
THE LINK BETWEEN SKILLS MANAGEMENT AND STRATEGY IN SMEs

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Abstract: The modalities of articulation between strategy and skills management have been the subject of numerous studies, since 1959. The synthesis work which identifies three models of relationship between skills management (deduced, emergent and mixed) is very enlightening in this respect and will constitute one of the bases of our theoretical framework. The links between strategy and skills management: deduced, emergent and mixed model. The classic approach: the deduced or top-down model. The deduced or top-down model refers to the classic approach to strategic management developed in particular. This is a vertical alignment process in which we will first formulate a competitive strategy and then determine the individual skills necessary to implement this strategy. In this context, HRM is understood in its traditional conception (namely a support activity whose *raison d'être* is to facilitate the implementation of a strategy determined upstream). The main challenge for the HR function is to identify, develop and mobilize at the right time the skills required to support the strategic options chosen. In this first model of articulation, it is therefore the strategic decisions which influence HR policy, in particular the management of individual skills, in a downward relationship.

Keyword: Skills management, strategy management, SMEs, HR, GRH, PME.

1. THE RBV APPROACH: THE EMERGING MODEL

The emergent model refers, for its part, to the theory based on resources or Resource Based View (RBV). This trend was gradually built in the field of strategy from the founding work of Penrose which notably highlights that the development of the firm is contingent not only on its external position but also on its internal resources therefore calls for weighting the absolute attractiveness of a given industry by the specific resources of the company. The resource approach, widely disseminated following the work of Prahalad and Hamel (Prahalad, C. K., & Hamel, G., 1990), has thus acquired a preponderant place in the field of strategic management. It views the organization as a constellation of resources whose idiosyncratic character explains the heterogeneity of firms. In this context, sustainable strategic advantages are based on the company's ability to acquire and control resources that are "rare, valuable, imperfectly imitable and difficult to substitute". Although one of the most cited and influential approaches, the RBV is not free from criticism.

Authors like Kraaijenbrink particularly highlight the indeterminacy that hangs over the nature of the resources that are at the center of these approaches. In his founding article, the same authors considers that resources refer indifferently to assets, capabilities, organizational processes, information and knowledge. More generally, the RBV approach does not address, or in a very marginal way, competence from an individual perspective but as a strategic capacity, through the notion of key competence or organizational competence.

2. THE MIXED MODEL

The mixed model aims to integrate the two previous models by reconciling the internal and external dimensions of strategic management. This integration is far from insurmountable to the extent that the RBV approach is not initially intended to replace traditional approaches. Even goes so far as to consider them "as two sides of the same coin". Strategic assets are thus based on a joint analysis of internal resources and strategic environmental factors. Voss and Brettel will take this conciliatory perspective further by proposing to understand strategy and skills management through a mixed model based on a dual of alignment and investment. The first process aligns individual skill needs with strategy from a top-down strategy perspective (Voss, U., & Brettel, M., 2013). In the second process, it is the skills held which influence the future strategies of the company (emerging or bottom-up model). The strategic perspective is then proactive. In this context, strategy is generally approached as having the capacity to combine short-term decisions aimed at aligning with major strategic orientations and long-term decisions based on investment in the company's skills (Voss, U., & Brettel, M., 2013).

Voss and Brettel, reread the work of Bayad and Nebenhaus, and clarify their scope in the particular context of SMEs. Based on an exploratory case study of an innovative SME in the tourism sector, their analysis highlights in particular that the strategic management model adopted by this company is based on a mixed model. On the other hand, unlike the work of Guérin and Wils (Guérin, G., & Wils, T., 2002), the analysis carried out in this SME underlines that the emergent and deduced models are not carried out simultaneously but sequentially. Indeed, the innovation process initially goes through three phases relating to the emergent model (bottom-up) then through three other phases relating to the deduced model (top-down). This work, focused on the strategic management of skills in

SMEs, seems particularly enlightening for understanding our field of action research. To what extent does this link between skills management and strategy also relate in our field to a mixed strategy and the same type of sequentially? The question arises to the extent that the case addressed by) focuses on a particular type of SME (SMEs) and within the framework of an innovation process, which is not the case of our research field.

