

VARIETIES INSIDE THE SHELL OF LIKENESS: EXPLAINING THE  
BUREAUCRATIZATION OF THE HR FUNCTION IN BRITISH SMALL AND  
MEDIUM SIZED FIRMS

A Thesis

Presented to the Faculty of the Graduate School  
of Cornell University

In Partial Fulfillment of the Requirements for the Degree of  
Master of Science

by

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August 2013

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## ABSTRACT

Neo-institutional theory's concern with understanding the forces that promote structural isomorphism has led to a neglect of the heterogeneity of structures among organizations operating within the same institutional framework. To better understand such variation, we extend institutional theory by focusing on the link between institutional expectations and the interests and strategic choices of influential actors in an organization. Using a nationally representative sample of bureaucratic small and medium size British enterprises (SMEs), we find evidence that while SMEs' formal structures reflect the influence of the institutional environment, this influence is significantly moderated by the interests and concentration of owners' power. In particular, we argue that ownership structure affects owners' interpretations of the institutional environment conducive to either opportunities or constraints. Our results show that public firms with concentrated ownerships (OCOs) respond most strongly to institutional pressure to bureaucratize the HR function because complying with such pressure is in the owners' interests; therefore, they use their power to conform to the institutional expectations. In contrast, in private OCOs, owners use their power to resist institutional pressure; hence the HR function is less bureaucratized in such firms. We find that firms with dispersed ownership structure (ODOs) conform also to the institutional pressure but only up to a standard level. We discuss the implications of the findings for institutional theory, corporate governance, and SME research.

## BIOGRAPHICAL SKETCH

Joon Woo Sohn received his undergraduate degree in French Literature and Business Administration from Sogang University in 2006. After graduation, he worked in various for-profit and non-profit organizations. He received his M.P.S. in applied statistics at Cornell University in 2010 and received his M.S. in organizational behavior from the School of Industrial and Labor Relations at Cornell University in August 2013.

For Lee Jong Sohn and Hwa Sook Lee

## ACKNOWLEDGMENTS

The completion of this thesis would not have been possible without the support of a number of people. First of all, I would like to express the deepest appreciation to my committee chair Pam Tolbert, who has continually and convincingly conveyed a spirit of adventure in regard to research and scholarship. Without her guidance and persistent help this thesis would not have been completed. I would like to thank my committee members, Wes Sine and Tom DiCiccio, for their keen insight, encouragement, and enthusiasm. I would like to thank Diane Burton for valuable inputs whenever I needed them. I would also like to acknowledge Marya Besharov who initially introduced me to the world of organizational behavior before joining the School of Industrial and Labor Relations. In addition, I am grateful to friends who provided emotional support and shared thoughts on academia. In particular, I thank Arkangel Cordero, Yisook Lim, Chan Suh, and Gun Yu. Finally, I give most thanks to my wife and my life companion, Jen Lee, for listening to and enduring my endless concerns throughout the process.

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## LIST OF ABBREVIATIONS

SME: SMALL AND MEDIUM SIZED ENTERPRISE  
HR: HUMAN RESOURCES  
HRM: HUMAN RESOURCES MANAGEMENT  
OCO: OWNER WITH CONCENTRATED OWNERSHIP STRUCTURE  
ODO: OWNER WITH DISPERSED OWNERSHIP STRUCTURE  
WERS: WORK EMPLOYMENT RELATIONS SURVEYS

## INTRODUCTION

*"Institutionalization as an outcome places organizational structures and practices beyond the reach of interest and politics. By contrast, institutionalization as a process is profoundly political and reflects the relative power of organized interests and the actors who mobilize around them." (DiMaggio, 1988: p.13)*

An extensive body of research on institutional theory has focused on how organizations in a given institutional environment face external pressures to adopt the same legitimated formal structure, thus come to resemble each other (Boiral, 2003). In reality, however, perfect isomorphism (homogeneity) is rare among organizations. Structural variations among organizations are often substantial, even for those residing in the same institutional environment (Yeung, Lo & Cheng, 2011). A few recent studies incorporated the influence of internal and external contingencies into the institutional framework in order to explain the diverse patterns of diffusion (Ansari, Fiss, & Zajac, 2010; Kennedy & Fiss, 2009; Souitaris, Zerbinati & Liu, 2012). Studies of such heterogeneity of forms show that organizational policies or practices vary when institutional environments and the internal organizational characteristics are misaligned (Ansari et al., 2010). The misfit occurs when organizations facing the same institutional pressure perceive the social expectations differently; these differences may lead to variations of institutionalized arrangements.

Despite attempts to expand institutional theory to explain heterogeneity, the literature has largely neglected the active roles and interest-driven choices of organizational actors (Battilana, Leca & Boxenbaum, 2009; Lounsbury, 2008; DiMaggio, 1988). Institutional theory often depicts organizations as “overly passive and conforming” (Oliver, 1991:146). A two-stage

diffusion process (e.g., Tolbert & Zucker, 1983; Sherer & Lee, 2002) demonstrates that early adopters are concerned with technical motivations and later adopters engage to implement legitimate structural form. While this line of research greatly deepens our understanding of the influence of social context and norms on organizations' conforming behaviors, some argue that it over-emphasizes the external pressure without sufficient attention to micro, internal-level dynamics within organizations (Lounsbury, 2008). Organizational actors' ability to react to institutional pressure by using their resources or positions has been largely ignored (Fligstein & McAdam, 2011). Not only do organizational actors perceive the same institutional pressure differently, they also may choose to manipulate, compromise, avoid, or simply ignore institutional pressure (Oliver, 1991).

The concept of active organizational actors has long been discussed (DiMaggio, 1988), yet significant developments in theoretical and empirical research have been made only recently. Westphal and Zajac (1994) showed that organizations adopt incentive plans in order to placate key stakeholders, but failed to implement them, which suggests that organizations are able to manipulate practice adoption. Lounsbury (2007) also found that mutual funds in Boston and funds in New York adopted different performance measures, which shows that variations result from diverse courses of organizational actors coping with competing cultural beliefs. Investigating the role of actors does not contradict earlier findings of institutional theory; it provides more detailed description of diffusion patterns by moving beyond the shell of likeness into the varieties inside<sup>1</sup>.

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<sup>1</sup> We allude to Swedberg's (2011) perspective on how to theorize in social sciences. Hughes (1984) initially stated that social scientists might look for "*likeness inside the shell of variety*" (p.503). Turning around the original statement, Swedberg, however, recommended that future scholars should pay more attention to "*varieties inside the shell of likeness*" (Swedberg, 2011: p. 32).

The current investigation attempts to understand how institutional pressure and internal dynamics of organizations influence organizational structure separately and interactively. Specifically, we focus on how being publicly held and having concentrated or dispersed ownership contribute to variation in organizational bureaucratization. We assume that institutional pressures typically propel organizations towards higher levels of bureaucratization, that whether the organization is publicly or privately held affects responsiveness to such pressures, and that the concentration of ownership affects key actors' ability to resist or conform to such pressures. In line with these assumptions, we show how owners' interests and institutional pressures interact to produce variations in levels of organizational bureaucratization. We chose to examine variations in the degree [*Is the footnote complete?*] of bureaucratization in the human resource (HR) function because it has historically been a key site of institutional pressures in organizations (Baron, Dobbins and Jennings, 1986; de Kok & Uhlaner, 2001; Jacoby, 2004).

## VARIATIONS IN THE BUREAUCRATIZATION OF HR

We build our hypotheses on two streams of literature. First, we draw on institutional theory to understand how the institutional environment affects organizational structure. Second, we borrow Child's (1972) strategic choice perspective to examine key actors' influences on structural arrangements. Lastly, we attempt to integrate institutional theory and a strategic choice perspective to explain variations in the degree to which organizations conform to the institutional environment. In this paper, organizational structure or structural arrangement refers to Weber's (1964) notion of bureaucratization defined as the presence of formal structure that accompanies

appointed official administrators with technical qualifications and explicit functional role (p.333-334).

