from the decision-making process. McDonald and Wiesner (2000) developed a typology of management style in SMEs which applied both the degrees of involvement suggested by Dunphy and Stace's leadership styles and the range of matters upon which managers consult employees. They identified two management styles around the degree and range of consultation: inclusionism, which referred to Dunphy and Stace's first two styles; and exclusionism, which is a style applied by those managers who do not consult employees on most decisions. This typology was adopted because it is not altogether clear that managers who exclude employees from decision-making are also coercive, while they might be directive.

An 'inclusive' management style is defined as the involvement of widespread contribution of employees in decisions but also consultation with employees with their possible limited involvement in goal setting. An 'exclusive' management style is defined as the use of managerial authority and direction as the main form as decision-making but also as a situation where managers initiate and implement change (McDonald & Wiesner 2000).

There may be any number of reasons why managers might be prepared to use an inclusive style in making decisions. When a SME manager asks for employees' input in a decision, she/he treats her/himself on par with them and does not emphasise any status differences between her/himself and the employees. She/he does not coerce them to accept a solution she/he favours nor does she/he impose her/his opinions. Consequently employees sense a situation of trust, inspiration and responsibility for making a good decision. Furthermore, from a group or organisational standpoint, including employees in decision making improves availability and flow of information for decision making. For example, employees have more current information regarding work tasks than do managers, and

their involvement produces better decisions, made with more timely information (Miller & Monge 1986).

Other categorisations which are similar to the 'inclusive – exclusive' dichotomy are task-oriented versus interpersonal styles; autocratic versus democratic decision making; transactional versus transformational leadership; direct control versus responsible autonomy; the tell-sell-consult-join styles; and control classifications of employer control (fraternalism-paternalism-benevolent autocracy-seat shop); and the commitment-control continuum relevant to HRM systems (see Howell and Costley 2006).

There is limited research available on change management styles in SMEs. However, in a case study of 8 medium sized enterprises in France and England, Barnes and Morris (2000) identify four themes of management style, participative/flexible, bottom up or two-way communication, HRM policies/strategies, and promotion of issues by the HR manager. While Barnes and Morris were not concerned to develop a model of management style, the problem with this framework is that it is conceptually unclear, containing elements relating to style, process, strategy and roles. Barnes and Morris base their analysis of 'quality awareness' upon an assumption that management styles within medium sized enterprises encourage a participative system, in which communication flows freely in both directions. The particular scope of this study recognises the importance of participance but does not accept it as an *a priori* assumption.

It has been argued in chapter 1 that the research, and its indicators, rarely provides a clear insight into the dynamics of organisational change, especially in relation to innovative change management initiatives, and specifically among smaller firms. However, the understanding of the deliberate management of such organisational contexts through strategic change management has the potential to provide size-specific models critical to driving productive capacity within a relatively understudied organisational context.

Where the management of employees in SMEs has been researched, practices have been examined from a number of different perspectives in terms such as control strategies (Chapman 1999), HRM strategies (McDonald & Wiesner 1998) and management style (McDonald & Wiesner 1999; Barrett 1998). The foundations of management in SMEs might also be considered in terms of the interrelationship of managerial behaviour and

managers' ideology (Wagar 1998; Sutcliffe & Kitay 1988). Management style has been considered in the context of analysing management strategy (Purcell & Ahlstrand 1987; McKinlay & Taylor 1994). However, the issue of strategy elicits a raft of problems associated with such questions as intent, planning, goals and objectives and raise issues as to whether strategic studies adequately and accurately deal with notions of management behaviour (Lewin 1987; Hyman 1987; Lawler 1990). It could be argued that an understanding of managerial behaviour is better served by analysing the modes of decision-making about key matters in the running of the business and the role of employees in those decisions. Decision-making modes, as distinct from their strategic context are therefore considered in this study in terms of management style.

In view of the discussion above, the following research question is examined in this study:

What mental models do Queensland SME managers espouse in relation to the management of organisational change?

This study explores two aspects of the mental models of Queensland SMEs managers including:

> to which extent do SME managers view certain change management skills as important in successfully managing change in their organisations? and

> which management styles do SME managers use in pursuing change objectives and in deciding to introduce organisational change initiatives?

In this study management styles are operationalised through (i) the extent to which organisational change objectives have been pursued or achieved through management initiative or through consultation; and (ii) whether SME managers employ an 'inclusive' or 'exclusive' style in the decision to introduce organisational change.

2.4.3 Individual differences (individual differences may influence reactions to change)

In addition to, more macro-level factors, each organisation includes a variety of different individuals. These individuals possess various dispositional and personality characteristics that have the potential to influence organisational attitudes and behaviours (Schneider 1987; Staw and Ross 1985). During organisational change efforts, these individual differences may influence reactions to change and, ultimately, commitment to change. For example, individuals highly tolerant of ambiguity (Budner 1962) should be better equipped to handle the uncertainty associated with organisational change (Judge et al. 1999). Similarly, individuals high in openness to experience (McCrae and Costa 1986) and high self-monitors (Snyder 1974) should react more positively to organisational change efforts.

Even though the researcher acknowledges the important role of individual differences in studying the dynamics of organisational change, the influence of individual differences upon reactions to change and, ultimately, commitment to change is beyond the scope of this study.

2.5   Interventions for Achieving Organisational Change

Organisations are able to change and develop by employing: (1) structural, (2) strategic, (3) human process and (4) human resource management interventions (Cummings & Worley 2001). This study focuses on the first three interventions for achieving organisational change.   Human Resource Management interventions are beyond the scope of this study.

2.5.1 Structural Organisational Change Interventions

Structural organisational change interventions can be divided into flexible organisational structures and employment flexibility (Cummings and Worley 2001). Several studies have focused on these types of flexibilities (Atkinson 1984; Brewster and Hegewish 1994; Brewster et al. 1997; Hutchinson and Brewster 1995; Mayne et al. 1996; Gunnigle et al. 1998; Salas 1998; Valverde et al. 2000; Tarondeau and Voudouris 2001), but very few studies have focused on SMEs (Candelaria Ruiz-Santos and Josefa Ruiz-Mercader

Universidad de Murcia, Murcia, Spain, and Frank McDonald 2002; Horstman 1999; Story 1997).

2.5.1.1 Flexibility of Organisational Structures

In connection with the wider changes to the demand and supply of labour as a result of certain forces of change such as changing economic structures and technological developments, the way that labour is utilised within firms is also changing, with considerable implications for how work is experienced.

One implication of the changing organisational context is that as markets become more unpredictable and dynamic then SMEs must respond likewise and increase the flexibility both of organisational form and their workforce. Traditional rigid bureaucratic forms of organisation, characterised by vertical hierarchies of authority, centralisation of control and task specialisation, are not adaptable or responsive enough to cope with the demands of 21st Century workplaces (Storey 1997). Consequently, such structures are being replaced with *'post-bureaucratic forms that are leaner, flatter and consequently more responsive, flexible and focused'* (Morris 2004, p. 264). Such organisations have been described as 'network' organisations or 'boundaryless' (Wood et al. 2006) and as being *'organic, entrepreneurial or tight-loose'* (Jacques 1990, p. 127). In particular, organisational forms are said to be increasingly focused on the use of autonomous work groups or flexible project teams, rather than tight managerial control and demarcation between work tasks, which are associated with the 'unstructured' approaches argued necessary for the effective deployment of knowledge workers (Storey 1997). Firms have, therefore, sought to create these structures through downsizing, rightsizing, delayering, restructuring and business process re-engineering, involving the centralisation of core competencies and the outsourcing of non-core activities to specialist firms (Storey 1997).

Inevitably, changes in organisational structure have profound implications for work in terms of job content, employee motivation, job security and organisational commitment, especially given the evidence that employers often appear to have used the 'flexibility' rationale for reorganisation to justify redundancies (Child and McGrath 2001). Grimshaw *et al.* (2002) notes that, theoretically at least, in flatter, non-hierarchical, networked organisations, workers will have greater autonomy, often work together in teams and be

able to adapt more quickly to change. However, one apparent contradiction in this process of restructuring is that delayering (for example, the removal of a hierarchical level of management) tends to undermine the linkage between training and career advancement, key elements in the establishment of a strong internal labour market and in developing employee commitment. In particular, for lower-level workers in 'flatter' organisations, there has been a widening of the gap up to the next broad band of mid-management positions and a withdrawal of the organisation from the programmes of skills development necessary to bridge this gap. Subsequently, the hourglass feature of a skills-polarised external labour market can also be found within internal labour markets, reflecting the same set of *'winner takes all'* characteristics where those with access to the 'top' of organisations benefit from preferential terms and conditions of employment compared to those below with no clear path to such positions. As a result of this ongoing rationalisation of organisational structures and associated job insecurity, it is argued that workers in the knowledge economy must develop new 'career' strategies (Inkson 2001).

Table 2.3 indicates which interventions regarding flexible organisational structures are examined in this study. Three levels are distinguished: Restructuring of management level practices, workforce level practices and organisational level practices.

Table 2.3: Flexibility of Organisational Structures

Flexibility of Organisational Structures
Restructuring – Management level practices
New ownership of the organisation
Reorganisation of management structure
Change in management personnel
Staff reduction in managers
Restructuring – Workforce level practices
Changes in the structure of the workforce
Change in job roles of employees
Staff reduction (in employees)
Restructuring – organisation level practices
Organisational structure change
Organisation culture change

2.5.1.2 Flexibility of Employment

Earlier in this chapter, the Resource Based View (RBV) was discussed and it was argued that firm resources can be important factors of sustainable competitive advantage and superior firm performance only if they posses certain special characteristics. Therefore those resources that can be readily obtained in the factor markets or can be easily imitated by competitors cannot represent a meaningful source of competitive advantage. The RBV suggests that differences in firm performance are related to variances in firm resources that are valuable, rare, difficult to imitate, and difficult to substitute (Barney 1991). However the increasing complexity of markets makes it difficult for firms to have all of the resources necessary to compete. According to Teece et al. (1997), to sustain competitive advantage, a firm needs more than a superior bundle of resources. It needs a valuable, rare and imperfectly imitable dynamic capability that can renew and reallocate resources to achieve business goals in continuously changing environments. In other words, sustainability of competitive advantage depends not only on the nature of resource bundles at any point in time but also on the dynamic capability to manage and combine those resources. Capabilities are argued to be the pre-eminent sources of firm success (Galbreath, 2005). The know-how of employees and managers, and the interaction between management and employees and between personnel and tangible assets generate durable advantages because they are largely complex, specialised and tacit (Wright et al. 2001; Fahy 2002; MacEvily and Chakravarthy 2002).

Flexibility is a component of the dynamic capabilities discussed by Teece et al. (1997). They argue that flexibility is not a temporary state but an actual characteristic of an organisation. Flexibility is an element of the interaction between management and employees and between personnel and tangible assets. Most definitions of flexibility refer to an ability to meet a variety of needs in a dynamic environment. For example, Zhang et al. (2002) define flexibility as the organisation's ability to meet an increasing variety of customer expectations while keeping costs, delays, organisational disruptions and performance losses at or near zero. Wright and Snell (1998) define flexibility as a firm's ability to quickly reconfigure resources and activities in response to environmental demands. Teece et al. (1997) refer to high-flexibility firms as those with a capability to "scan the environment, evaluate markets and competitors, and to quickly accomplish

reconfiguration and transformation ahead of competition". Because achieving fit between the organisation and the environment is difficult regardless of the environment, firms able to do so possess a resource that meets Barney's criteria for competitive advantage. To attain the level of flexibility that customers value (i.e. quick delivery of a variety of high-quality, low-cost products), organisations must manage different types of flexibility.

The sudden rise of labour flexibility during the last decade has been explained by economical, technological, cultural and social/political developments: economic developments in terms of globalisation, growing competition, need for efficiency and cost reduction; technological developments in terms of the availability of new flexible technology (information and telecommunication technology); cultural developments in terms of growing individualisation, higher education, changing work attitudes, changing lifestyles, etc; and social/political developments in terms of the changing position of the family, changing attitudes towards collective activities, the changing role of governments, less interest in political parties and trade unions.

Therefore, a key determinant of an organisation's ability to respond effectively to a changing and uncertain business environment is the flexibility and adaptability of its workforce. The notion of post-Fordism is associated with flexible, adaptable business processes that are able to respond rapidly to changing circumstances, such as changes in consumer demand, and, therefore, require both individual and collective employee flexibility (Graetz et al. 2006). Flexibility of labour is reflected in an employers' ability to:

- Recruit or dispose of labour as required;
- Alter labour costs in line with market needs;
- Allocate labour efficiently within the firm;
- Fix working hours to suit business requirements (Teece et al. 1997).

Subsequently, there are various approaches to employment flexibility. The first four approaches to employment flexibility were measured in this study. However, financial flexibility falls beyond the scope of this study.

(a) *Functional Flexibility*

Functional flexibility is where a SME develops the ability of employees to undertake a range of tasks, either horizontally (employees are multi-skilled to perform a range of tasks at the same organisational level) or vertically (employees have increased responsibility up and down the organisational hierarchy). A distinction is made between multi-skilling (providing employees with a range of transferable skills, associated with vertical functional flexibility, empowerment and enhanced terms and conditions) and multi-tasking (expanding the range of tasks and responsibilities of an individual horizontally, associated with work intensification and no commensurate improvement in reward) (Atkinson and Meager 1986).

(b) *Numerical Flexibility*

Numerical flexibility refers to the organisational ability to alter the number of employees (directly) employed. Firms seek the ability to hire, fire and re-hire workers with relative ease resulting in insecurely or irregularly employed workers. This form of flexibility is associated for example with the use of casual, short-term, temporary, agency and self-employed workers and the outsourcing and sub-contracting of certain activities (Atkinson and Meager 1986).

(c) *Temporal Flexibility*

Temporal flexibility refers to the organisational and individual ability to vary the number and timing of hours worked. This is associated with patterns of non-standard patterns of working that diverge from the 9-5, 38-hour working week. Such arrangements include for example part-time working, flexi-time; shift work, weekend work, over-time, annualised hours, term-time working, compressed hours and seasonal working (Storey 1997).

(d) *Spatial (or locational) Flexibility*

This refers to flexibility of 'location' where work is carried out through, for example, home-working, teleworking and the use of consultants or freelancers/contractors. This can be implemented either to reduce overhead facilities costs to the employer or to respond to work-life balance demands of workers (Storey 1997)

(e)   Financial (or wage) flexibility

Financial flexibility entails the linking of employee rewards to individual, team, department, divisional or organisational performance, through such techniques as individual or team performance-related pay, commission, bonuses and profit sharing. It has the dual objective of promoting individual association with the goals and objectives of the organisation (and, subsequently commitment) and linking individual performance with that of the firm (Atkinson and Meager 1986).

To a certain degree, the ultimate objective of flexible approaches to the utilisation of labour is to minimise labour costs, or to have the right mix of people available to match the needs of the employer (Fleetwood 2007). However, employers claim to introduce flexible working practices for a wide range of reasons both relating to improving organisational performance but also to meet the needs of workers. Some of these reasons include: improve staff retention, enhance reputation as an 'employer of choice', in response to requests from staff, in response to Government legislation, to improve work-life balance, to improve staff morale, to attract job applicants/widen recruitment pool, to provide adequate cover for extended opening hours, to meet seasonal fluctuations in the market, to stay competitive in the market, to improve productivity, to encourage diversity, to reduce sickness absence/help those returning from long-term sick leave, to limit overtime costs, to encourage loyalty, to address environmental/travel-to-work issues, to reduce property costs, and to enable a young workforce to pursue their personal interests (Income Data Services 2006).

The previous chapter made the distinction between the latter with an emphasis on developing and maintaining a positive psychological contract as a source of competitive advantage. The imperative for organisational flexibility can be viewed within the extreme of a HRM strategy which emphasises the reduction of labour costs (cost-minimisation) on the one hand and a quality enhancement approach on the other hand.   Under the former strategy, the emphasis would likely be on numerical and temporal flexibility, with little concern for their impact on employees themselves (for example, the use of 'hire and fire' policies), and job enlargement by multi-tasking employees. This approach has been referred to as 'flexploitation' (Gray, 2004: 3) and is associated with a reactionary, opportunistic approach to the management of labour. A quality enhancement approach would place greater emphasis on job redesign and multi-skilling (job enrichment) to

increase both employer and employee skills flexibility, employee-friendly approaches to temporal flexibility (for example, flexible start and finish times) and spatial and numerical flexibility which emphasises notions of employee well-being and work-life balance. However, SMEs cannot necessarily be so clearly categorised in adopting either a 'hard' or 'soft' approach to employee flexibility given that different forms of flexibility might be appropriate for different workforce segments. Atkinson (1984) provides a useful theoretical model—the 'flexible firm'—which shows the different approaches to flexibility an organisation might adopt depending on the types of labour employed.

In Atkinson's model, different forms of flexibility are utilised within the same firm depending on both the utility and value of the employee to the firm and the nature of employment relationship in each instance. The core group is comprised of highly-skilled, valued workers whose capabilities are firm-specific or scarce in the external labour market and are central to the core activities of the firm. Under the resource-based view of the firm, they constitute a unique resource and, therefore, the emphasis is on a strong internal labour market to ensure their retention. Flexibility among this core group lies in their continuous development and deployment of a range of skills and capabilities. The first peripheral group is comprised of employees who possess skills needed by the firm but that are not firm-specific (for example, general ICT skills). The firm offers limited scope for movement to the core and, therefore, few career prospects, preferring to rely on the external labour market to fill these posts and tolerating a degree of labour turnover. They are, therefore, a source of numerical flexibility. The second peripheral group might consist of both highly-skilled sub-contractors with skills that are only temporarily required by the organisation (for example, consultants or sub-contractors) and, more commonly, low-skilled workers who are a source of both numerical and temporal flexibility. Such workers might be temporary or casual employees, and even those permanently employed by the organisation are likely to experience poor terms and conditions of employment, little opportunity for development and high levels of insecurity (Hunter *et al*, 1993). Grimshaw *et al.* (2008) suggest, however, that it is becoming increasingly difficult for labour market participants to predict with certainty their position within a segmented labour market of 'core' and 'periphery' workers, the boundaries between different groups of employees being continuously redrawn.

Despite the ubiquity and resilience of the 'flexible firm' as a theoretical model of how organisations have responded to the increased need for flexibility, it has been subjected to significant criticism. For example, Pollert (1988) suggests that the model fails to explain what is new about flexible management 'strategies' given that they reflect pre-existing labour market segmentation and disadvantage according to gender and race (those groups most likely to be subjected to the poor terms and conditions of employment of the periphery groups). Despite this criticism, Proctor and Ackroyd (1998) cite a number of studies which support the continued growth of both functional and numerical flexibility and suggest that Atkinson's model remains helpful in drawing attention to the importance of labour in securing flexibility, despite some limitations.

Table 2.4 indicate which interventions regarding employment flexibility, are examined in this study. Four approaches to employment flexibility are distinguished: job or functional flexibility; temporal flexibility; numerical flexibility and special (or locational) flexibility.

Table 2.4: Employment Flexibility Interventions for Achieving Organisational Change

Employment Flexibility Interventions
Job or functional flexibility practices
Job enrichment
Job rotation
Temporal flexibility practices
Flexible/restructured scheduling practices
Flexitime
Compressed work week
Part-time work
Phased retirement options
Voluntary reduced work time practices:
Rostered days off or flex days
Annualised hours
Leave time practices
Paid parental leave
Study leave and assistance
48/52 work arrangements (employees can purchase extra leave
Career breaks (employees return to work after break)
Job sharing
Numerical Flexibility Practices
Casual work
Independent contractors
Dependent contractors
Contracting out work once performed by own employees
Spatial (or locational) Flexibility Practices
Flexi place
Use of external consultations in relation to change management issues

2.5.2 Strategic interventions

Several forces of change have been discussed earlier in this chapter. In light of these forces and and exponential upsurge in new entrants to the market environment, SMEs

experience stiff competition in the market place (Umble et al., 2003). Furthermore owing to the unique characteristics of SMEs many SMEs are vulnerable because they operate in sectors where there are few barriers to new entrants and where they have little power to dictate to suppliers their needs (Achanga, Shehab, Roy and Nelder 2006).

McKee (2003) argues that an evolutionary approach to productivity and performance improvement is likely to be effective in the longer-term. This entails utilizing 'old' tools properly and applying them in a disciplined and systematic way. He further argues that no single 'productivity tool or practice' is the 'right one'; what works for one organisation at one point in time may be inappropriate for another organisation—even in the same industry sector at the same point in time.

Furthermore, organisations need to decide how to divide work into departments and then how to co-ordinate them to support strategic directions. They must also make decisions about how to produce products or services, how to grow their business either through business expansion, or developing alliances with skill/product providers. Furthermore decisions need to be made about how productivity could be enhanced in the face of numerous challenges which face the firm. This is often achieved through specific re-engineering of processes and systems and quality improvement interventions.

Traditionally business seminars, books and magazines have been dominated by the subject of total quality management. Total Quality Management (TQM) was promoted as the umbrella philosophy for all business improvement initiatives. However with the growing need for radical change, one could easily believe that business process re-engineering has supplanted TQM (MacDonald 1995).

MacDonald (1995) argues that, making such an assumption would be a very dangerous assumption for executives determined to change their organisations. Issues such as competitive pressures to meet customer expectations and the steady improvement of products and services are no longer sufficient to survive in the global marketplace. According to MacDonald (1995) what is needed is a radical change in the way we all work. One way to achieve this change is *business process re-engineering* (BPR).

According to MacDonald (1995), the growth of BPR has been so rapid and experience so diverse that there is confusion as to what the term covers. He argues that in reality BPR is a common-sense evolution in TQM, making use of the new tools of information technology. The term BPR is being used to cover three distinctly different management approaches to change including process improvement, process redesign and process re-engineering. He further argues that each is a valid approach to meet different circumstances.

Wright (1995) supports the view that the distinction between TQM and BPR is by no means as rigid as some practitioners believe. He argues that they are intertwined and with appropriate facilitation, re-engineering of existing processes to achieve step-function improvements can be leveraged through existing TQM continuous improvement processes.

Hammer and Champy (1993) define Business Process Reengineering (BPR) as 'the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical measures of performance such as costs, quality, service, job satisfaction and speed'

The literature discusses many successful cases in which BPR has been the focus. For example, applications in purchasing process is discussed in Kim et al. (2000) and Hammer and Champy (1993); customer service is discussed in Hammer and Champy (1993) and cargo handling processes are discussed in Khan (2000). It has also been pointed out that re-engineering practice play a very important role when a business successfully implements IT systems (Mohanty and Deshmukh 2000; Ng et al. 1999; and Wang et al. 2000).

Hsin-Pin Fu, Tien-Hsiang Chang and Ming-Ji Wu (2001) argue that despite many success stories, many firms are unsuccessful in implementing re-engineering practices. Altinkemer et al. (1998) reported mixed results in relation to the successful implementation of re-engineering practices and concluded that some of them have fairly high success rate, while some have a very high rate of discontent.

However it is clear that the concept of business re-engineering is now widely used in many enterprises and an abundance of re-engineering research has occurred mainly in large

organisations (Hsin-Pin Fu, Tien-Hsiang Chang and Ming-Ji Wu 2001). Despite this abundance of research in re-engineering, most of these studies have been case studies and descriptive in nature. Only a limited number of empirical studies investigating the application of BPR have been conducted. Furthermore only a few studies have occurred in Australia in recent years. Examples of the handful of studies on BPR in Australia include: Martin and Cheung's (2002) study which reported on re-engineering in Mobil Australia and described it as a success story; Zucco's (1996) study which reported the results of BPR in the Australian banking industry, conducted by KPMG; and O'Neill and Sohal's (1998) study which concluded that top managers should not engage in BPR projects unless absolutely necessary to reposition the organisation strategically. However these studies have all been conducted in large organisations and very little attention has been paid to investigating business re-engineering practices in SMEs (Hsin-Pin Fu, Tien-Hsiang Chang and Ming-Ji Wu 2001).

In relation to the issue of *quality improvement*, there is an abundance of literature on TQM related to world class learning (Luthans, Hodgetts, and Lee 1993); training (Niehoff and Whitney-Bammerlin 1995); implementation (Shin, Kalinowski, and El-Enwin 1998); employee involvement (Lawler 1994); benchmarking (Rogers 1998); planning (Thisse 1998); value chain (Gehani 1993); control (Sitkin, Sutcliffe, and Schroedern 1994); and work performance (Waldman 1994). There are reviews of barriers to quality efforts (Katz 1993; Whalen and Rahim 1994) as well as the more significant failures associated with quality management programs (Harari 1993; Holoviak 1995; Brown, Hitchcock, and Willard 1994; Korukonda, Watson, and Rajkumar 1999). Spencer (1994) conducted a critical evaluation of the models of organisation and TQM, while Dean and Bowen (1994) called for improved research and practice regarding TQM. However, most of the research on quality management has been conducted in large organisations.

