

THE IMPACT OF ECONOMIC CRISIS ON SMEs' STRATEGY AND HRM: The Case of a Portuguese Family Firm

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THE IMPACT OF ECONOMIC CRISIS ON SMEs'
STRATEGY AND HRM:
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Resumo

Nos últimos anos, o mundo e principalmente a Europa, têm vivido uma grave crise económica e financeira, que tem assombrado muitos países com a deterioração do tecido empresarial, condições de vida, desemprego e situação social e económica em geral.

Esta dissertação de mestrado tem como objectivo estudar como é que a última crise económico-financeira mundial, afectou a estratégia e as práticas de Gestão de Recursos Humanos nas pequenas e médias empresas Portuguesas.

Com recurso a entrevistas realizadas ao responsável de Recursos Humanos e Sócio Gerente de uma pequena empresa Portuguesa, que tem responsabilidades de gestão e pôde responder, foi feita uma análise de conteúdo às respostas, de forma a obter conclusões sobre qual o impacto da crise económica na gestão das práticas de GRH, e o seu contributo para a resiliência organizacional.

Os resultados mostraram, que as práticas de recursos humanos têm um impacto importante em como uma pequena e média empresa pode adaptar a sua estratégia às novas condições económicas e de mercado. O investimento em formação e desenvolvimento, um recrutamento e seleção cuidadoso, políticas e retenção para os empregados chave e uma política renovada de remunerações e benefícios, foram os principais factores que fizeram com que a mudança estratégica pudesse acontecer nesta pequena empresa Portuguesa.

Todo este enfoque na adaptação das práticas de recursos humanos, assim como na estratégia empresarial a seguir, permitiu que a empresa conseguisse ultrapassar as dificuldades e tornar-se mais competitiva.

Parametrizar uma organização para ser resiliente, permite não só a sua sobrevivência para o futuro, mas também envolve-a num processo de aprendizagem constante para procurar novas oportunidades de negócio e vantagem competitiva.

Palavras-Chave: GRH, Crise Económica, PMEs, Resiliência Organizacional

Classificação JEL: M12 – Personnel Management and M50 – General Personnel Economics

Abstract

Over the past years, the world and mainly Europe, have been living with a serious economic and financial that have destroyed the business structure, live conditions, employment and social and economic situation in general.

This dissertation intends to study how the latest financial and economic crisis affected the strategy and HRM practices of small-medium-enterprises in Portugal.

On a basis of interviews conducted with an HR responsible and managing partner of a small Portuguese enterprise, which have managing responsibilities and were able to respond, there was made a content analysis of their answers to seize considerable conclusions about the impact of the economic crisis on the management of HR practices and their contribution to organizational resilience.

Results have shown that human resources practices have a very important impact on how a SME can adapt their strategy to the new market and economic conditions. The investment on training and development, very careful recruitment, in order to meet the company's requirements, retention policies for the key employees and a reviewed reward and benefits policy, were the main factors that made the strategic change possible for this Portuguese enterprise.

All of this focus on human resources practices adaptation, as well as the business strategy to follow, allowed the company to overcome its difficulties and obstacles, becoming more competitive in their business areas.

Setting an organization for resilience, not only enables it to survive in the long run, but also enrolls it in a constant learning process to seek new business opportunities and sources of competitive advantage.

Keywords: HRM, Economic Crisis, SMEs, Organizational Resilience

JEL Classification: M12 – Personnel Management and M50 – General Personnel Economics

Index

1. Introduction.....	1
2. Literature Review	5
2.1 Strategy and HR.....	5
2.1.1 Dynamic Capabilities in Times of Crisis.....	5
2.1.2 Ambidextrous Organization	7
2.2 Downsizing and its Impact on HR.....	10
2.3 Resilience Capacity in Times of Crisis.....	13
2.3.1 Resilience on SMEs.....	16
2.3.2 Are workers motivated and willing for new challenges in times of crisis?	19
2.3.3 The Role of the HR Manager	22
3. Method/Approach	23
3.1 Research Objectives.....	23
3.2 Research Method	25
3.3 Data Collection	26
3.4 Data Analysis Approach	27
3.5 Procedure	28
3.6 Interview Guide	29
4. Results.....	33
4.1 Content Analysis.....	34
5. Discussion of Results and Conclusion.....	48
6. Limitations and Leads for Future Research.....	56
Bibliography.....	58
Annex	62
Annex I – Interview Guide	62

Index of Tables

Table 1 - HR system components for developing a capacity for resilience	15
Table 2 - Key Business Factors for Success.....	35
Table 3 - HR contribution to Key Business Factors for Success	36
Table 4 - Downsizing as a HR practice	37
Table 5 - Business Model.....	38
Table 6 - Difficulties and Obstacles to Resilience	39
Table 7 - Factors that contributed to resilience and survival.....	41
Table 8 - Changes in HR practices to achieve strategy and goals.....	42
Table 9 - Role of HR/General Manager in times of crisis.....	43
Table 10 - Strategy and Practices to prevent crisis.....	44
Table 11 - Difficulties of daily work.....	45
Table 12 - Facing new challenges and sacrifices for survival.....	46
Table 13 - Strategic HR practices which contributed for organization resilience...	47

Index of Figures

Figure 1 – Framework for organizational agility as a dynamic capability.....	6
Figure 2 – Ambidextrous Organization.....	8
Figure 3 - Ambidextrous vs. Non Ambidextrous	9
Figure 4 – Structural vs. Contextual.....	10
Figure 5 –Strategic human resource management system in developing a capacity for organizational resilience	14
Figure 6 – Framework for SME resilience and competitiveness <i>Source:</i> <i>Gunasekaran A., Rai B. & Griffin M. (2011)</i>	18
Figure 7 - Evidence about EIP subsequent to the GFC	20

List of Abbreviations

CRM – Customer Relationship Management

EIP - Employee Involvement and Participation

ERP – Enterprise Resource Planning

GFC – Global Financial Crisis

HR – Human Resources

HRM – Human Resources Management

INE – Instituto Nacional de Estadística

SHRM – Strategic Human Resources Management

SME – Small, Medium Enterprise

USA – United States of America

KSA – Knowledge, skills and abilities

1. Introduction

Starting in 2007/2008, the global financial crisis (GFC) emerged mainly with the bankrupt of Lehman Brothers in the United States of America (USA) that affected a lot of people and institutions, combined with the housing bubble crisis also in the USA. These two factors aroused into a global economic crisis affecting not only the USA but also most of Western Europe. All countries' economies started to decrease alongside with the investment and consumer spending, which led to companies' financial struggle. Portugal was one of the most affected countries along with Greece and Ireland. After a couple of years since the crisis started, these countries had to be bailed out from bankruptcy. One of the many factors for this to have happened, was the save of many banking systems from its collapse, mainly in Ireland and Portugal, that led to a crisis of liquidity from the countries themselves. Afterwards the real economy started to suffer with austerity measures that had the goal of stabilizing macroeconomic indicators, such as public debt and other gaps. Middle class workers and small-medium enterprises (SMEs) were those who suffered the most. With the market and domestic demand started decreasing helplessly and the firms that went bankrupt increased in the past years drastically.

Moreover the labour market started to be affected, as expected, bringing concerns and new challenges for human resources management (HRM), human resources managers, business goals and strategies. In this thesis our main goals are to find implications of the economic/financial crisis on SMEs human resources strategies and what were the overall impacts. Also we want to understand how did the HR policies and practices changed/adapted to the newer challenges/goals.

According to Zagelmeyer and Gollan (2012) HRM and crisis are linked because it affects how people are managed. During crisis the degree of uncertainty is very high and companies' HR systems had to be redesigned to adapt to the new market conditions. It is argued that the professionals of HRM have a set of skills and abilities that are relevant at a business level, because HRM involves dealing with peoples' motivation, engagement, commitment and everything that creates individual and organizational resilience.

Since this work aims to find relationships of economic crisis on SMEs, it is relevant to discuss the definition of small-medium-enterprise. According to the official journal of the European Union (2003) SMEs are those that employ until 250 people and have an annual turnover not more than 50 million euros. The small enterprise "is defined as an enterprise

The Impact of Economic Crisis on SMEs' Strategy and HRM

which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed 10 million euros. The microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed 2 million euros.” Regarding statistics, the INE (Instituto Nacional de Estatística) in 2009 released some data related to the business structure. In 2009 there were 348.552 SMEs, representing 99, 7% of all firms from the non-financial sector. All of these companies employ around more than 2 million people and contribute to more than 50% of the product produced in Portugal. This means that the relevance of this problematic for studying and researching is very high because since the organizations in Portugal are mostly SMEs and employ a lot of people, the economic and financial crisis affects its structure and management. Furthermore we will try to understand how HRM connects on SMEs in Portugal and it can help overcoming and dealing with the current economic crisis.

Moreover if we want to understand the impact of economic crisis on HRM, we also need to know if HRM has any influence on organizational performance. According to Jiang et al. (2012), the three dimensions of HR systems studied, skill-enhancing, motivation-enhancing and opportunity-enhancing, “were positively related to human capital and employee motivation in different patterns in such way that, compared with the other two HR dimensions, skill-enhancing HR practices were more positively related to human capital and less positively related to employee motivation.” Overall the effects of the three dimensions of HR practices had a positive correlation coefficient of 0.22 on operational outcomes, as well as financial outcomes. Therefore we can say that organizational performance is somehow positively correlated with HRM’s good practices. Also Gurbuz and Mert (2011) found in their research that strategic human resources management and human resources practices have positive effects on operational and financial performance on Turkish firms. This goes along with the previous results shown by Jiang et al. (2012).

However, even though there is evidence on recent studies that organizational performance and resilience are enhanced by human resources practices and policies, many organizations when facing an economic downturn, start cutting in some crucial areas that affect how people are managed. Also it is argued that those who don’t value the investment on HR practices such as, training, motivation and communication are less likely to recover from the crisis.

Another example is the case that is very similar to Portugal which happened in Ireland. They also had a deep recession in their economy that affected thousands of people in terms of

The Impact of Economic Crisis on SMEs' Strategy and HRM

jobs and how companies had to handle new challenges. Teague and Roche (2014) conducted a study where they pursued the answer to the question if companies introduced different bundles of HR practices like suggested in most strategic HRM literature to cope with times of crisis like now in Ireland. The authors identified a series of bundles of HR practices, such as, employment satisfaction, responsible restructuring and pure restructuring. These 3 were expected to be found. "Employment stabilization and responsible restructuring are more likely in firms where recessionary pressures are acute, but there is time to plan HR retrenchment programmes." (Teague and Roche 2014)

After the collected data from 30 senior HR managers and 17 trade union officials, they came up with the results about the HR practices that were implemented in response for the Irish economic crisis. Surprisingly, out of the all bundle of practices, such as, pay adjustment measures, employment adjustment measures, reorganization of working time, training, talent management, communication and engagement, the last one was the one that had a higher percentage of implementation, along with employees' involvement. It appears that firms are using development activities involving engagement and talent management as a response to the recession. On the other hand on payroll, more than half of these companies said that wages and salaries were froze to all staff. Also their findings suggested that most companies tend to adopt a variety of practices involving payroll and work practice measures, and then to diminish the effects of it, adopt employee engagement and commitment measures. And also organizations are willing to combine practices to enhance communication and engagement with talent management when applying behaviorally bundles of practices. Since Ireland went through a similar financial aid program like Portugal, the way both countries were affected by political and economic measures was also very alike. Therefore the study conducted by Teague and Roche (2014) about the bundles of HR practices used in times of recession in Ireland, can be helpful on trying to understand what happened in Portugal and in some way if it were applied in the same proportion.

So in sum, we can say that there is a major importance about studying this issue. The global economic and financial crisis affected countries all over Europe and America, some more than others. Portugal was one of the many that fell into a great economic recession due to the international crisis that evolved into an internal crisis. Then it was forced to ask for international financial aid in order to be able to fulfil and honor all commitments. There is a lot of scientific research and scientific articles about HRM in recent times of crisis, but very few research about it specifically in Portugal. Also there is a lack of research about the crisis

The Impact of Economic Crisis on SMEs' Strategy and HRM

thematic on small-medium-enterprises in Portugal. Since, like stated before, most of Portugal's economic strength and employability comes from SMEs, it is very important to understand what companies have been doing during these years to face this economic crisis.

In this work, through an extensive literature review, we will focus our research attention on what dynamic capabilities are and in what way can be useful to overcome situations of crisis. Organizational agility is an outcome of a set of practices that help organizations to be prepared for adverse situations. Secondly we are going to understand what individual and organizational resilience are and what mechanisms organizations have or need to create in order to achieve resilience. Also in line with organizational resilience, we will understand how an ambidextrous organization can help to create resilience capacity and how we can explore and exploit opportunities to survive in times of crisis. Resilience and ambidexterity are related in a way that if an organization wants to be prepared and built to face market uncertainty and economic crisis, needs to create and set the right tools and capacities to do so.

Afterwards we will analyze what is downsizing and its effects on human resources management. In the literature, downsizing is often viewed as an HR practice. Many organizations when facing a crisis, one of the first things they do is cutting costs on employees, meaning laying-off workers. Nevertheless, there are some contradictions on literature about whether if downsizing increases or not productivity. Some conclusions could be drawn about this subject and how it affects the rest of the HRM.

Finally, we will take a closer look at what the role of the HR manager should be in times of crisis. It is argued that communication is viewed as the key for a successful changing period. Managers should take advantage of their leader position to communicate effectively and motivate their employees through difficult times. However we also need to take in consideration if the global financial crisis and a specific economic crisis, has implications and is correlated with the engagement and participation of employees. Therefore, that same employee commitment has to be a concern for HR managers, because the way that it gets affected by times of crisis can or not be a problem for human resources management.