3. THE KEY ROLE OF THE LEADER: DYNAMIC CAPABILITIES AND VISION

Beyond the modalities of interactions between skills management and strategy, the literature focused on HRM in SMEs highlights the key role played by the manager via his strategic vision and dynamic capabilities.

4. PREDOMINANCE OF THE MANAGER'S STRATEGIC VISION

Numerous studies highlight the key role that HRM plays on the competitiveness of SMEs. HRM practices will thus have direct effects on productivity, but also indirect effects by impacting motivation, turnover, adaptation to the environment, the effectiveness of managerial control.

If a link thus seems established between HRM in SMEs and performance, the latter does not necessarily refer to purely financial performance; it can be social with a view to heritage transmission and sustainability (Messeghem, K., 2021).

Most authors who study SMEs note the impossibility of discussing their management while avoiding the question of the weight of managers. Like other functions in SMEs, HR is strongly linked to the manager. The omnipresence of the manager, reinforced by the limited number of employees and resources available, leaves little room for maneuver in the implementation of elaborate and formalized HRM reveal a paradox in the matter. In addition, as soon as HR decisions affect strategic aspects, the manager tends to consider that they fall under his prerogative and not HRM. There is therefore often a form of confusion between HRM and strategy. Finally, to the extent that the effectiveness of SMEs often lies in their flexibility and speed of response to changes in the environment, too much formalization of company strategies (standard strategic planning) could lead to detrimental rigidity or go against the cognitive logic of the manager. The latter refer less to the objective reality in which the manager finds himself than to the subjective representation that he constructs of this reality according to his own system of values. The concept of vision appears particularly useful in clarifying the decisions and choices of SME managers, particularly in terms of HRM (Bayad, M., & Nebenhaus, D., 2012). The manager's vision is defined as a cognitive product made up of a network of concepts considered important for the future of the company and guides the manager's choice. Some underline the existence of links between vision, strategy and performance whether in large companies or SMEs and others show in particular that vision and growth of SMEs maintain reciprocal relationships which require costly learning capabilities and new cognitive resources.

This predominance of the vision of the manager, himself often an entrepreneur, means that the literature dealing with the link between entrepreneurship and HRM which has emerged in recent years is enlightening to understand the problems of SMEs on these questions (Barrett, R., & Mayson, S. E., 2007).

5. DYNAMIC CAPABILITIES AND STRATEGIC HR MANAGEMENT OR STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM)

In order to be able to seize new opportunities, SME managers must be able to quickly change the way they do things. Thus access to competitive advantages is not based solely on the possession of specific assets and resources but on dynamic capabilities in the sense of Teece and all (Fabi, B., Lacoursière, R., Raymond, L., & St-Pierre, J., 2010). Fabi and colleagues underline, in the context of an analysis of more than 180 Canadian SMEs, that HRM holds a special place among dynamic capabilities. Their results thus show that the productivity of these SMEs is predominantly influenced by HRM practices directly and indirectly via R&D processes and manufacturing technologies (Zahra, S. A., Randerson, K., & Fayolle, A., 2013).

Some authors like Kotey and Slade or Kotey and Slade emphasize that SMEs are investing more and more in certain strategic HRM practices such as training and performance-based pay (Kotey, B., & Slade, P., 2005).

Razouk and Bayad note, based on a sample of 388 French SMEs, a global shift in practices from administrative HRM to strategic HRM, particularly in large SMEs, the finance and services and open internationally. On the other hand, for small businesses and the manufacturing sector, administrative practices predominate. However, the two authors qualify this development by emphasizing that awareness of these strategic HRM issues by managers does not mean that this constitutes a priority for them (Barrett, R., & Mayson, S. E., 2007). A hiatus between strategic vision and HRM practices persists and requires support via an accompanying process, particularly when HR policy is considered to relate to the informal sector. These elements thus reinforce our choice to approach the problem with a research-intervention posture.

All of the work mentioned provides us with useful reading grids to understand the link between strategy and skills management within SMEs, but does not allow us to understand the way in which this link is translated into practice. It is through intervention research carried out within an industrial SME that we seek to shed light on this connection.

