

Breaking away or holding on to the past? Exploring HRM systems of export-oriented SME in a highly uncertain context: insights from a transition economy in the periphery

Abstract

This article advances understanding of the interplay between high levels of environmental uncertainty and HRM challenges and practices of exporting SMEs in the garment industry of Kyrgyzstan. Uncertainty in this post-Socialist country emanates from the complex, conflict-ridden and ongoing process of transition from planned to market-based economy, resulting in a volatile institutional environment with under-developed formal institutions at its core. Drawing on qualitative data and framed by a novel theoretical framework consisting of HRM systems theory, North's institutional approach and the concept of path-dependency, the article advances knowledge of the distinctive set of HRM challenges faced by SMEs and the contrasting HRM systems adopted by them. The article draws particular attention to how the embeddedness of socialist-era norms and the diffusion of new market-oriented institutional features influence the utilisation of HRM systems in SMEs, whilst also revealing their evolutionary nature in a transition economy context. The article contributes by extending the scope of HRM research to the little-explored transitional periphery of Central Asia and adds to the nascent body of knowledge on HRM in SMEs by offering a more nuanced understanding of HRM systems in exporting SMEs in a highly uncertain context.

Key words: institutional uncertainty; HRM practices; Kyrgyzstan; transition economy; exporting SMEs

Introduction

Research on Human Resource Management (HRM) in environments characterized by high levels of uncertainty is scant. This is particularly true, as the call for papers for this special issue suggests, for the “people management side of crisis and volatility” (Wood et al., 2018:1367). This article responds to this call and provides an exploration and analysis of HRM challenges and systems in internationally oriented small and medium-sized enterprises (SMEs) in the garment industry of Kyrgyzstan. Uncertainty in this Central Asian country emanates from the complex and ongoing process of institutional transformation from socialism to market-based economy, resulting in a context that is socially, economically and politically volatile (Author A, 2015; Tudoroiu, 2007). As such, environmental uncertainty in this research is reflected in the uncertainty of the institutional context. While SMEs in general and exporting SMEs in particular are central for jobs and economic growth in developed and emerging countries (ILO, 2015), their role in transition economies for employment generation, reduction of poverty and facilitation of trade through integration and participation in regional and global value chains is paramount (Author A, 2015; Author B; Williams and Vorley, 2017; Wood and Demirbag, 2015). As SMEs face a range of challenges, for example limited resources, weak institutional support and, more generally, a high level of context sensitivity, HRM in general and people management in particular are considered crucial for their survival and success (Bacon and Hoque; 2005; Barrett and Mayson, 2007; Cunningham, 2010; Huang and Gamble, 2011). It is therefore surprising that research on HRM in SMEs has been neglected for some time and only in the last decade has this field received more systematic attention (Harney et al., 2019; Psychogios and Prouska, 2019).

The emerging literature in this area provides important insights, especially pointing towards the distinctiveness of HRM in SMEs compared to larger organisations, encapsulated in the high degree of informal HRM practices and specific challenges in light of high level of vulnerability to contextual factors (Psychogios and Prouska, 2019). Therein, important gaps in understanding HRM in SMEs exist, in particular why SMEs utilize specific bundles of HRM (Harney and Nolan, 2014), what HRM systems they utilize (Borda et al., 2019), whether the utilized HRM practices and systems differ or converge between countries and industries (Zhu et al., 2012), and how different socio-economic environments and their particular institutional

structures, including informal norms and traditions, impact on HRM in SMEs (Cunningham and Rowley, 2008). Furthermore, as the majority of research on HRM in SMEs is conducted in developed and emerging economies (Cunningham and Rowley, 2008; Cunningham, 2010; Zhu et al., 2012), a gap of knowledge exists concerning HRM in SMEs in transition economies, particularly regarding how environments characterized by high levels of uncertainty impact on HRM (Marchington 2015; Psychogios and Prouska, 2019; Zhu et al., 2012). This article addresses these calls by presenting an exploratory qualitative case study of the interplay between high levels of environmental uncertainty and HRM challenges and systems in exporting SMEs in the internationalised garment industry of Kyrgyzstan. This inquiry is embedded in a novel theoretical framework consisting of HRM systems theory, North's informal institutions approach and the concept of path-dependency. The article argues that this theoretical framework allows for a rich analysis of how dominant features of a highly uncertain environment impact on HRM in SMEs, creating particular sets of HRM challenges, and how SMEs react by deploying specific HRM systems.

This article makes three key contributions to theory and knowledge on HRM in SMEs. First, the article captures through the theoretical frameworks of institutional theory and HRM systems theory the unique HRM challenges that emerge against the backdrop of high levels of institutional uncertainty in Kyrgyzstan. This addresses a substantial evidence gap concerning how HRM in SMEs is confronted with distinctive challenges that are shaped by extreme forms of environmental uncertainty in a transition economy (Psychogios and Prouska, 2019). Second, this article addresses the gap of research on HRM systems in SMEs (Borda et al., 2019; Zhu et al., 2019) by identifying and analysing two contrasting HRM systems deployed by SMEs in Kyrgyzstan. The article draws special attention to the importance of informal institutions and how the embeddedness of old and the diffusion of new institutional features shape the dynamic utilization of HRM systems in SMEs. Informal institutions, encompassing norms, values and expectations (North, 1990), have been conceptually and empirically neglected in research on HRM in SMEs and this article showcases the importance of this approach (Cunningham, 2008; Psychogios and Prouska, 2019). Third, the article contributes to the discussion regarding the convergence, divergence and hybridization of western HRM practices in emerging and transition economies. This responds to discussion of Warner (2009) and Rowley et al. (2016) and Zhu et al. (2012) where it is argued that HRM systems in large organisations are primarily characterized by within-country and between country variations. A contribution is offered by providing evidence of a within-industry variation of HRM systems that reflects the changing

and uncertain nature of the institutional context in Kyrgyzstan. A particular theoretical contribution pertains to the ways the usefulness of the HRM system approach for SMEs is showcased and a new hybrid HRM system is introduced. Practical implications point towards the centrality of context sensitivity of HRM in SMEs and the influence of the co-existing old and new institutional structures in shaping how business and people management is executed in an uncertain transition environment.