2. Literature Review

2.1 Strategy and HR

2.1.1 Dynamic Capabilities in Times of Crisis

The recent crisis led to high turbulent and unpredictable market changes. As argued before the recent financial crisis that started in 2008 brought a lot of changes for the external environment of all companies. According Nijssen and Paauwe (2012) organizations nowadays changed their focus from trying to achieve maximum performance of their resources, to simply survive. Therefore the point now is not to get better but to be different from the others, to innovate and offer different solutions. It is argued that in times like these organizations have to develop some kind of organizational capabilities in order to sustain their competitive advantage. Such capabilities referred in as dynamic capabilities, are a combination of tangible and intangible assets that organizations can use to achieve that competitive advantage. The main goal of firms nowadays is to innovate by creating new products and services, to shift their current market, but at the same time achieve lower costs. This leads us to the first dynamic capability referred as organizational agility. There are some conditions/factors in order to achieve organizational agility. The authors argue that scalable workforce, fast organizational learning and high adaptable organizational infrastructure leads to organizations' agility, bringing survival in extreme dynamic environments.

Moreover it is necessary to understand which practices lead and help organizational agility. One of which the dynamic capabilities framework refers to is the scalability of the workforce. It is argued that the relevant organizational competencies first refer to scalability of the workforce. "The workforce needs to be aligned with the objectives and goals of the organization to survive. These objectives and goals are a constantly moving target in a dynamic environment. In an economic downturn, it is most likely that firms are forced to reduce their work force and/or redeploy them in alternative activities" (Nijssen and Paauwe 2012)

Another factor is the fast learning organizations. Firms need to keep looking at their external environment and proactively act to changes on itself. In times of turbulence, organizations need to be agile in terms of acquiring, managing and distributing knowledge. Most of the times we base our decisions on the information we have in the moment. Therefore if we keep ourselves updated and with relevant information, chances of better decision making increase, as well as market/environment adaptation.

The Impact of Economic Crisis on SMEs' Strategy and HRM

The organizational infrastructure is something that also contributes to organizational agility. It is argued that there are two organizational principles that are relevant to the contribution of an adaptable organization: A fluid organization design and flexible core business processes. A highly adaptable organization should have flat hierarchy, minimal formal authority, minimal routinization and standardization, and informal coordination according to the authors.

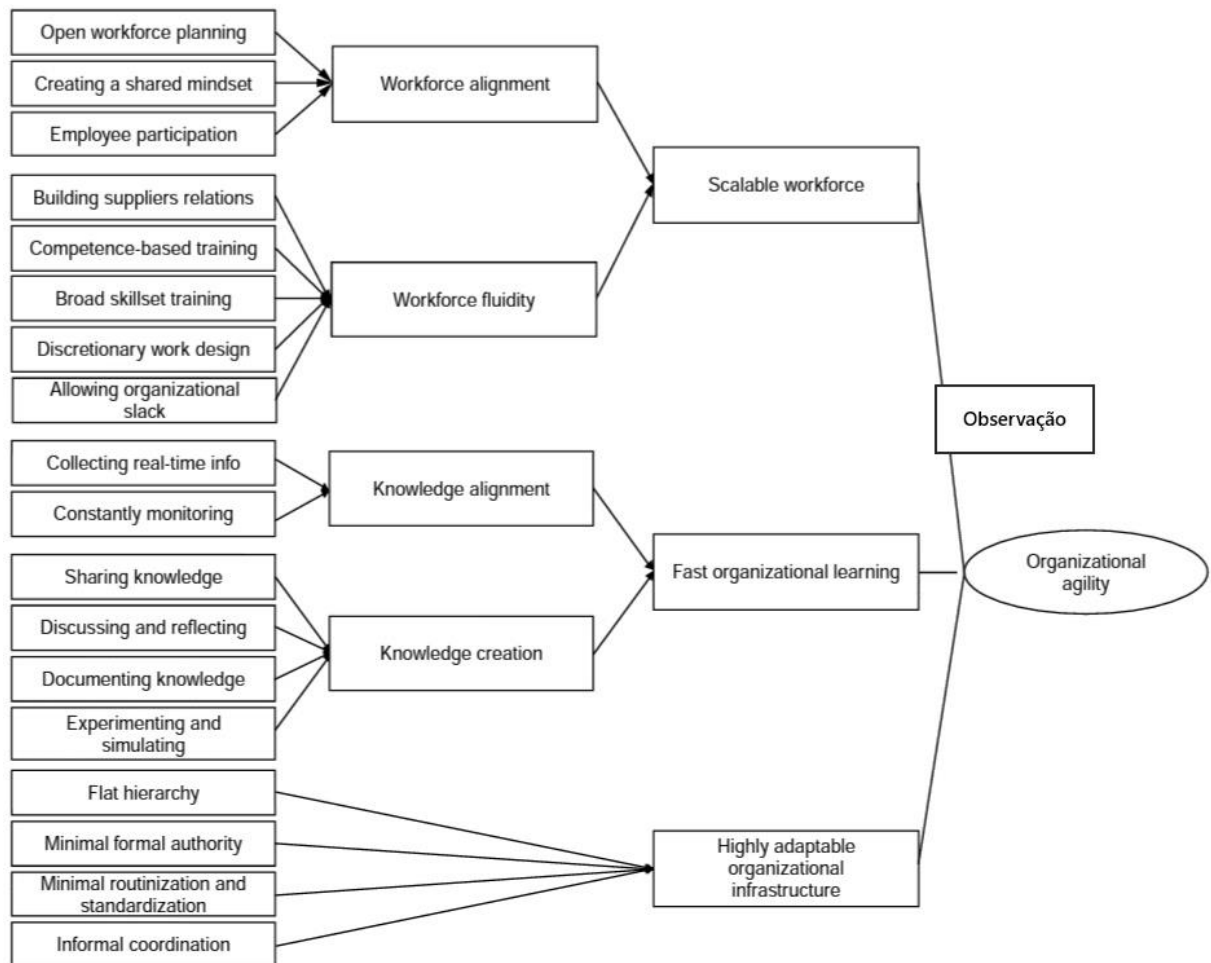


Figure 1 – Framework for organizational agility as a dynamic capability

Source: Nijssen M. and Paauwe J. (2012)

Summarizing, the authors argued that, there is a big focus on trying to improve models to predict the future crisis and prevent them. Although they present us with a different approach that relies on scalable workforce, fast organizational knowledge creation and highly adaptable organizational infrastructure. These competences gear up the organization to be prepared for

The Impact of Economic Crisis on SMEs' Strategy and HRM

unpredictable circumstances and market uncertainty. They also argue that it is better to be prepared for this uncertainty, rather than making predictions about the future that might not become true.

To still be competitive organizations need to reduce their labour costs, sometimes through downsizing. But the challenge is how to retaining their human capital important for their business goals. Fast learning knowledge in times of crisis is more important than ever. Market conditions change every day, and the opportunities are always rising. Therefore, organizations need to be capable of improving their core business and also be innovating to explore new business areas. "In an economic downturn own initiative from employees is focused on how to do more with less. Until economic conditions change for the better, employee initiative is focused on exploring new ideas." (Nijssen and Paauwe 2012)

Although they also recognize that it is not an easy task to invest in communication, training and organization agility, in times of crisis, because of treasury problems. But if instead of downsizing and lay-off employees, the authors suggest making use of subsidies and other activities to provide training and organizational creation activities to be better prepared in the long-run.

2.1.2 Ambidextrous Organization

During the years, due to turbulence, market volatility and uncertainty, managers always seek the better ways of adjusting their company and people to face adverse conditions. The importance of being able to adapt to extreme volatile market conditions has increased during these last years due to the big economic and financial downturn that we have assisted to. However, according to Birkinshaw and Gibson (2004) being able to adapt is not enough for a company to be successful, it also requires alignment. Alignment means being ambidextrous. A company to be successful in the long run and in times of great uncertainty, has to be able to create an organizational structure that will explore and exploit their assets and activities.

Basically we can argue that a way to achieve these concepts is through a variety of innovation techniques. According to O'Reilly III and Tushman (2004) 90% of the ambidextrous organizations in their study, achieved their goals. "They must constantly pursue incremental innovations, small improvements in their existing products and operations that let them operate more efficiently and deliver greater value to customers."

The Impact of Economic Crisis on SMEs' Strategy and HRM

An ambidextrous organization must have the capability of reinventing itself by identifying their core business, improving their products, services and operations in order to keep doing what they do best to their existing customers. This strategy is according to the exploitative alignment of the business. The organization establishes independent teams that work independently from each other, although reporting to the general management. The existing business units and new emerging business units have their own processes, structures and culture that will also be integrated in the management. This will allow the organization to have at least two different alignments. The exploitative business unit and exploratory business unit. The first one, as referred already before, has the intention of focusing the core business of the organization, improving it and implementing efficiency operations, in order to be able to take advantage of the relationship cost-profit. Focusing on the existing customers and core business, "... the units' cultures are not overwhelmed by the forces of "business as usual". At the same time, the established units are shielded from the distractions of launching new businesses, they can continue to focus all their attention and energy on refining their operations, improving their products, and serving their customers." (O'Reilly III and Tushman 2004)

The Scope of the Ambidextrous Organization

Ambidextrous organizations encompass two profoundly different types of businesses – those focused on exploiting existing capabilities for profit and those focused on exploring new opportunities for growth. As this table indicates, the two require very different strategies, structures, processes, and cultures.

Alignment of:	Exploitative Business	Exploratory Business
Strategic intent	cost, profit	innovation, growth
Critical tasks	operations, efficiency, incremental innovation	adaptability, new products, breakthrough innovation
Competencies	operational	entrepreneurial
Structure	formal, mechanistic	adaptive, loose
Controls, rewards	margins, productivity	milestones, growth
Culture	efficiency, low risk, quality, customers	risk taking, speed, flexibility, experimentation
Leadership role	authoritative, top down	visionary, involved

Ambidextrous Leadership

Different alignments held together through senior-team integration, common vision and values, and common senior-team rewards.

Figure 2 – Ambidextrous Organization

Source: O'Reilly III, C. & Tushman, M. (2004)

The exploratory business on the other hand as we can see in figure 2 and 3, has the purpose of growth and innovation. To achieve and pursue this, companies must consider different types of innovation. According to O'Reilly III and Tushman (2004) there are three types: incremental, architectural and discontinuous. All aiming at new and existing customers.

The Impact of Economic Crisis on SMEs' Strategy and HRM

It was also found on their study, that more than 90% of organizations that used the ambidextrous structure, disregarding cross-functional teams, functional designs and unsupported teams, had success on achieving innovation goals. Basically what is intended here is that, organizations establish project teams or business units independent from the others, with their own supporting activities, such as, marketing, R&D, HR etc. This will allow to sperate different business ideas in order to explore new products, services and markets. On small, medium enterprises, its harder to acomplish that, because of the usual lack of resources that are needed to keep the core business runing and turning to create new business units. However the resilience and less resistance from managers on SMEs is fundamental to create an ambidextrous organization, otherwise the pursue for new oportunities is missed.

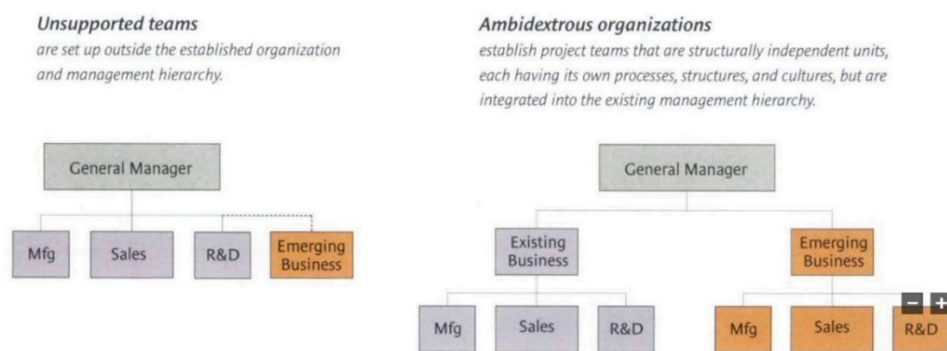


Figure 3 - Ambidextrous vs. Non Ambidextrous

Source: O'Reilly III, C. & Tushman, M. (2004)

To conclude the point of view on how ambidexterity can be an engine of strategic improvement to how human capital is managed, Birkinshaw and Gibson (2004) argue that there are two forms of ambidexterity: structural and contextual ambidexterity. The Structured one is based on previous arguments that it can be achieved by adaptability and different focus by separate business units, although under the same management report. On the other hand, contextual ambidexterity is about where employees have to divide between adaptability and alignment focus. So there is no different business units, and employees usually take the initiative by their own, beyond their responsibilities, to seek for new business opportunities and cooperate with other team members in order to link it. Therefore employees that are

The Impact of Economic Crisis on SMEs' Strategy and HRM

already ambidextrous by itself, it will translate into a better understanding of what the strategic goals are and to achieve innovation.

	Structural Ambidexterity	Contextual Ambidexterity
How is ambidexterity achieved?	Alignment-focused and adaptability-focused activities are done in separate units or teams	Individual employees divide their time between alignment-focused and adaptability-focused activities
Where are decisions made about the split between alignment and adaptability?	At the top of the organization	On the front line – by salespeople, plant supervisors, office workers
Role of top management	To define the structure, to make trade-offs between alignment and adaptability	To develop the organizational context in which individuals act
Nature of roles	Relatively clearly defined	Relatively flexible
Skills of employees	More specialists	More generalists

Figure 4 – Structural vs. Contextual

Source: Birkinshaw, J. & Gibson, C. (2004)

In sum, ambidexterity can be a way of strategically reinvent organization's businesses' goals. SMEs' in times of crisis, economic and market struggle, can find a way of innovating to create and explore new market opportunities, but at the same time, if that's the case, still being able to focus and improve their core business to retain and attract new customers and conquer new market possibilities.