6. HISTORY AND ORGANIZATION OF THE COMPANY

The company, an Alsatian SME specializing in the design and manufacture of press tools, was created in 1971 by the current manager and two partners. Originally, the manager held the position of draftsman-designer of press tools. During a first decade of regular growth, the company gradually acquired efficient production equipment: electro erosion machining machines with numerical control, implementation of CAD and 3D design. During the second decade, the company diversified further downstream in its sector, into the coin minting sector. In 1997, following a payment default on the part of a major client, the company found itself in bankruptcy, having to survive by implementing a plan to settle the liabilities which had reached maturity in May 2008. During these years, the company put the issue of direct productive investments on hold, to concentrate on the implementation of computerized production management (GPAO).

At the time of our intervention, the company employed 19 people with an average age of around 40 years. There was no organizational chart or formalized structure, with relationships relying on both direct supervision by the management team and mutual adjustments. Manager: “with us, everyone knows their job and knows who to contact when there are problems”.

The company has many characteristics of a classic family industrial SME (organic structure, desire of the manager to develop human capital through the involvement and development of employees, etc.).

In practice, the manager was supported by an industrial director and also shared with him the function of salesman and business manager. For the rest, the administrative center (two people) reported directly to the manager. Under the responsibility of the industrial director was a production manager who supervised the CAM (2 people), the machining center (4 people and an apprentice), the development department (3 people). The industrial director was also responsible for the design office (3 people). The technical staff are globally recognized for their professional competence. Manager: “customers often come with complicated requests, we are a bit specialized in finding the five-legged sheep”. Although being a tier 2 supplier to the automotive industry, the company has significant autonomy vis-à-vis its customers. There is no normative pressure from customers and compliance with objectives in terms of quality, cost and deadlines is mainly based on the existence of individual and collective skills which characterize the company's know-how. In fact, the level of formalization of processes is very low. Strategic thinking and the desire to set up a GPEC result from the manager's desire to sustain the company's activity, and not from external pressure.

7. THE INITIAL STRATEGIC VISION: TOWARDS A REFOCUSING

At the time of our first meeting, the company had been engaged for several months in collective action aimed at strategic support for SMEs. The strategic analysis, carried out by an external consultant, included a SWOT diagnosis revealing in particular a relative obsolescence of the production apparatus, a difficulty in facing competition from low-cost countries, and a weakness of the commercial component. Manager: “We manage to have customers, but we are always more expensive than the competition”; “The consultant did a SWOT, our machines are too old”; “For customer relations, we do that with the industrial director, it would be good to have someone for that”.

The strategic recommendation proposed by the consultant implied a development of the company's commercial activity through the recruitment of an executive with commercial skills. Furthermore, rather than investing to renew aging production equipment, it is suggested to use machining capacities available in low-cost countries as often as possible. The manager then considered abandoning machining activities to concentrate the company's activity on design, assembly and maintenance activities. Manager: “I think we are going to concentrate on the design, machining requires too much investment”.

8. PROCESS AND RESULTS OF THE INTERVENTION RESEARCH

When we arrived, the manager's request concerned the evolution of the skills required for the new strategy envisaged. Manager: “we will have to reorganize ourselves if we want to concentrate on design”; “we are definitely going to recruit, we need to know our needs better”. In order to assess the impacts of the planned strategic orientation on the organization and on the required skills, and taking into account the lack of formalization which generally characterized the company, our work consisted, initially in time, of explaining the process. According to the ISO standard, a process is defined as the company's business. The company's activity is structured around two major processes: the design/production of new press tools and the modification of existing tools. Our analysis

focused on the first process to the extent that it is considered a strategic issue by the manager (represents 60% of turnover).

9. FIRST STEP: FORMALIZATION OF PROCESSES

The first result of our intervention was the formalization of processes relating to the design of new tools. This step was carried out by interviewing all staff, then validated during group meetings. Any new tool project includes three main stages (preliminary design, design and production) to which specific skills are attached as well as two pivotal moments (negotiation and choice of method).