The article commences with a synthesis of research addressing the nature of HRM and its challenges in SMEs based on which research gaps are identified and research questions are formulated. Next, the conceptual framework of HRM systems and institutional theory are presented and linked to the specifics of the institutional environment of Kyrgyzstan. This is followed by a discussion of the research context and research methodology. The analysis of empirical data is provided next and this is followed by discussion of key findings, outlining the theoretical, empirical and practical contributions of this article.

Literature review and research questions

HRM in SMEs and its challenges

A prominent theme in the literature on HRM in SMEs stresses that a key difference between HRM in large organizations and SMEs is the degree of formality (Bacon et al., 1996; Edwards and Ram, 2006; Harney, 2015; Nguyen and Bryant, 2004). It is argued that while HRM in large organizations features high levels of formality, encapsulated in documentation, systematization and institutionalization of HR practices (Nguyen and Bryant, 2000), informal HRM, characterized by “unwritten customs and the tacit understandings that arise out of the interaction of the parties at work” (Ram et al. 2001:846), prevails in SMEs (Psychogios and Prouska, 2019). Research illustrates that informality is embodied in recruitment practices that rely on word of mouth, lack of formal job descriptions, ad-hoc on the job-training, unstructured reward and pay systems and a heavy involvement of the owner in HRM practices (Barrett and Mayson, 2007; Behrends, 2007; Cooke, 2005; Dietz et al., 2006; Edwards and Ram, 2006). Case studies point towards the central role of the owner in designing HRM practices, setting and communicating performance targets and organisational objectives to employees (Bryant, 2015; Cunningham and Rowley, 2008; Marlow and Patton, 2002). In contrast to research on HRM in large organisations that stresses the importance of understanding coherent bundles of

HRM practices as reflecting specific strategic HRM systems, research on HRM practices in SMEs and their fit within an HRM system is scant (Borda et al., 2019), despite the importance of functioning HRM systems for firm performance (Hauff et al., 2014).

HRM in SMEs has been linked with a wide range of challenges. A key challenge stems from SMEs' heightened vulnerability to political, economic and institutional uncertainty due to their constrained financial resources, relatively small customer bases, dependence on larger organisations in supply chains and limited bargaining power with stakeholders (Edwards and Ram, 2006; Psychogios and Prouska, 2019; Smallbone and Welter, 2001). Therein, high levels of uncertainty are perceived to threaten SMEs existence and narrow HRM practices to ad-hoc interventions. It is argued that formal institutions, encoded in official rules, laws and contracts that are underpinned by regulative frameworks and formal policies are pivotal for SMEs and HRM as they shield firms from uncertainty (Harney, 2015; Matten and Geppert 2004; Zhu et al., 2012). In this light, research on the interplay of institutions and HRM in SMEs point towards SMEs' context dependency. This perspective suggests that SMEs are embedded in their national institutional context, which extends from legal to social and cultural to political fields and shapes their practices and strategies to cope with HRM challenges (Barringer and Milkovich, 1998; Rosenzweig and Nohria, 1994; Wright and McMahan, 1992).

Concerning HRM practices, Marlow and Patton (2002) suggest that a key challenge relates to coping with disciplinary, grievance and equality issues. They argue that due to the high level of informality of HRM and the lack of formal policies and channels, discipline and grievance problems are inadequately dealt with by SMEs, heightening conflict and workers experience of ill-treatment at work. In a similar vein, Nguyen and Bryant (2004) argue that HRM in SMEs is characterized by the conflict between fostering a positive and collaborative-oriented environment and establishing practices that maintain discipline and cope with grievances. These findings are more broadly reflected by Edwards and Ram (2006) and Wilkinson (1999), who state that HRM in SMEs tends to face the challenge of being in conflict with employees' interest in consistency, equality and fair treatment due to the personalized, ad-hoc and informal nature of HRM (Edwards and Ram, 2006; Wilkinson, 1999). Another significant HRM challenge relates to attracting qualified workers, due to labour market participants perception of SMEs offering less attractive employment conditions while being more vulnerable to negative market dynamics in comparison to large organisations (Festing et al., 2013; Storey et al., 2010; Psychogios and Prouska, 2019). As a consequence, SMEs tend to experience shortage

of qualified workers, while also experiencing higher levels of worker turnover. Tightly interwoven with the prevalence of informal HRM practices in SMEs are the challenges Hudson et al. (2001) and Garengo et al. (2005) identified concerning performance management in SMEs. Here, SMEs face the challenge that most performance management systems (PMS) are designed for large organisations, resulting in inadequate adoptions of PMS, while PMS is also undermined by the ad-hoc management approach of SMEs that is in conflict with mid-to long term planning.