2.2 Downsizing and its Impact on HR

For a long time, downsizing was viewed as a practice to “personnel reductions in an attempt to improve efficiency and/or effectiveness.” (Budros, 1999:70) Also according to Mellahi & Wilkinson, (2004) “... downsizing is being regarded by management as one of the preferred routes to tuning around declining organizations, cutting cost and improving organizational performance.” This means that there are some authors that defend downsizing as a “management tool” in order to increase productivity and effectiveness. However nowadays in times of crisis and market uncertainty, companies are using downsizing as a way of cost cutting because it is the easiest and quicker way to do it. Since a lot of companies in Portugal started to become struggled when the economic crisis kicked in, downsizing and lay-offs increased exponentially.

According to Redman and Wilkinson, (2006: 360) there are many ways of downsizing. In Portugal we have been assisting to a lot of cases from compulsory redundancy, “where no choice is presented to the departing employee. However, as it is based on managerial decision

The Impact of Economic Crisis on SMEs' Strategy and HRM

making, it gives employers the opportunity to design and implement criteria based on business needs... is also more common where downsizings are large-scale..." Due to market difficulties companies are justifying this type of downsizing as an ultimate need to cut costs, be able to survive and operating. The other forms of downsizing currently being used over the past years in Public Administration are the wage reduction, retirements and voluntary redundancy.

After all, does downsizing improves organizational performance and financial ratings? Pfeffer (1998:192) said that "... downsizing may cut labor costs in the short run, but it can erode both employee and eventually customer loyalty in the long run." Basically, we don't know if it will really increase performance, depends from company to company and business area. But it can bring problems on the remaining employees and to market as well.

Recent studies on Spanish manufacturing firms (Bullón & Bueno, 2011) shown that there is "no significant difference in post-downsizing performance arises between companies that downsize and those that do not. Likewise, we find that substantial workforce reductions through collective layoffs do not lead to improved performance levels either." Also in the earlier crisis from 1980 and 1990 studies conducted in the USA have shown that downsizing practices were unable to improve organizations' profits and performance.

In sum we can say that downsizing doesn't lead always to a better performance and financial profits if not managed effectively. According to Bullón & Bueno, (2011) "learning how to downsize effectively is important not only for companies experiencing difficulties, but also as a proactive strategy for healthy organizations." Also it is important to be aware of the consequences on the remaining employees' health and how to manage a post-downsized company. Also in some countries, mainly in Portugal and Western Europe, downsizing is not as easy to accomplish as companies would like it to be. The Governments have very restricted regulation about layoffs that protect workers from unfair situations. In times of crisis, organizations can claim 'economic difficulties' as a justification for downsizing, taking advantage of that to downsize and lay off employees. But sometimes when not really proven and justified, courts can make things difficult to organizations that try to take advantage of that. Moreover, engaging in a downsizing plan may have other costs and drawbacks that companies should not ignore, especially if not planned well.

However Kawai (2011) in his research and empirical study on downsizing effects, have found evidence supporting past research about downsizing, which can actually have adverse

The Impact of Economic Crisis on SMEs' Strategy and HRM

effects on market performance. "Possible reasons for this causal link can be: the loss of valuable human and social capital; damaged corporate reputation; declined communication channels; and a sharp deterioration of organizational commitment due to the breach of the psychological contract between an organization and its employees" (Kawai, 2011). The author also found negatively correlation between worker's motivation and downsizing. Mostly because of the loss of friends/coworkers, job uncertainty and trust deterioration. Also it was found that relation between downsizing and profitability has negative because employee skills and attitudes influence that. The main finding of this study is that downsizing doesn't really indicate better firm performance, contradicting some other studies and authors already stated. The author concludes that downsizing may not be the best solution to situations like the global crisis that started on 2008, because it can be cost beneficial in the short-term but costly in the long-term firm's growth. Since there is a negative relationship between motivation and downsizing, HRM practices are suggested to deal with this negative psychological impact on employees.

Although, Kane (1998), between similar periods of crisis when companies started to downsize pretty much, believing also that would increase their productivity, argues about some implications that downsizing has on human resources management. Most reports said that the focus tends to be more on people rather than the actual HRM system. For example there was a company that wanted to downsize and started doing training a year before so that managers were ready for the changes in management processes, helping more effectively to redesign structures and their subordinates. This is an example of HRM practice that could be done in order so that if a downsizing needs to be done, managers are ready to respond quickly and reorganize structures to the new company business goals. The ultimate conclusion of the author is that, downsizing sometimes can not only be seen as a 'bad' thing, it be transformed in a 'rightsizing' phase, where if well performed, organizations can leverage it by focusing on restructuring and re-organizing the company having in mind future improve of competitiveness. Moreover it supports the argument that strategic direction in terms of HRM is more effective when the HRM policies and practices are adapted and aligned with the downsizing process.

More specifically in Portugal according to a study made by Marques et al (2011) about the relationship between downsizing and profitability in Portuguese firms, some conclusions were found to sustain the arguments stated before from different authors and perspectives. There were analyzed 1.357 Portuguese firms between the years from 1993-2005 and they

concluded that the firms that downsized during this period don't over perform those who didn't. Downsizing is a common practice for managers during times of crisis to cut immediate labour costs, but in the long run performance indicators and profitability don't improve like they expected.

2.3 Resilience Capacity in Times of Crisis

According to Lengnick-Hall, Beck, and Lengnick-Hall (2011) literature shows two different approaches on the meaning of organizational resilience. "Some see organizational resilience as simply an ability to rebound from unexpected, stressful, adverse situations and to pick up where they left off." This means that organizational resilience can be restored based on coping strategies like often seen on psychological sciences. On the other hand, a different approach sees organizational resilience not only has the way of restoring and overcome difficult events, but as "... the development of new capabilities and an expanded ability to keep pace with and even create new opportunities... the ability of capitalize on unexpected challenges and change." This second view focuses on seeing organizational performance as the capacity of a company in times of crisis being able to emerge from a challenge and explore new opportunities that were never considered before, innovate and transform the way of doing business through things that were threatening its survival.

Organizational resilience can be often misled by other organizational concepts, such as, flexibility, agility and adaptability. But these concepts, although related, my reflect different things. "A need for resilience is triggered by an unexpected event" This means that flexibility, agility and adaptability, are something that is part of the company's strategy by themselves. Lengnick-Hall, Beck, and Lengnick-Hall (2011)

They believe that a company's capacity to develop organizational resilience relies on specific organizational capabilities, practices and routines. Those capabilities can be in terms of cognitive, behavioral and contextual situations. It is also argued that it is a combination of individual KSAs and its integration on the human resources system.

Cognitive elements according to Lengnick-Hall, Beck, and Lengnick-Hall (2011), can be starters that enable organization resilience, such as, organizational culture. A company with a strong vision, identity and core values, is more likely to have conditions to foster a learning and resilient environment because it allows employees to be more committed and identified with the organization. Secondly, developing a set of behavioral purposes allows the

The Impact of Economic Crisis on SMEs' Strategy and HRM

individuals and the organization to react faster when it comes to a threat. Also preparing people to be always ready to react and adapt to changes, can be a plus when it comes to spot opportunities that other companies might not because they didn't developed these behaviors and capacities. If they aren't able to adapt to new marketing and technology conditions, their organizational resilience will fade away. Lastly "Contextual conditions that support resilience rely on relationships within and outside an organization to facilitate effective responses to environmental complexities" Although, it is said that these conditions are not in control of the organization, they have to be developed by individuals or by the surrounding environment.

According Lengnick-Hall, Beck, and Lengnick-Hall (2011), strategic human resources management can be a way of achieving and creating the capability to develop organizational resilience. They believe that by creating individual competences for core employees and deploy them at an organizational level, it is possible for organizations to deal and cope with "... uncertainty, develop situation-specific responses to threats, and ultimately engage in transformative activities so that they can capitalize on disrupted surprises that potentially threaten their survival."

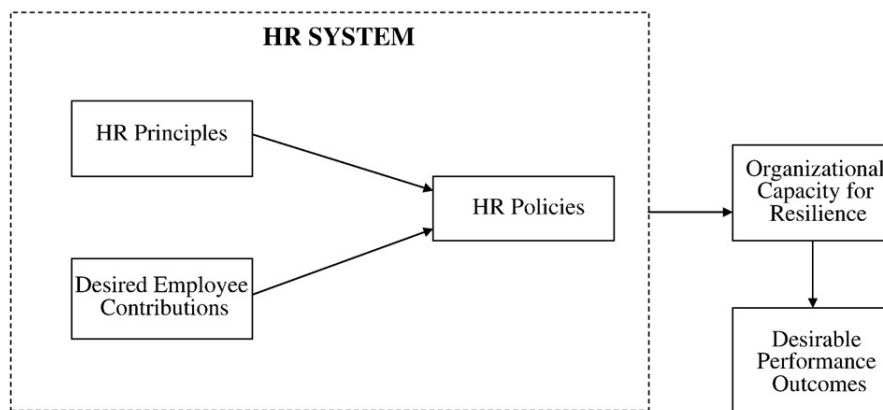


Figure 5 –Strategic human resource management system in developing a capacity for organizational resilience

Adapted from: Lengnick-Hall, C., Beck, T. & Lengnick-Hall M., (2011)

The Impact of Economic Crisis on SMEs' Strategy and HRM

As it is suggested in this model, according to Lengnick-Hall, Beck, and Lengnick-Hall (2011), “capacity for resilience is directly related to an organization's particular HR system”. The capacity for resilience not only enables the organization to survive in turbulent times, but also can create new sources of competitive advantage and lead to better organization performance. If the organization has a HR system with practices and policies that promote this capacity, the probability of achieving strategic goals and performance increases.

Table 1
HR system components for developing a capacity for resilience.

Dimension of organizational resilience	Desired employee contributions	HR principles	HR policies
Cognitive dimension	<ul style="list-style-type: none"> ■ Expertise ■ Opportunism ■ Creativity ■ Decisiveness despite uncertainty ■ Questioning fundamental assumptions ■ Conceptualizing solutions that are novel and appropriate 	<ul style="list-style-type: none"> ■ Develop a partnership orientation with employees. ■ Localize decision making power. ■ Create fluid team-based work and job design. ■ Build relational rather than transactional relationships with employees. ■ Minimize rules and procedures ■ Hire to ensure a range of different experiences, perspectives, paradigms, and competencies are available in the workforce. ■ Place a high value on pluralism and individual differences. ■ Invest in human capital. ■ Use both formal and informal social integration mechanisms. 	<ul style="list-style-type: none"> ■ Selective staffing ■ Job security ■ Cross-functional work assignments ■ Broad recruiting sources ■ Continuous developmental opportunities ■ Teamwork ■ Group-based incentives ■ Continuous socialization
Behavioral dimension	<ul style="list-style-type: none"> ■ Devising unconventional, yet robust responses to unprecedented challenges ■ Combining originality and initiative to capitalize on an immediate situation ■ Sometimes following a dramatically different course of action from that which is the norm for the organization ■ Practicing repetitive, over-learned routines that provide the first response to any unexpected threat ■ Taking actions and making investments before they are needed to ensure that an organization is able to benefit from situations that emerge 	<ul style="list-style-type: none"> ■ Develop a culture of organizational ambidexterity. ■ Create a climate of open communication and collaboration. ■ Encourage problem solving processes tied to organizational learning ■ Encourage knowledge sharing. ■ Enable rapid deployment of human resources. ■ Emphasize worker flexibility. ■ Encourage individual hardiness. ■ Encourage reflective practices ■ Eliminate organizational borders. 	<ul style="list-style-type: none"> ■ Experimentation (freedom to fail) ■ After action reviews/Lessons learned ■ Open architecture ■ Human resource and coordination flexibility ■ Fitness/wellness ■ Broad job descriptions ■ Employee suggestions ■ Cross-departmental task forces
Contextual dimension	<ul style="list-style-type: none"> ■ Developing interpersonal connections and resource supply lines that lead to the ability to act quickly ■ Sharing information and knowledge widely ■ Sharing power and accountability 	<ul style="list-style-type: none"> ■ Encourage social interactions both inside and outside the organization. ■ Nurture a climate of reciprocal trust and interdependence. ■ Develop facilitative communication structures. ■ Develop self-management and self-leadership capabilities ■ Emphasize contributions and outcomes rather than tasks. ■ Encourage an organizational orientation. ■ Reinforce organizational citizenship, personal accountability, and power based on expertise rather than hierarchical position. ■ Create broad resource networks 	<ul style="list-style-type: none"> ■ Joint employee-customer teams and networks ■ Empowerment ■ Open communication ■ Results-based appraisals ■ User-friendly, accessible, integrated information systems

Table 1 - HR system components for developing a capacity for resilience

Source: Lengnick-Hall, C., Beck, T. & Lengnick-Hall M., (2011)

The Impact of Economic Crisis on SMEs' Strategy and HRM

Once more and as said before, organizational resilience is not only the capacity to overcome unexpected situations, obstacles and threats, but also the ability to discover new opportunities and business areas. For this to happen an organizational resilience HR system has to have a set of different policies and practices that combined together are able to create a resilience capacity.

As expected performance and organizational resilience are related because the market and external environment is always changing and companies that are able to adapt through their HR policies and practices are more likely to overcome difficulties and obstacles, finding new opportunities but also have higher performance and productivity levels. Because as we know all of these HR capabilities can also create organizational change and dynamic capabilities. Lengnick-Hall, Beck, and Lengnick-Hall (2011)

2.3.1 Resilience on SMEs

As discussed previously, a small-medium enterprise is defined mostly by the number of employees or its annual income. In Portugal a company with more than 10 employees is considered as a SME. According to data from Instituto Nacional de Estatística, most of the back-bone of Portugal's economy relays on SMEs. As a matter of fact, even bigger are the number of companies that have less than 10 employees. Those companies not only in Portugal but on the rest of Europe and the world, represent the biggest job creators and tax income.