As in the case of re-engineering there has not been a great deal of research in regards to the quality effort in small businesses (Kuratko, Goodale and Hornsby 2001). There are a few studies, such as Shea and Gobeli's (1995) examining the experiences of ten small firms with TQM, and Hodgetts, Kuratko, and Hornsby (1999) relating the scenarios of MBNQA winners in the small business category However, the few articles that do appear tend to be conceptual with little empirical findings. A central theme in the literature is developing a quality philosophy throughout the firm (for example, TQM). One would expect firm

leadership to implement programs that develop a high-quality internal environment and are consistent with strategic objectives of the firm, such as flexibility in small firms (Kuratko, Goodale and Hornsby 2001).

Sturkenboom, van der Wiele and Brown (2001) argue that the quality management philosophy can be defined through its core concepts. They identify the key elements of the quality management philosophy as: customer orientation; process control; employee involvement and participation; teamwork; managing by facts; continuous improvement.

Along with these key elements of the philosophy, many instruments, organisational arrangements, tools and techniques have been developed and brought to the market by consultants. SMEs, however, have not widely adopted these tools and techniques in general, instead they have often followed their own routes, without using the acronyms of all the ideas and tools that are now known as `quality management' (Sturkenboom, van der Wiele and Brown 2001).

Informality versus formality is a central debate in relation to quality approaches in SMEs. North et al. (1998) highlight the informal quality systems, which are used by SMEs, compared with the formal quality systems most often used by larger organisations. They argue that SMEs tend to do things in a more or less informal way, without using the formal tools and techniques that typify quality management, like customer surveys, ISO 9000 series certification, policy deployment, improvement teams, brainstorming tools, etc. In a large-scale survey of small businesses that have not registered under ISO 9000 series, Chittenden et al. (1998) came to the conclusion that *'there was evidence of a statistically significant inverse association between the level of formalisation of quality systems and satisfaction with the quality system in operation'* (p. 81), and *'business owners appear to prefer informal systems, so long as these work satisfactorily'* (p. 81, 82).

In research focusing on ten small companies (North et al. 1998) it was evident that these companies have different quality management strategies, and together they give a very good idea about how informal quality management has been shaped in companies ranging from four to 34 employees. The 10 cases studied by North et al. illustrate the reality behind the quality management approaches of SMEs. The conclusion that can be drawn from these cases is that in most situations quality is usually seen as doing the operational work in a proper way and according to the demands of the customer. It seems that only when

there is external pressure (from the market) do the small companies see the need to move to a more formalised quality system (ISO 9000 series certification), although some of these SMEs also link the development of the ISO 9000 series quality system to their own needs related to the difficulty in maintaining quality because of the growth of the company. Overall, these cases suggest that there is no indication that SMEs review their own systems in relation to the broader concept of quality management. Within ISO 9000 series certified companies, there will of course be regular audits (internal management reviews and audits by the external auditor), however, such audits only focus on keeping the certificate on the wall, and are not related to the wider view of going through the plan-do-check-act cycle in order to improve the systems in the organisation.

Brown and van der Wiele (1996) developed a typology on how companies follow the route to ISO 9000 series quality systems and broader quality management implementation. They concluded that the majority of companies can be positioned in the category of the `minimalists'. Companies in this category just follow the ISO 9000 series certification demands because they have been forced to do so, they get the certificate on the wall without changing anything at all in their organisation and in their activities, and do not intend to do anything else in relation to the quality management philosophy. The research of Brown and van der Wiele also showed that the percentage of companies belonging to this category is especially high for the SMEs.

Van der Wiele (1998) empirically tested the relationship between the implementation of a quality system (ISO 9000 or self-assessment against one of the business excellence models) and business performance improvements. Using Ford's (1992) motivational systems theory model, it concluded that the implementation of neither of the two quality approaches would give performance improvement if they were only introduced because of external pressure. To gain business performance improvement there has to be internal motivation to link the implementation of the quality approach to internally defined goals for changing the organisation. If nothing is changed (except a certificate on the wall) positive results could not be expected.

Sturkenboom, van der Wiele and Brown (2001) came to the conclusion that SMEs have to think beyond the ISO 9000 certification as a reaction to external pressure. They have to go back to the key elements of quality management, and one way of doing that is by using a

self-assessment tool through which they review their organisation, focusing on implementing the key quality concepts.

Quality management issues have become more and more important for SMEs for a variety of reasons (Sturkenboom, van der Wiele and Brown 2001). Firstly, there are the demands from their industrial customers, since many small organisations supply products and services to large organisations. Most of these large organisations feel the pressure to increase their level of quality maturity because of (inter)national competition, ever demanding customers, or governmental purchasing rules.

Such larger organisations have also moved towards ISO 9000 series quality system certification and have to evaluate their supplier base more strictly. One way is to force their suppliers also to have ISO 9000 series certification. Furthermore, as these large customers become more quality mature, they will probably need the support of their suppliers to be able to make further progress on the quality ladder. Consequently, those customers then not only demand formal certification of the quality system from their suppliers, but also expect their suppliers to develop continuous improvements in their products and processes.

A second reason for the importance of quality management is the fact that research has shown that it also contributes to improved performance and results of SMEs. Ahire and Golhar (1996) researched the question of whether the size of the company has an effect on the implementation of quality management. They concluded that quality management implementation leads to better product quality; there are no operational differences in quality management implementation attributable to firm size; and small and large firms that produce high-quality products implement quality management elements equally effectively.

The research of Shea and Gobeli (1995) amongst 10 small companies with fewer then 50 employees focused on the effects of quality management implementation. They concluded that all 10 companies would do it again; all 10 realized major business performance improvements; and one of the principal benefits was increased customer satisfaction.

Other research supports the notion that quality management is important for SMEs and that the implementation of quality management will bring benefits to the company (Beattie & Sohal, 1999).

Ghobodian and Gallear (1996) state that *'there are significant structural differences between SMEs and large organisations* (p. 86) and that *'these differences are likely to influence the relevance, planning and implementation of the TQM concept'* (p. 86). However, despite those differences, they conclude that *'the fieldwork clearly indicated that the TQM concept could be used by SMEs with considerable success'* (p. 103). Brown et al. (1998) and van der Wiele & Brown (1998) have found that SMEs in general do not introduce formal quality management initiatives unless there is strong external pressure; SMEs which set up a quality system according to the ISO 9000 series standards in general adopt a minimalist route: doing what is necessary to get the certificate and nothing more.

They found that SMEs who adopt the quality award models (European Quality Award (EQA), Australian Quality Award (AQA), Malcolm Baldrige National Quality Award (MBNQA), or other recognised quality award models) and develop self-assessment against the criteria of these business excellence models do so either to apply for the award or to measure their quality maturity status. They also report that the number of SMEs who apply for the quality awards is very low; the number of small companies (fewer than 50 employees) that implement a formal quality management system is extremely low; and quality principles are often practised in smaller organisations in an informal way.

In recent times, the concept of ***benchmarking*** has become synonymous with successful performance. Prescriptive advice on the best ways in which firms can use benchmarking to both monitor their own performance and learn from the competition are in abundance in the literature (e.g. Hussain 1996; Spendolini 1992; Watson 1993). Definitions of benchmarking vary however they all share similar themes. Partovi (1994) defines benchmarking as: 'the search for the best industry practices which will lead to exceptional performance through the implementation of these best practices' (p. 25).

Whereas Spendolini (1992) describes benchmarking as:

> '*a continuous, systematic process for evaluating the products, services and work processesfor organisations that are recognised as representing best practices for the purpose of organisational improvement'*.

The themes addressed in these definitions include elements of continuous improvement; measurement against a referent other; and rigour (Cox et al. 1997). The motion of 'best practice' also appears regularly in management literature.

In particular benchmarking has been seen to have a key role in the quality management area (Cassell, Nadin and Older Gray 2001; Voss et al. 1994). Within this context benchmarking could be seen as a 'hard' quality practice (Dow et al. 1999) in that it provides some systematic analysis of the achievement of quality goals. Cassell, Nadin and Older Gray (2001) argue that benchmarking has also been demonstrated to be a catalyst for the success of a number of other organisational change interventions, for example business process re-engineering (Thor and Jarrett, 1999), improved operational performance (Voss et al. 1997) and general changes in organisational thinking and action (Saw 1997).

While benchmarking is considered extremely beneficial, it is not simple and cost-free. Therefore a number of researchers have concluded that an extensive benchmarking exercise, as developed for large enterprises, is not adapted to the reality and specificity of SMEs (St-Pierre and Raymond 2004).

Despite the significance of SMEs to national economies, the research on benchmarking emphasise the large firm. This implicitly assumes that SMEs should learn from large firms and that SMEs are less important than large firms (Hendry et al., 1995). However, given the economic significance of SMEs it would seem that an investigation of benchmarking in SMEs would make a contribution to management literature, especially in Australia.

Another strategic change intervention SMEs could employ in dealing with the numerous challenges, is ***transorganisational development***. Transorganisational development is an emerging form of planned change aimed at assisting organisations to develop collective and collaborative strategies with other organisations (Waddel et al. 2007). The rationale

behind this strategy is that many of the tasks, problems and issues facing organisations today are too complex and multifaceted to be addressed by a single organisation. According to Waddel et al. (2007) these multi-organisation strategies and arrangements are increasing in today's global and highly competitive environment. There are plenty of examples in the literature of this type of change intervention in the public sector and large organisations, however, no studies could be found in relation to the use in SMEs. This study will therefore fill a gap in relation to this particular issue.

Table 2.5 summarises the interventions measured in this study. It should be noted that the practices have been categorised under headings although some practices could be categorised under more than one heading.

Table 2.5: Strategic Change Interventions for Achieving Organisational Change

Productivity improvement practices
Significant increased production levels
Productivity improvement schemes
Quality problem solving teams
Re-engineering practices
Major change in product or service
Introduce new products and services
Systems change
Process change
Re-engineering business practices/processes
Major new plant or technology
Major restructuring of how work is done
Sell equity in the business
Quality practices
Quality programs(i.e. ISO9000)

Productivity improvement practices
Total Quality Management (TQM)
Benchmarking
Best practices (with other Australian organisations)
Best practice (with other overseas organisations)
Transorganisational development practices
Developing alliances with skill/product providers not available in-house
Business expansion practices
Open new locations
Open the same business else where

2.5.3 Human Process Interventions

The third category of organisational change initiatives discussed by Cummings and Worley (2001, p. 216-277) is that of Human Process Interventions. These issues have to do with social processes occurring among organisation members such as group processes. These interventions are directed to the improvement of work relationships, the ability of people to work together and joining people together in teams with the intention of achieving certain goals.

Examples of team based approaches to implementing and managing change within organisations discussed in the literature include task groups, quality circles, self directed work groups or self managed teams and joint consultative committees. Friedlander and Scott (1981) discuss the use of task groups in organisational change and describe them as a parallel organisation outside the formal structure. Their purpose differs from that of the formal structure in that they are there to generate knowledge and solve problems. An extension of the task group that was approached are quality circles which are a vehicle for progressing TQM as a change strategy. Quality Circles were part of an attempt to emulate Japanese management practices where decision making is collective and decentralised, and where membership is voluntary and members share a common work area (Cummings and Huse, 1989). Quality circles relied on their own hierarchy comprised of steering

committees, facilitators and team leaders. The success of quality circles relied on skills in systematic problem solving and the ability of the circles to integrate themselves with the formal organisation. Team members were to be carefully chosen and receive training in team dynamics (Barnett 1990).

Research data provided by Cummings and Huse (1989), showed quality circles failed over time due to difficulty in systematic problem solving, difficulty in implementing new ideas, failure of these programs to effect participants' jobs, lack of compensation for members generating cost saving ideas, and because initiatives were seen as alien to the immediate work group. Management often selected items for improvement and required teams to present solutions (Lathin 1994). Many TQM programs have a quality circle orientation differing mainly in their use of cross-functional teams. More recently Continuous Improvement teams have been taking the place of the traditional Quality Circle teams (Neal and Tromley 1995).

A shift to self-managing or autonomous work teams has been reported in the recent literature. Benefits such as reduced absenteeism, increased productivity, increased employee satisfaction, multi-skilled, flexible workforce and flexible work practices have been cited (Sagoe 1994; Wright and Brauchle 1994). In some cases these teams have had significant input to the development of a company vision and policy setting. At the same time they have day to day responsibility for production planning and control and maintaining continuous improvement practices (Phillips 1994; Holpp 1993). In some cases teams 'hire' and 'fire' and set their own wage rates (Semler 1994). Flatter organisational structures, a shift to a collective orientation, and the need to incorporate the team concept into performance management and reward systems were needed for a transition from a hierarchical structure to a team environment (Booth 1994).

According to Caudron (1994) organisations in cultures that value individualism (Western Europe, North America and Australia) are struggling to implement the team concept. Significant also in this literature is the resistance to these transformations from middle managers and first line supervisors whose status and positions of power and authority have been most threatened. Their new roles as leader, coach, facilitator, advocate and business analyser (Irwin and Rocine 1994; Sims 1995) are roles which many managers do not have the ability or willingness to embrace. Research by Neal and Tromley (1995) has shown

most success from high performing team models have come from greenfield sites where entrenched control orientated cultures are not evident. Attempts to introduce autonomous team concepts into existing organisations have been described as non-systemic and incremental because the basic organisational systems are not affected. Attempts at autonomy are met with significant barriers from existing company policy and practices, a lack of resources, and company culture, requiring a significant change in management attitudes and ongoing sponsorship from the CEO (Curtis l994; Davison 1994).

Keighley (1993) indicated that there are myths surrounding the extent of self managed teams operating in Australian organisations and the fact that many traditional work teams are being called "self-managed". Negative aspects of self-managed teams such as 'groupthink', a failure to critically analyse and explore alternative actions (Manz and Neck 1995), have been highlighted. A longitudinal study on the attitudinal and behavioural effects of autonomous group working in a greenfield setting conducted by Cordery, Mueller and Smith (1991), showed that employees in autonomous work groups reported more favourable work attitudes than those in traditional work structures, however they had higher levels of staff turnover and absenteeism. Highlighted in this study were the difficulties in establishing autonomous groups in new sites, particularly where there was a lack of congruence in organisational design. Future research was recommended to address the issues of performance measurement of these groups in field settings. In another longitudinal study, Barker (1993) found empirical evidence of worker constraints and stress created by concerted control within autonomous workgroups. This was shown to be more constraining than previous traditional work arrangements and that commitment to team values and norms increased over commitment to organisational goals.

Continuous improvement is most effectively done within work teams if they are given the appropriate information and support, but it also may require separate structures to get the appropriate amount of attention and an organisation-wide perspective. This suggests that organisations regularly need to create task forces or design teams that can assess the organisation and look at its competitive position. They need to use such tools as attitude surveys and competitive benchmarking to see how well the organisation is operating and then to involve people within the organisation in the improvement process (Lawler III 1991).

Organisation performance, keeping up with contemporary management practice and to improving employee satisfaction and commitment have been cited as good reasons to implement teams. Furthermore, researchers such as Schein (1988), Senge (1992) and Orsburn et al. (1990) have argued that teamwork provides a means of harnessing the energy and creativity of employees.

However, a formal approach to team development may not necessarily be the best approach, especially in SMEs where sound leadership, common goals, trust and open communication may already exist. The team concept emphasised in the literature on teams is relatively theoretical and can require resources and time not available to small firms. Research by Clifford and Sohal (1998) found that of the 30 Australian companies they surveyed 80 per cent supported teamwork but none had passed the semi-autonomous stage of teamwork. Miller (2003) studies four case studies, all of which used teams. They argue that the diversity of 'teamwork' is evident in the stories presented by these cases. However, the types of teams uncovered were very different, shaped by the culture and inspired by the leadership of the organisation. They found that teams are very much a part of the culture of small firms in this western region of Melbourne, however, the teams to be found there were very different to those described in the team literature. In none of the cases was there an attempt to achieve fully autonomous teams.

Table 2.6 summarises the team approaches measured in this study.

Table 2.6: Team approaches for achieving organisational change

Team Approaches
Team building
Self managing teams
Joint consultative committees
Cross functional project teams
Establishing work teams with direct responsibility for setting and achieving targets

In view of the discussion in the preceding sections on interventions for achieving organisational change above, the following research question is examined:

What is the nature and prevalence of change interventions for achieving organisational change in Queensland SMEs?

2.5.4 Human Resource Management Interventions

Organisational change interventions have been discussed under the headings of structural, strategic and human process interventions. Missing from the discussion however are human resource management interventions such as recruitment and selection; training and development, performance appraisal and remuneration of employees. These are important over-arching practices to achieve the strategic objectives of an organisation. In order to reach its goals effectively and efficiently, an organisation needs to design and implement a set of internally consistent policies and practices that ensure that the human resource assets make the maximum contribution to organisational success (Huselid, Jackson & Schuler 1997). Although the researcher acknowledges the crucial role of these interventions in change and developing organisations, these practices fall outside the scope of this study.

2.6   Summary

The chapter commenced by outlining the context of the chapter. This was followed by a discussion of the distinctive features of SMEs. These features include: organisational size, the dominant role of the SME manager, uncertainty, limited resources, flexibility, technology, structure and strategy.

Several perspectives underpinning of this study have then been outlined including the rational; resource based; contingency; and systems perspectives. These were chosen owing to their ability to provide an adequate context within which the various research themes in this thesis could be explored. It was argued that change efforts are influenced by contextual, content, and process issues as well the individual differences that exist among the change targets. However, unlike content issues which involve the specific

characteristics of the change itself, process issues refer to the actions taken by change agents during the introduction and implementation of the proposed change.

The actions which change agents take include the way in which they communicate and facilitate the process of change. However the extent to which change agents possess effective change management skills; their mental models or attitudes in relation to how change ought to be managed; and their change management styles or the extent to which they include employees in the implementation of change interventions are likely to impact upon the types of changes they implement, the way in which organisational change is introduced and managed and the effectiveness of change in SMEs.

The final section discussed the interventions which could be employed to enable change and development in SMEs. These include structural, strategic, human process and human resource management interventions. The first three interventions for achieving organisational change were discussed in detail. Human Resource Management interventions are beyond the scope of this study.

The next chapter explores the research methodology followed in this study. The research objective, the related research questions, sub questions and the hypotheses required in the research process are also outlined in more detail.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The previous chapters examined the forces of change, theoretical perspectives and the literature regarding change interventions in SMEs. There has been considerable international and national interest in recent years in organisational change and its management in SMEs. This growth in interest is primarily owing to the recognition of the importance of SMEs to economic regeneration. However, despite the importance of understanding and effective management of organisational change, there is still a significant gap in the literature regarding studies focusing on organisational change. This chapter outlines the research methodology followed in examining organisational change in Queensland SMEs.

The purpose of this chapter is as follows: to identify the research question and hypotheses utilised in this study; to discuss the research design and methodology, selection of the sample, data collection methods, validity and reliability of the study, and data collection and analysis procedures. Finally, limitations of the research method are highlighted as well as the established ethical considerations.

What follows first is an outline of the research objective, research questions and hypotheses tested in this study. These research questions and hypotheses have been based on the theoretical discussions in chapter 2.

3.2 Research Objective, Research Questions and Hypotheses

The research objective of this study is to examine the nature and extent of organisational change in Queensland SMEs.

Five **research questions** were developed to inform the research objective above. These research questions are as follows:

RQ 1 – What are the forces of change in Queensland SMEs?

Three aspects are explored regarding the forces of change in Queensland SME:

RQ 1a –What factors were important in the decision to introduce organisational change into Queensland SMEs?

RQ 1b – Which objectives of change have Queensland SMEs pursued in introducing organisational change?

RQ1c – Which objectives of change have Queensland SMEs achieved in introducing organisational change?

RQ 2   To what extent does the main change driver (change agent) in SMEs possess effective change management skills?

RQ 3 – What mental models do Queensland SME managers espouse in relation to the management of organisational change?

This study explores two aspects of the mental models of Queensland SMEs managers including:

RQ 3a – to which extent do SME managers view certain change management skills as important in successfully managing change in their organisations?

RQ 3b – which management styles do SME managers use in pursuing change objectives and in deciding to introduce organisational change initiatives?

In RQ 3b, management styles are operationalised through (i) the extent to which organisational change objectives have been pursued or achieved through management initiative or through consultation; and (ii) whether SME managers employ an 'inclusive' or 'exclusive' style in the decision to introduce organisational change.

RQ 4 – What is the nature and prevalence of change interventions for achieving organisational change in Queensland SMEs?

RQ 5 – What is the impact of organisational size on the nature and prevalence of

organisational change in Queensland SMEs?

The following hypotheses have been developed to inform RQ5. The null hypothesis was employed in testing these hypotheses. The significance of the task in employing tests of null hypothesis was to establish whether there is a significant difference between small and medium size enterprises in relation to the nature and extent of organisational change practices in Queensland SMEs. Since this is the first study that examines these change practices in a state wide sample the null hypothesis was employed. Where a null hypothesis is rejected, a significant change has occurred in relation to two measurements (Zikmund 2003).

Ho_1: There is no significant correlation between organisational size and the factors important in the decision to introduce organisational change into Queensland SMEs?

Ho_2: There is no significant correlation between organisational size and the objectives pursued in the introduction of organisational change.

Ho_3: There is no significant correlation between organisational size and the objectives achieved in the introduction of organisational change.

Ho_4: There is no significant difference between small and medium size organisations in relation the possession of change management skills.

Ho_5: There is no significant difference between the views of managers in small organisations on the one hand and medium organisations on the other, in relation to their views on the importance of change management skills.

Ho_6: There is no significant difference between small and medium firms in relation to the management style they employed regarding the pursuit of change objectives.

Ho_7: There is no significant difference between small and medium firms in relation to the management style they employ in the decision to introduce a range of organisational change**s.**

Ho_8: There is no significant correlation between organisational size and the prevalence of flexible organisational structure change practices in Queensland SMEs.

Ho_9: There is no significant correlation between organisational size and the prevalence of employment flexibility change practices.

Ho_{10}: There is no significant correlation between organisational size and the prevalence of strategic change interventions in Queensland SMEs.

Ho$_{11}$: There is no significant correlation between organisational size and the prevalence of team approaches in Queensland SMEs.

3.3   Research design

Research design is defined as a strategic plan to execute a research study (Zikmund 2003). The research design and methodology of a study falls within a particular research paradigm. Kuhn (1962) defined a paradigm as a framework of beliefs, values, orientations and techniques shared by the members of a specific professional community. This study employs a positivist research paradigm. According to this paradigm the researcher is concerned with gaining knowledge in a world which is objective using scientific methods of enquiry. In this paradigm the researcher is concerned with research methods which are quantitative in nature, such as surveys. Methods of analysis aligned with this paradigm frequently employ statistical procedures.

Furthermore, conclusions drawn from the research provide evidence to support or dispel specific hypotheses generated at the onset of the research. In line with this paradigm, quantitative methodology is utilised in this study by employing a survey in the form of a self-administered questionnaire.

Zikmund (2003) generally refers to three types of research designs: exploratory, which tends to attempt to classify the nature of problems and to develop hypotheses to be developed; causal research which seeks to discover the statistical causal effect that one variable has on another; and descriptive which is to describe characteristics of a population by determining answers to who, what, where, when, where and how questions. This study employs a mix of the three types of research designs. The study is exploratory, because there is not a proliferation of subject material that exists in the study area (organisational change) within SMEs. It is anticipated that this study will aid in an enhanced understanding of organisational change in Queensland SMEs and it is hoped that the study will serve as a 'jumping-off' point for further research into more specific areas in Queensland SMEs.

Even though this research is not strictly causal and therefore predictive, this research is correlational in the sense that correlations are calculated in determining the impact of size

(small vs. medium) on organisational change practices. However the current study does not examine the complex cause and effect relationships between variables. This advanced causal analysis falls beyond the scope of this study and will be a topic for further research (Zikmund 2003).

This study is also descriptive in nature because there has been a paucity of research in relation to the research topic examined in this study and it provides data about a specific sample drawn from a population being studied. Furthermore, the objective is to provide a systematic description that is as factual and accurate as possible (Zikmund 2003). The sample consisting of Queensland SME managers will be discussed in the next section.