Research questions

While providing invaluable insights, the majority of literature on HRM in SMEs is conducted in developed countries, and increasingly in relatively stable large emerging economies like China (Cunningham and Rowley, 2008; Cunningham, 2010; Zhu et al., 2012). Yet, HRM in SMEs in transition countries have received scant attention. In order to provide a more nuanced understanding of HRM in SMEs in general and how environments characterized by high levels of uncertainty impact on HRM in particular, calls for research on HRM in SMEs in transition economies have been issued (Borda et al., 2019; Marchington 2015; Psychogios and Prouska, 2019). Furthermore, this literature review also established that an understanding of HRM systems in SMEs has been neglected. This article addresses these calls by presenting a qualitative case study of HRM challenges and systems in exporting SMEs in the garment industry of Kyrgyzstan. Against the backdrop of the literature review and the identified research gaps, this article explores the following three research questions:

- 1) What HRM challenges do SMEs face in an environment characterized by high levels of environmental uncertainty?
- 2) What HRM systems are utilized by SMEs to cope with HRM challenges?
- 3) How do high levels of environmental uncertainty shape these HRM systems?

The analysis that addresses these research questions is informed by the theoretical framework that combines HRM systems theory with an institutional approach. The theory of HRM systems allows an analysis of bundles of HRM practices, while the institutional theory approach enables an exploration of how the prevalence of informal institutional norms and practices in highly uncertain environments shape HRM in SMEs.

HRM in SMEs through the lens of HRM systems

The most prominent feature of the HRM systems debate is the traditional distinction between control and commitment HRM systems (Guest, 1987; Jackson et al., 2014; Storey, 1992; Thompson, 2011; Truss et al., 1997). Organizations that utilize commitment HRM systems aim to create “conditions for employees to become highly involved in the organisation and identify with its overall goals” (Wood and de Menezes, 1998: 487). Grounded in an unitarist HRM approach, commitment HRM systems aim to achieve this goal by fostering consent-based relations converging employee interests and organisational goals (Geare et al., 2006). This is reflected in particular sets of HR practices, such as flexible job design, job rotation, direct communication and reduction in hierarchy, career ladders, employment security and individual as well as team performance-based compensation (Hendy and Pettigrew, 1990; Storey, 1992). In this light Thompson notes that commitment HRM systems understand workers’ efforts “as discretionary if it is directed from within rather than the result of sanctions or external pressure” (Thompson, 2011:358).

In contrast, the control HRM system focusses on the strategic link between HRM practices and organisational strategies (Guest, 1987), aiming to heighten labour efficiency while reducing labour costs (Hauff et al., 2014). Here, HRM is driven by a top-down decision-making process in which workers’ performance and behaviour is closely monitored and framed by extensive formal rules and procedures (Guest, 1987; Storey, 1992). As this system is traditionally associated with low-skill and low-discretion workplaces, high levels of labour specialisation and division of labour goes in tandem with low levels of employment security and limited investment in training and career mobility (Walton, 1985). Control HRM systems incentivize workers primarily via performance-based remuneration practices that are based on extensive measurement of quantified output criteria (Legge, 2005). Compliance is secured by controlling and motivating workers via internal competition, financial incentives, weeding out strategies and external labour market as a disciplinary force (Purcell, 1993).

Conceptualisations of HRM systems are rooted in Western HRM debates and interlinked with specific features of large organisations (Guest, 1987; Hauff et al., 2014). As an increasing number of Western MNEs operating in Asia aim to “(...) globally benchmark HRM ‘best practices’” (Rowley et al., 2016:2) and apply HRM system throughout the supply chain, the applicability of Western HRM systems in emerging countries have been subject to discussions. Two contrasting positions dominate the debate: on the one hand it is argued that a standardized HRM system is crucial for efficient and lasting supply chain relationships between developed

and emerging economies (e.g. Nohria and Ghoshal, 1997). On the other, IHRM research on large-scale organisations in emerging countries suggest that HRM systems are mainly characterized by within-country and between country variations. Here, research points towards varying levels of convergence, divergence and hybridization of control and commitment HRM systems, depending on the particularities of contextual factors of countries and sectors that impact on HRM in large organisations (Horwitz and Budhwar, 2015; Rowley et al., 2016; Warner, 2009). While the debate marches on, the vast majority of this research focusses on HRM systems in large organisations based in developed economies. Thus, analysis of HRM bundles in small firms is neglected in general, and insights on HRM systems of exporting SMEs in transition economies that tend to be characterized by higher levels of uncertainty remain particularly scant (Borda et al., 2019; Psychogios and Prouska, 2019). This article argues that a focus on HRM systems in SMEs is important in achieving a more nuanced picture that goes beyond an interpretation of HRM practices as informal and ad-hoc, offering an acknowledgement of how HRM practices in SMEs follow particular strategic HRM systems to cope with HRM challenges. The following section introduces informal institutions and the concept of path-dependency that inform the exploration of the impact of high levels of institutional uncertainty and change on HRM challenges and systems in SMEs.

HRM in SMEs through the lens of informal institutions and path-dependency

North's (1990) institutional theory and its particular focus on the importance and endurance of informal institutions is increasingly utilized in HRM research (e.g. Child and Tse 2001; Gooderham et al., 2018; Huang and Gamble, 2011). Informal institutions include values, beliefs, conventions and social norms of behaviour that are influenced by various factors such as culture, history, traditions, social expectations and moral obligations (North, 1990). In this way, informal institutions are distinctive to individual societies, making them a context-specific variable in any institutional analysis. The importance of informal institutions for organisations is heightened when formal institutions are weak, lack legitimacy or are in the process of radical transformation, which corresponds to environmental features prominent in post-Socialist countries (Author A, 2018). Indeed, firms operating in such uncertain environments tend to face high transaction costs, weak protection of property rights and ineffective enforcement of contracts (North, 1990; Peng and Heath, 1996). Here, informal social and cultural institutions become prominent for reducing SMEs uncertainty by providing structure and meaning to firm activities and practices (Puffer et al. 2010).