*Contextual background: HR as a myth and ceremony in contemporary organizations*

Organizational tasks and activities related to human resource management (HRM) such as recruiting, hiring, and dismissing employees are common features of modern organizations in most developed economies (Boxall, Prucell & Wright, 2007). After the Second World War, a belief that specialists in personnel management would increase organizational efficiency, a belief fanned by occupational associations of these specialists, diffused across countries (Boxall et al., 2007). This myth emphasized the importance of the human resources (HR) function through various media (Baron, Dobbin & Jennings, 1986). Business schools spurred publication of management journals and established a cognitive basis for the legitimization of HR functions. As professional HR networks (e.g. Human Resource Professionals London & District, HR Society) thrived, social forces for diffusing HRM practices also increased (Boxall et al., 2007).

However, empirical evidence does not support the popular belief that a formalized HR function is now widely diffused across all organizations. Kauffman (2012) showed that the level of formalization in HR practices significantly varies across firms; similarly, we found a systematic variation in the extent to which HR function has been bureaucratized across our sample organizations. Despite the wide acceptance of the HR department as a legitimate function, organizations vary significantly in the degree to which the function is bureaucratized. We expect these variations to result from interactive influences of the institutional environment and internal dynamics. We hypothesize and test the impact of external and internal forces in order to explain the variations in the level of bureaucratization of HR function.

### *Institutional theory and bureaucratization*

Neo-institutional theory, dominant perspectives in organizational studies, holds that organizations adopt legitimated components, leading to isomorphism with the institutional environment (Zucker, 1987). Neo-institutionalists define institutional environments as “rules and requirements to which individual organizations must conform in order to receive legitimacy and support” (Scott, 1987:126). Organizations with legitimated components may survive longer by gaining resources and avoiding sanctions from external audiences such as regulators or stakeholders (Zuckerman, 1999). Based on this notion, organizations elaborate their formal structures (thus become more bureaucratized) to adapt to their institutional environment and thereby gain legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977).

Extant institutional research shows how establishing particular formal structures can contribute to organizational legitimacy as symbols of its commitment to such norms and values, signaling to both internal members and external audiences (Kamens, 1977; Meyer & Rowan, 1977; Tolbert, 1985). In other words, organizations may use formal structures as tools to communicate as these structures encompass socially shared meanings (Kamens, 1977). For example, Edelman (1992) found that organizations established various types of formal structures to demonstrate conformity to legal norms. In her study, these ranged from the presence of a formal rule explicitly forbidding discrimination, to the assignment of job titles involving non-discrimination, to the creation of separate and independent offices dedicated to enhancing equal opportunity. She found that organizations that were more sensitive to their normative environments exhibited higher levels of bureaucratization. Welbourne and Andrews (1996) found that firms with more elaborate HR functions received higher premiums during an initial

public offering (IPO), presumably because potential shareholders perceived this as an indicator of competent management, thus as an indicator of future growth. (See also, Hannon and Milkovich, 1996).

We argue that concerns about institutional expectations—pressures to bureaucratize—are much stronger in publicly owned firms because external stakeholders take firms' formal structures into account when they invest (Hannon & Milkovich, 1996). The IPO manual from the 2010 London Stock Exchange supports our argument: during the IPO admission process every firm must submit an account of its qualifications:

The content of the report contains legitimated practices in the UK, rather than a legal or regulatory requirement. While the report is not made publicly available, it will influence the contents of the prospectus (London Stock Exchange, 2010).

The manual explicitly refers to formalized HR functions as "legitimated practices" and recommends such practices. Therefore, firms listed on the stock market are likely to have higher levels of HR bureaucratization to send stronger signals of compliance with institutional expectations (Hannon & Milkovich, 1996; Welbourne & Andrews, 1996). Thus, we hypothesize that,

*H1. Public firms will have more bureaucratized HR functions, all else being equal.*

### *Strategic choice and bureaucratization*

A strategic choice perspective emphasizes the active role of leading individuals who have power to influence the formal structure of an organization through internal political processes (Child, 1972; Child, 1997). These key actors interpret the demands and expectations of the external environment, define their interests based on their interpretation, and choose the



organizational structure that would suit their interests. Owners are among the most distinctive actors influencing organizations (Salancik & Pfeffer, 1980; Zorn, 2004). Porter (1990) asserted that mostly owners determine company goals, thus owners' interests are an important factor for understanding firms' behaviors. We explore how the perceptions of dominant shareholders<sup>2</sup> (concentrated ownership) influence organizational structure to serve their interests and examine how these differ from firms without dominant decision makers (owners with dispersed ownership).

Assuming that formal structure is a way of controlling organizations, we argue that owners' incentives for controlling their organizations are associated with their ownership structure. Ownership structure, or the level of ownership concentration, represents each owner's influence on a given firm. On the one hand, large shareholders have large enough stakes in the firm to assure that decisions are under their control. On the other hand, small shareholders do not have enough stakes in the firm to bear the costs of involvement in management (Berle & Means, 1932; Shleifer & Vishny, 1986). Hence, the desire for control along with power escalates as ownership increases. For large stakeholders, such as owners with concentrated ownership structure (OCOs), would often prefer maintaining the power to control even if the price of controlling leads to a profit loss. For example, research shows that when ownership is concentrated, an owner-manager (a manager who also owns the firm) prefers more control of the organization and, sometimes even accepts lower profits in exchange for maintaining close personal or family control of the organization (Allen & Panian, 1982; Pondy, 1969). This appears to be an international phenomenon: Geeraerts (1984) found that owner-managers in the Netherlands frequently avoided installing an employee council because they refused to share

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<sup>2</sup> Here, we refer to dominant shareholders as individuals (or groups) who own 50% or more of the total voting power. This person (or group) has the right to make final decisions at-will at any time.

power with the workers. Majority owners with large stocks are more likely to avoid commitments or governance practices that may limit their discretion in deploying the organization's resources (Schulze, Lubatkin, Dino & Buchholtz, 2001).

Bureaucratization could limit the power of owners with concentrated ownership by constraining their flexibility in directing others and making or changing decisions (Crozier, 1964). A system of rationalized rules and specified tasks offers some autonomy and power to workers as long as they meet the given set of goals. Blau and Meyer (1971) noted that advancing specialization increases the interdependencies between high and low status people, sometimes disrupting the power of the former. They found that if expertness and hierarchical authority are not identical, specialists who are legitimized by their expertise could threaten the authority of their supervisors. Similarly, agency theorists also recognized the loss of control and power that occurs when the owner (principal) delegates authority to managers (agents) (Jensen & Meckling, 1976; Dyl, 1988). In sum, we expect that owners with concentrated ownership structure (OCOs) would prioritize control of their organizations, thereby limiting bureaucratization.

Dispersed ownership (i.e., no single majority owner) requires formal structure to reduce potential uncertainties. Unlike large shareholders, owners with dispersed ownership have weaker influence on decision-making because of their weaker voting power (Cubbin & Leech, 1983). In this case, owners with considerable shares are apt to exert independent influence in decision-making by forming coalitions (Bennedsen & Wolfenzon, 2000). Decision-making processes become extremely complex due to the diversity of power structure among owners as well as their varied interests: unaligned owner and manager interests intensifies complexity (Eisenhardt, 1989; Jensen & Meckling, 1976; Roe, 1994). Multiple owners striving to influence organizational

structure leads to decision-making instability due to changes of power dynamics. Formal structures can manage such variations and increase organizational stability (Meyer, 1975).