The primary data in the form of a state-wide survey, the Organisational Change and Employee Management Questionnaire (OCEMQ) is quantitative in nature. The greatest advantage of using quantitative research conducted in the positivist paradigm is that using a survey strategy of statistically sampling a population allows the researcher a high degree of confidence in terms of how well the sample represents the population from which it was drawn. Therefore the results of the hypothesis testing allows for relatively high generalisability of the results (Brewer & Hunter 1989).

The unit of analysis is Queensland SMEs and the focus in this thesis is on the nature and extent of organisational change in Queensland SMEs. As discussed previously in chapter 1, for the purpose of this study, a SME is defined according to the ABS industry sector categories as an organisation employing between 20 and 200 employees with a small organisation employing 20-100 employees and a medium sized organisation employing 101 - 200 employees (Wiesner & McDonald 1997).

3.4 Survey Methodology

Primary data is defined as data gathered and assembled for the research project at hand (Zikmund 2003). For the purpose of this study, the survey method was used to collect this primary data.

A survey offers an unobtrusive approach and allows the respondent to maintain a degree of anonymity. With this in mind, the questionnaires were self-administered, i.e. the

researcher was not present, in order that a respondent can answer without any general time constraints (Gable 1994).

This method for collecting information therefore allows a respondent to maintain confidentiality and privacy without the need for an interviewer to be present. By answering a series of questions regarding the subject of organisational change, a respondent can answer in his or her own time and in a private environment—and it was hoped that respondents offer comprehensive feedback by answering as many questions as possible. Finally, self-administered questionnaires are the best avenue because of the number of respondents that will be receiving the survey (Gable 1994).

As highlighted in Gable (1994), the survey (or questionnaire) approach refers to a group of methods which emphasise quantitative analysis where data from a large number of organisations is collected and analysed using statistical techniques. By studying a representative sample of organisations, the survey approach seeks to discover relationships that are common across organisations and to then provide general statements about the object of study. Although Gable does admit that the survey approach only presents a snap-shot at a certain point in time, the approach can accurately document the norm and delineate associations between variables in a sample. Vidich and Shapiro (1955) concur with Gable by stating that the survey method is relatively superior to the field method in terms of deductability: without the survey data, the observer could only make reasonable guesses about an area under study. Jick (1983) suggests that survey research may contribute to greater confidence in the generalisation of results.

Some studies argue that an approach combining survey and fieldwork is ideal and that each approach is incomplete without the other (Attewell and Rule 1991; Kraemer 1991). Others argue that it is always best to utilise several methods of data collection (Kling 1991; Gutek 1991; Bikson 1991) as does Jick (1983). These authors feel that qualitative and quantitative methods should be viewed as complements rather than as competitors. Gable (1994) found that research designs that extensively integrate both fieldwork (for example, case studies) and survey research are rare, more than likely due to researchers engaging in purity of method.

The researcher acknowledges the advantage of using mixed methods of gathering data, however, this study will strictly focus on one particular type of method, i.e. the self-administered questionnaire. As outlined in Cooper and Schindler (1998), the primary advantages of using the mail/e-mail survey are:

- Relatively inexpensive to administer

- Allows respondents to complete the survey on their own time

- Reach many people more easily than telephone or personal interviews

In addition, the survey instrument can be designed to be filled out in a briefer time than may take place in a personal or phone interview (Cooper and Schindler 1998).

3.4.1 The Measurement Instrument

The survey questionnaire was originally developed and validated by Wiesner and McDonald (1998) for the study of employee management and organisational change practices in Australian SMEs during 1998. This questionnaire was revised by Associate Professor Retha Wiesner, who was one of the original researchers during 1997. The author of this thesis assisted Associate Professor Wiesner with the revision of the organisational change section of the questionnaire.   Relevant 'newer' organisational change practices which were not included in the original questionnaire, were identified and added to the original questionnaire after conducting an in-depth research and literature review on organisational change interventions. In other words, the survey questionnaire originally developed by Wiesner and McDonald (1997) was adopted for the purpose of this study. This thesis only utilised certain sections of the original survey questionnaire developed by Wiesner and McDonald (1997) – the demographic section and the section which contains statements pertaining to organisational change. The reliability and validity of the original survey was satisfactory with Cronbach Alpha Coefficients of between .70 and .90 for each section. The content validity and reliability of the updated questionnaire utilised in this study were also addressed. The content validity was determined by asking a panel consisting of SME managers, HR experts and academics in HR, to comment on the

suitability of each item. A reliability analysis was conducted on the updated questionnaire which indicated Cronbach Alpha Coefficients of between 0.70 and 0.90 for each section.

The demographic section of the questionnaire collects information regarding the respondent and the SME. The section focusing on organisational change contains the following sub-sections:

Section B1 and B2 ask respondents which change practices have been applied in the SME in the past three years. Together these two sections measure 28 structural organisational change interventions (including 9 flexible organisation structure interventions and 19 employment flexibility interventions); 19 strategic interventions and 4 human process interventions. These two sections inform the fourth research question. What is the nature and prevalence of change interventions for achieving organisational change in Queensland SMEs? Both parts employ a nominal scale of 'yes' or 'no'.

Section B3 and B4 inform the first research question: What are the forces of change in Queensland SMEs? Section B3 focuses on: What factors were important in the decision to introduce organisational change into Queensland SMEs. Section B4, firstly, asks the respondent which objectives have been pursued. Secondly, it asks the respondent which objectives have been achieved in introducing organisational change in the past three years.

Another part of B4 asks respondents whether the objectives were pursued principally on management initiative or through consultation with employees/unions. This part of B4 informs part of the third research question. All three parts of this section in the questionnaire employ a nominal scale of 'yes' or 'no'.

Section B5 asks the respondents to indicate to what degree they consult with employees in the decision to introduce specific organisational change practices listed. This section also informs part of the third research question on mental models of Queensland SME. A four point ordinal scale has been employed: 'involves widespread involvement of employees in decisions'; 'involves consultation with employees with their possible limited involvement in goal setting'; 'managerial authority and direction is the main form of decision-making; managers initiate and implement change'. However the four point scale was recoded into two categories indicating whether SME managers are 'inclusive' or 'exclusive' in their

management style regarding the introduction of organisational change. As a result this section measures whether SME managers employ an 'inclusive' or 'exclusive' style in the decision to introduce organisational change.

Section B6 firstly asks the respondents how important they view eight change management skills to be in successfully managing change in the SME and the extent to which the main driver of change in the SME possesses these skills. The first part of this section informs another part of research question 3 on mental models. The second part informs research question 2 regarding the extent to which the main change driver (change agent) in SMEs possesses effective change management skills. This section employed an ordinal scale of 'extremely important', somewhat important' and 'not important'.

A copy of the questionnaire utilised in this study is included in Appendix 1.

3.4.2 Data Collection and Sampling

A Dun and Bradstreet database was used for the selection of the SME sample for the distribution of the survey. Dun and Bradstreet employed a stratified sample according to the following criteria:

- all ABS industry categories excluding agriculture;
- organisational size ranging from 20 - 200 employees;
- SMEs within Queensland; and
- name of the CEO or MD had to be provided.

This mailing list was then supplied to the researcher. Address labels were personalised with the name of the CEO or MD. The mailing list consisted of 1000 organisations and a total of 1000 questionnaires were sent out to the stratified sample of Queensland SME managers over a period of two months, January to February 2008. Respondents were asked to return them no more than three weeks later in order to facilitate the return of the survey instrument, thereby giving respondents ample time to complete the survey.

Due to the large number of respondents, this delivery method was considered effective from both a cost and delivery standpoint. According to Zikmund (2003), surveys can suffer from a low response rate, therefore, action to encourage organisations to respond to the survey included a covering letter explaining the purpose of the survey, provision of a reply paid envelope, follow-up letters and an assurance of confidentiality. A second mail-out of 500 questionnaires was sent out during March 2008 and responses were accepted until the end of April 2008. After allowing for incorrect mail addresses and closed businesses (approximately 6% or 60 questionnaires of the total sample), a response rate of 34% was achieved (N=340). This constitutes a very good response rate since comparative studies in SMEs estimated a figure of 10-20% (Mohd and Aspinwall 2000).

The returned questionnaires were sent to Brisbane to a data entry company. All the raw data was entered and the data emailed to the researcher.

3.4.3 Statistical Analysis

The Statistical Package for the Social Sciences (SPSS) was used to analyse the survey data. Descriptive statistics were used to summarise and describe the demographics of the respondents, as well as the frequency of responses to individual questions in the questionnaire. These are presented in the form of frequency and percentage distributions in chapter 4 in order to identify trends in the data (Moore 1995; Healy 1991).

In order to test the hypothesis in relation to whether there is a significant difference between small and medium size enterprises in relation to the nature and prevalence of organisational change practices, the Chi-Square Goodness of Fit test was conducted.

Cross-tabulations were used to indicate the prevalence of the organisational change within each SME size category (Coakes & Steed 1997). Inferential analysis through the Chi-Square Test for Relatedness or Independence was used to analyse questionnaire data with the purpose of determining the impact of size on the prevalence and nature of organisational change. The intention with this is to confirm the generalisability of the results (Moore 1995). Chi-Square is also suitable for the inferential analysis of non-parametric nominal level data and interval data (Coakes & Steed 1997).

3.4.4 Recoding of Survey Data for Analysis

Question A1 asked respondents to indicate the number of employees employed within the organisation. There were five categories, fewer than 20 (category 1), 21-50 (category 2), 51-10 (category 3), 101-200 (category 4), and >200 (category 5). In keeping with the definition of an SME described in chapter one of this thesis, a small organisation is described as having 20-100 employees and a medium organisation as having 101-200 employees. For analysis purposes the researcher recoded the respondents in the five categories into two categories. Category 1 and 2 were combined into a single category, namely 20 to 100 employees and it was labelled as size category 1 for analysis purposes. Category 4 and 5 were combined into a single category, namely 101+ employees, and labelled size category 2 for analysis purposes.

Section B5 in the questionnaire asks the respondents to indicate to what degree they consult with employees in the decision to introduce specific organisational change practices listed. Four decision-making methods, adapted from four styles of change leadership developed by Dunphy and Stace (1990, p. 78-81), were presented, two of which incorporated involvement of employees and two of which were rooted in the exercise of managerial prerogative:

A. Widespread involvement of employees in decisions;
B. Consultation with employees and their possible limited involvement in goal setting;
C. Managerial authority and direction as the main form of decision-making;
D. Managers initiating and implementing change.

Columns A and B represent two forms of 'inclusive' behaviour (including employees in decision-making whilst C and D represent two forms of 'exclusive' behaviour (excluding employees from decision-making). It was decided to follow McDonald and Wiesner's (2000) example and collapsed columns A and B and columns C and D. Inclusiveness is defined as occurring where 70% or more of SMEs employed an inclusive style of decision-making. 'Exclusiveness' is defined as occurring where 30% or less SMEs employed an inclusive style of decision making (McDonald and Wiesner 2000).

3.4 5 Limitations on the use of survey data

Limitations of the use of a questionnaire as a survey instrument include the preclusion of explanations of responses, difficulty in testing reliability, the degree of accuracy of self-reporting responses and validity is limited to the survey sample (Lefton 1997). These are problematic for any mail survey questionnaire because over-claiming can occur (Bacon et al. 1996: Duberley and Walley 1995). The responses in this survey nevertheless provide valuable data about the organisational change within Australian SMEs.

Given the size of the sample and representation of all the ABS industry categories on the mailing list purchased from Dunn and Bradstreet Marketing, it is reasonable to say that the results of the survey are generalisable to Queensland SMEs. However, response bias to mail surveys exists regardless of how carefully the sample is selected (Shaughnessy and Zechmeister 1994). Response bias decreases with an increasing response rate. A 50% response rate is considered adequate, 60% good, and 70% is very good (Babbie 1992). These are demanding standards in light of the fact that a typical response rate for a mail survey is around 20 to 30% (Shaughnessy and Zechmeister 1994) and even much lower for SME surveys (Wiesner & McDonald 1997). The useable response rate achieved for the survey was 34%. This is an acceptable response rate given the typical response of 10 to 20% for mail surveys in SMEs and considering the difficulties outlined by other researchers using a survey for SME research. For example Walley, Blenkinsop and Duberley (1994) found that only a small proportion of SMEs in the manufacturing sector in the UK were willing to co-operate with academic research and still fewer companies were willing to commit managerial time to help with this type of study. These findings were also substantiated in a study conducted by Duberley and Walley (1995) in their assessment of the adoption of HRM by small and medium sized manufacturing organisations. Heneman and Berkley (1999) only had a response rate of 11.7% in their study of applicant attraction practices and outcomes amongst small business in the USA.

Although every effort was made to enhance the response rate to the survey, a number of factors could have contributed to the non-response bias. It is possible that respondents thought the survey was too long and they did not have the time to complete it. It is also possible that the SME was no longer in business and instead of returning the envelope to USQ the mail was discarded. In some cases where this happened the survey was returned

to the sender but there is no guarantee that this happened to all of them. The survey was also personally addressed to the CEO or MD of the SME organisation. It is possible that this person might have changed and their successors did not attempt the survey.

The section that follows examines the validity and reliability of the measures used to examine the issue being explored.

3.4 6 Validity and Reliability

Validity has to do with whether the methods, approaches, and techniques utilised in this study actually relate to, or measure, the issues being explored (Blaxter, Hughes and Tight 1996).

In order to assure that the questionnaire used in this study is considered to be valid and reliable (Zikmund 2003), the following principles were adhered to:

- Validity – 'content validity' whereby the questionnaire was judged to contain the full content of a definition in the measure, and 'construct validity' whereby the researcher is measuring what was intended to be measured (Zikmund, 2003).

- Reliability – multiple indicators were used to measure a variable; pre-tests used to modify and improve the questionnaire; precise levels of measurements were used in the questionnaire (Neuman 2000).

3.4.6.1 Content Validity

Content validity or 'face validity' has to do with knowing what the dimensions are of what you are measuring. In order to ensure content validity a questionnaire could be judged in pre-testing to accurately capture the concept and to contain the full content of a definition in the measure (Zikmund 2003; Zikmund 1997). In line with this approach the questionnaire in this study was subjected to a pre-test. Zikmund (2003) notes that the pre-testing process allows researchers to determine whether respondents have any difficulty understanding the questionnaire and whether there are any ambiguous or biased questions. Usually, the

questionnaire is tried out on a group that is selected on a convenience basis and that is similar in makeup to the one that will ultimately be sampled.

A pre-testing of the questionnaire was conducted among ten Queensland SME managers who provided feedback regarding the content, clarity and relevance to the study being conducted.

For the most part, the ten managers were unanimous that the survey design, content, clarity and relevance was quite good and that there were no major issues that could prevent it being used.

Furthermore the questionnaire was also submitted to a small group of academics at various stages of questionnaire development. These academics have an in-depth knowledge of the constructs being measured in the questionnaire and they were asked to provide feedback on the appropriateness and face validity of each of the questions and whether these questions accurately reflect the constructs measured in the research questions and hypotheses.

3.4.6.2 Construct Validity

In its simplest form construct validity relates to whether you are measuring what you thought you were measuring (Zikmund 2003). One way to maximize construct validity would be to explore the literature for the given construct and utilise the experience of previous researchers. In regard to this study, the questionnaire items have been adapted from Wiesner and McDonald's (1997) study. They have validated the original survey at that stage and found the survey to be valid for its purpose (Wiesner and McDonald 1997). The decisions on whether or not each question in the questionnaire would be retained or culled relied primarily on whether each item could be justified in terms of the literature. Therefore a thorough evaluation has been made in relation to how the practices measured in the questionnaire have been previously researched and there has been a reliance on previously utilised questionnaires in addition to pre-testing (Perry and McPhail 2002). In revising the original questionnaire for this study, an in-depth literature review was conducted to establish new trends in change practices. Once again the inclusion of 'newer' items has relied primarily on whether each item could be justified in terms of the literature.

4.6.1.3 Reliability

Reliability addresses the consistency and stability of measures (O'Leary-Kelly and Vokurka 1998) and the degree to which measures are free from error and yield consistent results (Zikmund 1997). Reliability also refers to the question whether the procedures employed can be repeated with the same results. In this study the survey instrument was developed from a previous validated instrument with adaptations and enhancements including those arising from the conduct of the pretest which was employed to modify and improve the questionnaire. Furthermore the various scales, which had been selected to represent the dimensions measured in the questionnaire, were subjected to reliability analysis. Cronbach's α tests were used to establish the reliability of the data. A reliability analysis was conducted on the updated questionnaire which indicated Cronbach Alpha Coefficients of between 0.70 and 0.90 for each section.

3.5 Ethical Considerations

Sproull (1995) defines ethical research practices as those practices that protect respondents, facilitate appropriate methodology, reach sound conclusions and recommendations based on actual findings, and achieve complete and accurate research reports. Zikmund (2003) states that surveys should be objective with high standards being met for accurate data collection.

This study has attended to the follow issues as outlined by Sproull (1995):

- Obtaining free consent from the respondent

- Assuring and maintaining confidentiality

- Assuring and maintaining privacy

- Assuring and maintaining anonymity

- Using appropriate methodology

- Reporting of the research appropriately and completely

This study has at no time intentionally tried to prove a particular point for political or any other purpose.

The protocol for this research was approved by the Ethics Committee at the University of Southern Queensland. The study has been conducted according to the following guidelines:

Informed Consent

The survey questionnaire provided for informed consent of the respondents (see Appendix A).

Plain Language for Consent Mechanism

The consent was provided in plain language in English (see Appendix A).

Respondents free to Withdraw at any Stage

Respondents were able to withdraw from the questionnaire at any time simply by not continuing with it.

Preservation of Confidentiality

Confidentiality has been preserved by the researcher in accordance with the ethical guidelines to researchers provided by the University of Southern Queensland. The resultant data will only ever be reported in total and summary form without disclosing any individual or corporate participants.

Research Findings reported to Respondents

The summary findings from the survey questionnaire will be made available to all participants with a report.

Data Security and Storage

The data collected from the survey has been stored in a locked filing cabinet with the researcher's supervisor at the University of Southern Queensland and will be kept for a period of five years in compliance with the University of Southern Queensland guidelines.

Contact Details Provided

Contact details of the researcher are provided in the introduction to the questionnaire (see Appendix A).

Privacy Regulations

No intrusive enquiry was undertaken as part of the survey. The questionnaire protocol was submitted, reviewed and approved by the Ethics Committee at the University of Southern Queensland.

Psychological and other Risks

There are no known psychological or physical or other potential risks to the respondents.

3.6   Summary

This chapter described the research methodology used in this study. This research was conducted according to a positivist paradigm. The selected methodology to address the research objective was a quantitative survey method, utilising a self-administered questionnaire. The research questions have been related to the various components of the research design, and the participant selection process for the primary research has been described.

The research methodology is both exploratory and descriptive methodology in nature as well as to a certain extent causal in nature.

One thousand surveys were sent out to a stratified sample of Queensland SMEs and 340 questionnaires were returned. This represents a response rate of 34%.

The Statistical Package for the Social Sciences (SPSS) was used to analyse data from the OCEMQ. Descriptive statistics were used to identify trends in the data by summarising and describing the demographics and the frequency of responses to individual questions. Cross-tabulations were used to indicate the prevalence of organisational change within each SME size category. Chi-Square Test for Relatedness was used to examine the relationship between size and the prevalence of change practices. For analysis purposes some variables were recoded. The the reasons for undertaking the recoding and how it was done were outlined.

The potential limitations have been identified and addressed and the issues relating to research ethics have been considered and the appropriate approvals received.

The next chapter reflects the results of the survey employed in this study.

CHAPTER FOUR: ANALYSIS OF RESULTS

4.1 Introduction

This chapter presents the data and analysis of the information derived from the respondents of the survey. The significance of the overall findings of the survey is discussed in Chapter 5.

The relevant results are presented in tabular form in this chapter along with descriptive dialogue in relation to each table. The results are discussed according to the research questions developed for this study.

4.2 Organisational Characteristics of SME Respondent Organisations

This section describes the organisational characteristics of the SME respondents to the survey. Specifically, it provides a profile of SME respondent organisations in relation to the following characteristics: organisational size; number of locations and where the respondent organisations head office is located; industry category; age of the organisation; family ownership, whether the organisation is a franchise; export; presence of a HR department and HR manager; union membership and internet usage. This information contextualises the results reported in this chapter.

4.2.1 Organisational Size

Table 4.1 shows a that small businesses (20 to 100 employees) constituted 53% and medium businesses (100 to 200 employees) comprised 47% of the respondent SMEs.

Table 4.1: Organisational size (n = 340)

	Frequency	Percent
Small	180	53
Medium	160	47

4.2.2 Number of Locations and Head Office (n=340)

Table 4.2 shows a breakdown of SME respondent organisations categorised by the number of locations where business operations took place. Only 27% of organisations operated from a single location, the balance of organisations (73%) had operations in 2 or more locations. Interestingly, there is quite an even spread in relation to the categories of only 1 location, 2 to 4 locations and 5 to 10 % of organisations operated in 5-10 locations. Managing change across multiple sites of operation could increase the complexity of conducting these practices and processes.

Table 4.2: How many different locations does you organisation operate in?

Number of locations	Frequency	Percent
One only	93	27
2-4	108	32
5-10	87	26
11-12	29	9
>20	23	6

4.2.3 Location of Head Office

It is clear from Table 4.3 that the respondent firms are true Queensland organisations with all respondents indicating that their head office is in Queensland.

Table 4.3: Location of head office (n= 340)

	Frequency	Percent
QLD	340	100.0

4.2.4 Profile of SME respondent organisations using the Australian Bureau of Statistics Industry Categories

Table 4.4 shows a breakdown of the SME respondent organisations using Australian Bureau of Statistics (ABS) industry categories. Manufacturing organisations dominated the responding organisations, with Retail in second place. All remaining organisations individually represents 10% or less of the respondents.

Table 4.4: Profile of SME respondent organisations using ABS industry categories listed in rank order (n=340)

	Frequency	Percent
Agriculture	16	4.7
Manufacturing	55	26.2
Electricity and gas	3	.9
Construction	25	7.4
Wholesale	15	4.4
retail	38	11.2
Transport	34	10.0
Communication	8	2.4
Finance	11	3.2
Public administration	23	6.8
Community service	76	10
Entertainment	26	7.6
Health	6	1.8
Consultance services	4	1.2

4.2.5 Age of the organisation

Table 4.5 shows a breakdown of the respondents categorised by the age of the organisation. It is clear from Table 4.5 that respondent organisations are mostly mature organisations. The data showed that respondents to the survey were predominantly from organisations that had been established for more than 10 years (91%). Only 8% were from organisations that had been in operation for 5-10 years. Newly established SME organisations (<5 years) represented only 1% of the sample.

Table 4.5: Age of responding organisations (n=337)

		Frequency	Percent
Valid	Less than 1 year	2	.6
	3 to 5 years	2	.6
	5 to 10 years	27	8.0
	More than 10 years	306	90.8

4.2.6 Family Ownership

It is clear from Table 4.6 and Table 4.7 that almost half of the respondent organisations are family owned with 63% indicating that family members are working directors of the firm.

Table 4.6: Is this organisation family owned? (That is the family owns more than 50% of the shareholding) (n=340)

	Frequency	Percent
Yes	156	45.9
No	184	54.1

Table 4.7: Are family members working directors in the firm? (n=205)

	Frequency	Percent
Yes	130	63.4
No	75	36.6
Total	205	100.0

4.2.7 Franchise

It is evident from table 4.8 that only 3% of the respondent organisations are a franchise organisation.

Table 4.8: Is this business part of a franchise operation? (n=337)

	Frequency	Percent
Yes	11	3.3
No	326	96.7
Total	337	100.0

4.2.8   Export

It is clear from table 4.9 that the majority of respondent organisations (62%) are engaged in exporting activities. With more than two thirds of organisations (74%) exporting for more than 5 years (see Table 4.10).

Table 4.9: Does the organisation export? (n=340)

	Frequency	Percent
Yes	212	62.4
No	128	37.6

Table 4.10: How long have the SMEs exported their product(s) or service(s)? (n=131)

	Frequency	Percent
Less than 3 years	20	15.3
3 to 5 years	14	10.7
More than 5 years	97	74.0

4.2.8 Presence of a Human Resource Department and a person responsible for HR

Half of respondent organisations have a HR department and 52% of respondent organisations have a person whose principal responsibility is HR (see table 4.12). Furthermore, only 35% of small organisations reported the presence of a HR manager compared to 69% in medium organisations.