Connected to the concept of informal institutions is the notion of path-dependency that informs the focus of this article to explain distinguishing features of HRM in SMEs that have evolved in the context of high levels of institutional uncertainty and change. Path-dependency points to the incremental change of institutions, especially informal ones, in light of major external social and economic transformations (Delbridge et al., 2011; Dibben et. al. 2017). Path-dependency suggests that institutional change is characterized by the enduring influence of past institutional arrangements on contemporary institutions and economic practices (Campbell, 2004; Chen et al.; 2016; Zhu et al., 2012). Thus, path-dependency captures HRM practices that are informed by social norms and values that are associated with previous institutional regimes in times of uncertainty and radical change (Dibben et. al. 2017; Sydow et al., 2009; Whitley, 1999; Williams and Vorley, 2017). Complementing path-dependency in understanding institutional uncertainty and change is the concept of path-break that, in contrast, suggests a move away from legacy institutions and re-orientation towards new institutional arrangements, economic principles and associated systems of norms and values (Williams and Vorley, 2017). This concept is particularly useful in understanding contexts that experienced radical forms of change, particularly the post-Socialist states where the new liberal market-based institutions are being implanted through path-breaking reforms to replace the old socialist-era institutional framework (Tamilina and Tamilina, 2017). At the firm level, path-break suggests that economic actors and their practices will gradually align with and reflect the key features embodied in the logic of market institutions (Williams and Vorley, 2017).

Indeed, it is increasingly argued that understanding the nuances of SMEs and HRM practices they utilize requires an understanding of how SMEs are socially embedded in their particular national institutional contexts (Harney, 2015; Rowley et al., 2016). Transition in post-Socialist countries entails not only a change of economic model from central-planning to marketisation, but also, as summarised in Table 1 below, a shift in socio-political system from a form of paternalistic state socialism to a liberal democracy where state no longer officially acts as a benefactor but more as a guarantor of the rule of law (Lane and Myant, 2007). Paternalistic socialism can be described as a political system where the state acts as a supreme authority and a father-like figure and enters into a social contract with its citizens to undertake various provisions in exchange for control and decision-making (Zhu et. al. 2012). According to institutional theory, institutional transition entails change in informal institutions reflected in tendencies to move away from embedded paternalistic norms and expectations towards marketisation values and mechanisms. This gives rise to national institutional contexts wherein

Soviet-inherited structures of values and social norms co-exist, interact and potentially conflict with newly developed market-based rules and principles (Buck et. al. 2003).

Insert Table 1 about here

Exposure of post-Socialist economies to path-breaking market reforms encompassing liberalisation of prices, market competition and privatisation (Wood and Demirbag, 2018) suggests that traces of new market-oriented HRM in these countries are being gradually implanted and diffused (Morley et al. 2018). These transformations can be captured by the concept of marketization that refers to the expansion of market forces into previously non-market or heavily regulated market organized social and economic spheres (Williams, 2006). Yet, in highlighting the path-dependency perspective and the embeddedness of informal institutions and norms, Buck et. al. (2003: 532) state that firms in transition economies “will still try to rely on HRM practices inherited or modified from their central planning past”. Such changing conditions, where new market-oriented institutional practices are gradually gaining ground but old ones inherited from the Socialist era are likely to persist, can lead to institutional arrangements that are grounded in different norms and values, potentially leading to HRM strategies that encompass institutional hybridization (Bjerregaard and Luring, 2012; Zhu et. al. 2012). Above discussion suggests that exploration of the impact of institutions on HRM in Kyrgyzstan requires explicit recognition the country’s evolving institutional framework.

Context and Methodology

Study context: Kyrgyzstan’s uncertain environment

It is widely acknowledged that firms in transition economies face an institutional environment which is “far more extreme than that experienced (...) in more developed economies” (Puffer and McCarthy, 2001: 30). Reflecting this, we selected Kyrgyzstan, a post-Soviet transition economy in the periphery and with a particularly turbulent recent institutional setting, as a suitable context for our study. Kyrgyzstan gained independence in 1991 as a result of the collapse of the USSR. This represented the first major period of environmental uncertainty as extensive and path-breaking institutional reforms were required to its political, economic and social systems. However, several years of unrests culminated in an unprecedented uprising, namely the Tulip Revolution or the First Kyrgyz Revolution, which resulted in the overthrow

of the first president Askar Akayev's regime in 2005 (Tudoroiu, 2007). The new government, headed by the former prime minister Kurmanbek Bakiyev, vowed to strengthen the rule of law and fight corruption. However, five years later his regime too was overthrown in the Second Kyrgyz Revolution of 2010. These events reinforced the notion of an environmentally unstable setting, with institutional uncertainty and change at its core.

Research suggests that uncertainty in post-crisis Kyrgyzstan remains high, as firms continue to deal with the consequences of socio-political turmoil and regime discontinuities of 2005 and 2010 (Author A, 2015). We argue that this backdrop presents an appropriate context to examine HRM challenges faced by SME exporters and analyse the impact of institutional uncertainty in particular on HRM practices and systems. Our study focuses on Kyrgyzstan's burgeoning garment sector, which is primarily dominated by exporting SMEs integrated in regional and global value chains governed by MNEs. The choice of this industry reflects its status as a major sector with significant impacts on economic development, exports, and employment (ILO, 2012). A report by Asian Development Bank suggests that garments made in Kyrgyzstan account for 5% of all garment imports in Russia, making Kyrgyz SMEs the fifth largest garment exporters to the Russian market, behind China, Turkey, Germany and Italy (ADB, 2013). Others estimate that the sector employs around 150,000 people, or up to 300,000 including those employed in the informal sector, which corresponds to 6.5% and 13% of total labour force in the country, respectively (ADB, 2013; Birkman et al., 2012; OECD, 2014).

