WHAT IS THIS RESEARCH ABOUT?

This research examines how to identify and differentiate key employees from small and medium-sized enterprises (SME) owners and other employees and how their characteristics influence firm success factors. Key employees are those employees which an owner sees as the most effective, can be relied upon to get the job done and whose work contributes most to the success of the firm. Identifying and addressing key employees is important because they are often responsible for the implementation of firm strategy and culture in small business.

This research explores the perceptions of owners and key employees in SMEs. It considers the views of both founders and employees with respect to the attitudes and behaviors of effective entrepreneurs and employees. It also investigates small businesses operating in different areas of the economy and contributes to knowledge of all individuals that shape the entrepreneurial orientation necessary for competitive advantage.

WHAT DID THE RESEARCHERS DO?

Francine Schlosser from the Odette School of Business, University of Windsor, conducted semi-structured interviews with 14 sets of entrepreneurs and key employees operating small businesses in central Canada. Participants were selected from four different areas of the economy: retail, restaurant, service, and manufacturing. Entrepreneurs in these sectors were selected based upon peer recognition and longevity. Entrepreneurs then directed the researcher to employees that they believed exemplified their most effective employees who were key to their success.

Entrepreneurs and employees were asked 22 open-ended questions. These questions were designed to understand their own motivations and goals, how they perceived the other party (entrepreneur or employee), and the context of the business. They were asked to distinguish (1) between entrepreneurs and non-entrepreneurs and (2) between effective key employees and less effective employees. The interviews were content analyzed with the assistance of a statistics software program.

WHAT DID THE RESEARCHERS FIND?

From this study, the researchers were able to develop a profile whereby a key employee typically:

- Corresponds to the key success factors of the SME
- Is willing to undertake a moderate amount of risk
- Differs in education and experience from the entrepreneur/owner.
Entrepreneurs were asked to identify firm key success factors and the description, expectations, and hiring criteria applied to employees in the organization. It was found desirable attributes and actions of key employees aligned strongly with industry key success factors for each venture.

It was also found that entrepreneurs and key employees resembled each other in their willingness to assume the risk associated with a small, growing business. However, the context of the risk varied between the two roles, with employee risk being “confined to their roles.” These results suggested that differences in risk profile between owners and employees stemmed from a different locus of control. Entrepreneurs were willing to support risk taking in employees but only in very specific role-related ways. This type of support was linked to how they delegated.

All entrepreneurs exhibited more experience or more education (or both) than their key employees. Most had developed experience or been educated in the process of business administration, or had developed previous experience in product or service proposition. This difference in experience and education from employees reflected the entrepreneurs’ increased confidence in their abilities and stronger desire for achievement. The education and experience gap between entrepreneurs and key employees may explain differences in self-confidence and their willingness to go out on their own.

**HOW CAN YOU USE THIS RESEARCH?**

This research proves useful to entrepreneurs. The research indicates that behind successful entrepreneurs, there are indeed key employees. The entrepreneur can use this research in order to identify and differentiate key employees from other employees. To do this, they must identify core organizational competencies, hire and retain good relationships with key employees, be specific in what distinguishes key employees from less effective ones, and avoid the tendency to use biases in identifying key employee traits. By being aware of these steps, entrepreneurs can increase their business success.

**WHAT YOU NEED TO KNOW**

Identifying and addressing key employees is important because they are often responsible for the implementation of firm strategy and culture in small business.

“It’s because I surround myself with good people. You’re only as good as the people you surround yourself with.” - Entrepreneurial Participant

**CITATION**


**KEYWORDS**

SMEs, Key Employees, Success Factors, Core Competencies, Relationships