Table 4.11: Does your organisation have a Human Resource Management Department (n=340)

	Frequency	Percent
Yes	171	50.3
No	169	49.7

Table 4.12: Is there a person responsible for HR with the following title: (n=329)

	Frequency	Percent
No specialist manager for HR	164	49.8
Industrial Relations	13	4.0
Employee Relations	7	2.1
Human Resource Management	109	33.1
Personel	27	8.2
Other	9	2.7

4.2.9 Union membership

It is clear from table 4.13 that almost two thirds of respondent organisations have at least one union member. However, more than two thirds of organisations estimate a union membership of less than 10% (see table 4.14)

Table 4.13: To your knowledge, is there at least one union member in your firm (n=337)

	Frequency	Percent
Yes	204	60.5
No	133	39.5

Table 4.14: Estimation of the percentage of union members in the organisation (n=309)

	Frequency	Percent
Less than 10%	209	67.6
11-25%	26	8.4
26-50%	26	8.4
51-65%	3	1.0
66-75%	14	4.5
More than 75%	31	10.0

4.2.10 Nature of strategic plan

Eleven percent of respondents had no strategic plan. Of those organisations that indicated they have some form of a strategic plan, only 58% of the respondents indicated they have a written strategic plan that is used to develop operational plans and drive day to day operations.

Table 4.15: The nature strategic planning

Nature of strategic plan	Frequency	Percent
Does not have a strategic plan	132	11
Has a strategic plan, but it's not written down	243	20
Has a written strategic plan but it's not used to develop operational plans	132	11
Has a written strategic plan that is used to develop operational plans and drive day to day operations	711	58

4.2.11 Internet

As expected all respondent organisations have access to the internet, however surprisingly 12% do not have a web site (see table 4.17). Almost all organisations access the internet on a daily basis (see table 4.18).

Table 4.16: Do you access the internet from your business?

	Frequency	Percent
Yes	340	100.0

Table 4.17: Does your business have a web site? (n=340)

	Frequency	Percent
Yes	300	88.2
No	40	11.8

Table 4.18: How frequently does your business access the internet? (n=340)

	Frequency	Percent
Daily	332	97.6
Weekly	6	1.8
Monthly	2	.6

4.3 Personal demographics of Respondents

This section summarises the personal characteristics of the respondents to the survey.

As evident from the tables to follow, more than a third of respondents (38%) indicated they are an owner or part owner of the business; more than two third of respondents (71%) have been with the firm for more than 5 years and posses tertiary qualifications (74%). Sixty-one percent of respondents are older than 45 years and almost two thirds are male (64%).

Table 4.19: Are you an owner (or part owner) of this company or a partner in the company (338)

	Frequency	Percent
Yes	129	38.2
No	209	61.8

Table 4.20: How long have you been employed in the organisation? (n=337)

	Frequency	Percent
Less than 1 year	25	7.4
More than 1 and less than 2 years	22	6.5
More than 2 and less than 3 years	33	9.8
More than 3 and less than 5 years	17	5.0
More than 5 years	240	71.2

Table 4.21: What is your highest level of formal education? (n= 335)

	Frequency	Valid Percent
Secondary school certificate	48	14.3
TAFE or formal trade certificate	38	11.3
An undergraduate degree	86	25.7
Postgraduate diploma or certificate	64	19.1
Postgraduate degree	90	26.9
Other	11	2.1

Table 4.22: Which is your age group? (n=340)

		Frequency	Valid Percent
Valid	Under 30 years	26	7.6
	31-45 years	103	30.3
	46-55 years	134	39.4
	56-65 years	73	21.5
	More than 65 years	4	1.2

Table 4.23: Gender (n=337)

	Frequency	Valid Percent
Male	214	63.5
Female	123	36.5
Total	337	100.0

4.4 What are the forces of change in Queensland SMEs?

The findings pertaining to the first research question: what are the forces of change in Queensland SMEs?, are presented in this section.

Three aspects are explored regarding the first research question that addresses forces of change in Queensland SME:

RQ 1a –What factors were important in the decision to introduce organisational change into Queensland SMEs?

RQ 1b – Which objectives of change have Queensland SMEs pursued in introducing organisational change?

RQ1c – Which objectives of change have Queensland SMEs achieved in introducing organisational change?

4.4.1 What factors were important in the decision to introduce organisational change into Queensland SMEs?

SMEs provided information relating to the factors influencing the adoption of organisational changes. The results are summarized in Table 4.24.

Table 4.24: Factors important in the decision to introduce organisational change into Queensland SMEs

Factors	N	All SMEs	Small	Medium	Chi- Square	
(1)Customer Expectations for Quality	336	306(91)	157(87)	149(96)	7.064	**
(2)Increased Competition in the Market Place	333	232(68)	121(68)	111(71)	0.306	
(3)Availability of New Technology	333	221(66)	112(63)	109(7)	1.616	
(4)Changing Products or Services	330	197(60)	98(55)	99(65)	2.975	
(5)Customer Expectations for Price	330	184(56)	101(57)	83(54)	0.263	
(6)Affordability of new Technology	330	178(54)	96(54)	82(54)	0.014	
(7)Falling Profits	327	144(44)	82(46)	62(41)	0.822	
(8)Change in Government Regulation	330	139(42)	75(42)	64(42)	0.010	
(9)Inflexibility of the Work Force	330	132(40)	52(29)	80(52)	17.945	**
(10)Loss of Market Share	330	125(38)	56(32)	69(45)	6.318	*
(11)Benchmarking Data showed Performance gaps	330	118(36)	52(29)	66(43)	6.763	**
(12)Changes to Industrial Relations Legislation	330	118(36)	49(28)	69(45)	10.834	**
(13)Desire to Compete Globally	330	80(24)	25(14)	55(36)	21.281	**
(14)Export Market Opportunity	330	71(22)	27(15)	44(29)	8.862	**
(15)Exchange rates Fluctuations	330	61(19)	15(9)	46(30)	25.388	**

* p< 0.05   **p<0.01

Customer expectations in regard to quality ranked the highest with 91% of the respondent SMEs indicating it was a very important consideration. Eleven of the fifteen factors fell in the moderately important range (between 30% and 60%). Three factors higher than 60% include increased competition in the market place, availability of new technology and changing products or services. Customer expectations for price and affordability of new technology were also cited as important factors to more than 50% of SMEs.

The three factors least important in the decision to introduce change were: desire to compete globally (24%) export market opportunity (22%), and exchange rate fluctuations (19%).

A significant difference between small and medium organisations was found in relation to

more than half of the factors important in the decision to introduce organisational change in Queensland SMEs.

In view of this finding: *Ho₁: There is no significant correlation between organisational size and the factors important in the decision to introduce organisational change into Queensland SMEs*, could be rejected.

4.4.2 Objectives Pursued with Organisational Change

The results in relation to the objectives of change that have been pursued by Queensland SMEs in introducing organisational change are summarised in Table 4.25.

Table 4.25: Objectives Pursued

	Objectives	Pursued				
		N	All SMEs	Small	Medium	Chi-Square
1	Increased Competitiveness	322	231(91)	115(68)	116(76)	2.391
2	Improved Services to Customers/Clients	330	296(90)	155(90)	141(90)	0.004
3	Improved Internal Communication	331	280(85)	140(80)	140(90)	6.008 *
4	Improved Decision Making	331	262(79)	143(82)	119(76)	1.475
4	Improved Quality of Products/Services	325	255(79)	140(82)	115(75)	2.483
5	Improved Labour Productivity	325	248(77)	129(76)	119(76)	0.000
5	Improved Business Processes	318	246(77)	125(76)	121(79)	0.502
6	Meet Strategic Plan Objectives	322	235(73)	106(64)	129(83)	14.472 **
7	Increased Employee Commitment	323	233(72)	129(75)	104(70)	1.095
8	Reduced Operational Costs/Expenses	325	231(71)	120(70)	111(73)	0.305
9	Increased Employee Consultation	324	227(70)	112(67)	115(74)	1.917
10	Improved Labour Flexibility	335	213(64)	111(63)	102(64)	0.042
11	Increase of market Share	317	200(63)	96(59)	104(68)	3.027
12	Significant Market Revenue Opportunity	310	182(59)	92(58)	90(60)	0.200
13	Reduced Labour Costs	324	184(57)	182(59)	82(54)	0.712
14	Lower Absenteeism Rates	328	184(56)	89(60)	95(62)	4.183 *
15	Reductions in Waste	325	179(55)	93(54)	86(56)	0.150
16	Cultural Change	307	150(49)	73(45)	77(54)	2.309
17	Decrease Threat to Survival	313	149(48)	68(42)	81(54)	4.724 *

* p< 0.05   **p<0.01

SMEs in Queensland pursued a range of objectives as they introduced changes in their organisations. Eleven of the nineteen objectives stated were pursued by 70% or more of the participating SMEs. Increased competitiveness was the dominant objective and was identified by 91% of the respondent SMEs. Improved services to customers/clients featured as the second dominant objective (pursued by 90% of participating organisations) and improved internal communication came in third at 85%.

Improved decision making and improved quality of products/services were both identified as objectives by 79% of the firms. Improved labour productivity and improved business processes were also both high priorities at 77%.

At the same time, 73% of respondent organisations held the objective of meeting strategic plan objectives in high regard. Other objectives which were pursued by 70% or more participating SMEs were increased employee commitment (72%), reduced operational costs/expenses (72%) and increased employee consultation (70%).

The objective of an increase of market share and improved labour flexibility were important to more than 60% of SMEs (63% and 64% respectively). Four objectives including significant market revenue opportunity, reduced labour costs, lower absenteeism rates and reductions in waste were pursued by between 50 and 60% of participating SMEs.

Only two objectives were pursued by less than 50% of respondent SMEs. These included the objectives of a decreasing the threat to survival (48%) and pursuing the objective of a cultural change (49%).

A significant difference between small and medium organisations was found in relation to only four of the change objectives pursued. These objectives include: decrease threat to survival, lower absenteeism rates, meet strategic plan objectives and improved internal communication. All four objectives were pursued to a significant greater extent by medium organisations compared to small organisations.

Therefore, Ho$_2$: *There is no significant correlation between organisational size and the objectives pursued in the introduction of organisational change*, could not be rejected.

4.5   Objectives Achieved

Respondents were asked which objectives were achieved to determine the success of the initiatives undertaken. The results are presented in Table 4.26.

Table 4.26: Objectives Achieved

Rating Objectives Pursued	Rating objectives Achieved	Objectives	Achieved				
			N	All SMEs	Small	Medium	Chi-Square
2	1	Improved Services to Customers/Clients	312	269(86)	143(86)	126(86)	0.002
3	1	Improved Internal Communication	286	245(86)	129(83)	116(89)	1.639
4	2	Improved Decision Making	264	223(85)	135(93)	88(75)	15.920 **
5	3	Improved Business Processes	256	213(83)	109(77)	104(90)	7.813 **
4	4	Improved Quality of Products/Services	264	216(82)	122(81)	94(83)	0.248
7	5	Increased Employee Consultation	247	193(78)	98(77)	95(79)	0.145
5	6	Improved Labour Flexibility	248	191(77)	106(80)	85(73)	1.722
1	7	Increased Competitiveness	262	200(76)	104(76)	96(77)	0.029
5	8	Improved Labour Productivity	279	210(75)	115(78)	95(73)	1.003
6	9	Meet Strategic Plan Objectives	265	195(74)	91(63)	104(86)	17.517 **
12	10	Significant Market Revenue Opportunity	202	145(72)	66(61)	79(85)	14.745 **
15	11	Reductions in Waste	212	140(66)	70(62)	70(71)	1.806
7	12	Increased Employee Commitment	240	155(65)	85(64)	70(65)	0.059
8	12	Reduced Operational Costs/Expenses	262	171(65)	90(65)	81(66)	0.035
11	12	Increase of market Share	222	145(65)	69(57)	76(76)	9.170 **
17	13	Decrease Threat to Survival	194	119(61)	67(62)	52(61)	0.002
16	13	Cultural Change	200	121(61)	61(56)	60(66)	2.063
13	14	Reduced Labour Costs	225	132(59)	75(63)	57(54)	1.979
14	15	Lower Absenteeism Rates	214	93(44)	54(49)	39(38)	2.923

* p< 0.05   **p<0.01

Respondent SMEs report a high degree of success in achieving their objectives. The majority of SME respondent organisations achieved 18 of the 19 objectives. The five objectives achieved by more than 80% of SMEs include: Improved Services to Customers/Clients, Improved Internal Communication, Improved Decision Making, Improved Business Processes and Improved Quality of Products/Services.

It is evident that lower absenteeism rates were the most difficult objectives to achieve with only 44% of respondent SMEs achieving this objective.

It is also evident from the table above that the four out of the five objectives that were pursued by the highest percentage of SMEs were also achieved by the highest percentage SMEs. The exception was increased competitiveness which was the most dominant objective pursued by Queensland SMEs, however this objective was only seventh when considering the achievement of this objective.

Consistent with the previous finding regarding the relationship between size and the objectives pursued, the results in table 4.26 indicate that a significant difference between small and medium organisations was found in relation to only five of the change objectives achieved. Medium size firms achieved 'improved business processes', 'meet strategic plan objectives', 'significant market revenue opportunity' and 'increase of market share' to a significant greater extent compared to their smaller counterparts. Interestingly the opposite was true in relation to the objective 'improved decision making'.

In view of this finding, Ho$_3$: *There is no significant correlation between organisational size and the objectives achieved in the introduction of organisational change*, could not be rejected.

4.6   Change Management Skills in Queensland SMEs

This section reports the findings in relation to the second research question: To what extent does the main change driver (change agent) in SMEs possess effective change management skills? The results are summarised in Table 4.27.

Table 4.27: SMEs' possession of change management skills

Practice	N	All SMEs			Small			Medium			Chi-Square
		GE	ME	NA	GE	ME	NA	GE	ME	NA	
Personally demonstrating senior management involvement	300	217(72)	78(26)	5(2)	117(72)	40(25)	5(3)	100(73)	38(38)	0(0)	4.492
Inspiring a shared vision and personally communicating the future vision	303	178(59)	119(39)	6(2)	85(52)	74(45)	6(4)	93(67)	45(33)	0(0)	11.109 **
Communicating the change message repeatedly up and down and across the organisation	294	163(55)	128(44)	3(1)	85(53)	74(46)	3(2)	78(59)	54(41)	0(0)	3.400
Challenging the status quo and creating the readiness for change	305	157(52)	148(49)	0(0)	83(50)	82(50)	0(0)	74(53)	66(47)	0(0)	0.198
Creating additional supporters for change at different org levels and involving people , building commitment to change	306	149(49)	149(49)	8(3)	73(44)	87(53)	5(3)	76(54)	62(44)	3(2)	2.890
Enabling others to act: by energising, empowering, building teams, tangible support with appropriate resources and structures	297	146(49)	145(49)	692)	66(41)	90(56)	6(4)	80(59)	55(41)	0(0)	13.447 **
Taking decisive action in identifying and addressing resistance	300	135(45)	137(46)	28(9)	64(40)	79(49)	19(12)	71(51)	58(42)	9(7)	5.267 *
Using rewards and recognition to gain support	288	106(37)	157(55)	25(9)	57(36)	83(52)	19(12)	49(38)	74(57)	6(5)	4.807

* p< 0.05   **p<0.01

GE=Great extent; MR=Moderate extent; NA=Not at all

According to SME respondents the skill most likely to be possessed to a great extent by the main driver of change in their organisations is personally demonstrating senior management's involvement (72%).

The majority of SME respondents indicated that the main change driver in their organisations possesses the skill of: inspiring a shared vision and personally communicating the future vision (59%); communicating the change message repeatedly up and down and across the organisation (55%), and of challenging the status quo and creating the readiness for change (52%).

SME respondents indicated that the skills main change drivers least likely possess include the skills of: creating additional supporters for change at different org levels and involving people, building commitment to change (49%); enabling others to act: by energising, empowering, building teams, tangible support with appropriate resources and structures (49%); taking decisive action in identifying and addressing resistance (45%); and using rewards and recognition to gain support (37%).

In summary, overall respondents indicated that the main change drivers in Queensland SMEs, possess a moderate profile in relation to change management skills.

In relation to differences between the responses of respondents in small and medium organisations, medium organisations have a significantly more positive profile in relation to only three of the eight change skills, including: inspiring a shared vision and personally communicating the future vision, enabling others to act: by energising, empowering, building teams, tangible support with appropriate resources and structures and taking decisive action in identifying and addressing resistance.

In view of this finding, Ho$_4$: *There is no significant difference between small and medium size organisations in relation the possession of change management skills,* could not be rejected.

4.7 Mental models of Queensland SME managers

This section reports the findings in relation to the third research question: What mental models do Queensland SME managers espouse in relation to the management of organisational change?

This study explores two aspects of the mental models of Queensland SMEs managers including:

RQ 3a – to what extent do SME managers view certain change management skills as important in successfully managing change in their organisations?

RQ 3b – which management styles do SME managers use in pursuing change objectives

and in deciding to introduce organisational change initiatives?

In this study management styles (RQ 3b) are operationalised through (i) the extent to which organisational change objectives have been pursued or achieved through management initiative or through consultation; and (ii) the degree to which employees are consulted in the introduction of organisational change.

4.7.1 Importance of Change Management Skills

The results in table 4.28 inform research question 5a – to what extent do SME managers view certain change management skills as important in successfully managing change in their organisations?

According to Table 4.28 five of the change management skills are viewed as extremely important by more than 70% of SME respondents, with 'personally demonstrating senior management involvement' viewed as extremely important by the highest number of respondents (88%). A close second is the skills of inspiring a shared vision and personally communicating the future vision. The change management skill regarded as least important was 'using rewards and recognition to gain support', with only 35% of respondents indicating they view this skill as extremely important.

Table 4.28: Importance of Change Management Skills

Practice	N	All SMEs			Small			Medium			Chi-Square
		EI	SI	NI	EI	SI	NI	EI	SI	NI	
Personally demonstrating senior management involvement	325	286(88)	36(11)	5(2)	147(86)	22(13)	2(1)	139(89)	14(9)	3(2)	1.517
Inspiring a shared vision and personally communicating the future vision	333	282(85)	48(14)	3(1)	141(80)	36(20)	0(0)	141(90)	12(8)	3(2)	13.730 **
Communicating the change message repeatedly up and down and across the organisation	327	259(79)	57(17)	11(3)	125(73)	43(25)	3(2)	134(86)	14(9)	8(5)	16.687 *
Enabling others to act: by energising, empowering, buidling teams, tangible support with appropriate resources and structures	321	242(75)	65(20)	14(4)	121(73)	35(21)	9(6)	121(78)	30(19)	5(3)	1.276
Challenging the status quo and creating the readiness for change	333	235(71)	89(27)	9(3)	105(59)	66(37)	6(30)	130(83)	23(15)	3(2)	23.203 **
Creating additional supporters for change at different org levels and involving people , building commitment to change	331	224(68)	102(31)	5(2)	121(68)	51(29)	5(3)	103(67)	51(33)	0(0)	4.872
Taking decisive action in identifying and addressing resistance	325	201(62)	114(35)	10(3)	99(59)	65(39)	5(3)	102(65)	49(31)	5(3)	1.773
Using rewards and recognition to gain support	324	114(35)	170(53)	40(12)	54(32)	93(55)	21(13)	60(39)	77(49)	19(12)	1.479

    * p< 0.05   **p<0.01

A significant difference between the views of managers in small organisations on the one hand and medium organisations on the other, were found in relation to only three of the eight change management skills, including: inspiring a shared vision and personally communicating the future vision; enabling others to act: by energising, empowering, building teams, tangible support with appropriate resources and structures; and taking decisive action in identifying and addressing resistance.

In view of this finding, Ho$_5$: *There is no significant difference between the views of managers in small organisations on the one hand and medium organisations on the other, in relation to the importance of change management skills*, could not be rejected.

Table 4.29 presents a comparison of the degree to which respondents indicated that the main change driver in their organisations possesses the eight specified change management skills to a great extent; and the degree to which respondents view these skills as extremely important. Even though no specific research question has been developed in relation to this issue, it is interesting to note that the first three skills which they view as important are also possessed by the main change driver in their organisations. Furthermore, the two skills which they view as the least important are also possessed by the main change driver in their organisations to the least extent. These include taking decisive action in identifying and addressing resistance; and using rewards and recognition to gain support.

Table 4.29 A comparison of possession of skills and importance of skills

Rating	Possession of skills	%	Rating	Importance of skills	%
1.	Personally demonstrating senior management involvement	72	**1.**	Personally demonstrating senior management involvement	88
2.	Inspiring a shared vision and personally communicating the future vision	59	**2.**	Inspiring a shared vision and personally communicating the future vision	85
3.	Communicating the change message repeatedly up and down and across the organisation	55	**3.**	Communicating the change message repeatedly up and down and across the organisation	79
4.	Challenging the status quo and creating the readiness for change	52	**4.**	Enabling others to act: by energising, empowering, building teams, tangible support with appropriate resources and structures	**75**
5.	Creating additional supporters for change at different org levels and involving people , building commitment to change	49	**5.**	Challenging the status quo and creating the readiness for change	**71**
6.	Enabling others to act: by energising, empowering, building teams, tangible support with appropriate resources and structures	49	**6.**	Creating additional supporters for change at different org levels and involving people , building commitment to change	**68**
7.	Taking decisive action in identifying and addressing resistance	45	**7.**	Taking decisive action in identifying and addressing resistance	**62**
8.	Using rewards and recognition to gain support	37	**8.**	Using rewards and recognition to gain support	**35**

4.7.2 Change Management Styles

Together, Table 4.30 and Table 4.31 inform the research question 5b – which management styles do SME managers employ in managing change? Table 4.30 reports the findings regarding the extent to which organisational change objectives have been pursued principally through management initiative or through consultation.

Table 4.30 Extent to which SME managers pursue change objectives through management initiative or consultation

| Objectives | N | Achieved Through | | | | | | Chi-Square |
| | | All SMEs | | Small | | Medium | | |
		Management Initiative	Consultation	Mgt Initiative	Consultation	Mgt Initiative	Consultation	
(1)Significant Market Revenue Opportunity	172	140(81)	32(19)	65(76)	31(24)	75(87)	11(13)	3.839 *
(2)Reduced Operational Costs/Expenses	217	166(77)	51(24)	78(68)	36(32)	88(85)	15(15)	8.714 **
(3)Increase of market Share	171	131(77)	40(23)	71(77)	21(23)	60(76)	19(24)	0.036
(4)Decrease Threat to Survival	136	103(76)	33(24)	54(69)	24(31)	49(85)	9(16)	4.211 *
(5)Increased Competitiveness	211	158(75)	53(25)	84(74)	29(26)	74(76)	24(25)	0.038
(6)Improved Decision Making	239	179(75)	60(25)	113(80)	29(20)	66(68)	31(32)	4.079 *
(7)Meet Strategic Plan Objectives	215	160(74)	55(26)	72(69)	33(31)	88(80)	22(20)	3.686 *
(8)Improved Internal Communication	275	202(74)	73(27)	104(71)	42(29)	98(76)	31(24)	0.788
(9)Reduced Labour Costs	153	115(73)	38(25)	70(81)	17(20)	45(68)	21(32)	3.031
(10)Improved Labour Productivity	236	169(72)	67(28)	96(76)	31(24)	73(67)	36(33)	2.143
(11)Improved Business Processes	234	159(68)	75(32)	75(65)	41(35)	84(71)	34(29)	1.146
(12)Lower Absenteeism Rates	149	98(66)	51(34)	46(60)	31(40)	52(72)	20(28)	2.575
(13)Reductions in Waste	170	105(62)	65(38)	58(62)	36(38)	47(62)	29(38)	0.000
(14)Improved Quality of Products/Services	232	144(62)	88(38)	71(57)	54(43)	73(69)	34(32)	3.196
(15)Cultural Change	158	97(61)	61(39)	48(57)	36(43)	49(66)	25(34)	1.366
(16)Improved Services to Customers/Clients	276	162(59)	114(41)	89(60)	59(40)	73(57)	55(43)	0.273

(17)Increased Employee Consultation	215	120(56)	95(44)	63(58)	46(42)	57(54)	49(46)	0.353	
(18)Increased Employee Commitment	207	113(55)	94(45)	74(68)	35(32)	39(40)	59(60)	16.430	* *
(19)Improved Labour Flexibility	208	94(45)	114(55)	61(52)	56(48)	33(36)	58(64)	5.207	*

According to the results in Table 4.30 the majority of SME managers pursued 18 of the 19 objectives through management initiative instead of consultation. Consistent with the next finding in Table 4.31, the objectives on which SME managers used the strongest management initiative are mostly strategic issues. They seem to be more consultative in relation to the more operational types of objectives.

