Differences in Key Employees by Employee Age and Entrepreneurial Orientation

WHAT IS THIS RESEARCH ABOUT?

On average in 2007, 48 per cent of the total private sector labour force worked for small enterprises, constituting 98 per cent of all businesses in Canada. Employees are an important part of strategy implementation and a reflection of firm culture. However, research states that SMEs (small to medium sized enterprises) are faced with greater challenges than larger organizations in retaining and attracting key employees.

There is currently little research on key employees who are critical to small business success but who do not hold an ownership stake in the businesses. Researchers have compared entrepreneurs to their employees but have not yet distinguished between key employees and other employees.

This research aims to better understand the types of individuals who are considered to be key employees by SME owners. It asks, how do the profiles of SME owners and their key employees differ? How do the profiles of key employees differ when we take into account firm age and entrepreneurial orientation?

WHAT DID THE RESEARCHERS DO?

Francine Schlosser from the Odette School of Business at the University of Windsor looked at differences in key employees in SMEs. In contrast with recent attention paid to high tech and financial services industries, the researcher investigated the profiles of key employees across firms in diverse industries with differing dynamics and resource availability.

The researcher first described the current literature relating to human capital in SMEs. Schlosser then performed a cross-sectional field survey by mailing surveys out to a random sample of SME owners. The survey asked owners to describe their key employees in regards to attitudes and behaviours. The survey also asked the owners to describe the firm’s entrepreneurial orientation and venture age. Schlosser had determined that entrepreneurs and employees had developed different profiles connected to responsibility, learning orientation, and work–family balance so the measures reflected all of these variables.

WHAT DID THE RESEARCHERS FIND?

Schlosser was able to make findings related to the profile of key employees, entrepreneur/key employee similarity and growth, and age and human resource practices.

Profiles of Key Employees

- Innovative employees who were involved in making decisions about the business were considered to be key employees in entrepreneurial SMEs. These key employees were less likely to have high levels of training, work knowledge and formal qualifications.

Entrepreneur/Key Employee Similarity

- Young entrepreneurial ventures were more likely to employ key employees who were
similar to entrepreneurial owners, whereas older firms were more likely to employ key employees that differed from the owners.

- Owners of older SMEs will perceive less similarity between themselves and their key employees than owners of younger SMEs.
- The more that entrepreneurs perceive key employees to be similar to themselves, the higher the SME entrepreneurial orientation.

Growth, Age and Human Resource Practices
- Firm entrepreneurial orientation was significantly negatively related to age of venture.

To summarize, entrepreneurial ventures were more likely to employ innovative, involved employees who were perceived to be similar to entrepreneurs, whereas SMEs that survived over a period of time were more likely to employ key employees that differed from the owner in demographics and perceived personality and work habits but scored high in self-esteem, business knowledge and reliability. The age of the SME was significantly negatively correlated with firm level EO.

HOW CAN YOU USE THIS RESEARCH?

Entrepreneurs starting new businesses may find this research particularly compelling. The question “should entrepreneurs try to recruit individuals who are similar or not?” is one often debated. The results might help those starting new businesses to select key employees that fit their vision for their venture. The research also identifies key traits and behaviours that might be ascertained through the recruitment and interview process, which is helpful for SME owners to understand.

CITATION

Schlosser, Francine. Differences in Key Employees by Employee Age and Entrepreneurial Orientation, *RENT Anthology*.

KEYWORDS

Key employees, firm age, entrepreneurial orientations, SMEs, key employees

WHAT YOU NEED TO KNOW

Entrepreneurial ventures are more likely to employ innovative, involved employees who are perceived to be similar to entrepreneurs. Longer standing SMEs are more likely to employ key employees that differ from the owner in demographics and perceived personality and work habits but score high in self-esteem, business knowledge and reliability.