To summarize, owners are likely to design their organizations' formal structure based on their perception of interests. They would desire to either elaborate or limit the degree of bureaucratization of an organization based on their power to realize their interests. We argue that owners would strongly prefer avoiding losing control over their organizations, thus be motivated to maintain their power by limiting the level of bureaucratization in all functions, including HR. Concentrated ownership structure enables owners to pursue their interests as they are in full control. By contrast, owners in organizations without a single majority owner would prefer to elaborate the bureaucratization of the HR function due to uncertainty and complexity of decision-making structures.

*H2: Firms with concentrated ownership will have a less bureaucratized HR function than those with dispersed ownership, all else being equal.*

*The dilemma of the bureaucratization: legitimacy or control?*

Neo-institutional theory arguments concerning the legitimizing aspects of bureaucratization, and arguments from a strategic choice perspective that emphasize preferences for the exercise of power, raise a dilemma for owners: Should they conform to institutional pressure for greater bureaucratization to gain legitimacy or resist such pressure in order to maintain their discretionary powers? To resolve this, we integrate institutional theory with a strategic choice perspective to investigate the interaction between owners' interests and the

pressure from the institutional environment. We argue that owner interests (ownership structure) and power moderate the influence of the institutional environment on organizational structure.

Resting on our previous explanations, the link between the two perspectives relies on how owners interpret the environment. To effectively combine these perspectives, we limit our focus to responses to the institutional environment. We expect that the extent to which organizations conform to institutional pressure depends on the interaction between how sensitive the owners are to the institutional pressures and how much control they have over the structure of organizations. Figure 1 illustrates four types of interaction.

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We previously hypothesized that owners, particularly majority owners, prefer less bureaucratized functions in order to maximize their power and control. This would be true for private firms with OCOs, whose sensitivity to institutional pressure is relatively low compared with publicly held firms because they are not worried about investors' perceptions; thus the need for signaling "legitimacy" is less vital. Moreover, majority owners' ability to exercise power over organizational resources, including HR, is high. Therefore, we argue that privately held firms with a concentrated ownership structure will have the lowest level of bureaucratization of the HR function among all firms because they have interests in resisting institutional pressure for bureaucratization and the ability to act on these interests.

However, the interests of owners with majority shares in public firms differs from that of private firms for whom the benefit of conforming to the social expectations exceeds the interest

to maintain control; they are likely to prefer that organizations respond to institutional pressures, which increase their shareholdings. Thus, they are inclined to bureaucratize the organization, particularly in visible functional areas like HR to stimulate investor interests (Leland & Pyle, 1977; Meyer, 1979). The concentration of power allows them to push for increased bureaucratization and signal compliance.

Similarly, institutionalists have shown that public firms with dispersed ownership structures (ODOs) are also susceptible to institutional pressure. Network studies illustrate why these firms might face stronger institutional pressure: Davis and Greve (1997) found that firms with dispersed ownership are more vulnerable to institutional pressure because multiple owners import forms from their experiences or from observations of others. Since these experiences and observations are embedded in the social structure, owners become more exposed to institutional pressure. Therefore, ODOs would adopt a bureaucratized function to the extent to which external audiences expect.

Nevertheless, the level of elaboration of formal HR structures in public firms with ODOs will not exceed the level of structuring in public firms with OCOs. Although both are vulnerable to pressure from institutional environments, dispersed ownership firms conform to only the standard level (institutional standard). As noted, these firms have complex interests and power structures for making decisions. When decision-making processes are too complex and ambiguous, individuals tend to reach consensus at a satisfactory (compromise) level (Cohen, March & Olsen, 1972). Similarly, ODOs faced with varied interests and complex dynamics conform to the level meeting only the institutional standard. Unlike public firms with majority shareholders, these firms do not have a dominant power holder to adjust their formal structure by force. Ergo, decision-makers in public firms with ODOs adopt or elaborate their bureaucratic

structures at the level of peers; we refer to such behavior as conforming to the standard level of institutional expectation. We therefore hypothesize,

*H3a. Among all types of firms, the level of HR bureaucratization will be the highest for public firms with concentrated ownership structure.*

*H3b. Among all types of firms, the level of HR bureaucratization will be the lowest for private firms with concentrated ownership structure.*

To justify our claim that OCOs in public firms attempt to signal compliance to audience expectations, we take our analysis one step further by exploring how these firms establish higher levels of bureaucratization of the HR function. In general, audiences have limited access to firms' internal information to evaluate the validity of the formal structure. For this reason, audiences are likely to estimate firms' value based on visible features of the formal structures. These features could rationalize the value of the organization to outsiders. As mentioned, the purpose for OCOs in public firms to adopt high levels of bureaucratized HR functioning could be associated with signaling "well-managed" to attract potential investors (Hannon & Milkovich, 1996). We thus hypothesize that OCOs in public firms more than other types of firms use their power to adopt highly visible HR structures such as establishing a formal title for the HR managers in order to signal their value to analysts and potential investors.

*H4. Those public firms with a concentrated ownership structure will adopt more signaling HR functions.*

## DATA AND METHODS

The data for this study come from the U.K. Workplace Employment Relations Survey (WERS) conducted in 2004 collected by interviewing managers in a nationally representative sample of workplaces. Interviews were held at each worksite with the senior manager at the worksite with day-to-day responsibility for industrial relations, employee relations, or personnel matters. Of the original sample of 3587 organizations, 2295 participated (sixty-four percent) (WERS, 2004).

For this study, we focus on small and medium sized for-profit enterprises. In large organizations, the scale of administrative tasks and complexity of coordination among employees limits top-level managers' ability to resist bureaucratization (Blau & Meyer, 1971; Hall, Johnson & Haas, 1967). However, in small organizations, the level of bureaucratization is often optional since coordination of and communication among organizational members are less problematic (Ang, Cole & Lin, 2000). Moreover, finance research shows that small and medium sized firms provide a perfect setting to observe the effect of ownership structure: scholars can observe owners who hold all the shares, and extremely dispersed ownership structures (Ang et al., 2000).

The 2006 U.K. Companies Act defines SMEs as firms with fewer than 250 employees. This criterion yielded a set of 723 SMEs representing twelve industries, which we use for the analysis. Within our sample, twenty-one percent of the SMEs had gone through an IPO and were publicly held. We use listwise deletion for the random missing variables. To ensure the representativeness of the dataset, we compare our sample with the population of SMEs reported by the U.K. Department for Business Enterprise and Regulatory Reform (BERR).

### *Variables*

*Dependent variables.* Bureaucratization entails increasing task specialization, elaborating a hierarchy of authority, creating explicit rules, and fostering impersonality (Blau and Meyer, 1971; Tolbert & Hall, 2009). For the dependent variables in the analysis, we measure the structuring of the human resource management function using four items from the survey: two dichotomously coded variables (*1* if present; *0* otherwise) indicating (1) whether a person with the title of human resource manager was present, and (2) whether s/he had formal qualifications related to personnel management. We included three-point-scale variables (*0* if little; *1* if moderate; *2* if much) to rank two managerial attributes: (1) the amount of time each manager spends on human resource management issues, and (2) the level of specialization for each manager's formally assigned job responsibility related to the HRM. Figure 2 shows the range of scores: fifty-two percent of our sample scored either *0* or *1* indicating a low level of structuring in HR. Eighteen percent of our sampled organizations scored 5 or 6. Overall, our dependent variable, the level of structuring in HRM, is skewed to the right; still it varies quite noticeably across organizations.

Because these variables had very restricted ranges, we use a matrix of polychoric correlation coefficients to extract factor loadings via the principal components method (Hwang & Powell, 2009). As Table 1 notes, all four variables load strongly on a single general factor with an eigenvalue greater than 1. We use the obtained factor loadings to compute the factor score, which we then recalculate as a z-score. Thus our dependent variable represents a standardized factor score of the level of structuring of the human resource management function.

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INSERT FIGURE 2 ABOUT HERE



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To test Hypothesis 4, we construct a signaling HR function variable by simply decomposing our dependent variable. Here, we refer signaling aspect to what auditors or investors consider during the IPO process. Based on the IPO manual, these components include whether a person with the formal job title, “human resource manager,” is present ( $0$  if no;  $1$  if yes).