Medium size organisations pursued only 4 of the 19 objectives to a significant greater extent through management initiative than their smaller counterparts. These objectives include: significant market revenue opportunity, reduced operational costs/expenses and meet strategic plan objectives. In contrast, small business were more likely to pursue the following 3 objectives through management initiative than medium organisations: improved decision making, increased employee commitment and improved labour flexibility. There were no significant differences between small and medium firms in relation to the management style they employed regarding the pursuit of change objectives.

In view of this finding, Ho$_6$: *There is no significant difference between small and medium firms in relation to the management style they employed regarding the pursuit of change objectives,* could not be rejected.

Table 4.31 summarises the findings regarding whether SME managers employ an 'inclusive' or 'exclusive' style in the decision to introduce organisational change. Inclusion relates to widespread involvement of employees in decisions or their possible limited involvement in goal setting. Where managerial authority and direction constituted the main form of decision-making or managers exclusively initiated and implemented change, employees are excluded from decision-making and we refer to this as exclusion.

Table 4.31: Do SME managers employ 'inclusion' or 'exclusion' as change management styles in introducing organisational changes?

Changes	N	All SMEs		Small		Medium		Chi-Square
		Inclusive	Exclusive	Inclusive	Exclusive	Inclusive	Exclusive	
(1)Major change issues	331	170(51)	161(49)	106(60)	72(40)	64(42)	89(58)	10.342 **
(2)Occupational health and safety	334	243(73)	91(27)	123(68)	57(32)	120(78)	34(22)	3.850 *
(3)Changes to job design and work organisation	328	240(73)	88(27)	135(77)	40(23)	105(69)	48(31)	3.015
(4)Quality and cost improvement	329	180(55)	149(45)	99(56)	79(44)	81(54)	70(46)	0.129
(5)Plant layout	312	196(63)	116(37)	100(61)	65(39)	96(65)	51(35)	0.735
(6)Training and skills development	336	223(66)	113(34)	125(69)	55(31)	98(63)	58(37)	1.643
(7)Reliable customer service and delivery	331	237(72)	92(28)	129(74)	46(26)	110(71)	46(30)	0.421
(8)The performance of the firm	336	172(51)	164(49)	100(56)	80(44)	72(46)	84(54)	2.956
(9)Corporate planning	324	118(36)	206(64)	61(35)	114(65)	57(38)	92(62)	0.401
(10)Market performance	321	149(46)	172(54)	83(48)	89(52)	66(44)	83(56)	0.504
(11)Employee amenities	333	249(75)	84(25)	128(71)	52(29)	121(79)	32(21)	2.788
(12)Major change decisions	330	124(38)	206(62)	68(38)	112(62)	56(37)	94(62)	0.007
(13)Major policy decisions	330	118(36)	212(64)	71(39)	109(61)	47(31)	103(68)	2.343
(14)Securing enterprise efficiency and productivity	320	188(59)	132(41)	101(59)	69(41)	87(58)	63(42)	0.066

It is clear from Table 4.31 that SME managers employ inclusion to a greater extent than exclusion in relation to 10 of the 14 changes measured. However even though they were generally more inclusive, SME managers were highly inclusive in relation to four changes including employee amenities, occupational health and safety, changes to job design and work organisation and reliable customer service and delivery. Furthermore the issues on which they engaged employees were change issues which are of a more operational nature. Managers employed exclusion in relation to four strategic changes including corporate planning, market performance, major change decisions and major policy decisions. Less than half of the SME respondents involved employees in decisions regarding these few issues.

A significant difference in change management styles between small and medium organisations was found in relation to only two change issues.

In view of this finding, Ho$_7$: *there is no significant difference between small and medium firms in relation to the management style they employ in the decision to introduce a range of organisational changes*, could not be rejected.

4.8   The Nature and Prevalence of Change Interventions in Queensland SMEs

The results relating to research questions 4 and 5 are presented in this section. RQ 4 – What is the nature and prevalence of change interventions for achieving organisational change in Queensland SMEs?; and RQ 5 – What is the impact of organisational size on the nature and prevalence of organisational change in Queensland SMEs?

Overall 51 change interventions were measured including 28 structural change interventions (this is divided in 9 flexible organisational structure interventions and 19 employment flexibility interventions), 19 strategic interventions and 4 human process interventions (team approaches).

Following Wiesner et al (2007) a high level of adoption of an individual change practice is defined as occurring where 70% or more of SMEs employ that practice and a low adoption level as occurring where 30% or fewer SMEs employ that practice.

The discussion of this section is conducted according to the three categories identified in chapter 2, including: (1) structural, (2) strategic and (3) human process change interventions (Cummings & Worley 2001).

4.8.1 Structural Organisational Change Interventions

4.8.1.1 Flexible Organisational Structures

Table 4.32 summarises the results regarding the prevalence of change in flexible organisational structures. Three types of flexible organisational structure interventions are distinguished: Restructuring of management level practices, workforce level practices and organisational level practices.

Table 4.32: Flexible Organisational Structures

Change Practice	N	All SMEs	Small	Medium	Chi-Square	
Flexibility of Organisational structures						
Restructuring - Management level practices						
(1)New Ownership	306	58(19)	37(22)	21(15)	1.967	
(2)Staff reduction (in Managers)	306	74(24)	26(15)	48(35)	16.484	**
(3)Reorganistation of Mgt Structure	309	217(70)	113(65)	104(77)	4.53	*
(4)Change in Mgt personnel	309	251(81)	131(76)	120(88)	7.819	**
Restructuring - Workforce level practices						
(5)Staff reduction (in Employees)	303	71(23)	44(26)	27(20)	1.296	
(6)Changes to Structure of Workforce	304	132(43)	64(38)	68(51)	5.234	*
(7)Change in Job Roles of Employees	306	225(74)	117(68)	108(82)	7.117	**
Restructuring - organisational level practices						
(8)Cultural change	303	113(37)	68(40)	45(34)	1.213	
(9)Organisational Structure Change	309	224(75)	114(66)	110(81)	8.576	**

It is clear from Table 4.32 that Queensland SMEs employed four of the nine flexible organisational structural changes to a great extent. These changes occurred at management level, workforce level and organisational level. The change practices include: a change in management personnel (81%); a reorganisation of management structure (70%); a change in organisational structure (75%); and a change in job roles of employees (74%).

However, even though significant changes have occurred at management level, these changes do not seem to be driven by an agenda to reduce staff. Only 24% of SMEs indicated a reduction in managers and only 23% a reduction in employees. Furthermore, new ownership occurred in only 19% of SMEs.

Changes which occurred at a moderate level include: changes in the structure of the workforce (43%) and cultural change (37%).

In summary, a mixed profile emerged in relation to the use of flexible organisational structure changes in Queensland SMEs. Three of the flexible organisational structure changes are prevalent in more than 70% Queensland SMEs; two are prevalent to a moderate extent (in 40% to 60% of SMEs) and three to a low extent (less than 30%).

The size effect was significant in relation to the majority (6 of the 9 practices) of flexible organisational structure change practices. All six practices were significantly more prevalent in medium organisations compared to small organisations.

In view of this finding, Ho_8:   *there is no significant correlation between organisational size and the prevalence of flexible organisational structure change practices in Queensland SMEs*, could be rejected.

4.8.1.2 Flexibility of Employment

Table 4.33 summarises the results regarding the prevalence of change in employment flexibility interventions. The results in relation to four types of employment flexibility interventions are reported, including: functional flexibility; temporal flexibility; numerical flexibility; and spacial flexibility.   Temporal flexibility is divided into flexible/restructured, scheduling practices, voluntary reduced work practices and leave time practices.

Table 4.33: Employment Flexibility Interventions for Achieving Organisational Change

Practice	N	All SMEs	Small	Medium	Chi-Square	
Employment flexibility Interventions						
Functional flexibility practices						
(1) Job Enrichment	331	136(41)	59(33)	77(50)	9.45	**
(2)Job Rotation	334	154(46)	77(44)	77(49)	1.028	
Temporal Flexibility						
Flexible/restructured scheduling practices						
(3)Phased retirement Options	328	43(13)	16(9)	27(18)	6.239	**
(4)Compressed Work week	331	48(15)	17(9)	31(21)	8.139	**
(5)Flexible Hours	339	291(86)	148(82)	143(90)	4.134	*
(6)Part-time Work	339	319(94)	166(92)	153(96)	2.438	
Voluntary reduced work practices						
(7)Annualised Hours	331	48(15)	16(9)	32(21)	10.025	**
(8)Flex days	337	203(60)	112(62)	91(58)	0.635	
Leave time practices						
(9)48/52 Work Arrangements	329	69(21)	29(17)	40(26)	4.369	*
(10)Paid parental leave	336	108(32)	39(22)	69(44)	19.508	**
(11)Career Breaks	334	136(41)	70(39)	66(41)	0.541	
(12)Job Sharing	334	190(57)	99(55)	91(59)	0.566	
(13)Study leave & Assistance	339	226(67)	97(54)	129(81)	28.197	**
Numerical Flexibility Practices						
(14)Dependant Contractors	325	64(20)	32(18)	32(22)	0.64	
(15(Contracting Out	331	117(35)	53(30)	64(42)	4.861	*
(16)Independant Contractors	336	188(56)	88(49)	100(64)	7.848	**
(17)casual Work	339	295(87)	150(83)	145(91)	4.620	*
(18)External change mgt consultants	312	151(48)	67(39)	84(59)	12.076	**
Spatial (or locational) Flexibility Practices						
(19)Telecommuting	339	135(40)	69(38)	66(42)	0.355	

Overall, only three employment flexibility practices were employed to a great extent. These include two flexible scheduling practices (flexible hours at 86% and part-time work at 94%), and one numerical flexible practice, namely casual work (87%). These practices represent traditional employment flexible practices.

The majority of practices (11 of the 19 practices) were employed to a moderate extent by Queensland SMEs (employed by between 30% and 70% of Queensland SMEs). These practices include: both functional flexibility practices − job enrichment (41%) and job rotation; flex days (60%); four of the five leave time practices − paid parental leave (32%); career breaks (41%); job sharing (57%); study leave and assistance (67%); two of the four numerical flexibility practices – contracting out (35%) and independent contractors (56%); and both spacial flexibility practices – telecommuting (40%) and external change management consultants (48%).

The five practices least popular with Queensland SMEs included interestingly, the other two flexible practices: phased retirement options (13%) and compressed work week (15%) as well as annualised hours (15%); 48/52 work arrangements; and dependant contractors (20%). All of these practices represent more recent type of employment flexibility change practices.

In summary, overall, the profile of Queensland SMEs in relation to flexible employment practices is skewed to a moderate - low adoption of these practices. Of the nineteen flexible employment change practices, three practices are prevalent in more than 70% of Queensland SMEs; eleven are prevalent to a moderate extent (in 40% to 60% of SMEs) and five to a low extent (less than 30%).

In relation to impact of size on the prevalence of employment flexibility practices, the majority of practices (11 of the 18 practices) were employed to a significant greater extent in medium organisations compared to small organisations.

In view of this finding, Ho$_9$: There is no significant correlation between organisational size and the prevalence of employment flexibility change practices, could be rejected.

4.8.2 Strategic interventions

Table 4.34 summarises the results regarding the prevalence of strategic change interventions in Queensland SMEs. The results in relation to five types of strategic change interventions are reported, including: productivity improvement practices; re-engineering

practices; quality practices; transorganisational development practices; and business expansion practices.

Table 4.34: Strategic Change Interventions for Achieving Organisational Change

Practice	N	All SMEs	Small	Medium	Chi-Square	
Productivity improvement practices						
(1)Productivity Improvement Schemes	322	132(41)	59(35)	73(48)	6.351	*
(2)Significant increased production levels	303	159(53)	97(58)	62(46)	4.693	*
(3)Quality problem Solving Teams	328	175(53)	96(54)	79(52)	0.121	
Re-engineering practices						
(4)Major Change in product or Service	306	113(37)	49(29)	64(47)	10.787	*
(5)Re-engineering Business practices/Processes	328	165(44)	69(39)	76(50)	4.255	*
(6)Major restructuring of How Work is Done	309	149(48)	74(43)	75(55)	4.668	*
(7)Process Change	306	168(55)	91(54)	77(57)	0.291	
(8)Introduce new products & services	303	186(61)	101(59)	85(64)	0.637	
(9)Major New Plant, equipment or Technology	306	195(64)	101(59)	94(69)	3.079	
(10)Systems Change	309	215(70)	108(62)	107(79)	9.498	**
Quality practices						
(11)Best Practice (O/S)	328	103(31)	42(34)	61(40)	10.51	**
(12)TQM	325	123(38)	53(31)	70(46)	8.686	**
(13)Quality Programs	328	127(39)	57(33)	70(46)	5.55	*
(14)Benchmarking	322	148(46)	72(43)	76(49)	1.364	
(15)Best Practice (in Aust)	325	193(59)	97(55)	96(65)	3.384	
Transorganisational development practices						
(16)Alliances with Skill/Product providers	330	173(52)	83(48)	90(58)	3.292	
Business expansion practices						
(17)Open the Same business Elsewhere	300	68(23)	28(17)	40(30)	7.481	**
(18)Sell Equity in Business	300	22(7)	10(6)	12(9)	1.003	
(19)Open new Locations	303	132(44)	52(31)	80(60)	26.524	**

Overall, a moderate profile in relation to strategic change interventions is evident from Table 4.34. Only one strategic change practice was employed to a significant extent in Queensland SMEs. This includes one re-engineering practice – systems change (70%). On the other side of the continuum, the two least favoured change practices include two business expansion practices − sell equity in business (7%) and open the same business elsewhere (23%). The remainder of the change practices were prevalent to a moderate extent in Queensand SMEs (in 30% to 70% of SMEs).

In summary, all of the productivity improvement practices, re-engineering practices (with the exception of system change), quality practices and the one trans-organisational practice (alliances with skill/product providers), were prevalent to a moderate extent in Queensland SMEs (practiced by 30% to 70% of QLD SMEs). One business expansion practice (open new locations) was also employed to a moderate extent.

In relation to impact of size on the prevalence of strategic change interventions, majority of practices (10 of the 19 practices) were employed to a greater extent in medium organisations compared to small organisations. Only one intervention was employed to a greater extent in small organisations.

In view of this finding, Ho_{10}: *There is no significant correlation between organisational size and the prevalence of strategic change interventions in Queensland SMEs*, could be rejected.

4.8.3 Human Process Interventions

The results in relation to the prevalence of human process interventions in the form of team approaches are presented in Table 4.35.

Table 4.35: Team approaches for achieving organisational change

Practice	N	All SMEs	Small	Medium	Chi-Square	
Team Approaches						
(1)Cross Functional Project teams	322	107(33)	46926)	61(41)	7.873	**
(2)Joint Consultative committees	331	117(35)	45(25)	73(47)	16.394	**
(3)Self managing Work teams	328	163(50)	83(48)	80(52)	0.589	
(4)Team Building	333	227(68)	105(60)	122(77)	10.279	**

It is evident from Table 4.35 that all four team practices were practiced only to a moderate extent by Queensland SMEs (used by between 30% and 70% of QLD SMEs). Team building is the most popular at 68%, followed by self managing teams (50%).

In relation to impact of size on the prevalence of team approaches in Queensland SMEs, 3 of the 4 practices were employed to a significant greater extent in medium organisations compared to small organisations.

In view of this finding, Ho_{11}: there is no significant correlation between organisational size and the prevalence of team approaches in Queensland SMEs, could be rejected.

4.8.4 Summary of Overall Prevalence

Section 4.8.1 – 4.8.3 summarised the results pertaining to 51 change interventions, including 28 structural change interventions (this is divided in 9 flexible organisational structure interventions and 19 employment flexibility interventions), 19 strategic interventions and 4 human process interventions (team approaches). As mentioned earlier, a high level of adoption of an individual change practice is defined as occurring where 70% or more of SMEs employ that practice and a low adoption level as occurring where 30% or fewer SMEs employ that practice. A moderate level of adoption falls between these cut-off points.

Overall only 8 of the 51 interventions showed a *high level* of adoption. Of the 8 interventions, 7 were structural organisational change interventions which include 4 flexible organisational structure interventions (reorganisation of management structure, change in management personnel, change in job roles of employees and organisational structure change) and 3 employment flexibility interventions (flexible hours, part-time work and casual work). Only one strategic intervention showed a high level of adoption. No human process intervention was adopted at a high level.

Thirty-four interventions were adopted at a *moderate level* and 10 interventions showed a *low level* of adoption. Of the 10 interventions, 8 were structural interventions including 3 flexible organisational structure interventions (new ownership, staff reduction in managers, and staff reduction in employees); and 5 were employment flexibility interventions (phased retirement options, compressed work week, annualized hours, 48/52 work arrangements and dependant contractors. Two strategic interventions showed a low level of adoption. No human process intervention was adopted at a low level.

In view of the profile described above, a predominantly 'moderate' profile emerged in relation to the adoption of organisational change interventions in Queensland SMEs.

4.8 Summary

This chapter reported the results of the survey on organisational change in Queensland SMEs. The chapter commenced with a discussion of the demographics of the SMEs and the respondents. Analysis of the survey results has been provided in the tables with a subsequent discussion of each table. The discussion of the results has been done according the research questions of the study.

In terms of the organisational demographics of respondent firms small businesses (fewer than 100 employees) constituted 53 percent of the sample and medium businesses (100 – 200 employees), 47 percent. The ABS industry categories were used to describe the main operations of the organisations. Manufacturing organisations dominated the responding organisations, with retail organisations in second place. Each of the remaining categories represented 10 percent or less of the sample.

Forty-six percent of organisations were family organisations of which family members managed 64 percent of these organisations. Sixty-two percent exported their products or services, of which 85 percent had been exporting for more than three years. Only 3 percent of SMEs were franchise operations.

Twenty-seven percent of organisations operated from a single location and 58 percent in 2 to 10 locations. The remainder operated in more than 10 locations. Almost all SMEs could be said to be 'surviving' businesses that have been established for more than five years.

Fifty percent of respondents had both a HR department and/or a specialist manager responsible for HR. Sixty percent of respondents said their organisation has at least one union member with more than two-thirds of the sample estimating that there was less than 10 percent union membership. All SMEs had access to the internet, with 88 percent in possession of a web site.

As far as the personal demographics of respondents are concerned, more than a third of respondents (38%) indicated they are an owner or part owner of the business; more than

two third of respondents (71%) have been with the firm for more than 5 years and posses tertiary qualifications (74%). Sixty-one percent of respondents are older than 45 years and almost two thirds are male (64%).

The three factors least important in the decision to introduce change were: desire to compete globally, export market opportunity and exchange rate fluctuations (19%).

Customer expectations in regard to quality ranked the highest with over 90 percent of the respondent SMEs indicating it was a very important consideration. SMEs in Queensland pursued a range of objectives as they introduced changes in their organisations. Eleven of the nineteen objectives stated were pursued by 70% or more of the participating SMEs. The survey results show that, overall, the SMEs were able to achieve the objectives they pursued when implementing significant changes.

Overall respondents indicated that the main change drivers in Queensland SMEs, possess a moderate profile in relation to change management skills. Furthermore, overall, a positive profile emerged regarding SME managers' views of the importance of certain change management skills. More than two thirds of SME managers view five of the eight change management skills measured in this study as extremely important.

However, the findings reflect the view that managers tend to support forms of participation and consultation which imply only a limited loss of managerial decision making power and minimal disturbance to the traditional organisational authority structure.

A predominantly 'moderate' profile emerged in relation to the adoption of organisational change interventions in Queensland SMEs.

The following has been found in relation to the impact of organisational size on the nature and prevalence of organisational change. In relation to the forces of change, the analysis suggests that organisational size is significant for the factors important in the introduction of organisational change, however, the results showed that size is not particularly significant in relation to the objectives pursued and achieved in the introduction of organisational change.

Furthermore, size is also not significant in relation to the extent to which the main change driver (change agent) in SMEs possess effective change management skills, and the mental models that Queensland SME managers espouse in relation to the management of organisational change.

In contrast with these findings, the analysis suggests that organisational size is significant for the prevalence of change interventions/practices. Medium size organisations employ change interventions to a significantly greater extent than their smaller counter parts.

Table 4.36 summarises the findings regarding the impact of size on the nature and prevalence of organisational change in Queensland SMEs.

Table 4.36   : Summary of Hypotheses (Size and prevalence of change interventions)

Hypothesis	Result
Ho_1: There is no significant correlation between organisational size and the factors important in the decision to introduce organisational change into Queensland SMEs.	Reject
Ho_2: There is no significant correlation between organisational size and the objectives pursued in the introduction of organisational change.	Cannot be rejected.
Ho_3: There is no significant correlation between organisational size and the objectives achieved in the introduction of organisational change.	Cannot be rejected.
Ho_4: There is no significant difference between small and medium size organisations in relation the possession of change management skills.	Cannot be rejected.
Ho_5: There is no significant difference between the views of managers in small organisations on the one hand and medium organisations on the other, in relation to the importance of change management skills.	Cannot be rejected
Ho_6: There is no significant difference between small and medium firms in relation to the management style they employed regarding the pursuit of change objectives.	Cannot be rejected
Ho_7: there is no significant difference between small and medium firms in relation to the management style they employ in the decision to introduce a range of organisational change**s.**	Cannot be rejected
Ho_8: there is no significant correlation between organisational size and the prevalence of flexible organisational structure change practices in Queensland SMEs.	Reject
Ho_9: There is no significant correlation between organisational size and the prevalence of employment flexibility change practices.	Reject
Ho_{10}: There is no significant correlation between organisational size and the prevalence of strategic change interventions in Queensland SMEs.	Reject
Ho_{11}: there is no significant correlation between organisational size and the prevalence of team approaches in Queensland SMEs.	Reject

CHAPTER FIVE: DISCUSSION, PRACTICAL IMPLICATIONS, DIRECTIONS FOR FUTURE RESEARCH AND CONCLUSIONS

5.1   Introduction

The purpose of this chapter is to discuss and integrate the research findings from the survey with relevant literature. Specific conclusions and recommendations are also discussed in view of the research findings. The **research objective** of this study is to examine the nature and extent of organisational change in Queensland SMEs.

There are five research questions addressing this research objective. The discussion in this chapter is structured around these research questions.

5.2   RQ 1 – What are the forces of change in Queensland SMEs?

The first research question has three sub questions which together are the topic of discussion in this section. The first sub research question relates to the factors important in the decision to introduce organisational change into Queensland SMEs; the second sub-question relates to the objectives which Queensland SMEs have pursued in introducing organisational change; and the third sub-question entails the objectives which have been achieved in introducing organisational change in Queensland SMEs.

The results indicate that by far the most important factor in the decision to introduce change in Queensland SMEs was customer expectations for quality. In fact more than 90% of SMEs ranked this factor as important. The next three most important factors included increased competition in the market place, availability of new technology and changing products or services.

The dominant objectives that were pursued in introducing organisational change by Queensland SMEs are supportive of these factors. Increased competitiveness and improved services to customers/clients featured as two most important objectives (pursued by more than 90% of participating organisations).

Furthermore, the two objectives achieved by more than 85% of Queensland SMEs were improved services to customers/clients and improved business processes which when interpreted in combination with the most important factors which were important in introducing organisational change and the dominant objectives pursued as outlined above, seems to represent a very promising finding for Queensland SMEs.

It is a promising finding because competitive quality, cost, service, and delivery have always been fundamental requirements of SMEs. Furthermore, customer expectations are rising, and to remain competitive, SMEs will have to place a major focus on quality now and in the future.

Furthermore, the unique relationship that SMEs have by being close to their market has been identified from the literature (de Geus 1999; McAdam 2000; McDonald and Wiesner 1997) and this closeness is evidenced by the survey results which identify customer expectations for quality as the most important factor that influence the introduction of change. Customer expectations for price was also cited as an important factor by the majority of SMEs.

The fact that more than 60% of SME respondents also cited availability of technology as an important factor is indicative that technology is playing an increasingly critical role in the success or failure of SMEs. Computerised machines are replacing manual machine tools, CAD is replacing manual drafting, and computers are being used to track inventories, even in small shops. Although up-to-date manufacturing and process technologies are critical, they are no longer the only required technologies. Information technology has become one of the keys to operating success. Internet technologies alone are changing the mechanisms of communication, marketing, selling, buying, and generating revenue (Senior 2002).

Furthermore, suppliers are finding that one of the few escapes from the relentless pressure to reduce prices lies in change and innovation. The addition of value through innovative product and process design can sometimes differentiate the output of an SME from its competitors enough to enable profitable operation even in areas with high labour costs such as countries like Australia. Therefore, successful Queensland SMEs could distinguish

themselves from their competitors by anticipating opportunities, selecting appropriate technologies, and using them for competitive advantage (Senior 2002).