Our approach was initially intended to be descriptive (directing: “it would be good to write our process in black and white”), but it actually highlighted interdependencies between the activities of cost calculation, design, machining and focus.

Cost calculation: as the company's projects are very specific, there are no reference costs (or standard costs) linked to the production of parts. These costs must therefore be evaluated on a case-by-case basis according to the constraints relating to the materials (consumption, need for post-machining surface treatment, etc.) and the manufacturing time required.

10. FORMALIZATION OF THE “CREATION OF A NEW TOOL” PROCESS

Design: for this company, the design activity can be seen as a problem-solving process. To do this, it is necessary to explore a space of solutions and make judicious technical decisions. In addition to high skills in industrial drawing and projection, these elements require detailed knowledge of the possibilities and constraints linked to the machining activity.

Fine-tuning: fine-tuning itself involves a degree of machining and as such requires significant mastery of this activity. These interdependencies are explained by the nature of the company's production. Due to the unique and complex nature of each project, carrying out the activities mentioned requires both a global vision of the process and a strong capacity for adaptation. The construction of standardized procedures is excluded a priori. The completion of projects therefore relies largely on the ability of individuals to mobilize their technical expertise.

11. SECOND STEP: IDENTIFICATION OF A KEY SKILL AND STRATEGIC THINKING

The second stage of the intervention was to be devoted to an analysis of the gaps between existing skills and required skills in a context of refocusing on design activity. Thus, in accordance with the initial request, we supported the management team in drafting a skills profile as part of the recruitment of a sales executive. Concerning the evolution of skills, it appeared that as part of a systematic use of subcontracting, the company would gradually transform into an integrator design office. Design and development professions would be put in the foreground, to the detriment of machining professions.

During the support process, the formalization of processes and associated skills quickly highlighted the need to preserve an activity manufacturing new tools. Indeed, this activity which does not present very significant added value (due to significant competition from low-cost countries), is perceived as having a strong impact in the management of projects:

Manager: “towards clients, you must be able to make relevant proposals and meet deadlines. For that, you must be eminently professional, master manufacturing”; “as we manufacture the tools ourselves, we know that there are certain designs which will cause problems, we are able to anticipate the manufacturing as soon as we do the design”.

In addition, the manufacturing activity (machining) is a central element in the company's customer relationship:

Manager: “tool manufacturing is what makes our reputation”; “Customers know us for new tools, that's why they ask us for maintenance and adjustments.” A direct effect of this awareness was the questioning of the strategic direction initially envisaged:

Manager: “the ‘all-commercial’ orientation was not retained, that's a good thing.” Thus at the end of the support process, the actions in progress were the improvement of the cost calculation process and the establishment of a quality approach in manufacturing, all with a view to strengthening machining and manufacturing. New skills in cost calculation and quality approach were being acquired through staff training.

12. CONCLUSIONS: STRATEGIC SKILLS MANAGEMENT THAT LINKS INDIVIDUAL SKILLS AND STRATEGIC SKILLS

The analysis of the two business processes allows us to shed light on the way in which the strategic management of skills in SMEs operates and to establish a link between individual skills and the strategic skills of the company. Carrying out activities requires mastery of certain know-how as well as possession of critical knowledge. In the case studied, the activities are strongly interrelated. For example, design competence mobilizes not only procedural and

experiential know-how linked to the activity, but also knowledge concerning the machining activity which is downstream. Indeed, it is during the machining activity that possible problems appear (tolerances, machining complexity) directly linked to design choices. The machining activity provides essential information regarding best practices or errors to avoid for subsequent designs. There is thus a learning process linking the two activities, and which is based on the existence of internal information and knowledge flows. Likewise, machining activity provides critical information for cost calculation. It thus appears that machining activity fuels design and cost calculation skills. However, the company has built its competitive advantage on its ability to design complex press tools and to produce reliable costing in the upstream phases of projects. These two activities mobilize experiential, tacit knowledge, which is essentially constructed through socialization. These are resources that are “rare, valuable, imperfectly imitable and difficult to substitute”. In this context, the connection between cost calculation, design and machining skills constitutes a key skill or strategic capability.

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