*Independent variables.* The index of *ownership concentration* is a binary variable asking if an individual or family owns at least fifty percent of the firm's shares. Our measure follows many previous studies that simply dichotomized ownership structure, characterizing firms as having a dispersed ownership structure or a concentrated ownership structure (Demsetz & Lehn, 1985; McEachern, 1975; Salancik & Pfeffer, 1980). Apart from ownership concentration, WERS 2004 does not provide detailed information on the distribution of shares or the total number of shareholders. However, the measure is valid for testing our hypotheses because we compare the differences between firms with and without a dominant decision-making owner.

Whether a firm has gone through an IPO (initial public offering) and is listed on the stock market serves as an index for institutional pressure. Hence, this binary variable distinguishes those most strongly influenced by institutional pressure. Given the expectations articulated by the London Stock Exchange, we expect that pressure to have a more formally structured HR

function will be highest among public firms. The combination of the two variables enables us to understand how concentrated ownership structure interacts with institutional pressure.

*Control variables.* The *size* of an organization often strongly affects organizational structure, particularly variations in formalization (Child, 1973; Hall, Johnson & Haas, 1967; Hsu, Marsh & Mannari, 1983; Kimberly, 1976; Pondy, 1969). We control for size by using the log of each firm's total number of employees. Likewise, since older organizations are likely to be more formalized, we control for *organizational age* by taking the logged age based on the years an organization has been in operation. Our analyses also include a set of twelve dummy variables to control for *industry* using NSIC codes. We control for managers' *perceived financial performance* as an alternative to actual financial performance to adjust the effect of financial slack, which motivates decision-makers to invest in structuring their HR function (Guest, Michie, Conway & Sheehan, 2003; Wright, Gardner, Moynihan & Allen, 2005).

Furthermore, we include a measure of the proportion of *flexible contract workers* such as temporary and outsourced workers in our model since complexity in worker contracts could lead to formalization of HRM (Hall et al, 1967). Because some scholars insist that the fit between strategy and HR is critical for a firm's performance (Wright & Snell, 1997) and suggest that a firm's strategy determines its level of bureaucratization of the HR function, we include a dummy variable indicating whether a firm has a *formal strategic plan*. (Another way to interpret this variable is as a general propensity of an organization to be more formalized.) We also consider the *complexity* of the organizational structure by including whether a firm has a single or multiple products or services (0 if single; 1 if multiple). We also control for firms' *value* in human resources by asking if the organization had ever received an award for investing in its employees (0 if no; 1 if yes). Finally, to guard against the possibility that internal needs or the

power of union members pressured SMEs to formalize their human resource management, we control for the *proportion of voluntary turnover* and *proportion of union members*.

### *Analysis*

We examine the association between ownership concentration, institutional pressures associated with IPO aspirations, and our human resource management bureaucratization measure using ordinary least squares regression (OLS) analysis with White's (1980) correction, which deals with heteroskedasticity problems. To check the robustness of our analyses, we also run ordered-logit models to confirm our results<sup>3</sup>. We first estimate the effects of control variables and add variables representing each hypothesis: the concentration of ownership, public/private control, and their interaction. We then use a logit model to test Hypothesis 4 since the dependent variable for this hypothesis is a binary measure. Lastly, we run a two by two factorial ANOVA test to compare the differences in the mean level of HR intensity across our two main variables of interest: public/private status and concentrated/dispersed ownership.

## RESULTS

Tables 2 and 3 provide descriptive statistics of the variables used in our analyses: Table 2 shows the means and standard deviations; Table 3 presents the zero-order correlations. Most of the correlation is similar to our expectations. Our measure of size and complexity has positive correlation with the level of HR bureaucratization, which corresponds to previous research (Hall et al., 1967; Child, 1973; Grinyer & Ardekani, 1981). To confirm that listing on a stock market

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<sup>3</sup> The ordered-logit model for robustness check predicts identical results with our OLS models. The robust model is available upon request.

and ownership structure are not highly correlated, we also analyze variance inflation factors (VIF) to check multicollinearity.

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INSERT TABLES 2 AND 3 HERE  
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Table 4 reports the results of analyses predicting the bureaucratization of the HR function. Model 1 shows the effect of the control variables by themselves. Larger organizations—ones that report having a formal strategy, and those with higher turnover rates—proxy for critical issues in HR, exhibit significantly greater levels of bureaucratization in their HR function. However, the organization's interest in HR (rewarded for investing in people) or the proportion of union members had no association with the level of bureaucratization. The patterns of association and statistical significance of the control variables remain unchanged in subsequent models.

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INSERT TABLE 4 ABOUT HERE  
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In Model 2, we examine the influence of firms' public/private status on HR bureaucratization. As we hypothesized, public firms are more likely to bureaucratize their HR function even after adjusting for the effect of other control variables. This supports Hypothesis 1 and is consistent with our arguments that the IPO process increases the pressure to conform to institutionalized notions of more structured HR arrangements.

In Model 3, we include the measure of concentrated ownership structure. When controlling for all other effects, firms with concentrated ownership have lower levels of HR bureaucratization than those with dispersed ownership. We anticipated that having concentrated ownership would stimulate owners to suppress the bureaucratization of the HR function due to their desire to maintain power and status. Therefore, Hypothesis 2 is supported. We then conduct a robustness check by replacing owner-managers<sup>4</sup> (owners who also manage firms) for concentrated owners in the regression model because all owners might not be eager for control. However, our robust model predicts an identical result since most of the owner-managers overlap with our measure of OCOs. Table 6 shows that SMEs with owner-managers have less formalized HRM even after adjusting for the effect of control variables.

As hypothesized, in Model 4 we find an interaction effect between concentrated ownership structure and being publicly held on the level of HR bureaucratization. Hence, Hypothesis 3 is supported. To decompose the interaction, we divide our sample into four categories based on ownership structure and firm status: private SMEs with dispersed ownership structures, private firms with concentrated ownership structures, public SMEs with dispersed ownership structures, and public firms with concentrated ownership structures. Omitting private firms with a dispersed ownership provides the reference category. In Model 5, the results demonstrate that private firms with OCOs are significantly less bureaucratized. On the other hand, as expected, public firms with OCOs have a significantly higher degree of bureaucratization of the HR function. Publicly held firms with a dispersed ownership structure do not differ significantly in their degree of bureaucratization from privately held ones with dispersed owners. Therefore, Hypotheses 3a and 3b are supported.

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<sup>4</sup> WERS 2004 asks whether the owners were actively involved in day-to-day management of the given workplace on a full-time basis.

Figure 3 summarizes the results of the interaction between institutional environment and ownership structure. Consistent with our OLS regression result, we find that the concentrated ownership structured firms exposed to the stock market have a 1.25 factor higher score for formalized HR function than private SMEs with concentrated ownership ( $p < .000$ ).

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INSERT FIGURE 3 ABOUT HERE  
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In developing Hypothesis 4, we argue that public firms with concentrated ownership structures would make greater use of highly visible aspects of HR bureaucratization for signaling purposes. We test this assumption by using the logit model (Table 5). Model 1 in Table 5 provides a baseline model with only control variables. Model 2 confirms that public firms with concentrated ownership structures are significantly more likely to have a HR manager with a formal title, supporting our hypothesis. Interestingly, public SMEs with dispersed ownership structures and private SMEs with dispersed ownership structures show no significant difference in the signaling feature of the HR function.

These results imply that majority owners are more sensitive and responsive to pressures toward bureaucratization from the institutional environment. This is in sharp contrast to private organizations with concentrated ownership where bureaucratization of HR is resisted. Hence, we argue that the wide range of variation in HR bureaucratization across SMEs can be explained not only by the institutional environment but also by the interests of actors (concentrated owners) in the given institutional environment.