It is argued that as in other countries, forces of globalisation have had a major impact on Australian SMEs. The dynamics of globalisation, have created increased competition and challenges for contemporary Australian businesses whether small or large (Australian Bureau of Statistics 2005; Wiesner & McDonald 2001; Wildie, Division & Treasury 1998). Furthermore, the emergence of a business environment that has never been so globalised, interdependent, and connected has widened both the scope and scale of opportunities open to sellers in the global market place. Globalisation is seen as having allowed Australian SMEs to expand and grow in markets where it was not possible before. For example, Austrade indicated that Australian regional SMEs are being offered more international opportunities than ever before (Czerniawska 2001; Harcourt 2001). Kotey and Sheridan (2004) point out that when the size of the organisation increases in a global market, flexibility of the SME has shown to decline as the amount of formal administration requirements augments. This could represent a concern since flexibility is often the competitive edge that SMEs have over larger organisations (Mazzarol 2003).

In view of the important influence that globalisation could have in Queensland, one could interpret the finding that less than 25% of Queensland SMEs cited the factors of 'desire to compete globally' and 'export market opportunity' as important factors in introducing organisational change, as surprising. However this could be owing to the fact that 62% of respondents are already engaged in exporting. Of these organisations 85% have been exporting for more than 3 years. However despite this, one would have expected that the desire to compete globally and export market opportunities would be a stronger factor in the decision to introduce organisational change because building a stronger export market would enable SMEs to make the most of spreading business risks across different markets and ventures; improving technological, quality, and service standards in the organisation; generating more revenues and funds for reinvestment and further growth; exploiting idle operating capacity and improving production efficiency; and attracting and rewarding shareholders and employees through the creation of a better profit base (Czinkota and Ronkainen 2001; Terpstra and Sarathy 2000).

Vozikis and Mescon's (1985) study explains why SMEs may be reluctant to purposefully enlarge their export market. They have found that as small firms become more internationalised, problems pertaining to the functional areas of marketing, finance, and operations tend to diminish however export management-related barriers remain equally high at any stage.

Differences in export-barrier impact also can be the outcome of variations in managerial attitudes toward costs, profits, and growth aspects of exporting (Leonidou, Katsikeas, and Piercy 1998).

Organisational factors also may have a discriminating effect on export-barrier perceptions. Furthermore, the smaller the firm—with size either measured in terms of number of employees and/or sales turnover—the more vulnerable it is to barriers associated with resource limitations, operating difficulties, and trade restrictions (Katsikeas and Morgan 1994; Barker and Kaynak 1992). Further environmental factors could affect export-barrier perceptions in two ways: they can be the source of barriers in the home market, such as those connected with the local government, infrastructural facilities, and logistics systems; and they shape the obstacles derived from foreign market conditions (such as, economic, political, and socio-cultural) within which the firm has to operate. These barriers are affected by rapid external changes, incorporate high levels of uncertainty, and usually fall beyond the control of the individual firm (Leonidou 1995).

Another interesting finding is that less than 50% of responding SMEs view change in government regulation and change in industrial relations regulations as a major factor in introducing organisational change. It is interesting because the need to make changes to the regulatory environment so that it becomes more favourable to SMEs is often cited as a primary requirement to allow for growth and development of SMEs.

When further analysing the results in to relation forces of change, respondents seem to be quite confident in their future growth and survival since the factor 'decrease threat to survival in their future' was cited as the least important factor, with more than 60% of SMEs indicating that they have achieved this objective. The fact that the survey in this study was conducted at the beginning of 2008, when the Australian economy was still at an all-time high and the fact that almost all the respondents have been in existence for

more than five years, may explain this self confidence. However, more recently economic events during late 2008 have significantly changed this situation. The impact of the credit crunch at the end of 2008 on Australian markets was severe, causing extreme Australian stock market losses. The flow-on effect has also been a continuing volatility in both domestic and international stocks, rising and falling as it becomes clear that major financial institutions have been overexposed to the sub-prime mortgage market. In recent time, for the first time since the beginning of the nineties, the phenomenon of a global recession is openly talked about and the impact on SMEs is debated (Skill Info 2008). It would be interesting whether the importance of the factor 'threat to survival' would measure the same in the current economic downturn at the time of finalizing this chapter. However how SMEs respond to these economic challenges and action relevant organisational change interventions are crucial to their future survival and prosperity.

The survey results also show that, overall, the SMEs were able to achieve the objectives they pursued when implementing significant changes. The majority of SME respondent organisations achieved eighteen of the nineteen objectives. The five objectives achieved by more than 80% of SMEs include: improved services to customers/clients, improved internal communication, improved decision making, improved business processes and improved quality of products/services. Since strong leadership was needed to effectively implement organisational change (Bruce & Wyman 1998, Kotter 1996 and Want 1998) and SMEs are characterised by strength of leadership (Khan & Manopichetwattana 1989 and McAdam 2002), this reported success in attainment of strategic objectives can be attributed to the unique characteristic of SME leadership.

5.3 RQ 2 To what extent does the main change driver (change agent) in SMEs possess effective change management skills?

Management and leadership in SMEs is frequently dominant and centralized (Khan and Manopichetwattana 1989 and McAdam 2002). Very often, in the SME, the personal identity of the chief executive office and the firm's reputation are closely intertwined, as is business success and personal success. Three factors, personal reputation in the community, investment of personal assets and hands-on involvement in the business, increase the likelihood that the enterprising, innovative and independent leader of the SME is highly committed to adapting to the changing environment (Cecora 2000). Visibility of

the leader and day-to-day involvement in the operations of SMEs are potential advantages in implementation of change (McAdam 2000). Furthermore, the relationship between the personality of the business leader and organisational strategy and structure is found to be stronger in small firms than in larger firms (Miller and Toulouse 1986). Starting a small business involves making a commitment of resources to an idea by the owner for their future and this means there is a very strong connection between the individual and the small business (Fuller 2003). While this level of personal commitment aids survival in times of crises, it can actually inhibit growth when that growth requires a shift in the self-identity of the owner such as the hiring of professional management (Fuller 2003). For the SME to grow, the personal agenda and the organisational goals have to be aligned. The intention and ability of owner-managers needs to be consistent with opportunity in order to fulfil the growth expectations for small business (Morrison, Breen and Ali 2003). Of the three factors (intention, ability and opportunity), two (intention and ability) relate directly to management and leadership characteristics.

Still there is an additional complexity to be considered in relation to the issue of management and leadership. A relatively high proportion of SMEs (up to 40% in the United Kingdom) has two or more owner-managers/partners/directors (Curran and Blackburn 2001). As a consequence, interpersonal conflicts, in the absence of strong conflict resolution skills, can affect the business.

An example of the strength of the leadership characteristic within SMEs is provided by the fact that the decision to export came primarily from CEOs in SMEs and the decision was also found to relate strongly to the evaluation of the external environment (Prefontaine and Bourgault 2002). A Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis identifies the Strengths and Weaknesses of an organisation from an assessment of internal resources, and the Opportunities and Threats are assessed from the external environment in this strategic planning process (Thompson and Strickland 2001). Leaders that identified export as external opportunities were in fact applying the SWOT process from strategic planning as a tool for organisational change even if it was undertaken informally, and without consideration of the other components of a SWOT analysis, or in fact, without even knowing that the process had a name.

For the purpose of their research, Dunphy and Stace (1993) defined four styles of change

leadership as Collaborative, Consultative, Directive and Coercive. Their research, based on successful organisational change in service firms, identified improved financial performance in cases where any one of the four styles was prevalent (Dunphy and Stace 1993). So with all of the variety of personality and leadership styles that exists in SMEs, it is the strength of the leader, rather than the type of leader, that is the crucial element.

This brings us to the issue of management skills. One of the main conclusions which can be drawn from numerous studies on managing change is that there can be no simple prescriptions for managing change successfully. What may prove successful in one context and in one time may not prove appropriate to comparative companies operating from different locations at some future point in time. Consequently, it would neither be appropriate nor feasible to produce either 'tablets of stone' or exhaustive lists of the key ingredients to successful change. Nevertheless, there is evidence that certain change management skills are important in managing change (Dunphy and Stace 1993).

Another conclusion is that many of the routes taken by change cannot be predicted in advance as they unfold overtime and comprise management omissions and revisions as well as unforseen employee responses, technical problems and contingencies (Dunphy and Stace 1993). This does not mean that planning is not important, but rather, that strategies need to be adaptive and flexible in being able to accommodate the unforeseen. Furthermore, it is important to recognise that the management of organisational change is unlikely to be marked by a line of continual improvement from beginning to end. It is the failures and downside, which needs to be managed as well as the successes and early wins.

Within this context, recent literature emphasises a shift in the role of senior managers from the traditional authoritarian, command and control style to a more open, participative management style (Graetz 2000). Traditionally, managers focused on the technical or operational dimension of management. With the emphasis now on cooperation, collaboration and communication, managers need to hone a completely different range of leadership skills.

However, Graetz (2000) argues that to be effective leaders in an environment of change and flux, a second, interpersonal dimension becomes critical. This suggests that change leadership involves two roles: instrumental; and charismatic integrating operational know-

how with strong interpersonal skills (Graetz 2000; Goleman 1998; Javidan 1995). While the two roles perform distinctive functions, they complement and strengthen each other.

Charismatic leadership is described as personalised leadership and is underpinned by strong interpersonal skills. It is crucial for envisaging, empowering, and energising followers. The key elements of instrumental leadership are 'organisational design, control and reward which *'involves managing environments to create conditions that motivate desired behaviour'* (Nadler and Tushman 1990, p. 85), putting in place the enabling mechanisms that reinforce the required new values way of working.

In view of this, the survey in this study has drawn upon Graetz' (2000) work in relation to key dimensions of these charismatic and instrumental roles.

The dominant skill most likely to be possessed to a great extent by the main driver of change in the responding SMEs, is *personally demonstrating senior management's involvement*. A high level of leadership commitment to the change process is a key for implementation of effective organisational change (Bruce and Wyman 1998; Kotter 1996; Want 1998). Strong leadership is an absolute necessity for change to occur (Burke 2001) and in its absence, there can be very little change (Shinn 2001). Astute leaders will be monitoring their environment including consideration of customers, capital markets, key supplies and suppliers, competitors, human resource practices, changing government regulations and technology (Burke 2002). The multi-tasking requirements of the leaders in operating SMEs, may overcome their capacity to maintain this watching brief. However, in personally demonstrating senior management's commitment SME managers need to caution against not confusing this with a directive management style since this could in certain circumstances derail the effectiveness of other change management skills which are also essential in managing change. SME management styles are explored in the next section.

In recognising the importance of managing change as a complex process, which is also political in nature, attention needs to be given to forming coalitions and developing networks of support. It is not unusual for radical change programmes to experience a period in which there is an increase in agitation and complaints from employees and customers, a potential wavering of management commitment, and a possible loss of faith

and growing uncertainty among outside stakeholders (Dawson 2000). Moreover, whilst it is clearly beneficial (although rarely achievable) to try and gain the support of all employees, some of the main obstacles which arise during processes of change are not due to an inability to gain total employee support but, rather, result from the lack of involvement and/or poor communication with particular key groups (for example, supervisors, senior management, trade unions) (Dawson 2000). Various researchers support the notion of modelling the way: enacting the new behaviours in deeds as well as in words; personally demonstrating senior management involvement and commitment (Kotter 1995; Stata 1992; Stace and Dunphy 1996; Kanter et al. 1992; Nadler et al. 1995; Bertsch and Williams 1994; Blumenthal and Haspeslagh 1994). The involvement of senior management is therefore seen as fundamental to the success of the transformation process.

Kotter (1996) argues that successful transformation rests on a picture of the future that is relatively easy to communicate and appeals to customers, staheholders, and employees. A vision helps clarify the direction in which an organisation needs to progress. However, in order for this vision to be realised it needs to be a vision shared by members of the organisation. Bertsch and Williams (1994) argue that if an organisation wants to influence people's behaviour directly, it must encourage 'hot' media, where the new behaviours are modelled by key people in the organisation. The findings of the survey indicate that the majority of SME respondents indicated that the main change driver in their organisations possesses the skill of: *inspiring a shared vision and personally communicating the future vision* (59%). This is a positive finding in the sense that inspiring a shared vision and personally communicating the future direction with clear and honest answers to the what, why, and how questions is an essential change management skill emphasised by several studies (Jackson 1997; Hamel and Prahalad, 1994). Further to this argument Graetz (2000) found that not only must all employees in the organisation find the goal emotionally compelling, they must also clearly understand how they will contribute to achieving that goal.

This brings us to the next change management skill measured by the survey. C*ommunicating the change message repeatedly up and down and across the organisation*, was also indicated as a change management skill which the majority of change agents in Queensland SMEs possesses. In view of the findings in relation to the objectives pursued

in introducing organisational change and objectives achieved (see previous section), this finding is not surprising. Improved internal communication was the third most dominant objective pursued and second most dominant objective achieved by Queensland SMEs. Together these findings indicate that SME managers seem to encourage people at different levels of the organisation to show their commitment to trying to improve internal communications in the change process. Kouzes and Posner (1995), Kotter (1995), Kanter et al. (1992), Hambrick and Cannella (1989) argue that in order to prevent change from diminishing over time, it is essential for management, with key stakeholders to communicate the message repeatedly up, down and across the organisation to ensure the momentum and enthusiasm for change is not diminished over time. These authors stress that successful implementation occurs in companies where executives 'walk the talk', teaching new behaviours by example. Communication by top management is seen as a powerful lever in gaining commitment and building consensus to required change.

Furthermore, the majority of respondents in this study also indicated that the main change agent in their organisation possesses the skills of *challenging the status quo and creating the readiness for change*. Kouzes and Posner (1995), Stata (1992), Kotter (1995) and Tichy and Devanna (1990) argue the importance of a manager's ability to challenging the status quo and creating a readiness for change'. The process of talking about change usually begins with some people noticing a vulnerability in the organisation. This is often sparked by a threat of losing ground. This urgency transfers into action when people start communicating that sense of urgency to others (Kotter 1996). According to Kotter (1996) over half the companies he has observed have never been able to create enough urgency to prompt action.

Creating additional supporters for change at different organisational levels and involving people, building commitment to change is another important change management skill identified by Graetz (2001) and Kotter (1996). This involves repeating its message and pursuing strategies which would help institutionalise the new behaviours and values in their areas. Just under haf of the respondents indicated that the main change agent possesses the skill of creating additional supporters for change at different organisational levels and involving people , building commitment to change. However, since the survey only relies on SME managers' responses it can't be clear to what extent they use

enthusiasm and vigour in this process or the extent to which employees feel committed to the change process.

In a number of organisations studied over the years, communication has been central to bringing about a shift in employee attitudes towards change management. For example, in a case study conducted by the author into General Motors (Dawson 2000) the local management team set about improving employee relations prior to the introduction of change. They developed two major strands to their plan. The first centred on improving the work environment, whereby the shopfloor was transformed from a grey and greasy workplace to a newly painted and clean work environment. The second major thrust of the plan was based on improving the climate of industrial relations through the practice of greater communication between management and shop stewards. The central aim was to achieve full union involvement and co-operation, and to develop and maintain a relationship of trust between local management and union officials. At the outset, there was considerable conflict between the plant manager and shop stewards. However, following the provision of accurate information and a more open management approach, there evolved a far more harmonious climate of employee relations. This set the context in which the successful management of change could more easily be achieved (Dawson 1994).

Just under half of the respondents said that the main change agent in their organisation possesses the *skill of enabling others to act: by energising, empowering, building teams, tangible support with appropriate resources and structures*. It is clear from the literature that using models of success to symbolise the opportunities of the new 'order' is a potent means of creating dissatisfaction with the status quo (Beer and Walton 1990; Spector, 1989). Furthermore, Graetz (2001) found in her case study research that those businesses that had developed the team model very effectively were held up as 'models of success" to those 'dragging their feet'. Furthermore, employees who participated wholeheartedly in the changes were rewarded publicly. However she also found that resistance occurs when top management neglect to model the new behaviours.

Respondents indicated that one change management skill which needs development is *taking decisive action in identifying and addressing resistance*. This could be problematic in Queensland SMEs since employee resistance could be a significant barrier in effective

organisational change (Cummings and Worley 1997). Cobb, Wooten and Folger (1995) found that taking decisive action in identifying and addressing resistance could assist greatly in overcoming the skepticism and resistance in employees, which makes it sometimes difficult or impossible to implement organisational improvements. How people are treated and how the change is implemented can have considerable influence on employees' resistance to change. Cobb et al. (1995) also found that when workers see themselves as being treated fairly, they develop attitudes and behaviours required for successful change, even under conditions of adversity and loss. The opposite has been found to occur when organisational decisions and managerial actions are deemed unfair, the affected employees experience feelings of anger, outrage, and a desire for retribution (Folger and Skarlicki 1999; Bies and Tripp 1996; Folger 1993; Greenberg 1990; Sheppard, Lewicki and Minton 1992).

The skill least possessed by the main change driver in Queensland SMEs was '*using rewards and recognition to gain support*'. To ensure organisational change efforts are truly successful SME managers will need to consider putting in place mechanisms that will reinforce and institutionalise change. Integral to this are the establishment of new organisational systems and structures that represent the new work arrangements and reporting requirements (Graetz 2000; Kanter et al., 1992; Kets de Vries, 1994). The next section takes the discussion in this section further by discussing the views which Queensland SME managers espouse regarding these change skills.

5.4 What mental models do Queensland SME managers espouse in relation to the management of organisational change?

It was argued in chapter 2 that the actions which change agents take include for example the way in which they communicate and facilitate the process of change. However the extent to which change agents possess effective change management skills; their mental models or attitudes in relation to how change ought to be managed; and their change management styles or the extent to which they include employees in the implementation of change interventions are likely to impact upon the types of changes they implement, the way in which organisational change is introduced and managed and the effectiveness of change in SMEs.

The argument was also made that how managers think about organisational change will impact on the actions taken by change agents during the introduction and implementation of the proposed change. Therefore, their views about the management of change is critical in devising and managing change strategies. An essential part of this thinking about change is the importance they attach to effective change management skills since this could play a critical role in how they behave as agents of change (Graetz et al. 2006). Therefore, the views that SME managers espouse regarding the participation of employees in the organisational change decisions and the degree of consultation they employ when introducing organisational changes in their organisations, are likely to impact upon the effectiveness of change. These views that SME managers espouse regarding the participation of employees in the organisational change decisions are integral to the notion of strategic thinking about organisational change.

However, McDonald and Wiesner (2000) argue that the issue of strategy elicits a raft of problems associated with such questions as intent, planning, goals and objectives and raise issues as to whether strategic studies adequately and accurately deal with notions of management behaviour (Lewin 1987; Hyman 1987; Lawler 1990). In their view, an understanding of managerial behaviour is better served by analysing the modes of decision-making about key matters in the running of the business and the role of employees in those decisions. Decision-making modes, as distinct from their strategic context are therefore considered in this section.

This section discusses the mental models which Queensland SMEs espouse in relation to organisational change, including the extent to which SME managers view certain change management skills as important in successfully managing change in their organisations; and the management styles which SME managers use in pursuing change objectives and in deciding to introduce organisational change initiatives. The latter issue of management styles, have been operationalised in this study through the extent to which organisational change objectives have been pursued or achieved through management initiative or through consultation; and whether SME managers employ an 'inclusive' or 'exclusive' style in the decision to introduce organisational change.

To what extent do SME managers view certain change management skills as important in successfully managing change in their organisations? The first three skills which SME managers view as important are also possessed by the main change driver in their organisations (see previous section). These include personally demonstrating senior management involvement; inspiring a shared vision and personally communicating the future vision and communicating the change message repeatedly up and down and across the organisation.

Furthermore overall, a positive profile emerged regarding SME managers' views of the importance of certain change management skills. More than two thirds of SME managers view five of the eight change management skills measured in this study as extremely important.

Furthermore, the two skills which they view as the least important are also possessed by the main change driver in their organisations to the least extent (see previous section). These include taking decisive action in identifying and addressing resistance; and using rewards and recognition to gain support. However, using rewards and recognition to gain support was clearly the change management skill which SME managers do not value as high as the other change management skills with just more than a third indicating that they view this skill as extremely important. However, more than half of respondents did indicate that they view this skill as somewhat important.

In chapter 2, the point was made that in managing change effectively, managers and leaders ought to attend to two roles, including an instrumental role (operational know-how) and a charismatic role (strong interpersonal skills). It has further been argued that while the two roles perform distinctive functions, they complement and strengthen each other (Graetz 2000; Goleman 1998; Javidan 1995). The conclusion which Graetz et al (2000), Jackson (1997), Kouzes and Posner (1995) came to in relation to these two roles are therefore extremely relevant to this study. They argue that the ability to conciliate and balance the two roles depends primarily on whether a leader possesses certain qualities and attributes required for effective change leadership. These qualities and attributes, that demarcate strong interpersonal skills as a key binding ingredient, provide the nexus between the charismatic and instrumental roles. By melding charisma and widespread involvement with instrumental factors, that focus on developing roles, responsibilities,

structures, systems and rewards, the critical building-blocks for driving organisation-wide change are set firmly in place. In this study the majority of the main change drivers in Queensland SMEs seem to lack the skills of taking decisive action in identifying and addressing resistance and using rewards and recognition to gain support.

In this respect, SME managers need to use their considerable discretionary power to drive organisational change through the strategic use of symbolic and substantive actions (Graetz 2000). This includes symbolic and substantive actions through the use of rewards and recognition and recognising short-term gains or success stories caused by organisational changes. It also includes recognition of the new behaviours; and taking decisive action in identifying and addressing resistance (Jackson 1997; Useem and Kochan 1992; Kotter 1995; Bertsch and Williams 1994; Kanter et al. 1992; Johnson 1992, 1990). Ironically, according to Jackson (1997) Useem and Kochan (1992); Kotter (1995); Bertsch and Williams (1994); Kanter et al. (1992); and Johnson (1992, 1990), the power of these types of mechanisms is often undervalued. However, the low skill level in relation to this change skill in Queensland SMEs could be due to undervaluing the power of these types of mechanisms. This would be a valuable topic area to pursue in follow up research.

Another dimension of mental models measured was *which management styles do SME managers use in pursuing change objectives and in deciding to introduce organisational change initiatives?*

As outlined in chapter 2, an 'inclusive' management style is defined as the utilisation of widespread involvement of employees in decisions but also consultation with employees with their possible limited involvement in goal setting. An 'exclusive' management style is defined as the use of managerial authority and direction as the main form of decision-making but also as a situation where managers initiate and implement change (McDonald and Wiesner 2000).

The results in this study paint a picture skewed in favour of decision-making through mainly management initiative. The majority of SME managers pursued almost all (with the exception of one) objectives through management initiative instead of consultation.

This finding contradicts the finding that they employ inclusion to a greater extent than exclusion in relation to 10 of the 14 changes measured. However on inspecting the results further it becomes clear that even though they were generally more inclusive than exclusive, SME managers were only highly inclusive in relation to two changes including occupational health and safety and changes to job design and work organisation. Furthermore, the issues on which they engaged employees were change issues which are of a more operational nature. Managers employed exclusion in relation to four strategic changes including corporate planning, market performance, major change decisions and major policy decisions. Less than half of the SME respondents involved employees in decisions regarding these issues. In other words, SME managers tended to employ an 'exclusive' management style in relation to strategic issues and an 'inclusive' style in relation to the more operational types of objectives.

The findings therefore reflect the view that managers tend to support forms of participation and consultation which imply only a limited loss of managerial decision making power and minimal disturbance to the traditional organisational authority structure (Deery and Dowling 1988). Exclusion is marked in the case of a reluctance of SME managers to consult on corporate planning, market performance, major change decisions and major policy decision making. These are matters which are central preoccupations in the exercise of managerial prerogative. The provision of employee amenities, occupational health and safety, changes to job design and work organisation and reliable customer service and delivery appears less challenging to managerial prerogative.

The findings are reflecting what other studies have indicated in relation to consultative methods in SMEs. Other studies have indicated that consultative methods are far less formal and relatively unstructured in smaller organisations, both in Australia and elsewhere (Duberley and Walley 1995; Wright 1995; Bacon et al. 1996; Morehead et al. 1997).

The results are similar to McDonald and Wiesner's (2000) study which found that of the range of matters on which SME managers consulted employees, only in one quarter of the cases can the manager be described as exercising a participant style.