Research method

The data used in this paper was collected as part of a research project that explored SME challenges and management strategy in Kyrgyzstan. The fieldwork was conducted by one of the authors in Kyrgyzstan between April and May of 2018, utilizing a qualitative single country case-study research design (Cresswell, 2007; Yin, 2003). A qualitative case study approach is a well-established research strategy in the fields of IHRM (Cooke, 2002; Cunningham and Rowley, 2008) and IB (Ghauri, 2004; Gligor et. al. 2016) and is particularly suitable for studying firm activities in transition economies given that such environments manifest increased dynamism and instability and require deeper engagement and understanding of the context in which economic actors operate (Luthans and Ibrayeva, 2006). Indeed, the case study was preferred for its flexibility in allowing the use of data from several sources, namely semi-structured interviews, field observations and published reports. Firms are taken as the main

unit of analysis, which is in line with this study's research aim of exploring HRM challenges and practices from the firm perspective (Yin, 2003).

A purposive sampling approach was utilized to gather data from firms in the same industry and with internationalisation experience, typically reflected in their participation in regional or global value chains as manufacturers and exporters of garment products. Suitable SMEs were initially identified through official databases of registered firms held by the Ministry of Economy and national business associations, with snowball sampling technique, based on recommendations, subsequently used to expand the pool of respondents. In addition, the named author's personal connections in Kyrgyzstan were also utilised to help facilitate access to firms. Using personal connections to negotiate research access is not uncommon in transition economies as entrepreneurs and firm managers often demonstrate reluctance to participate in academic studies due to high political sensitivities and suspicious attitudes towards interviews (Cooke, 2002; Cunningham, 2010).

In total, 21 firms participated in the study and interviews were conducted with key decision makers. In most cases these were firm owners or co-founders who held key managerial roles. Semi-structured in-depth qualitative interviews were used as the main method of gathering data. Most interviews took place on firm premises and recorded with the consent of interviewees. Given Kyrgyzstan's politically sensitive context, participants were assured that their identities and those of their companies will remain anonymous. All interviews were conducted in Russian by the first author who is fluent in that language and lasted between 50 - 150 minutes during which a range of topics and issues were discussed. They were subsequently transcribed verbatim by an external organisation and a sample was later cross-checked by the same author. After the completion of formal interviews, the author was frequently granted permission to tour firm facilities under the guidance of shop-floor managers. This resulted in further observational evidence from informal discussions with employees, including middle managers and shop-floor workers (seamstresses). All firms were based in the capital city of Bishkek or its periphery where the garment manufacturing sector is largely concentrated. The workforce in most firms comprised predominantly of female employees. All firms were established between 1994 and 2015, but to respect their anonymity exact founding years are not indicated.

Insert Table 2 about here

Interviews were framed around a series of thematic areas, ranging from general management challenges to perceptions of institutions and policy. In terms of HRM, emphasis was placed to encourage managers to describe their people management practices, challenges they faced in this regard and strategies they adopted in dealing with them. Managers were not only asked to highlight particular problems they faced, but also to reflect and elaborate how they addressed them in the context of wider institutional and political uncertainty in the country. Due to the open-ended nature of the questions asked, respondents often raised issues which were pertinent but not necessarily included originally in the interview programme. The flexibility of semi-structured interviews allowed for follow-up questions to be asked in order to explore these emergent themes further and include them in subsequent interviews.

Transcribed interviews were organized in relevant topics and coded and analysed thematically. Whilst this study adopted an exploratory approach due to paucity of HRM studies in the context of Central Asian transition countries, the data analysis was informed by relevant literature on institutions and HRM. Specifically, the former suggested a broad distinction between formal and informal institutions, whilst the latter highlighted differences between control and commitment HRM approaches. These themes provided a provisional guide to code and analyse our findings, whilst also allowing new themes to emerge from the data. Following the review of interview transcripts, key emergent themes relating to our research questions were identified and relevant parts of interview transcripts were coded to each emergent theme. In line with our stated aims, some themes were based on prior literature and theory, whereas others, specifically concerning the impact of environmental and institutional uncertainty on HRM practices in SMEs emerged from the data (Corbin and Strauss, 2008; Eisenhardt and Graebner, 2007). This means that while provisional themes from the literature allowed to distinguish and categorize particular HRM challenges and practices in SMEs, specific explanations in support and extension of each theme emerged from the data. The analysis of findings is provided below.

Findings and analysis

This section consists of two parts. The first presents and analyses our findings on key HRM challenges highlighted by study firms. The second part focuses on HRM systems and explores and analyses how SMEs cope with HRM challenges by utilizing bundles of HRM practices

that tend to represent either a control or commitment HRM system. We compare the two HRM systems identified in SMEs by focussing on three specific bundles of HRM practices through which differences in HRM systems, and norms and traditions they are embedded in, become visible.