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INSERT TABLE 5 & TABLE 6 HERE  
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INSERT TABLE 7 & TABLE 8 HERE  
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## DISCUSSION AND CONCLUSION

Using a strategic choice perspective and institutional theory, we argue that the elaboration of the HR function of the British SMEs is influenced by institutional expectations having to do with the legitimacy of an appropriately managed firm and by the interest of key decision makers in maintaining their power and control in the organization. Our statistical results point to (1) the HR function acting as a way of signaling "well-managed" to an external audience, (2) the resistance of owners with greater control in privately-held firms to institutional pressure, and (3) the enhanced conformity to the institutional environment in publicly held firms where ownership is concentrated.

Our study shows that owners have two main motivations for either adopting or resisting institutional pressure from the environment: legitimacy or control. When firms go public, decision-makers use formal structuring – increasing bureaucratization – to signal investors of the firm's legitimacy (Leland & Pyle, 1977). This argument is consistent with the findings of Beatty

and Zajac (1994): that a CEO's stock holdings influence investors' decisions as a signal of the stability of the firm's current situation. We also argue that having a bureaucratized HR function can signal "legitimacy" to potential investors or other stakeholders. But when firms remain private, OCOs prefer control to legitimacy. Some scholars suggest that owners choose to maintain control even if this leads to a decrease in productivity (Geeraerts, 1984; Pondy, 1969). Thus, we propose that the interaction between institutional environment and OCO choices leads to variance in the degree of bureaucratization of the HR function.

To further discuss this result, we divide the HR function variable into two categories: (1) signaling HR functions, including the job title of the HR manager and whether the manager holds any formal qualifications in personnel management or a closely related subject, and (2) substantive HR function, which deals with the actual responsibilities and time spent on HR issues. Table 7 and Table 8 show that private SMEs with OCOs have lower signaling and substantive HR functions than SMEs with a dispersed ownership structure. Public SMEs with OCOs, however, have a greater degree of signaling HR function than SMEs with a dispersed ownership structure. The result supports our hypothesis that public SMEs' OCOs use their power to adopt more signaling HR functions to signal legitimacy and fulfill their interests.

Interestingly, as Figure 3 shows, SMEs with dispersed ownership structures have a similar level of structuring of the HR function. One possible explanation may be the lack of power from dispersed ownership. Since this ownership structure has no dominant actor, the actors may adopt an HR function at a satisfactory level rather than at a maximizing level. Power conflicts between principals and agents might also explain the moderate level of bureaucratization. For example, even if the interest of principals in SMEs with a dispersed ownership structure is to implement more elaborated signaling HR practices such as hiring



formally qualified managers to signal stronger legitimacy, agents may resist doing so to avoid the stronger monitoring that accompanies a rationalized structure. As a consequence, the current level of bureaucratization may indicate an equilibrium state in power conflicts between the two parties. However, better understanding requires further investigation. Building on the argument of actors' power collision, future research may examine the source of decoupling between signaling and substantive HR functions (Fiss & Zajac, 2004).

Results of the research question, “Why might organizations have somewhat similar but in certain ways different formal structures despite strong institutional norms?” make several contributions to previous research. First, our study shows the importance of considering the elaboration of the formal structure within the institutional framework. In the early days of neo-institutional theory, Meyer and Rowan (1977) stated that,

the growth of rationalized institutional structures in society makes formal organizations more common and more elaborate. Such institutions are myths [that] make formal organizations both easier to create and more necessary. (345)

Although numerous diffusion studies successfully demonstrate how formal structures become common, discussion of elaboration has been relatively overlooked. Our study shows that elaboration of a formal structure still varies across organizations despite its wide acceptance. We argue that elaboration of organizational structure is an ongoing process between strategic choice and environmental determinism, not a phenomenon explained by a single theoretical framework (Hrebiniak & Joyce, 1985).

Second, we expand the scope of institutional theory by including the actor's interests. One enduring criticism of institutional theory has been its failure to effectively address the role of "agency" (Battilana, Leca & Boxenbaum, 2009; DiMaggio, 1988; Oliver, 1991). This criticism is

difficult to resolve since obtaining generalizable data with sufficient internal and external information is difficult. Though not perfect, WERS 2004 provides both internal and external information to capture the effect of "actors" within an institutional framework. Moreover, borrowing from the strategic choice perspective, we define actors as leaders who have the power to influence organizational form to suit their own preferences (Child, 1997). Our research provides a useful starting point to the definition and the role of agency within institutional theory.

Thirdly, we revisit the role of the institutional environment by decomposing it. In general, previous neo-institutionalists assume that organizational actors' choices are embedded in a homogeneous response to institutional environment (Kennedy & Fiss, 2009). In these studies, actors' choices are rather passive, converging toward what the homogeneous audience of the institutional field regards as legitimate, and the formal structure itself is assumed to be irrational (Hirsh & Lounsbury, 1997; Oliver 1991). Therefore, neo-institutionalists have attended to macrostructures that are not effectively linked to the activities of individuals and organizations (Powell & DiMaggio, 1991). We, however, argue that an interpretation of institutional environment could be heterogeneous under certain circumstances, and organizations' responses are based on the interaction between their institutional environment and the choices of influential actors. In short, our research suggests that the institutional environment serves as a menu from which influential actors actively choose the best options according to their interests, rather than as a simple constraint that pushes actors to implement homogeneous actions (Rao, 1994).

Moreover, we show that institutional theory may be widely applicable to SME research. As noted, some organizational theorists assume homogeneity among SMEs, such that all SMEs are informally organized (de Kok & Uhlaner, 2001). As a result, institutionalists often exclude SMEs in their models. However, we discovered that SMEs have various structures shaped by

various contextual factors: ownership structure, institutional environment, company size, and strategy. Furthermore, SMEs provide unique settings to observe autonomy from the institutional environment. In this research, we provide only a partial understanding of SME behavior. Therefore, future research should take SMEs into account to generalize and broaden our understanding of organizational behavior.

Lastly, our research empirically tests the interaction of actors' voluntarism and environmental determinism (Hrebiniak & Joyce, 1985). Previous research on organizational adaptation assumed mutual exclusiveness between the two factors affecting organizational behavior (Astley & Van de Ven, 1983). Our theoretical framework lies at the heart of leadership in administration (Selznick, 1957), explaining how influential actors aptly use their institutional environments to legitimate their organizations. Thus, we attempt to empirically bridge the old and new institutionalism by assuming that actors strive to achieve their goals within the boundary conditions of the institutional environment (Hirsh & Lounsbury, 1997; Selznick, 1996). We argue that actors' struggles within the boundary conditions become the source of somewhat similar but different forms. We find that public SMEs with a concentrated ownership structure tend to have a more formalized HR function to emphasize the legitimacy of the organization to the market stakeholders. Here, the interests of OCOs align with the widely accepted structure in the field. In contrast, private (non-public) SMEs with concentrated ownership are reluctant to adopt a formalized HR function as owners' interests lean towards control. The power of OCOs enables SMEs to either conform to or resist the widely accepted practices more than their peers.

Our conclusions presume that a concentrated ownership structure could be efficient in terms of adopting innovative practices pervasively if these practices match the interests of an influential actor in the organization. For example, our research may explain how Korean firms

with a "Chaebol" structure rapidly and intensively implement or copy innovative practices from their global competitors. In the future, it would be interesting to compare the practice diffusion pattern of Asian (or Western) conglomerates with a "Chaebol" structure and typical Asian (or Western) conglomerates with a dispersed ownership structure.