According to Gunasekaran, Rai and Griffin (2011) most SMEs have the same challenges and market issues. In order for them to succeed, resilience is a crucial factor that keep them fighting in evolving markets.

Something that is pointed out as a main factor that affects SMEs and its resilience is the succession plan. Mostly in family firms, the owners usually tend to leave the company later on to their sons or other kind of family, that most of times already work there and are a part of the company. The problem is when there is no one else that has the knowledge or skills required to continue with the business. It is stated by authors that "... SMEs are good as knowledge creators, but are poor at knowledge retention. Resilience of SMEs requires knowledge retention through a flexible workforce, strategic managerial thinking, top management support and technology." One factor of huge success usually is the personal relationships that employees have among them. Since the company is small, and almost everyone knows each other, the understanding of the strategy and company goals is better,

The Impact of Economic Crisis on SMEs' Strategy and HRM

and that will lead to a sustainable competitive advantage because people are more committed with the organization and feel good to belong there.

On the other hand since the markets have become more global and competitive, SMEs face challenges every day for its survival. Authors suggest that they should continuously adapt their strategy and investment according to what the market is "asking for". The economic crisis also increased the outsourcing activities on SMEs, such as, consultancy, accounting, tax, legal representation, marketing research and training. The decrease of monthly income has made this phenomenon increase because companies are not being able to support financial costs, leading to downsizing as well.

"The following are some steps to be taken for SMEs to enhance their resilience and therefore to succeed in the global market: enhance policy making at government level, simplify the legal and regulatory environment, improve access to finance, simplify taxation, foster information and communication technology, enhance science, technology and innovation for the development of SMEs, encourage internationalization, improve business development services and strengthen public/private dialogue." (Gunasekaran, Rai and Griffin 2011) Currently and during the Portuguese crisis, the government is not facilitating and providing the necessary tools for SMEs to strive and survive. SMEs are currently facing real problems with overtaxing, lack of loans and government support to find solutions for their current business strategy.

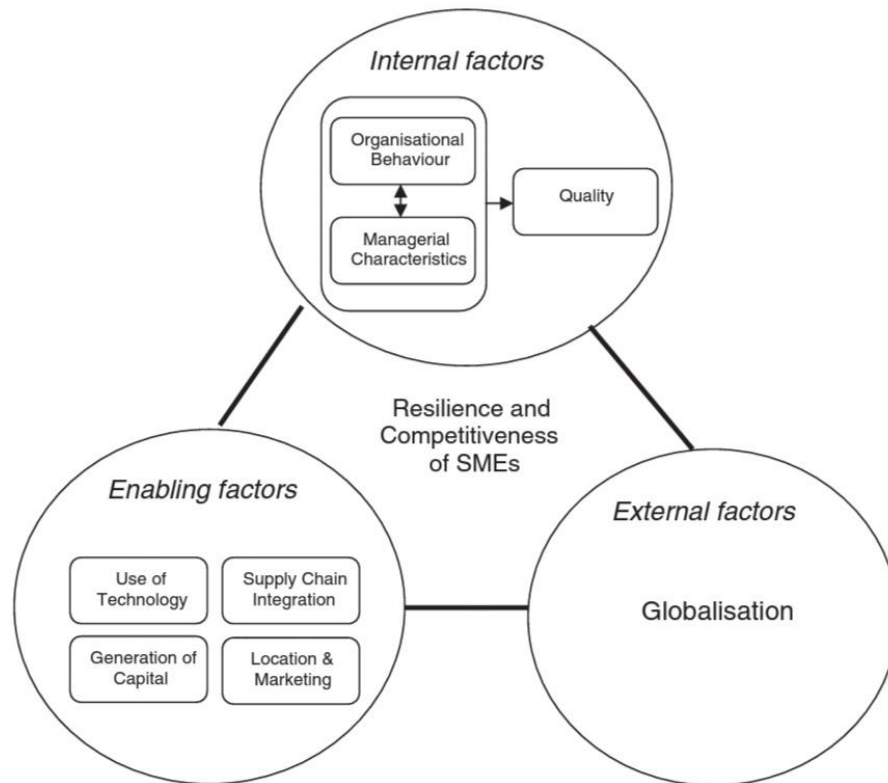


Figure 6 – Framework for SME resilience and competitiveness Source: Gunasekaran A., Rai B. & Griffin M. (2011)

In the figure 2 we can see a theoretical framework for the resilience and competitiveness of small and medium enterprises developed by Gunasekaran, Rai and Griffin (2011). In it we can find the factors that influence the resilience and competitiveness. They are grouped as external factors, internal and enabling factors. Internal factors represent a huge importance in resilience and competitiveness. “Strength in the internal factors contributes significantly to the resilience and competitiveness of SMEs. Any weakness in the internal factors would result in ineffective and non-optimal utilization of the enabling factors leading to frustration and waste.” (Gunasekaran, Rai and Griffin 2011)

In terms of organizational behavior can assume 3 types in an SME: the monocratic, where most decisions are made by the owner, oligarchic, where the decisions are made by two or three managers or patrician, where the owner and family are not involved in the management of the company. Managerial characteristics can be very different but according to the authors there are some that are basic. Managers tend to use “strategies of multi-tasking by carry in gout critical company roles single handedly” (Gunasekaran, Rai and Griffin 2011)

Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM), are the main software that SMEs use for their data management and customer feedback. It is

The Impact of Economic Crisis on SMEs' Strategy and HRM

very important that SMEs realize that technology is one of the most important factors in their resilience and competitiveness. If by any chance SMEs cannot see the benefits that e-business bring, they will be outdated and won't be able to compete at the same standards as others. An e-Business architecture taking into account the specific needs of SMEs and highlight advantages such as, reduced operating costs and improved gains, increased customer satisfaction and retention, faster and more efficient internal processes, improved supply chain integration and technological advancements" (Gunasekaran, Rai and Griffin 2011)

In conclusion, these authors found that "The organizational structure influences the reliance of SMEs. The managerial characteristics can influence the company's innovation, global thinking and technological advances and in turn the resilience of SMEs. Resilience of SMEs is positively influenced by information technology and systems such as Internet, e-commerce, ERP and CRM. Since SMEs have limited opportunities for fund generation and if this can be expanded, then the ability to generate capital will significantly influence the resilience of SMEs. Globalization strategies for SMEs positively influence the resilience of SMEs." (Gunasekaran, Rai and Griffin 2011)

2.3.2 Are workers motivated and willing for new challenges in times of crisis?

At the first impression, since a lot of countries were affected by the GFC of 2008, the employment market became very unstable and the unemployment started to increase drastically, particularly in the Euro Zone. Managers wouldn't feel the need to pressure their employees with engagement and commitment, since the main concern of the employees would be to retain their current jobs. Some authors like Ackers, Marchington, Wilkinson and Googman, argue that employee engagement can depend very much on the labour market operating and working places. On the other hand, others argued that it may vary depending on the position within the company and their value to it.

Firstly we have to know the meaning of employee involvement and participation (EIP). According to Marchington and Kynighou (2012) it can be divided into three forms, direct, indirect and informal. "Direct is when where employees are personally involved in a formal practice... Indirect is where workers are represented by one of their co-workers or union officials" In the second place, is the degree of involvement, which can vary a lot. And third is the place where it can take place into. It can be from workplace to corporate headquarters.

The Impact of Economic Crisis on SMEs' Strategy and HRM

The authors also argue that there is no universal correlation between how the GFC affected employee engagement and involvement. It can vary between different organizations and business areas. "Much depends on motives as employers' responses to crisis are shaped by pre-existing business models and HRM styles, as well as future objectives." Since the GFC affected differently organizations and sectors of activity, it is important to examine some ideas from HRM models from Schuler and Jackson (1987); Sisson and Storey (2000).

To show how different organizations, business models and contexts can influence and produce different results in terms of employee involvement and engagement, the next figure shows how different companies reacted during the GFC and what were its consequences.

<p>AstraZeneca: The company lost 8000 jobs globally following the GFC, but employee engagement scores remained stable at around 80–85% during the three years up to 2010. A feedback mechanism has been added to the annual employee survey. A range of EIP practices are used, such as the intranet, video conferencing and Yammer (a social media tool) to encourage dialogue. Regular meetings between local managers and their teams take place and management–union relations are regular.</p> <p>Bentley: In response to cuts in demand following the GFC, the company and its staff agreed to a seven-week closure in the UK. Bentley also instigated a major engagement campaign, 'Power in your hands', which used a split-screen film technique to stress direct connections between associates (i.e. employees) and customer experiences. This was launched via a three-day event for all staff and dealers.</p> <p>John Lewis: Despite posting reduced profits after the GFC, the company continued to provide partners with briefings on major business decisions, a range of online and printed publications, regular road shows and presentations, a network of elected councils, committees and forums, plus an annual Partner Survey. In 2009, despite the uncertain economic climate, the average engagement score rose slightly.</p> <p>Marks and Spencer: A plan to change redundancy terms for over 60,000 staff was amended in 2009 following feedback from employee representatives, though 1000 jobs were cut. Employee engagement levels increased in 2009. EIP includes dialogue at the National Business Involvement Group, an increase in store conferences to four a year, more all-staff briefings, pulse surveys and focus groups.</p> <p>Rolls Royce: After cutting over 2000 jobs in 2008, the company redesigned its Employee Engagement Survey so that feedback is shared with teams across the group. It also introduced an annual strategy storyboard, an interactive group-wide briefing on corporate direction and performance. Engagement levels had increased by 2010.</p> <p>Shell: Following a major restructuring of the business in 2009, the company engages more directly with employees. This includes frequent letters from the CEO, webcasts, publications and face-to-face gatherings. However, the Shell People Survey showed a decline from 78% to 71% in employee engagement scores between 2009 and 2010.</p> <p>Toyota: In the UK, pay and working hours were cut by 10%, 200 temporary jobs were lost and a voluntary redundancy scheme was introduced in 2009. However, no redundancies or changes were made in Japan as the 'Toyota Way' is shaped by the state-led national business system there. EIP activities include a suggestion scheme, quality circles, employee hotlines, and an annual employee awareness survey.</p> <p><i>Data collected from annual reports and other published information from these organizations.</i></p>

Figure 7 - Evidence about EIP subsequent to the GFC

Source: Marchington, M. and Kynighou, A. (2012)

The Impact of Economic Crisis on SMEs' Strategy and HRM

As we can see in the figure above by Marchington and Kynighou (2012), most of these companies despite of being affected by the current global crisis and forced to downsize or make other HRM decisions, still were able to maintain the score level of employee engagement and involvement high. Mainly through HRM practices and policies, these companies were able to keep their employees engagement at the same levels or even rising, while going through such severe external environment. For example, companies like AstraZeneca but had to cut 8000 jobs across the globe, were still able to have stable scores of engagement of around 80% during the austerity. This was accomplished because they had to put ongoing engagement practices to encourage dialogue like regular meetings between local managers and their teams. Another example is Marks and Spencer, which in 2009 was under a plan of redundancy change and a thousand jobs were cut. However, the employee engagement levels still increased on the next periods. This has possible through engagement practices like dialogue, staff briefings and focus groups.

So as was stated before, the economic crisis won't affect workers equally in terms of engagement. According to Marchington and Kynighou (2012) "Knowledge workers, given their ability and centrality to organizational goals, would be expected to have more meaningful direct and informal EIP than job-based employees." Also it is found on literature that usually different practices of employee engagement are applied to knowledge workers from the others that have short term contracts.

To conclude, Marchington and Kynighou (2012) found with their study that, overall engagement levels depend on different factors. Organizations aren't affected equally by the global financial and economic crisis, depends on the business models, cycles, and the value of the workers to the organization's strategic goals. Also if employees play a use role in the organization, that's were engagement practices are more crucial than ever because otherwise service/product quality and customer service will be negatively affected. Another note found is the fact that in times of crisis, trust relations between managers and employees and also between employees itself, are very important because it enhances cooperation and engagement to overcome the situation. Moreover, it is also argued by employers that during an economic and financial crisis, it is easier to cut on HRM practices such as engagement participation because it is costly and very time consuming, and imposes changes. However the authors argue that engagement practices can be beneficial to employees because it can create higher levels of engagement and commitment. The final idea that we can take from these authors and topic is that, it is possible to respond to the crisis, despite of having to make

huge cuts in the labour force, by encouraging and investing in engagement and involvement HRM practices.

2.3.3 The Role of the HR Manager

As we have been saying, the economic and financial crisis affected businesses and labour markets, in a way that companies had to make adjustments to their business, HR policies and structure. It is in moments of crisis that the role of the human resources department is very important in communicating, before, during and after, the changes that will and are occurring. Communication is very important and the role of the HR manager here is where it is at his maximum importance.

A study conducted by Erburu, Ruz, and Arboledas (2013) of the Instituto de Estudios Superiores de la Empresa at the University of Navarra in Spain, shown that most of HR managers, particularly in Spain where the study was conducted, seemed to prefer in times of crisis, focusing on reducing staff, changing terms of contracts and increasing working hours. Even though these changes can be rough and penalizing to employees, the need of adapting to new business goals and marketing conditions in times of crisis, leaves organizations most of times with no alternative. Therefore as these authors suggest, when we are talking about internal-communication, the HR manager has to put himself in the place of the employees and transmit messages with transparency and foster a climate of trust, otherwise the reception of the changes can be worse. Poor communication in these cases can cause rumors and miscommunication, leading to tension within the company affecting all structures.

According to Erburu, Ruz, and Arboledas (2013) a financial and economic crisis sometimes leads to, teams and departments and their leadership, being unable to handle the situation, creating mismanagement and organizational crisis that can have “negative consequences in the long-term for a firm’s profitability reputation, market position and human resources systems.” To change the way things are being done, HR must have a big contribution to it. A new whole HRM system has to be rebuilt in order for the company to adapt to new circumstances and strategies.