HRM challenges in an environment of high institutional uncertainty

All SMEs reported high levels of labour turnover, which is perceived to be a major challenge that threatens their survival and growth. Managers argue that due to the unregulated labour market and the existence of a significant shadow economy, it is quite common for workers to terminate their engagement without prior notice. This problem is intensified by the scarcity of qualified workforce in the industry. In this light, a firm owner states as follows:

We don't have enough good and experienced workers, that's the first issue... The second and more important is that the turnover is very high, it is very difficult to hold on to good workers, incredibly difficult... they dictate their own terms. (Firm 2)

Ample evidence suggests that high levels of labour turnover in combination with periods of labour shortage and labour poaching undermine mid- to long-range planning in SMEs, heightening uncertainty regarding timely fulfilment of orders for overseas customers and MNE counterparts in regional markets and thereby threaten the survival of SMEs. Coping with uncertainty over labour staffing is therefore a key HRM challenge, as illustrated by this quote:

...You know that you have a hundred people working for you, you accept a big order from a multinational retail chain for 24,000 items on the assumption that you have 100 workers... and one day you come to work to find out that you have only 4 people left on the factory floor! And when you inquire you find out that other firms, many in the informal sector, are offering more money because it is a high season... then of course you are unable to fulfil the order, half of your buyers stop working with you. (Firm 13)

SME managers also highlight that relationships between workers and managers tend to be conflict-ridden, embodied in low levels of commitment, frequent unapproved absences and unstable performance and regular organisational misbehaviour, such as name calling and shouting on both sides. This points to a more fundamental HRM challenge faced by SMEs that relates to a recent increase in workers' power position which has been reinforced by the rapid growth and internationalisation of the Kyrgyz garment sector and increased migration of skilled and semi-skilled labour overseas. These circumstances exacerbate labour shortage and present

a serious challenge for SMEs, particularly in relation to attraction and retention of labour. This is evident from the following excerpt:

...one female worker did not come to work for three days and then was suddenly at her desk again, without telling me what happened. If I would give her a formal warning for her absence, she would just leave... (Firm 5)

Therein, the shortage of labour supply causes chronic understaffing, especially during peak seasons when SMEs in the shadow economy attract labour for higher salaries that SMEs in the formal sector cannot match. The above firm owner continues their narrative by comparing the lack of effective formal rules and regulations with the Soviet past that is considered to be more orderly:

In the Soviet times all workers had a workbook. In order to get a new job your previous employer had to indicate in this book the reason you left them. And if the reason was poor behaviour, or theft, or something of that sort, then finding a new job would be very difficult. Our government doesn't introduce these kinds of documents. But we need something like this... (Firm 5)

This section analysed findings in relation to the first research question. It is suggested that the key features of the context in which SMEs are embedded are characterized by high levels of institutional uncertainty. This uncertainty is encoded in unregulated labour market, frequently changing regulations, weak enforcement of formal rules and a powerful shadow economy. In such conditions high labour turnover in combination with labour shortage and wider difficulties concerning the implementation of efficient reward and disciplinary practices for workers are identified as key HRM challenges for SME exporters. The following section suggests that SMEs aim to overcome these HRM challenges by utilizing two contrasting HRM systems. Importantly, it is argued that these HRM systems are shaped in different ways by distinctive elements of the old and new institutional structures and practices against the wider backdrop of rapidly changing and highly uncertain institutional landscape.

HRM Control system: The prevalence of individual and transactional reward practices

Impersonal management and tight job control

SMEs belonging to this cluster cope with the above discussed HRM challenges by organizing and managing the labour process in a way that increases replaceability and status of the workforce as a commodity, with the aim of making management less dependent on individual workers. SMEs provide tightly defined jobs and associated tasks that are framed by a set of rules, behavioural norms and procedures. For example, breaks from work are standardized and deviation from the norm needs to be explained to management, putting workers under constant pressure to finish tasks within a given time set. The tight structural control is aligned with direct managerial control, as most SMEs in this cluster installed a dedicated shop floor supervisor whose task is to ensure that workers fulfil their individual quota and perform the standardized practices in time. Some SMEs even installed video cameras on the shop floor to have an additional opportunity to monitor and control workers. Here, the relationship between worker and management is described as impersonal and characterized by low levels of trust. Indeed, Lepak et al. (2006) suggest that replaceability and low-trust relations are core characteristics of control HRM systems. These dimensions are central leitmotifs in the following reflection of SME manager on their management approach.

We are an economic unit and I need to make sure we fulfil orders. How do I accomplish that when the workers come and go? I make sure that the ones who are showing up fulfil their duties. That is why I have video cameras on the shop-floor. I hardly know everyone's name and I don't know if they are here tomorrow, how can I trust them? They are monitored and that is why they work hard. They get paid for it, so it is a fair deal... (Firm 7)

This quote aptly captures perspectives of the majority of interviewed managers who tend to utilise this HRM system in the way that low trust-based relations in combination with a high control oriented approach are justified with a heightened marketization of the political economy in the country. This informs a focus on work as a pure economic exchange, triggered by competitive pressures, fluctuating demands, unregulated labour market and weak law enforcement.

Performance Management and Incentive System

The HRM challenge of implementing effective disciplinary and reward practices is tackled by a deeply individualized system that renders the employment arrangement as a short-term transactional and monetary driven exchange. Here, individual incentive components were key

for rewarding, motivating and retaining labour. This represents a path-breaking change and therefore a distinct deviation from the traditional Soviet-inherited system of norms and values which placed emphasis on collective performance and offered collective bonuses and non-wage benefits based on seniority, rank of workers and group performance (Buck et. al. 2003; Zhu et al., 2012). Marketization elements of competition, transactional exchange and individualization are deeply interwoven in narratives about performance management practices, as captured in the following quote:

... an attractive financial package is the most important thing to keep workers happy. But workers do not get that just for being here. They need to deliver and the more they deliver the better are the ... incentives. (Firm 9)

Generally, these SME managers prioritize the market-driven performance management practice over the traditional and more egalitarian payment system, as it builds on the more individualized and economic rationality driven employment arrangement in the unregulated labour market, instead of fighting it. This is also inherent in the following reflection:

... there are no contracts, it is uncertain who will be here in a month. So I had to adopt and implement individual work effort based pay. Why and how should I reward teams when they change? (Firm 4)

Emphasis on HRM practices that focus on monetary incentives and individual performance-based remuneration is a reflection of how informal institutions pertaining to norms and values of the new market-based economic system are becoming gradually influential in the Kyrgyz export SME context. This demonstrates traces of managerial thinking and commitment to new institutional norms in managing labour and as such represent a shift or break away from social norms and principles that are associated with the previous socialist system.