## APPENDIX A. SURVEY QUESTIONS

(1) HRM Formalization

- BTITLE

Q. What is the title of your job? :

0) Proprietor/Owner / Other Titled manager

1) Personnel Manager or Officer/ Human Resource Manager or Officer

- BRELATE

Q. Is employment relations your major job responsibility or are you more concerned with other matters such as financial management or administration at this workplace? :

0) Other responsibilities,

1) Equally responsible for employment relations and other responsibilities

2) Employment relations is major job responsibility,

- BPROPORT

Q. Approximately what percentage of your time do you spend on employment relations matters?

- BHAVQUAL

Q. Do you have any formal qualifications in personnel management or a closely related subject?

0) No / 1) Yes

(2) Controls

STRATEGY

Q. Is this workplace covered by a formal strategic plan which sets out objectives and how they will be achieved?

0) No / 1) Yes

AWARD

Q. Is your organization accredited as an Investor in People?

0) No / 1) Yes

KPROSER (Complexity)

Q. Is the output of this establishment concentrated on one product or service? Or are there several different products or services? :

0) Single product or service / 1) Different products or services

Kestper1 (Resource)

Compared with other establishments in the same industry how would you assess your workplace's financial performance?

1) A lot below average-----5) A lot better than average

APPENDIX B. ADDITIONAL DATA ANALYSES

(1) Private & Dispersed Ownership SMEs (SME Type=1)

Private & Dispersed Ownership SME // *nubpropor*

		<b>nubpropor</b>			
		0	1	2	Total
<b>SME Type=1</b>	0	309	94	70	473
	1	<b>53%</b>	25%	23%	244
	Total	438	154	125	717

Private & Dispersed Ownership SME // *btitle*

		<b>btitle</b>		
		0	1	Total
<b>SME Type=1</b>	0	345	128	473
	1	<b>65%</b>	35%	244
	Total	503	214	717

Private & Dispersed Ownership SME // *brelate*

		<b>brelate</b>			
		0	1	2	Total
<b>SME Type=1</b>	0	189	154	130	473
	1	36%	26%	38%	244
	Total	277	217	223	717

Private & Dispersed Ownership SME // *bhavqual*

		<b>bhavqual</b>			
		0	1	Total	
<b>SME Type=1</b>	0	328	145	473	
	1	<b>62%</b>	38%	244	
	Total	480	237	717	

(2) Public & Dispersed Ownership SMEs (SME Type=2)

Public & Dispersed Ownership SME // *nubpropor*

		nubpropor			
		0	1	2	Total
SME Type=2	0	350	112	89	551
	1	53%	25%	22%	166
	Total	438	154	125	717

Public & Dispersed Ownership SME // *btitle*

		btitle		
		0	1	Total
SME Type=2	0	399	152	551
	1	63%	37%	166
	Total	503	214	717

Public & Dispersed Ownership SME // *brelate*

		brelate			
		0	1	2	Total
SME Type=2	0	237	161	153	551
	1	24%	34%	42%	166
	Total	277	217	223	717

Public & Dispersed Ownership SME // *bhavqual*

		bhavqual		
		0	1	Total
SME Type=2	0	381	170	551
	1	60%	40%	166
	Total	480	237	717



(3) Private & Concentrated Ownership SMEs (SME Type=3)

Private & OCOs SME // nubpropor

		nubpropor			
		0	1	2	Total
SME Type=3	0	221	103	94	418
	1	73%	17%	10%	299
	Total	438	154	125	717

Private & OCOs SME // btitle

		btitle		
		0	1	Total
SME Type=3	0	264	154	418
	1	80%	20%	299
	Total	503	214	717

Private & OCOs SME // brelate

		brelate			
		0	1	2	Total
SME Type=3	0	128	122	168	418
	1	50%	32%	18%	299
	Total	277	217	223	717

Private & OCOs SME // bhavqual

		bhavqual		
		0	1	Total
SME Type=3	0	254	164	418
	1	76%	24%	299
	Total	480	237	717

(4) Public & Concentrated Ownership SMEs (SME Type=4)