Communication is the basis and key between an effective HR strategy and an ineffective one. According to these authors, communication can if well-constructed drive employees to more commitment. As stated before, managers that put themselves in the ‘skin’ of the employees, are more able to understand their worries, fears and point of view, and can

communicate in a more efficient way, mitigating the effects of the external and internal crisis. Studies have shown that effective communication by leadership helps to maintain and increase trust relations, engagement and job performance. One of the ultimate challenges that leaders face in critical times like we are living at the moment, is to do what has to be done in terms of new strategic goals, but at the same time keeping the group connected, even though when harsh measures need to be made against employees. “Employees are naturally aware of the uncertainties and ambiguities that take place during a period of crisis, and try to find information on their causes, in order to reduce their own uncertainty. If restructuring is necessary, the reason for this should be explained, and it should be explained well—with communication on all levels, as this communication will act as the catalyst or dynamical factor for the process. Communication transparency is key to the success of the process. At this point, the role of the HR manager is crucial to managing the business crisis” (Erburu, Ruz, and Arboledas 2013)

The authors concluded that “... the communication capacity of HR managers is a key factor in overcoming a crisis period, with all that this implies for human capital loss, union conflict, and possible damage to the company... communication is the oxygen for the global crisis asphyxia, and the HR managers will have to learn to provide this oxygen to companies as part of their strategic role” (Erburu, Ruz, and Arboledas 2013)

3. Method/Approach

3.1 Research Objectives

With this work it is pretended to give an answer to the main question of research, which is, the impact of the global economic crisis on small and medium enterprises' strategy and human resources management. We will try to first understand how enterprises were before the economic crisis, in terms of human resource practices and policies, their defined strategy, and how they are dealing now in the middle of the crisis. In sum, we want to understand what changes were made during this period, and what its outcomes were. In other words, the main objective is to find if there is a relationship between organizational resilience, strategy, and human resources practices in times of crisis. With this analysis, we will be able to understand which aspects were adapted and had the most impact on contributing to organizational

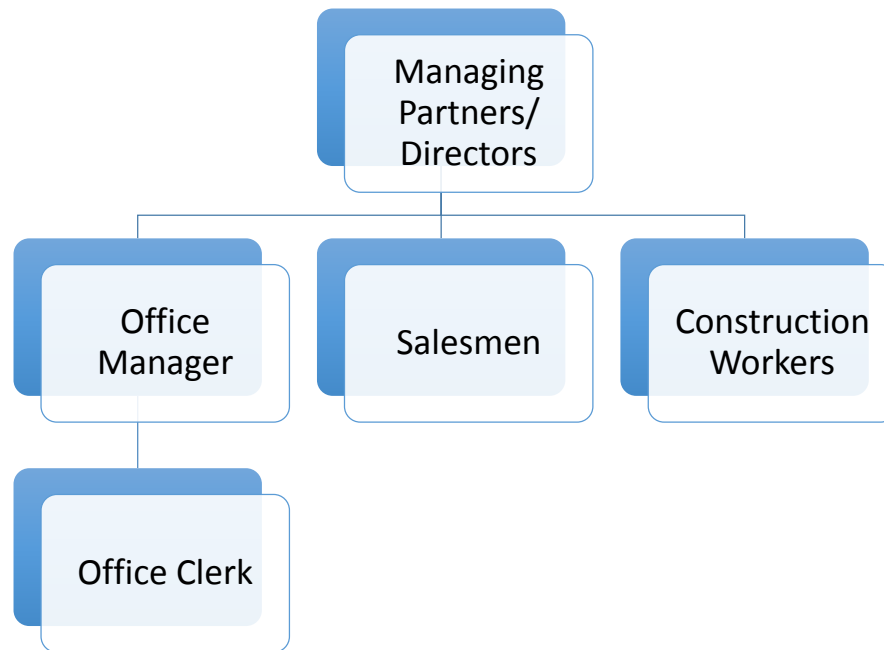
The Impact of Economic Crisis on SMEs' Strategy and HRM

resilience, and to what extent these practices made a huge difference on the employees and daily operations.

Since we couldn't find a company that were not so successful during this period, we focused our attention on an example of successful organizational resilience, and want to know if what is argued in literature has its similarities in the business areas.

To conduct this research we looked to interview people with privileged information about the company, especially in the area of general management and HR management. Regarding the company itself, it is considered as a small company with 10 employees and an average of 500 thousand euros per year of income. The core business since it was started, is construction, flooring and building remodeling. This company is named Pavisempre Lda, was started in 2001, is located in Sintra and it has provided services across the country, but with most clients situated in Lisbon. We believe that this company has a great importance as a sample for this research problem, because it fits the requirements of a Portuguese SME and operates in an industry that was one of the most affected by the economic crisis that started in 2008. Since the start of the crisis a great percentage of companies that had their core business focused on these type of services went bankrupt due to the decrease of demand and customer/supplier credit payment issues. Although this company that we intend to study, managed to overcome and survive some of those issues during the economic crisis, and with the chosen research tools we are going to try to understand what has been done in terms of strategy and human resources policies that allowed resilience capacity.

Considering the next organogram, the company's hierarchy is designed was it follows: It has two managing partners which both have 50% equity of the company and are also directors. Under their supervision there is an office manager which has the responsibility of supervising another office clerk and the whole administrative and accounting control area. Also there are the sales representatives that are under the supervision of both directors, and the construction workers that are mostly under the supervision of one director that has the planning responsibility.



Therefore the qualitative research will be carried on one of the directors that is responsible for the commercial and sales area as well as the strategy and market positioning, and the other on the office manager, which is responsible for the administrative HR daily issues and accounting management area. We believe that these 2 people are the key to answer the questions that will allow us to draw results and conclusions along with the literature review.

3.2 Research Method

To achieve the proposed objectives in this research, the chosen method was an empirical qualitative research, more specifically, a case study. The main goal is to study one Portuguese SME in order to obtain significant results to draw conclusions about the relationship of how organizational resilience is affected by changes in strategy and human resources management practices in times of crisis.

According to Yin (2009:4,18), “A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context... the case study is used in many situations, to contribute to our knowledge of individual, group, organizational, social, political, and related phenomena. Not surprisingly, the case study has been a common research method in psychology, sociology, social work, business, education, social science.” Also “in all of these situations, distinctive need for case studies arises out of the desire to

The Impact of Economic Crisis on SMEs' Strategy and HRM

understand complex social phenomena. In brief, the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events- such as individual life cycles, small group behavior, organizational and managerial processes...”

Since the problem statement and the research objectives are situations of social and economic real-life events, the option of choosing the case study seemed to be the most viable.

On the other hand Yin (2009:14), also finds some limitations and prejudices against the case study method that we have to be aware not to make these mistakes, such as “... lack of rigor of case study research. Too many times, the case study investigator has been sloppy, has not followed systematic procedures, or has allowed equivocal evidence...” Also there’s the limitation, which it will be more specified further, that Yin (2009:14) refers to as “little basis for scientific generalization”. Basically it means that it is difficult to generalize from a simple case study for the rest of the reality.

In sum, it is appropriate to use the case study approach, because it is intended to draw conclusions about a specific company to explain the research question.

3.3 Data Collection

According to Yin (2009:11) the case study is very versatile, because it allows us to use a large variety of instruments to get evidence, such as, interviews, documents, observations and artifacts.

“Documents can provide other specific details to corroborate information from other sources”. And in-depth interviews, “You can ask key respondents about the facts of a matter as well as their opinions about events.” (Yin, 2009:103,107)

The main instrument that will be used for data collecting is the interview. According to Campenhoudt and Quivy (1995:193) its main advantages are: the in-depth degree of the elements in analysis, the flexibility and the low directedness, which allows us to the elements in different ways. Also in this case, the focus will be on specific witnesses that can transmit privileged information. These people will be mainly, the human resources manager and some human resources technicians. Due to their positions and responsibilities, are able to provide the key information needed to answer the research objectives. Nevertheless, Campenhoudt and Quivy, (1995:72) say that interviews are useful because the theme is proposed by the researcher and not what the interviewee wants to talk. The theme is always related to the

research and not to personal things. To enhance this point, (Campenhoudt and Quivy,1995:75) say that this method about exchange of point of views, but a way of the researcher getting the interviewee to give the information about the pre-selected theme and the opinion about the reality, behaviors and values. And if the method is correctly used, it allows to retain much richer information than from questionnaires and surveys, because the interview is based on a direct contact with the people. (1995:192)

Besides the interviews, we will adopt the strategy of triangulation; in order to ensure the construct validity of our case study, some internal documents have been consulted, such as, financial reports, strategic plans, recruitment procedures and training plans. This way we can compare both sources of information to build a more consistent database to further analyze. Fortunately the sources of information and ways that were planned at the beginning of the formulation of the case study, were fundamental for its construction and validity. The interviews were successfully important because they were the main source of data to analyze, but also the documents, such as financial statements, allowed us to understand how the company improved/behaved during the crisis financially. Although these documents were not allowed to be included in the case study.

3.4 Data Analysis Approach

To analyze the data collected on the interviews, the best way to do it is through the content analysis.

According to Guerra (2006:62), “content analysis has a descriptive dimension which has the purpose of telling what said and an interpretative dimension from the interrogations of the analyst facing a study object... All material gathered in a qualitative research is usually going through content analysis...”

There are many ways of doing content analysis, however “the technique chosen that fits to analyze the data collected depends on the objectives in the research...” Guerra (2006:63)

Regarding Bardin (1979), content analysis can group in 4 different types: Categorical, Evaluation, Enunciation, and Expression. In a first step we should make a thematic analysis and afterwards analyze it as enunciation. “The interview is seen as a process. It is used mostly for long and wide open interviews in which formal aspects such as language are not very important, focusing on the content analysis.”

The Impact of Economic Crisis on SMEs' Strategy and HRM

Nevertheless, according to Guerra (2006:74), after reading the answers of the interview, and identified the facts, the most important phrases of the speech and the parts which we were not expecting, we have to build an interview synopsis. "Identifies thematics and problematics (even when not referred in the interview guide)". Also it has the main objective of: "reducing the amount of data collected, identifying the core data of the interview, facilitates the comparison between components of the speech and allows to identify the level of saturation of the interview."

At last we identified the categorical analysis, as the procedure for identifying variables that are able to explain a phenomenon. Afterwards, we can also proceed to a traditional content analysis where we "identify the core of the interview with the help of the identification and counting of categories and subcategories that can explain a specific phenomenon." (Guerra 2006:80, 83)

3.5 Procedure

The procedure started with first conversations with the companies in the residence area of the project researcher, because this way would be easier to get in touch with the people responsible. Since SMEs are pretty much everywhere, especially in smaller towns, it was easy to find a small company that fit the requirements in study.

When found a company, there was established contact by e-mail at a first stage, asking for the possibility of an interview for an empirical study. Since the answer was affirmative, there was a second contact for a meeting to know the managers responsible and explain a little better on what the research is about and schedule the interviews. Afterwards and before the interviews, the interview guide was sent by e-mail in order that the interviewees could be aware of the content of the questions and also approve it.

Later one the interviews were conducted in the office of the company with both the director and office manager, separately, and it lasted for about 1 hour total.

The interviews contributed to the purpose of the study, in a sense that will allow us to draw conclusions about a small Portuguese enterprise in terms of human resources practices and strategies adopted in order to survive the turbulent market conditions under a severe economic crisis. Although these conclusions cannot be a mirror of what happened with other companies that also adopted similar moves or could've done it in order to survive, but it gives

The Impact of Economic Crisis on SMEs' Strategy and HRM

as an example, in other words, a case study, that can be used to understand what small, medium enterprises can do to survive and be resilient in times of crisis.

Later on, there will be a content analysis to the answers of the interview so that we can find if there is a relationship between organizational resilience, and strategy and human resources practices in times of crisis. With this analysis, we will be able to understand which aspects were adapted and had the most impact on contributing to organizational resilience.

3.6 Interview Guide

The interview will be conducted in open questions. As said before it will be divided in two parts. The first and most questions will be set to the managing partner, which has the key knowledge and decision making about the company. Therefore the main questions about strategic human resources management, practices and policies, market and resilience strategies will be addressed to this first interlocutor. The second set of questions will be conducted with the office manager, which will be more focused on daily work processes and daily problems about employees and core business itself. In a first stage we made two questions to the first interviewee that are related to what he thinks the key factors for the company's success are.

1: What are the key factors of the business to the company's success? 2: In what way can the HR policies and practices add value to these key factors?

It is expected from these two questions to understand what factor enabled the company to be successful. Moreover we want to understand if there were specific HR policies or practices that enhanced those specific factors or if the common human resources practices, such as, recruitment and selection, rewards, career management, performance appraisal or others, are being performed in a different way that distinguishes them from their competitors and other small and medium enterprises in Portugal.

Afterwards, we are going to address with questions more focused on the strategies that were performed during crisis time, in terms of strategic human resources management and also marketing/internationalization strategies. For that we came up with a set of questions, such as:

3: "Was downsizing a 'HR practice' needed to survive the economic downturn?"

The Impact of Economic Crisis on SMEs' Strategy and HRM

With this specific question we want to understand if downsizing was a considered practice since the beginning of the crisis, how did it transform the organization and what were its consequences. In the literature review, many authors have argued downsizing as a common used 'HR practice' in times of crisis by most organizations as a way to reduce costs or simply because there is not the same amount of work for the same employees as before and they need to be dismissed. Moreover some authors believe that downsizing improves productivity in the long run.