Investment in workers

The “headcount resource” (Storey, 1992:29) approach and the aim to increase the replaceability of labour (Lepak et al., 2006) suggests reduced investment by SMEs in their workers. Indeed, notable incentives beyond individual performance pay are not offered to workers and as such seniority is rarely rewarded. In a similar vein, SME owners in this cluster minimize investment in training and focus exclusively on inexpensive and short-term task-related training. The transactional approach that informs training and skill formation practices in SMEs has little

interest in developing human resources but focusses more on attracting and replacing labour swiftly given the high levels of turnover. Indeed, on-the-job training for new seamstress recruits is provided that typically lasts between two days and a week. A key element of training is the informal practice of work shadowing, where new recruits work under the guidance of an experienced worker who is selected by management based on the criteria of performance. The aim of this short-term training is to prepare employees for their job as fast as possible and socialize them into an individualized performance culture.

Workers come and go. Why should I spend much on training? Spending money on someone who leaves after 10-12 weeks?! I don't think so. They learn on the job how to use this sewing machine. (Firm 8)

... given the high turnover it is important to make sure they hit the ground running as soon as possible... Ideally, workers are on machines after a couple of days of work shadowing. (Firm 4)

In summary, the control oriented HRM practices in the Kyrgyz garment industry culminate in the way that the individual worker is managed on an instrumental basis, with economic incentives being the principal source of recognition for workers' performance and loyalty. The reward practices utilized by SMEs in this cluster are primarily quantitative, calculative and tend to treat workers as a commodity. SMEs utilizing this HRM system cope with the uncertainty and the HRM challenges it poses by minimizing reliance on workers, making them exchangeable. Here, a marketized approach to the employment relationship is adopted, conceptualizing it as a short-term economic exchange. The following quote candidly summarizes the market-oriented control approach and illustrates the path-break that embeds the control HRM system in the increasingly marketized and short-term oriented environment:

Some SMEs operate as if we are still living in the Soviet times. They focus on loyalty, seniority rules and so on. But it is the 21st century now, the market economy has changed everything, firms are competing, it is about the survival of the fittest... you cannot try to fulfil social obligations as a firm here, these norms have changed... (Firm 5)

HRM Commitment system: Commitment through reciprocal exchange and managerial paternalism

Bundles of HRM practices in SMEs belonging to this cluster co-mingle marketization elements with selective values and behavioural norms stemming from the Socialist past, highlighting selective path-dependency and thereby the importance of embedded informal institutions. We dub this hybrid system a ‘commitment-paternalist HRM system’.

Personalized management and paternalism

SMEs that pursue a commitment oriented HRM system organize work via formal descriptions, rules and procedures. Here, a distinct characteristic of this approach is visible in the prevalence of ‘responsible autonomy’, embodied by the move from explicit external control over performance to more self-control and team control (Paauwe and Boselie, 2008). SME management control the output of all workers on a daily basis and visit regularly the shop floor. Observations portray these shop floor visits as primarily informal, encapsulated in short chats between management and workers about work as well as non-work aspects. The importance of ‘responsible autonomy’ that grants workers pockets of discretion in the relatively standardized labour process, while focussing on the disciplining character of team and internal control, is discussed by the following narratives:

I don't think that someone watching over workers' shoulders every minute of the day helps. If I have the impression that there is a worker who is not pulling their weight, I will have an eye on her, but generally I let them do their job and if there are problems the teams often solve it amongst themselves... I am not interfering with their work unless performance is constantly poor. (Firm 2).

... as long as the output at the end of the day meets the expectations, I do not closely monitor workers. Of course, attendance is checked, but how long they spend at lunch and if they have to take a call while at work is not my concern... If there are problems with someone taking advantage of others by doing less, the workers themselves tend to regulate that. (Firm 12).

Therein, SMEs in this cluster are characterized by less direct managerial control and workers act in semi-autonomous workgroups who are given a degree of flexibility in certain aspects so long as the performance is sufficient for the manager.

Performance Management System: Egalitarian pay and collective bonuses

Another distinctive characteristic of SMEs using commitment and paternalist HRM strategies is the utilization of egalitarian wages in combination with collective bonuses for workers based on group performance and the performance of the company. Here, path-dependency is evident as egalitarian wages that have little relationship to individual performance were a key characteristic of personnel management under the socialist regime (Buck et al. 2003; Zhu et al., 2012). Indeed, performance and pay practices of SMEs in this cluster mix egalitarian wages with a combination of efficiency and group performance wages. As the narratives below show, there are two key dimensions to this remuneration practice. First, collective financial bonuses that exist for all workers are coupled with collective productivity targets, thereby strengthening the importance of collective effort in combination with heightening workers interest to perform team control, a key aspect of commitment HRM system (Hauff et al., 2014). Second, annual holiday vacations are offered to all workers. This incentive is collectively organized, and the aim is that workers spent time with their colleagues, families and management. Here, path-dependency is again evident in the way collective incentives for exceeding performance expectations, a modern commitment HRM practice (Storey, 1992), is combined with paternalist practices that portray the firms as organisations that care about their workers, highlighting a fatherly and benevolent management approach:

I don't believe in paying individual bonuses to workers, I think it is counterproductive, it creates more problems than solutions. I prefer to reward the collective so that everyone benefits as we all work together... Sharing responsibility is key. (Firm 14).