Pubilc & OCOs SME // nubpropor

		nubpropor			
		0	1	2	Total
SME Type=4	0	434	153	122	709

1	50%	13%	38%	8
Total	438	154	125	717

Pubilc & OCOs SME // btitle

btitle

	0	1	Total
SME Type=4	0	501	208
	1	25%	75%
	Total	503	214
			717

Pubilc & OCOs SME // brelate

brelate

	0	1	2	Total
SME Type=4	0	277	214	218
	1	0%	38%	63%
	Total	277	217	223
				717

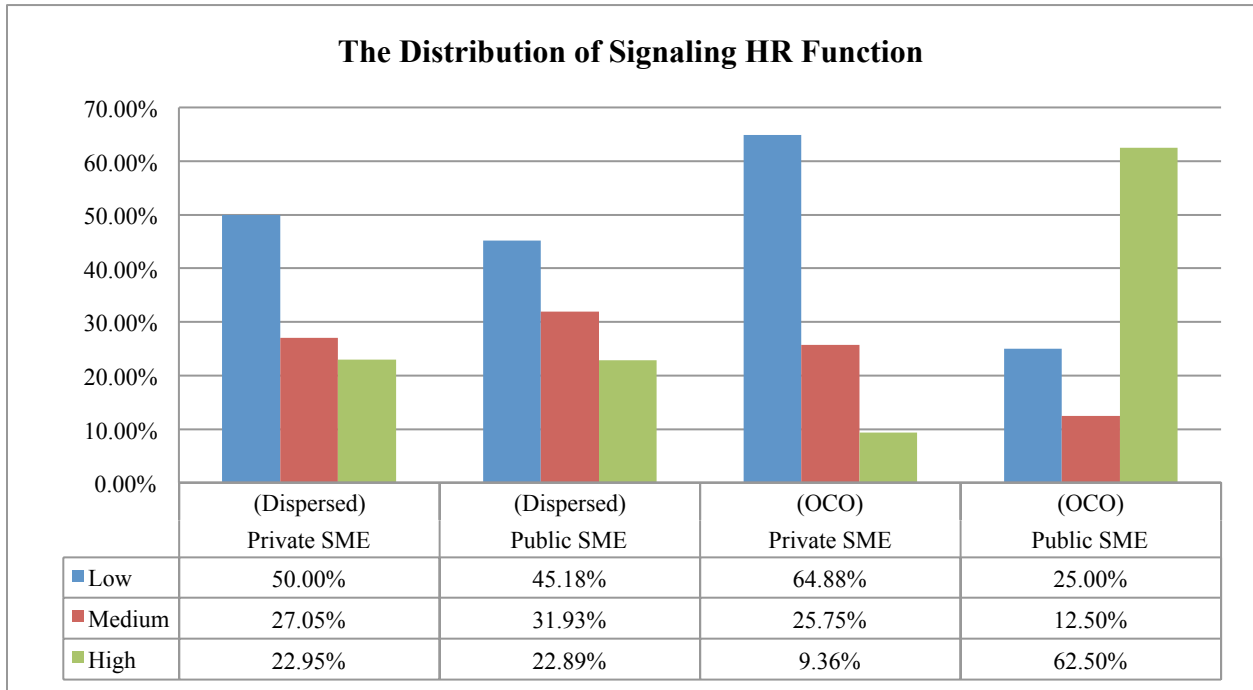
Pubilc & OCOs SME // bhavqual

bhavqual

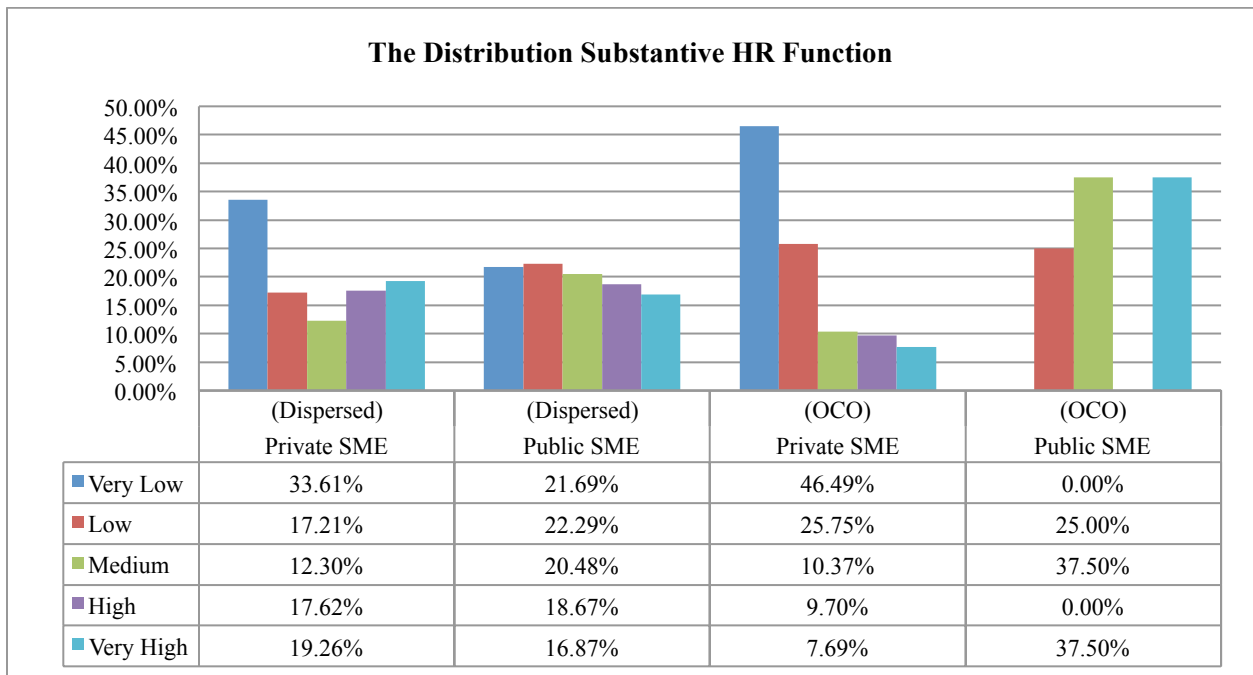
	0	1	Total
SME Type=4	0	477	232
	1	38%	63%
	Total	480	237
			717

### 3. Summary of the Additional Data Analysis

#### (1) Distribution of signaling HR functions across SMEs



#### (2) Distribution of substantive HR functions across SMEs



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**Table 1. Factor solutions for the bureaucratization of the HR function**

<i>Factor Solutions for HR Function Bureaucratization (N = 836)</i>	
Variable	Factor loadings
Formal Qualifications for HR	0.6608
Job Responsibility (HR)	0.8349
Job Title: HR manager	0.7313
Time spent in HR work (High/ Medium / Low)	0.8077
Eigen Value	2.32087

**Table 2. Descriptive statistics**

<i>Descriptive Statistics</i>					
Variable	Obs	Mean	Std. Dev.	Min	Max
HR bureaucratization	723	0.045	1.020	-1.028	2.088
Concentrated ownership	723	0.427	0.495	0	1
Publicly owned	717	0.243	0.429	0	1
Size	723	63.042	64.273	5	249
Logged size	723	3.569	1.135	1.609	5.517
Age	723	32.415	46.045	0	500
Logged age	720	2.892	1.072	0	6.215
Union	673	0.126	0.251	0	1
Flexible workers	711	0.073	0.188	0	1
Resignation rate	689	0.161	0.176	0	1
Award	700	0.366	0.482	0	1
Strategy	719	0.730	0.444	0	1
Financial resource	666	3.560	0.823	1	5
Complexity	681	0.416	0.493	0	1

**Table 3. Correlation table**

<b>Variable</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>1</b> HR bureaucratization	1					
<b>2</b> Concentrated ownership	-0.219*	1				
<b>3</b> Publicly owned	0.180*	-0.425*	1			
<b>4</b> Logged size	0.369*	-0.176*	0.104*	1		
<b>5</b> Logged age	0.040	-0.152*	0.156*	0.135*	1	
<b>6</b> Union	0.088*	-0.292*	0.272*	0.231*	0.184*	1
<b>7</b> Flexible workers	0.001	-0.024	0.054	0.095*	-0.112*	-0.035
<b>8</b> Resignation rate	0.072	0.034	0.020	-0.001	-0.170*	-0.211*
<b>9</b> Award	0.010*	-0.254*	0.300*	0.095*	0.059	0.224*
<b>10</b> Strategy	0.242*	-0.285*	0.220*	0.233*	0.051	0.181*
<b>11</b> Financial resources	0.058	-0.007	0.019	0.007	-0.048	-0.067
<b>12</b> Complexity	-0.005	0.042	-0.082	-0.021	-0.058	0.044

	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
<b>7</b> Flexible workers	1					
<b>8</b> Resignation rate	0.089*	1				
<b>9</b> Award	0.055	0.052	1			
<b>10</b> Strategy	0.093*	0.007	0.321*	1		
<b>11</b> Financial resources	0.011	-0.013	0.135*	0.076	1	
<b>12</b> Complexity	-0.027	0.010	-0.038	-0.052	-0.042	1

\* $p < 0.05$

**Table 4. Results of OLS regression models predicting the bureaucratization of the HR function**

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
log_size	0.290*** (0.038)	0.289*** (0.039)	0.281*** (0.039)	0.274*** (0.038)	0.274*** (0.038)
log_age	0.004 (0.040)	-0.007 (0.040)	-0.012 (0.042)	-0.027 (0.042)	-0.027 (0.042)
Union (%)	-0.130 (0.198)	-0.189 (0.200)	-0.259 (0.206)	-0.273 (0.205)	-0.273 (0.205)
Flexible workers (%)	-0.263 (0.149)	-0.296 (0.151)	-0.289 (0.149)	-0.322 (0.145)	-0.322 (0.145)
Resignation rate (%)	0.514* (0.229)	0.492* (0.230)	0.501* (0.226)	0.484* (0.225)	0.484* (0.225)
Award (Invest in people)	0.020 (0.094)	-0.028 (0.094)	-0.044 (0.095)	-0.040 (0.094)	-0.040 (0.094)
Firm strategy	0.360*** (0.094)	0.331*** (0.094)	0.298** (0.094)	0.293** (0.094)	0.293** (0.094)
Financial resource	0.049 (0.046)	0.056 (0.047)	0.057 (0.047)	0.052 (0.046)	0.052 (0.046)
Firms' Complexity	0.023 (0.089)	0.030 (0.088)	0.033 (0.087)	0.043 (0.087)	0.043 (0.087)
Publicly owned (Listed on the stock market)		0.324** (0.118)	0.243* (0.127)	0.146 (0.133)	
OCOs (Owners with concentrated ownership)			-0.218** (0.099)	-0.287** (0.102)	
Public*OCOs				1.024** (0.290)	
Dispersed Owners / Private					
Dispersed Owners / Public					0.146 (0.132)
Concentrated Owners / Private					-0.287** (0.102)
Concentrated Owners / Public					0.884* (0.262)
Constant	-1.579*** (0.240)	-1.584*** (0.243)	-1.392*** (0.266)	-1.263*** (0.272)	-1.263*** (0.272)
Observations	546	541	541	541	541
R-squared	0.184	0.199	0.208	0.219	0.219
Adj. R-squared	0.153	0.167	0.174	0.185	0.185

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Robust standard errors in parentheses; \*\*\* p<0.001, \*\* p<0.01, \* p<0.05

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**Table 5. The result of logit analysis for signaling HR function**