4: *“Was it necessary to reinvent the business model? What was done in terms of business units? The same or new services/markets?”*

With this fourth question we are seeking to realize what happened to the business strategy model of the company. We know that most of the organizations, in a way or another, had to adapt their strategy and way of market positioning in order to survive or at least try to, since the economic crisis started. One sector more than others, but at the end, all sectors of activity and industries suffered a portion of economic contraction. We are basically seeking to know what has been done in terms of strategy and strategic HRM. Since we found out in the literature review that an ambidextrous organization have more changes to overcome a crisis situation, this question allow us to understand if the core business model was maintained or was it completely reinvented or even created different business units/services and the core business maintained, as suggested in the ambidextrous organization literature. Also what most companies have been doing to deal with the lack of domestic demand, is to expand their horizons and started to export their products and services, and in some cases even internationalizing the whole structure on with demand developing countries. Lastly one more question is introduced to finish the assessment of the strategic part which is:

5: *“Which changes were implemented, in terms of HR practices, to achieve the new strategies and goals?”*

We have been discussing in the literature review that in order for an organization to achieve their new strategic goals, must definitely adapt their HR practices to the current or new strategy. It is also argued that aligned HR practices can potentiate a better organizational synchronization between what needs to be done and the resources available to do so. Therefore, we seek to get understandings about the changes that were made in, for example, recruitment and selection, performance appraisal, reward and benefits, training and so on, since we know in advance from prior research of the company, there were made some

The Impact of Economic Crisis on SMEs' Strategy and HRM

changes in the HR policies and practices that might led and contributed to the success and resilience of the course of actions.

Somehow connected with the other set of questions, the next one seeks to focus more on the difficulties that were found during these years of transformation.

6: *“Since the construction market is very competitive among SMEs and one of the ones that suffered more with the economic crisis in Portugal, what were the biggest difficulties and obstacles found to the resilience capacity and survival?”*

Here we are expecting, even though we already know that the company was able to overcome and survive difficult times, to understand what the main obstacles were, which were blocking the success of the business. Also we know as previously stated from sources of INE, most of the employment in Portugal is supported through SMEs, and there is a lot of competition in the market of construction. Therefore that's why when the domestic demand started declining, along with the financial crisis not allowing credit to customers, the employment rate in this industry decreased drastically aside with bankruptcy of companies. So it is crucial for our research to realize what were the most difficulties suffered during crisis time, so that we can draw conclusions about what could or was done in order to overcome those difficulties, connecting it with organizational and individual resilience. To sustain this idea we decided to add up another question that will connect with the others, giving final conclusions about organizational resilience and strategy lineup.

7: *“What were the main factors which allowed to survive and become resilient in times of crisis?”*

Basically this question will sum up what the company did overall, to survive these past years of economic crisis, focusing on market and management strategies and also HR practices and policies that might have contributed to its success. For last we prepared two more questions to address to the managing partner.

8: *“What should be the role of a HR/General Manager in times of crisis?”*

The role of a HR or general manager gains an especial emphasis when dealing with times of crisis. What we are seeking to know is how the manager or both of them handled these past years. As we know practically every company and mainly SMEs, went through some structural changes due to the economic crisis. The employees, one way or another, were the ones that were most affected by management decisions. As argued in the literature, there

The Impact of Economic Crisis on SMEs' Strategy and HRM

are some key factors and competences that HR managers should have and follow in order to be successful on those changes. We want to know in what way the manager or both, handled it, which eventually led to a better overcome situation. Still as a last question but not less important for our research is:

9: *“Before the crisis, were there practices implemented to prepare for eventual adversities? Or supposedly only big enterprises have ways to worry about that?”*

Here with this question we will be able to analyze what small enterprises think about investing on developing capacities and dynamic capabilities to be well prepared for eventual situations of adversity. Comparing with what is argued in the literature about developing and creating a capacity for resilience, we can actually understand if some of those practices are found on smaller companies or the real concern is on the present, not being able to be prepared for unpredictable crisis.

Moreover we addressed also some questions to the office manager which were a total of 3. Since she has under her direct supervision an office clerk and also deals directly with the sales team and some of the construction workers, these questions are more related with the daily work and concrete situations that had to be dealt with.

1: *“What were the most difficulties on the work day since the beginning of the crisis?”*

This question will allow us to understand what were the main difficulties that employees started to feel since the start of the crisis in Portugal, and if somehow are in line with the difficulties that managers felt as well. This way we can also draw conclusions about the way things were handled in terms of practices to overcome the difficulties assessment and how were the issues addressed afterwards. Secondly a question more related with the capacity of organizational and individual resilience.

2: *“Are workers more willing to face new challenges or even make sacrifices for the sake of the company's survival?”*

As we all know crisis situations demand change and adaptability. If a company when facing a national and international economic crisis, under extreme difficult market conditions, don't adapt and change their way of being in the market, will sooner or later fall down. For that not to happen, as said before and argued in literature, a lot of changes and new challenges arise. The question is if employees are willing to participate in that. We are expecting to know how employees reacted when new challenges had come in hands and structural changes in the

company, in many ways, had or not to be done. For last but not least we have the third question the office manager.

3: *“In your opinion what are the most important strategic HR practices that contributed to organization resilience and crisis survival?”*

This question has the purpose of finding out if the other employees are aware of the new strategic changes and what they have done to improve the company's stability and survival in the long run. As we know this is a kind of question that will be addressed more specifically to the General/HR manager, because he is the one with privileged information about it, but hearing it from the office manager that helped the management to implement the required changes, gives us a different perspective of what she thinks it was key to resist the economic and construction crisis in Portugal. Also in recent literature is argued a set of HR practices and policies that organizations should take in account in order to survive and be prepared for unpredictable economic and market turbulences. The research has the point of understanding if were some of those practices and strategies used also in a small enterprise or it might vary from type, size and industry or even parts of the Globe.

Summarizing, the interview guide has been completed with nine plus three questions (Annex 1) and was structured in order to achieve the required answers for our research question. All questions are open questions, believing that will give more room for the interviewees to express their ideas and give their opinions about the thematic.

4. Results

In this part of the work, we are going to discover the results of the case study. As said before, the company in study has 10 employees, circa half a million euros of net income per year and 1 office and warehouse.

At the beginning of this research, the objective was to study two companies of the same industry in order to compare the results. As that was not possible due to constrains of finding another company to conduct the interview, it was only possible to get data from one company. Moreover the dimension and industry of the organization, as well as the geographical position must be taken in consideration for further limitations of the research.

4.1 Content Analysis

This section will have the results of the interview and its content analysis, based on the frequency of the answers. It will be built upon a table of contents where we can find categories and subcategories that are present on the answers of the interviewees.

Question 1: *What are the key factors of the business to the company's success?* 2: *In what way can the HR policies and practices add value to these key factors?* (Table 2)

The subcategories of the key factors of business success result on what were pointed more than once by the interviewee, considering also the HR practices and policies that could enhance some of those point factors.

Answer Question 1:

“The vast knowledge on the business area by the managers was one of the main factors that led to the right path and rentable businesses. The bet on customers' satisfaction and good image of the company towards our partners, were some of the factors that allowed to always create an image of trust and safety to our market. We seek that our services are always at their best quality and give the best follow-up and post-sales possible. For all of that to be possible, our human capital and the practices used for its management, have a fundamental role. The bet that has been made on our employees, in terms of training, allowed us to have a workforce highly qualified that is the great source of our competitive advantage towards our competition.”

Category	Sub Categories	Total of Occurrences	Examples
	HR Policies and Practices	5	1 – Training 2 – Investment on Human Capital 3 – High Quality Workforce

The Impact of Economic Crisis on SMEs' Strategy and HRM

Key Business Factors for Success			4 – Recruitment 5 - Workforce Versatility
	Strategy and Communication	4	1 – Strategy 2 – Vision 3 – Team effort for same goals 4 – Assertive Communication
	Brand and Service	5	1- Best Service/Product Quality 2 – Follow up and post-sales 3 – Customer’s Satisfaction 4 – Image of trust and safety 5 - Brand Acceptance
	Macro-Economy	4	1 – Low Economy Growth 2 – Decreasing Growth in the Industry 3 – Attractive Labor Market 4 – Qualified Workforce

Table 2 - Key Business Factors for Success

Conclusion: In total we got 18 occurrences, where both Brand and HR policies had the most quotes (5).

Question 2: *“In what way can the HR policies and practices add value to these key factors?”* (Table 3)

Answer Question 2:

“So that we can add value, like said before, the great competitive advantage for the success of the business is the fact that we have such a high level workforce, capable of responding to the hardest challenges. Regardless it is necessary to bet on a narrow

The Impact of Economic Crisis on SMEs' Strategy and HRM

recruitment and selection in order to attract the best and adequate professionals to our goals. Continuous training during the job is fundamental to develop the competences of our human resources and make them able for all kind of challenges.”

Category	Sub Categories	Total of Occurrences	Examples
HR contribution to Key Business Factors for Success	Recruitment and Selection	2	1 – Recruiting best professionals 2 – Attracting the best
	Retention and Talent Management	2	1 – Retaining the best professionals 2 – Developing the HR
	Rewards and Benefits	4	1 – Great wage packet 2 – More Benefits 3 – Incentives 4 – Benefits at the end of the year
	Training	4	1 – Training 2 – Continuous Development 3 – On work, daily training 4 – Preparing for different types of challenges in work

Table 3 - HR contribution to Key Business Factors for Success

Conclusion: In total we got 12 occurrences, where training, rewards and benefits had the highest quotes (4).

The Impact of Economic Crisis on SMEs' Strategy and HRM

Question 3: *“Was downsizing a ‘HR practice’ needed to survive the economic downturn?”* (Table 4)

Answer Question 3:

“Well since that the company and the team are small, basically every employee have their role and are irreplaceable so that the work is done according to our service quality standards. For that, since the crisis began, we didn’t feel a great decrease on our business volume that would justify laying off employees. Also when comparing with larger companies of the same business area, most of them had to lay off workers due to the lack of work, that was supporting a bigger fixed cost structure. As our focus has been on small works, the needed human resources don’t require a reduction, enabling to keep the same work team.”

Category	Sub Categories	Total of Occurrences	Examples
Downsizing as a “HR practice”	Macro-economy	3	1 – Low Economy Growth 2 – Decreasing growth on the industry 3 – Decrease of Demand
	Human Resources	3	1 – Irreplaceable Workforce 2 – Versatile Capacities 3 – Productivity
	Business Strategy	3	1 – Focus on smaller works 2 – Low fixed cost structure 3 – Same quality standards

Table 4 - Downsizing as a HR practice

Conclusion: In total we got 9 occurrences, where all subcategories had the same quotes (3).

Question 4: *“Was it necessary to reinvent the business model? What was done in terms of business units? The same or new services/markets?”* (Table 5)

The Impact of Economic Crisis on SMEs' Strategy and HRM

Answer Question 4:

“The business by itself was not totally reinvented. In fact after the crisis began, we felt a slight decrease of work and we started thinking immediately on an alternative strategy. Since our core business are floor pavements, we didn't want to 'lose' that same core business which we are good at. We opted to keep it but also to create different business unites, such as, remodeling areas and selling different kind of floor pavements. These units are kind of separated from the others, being only 1 manager in charge of its management. Basically we opted for trying new services and products for new and same customers, to fill the current lack on the main business. At the moment we are also doing something that never did before, which is exporting products to Angola. The increasing growth of construction in the past years, led us to focus our attentions on a new market possibility.”

Category	Sub Categories	Total of Occurrences	Examples
Business Model	Macro-Economy	3	1 – Low Economy Growth 2 – Decreasing Growth on the Industry 3 – Decrease of Demand
	Strategy/Business Units	5	1 – Keep focus on Core Business 2 – New Business Units 3 – New Services/Products 4 – New Markets (internally and externally) 5 – New Partnerships
	Brand (products/services)	2	1 – New Floor Pavements 2 – General Remodeling
	International (exporting)	2	1 – Exportation 2 – New Markets' Demand

Table 5 - Business Model

The Impact of Economic Crisis on SMEs' Strategy and HRM

Conclusion: In total we got 12 occurrences, where the Strategy/Business units had the most quotes (5).

Question 5: *“Since the construction market is very competitive among SMEs and one of those that suffered more with the economic crisis in Portugal, what were the biggest difficulties and obstacles found to the resilience capacity and survival?”* (Table 6)

Answer Question 5:

“Since the economic crisis has begun, the major difficulties that already existed, have gotten worst. Mainly we are talking about treasury issues. It is very hard to manage financial resources when we have deadlines to fulfill towards our suppliers, but our clients do not pay us in the agreed time. And as if that’s not enough, the credit for companies became almost frozen, making things even harder. There is also the demotivation from our employees, seeing that difficult times have arrived, something had to be done to turn that around.”

Category	Sub Categories	Total of Occurrences	Examples
Difficulties and Obstacles to Resilience	Macro-Economy	4	1 – Low Economy Growth 2 – Decreasing Growth on the Industry 3 – Decrease of Demand 4 – Global Banking Crisis
	Financial Management	3	1 – Treasury Management 2 – Funding Restrictions 3 – Customer Credit Risk/Default
	Human Resources	3	1 - Employee Demotivation 2 – Lack of information 3 - Uncertainty

Table 6 - Difficulties and Obstacles to Resilience

The Impact of Economic Crisis on SMEs' Strategy and HRM

Conclusion: In total we got 10 occurrences, where Macro-Economy had the most quotes (4).

Question 6: *“What were the main factors which allowed to survive and become resilient in times of crisis?”* (Table 7)

Answer Question 6:

“I believe that the fact of having a cohesive team and determined to overcome difficulties, helped a lot. Another coefficient was the ‘financial cushions’ that we always were careful to have for any emergency situation in terms of treasury management. Allowed us to always fulfill our commitments and continue the trust among our partners and employees for new challenges. I also believe that the bet on our workers, on their development and the high quality workforce, were the factors that would us to survive and overcome these of crisis at the same time keeping the average of business volume.”