Furthermore, the findings also feed into another debate which entails the notion of SMEs being characterised as 'bleak houses'. Sisson initially defined 'bleak house' as an absence

of human resource practices or a trade union (1993). The finding that smaller firms, in general, pay lower wages, employ less HRM practices and consult employees to a lesser extent than their larger counterparts (Black, Noel and Wang 1999; Patton, Marlow and Hannon 2000) seems to support the 'bleak house' notion. The bleak house scenario asserts that smaller firms are highly controlled by owner managers who run their businesses in an autocratic manner, with employees suffering poor working and inadequate safety conditions who have little involvement in the running of the business (Rainnie 1989). There are also low levels of unionisation and few strikes owing to the absence of the collective element (Edwards 1995; Goss 1988; Rainnie 1985; Sisson 1993).

In a bleak house scenario, flexibility is more akin to instability, better communication is authoritarianism and conflict is not low but expressed through more individual means (Cully, O'Reilly, Millward, Forth, Woodland, Dix, G. and Bryson 1998; Wilkinson 1999). However, these contradictory views have been questioned (Bacon et al. 1996; Hill and Stewart 2000; Ram and Holliday 1993; Storey 1994). As Ram (1991 p. 601) notes, workplace relations in SMEs may be 'complex, informal, and contradictory' instead of simply either pleasant or repressive.

However, in this study the results confirm findings in larger surveys concerning the paucity of consultation in Australian workplaces with either unions or employees generally.

Furthermore, within the context of the findings on mental models of Queensland SME which indicate that Queensland SME managers view the skill of personally demonstrating senior management involvement as extremely important and tend to favour managerial prerogative; in combination with the low incidence of union membership (less than two thirds of organisations estimate a union membership of less than 10%); it seems that there are shades of the bleak house notion within Queensland SMEs.

Within the context of change management, SMEs could therefore benefit from combining their positive views on widespread involvement (including inspiring a shared vision and personally communicating the future vision; communicating the change message repeatedly up and down and across the organisation; and enabling others to act: by energising, empowering, building teams, tangible support with appropriate resources and

structures) with a greater degree of 'actual' participation from employees in decision making.

5.5 What is the nature and prevalence of change interventions for achieving organisational change in Queensland SMEs?

The significance of this research question relates to the contribution organisational change practices and strategic changes make to organisational performance. Certain change practices have been shown to have positive effects on organisational performance (Becker and Huselid 1998), profitability, shareholder return and organisational survival (Banker, Field, Schroeder and Sinha 1996; Huselid, 1995). Furthermore, organisations implement planned change practices to improve performance and become more effective (Cummings and Worley 2001) and therefore the existence of these practices demonstrates the pursuit of organisational change.

Three categories of organisational change interventions were investigated including: structural, strategic and human process change interventions (Cummings and Worley 2001).

5.5.1 Structural Change Interventions

Structural organisational change interventions can be divided into flexible organisational structures and employment flexibility (Cummings and Worley 2001). Three types of flexible organisational structure interventions are distinguished in this study: restructuring of management level practices, workforce level practices and organisational level practices. Furthermore, four types of employment flexibility interventions are examined in this study: functional flexibility; temporal flexibility; numerical flexibility; and special flexibility.

A mixed profile emerged in relation to the use of *flexible organisational structure* changes in Queensland SMEs. Four of the flexible organisational structure changes were prevalent in more than two thirds of Queensland SMEs including a change in management personnel; a reorganisation of management structure; a change in organisational structure; and a change in job roles of employees. However, even though significant changes have

occurred at management level, these changes do not seem to be driven by an agenda to reduce staff.

Less than a quarter of SMEs indicated a reduction in managers and a reduction in employees. Changes which occurred at a moderate level include: changes in the structure of the workforce and cultural change. However, the change least likely to occur was new ownership.

Powell and Posner (1980) argue that often employees do not support structural-technical changes. Changes such as downsizing, reorganizing work flows, automating and deskilling, often involve significant disruption of social relationships and are unlikely to be supported even with a consultative process. Furthermore, changes in organisational structure have profound implications for work in terms of job content, employee motivation, job security and organisational commitment, especially given the evidence that employers often appear to have often used the 'flexibility' rationale for reorganisation to justify redundancies (Child and McGrath 2001). Powell and Posner (1980) proposed a model that prescribes unilateral or shared change methods contingent on change type. They argue that the implementation of structural-technical change requires more directive and less participative methods. Because the mechanics of such changes can go ahead without employee support, Powell and Posner (1980) believe that it is more feasible to change the structure through edict and reinforce the changes later with behavioural interventions. This approach seems to be suitable in relation to Queensland SMEs in view of the fact that the findings indicated that the majority of Queensland SME managers were not consultative in the management of change.

Employment flexibility is integral to the flexible firm model, which shows how attempts to create a more adaptive and flexible workforce can have profound implications for the job content, job security and loyalty of different groups of workers. The term is sometimes employed as holding both positive and negative connotations. Fleetwood (2007) argues that in the context of the employment relationship flexibility is _for_ the employer and _of_ the employee and, subsequently, whilst there are undeniable benefits for labour from certain forms of flexibility—where there are mutual gains to be had from both parties—flexibility cannot be seen as unequivocally good from an employee perspective. This is despite the notion of flexibility often been subsumed under the rhetoric of 'employee well-being' and

'family-friendly policies'. Fleetwood suggests that, in broad terms, flexible working practices can be described as being either 'employer friendly' or 'employee friendly'. Typically, those practices that are employer-friendly have the explicit aim of minimising labour costs reflecting minimal commitment to employees and/or an ability to alter the supply of labour at short notice and subject employees to high levels of insecurity. Practices that are employee-friendly are those that are actually 'family friendly' or improve 'work-life balance' by allowing a degree of worker discretion in working patterns. Furthermore, the extent to which practices are voluntary will contribute to whether these practices are actually worker friendly. However, the survey in this study did not distinguish whether the practices are voluntary and involuntary.

Employment flexibility has been pursued by many firms, including SMEs through greater levels of numerical flexibility in the use of human resources, including the use of a-typical employees, such as temporary contracts and part-time work, to enable firms to reduce labour costs rapidly in the face of changes in demand (Story 1997). A moderate profile emerged in relation to flexible employment practices in Queensland SMEs. The most popular flexible employment practices were two flexible scheduling practices—flexible hours and part-time work; and one numerical flexible practice, namely casual work.

The majority of practices (11 of the 19 practices) were employed to a moderate extent by Queensland SMEs (employed by between 30% and 70% of Queensland SMEs). These practices include: both functional flexibility practices − job enrichment, and job rotation; flex days; four of the five leave time practices − paid parental leave; career breaks; job sharing; study leave and assistance; two of the four numerical flexibility practices—contracting out and independent contractors; and both special flexibility practices—telecommuting and external change management consultants. Cameron, Brosnan, Horwitz and Walsh (2001) identified outsourcing and consultant services as the most common form of workplace flexibility practiced in a comparative study of three countries. They argue that both forms of flexibility provide organisations with access to specialised skills, however outsourcing involves both core and non-core organisational functions. The management of outsourcing contractors and consultants presents both a risk and a challenge for most organisations and is particularly so for SMEs especially when strategic processes are involved.

The finding in relation to telecommuting (40% of SMEs employed this practice) reflects the trend in large organisations. The numbers of people involved in telecommuting in Australia have been difficult to establish but appear to be lower than would be expected even where organisational policies have allowed the practice. Bergman and Gardiner (2007) points to a lack of research evidence in the human resources literature on the cost/benefit and travel savings associated with telecommuting, which is defined as "undertaking work normally performed in the usual office work site in a home, satellite office, client office, or neighbourhood work center" (p. 3). Of the 'Top 100' companies in Australia, which engage more than 1 million employees, 55 had no home-based employees and the majority of firms who did have home-based employees reported that these were women working in a temporary arrangement, usually following maternity leave. Only 11 organisations reported a formal policy supporting home-based workers. Even in a sample of organisations in which telecommuting would seem a highly reasonable option, approximately half had no employees working from home unless under a short-term, individually negotiated arrangement (Bergman and Gardiner 2007).

Five practices were employed to a minor extent (less than 30%), including phased retirement options, compressed work week, annualised hours, 48/52 work arrangements and dependant contractors. The researcher could not find evidence of the prevalence of these practices in previous SME studies.

Overall, the findings indicate that the majority of Queensland SMEs are not currently utilising the full spectrum of employment flexible practices. When considering that flexibility is even more important in smaller businesses (particularly service enterprises) that cannot afford the luxury of carrying surplus labour to deal with peaks in customer contact workload and cannot afford reward strategies that do not promote employee performance (Hortsman 1999), this finding could be interpreted as somewhat surprising.

Appiah-Mfodwa, Horwitz, Kieswetter, King and Solai (2000) argue that most employers adopt flexible work practices as a means to achieving greater operational efficiency and others as a means of retaining or motivating their staff, and building a family or team culture. Furthermore, Pfeffer (1998) and Mishra, Ishak and Mishra (1994) assert that the only enduring competitive advantage is a high quality well-motivated work force willing to work as a team with a long range objective to increase productivity and regain

competitive advantage. Flexible work practices should therefore be viewed as a source of competitive advantage, and not as a 'quick fix' for operational inefficiencies.

It is difficult to establish a clear link between workplace flexibility and performance measurement (Appiah-Mfodwa et al. 2000). This lack of performance measures that can be linked to flexible practices could hinder the implementation of some forms of flexibility like job sharing and telecommuting, which rely on an organisation's ability to track the performance of individual employees. Appiah-Mfodwa et al. (2000) argue that measures other than financial ones need to be developed to facilitate the implementation of all forms of flexibility available. They suggest the balanced score-card measure as one possibility. However, the absence of a HR manager in half of the sample of SMEs makes this a very difficult goal to achieve.

5.5.2 Strategic Interventions

Similar to employment flexible intervention, the findings indicate a moderate profile in relation to strategic change interventions. Five types of strategic change interventions were measured in this study, including: productivity improvement practices; re-engineering practices; quality practices; transorganisational development practices; and business expansion practices.

The results show that all of the *re-engineering practices* (with the exception of system change which was employed by 70 percent of SMEs) were prevalent to a moderate extent (practiced by 30% to 70% of QLD SMEs). Francis and MacIntosh (1997) suggested that business process reengineering, with its emphasis on obliterating old functional structures, will naturally result in a more horizontal, process-oriented structure. Hammer seems to support to this view and is quoted as saying that he believes the most important thing about re-engineering is the notion of a process-oriented organisation (Watts 1994b). However, it may be that moving from a wholly functionally-based organisation to a wholly process-based organisation, would simply be the equivalent of moving from vertical to horizontal walls or barriers (Francis and MacIntosh 1997). Hammer also claims that if BPR is treated as a one-shot event, the enterprise has learned nothing (Watts 1994b). Further to this argument Francis and MacIntosh (1997) argue that part of the outcome of a BPR exercise

should be the creation of an enterprise that expects continual change and learning. The re-engineered corporation is a learning organisation.

Productivity improvement schemes and *quality management* practices are important for SMEs for a variety of reasons. Firstly, small firms supply products and services to large organisations and most of these large organisations feel the pressure to increase their level of quality owing to the increase in national and international competition, ever demanding customers, or governmental purchasing rules (Temtime 2003). Secondly, research has shown that quality contributes to improved performance and results of SMEs (Sturkenboom, van der Wiele and Brown 2001). Of the eight productivity improvement schemes and quality management practices, five practices were employed by less than 40% of Queensland SMEs, including productivity improvement schemes; best practice (with overseas companies); TQM; quality programs; and benchmarking. Significant increased production levels; quality problem solving teams and best practice (Aust companies) were employed by between 50% and 60% of Queensland SMEs.

The survey in this study only focused on the prevalence of a few quality practices in SMEs and the findings of Brown (1998) and van der Wiele and Brown (1998) are therefore particularly useful to complete the picture regarding quality in SMEs. They found that generally SMEs do not introduce formal quality management initiatives unless there is strong external pressure. In relation to setting up a quality system such as ISO 9000, SMEs generally do only what is necessary to get the certificate and nothing more and quality principles are generally practised in an informal manner in smaller organisations.

Implementing practices such as total quality management (TQM) and advanced manufacturing technologies (AMT) have pros and cons. Mulhaney, Sheehan and Hughes (2004) who solely looked at quality issues in a single SME, found that owner/managers believed ISO and TQM are too expensive and labour intensive because staff members are usually fully committed to their everyday work. Mulhaney on the other hand, believed that if third party consultancy (TCS) mentored the implementation of quality practices and maintain ISO standards, it not only would be achievable but beneficial for the organisation's strategic position on the global stage. Furthermore, a three year study into strategic change issues in 300 UK SMEs (Thomas, Barton and John (2008) examined the implementation of Advanced Manufacturing Technologies (AMT). It was found that the

effective implementation of AMT does improve business performance and customer satisfaction thus giving a competitive edge in dealing with an ever changing environment, however SMEs in the main did not fully appreciate AMT. Their study also found that there was a distinct lack of management commitment owing to time and cost constraints in implementing AMT. Other constraining factors included limited human resources, funding, experience and poor time management. Thomas, Barton and John (2008) argued that this has predictably led to the failure of a developed and sustainable technology-oriented culture in those organisations.

Similar findings in relation to the lack of expertise in UK SMEs operating in a global market, was also noted by Gunasekaran et al. (2001). Gunasekaran et al. (2001) investigated strategic change issues within twenty-five UK SMEs including the implementation of computer integrated manufacturing. They found that the following factors had a significant impact on the successful implementation of these changes: the cross-functional and co-operation between SMEs; involvement of employees in product and process development; the issues of time, money, and support to upgrade their current manufacturing operations; the introduction of new technologies and methods; implementing better quality control systems; and improving workforce training were a significant factor in implementing the changes sort. These arguments were supported by Gray (2002), however firm size and the age of the SME were found to have a direct relationship to the successful implementation of any change intervention by the organisation.

Shenawy, Baker and Lemak (2007) argue that TQM requirements on SMEs in the USA have also impacted on their competitive advantage. They suggest that SMEs that embrace TQM along with building top management commitment /leadership, teams, training/education, and process efficiency in their organisations have experienced positive outcomes. However, it was determined that of these five elements, in particular leadership is most strongly associated with competitive advantage of SMEs (Shenawy et al. 2007). Even though leadership is a major factor in the success of a business, Kickul (2001) who studied 44 SME, concluded that the psychological contract which SMEs have with staff is a critical component of their human resource strategy in building a sustainable competitive advantage within a changing environment.

The findings indicate that SMEs employ some form of benchmarking to a moderate extent. Benchmarking in particular has been seen to have a key role in the quality management area (Cassell, Nadin and Older Gray 2001; Voss et al. 1994). While benchmarking is considered extremely beneficial, it is not simple and cost-free. Therefore, a number of researchers have concluded that an extensive benchmarking exercise, as developed for large enterprises, is not adapted to the reality and specificity of SMEs (St-Pierre and Raymond 2004).

Soderquist (1996) has identified the development of networks and partnerships as part of five critical success factors for improving performance in SMEs. The other four factors are: promoting a corporate culture; creating an effective structure; analyzing competitors; developing flexibility and speed of response to customers. This study found that the majority of Queensland SMEs employed the practice of alliances with skill/product providers. This represents a positive finding in the sense that research has shown that that a typical SME that engages in networking practice is more likely to achieve business excellence through the establishment of formal support systems such as job rotation, training and communication linkages, incorporation of diverse points of view, and learning from mistakes, than without these practices (2003). This is consistent with a study by the Australian Manufacturing Council (1994) which confirmed the importance of supplier management in contributing to firms' success, and identifies a global trend towards much closer supplier relationships across a wide range of industries. The study concluded that closer relationships with suppliers could contribute strongly to a company's performance across a range of areas, including the cost, quality, reliability and timeliness of input delivery. Supplier linkages can be a rich source of information on market developments, new technologies and competitor movements, as well as provide potential benchmarking partners or access to them.

The findings indicate that the two least popular change practices include two *business expansion practices*—sell equity in business and open the same business elsewhere. It has been argued that while high growth and expansion can be achieved by SMEs, one of the most important factors is the commitment of the owner/SME manager to achieving growth and/or expansion (Mazzarol 2003). In small firms where ownership and management are typically combined in one or two individuals, growth is simply not always an objective.

For example, an owner's desire to retain control, as well as personal lifestyle and family factors may play as much of a role in determining business goals as commercial considerations. Given the alternative attitudes of owners toward business growth and expansion, it is likely that this characteristic can be used to help distinguish between growth and non-growth firms (Dobs and Hamilton 2006). However, the objectives and personal desires of SME managers in achieving growth and/or business expansion feel outside the scope of this study.

5.5.3 Human Process Interventions

During the growth cycle of an SME in an expanding global market, Gregory et al. (2005) found that team building was seen to be a key element in managing this change. It was further determined that preceding these changes, owner-managers needed to develop skills and competencies in leadership, coaching and management before effective delegation and team building could take place (Gregory et al. 2005; Mazzarol 2003).

Participative leaders use groups that help to increase personal interaction between team members, mutual obligation and responsibility, bringing the team closer together as a group (Singh and Garg 2008). Participative leaders also often use formal and informal group meetings in order to facilitate the participation of subordinates in decision-making, which leads to improvement in communication and enables conflicts to be resolved (Deakins et al. 2005). 'Inclusiveness' would therefore be expected to back up consultation on a wide range of significant issues with the adoption of participative practices. However, earlier it was outlined that the majority of SME managers tend to use a non-consultative change management style. This section extends this discussion by focusing on the question of whether SME managers utilised human process interventions and practices involving employees in management decision-making. This was tested by examining the incidence of cross functional project teams, joint consultative committees (JCCs), self managing work teams and team building. Consultative committees tend to be formal mechanisms for indirect participation. The other three practices are direct systems of employee involvement.

All four team practices were practiced only to a moderate extent by Queensland SMEs (used by between 30% and 70% of QLD SMEs). Team building was the most popular, at

sixty-eight percent of respondents indicating they employed this practice, followed by self managing teams. Less than half the managers reported utilising joint consultative committees (JCCs) cross functional project teams. Other studies have indicated that consultative methods are far less formal and relatively unstructured in smaller organisations, both in Australia and elsewhere (Duberley and Walley 1995; Wright 1995; Bacon et al. 1996; Morehead et al. 1997). The results for JCCs were a significant improvement on the findings in AWIRS 1995 where 27 percent of private sector workplaces utilised joint consultative committees (Morehead et al. 1997). The proportion of respondents using any of the participative practices was not overwhelming.

The findings in this study in relation to teams as human process interventions could be an outcome of the management styles which SME managers predominantly employ or it could be that other types of team approaches are used in Queensland SMEs. For example, Miller (2003) found in a Melbourne study, that teams are very much a part of the culture of small firms in this western region of Melbourne, however, the teams tend to be very different to those described in the team literature. In none of her cases was there an attempt to achieve fully autonomous teams. However, regardless the types of teams which Queensland SMEs employ, a team approach could help to give employees a voice in processes, some autonomy, greater flexibility and a sense of being able to co-operate with colleagues more readily. What would be beneficial to these employees would be for each organisation to craft a unique approach to teams that suite their own needs, technology and culture.

In conclusion, could Queensland SMEs be described as stagnating or transforming? It is true that large organisations are more likely to have the resources, technical knowledge and skills to implement organisational change programs and it is also true that the term 'stagnant' could be used to label some SMEs, but the results presented here indicate that it would be inaccurate to assume they were the norm in the SME sector. There are, however, factors that indicate that a 'transforming' label assigned to SMEs may not be appropriate. Fifty one organisational change interventions have been examined in this study. Eight interventions were adopted at a high level, 34 at moderate level and 10 at a low level. According to these results, SMEs have only a moderate affinity for a 'transforming' scenario. There are shades of transforming (8 practices) as well as 'stagnating' (10 practices). However, one very positive trend is the achievement by the majority of SMEs of

change objectives pursued (as discussed earlier). Nevertheless, the fact that the mental models of Queensland SMEs favoured managerial prerogative is of more significance for the effectiveness of both the management of employees and the performance of SMEs, given the links between participation and the performance of firms. The claims made for employee participation relate to SME performance: first, that it leads to increased employee satisfaction; second, that improved productivity follows; and, third, that it promotes improved rationality and legitimacy leading to greater effectiveness of management decision-making (Vaughan, 1991). Participation can provide a means for management to improve efficiency within the organisation, create industrial harmony between management and employees, and provide a forum for grievance resolution as well as constitute a means towards industrial democracy within the organisation (Salamon 1987). In their study on the prevalence of HRM practices in Australian SMEs, Wiesner and McDonald (2002) found a low level of participative management in SMEs. The results of this study, confirm this finding. Therefore the 'transforming' label is clouded by the finding that the majority of SME managers pursued almost all (with the exception of one) objectives through management initiative instead of consultation.

One critical factor to the perceived success or failure of company change initiatives is people, but Dawson (2001) argues that what is perhaps more controversial is that it is the narrative or stories of change that count. A mismatch between the rhetoric of participation and empowerment and the lived experience of employees lead to a set of competing narratives that will serve to shape employee attitudes and behaviours. In much of the critical literature on modern change initiatives, it is this mismatch between the casting of a management tale on how to improve competitive advantage while simultaneously improving working conditions (the culture-excellence school) and the lived experience of job intensification, a decline in job security and a labour context of declining trade union membership that raises doubts about the benefits of these changes for employees (Dawson 2001).

5.6 The impact of size on the nature and extent of organisational change in Queensland SMEs

Consideration of organisational size is like looking at two sides of a coin - sometimes it can be an advantage and sometimes it can be a disadvantage. Resources, markets, flexibility, leadership and structure can have advantages and disadvantages for the SME.

Banham (2005) outlined these advantages and disadvantages as follows:

Table 5.1: Advantages and Disadvantages of Unique Characteristics

Characteristics	Advantages	Disadvantages
Leadership	• High level of commitment to business success (Cecora 2000) • Daily involvement in operations should aid organisational change (McAdam 2000) • Leadership strength crucial to financial performance (Dunphy and Stace 1993)	• SMEs frequently have two or more leaders (Curran & Blackburn 2001) • Lifestyle and independence motivate start-up but may inhibit growth (Wilson 2002)
Markets	• Makes business networks crucial for export (Chetty and Campbell-Hunt 2003) • Can adapt to market changes as they occur (McAdam 2002, McDonald and Wiesner 1997) • Early warning for changes due to proximity (McAdam 2002 and de Geus 1999)	• More subject to changes in conditions (Todtling and Kaufmann 2001)
Resources	• Forced to innovate in different ways (Huang et al. 2002; Todtling and Kaufmann 2001)	• Barrier to exporting (Suarez-Ortega 2003) • Organisational Change more difficult (McAdam 2002) • Innovation more challenging (Wind and Main 1998 and Freel 2000)
Flexibility	• Personal contact with other economic agents (Cecora 2000) • Assist in implementation of change initiatives (McDonald and Wiesner 1997)	• Long run efficiency difficult to achieve (Gelinas and Bigras 2004)
Structure	• Flatter structure facilitates communication (McDonald and Wiesner 1997)	• Large firms more likely to adopt Just-in-Time practices (White, Pearson & Wilson 1999)

Banham (2006)

It is clear that the issue of organisational size influences the dynamics associated with the unique characteristics of SMEs. Furthermore, the literature has explored the impact of size on HRM and change practices.

One of the major themes running through employee management research in SMEs is the 'formal' versus 'informal' debate. On the one hand it is argued that SMEs are characterised by informal employee management practices (Kotey and Slade 2005; Marlow, 2000) even though small firms are utilising workplace innovations (Bartram

155

2005). The argument is also made that an informal approach to employee management is more suited to small firms because this flexibility assists them in coping with environmental uncertainty (Hill and Stewart 1999). However, according to Golhar and Deshpande (1997) informal employee management practices are the result of a lack of foresight and resources in small firms and that one explanation for firm-size differences in practices is a lack of understanding of employee management issues. Barrett and Mason (2007) argue that while the informal and ad hoc nature of planning in small firms, in terms of business strategies, employee management and change, contributes to the difficulty of developing a strategic approach to employee management and change. Dyer (1993) and Pfeffer (1994; 1998) argue that a strategic approach to managing employees is vital for the success of all firms, including small ones (Deshpande and Golhar 1994; Heneman, Tansky and Camp 2000; Hornsby and Kuratko 2003; Rutherford, Buller and McMullan 2003). On the other hand, it has been argued that employee management in SMEs is characterised by a greater extent of sophistication in employee management and change practices than would be expected (see, for example, de Kok and Uhlaner 2001; Duberley and Walley 1995). In addition, arguably, small firms lack the kinds of institutional forces which drive structural inertia in large firms (Chaston 1997; Gibb 1997; Hendrickson and Psarouthakis 1998). Overall, the 'formal/informal' debate raises as many questions as it answers. It is difficult to determine if such concepts are truly mutually exclusive (e.g. flexibility may help to drive strategic selectivity of formal practices).