<b>Variables</b>	<b>Model 1</b>	<b>Model 2</b>
log_size	0.601*** (0.133)	0.580*** (0.131)
log_age	0.024 (0.095)	-0.049 (0.110)
Union (%)	-0.656 (0.319)	-1.00** (0.360)
Flexible workers (%)	-0.647 (0.599)	-0.829 (0.565)
Resignation rate (%)	0.432 (0.401)	0.276 (0.448)
Award (Invest in people)	-0.164 (0.342)	-0.275 (0.321)
Firm strategy	0.415 (0.257)	0.276 (0.261)
Financial resource	-0.117 (0.131)	-0.129 (0.325)
Firms' complexity	-0.204 (0.312)	-0.128 (0.264)
Dispersed Owners / Private		
Dispersed Owners / Public		0.349 (0.220)
Concentrated Owners / Private		-0.596** (0.273)
Concentrated Owners / Public		2.60** (0.880)
Constant	-2.950*** (0.766)	-2.280** (0.220)
Observations	546	541
Log pseudo-likelihood	-295.09	-284.106
Wald Chi-squared	228.34	.
Probability	0.0000	.
Pseudo R-squared	0.087	0.110

Standard errors in parentheses (Robust standard error) are clustered by industry

\*\*\* p<0.001, \*\* p<0.01, \* p<0.05



**Table 6. Results of robust OLS regression model for predicting the relationship between owner-managers and the bureaucratization of the HR function**

<b>Variables</b>	<b>Model</b>
log_size	0.278*** (0.038)
log_age	0.001 (0.042)
Union (%)	-0.199 (0.200)
Flexible workers (%)	-0.238 (0.147)
Resignation rate (%)	0.469* (0.224)
Award (Invest in people)	-0.01 (0.094)
Firm strategy	0.301*** (0.095)
Financial resources	0.048 (0.046)
Firms' complexity	0.0221 (0.087)
Owner-manager	-0.255** (0.091)
Constant	-1.374*** (0.262)
Observations	546
R-squared	0.195
Adj. R-squared	0.163

Robust standard errors in parentheses  
\*\*\* p<0.001, \*\* p<0.01, \* p<0.05

**Table 7. Distribution of signaling HR functions across SMEs**

Signaling HR	Private SME (Dispersed)	Public SME (Dispersed)	Private SME (OCO)	Public SME (OCO)
Low	50.00%	45.18%	64.88%	25.00%
Medium	27.05%	31.93%	25.75%	12.50%
High	22.95%	22.89%	9.36%	62.50%

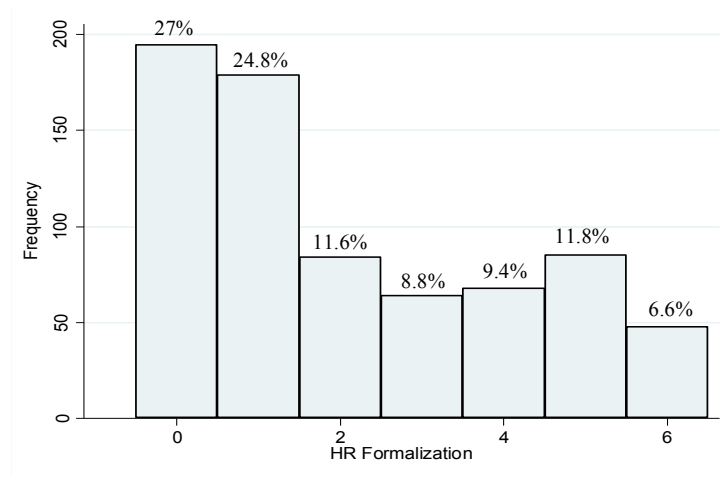
**Table 8. Distribution of substantive HR functions across SMEs**

Substantive HR	Private SME (Dispersed)	Public SME (Dispersed)	Private SME (OCO)	Public SME (OCO)
Very Low	33.61%	21.69%	46.49%	0.00%
Low	17.21%	22.29%	25.75%	25.00%
Medium	12.30%	20.48%	10.37%	37.50%
High	17.62%	18.67%	9.70%	0.00%
Very High	19.26%	16.87%	7.69%	37.50%

**Figure 1. The classification of firms**

	<b>Publicly-Held</b>	<b>Privately-Held</b>
<b>Concentrated</b>	<ul style="list-style-type: none"><li>- Sensitive to institutional pressure</li><li>- High owner power</li></ul>	<ul style="list-style-type: none"><li>- Resistant to institutional pressure</li><li>- High owner power</li></ul>
<b>Dispersed</b>	<ul style="list-style-type: none"><li>- Sensitive to institutional pressure</li><li>- Low owner power</li></ul>	<ul style="list-style-type: none"><li>- Resistant to institutional pressure</li><li>- Low owner power</li></ul>

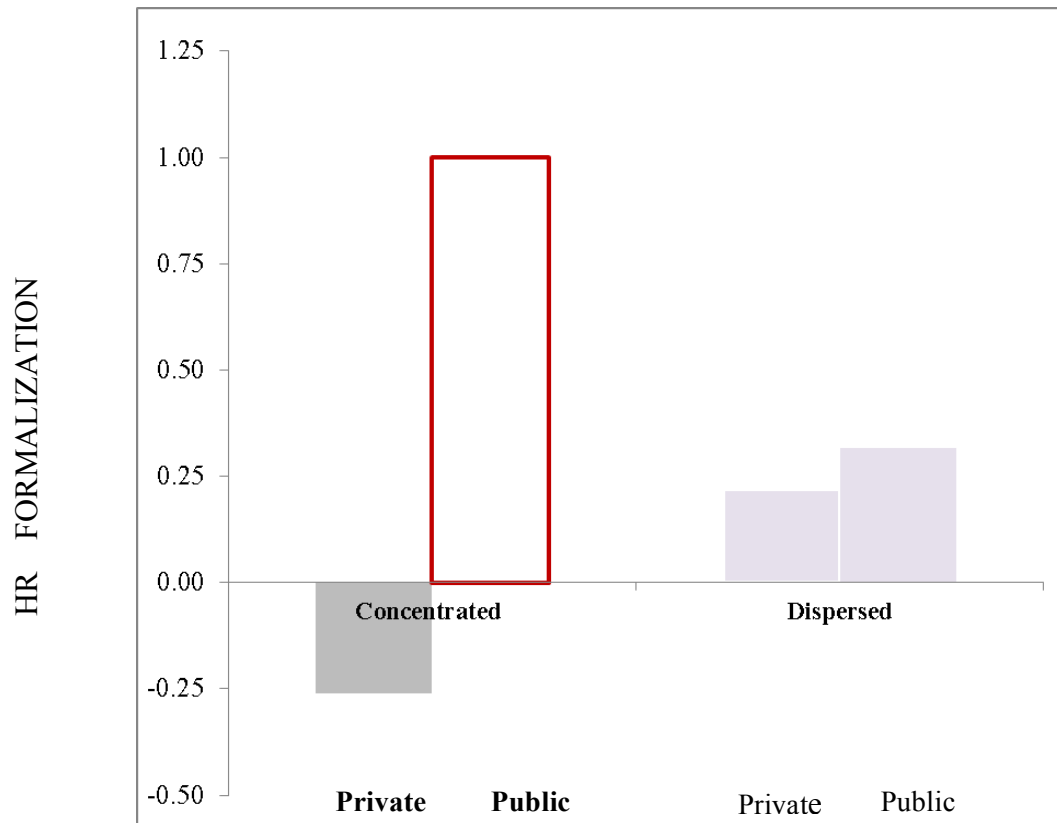
**Figure 2. Frequency distribution of the HR bureaucratization across U.K. SMEs**



❖ Scale items include:

- 1) Presence of specified credentials for person performing HR tasks
- 2) Presence of formal HR manager job title
- 3) The level of specialization of the HR management (High, Medium, Low)
- 4) Amount of time HR manager spends on HR tasks (High, Medium, Low)

**Figure 3. Ownership structure and the level of HR bureaucratization by SME types (N=717)**



2x2 factorial design: ANOVA F-test=18.92 (p=.0000)