Category	Sub Categories	Total of Occurrences	Examples
Factors that contributed to resilience and survival	Financial Management	3	1 – Financial Backup 2 – Loans from Managing Partners 3 – Careful Financial Management
	Training and Development	3	1 - Daily on Work Training 2 – Fast Development 3 – Focus on Quality
	Recruitment and Selection	4	1 – High Quality Workforce 2 – Versatile Workers 3 – Adaptability

The Impact of Economic Crisis on SMEs' Strategy and HRM

			4 – Problem-solving
	Talent Management	2	1 – Retaining Talent 2 – Adapting according to Competences and Abilities
	HR Communication	3	1 – Clear Communication 2 – Problem solving among everyone 3 – Motivation for new challenges

Table 7 - Factors that contributed to resilience and survival

Conclusion: In total we got 15 occurrences, where Recruitment and Selection had the most quotes (4).

Question 7: *“Which changes were implemented, in terms of HR practices, to achieve the new strategies and goals?”* (Table 8)

Answer Question 7:

“It was basically necessary to invest in training, more specifically, to respond to a variety of different challenges from new services and products. Was also necessary to review our benefits policy towards rewards. Despite of knowing that the economic crisis exists, we didn't lower paychecks and even decided to add a benefit in case it is necessary to work at night or weekends. Overall the most important was the training that we have been giving, in order that we can sell new products and provide new types of services on new markets, with the same amount of trust and quality.”

The Impact of Economic Crisis on SMEs' Strategy and HRM

Category	Sub Categories	Total of Occurrences	Examples
Changes in HR practices to achieve strategy and goals	Strategy and Goals	4	1 – Achieve new Markets and Customers 2 – Different Product/Service Offer 3 - Ambidexterity 4 – Avoid Decreasing Turnover
	Rewards and Benefits	3	1 – Benefits and Reward policy reviewed 2 – No Wages Decrease 3 – New Incentives
	Training and Development	2	1 – More Investment in Training 2 – Focus on Quality and Diversification

Table 8 - Changes in HR practices to achieve strategy and goals

Conclusion: In total we got 9 occurrences, where Strategy and Goals had the most quotes (4).

Question 8: *“What should be the role of a HR/General Manager in times of crisis?”* (Table 9)

Answer Question 8:

“In difficult times it is required a careful management. It is important to enhance the strongest points and capitalize on them. It is not worth to lose time and money on aspects that are not worthy. I think that in these situations, especially in Portugal where the media makes people to be fearful about the future, it is important that managers communicate clearly all the changes that are intending to do, in a way that don't create uncomfortable situations and uncertainty. Moreover, motivating and making employees to feel ready for difficult times and new challenges, is a job that has to be done to deal with uncertainty and be more resilient to crisis times.”

The Impact of Economic Crisis on SMEs' Strategy and HRM

Category	Sub Categories	Total of Occurrences	Examples
Role of HR/General Manager in times of crisis	External Economic Environment	3	1 – Clear Communication on the consequences of External Conditions 2 – Capitalize on Strengths 3 - Information is Power
	HR Communication	3	1 – Clear Communication 2 – Problem Solving among everyone 3 – Making sure employees are aware of all changes
	Motivation	3	1 – Motivation for new Challenges 2 – Overcome Uncertainty 3 – Create a Peaceful Climate

Table 9 - Role of HR/General Manager in times of crisis

Conclusion: In total we got 9 occurrences, where all subcategories had the same quotes (3).

Question 9: *“Before the crisis, were there practices implemented to prepare for eventual adversities? Or supposedly only big enterprises have ways to worry about that?”* (Table 10)

Answer Question 9:

“On our daily work before the economic crisis started, the work was so much that we were even thinking about expanding the business through acquiring a new warehouse. In my

The Impact of Economic Crisis on SMEs' Strategy and HRM

opinion small companies don't have a way to prepare themselves in advance, seeing that the money invested on the business barely is enough to develop itself. However, the bet made on our employees in terms of training and versatility so that they are able to do things beyond their initial capacities, was always a preoccupation and something that we started doing in the past. I think maybe that was our big advantage because now they are ready with a set of skills and abilities that we can use to provide other services and achieve new markets, which perhaps other competitors cannot."

Category	Sub Categories	Total of Occurrences	Examples
Strategy and Practices to prevent crisis	Goals and Growth	3	1 – Long Run Goals 2 – Financial Saving Policy 3 – Investments
	Training and Development	4	1 - Daily on work Training 2 – Fast Development 3 – Focus on Quality 4 – Fast Problem Solving
	Competency Management	3	1 – Improved KSA 2 – Daily basis Development Evaluation 3 – Development towards Strategic Goals

Table 10 - Strategy and Practices to prevent crisis

Conclusion: In total we got 10 occurrences, where Training and Development had the most quotes (4).

The Impact of Economic Crisis on SMEs' Strategy and HRM

Questions to second interviewee:

Question 1: *“What were the most difficulties on the daily work since the beginning of the crisis?”* (Table 11)

Answer Question 1:

“Even before the crisis began, it was complicated. But in my opinion, the hardest was to manage the credit relationship between clients. The situations of default became more and more frequent, which led us to have treasury problems. Nowadays we have an added concern about picking our clients, refusing those we think have a risk of default, otherwise they have to pay 100% in advance.”

Category	Sub Categories	Total of Occurrences	Examples
Difficulties of daily work	Customer/Supplier Relationships	3	1 – Increased Customer Defaults 2 – Restrictions to Client picking 3 – Communication
	Treasury Management	4	1 – Careful Financial Management 2 – Treasury Management 3 – Funding Restrictions 4 – Customer Credit Risk/Default

Table 11 - Difficulties of daily work

Conclusion: In total we got 7 occurrences, where Treasury Management had the most quotes (4).

The Impact of Economic Crisis on SMEs' Strategy and HRM

Question 2: *“Are workers more willing to face new challenges or even make sacrifices for the sake of the company’s survival?”* (Table 12)

Answer Question 2:

“On our company, yes. We feel that our employees know that the market situation of Portugal is complicated, but they don’t want to lose what was already built on these past years. I also believe that many other companies have the same feeling. If it is required to do something different like working late or even weekends, the team of workers were the first making themselves available to do so. Obviously this wouldn’t be possible if the relationship among everyone and the organizational climate wouldn’t allow it.”

Category	Sub Categories	Total of Occurrences	Examples
Sacrifices for survival	Organizational Culture	3	1 – Good Climate 2 – Employee Relationship 3 – Sacrifice Willing
	Macro-Economy/Market Conditions	2	1 – Decreasing Growth on the Industry 2 – Decrease of Demand
	Resilience Capacity (Individual)	3	1 – Adaptability 2 – Versatility and Survival 3 – Motivation to Challenges

Table 12 - Facing new challenges and sacrifices for survival

Conclusion: In total we got 8 occurrences, where both Organizational Culture and Resilience had the most quotes (3).

The Impact of Economic Crisis on SMEs' Strategy and HRM

Question 3: *“In your opinion what are the most important strategic HR practices that contributed to organization resilience and crisis survival?”* (Table 13)

Answer Question 3:

“Basically without knowing the future, due to our type of business, we always have searched to recruit professionals with some kind of versatility and with the best proven experience on this business area. Therefore this made us capable of now being able to provide other kind of services without recruiting new staff. The recruitment and retention of our key workers, have become crucial to overcome some difficulties, that we believe without them things couldn't went this well. Along with that we also tried to have a good benefits policy in order to keep them motivated and loyal to the company.”

Category	Sub Categories	Total of Occurrences	Examples
Strategic HR practices which contributed for organization resilience	Recruitment and Selection	3	1 – Best Professionals 2 – Careful Recruitment 3 – Versatile Professionals
	Training and Development	3	1 – Ongoing Daily work Training 2 – Focus on Quality 3 – Fast Problem Solving
	Talent Management	3	1 – Talent Retention 2 – Adapting Competences 3 – Investment on Employee Growth
	Rewards and Benefits	3	1 – No Wages Decrease 2 – New Incentives 3 - Bonus

Table 13 - Strategic HR practices which contributed for organization resilience

Conclusion: In total we got 11 occurrences, where almost all subcategories had the same quotes (3).

5. Discussion of Results and Conclusion

First of all and before we analyze the results found in the interviews, some limitations have to be considered, since they restrict our analysis and results, when comparing with the literature research.

As we know, the interviews are always restricted in terms of content because it is not possible to study in depth due to time restrains and also the enterprise reality, such as the country, industry or type of company, produce different expected outcomes. However this will be developed more in detail on the next chapter.

In the interviews that we conducted, we sought answers accordingly to the arguments that were found in literature. Some interesting results could be found in the small Portuguese enterprise which we analyzed. Some of them are on track of what have been argued about a variety of themes.

According Nijssen and Paauwe (2012) the challenge in times of crisis is that in order to be competitive, companies have to develop certain capabilities to survive and strive out stronger. One of the aspects pointed out, is the fact of sometimes there is the need to reduce labour costs, mostly by downsizing, but there is the challenge of strategically retaining the human capital for their business goals. Moreover it is argued that most of the times, when an economic crisis arrives, most companies leave aside the investment on training, development and communication because of treasury problems. Although it is argued that if they instead do invest on those practices, their preparation for the long run would increase. Therefore in our content analysis, we were able to draw a set of subcategories for each of the questions, which made it easier to analyze the most important parts of it.

In the first question about key business factors for success, we could observe a higher total of occurrences in the subcategories Brand, HR Policies and Practices, both with 5 each. In terms of HR policies, this company said that their investment on human capital, training, high quality workforce, recruitment and workforce versatility, were factors that contributed significantly for the business's success. Nevertheless, the high investment on a post-sales

The Impact of Economic Crisis on SMEs' Strategy and HRM

follow up, customer's satisfaction and brand trust, paid off and allowed them to survive and build a trust worthy brand that clients rely on.

The next topic allowed us to draw conclusions on what were the main practices of human resources management that contributed for those key factors of success in the long run. There were subcategories that came up, but there were two that had a higher weight. As analyzed, rewards, benefits and training were both essential to the contribution of a solid brand and enterprise. References to wage packages, benefits and other type of incentives came up as measures that helped along these years to retain some of the key talent and high level workers which are a fundament part for the success. Also the training and continuous development on job, were identified as factors that helped creating a service and workforce able to respond as a major source of competitive advantage throughout the market.

Furthermore, we questioned the Managing/HR partner about the topic of downsizing. As we know this subject is often argued in literature. Some authors believe that downsizing can be used as a practice to improve efficiency and effectiveness, improving productivity. That view is no longer updated, because as referenced on the literature review, there is a recent study performed by Marques et al. (2011) on Portuguese firms that showed in their conclusions no relationship between performance and downsizing. However in times of crisis, managers often tend to use downsizing as a practice for cost cutting, even when it is shown that in the long run, performance indicators don't improve as they would like. Anyway, the conclusions that we were able to get from the interviewee were: no downsizing was done because every employee has their unique role and without them the service quality would be affected. Also all the investment that was made on people in terms of training and so on, couldn't be let to waste. The option was not to downsize, keeping the same cost structure, starting focusing on smaller works and different services that will be explained in depth more ahead.

The next topic on our research lays upon the business model. As seen before on literature, there are some paths that organizations can choose in order to be more efficient and overcome difficulties and business declines. On this case, the company that we studied didn't reinvent their business model totally. Since their core business was floor pavements and their major source of income, it wouldn't make sense to change completely or even discard it. So what they did was: by keeping the core business working as usual, they opted to create different 'working business units'. These will focus on construction remodeling and different kinds of floor pavements. There will be one of the two managers in charge of managing these new

The Impact of Economic Crisis on SMEs' Strategy and HRM

units. The main purpose is to seek new customers and achieve new markets in order to adapt to new desires and client requests. It is also possible that the old customers can find a need on the new services and products. One of the new opportunities that the company is seizing is the external markets. Not only in this business area, Portugal in the past years since economic crisis has begun, started exporting their products, being Africa one of the main destinations. Therefore Pavisempre saw Angola as a promising market opportunity and started establishing partnerships to sell their products and services. The industry of construction has been increasing exponentially there and a lot of Portuguese companies have decided to invest as a way of fulfill the lack of demand in domestic market.

However an ambidextrous organization must be able to reinvent itself by identifying their core business, exploiting it and exploring new opportunities. "They must constantly pursue incremental innovations, small improvements in their existing products and operations that let them operate more efficiently and deliver greater value to customers." (O'Reilly III and Tushman 2004). Linking with what authors argue on literature, Pavisempre tried to apply a little bit of this strategic model. They basically kept exploiting their core business, floor pavements, although at the same time improving some key aspects and also exploring new market opportunities to attract and retain customers. Therefore, one of the ways found to strategically change the business model of this Portuguese SME and being able to overcome the struggle difficulties of a slight decrease on income, was the ability to keep the core business running, because that's what they are good at and the brand is known for, but also thinking ahead by adjusting to new market conditions, seizing new opportunities, exploring new markets and targets.

Nevertheless, the real challenge in times of crisis arises with organizational and individual resilience. What we have been seeking with this research work has its core focus on this specific part. The real challenge during economic downturns is whether a company is able to survive or not. In Portugal, this latest crisis caused many companies to go bankrupt, which led to a massive wave of unemployment. But is this the way it has to be? Why are most of SMEs not being able to survive? Why are there few companies that are able to overcome crisis situations, what are they doing different? These are the fundamental questions that require an answer.

Firstly we need to understand what the main obstacles that most companies found were. A question was addressed to both, partner/hr manager and to the office manager, so we could compare and actually get two different perspectives on the difficulties felt. The managing

The Impact of Economic Crisis on SMEs' Strategy and HRM

partner told us that the effect of economic crisis started to be felt even before the Portuguese economy started declining. Afterwards, the industry of construction started declining really hard because most of the banks cut the loans for people to buy new buildings and to fund construction companies. But what was really mentioned to be the major factors that inhibited and made things worse, were the financial management problems. Treasury management has been considered as a major headache to all managers. The global banking crisis, which obviously affected Portugal deeply, restricted the funding to all companies. Therefore, some organizations that relied on credit, seen their situation get into treasury struggle. The case of Pavisempre, more in depth, was not so much funding and bank loans but the default or delayed payments from their clients. This situation led to sometimes, an increase of financial management struggle and delayed payments to suppliers, in consequence of the default by their clients. All of this situations, lead to a snowballing default system, because if some companies start not fulfilling their commitments, it will cause the same for others and so on. The situation sometimes can get worst if there are payments to employees or benefits that cannot be paid if the company doesn't have enough net income to meet their obligations.