Alternatively, there have been contradictory positions on the nature of managerial control and employee flexibility in SMEs. First, there is the argument that there are much more harmonious working relationships in SMEs than in larger firms since SMEs provide a better environment which has easier communication, greater flexibility and lower levels of conflict (Wilkinson 1999). This presents a "small is beautiful" scenario (Wilkinson 1999) or "bright prospect" scenario (Wiesner 2001). The 'family' atmosphere which often characterises the SME also contributed to this positive picture (Wilkinson 1999). Second, various studies address the question whether the applied employee management practices are implemented with a specific goal in mind and integrated with other employee management practices, or whether they are the result of legal obligations and ad hoc decisions. In other words, to what extent does the way in which these firms manage their workforce aim to satisfy purely normative employee management models? In this second argument, the way in which SMEs manage their employees resembles the "bleak house"

concept, where employment relations can be 'typified by direct management control, poor terms and conditions, high staff turnover and little training' (Bacon, Ackers, Storey and Coates 1996, page 82; Bolton Committee Report 1971). It is around this concept of "bleak house" which much debate has emerged. This issue has been discussed earlier in this chapter.

This study has formulated eleven hypotheses to inform the research question: What is the impact of organisational size on the nature and prevalence of organisational change in Queensland SMEs? The issue of size has cut across the themes presented in all five research questions. Two size groups were involved in the analysis − small on the one hand and medium size organisations, on the other.

In relation to the forces of change, the analysis suggests that organisational size is significant for the factors important in the introduction of organisational change, however, the results showed that size is not particularly significant in relation to the objectives pursued and achieved in the introduction of organisational change.

Furthermore, size is also not significant in relation to the extent to which the main change driver (change agent) in SMEs possess effective change management skills, and the mental models that Queensland SME managers espouse in relation to the management of organisational change. While further research should test these conclusions about the impact of organisational size on the mentioned issues, managers appear to bring perceptions to the role of managing employees and the organisation rather than have them shaped by organisational size.

In contrast with these findings, the analysis suggests that organisational size is significant for the prevalence of change interventions/practices. Although the analysis of employee management and change systems in the empirical literature tends for the most part to be inconclusive in its findings, there are some studies such as those by Wiesner, Banham and Poole (2005) and Gooderham et al. (1999) that confirm the hypothesis that larger firms would tend to employ change practices to a larger extent than their smaller counterparts, while others, such as those of Arthur (1992) and Galang (1999) claim that size has no effect on the introduction of such systems.

One of the reasons why organisational size is significant for the prevalence of change interventions/practices may have to do with the presence of a HR manager. Only 35 percent of small organisations reported the presence of a HR manager compared to 69 percent in medium organisations. Medium firms were also more likely to have a HRM department and the person in charge is therefore more likely to be an expert in the field. In small firms, however, the person in charge of these matters is also usually involved in other aspects of management (he/she may, for example, be a production line manager), which means that he is unable to keep up with the latest trends and developments emerging in this field of management (Ng and Maki 1993). This being the case, larger firms might be supposed to be more likely to implement the latest developments in HR management techniques, while smaller companies would show a lesser tendency towards innovation and be more likely to stick to a more traditional style of human resource management.

From the politics angle it might also be argued that firms where the implementation of organisational change practices are in the hands of professionals will differ as to the practices they adopt from those where this is not the case. The reason for this is that the professionals in question will be particularly keen to introduce practices that will enhance their own importance within the organisation (Bayo-Moriones and de Cerio 2001; Cohen and Pfeffer 1986).

Cohen and Pfeffer (1986) argue that larger organisations are also more likely to adopt employee management practices that will meet with general approval and be more favourably assessed by society. This is because they are more in the public view and have greater repercussion on their surroundings. They are obliged by outside pressure to prove themselves to be modern organisations, concerned about the welfare of their workers. (Shaw et al. 1993).

Bayo-Moriones and de Cerio (2001) argue that the economies of scale to be achieved by introducing certain practices into the management of human resources could provide an economic argument to suggest that they could be linked to organisational size. This may be the reason behind the fact that the most costly practices are more likely to be adopted by large-scale firms (Bayo-Moriones and de Cerio 2001; Schuler and Jackson 1996). These practices involve a much lesser economic demand on this size of companies, since they are able to distribute the cost over a greater number of employees. All this must be added to

the fact that the larger the firm the more resources would be at their disposal with which to carry out change interventions.

The literature also states that, on the whole, the larger the size of an organisation, the more developed its internal labour market and the less it will depend on the labour market (Pfeffer and Cohen 1984). This leaves larger companies with greater independence and freedom when deciding issues related to human resource. In small companies the case is quite the opposite, with the result that they are obliged to keep an eye on what is taking place in the labour market when deciding, for example, how much to pay their workers. Edwards (1979) offers a further argument relating to the impact of size on the way in which human resources are managed. Since the workforce in large firms is bigger, it is also inevitably made up of a greater variety of different individuals. This means that any attempt to control it will involve a greater need for bureaucratic procedures. The owner of the firm is not personally acquainted with each of his workers and therefore needs to rely on impersonal methods of control. This should imply that the larger the organisation, the greater the formality and complexity involved in dealing with the various areas of employee management and change.

Further to this argument Gooderman et al. (1999) reports that, owing to these impersonal tactics and the need for decentralisation that exists in large organisations, workers experience difficulty in identifying with the firm. This therefore increases the need to introduce practices designed to win the co-operation of the company's employees.

The foregoing arguments act as reasonable explanations for the more widespread implementation of change interventions in medium organisations compared to their smaller counterparts.

5.7   Implications for Practice and Policy

The potential applications from this research relate to both policy and practice and they are discussed in the following sections.

5.7.1 Implications for SME managers

In order to overcome resistance to change the SME manager must create the proper attitude and flood the organisation with communications about the change. SME managers must also set a good example, solicit opinions from employees and reward acceptance (Folger and Scarlicki 1999). Hendry, Arthur and Jones (1995) suggest that leaders must be able to articulate the rationale for their strategy of change and be prepared for anticipated normal resistance. In a more comprehensive theoretical approach, Armenakis, Harris and Field (1999) suggested seven very specific influence strategies that should prove very useful to SME managers in the implementation of change. They cited where these strategies have been applied in practice. The strategies include persuasive communication, participation by those affected, alignment of human resource management practices, symbolic actions, diffusion programs, management of internal and external communications, and formalisation practices. However, if ideas behind modern change initiatives, such as the development of high-trust and collaborative relationships, are seen by employees largely as management rhetoric rather than as reflecting their own lived experience, then serious questions need to be asked about the strategic purpose of continuing to engage in an ever growing raft of such change initiatives.

SME managers need to move beyond the search for simple, generalisable solutions or recipes for success, accepting that change is a complex dynamic within which employee attitudes and future expectations will be shaped. As such, the pursuit of organisational change should not simply serve a drive for competitive advantage (often resulting in a deterioration of employment conditions), but, rather, it should accommodate the needs of employees, who should also directly benefit from these change initiatives. The advantages of involving employees in change initiatives are numerous. The agenda in Australian SMEs therefore needs to be shifted away from managers/company-driven change (with rhetoric of employee involvement) to genuine and greater employee participation in change initiatives.

Because SME managers tend to exercise managerial prerogative in introducing organisational change they need to reflect critically on the nature of any changes proposed. Apart from being able to identify when to change and when not to change and steering

change in particular directions, they also need to assess attitudes and behaviour of employees in introducing change initiatives. Fads and fashions should not dictate the nature and pace of change. Attention should focus on broadening participation, giving employees a say in the introduction of new change initiatives so that they do not see themselves as merely 'victims' in a never-ending barrage of reactive and externally driven change initiatives and management fads.

Change practices are only moderately represented in Australian SMEs. Taken together with low participation of employees in the decision to employ these changes, low levels of union membership, a low presence of specialist HR managers in SMEs and that the finding that the majority of SMEs that do have written strategic plan don't use it to develop operational plans and drive day to day operations; a 'transforming' scenario is unlikely. An added understanding of current change practices may also be useful in solving the problem that many small business owners may not even recognise their own failure to deal with organisational change issues.

Furthermore, questions concerning the substance of change raise a number of practical concerns over how to successfully manage organisational change. Two elements of particular importance centre on understanding what the change programme is about (for example, what are the main constituents of the new technology or management technique) and also, ensuring that employees who have to adopt to new working practices (the changing context) are adequately trained in the use of new equipment, techniques and/or procedures. Considerable time and attention should be given to the substance of change in terms of the technical, financial and human implications of change for the organisation. This includes the need to appraise technical requirements against existing techniques and technologies, and the development of appropriate implementation and training programmes within the financial constraints set by the company. This should involve discussions and decisions on work organisation, on who are going to be the major implementers, and how the process is going to be managed.

For most SMEs the initial years of company foundation require them to be 'micro-managers', constantly engaged in the everyday details of the business (Mazzarol 2003). In the first one to three years of operation, companies founded by one or two owners are largely dependent on these owners for their survival. However, as the business grows and

becomes more mature, it is necessary for the owner(s)/manager(s) to develop a team and learn to delegate. Formichelli (1997) describes the problem as 'nanomanagement' and points to the risks of the owner failing to break free from the constant micromanagement associated with the early stages of the firm's lifecycle. These risks include a lack of time for the owner/manager to undertake important planning and business development tasks, failure to get the best out of their people and owner/manager 'burn-out' under the work pressure. Smith (1992) has highlighted the need for fast growing companies to develop good teamwork and delegation skills among senior managers. Baker (1994) also emphasizes the importance for CEOs to empower their team by learning how to 'step back' and let empowerment take effect. As he explains, to abdicate responsibility completely is a recipe for disaster as control can be lost. Meddling around with teambuilding frequently fails because subordinates are not permitted to have real authority. What is needed is a manager who is able to adjust his/her style to what the situation requires (Dunphy and Stace 1993) and not just predominantly rely on one particular style of change management.

Finally, it has been argued in the literature (Dawson 2001) that whilst it is possible to identify guidelines there are no simple recipes for success. The management of organisational change is a political process, which cannot happen overnight, but takes time and will ultimately involve a range of political players who may shape the speed and direction of change at certain critical junctures during the process.

5.7.2 Implications for Policy

Two different approaches to small business policy are distinguished: the competitive approach and the coordinated approach (Parker 2002). The competitive approach is illustrated by Australia's small business policy regime, which has relied on the provision of financial incentives and the re-instatement of market relations, where they had previously been eroded through government regulation. Rational profit maximisation is regarded as the driver of entrepreneurship and innovation. Market relations are perceived as promoting entrepreneurial behavior, Australia fits within this approach, as it has sought to rely on cost competitiveness and market incentives in the promotion of small business (Parker 2000). This approach to small business policy is consistent with the institutions and values of a

competitive business system (Hollingsworth and Boyer 1997; Soskice 1999). The competitive model, typical of the United States, is regarded as conducive to success in industry sectors characterised by rapid and radical innovations or dominated by new firms, including defence, computer systems, and finance and business services (Hollingsworth and Boyer 1997; Soskice 1999).

In contrast, the coordinated approach incorporates a concern with networks of firms and industrial actors. This approach adopts the view that the behaviour of small firms is influenced by the social context within which they are embedded, often involving relationships either with other small firms or with large firms and linkages with customers and suppliers, trade associations, research institutions, or vocational training bodies. This approach to small business policy reflects a view that the institutional environment within which small firms are embedded impacts on their dynamic nature. The behaviour of economic actors and their strategic orientation is affected by social relations. In respect to innovation, coordinated and competitive models are thought to give rise to quite different innovative capacities. The coordinated model, typical of Germany and Sweden, is regarded as being oriented toward incremental innovations, particularly in medium-technology industries (Streeck 1996; Carlsson 1996; Matraves 1997). The focus of innovation in this model is on the development and application of new technologies to existing production activities, as opposed to the development of new products and processes (Soskice 1999).

Parker (2002) identifies several characteristics of Australian small business policy which provide the basis for its categorisation within the competitive approach.

Table 5.2: A Categorisation of Small Business Policy Regimes

Competitive	Coordinated
Market relations	**State coordination**
• Motivate economic actors to engage in high-risk activities through market incentives (typically profits). • Deregulated labor market allowing for wage differentials—high wages in new and rapidly changing industries and low labor costs in low wage industries. • Lower taxes which are regarded as interfering with rewards for entrepreneurial activity. • Reform of administrative requirements which are viewed as imposing unnecessary costs on business	State-sponsored institutional framework for the purpose of— • Establishing communication channels between firms and with the state. • Coordinating economic actors, including small business, in the pursuit of objectives determined through public negotiation. • Identifying common goals. • Consolidating disparate interests. • Managing risk and uncertainty.
Firm autonomy	**Social embeddedness**
• Emphasis on individual entrepreneurs and risk takers as basis of small business competitiveness. • Utilization of management training and skills development for small firms to enhance entrepreneurial skills and culture.	• Emphasis on fostering relations between small firms, with large firms or other institutions including technology, research, and training institutions. • Encouraging networking for research, marketing, information sharing, product or technology development.

Source: Parker (2002)

Parker (2000) argues that in countries such as Germany and Denmark, the more coordinated business system to be oriented toward success in medium technology industries, while in Australia services sector industries might perform well under the competitive system.

In terms of the Queensland context, creating and supporting a competitive SME business environment should be the key priority for the government's economic agenda in view of the national significance of SMEs. Even though several grant schemes are currently operational through agencies such as the Department of Tourism, Regional Development and Industry and Trade Queensland and the Industry Capability Network (ICN), *several implications for policy* could be suggested in view of the findings of this study.

1) It has been argued in this study that most employers adopt flexible work practices as a means to achieving greater operational efficiency and others as a means of retaining or motivating their staff, and building a family or team culture. Furthermore, the only enduring competitive advantage is a high quality well-motivated work force willing to work as a team with a long range objective to

increase productivity and regain competitive advantage (Pfeffer 1998). Flexibility is even more important in SMEs (particularly service enterprises) that cannot afford the luxury of carrying surplus labour to deal with peaks in customer contact workload and cannot afford reward strategies that do not promote employee performance (Hortsman 1999). The findings indicate that the majority of Queensland SMEs are not currently utilising the full spectrum of employment flexible practices. It could be that Queensland SMEs are not aware of the potential which employment and human process flexibility could present, both as an advantage to the firm and as a medium for enhanced family friendly practices. It therefore would be beneficial if the Queensland Government through its agencies such as the Department of Tourism, Regional Development and Industry could educate SMEs in the various employment and human process flexibility options and provide them with guidance on the benefits, risks and implementation of these practices.

2) The uncertain and potentially volatile demand in most manufacturing SMEs and the difficulty to anticipate the volume and type of products that will be demanded in a given point in time may prevent SMEs from planning their production levels accurately. In response, innovative firms could counterbalance this volatility through flexibility policies. Once again the Government through their agencies could provide templates for SMEs in relation to these types of policies. This could enhance the capability of SMEs to expand and lessen its productive size according to market shifts and it could grant innovative firms significant flexibility and high responsiveness by the time their reliability consolidates.

3) The findings show that Queensland SMEs did not have a particular strong profile in relation to productivity improvement and quality interventions. It would therefore be beneficial if the promotion of organisational change practices which are focused on productivity improvement and quality could become a function of the Queensland government's stimulation and development of innovations, as well as the adoption of new technologies in Queensland SMEs.

4) Commercially, globalisation entails the free mobility of goods and services at a larger scale of knowledge-intensive product units than ever. The findings indicate that the desire to compete globally did not feature as an important factor in the decision to introduce organisational change. However, increased competitiveness

has been the dominant objective pursued by Queensland SMEs. It may be that some SMEs may have the scale but not the knowledge intensity needed to compete internationally and take part from the benefits of international commerce. The continued development and advancement of export capabilities through agencies such as Austrade is therefore of critical importance in achieving the objective of increased competitiveness.

5) Further to the issue of globalisation, another implication for policy makers in Queensland is that the key to benefit from globalisation – is to find out a proper way to increase the competitiveness of local regional SMEs and foster strong entrepreneurial activities within smaller regions within Queensland. However, this effort will require the strengthening of social, institutional and entrepreneurial capital. This means obtaining a better balance in the equation: 'Influence of globalisation = Emergence of regional localisation'.

6) As mentioned before, several Queensland government agencies are awarding grants to SMEs. However, another policy implication may be that a change in paradigm is necessary. A paradigm shift from one which is based upon exploring sources of national comparative advantage, to one in which diversified economic activities and innovation take place at local levels at a greater extent. And, from one where productive investment depends on large companies, to one in which SMEs and local entrepreneurs play a much more significant role in the transformation of local industrial structure towards the production of knowledge-intensive goods and services.

7) Another implication for Queensland policy makers is that local regional economic development entails the promotion of conditions that contribute to the strengthening of local regional SMEs' competitiveness, as well as the orientation of the local regional economic activity towards domestic and international trade. This is by far one of the most difficult challenges for both national and local regional authorities (policy makers) who may be concerned about the excessive dependence of national and local regional firms upon the domestic market.

8) Competitiveness could work as a bridge between the global, regional and even national demand for products (in terms of quality, quantity, variety and pricing). However, although competitiveness is a cross territorial notion, the economic

activity that provokes it is usually a regional localized one. Therefore ways need to be investigated as to how the local region could best benefit from this economic activity.

9) In this study Queensland SME managers pursued organisational change not only to strengthen services to customers/clients, but to improve competitiveness, labour productivity, internal communication, decision making, employee commitment, employee consultation and labour flexibility, and also to reduce labour costs and absenteeism rates. Even though SME managers reported the achievement of these objectives to a large extent, the real impact of these benefits at the end of the change process would be affected by the influence strategies used by SME leaders to encourage adoption and implementation of the change. These influence strategies affect employees to adopt the appropriate behaviours that translate into organisational gains. If the best influence strategy is identified and used to send the appropriate messages about the change, the organisation should move successfully through the change process and reap the desired benefits. This study has found that Queensland SME managers do not consult their employees to a great extent in decisions regarding change. In view of this finding much could be done to educate SME managers in making the shift from being 'hands on' and micro managers in the initial years of the company to becoming team managers and learning to delegate as the business matures.

10) Much could be done to create stronger regional SME communities of practice such as the creation and promotion of Strategic Innovation and change forums and think tanks. The idea is to create regional SME hubs of activity which focus specifically on the management of change and innovation. These think tanks could also be involved with the setting of new state government priorities and programs/policies.

The following more specific operational recommendations are suggested:

1) Develop, and publish a set of benchmarks comparing the key components of our business environment to those in competitor countries in a high profile way.

2) The expansion of efforts to provide information on good practice in employment relationships tailored to SME business owners and managers, preferably endorsed

by employer organisations, be made more readily available and be better promoted. This should include easier access to educational material and to support mechanisms (for example, free access to experts and knowledgeable people who can provide practical and balanced advice to employers or employees on handling employment disputes).

3) Compensate employers (either tax credit or grant) for the costs of every employee they have in formal training and for specific innovative productivity improvement practices.

4) Improve existing and develop an innovative web-based business centre that provides: access to commercial business systems software for the better management and running of a small business; and a seamless interface with information from businesses, making communications and information collection easier between government and SMEs.

5) Require persons offering services as business brokers and consultants to have specific training and qualification/licensing.

6) Compare financial and non-financial support offered to SMEs by other economic development agencies in a representative selection of overseas market places and consider where the support offered by Queensland government agencies could be improved in order to enhance and maintain Queensland SMEs' competitiveness.

7) Improve existing and develop innovative easy-to-use online checklists/guides/case studies that alert Queensland SMEs to the risks of internationalisation and ways to mitigate those risks.

8) Draw more extensively on Queensland SME researchers and small business to produce publications that give practical and implementable advice and support for SMEs to manage change better in their organisations.

5.8   Directions for Future Research

Some directions for future research have been identified during the process of developing this thesis. This section summarises some of these.

One of the themes in this research has been the issues of change management styles. Comparative research on change management styles is generally inconclusive regarding the role of gender and whether female and male managers differ in relation to

management. Furthermore, most gender studies in relation to management issues have occurred in large organisations and very few studies specifically focus upon gender differences in small business management.

As argued earlier in this chapter, the literature indicates that the presence of a HR manager could have an impact on the implementation of change interventions. The role of a HR manager would therefore be a worthy topic area to pursue.

Despite a growth in international strategy research in SMEs, only a few Australian studies have explored the nature and extent of strategic approaches in SMEs. (see Gibson and Cassar 2002; 2007; Kotey and Meredith 1997). Within the context of the topic area of organisational change, it would be worthwhile to conduct a further analysis on the current data to determine the impact of strategic planning on change interventions.

In order to assess whether or not the types of changes being experienced in Queensland SMEs are regionally aligned or relate to the SME environment in Australia, it would be necessary to expand the research to other regions within Australia.

This study represents only a snap shot in time and many of the dynamics associated with the findings have not been explored because survey research has been utilised as the sole methodology. It would therefore be essential to follow this research with more qualitative types of research such as in-depth interviews and focus groups. These types of methodologies would go a long way to offer much better quality explanations for some of the findings in this research.

It would be beneficial to build up time-series data in relation to the SMEs that participated in this study. Conducting similar follow up surveys in the future would enable tracking the changes within these SMEs regarding change management issues.

Furthermore, the issue of the impact of change interventions on firm performance is an area that has not been explored in the Queensland context. Adding this dimension to follow-up research would enable further explanations regarding the effectiveness of change interventions in Queensland SMEs.

Finally, small business research is truly a cross-discipline research (Curran & Blackburn 2001) area. A greater degree of collaboration across disciplines would make a valuable contribution to enhancing knowledge about how SMEs could fulfill their role as drivers of economic growth.

5.9   Conclusion

One important theme throughout this study has been the issue of change management and how managers lead their organisations in the process of organisational change. Researchers have found that the drive to invest in new improvement programs is influenced mainly by senior management, regardless of firm size (Schroder and Sohal 1999). Leadership plays a significant role in framing organisation strategy (Egbu et al. 2005), benchmarking of performance (Deros et al. 2006) and in shaping the quality focus of companies (Sila and Ebrahimpour 2005). Firms whose managers have been able to make shift in their business paradigms and are open to create change and to incorporate new business practices have been able to match multinational competitors (Vargas and Rangel 2007).

Furthermore, the ability to anticipate, respond and adapt to a changing environment is crucial to the survival of SMEs.   The challenge for SME managers is to develop organisations which can achieve such an advantage through recognition of the implications of a turbulent environment and creation of organisational systems that facilitate flexibility, innovation and speed (Dunphy & Stace 1992). These pressures, together with the low inclination of SME managers to pursue organisational change through consultation, which might improve employees' contributions to the performance of the firm, may mean that managers in Australian SMEs are ignoring change strategies which can contribute to effective competition in the marketplace.

The unique characteristics that distinguish SMEs from large organisations plus the evidence that SME managers overwhelmingly pursued organisational change through management initiative reiterate the need for SME managers to pay close attention to the key organisational activities of information gathering, communication, and learning that allows various elements of organisational change to operate successfully *(*Bamford and Forrester 2003). If, as suggested by Bamford and Forrester, 2003, organisational change is

emergent in nature, it would benefit SMEs to take note of what various authors have to say about organisational change (Pettigrew 1985, 1997; Dawson 1994; Wilson 1992): organisational change is a continuous process of experimentation and adaptation aimed at matching the organisation's capabilities to the needs of an uncertain environment; although this is often achieved through small-scale incremental changes, over time these can lead to a major reconfiguration and transformation of an organisation; the role of managers is not to plan or implement change, but to create an organisational climate that encourages experimentation and risk-taking, and to develop a workforce that will take responsibility for identifying the need for change and implementing it; and although managers are expected to become facilitators rather than doers, they also have the responsibility for developing the common purpose that gives direction to their organisation, and within which the appropriateness of any change could be judged.

In this study Queensland SME managers pursued organisational change not only to strengthen services to customers/clients, but to improve competitiveness, labour productivity, internal communication, decision making, employee commitment, employee consultation and labour flexibility, and also to reduce labour costs and absenteeism rates. Even though SME managers reported the achievement of these objectives to a large extent, the real impact of these benefits at the end of the change process would be affected by the influence strategies used by SME leaders to encourage adoption and implementation of the change. These influence strategies encourage affected employees to adopt the appropriate behaviours that translate into organisational gains. Presumably, if the best influence strategy is identified and used to send the appropriate messages about the change, the organisation should move successfully through the change process and reap the desired benefits.

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