Another problem that started arising was the employees' demotivation and uncertainty. As usual media started to talk a lot about crisis and everyone started to be afraid. In Pavisempre things were no different and it became an obstacle that managers had to deal with and turn that around.

On the other hand, we also interviewed the office manager about the same topic. The conclusions that we got are practically the same. Problems with treasury management and client relationships were the hardest things that aroused. In fact, it was also pointed out that to prevent further problems and financial losses, client picking had to be done more carefully and even refuse some of them that had a high risk of default. Sometimes it is better not to do certain deals, than to do them and lose the money because the client doesn't pay. All of these obstacles are making the management of the business harder and unpredictable.

The next stage is to understand what the main factors which contributed to organizational resilience were. We could find previously some different approaches in literature concerning the capacity for organizational and individual resilience. According to Lengnick-Hall, Beck, and Lengnick-Hall (2011), one of the most important authors on this subject, a company with a strong vision, identity and core values, is more likely to have conditions to foster a learning and resilient environment because it allows employees to be more committed and identified with the organization. Secondly, developing a set of behavioral purposes allows the

The Impact of Economic Crisis on SMEs' Strategy and HRM

individuals and the organization to react faster when it comes to a threat. Also preparing people to be always ready to react and adapt to changes can be a plus when it comes to spot opportunities that other companies might not, because they didn't develop these behaviors and capacities.

All this being said, a lot of similarities were found in the answers from our interviewees. Although some of the factors that contributed to develop a resilient organizational climate are from a strategic and financial level, most of them announced by the managing partner are linked to human resources practices. Recruitment and selection, talent management, training and development and HR communication were referred as the main factors that played a major important role for the company's crisis management. Regarding training, the bet on a daily on work development, focusing on versatility and high quality standards, allowed Pavisempre to count on highly trained workers that are prepared for every kind of challenges, even when a client demands harder things. For this to be possible, a previous phase was taking in consideration and continued throughout times, which was recruitment and selection. The careful and mindful recruitment of their employees are one of their key factors for success and organizational resilience in this past years of crisis. Since the company was started, the main goal was to deliver products and services at a high level of quality. For that to be possible it were stablished standards for their recruitment. Such as, proven high quality work experience, versatile and adaptive competences as well as a sense of problem solving. All of these competences combined together, provide a high quality service to clients which leads to customer satisfaction and loyalty. Obviously, with all the investment that is done on our human capital, the stage coming next is its retention. Talent management for Pavisempre is all about making every try to retain the most talent employees that fit in their culture which obviously are more productive, profitable and cost efficient. Sometimes it is necessary to evaluate workers' competences and adjust them to what they're are good at. Or even the aspects that are in need for improvement and adjust them on the work training. Finally the role of communication has been a very important tool to keep tempers calm. They know times are difficult and sometimes people get very scared of losing their jobs because of the environment around. Clear communication and motivating for challenges helped to keep employees engaged on their jobs and keep up the good quality work.

Nevertheless last but not least, there was also something that really helped Pavisempre to be prepared for this economic crisis, which was a sort of 'financial cushion' which allowed them to have a financial backup for eventual situations of struggle. This risk was always

The Impact of Economic Crisis on SMEs' Strategy and HRM

calculated since the start of the company by the management, in order not to run the risk of failed liquidity. However the problems of treasury management that were already mentioned before, started to appear but fortunately, the 'loans' by the managing partners to the firm and a rapid response to a more precise treasury management and client relationship, helped the company to be financial stable and sustainable.

However, organizational resilience isn't achieved only by these set of factors. There are changes that have to be done in the organizational structure which allows to create the necessary environment for resilience. On one hand, most of the changes were made to adapt the organization to the external environment. Pavisempre set a new strategy of achieving new markets and costumers with the same and new products/services. There were new opportunities discovered that they decided to explore, without leaving aside their core business.

In sum, there were a set of objectives structured, financial and not financial, so that the company can adapt to the market changes. On the other hand, human resources practices had to be also adapted according to the new market conditions and organizational goals, in order to overcome the expected difficulties and external challenges. Basically what had most of the focus was training, development, rewards and benefits. Regarding rewards, the company decided not to decrease any wages, but added instead new incentives and benefits in case there would be necessary to work beyond ordinary time or even at weekends. In terms of training, the investment was increased and opted to do a focus on diversification. Meaning with this, teaching employees how to work with different products so that Pavisempre could provide different services with the same quality that they are known on their core business.

As said before, the conclusions that we found on Pavisempre about capacity for resilience and what they have been doing to contribute for that, is mostly a great part in line with what was found on literature. According with Lengnick-Hall, Beck and Lengnick-Hall (2011), organizational resilience is not only the capacity to overcome unexpected situations, obstacles and threats, but also the ability to discover new opportunities and business areas. For this to happen an organizational resilience HR system has to have a set of different policies and practices which combined together are able to create a resilience capacity.

Specifically, since we are talking about SMEs, resilience capacity is not the same as in big enterprises. As said before since SMEs have less people than big enterprises, one factor of huge success is usually the personal relationships that employees have among them. Since the

The Impact of Economic Crisis on SMEs' Strategy and HRM

company is small, and almost everyone knows each other, the understanding of the strategy and company's goals is better, and that makes people more committed with the organization and feel well to belong there. Moreover, on literature, Gunasekaran, Rai and Griffin (2011), found conclusions that also fit this situation. "... SMEs are good as knowledge creators, but are poor at knowledge retention. Resilience of SMEs requires knowledge retention through a flexible workforce, strategic managerial thinking, top management support and technology." The companies such as Pavisempre that are able to invest on their human capital and innovation, are more likely to retain their knowledge and be always one step ahead of the market and be more resilient in difficult times. An organization with high levels of employee turnover, is more likely not to retain their knowledge and have low levels of development.

As discussed before, communication is a very powerful and important tool which gains more importance in times of crisis. The role of the HR manager is often argued on literature in times of crisis as having a determinant impact on employees and resilience. Syncing with the study performed by Erburu, Ruz, and Arboledas (2013), which shows and concludes that most of the times HR managers in times of crisis, since there is an urgent need for strategy adjustment, tend to focus their attentions on downsizing, because it appears to be the easiest way to do react to turbulent market conditions. However, they argued that communication is the basis and key between an effective HR strategy and an ineffective one. According to these authors, communication can if well-constructed, drive employees to an increased commitment. As stated before, managers that put themselves in the 'skin' of the employees, are more able to understand their worries, fears and point of view, can communicate in a more efficient way, mitigating the effects of the external and internal crisis. Studies have shown that effective communication by leadership helps maintain and increase trust relations, engagement and job performance. One of the ultimate challenges that leaders face in critical times like we are living at the moment, is to do what has to be done in terms of new strategic goals, but at the same time keeping the group connected, even though when harsh measures need to be made against employees.

This being said, we found interesting conclusions on Pavisempre. Our interviewee managing partner, who is also in charge of managing all people, said that since there was a lot of uncertainty from the external environment, all the changes that were planned to happen in the company, were communicated clearly without hiding anything. He said that is very important to do so, because people react better and are more motivated and engaged when they know everything that is happening, rather than work upon conditions of uncertainty and

The Impact of Economic Crisis on SMEs' Strategy and HRM

fear. Moreover, the speech towards the employees, was built towards to motivate them and make them see that changes aren't always bad, that the company to survive and be sustainable has to be consistently adapting to their external conditions.

Lastly, we wanted to find out if workers are more motivated and willing to help in times of crisis, or is it harder to keep them engaged and committed to organizational goals. In the opinion of the office manager, which deals more closely with the clerk, sales and construction workers, their employees are aware of the economic crisis in Portugal which mainly affected the industry that the company is operating on. Therefore, they do not want to lose their jobs so they fully commit to the company's new business goals, and do some sacrifices even on their personal lives to make sure Pavisempre has success. This also couldn't possible if the organizational climate didn't work as a family, which in this case really has people of the same family.

In sum, there were some fundamental key factors that allowed this particular Portuguese SME to survive throughout times of economic crisis. On our research, results shown that human resources practices, have a very important impact on how a SME can adapt their strategy to the new market and economic conditions. The investment on training and development, very careful recruitment, in order to meet the company's requirements, retention policies for the key employees and a reviewed reward and benefits policy, were the main factors that made the strategic change possible. All of these combined together, allowed the company to be successful and resilient throughout the crisis, because it made possible aligning the strategy with the new business goals and external environment. Organizational resilience capacity isn't built when times of crisis arrive, it has to be developed and set before these times come, through a variety of different human resources practices which increase the probability for companies to be ready for adverse situations.

Therefore, we could find on Pavisempre, significant positive relationships between changing and adapting human resources practices to the new market and economic conditions. The changes and investment made on HR practices and policies, allowed this small enterprise to overcome their struggles and come out stronger than before the period of crisis. Employees in general are more committed to the values and mission and are willing to do more efforts than before. As seen in literature, setting an organization for resilience, not only enables it to survive but also makes it in a constant learning process to seek new business opportunities and sources of competitive advantage.

6. Limitations and Leads for Future Research

As we know all kinds of empirical studies or researches, no matter what its fields are, have difficulties that researchers can't overcome. Usually some fields of study due to its complexity, don't have enough information available about the subject in study, making its collecting harder and struggling to get quality information that can draw sustainable conclusions.

In this research, the information available is not a problem, since there are a lot of authors that have written several things about human resources management and strategic human resources management. We were able to be successful on withdrawing information about our main thematic and find studies which had interesting conclusions and allowed us to compare and make our own. Therefore building a strong and useful literature review to back up our research wasn't one difficulty.

On the other hand, the difficulties and limitations for our research goals are mainly the real data collection. At the beginning of this dissertation thesis, the main goal was to study two Portuguese small-medium enterprises operating in the same industry or business area, in order to compare the results of both. The ideal plan was to find one company that was successfully resilient to the economic crisis and other that wasn't doing so well and probably facing insolvency, so that we could analyze the different decisions that were made on both and what factors contributed for those outcomes. Since almost all of the times it is hard to find companies that are really willing and available to share important information to help conducting our research, plus allying that with short time frame for the study, we were only able to find one viable small company that was willing to help and give the necessary data to the empirical study. Because after an intense search, we found a lot of companies that either they don't want to give all the information that we need limiting the research, or the company by itself doesn't possess the information that we are precisely seeking. All that can become a bigger problem when we run short on time and there's no other way to overcome and get new data.

However, despite of not being able to find two suitable companies for comparison, the company that was available to give us data, can be considered as a case of successful SME organizational resilience.

The Impact of Economic Crisis on SMEs' Strategy and HRM

The other limitation that was faced is the lack of wideness. The external validity or generalization of this case study is compromised because the economic crisis that started as a global financial crisis, affected companies in many different ways. Industries and business areas, don't get affected by the economic crisis in the same way. They all adapt their strategies differently from each other and deal with their human resources also on a different mindset. Therefore the problem is that we cannot generalize the conclusions that we found on Pavisempre to all Portuguese SMEs, or even to all in the same business area. Also this company is situated in the Lisbon District, and for this we cannot generalize to the rest of the country, because the conclusions might be different due to all kinds of factors, such as culture, region, predominance businesses and industries, level of instruction of the population and other demographic, economic, geographic and sociologic factors.

In sum, the conclusions that were found on this research are important and have shown how a SME is dealing with the economic crisis. Although they are not applicable to all SMEs in Portugal and not even in the same business area or District.

However, they are reliable results, because they were collected from a Portuguese small company that operates on a very competitive business area, which suffered a lot from the economic downturn. We believe that this work in the future, could be complemented by extending the research on a different company in this business area, in order to compare the results and the changes that were applied, but also different business sectors and different geographic areas. As we said, there are a lot of factors that can make some strategic changes work on an organization but fail on another, due to those factors. We think that a study more extended, with more companies analyzed, would definitely bring other inputs to improve this work and even find similarities among them.

The continuous study of this thematic is very important for academic and economic purposes. The economic crisis has been one of the biggest in the last years since the world wars, weakening the economic tissue and leaving millions of people unemployed globally. Portugal in particular, have most of their economy based on small, medium enterprises. They are the pillar of employment and growth. The Government has been an obstacle in the past years for SMEs, by increasing taxes leading them to financial struggle. It is necessary to help them and study what factors are more likely to increase their changes of overcoming times of crisis.

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Annex

Annex I – Interview Guide

Questions to Managing Partner:

1. What are the key factors of the business to the company's success?
2. In what way can the HR policies and practices add value to these key factors?
3. Was downsizing a 'HR practice' needed to survive the economic downturn?
4. Was it necessary to reinvent the business model? What was done in terms of business units? The same or new services/markets?
5. Since the construction market is very competitive among SMEs and one of those that suffered more with the economic crisis in Portugal, what were the biggest difficulties and obstacles found to the resilience capacity and survival?
6. What were the main factors which allowed to survive and become resilient in times of crisis?
7. Which changes were implemented, in terms of HR practices, to achieve the new strategies and goals?
8. What should be the role of a HR/General Manager in times of crisis?
9. Before the crisis, were there practices implemented to prepare for eventual adversities? Or supposedly only big enterprises have ways to worry about that?

Questions to Office Manager:

1. What were the most difficulties on the daily work since the beginning of the crisis?
2. Are workers more willing to face new challenges or even make sacrifices for the sake of the company's survival?
3. In your opinion what are the most important strategic HR practices that contributed to organizational resilience and crisis survival?