I buy them and their families holiday trips to Issyk-Kyl (a holiday resort) every year. When they worked so hard all year as a collective and reached our aims, they deserve it. This strengthens ties, boosts their morale and creates a real cohesion, and for me too - I get to know workers and their families better. (Firm 3).

More broadly, the impact of path-dependent informal institutions was strongly evident among this group of SME owners in that they frequently and often evocatively recalled socialist era norms and practices, particularly in relation to the role of organisations in caring for workers and providing social or non-wage benefits such as housing or holidays that went beyond financial rewards, and workplaces being regarded as having a greater sense of belonging. It was indicated that some workers still expected firms to continue with such practices. As suggested by Minbaeva et al. (2007), provision of social benefits by enterprises under the old

socialist system was considered a norm as well as an expectation, which points to the contextual embeddedness of this sentiment. This showcases that inherited norms and traditions continue to shape SME managers' HRM approach today.

Investment in workers

A crucial practice that showcases the co-mingling of commitment and paternalism via investment in workers is represented in the decision of some SMEs in this cluster to install sewing machines in homes of experienced workers who had caring responsibilities. As the following testimonial of a manager illustrates, the decision to install sewing machines in the home of workers represents an attempt to facilitate the convergence of workers' interests and organizational goals. The organisational goal is represented in the aim to reduce turnover, maintain experienced workers and establish a ground for mutual reciprocity which is a key ingredient of the paternalist HRM management (Zhu et al., 2012). Furthermore, workers who had stayed with the SME for a minimum of 12 months, and who were perceived by the manager to be reliable and hard-working, were allowed to work from home. This novel practice is also a strategy that aims to offer seniority benefits in exchange for loyalty, aiming to make up for lack of career progression in this sector.

I am caring about workers and some of them have family commitments that conflict with coming here and working in the factory. So, I decided to install sewing machines in their homes and allowing them to work from home (...) and what I found is that my "home-workers" are much more reliable. I learned that you have to invest, you have to trust and commit to them in order for them to commit to you. (Firm 6)

As alluded earlier, social programmes and non-wage benefits for workers are historically anchored in the old socialist system in which organisations acted as a small society, providing exclusive benefits such as healthcare, education, recreational holiday trips and housing (Buck et. al. 2003; Minbaeva et. al. 2007; Zhu et al., 2012). After the collapse of the Soviet regime and the start of a radical institutional and political change that went in tandem with marketization and transition towards (a form of) capitalism, some SMEs continued to offer scaled-down but nonetheless a distinctive set of social programmes to their workers. This approach which places emphasis on providing social benefits to the collective can be seen to be explicitly shaped by past institutional norms and practices. For example, a number of SMEs offer workers and their families assistance in renting and buying affordable homes, while also providing workers with personal loans in times of need. As the following quotes highlight,

these HRM practices combine the ambition to meet workers needs with the aim to strengthen workers loyalty through establishing a HRM system that rests on values of mutual reciprocity and care. These practices showcase how the commitment HRM system is interwoven with values and norms that stem from informal and cultural institutions that are anchored in the past, further highlighting the path-dependency of institutional change that contributes to the hybridity of this HRM system in SMEs. This is illustrated further in the following excerpts:

We grew up in the Soviet Union with a different value system, so I can't ignore the social welfare of my workers. Focussing on workers needs is crucial, such thinking is embedded in us... I can't grow on my own, but I can if they grow together with me, like a family. (Firm 13)

Things were different in the past, workers were more loyal but companies also cared more, it wasn't just about earning money. And some workers still expect that and when you treat them appropriately, with respect, why would they leave? (Firm 2)

I want to provide them an opportunity to bring their kids with them and live here in company-sponsored housing... This is my way to help them socially, but I benefit too because they will stay with me for at least 5 years... (Firm 3)

In summary, the two sections above analysed findings in relation to the second and third research questions. Our findings identify two distinct HRM systems employed by exporting SMEs in Kyrgyzstan, namely the *control HRM* characterised by establishing commitment through individual and transactional reward practices and *commitment-paternalist HRM* which focuses on reciprocal exchange and managerial paternalism. The two models diverge on three key aspects, namely management and job control, performance management and incentive system, and training and worker investment. While some firms tend to employ practices and strategies that seem consistent with key principles of the control HRM system, others tend to adopt practices and measures that combine commitment with paternalistic management strategies, which is identified here as a hybrid form of commitment HRM. A further key finding is that while the control HRM system is seemingly shaped by elements of the new market-oriented institutions, the commitment HRM system is influenced by the old socialist-era institutional structures. While exposure to market reforms and almost three decades of economic liberalisation reflect progress in terms of transition towards the path-breaking market institutions which is captured in the control HRM model, the path-dependent institutions and norms from the socialist era also seemingly persist and appear to continue to influence HRM

practices as reflected by the commitment-paternalist HRM model. We now discuss the implications of these findings.

Discussion, conclusions and implications

This article answers calls for research on HRM in SMEs located in transition economies that are characterized by high levels of environmental uncertainty and contributes to the gap of knowledge on HRM systems in SMEs (Borda et al., 2019; Cunningham, 2010; Marchington 2015; Psychogios and Prouska, 2019). Informed by evidence from exporting SMEs located in the garment industry of Kyrgyzstan, the article utilises the theory of HRM systems in combination with institutional theory and the concept of path-dependency and provides new insights into HRM challenges and HRM systems in SMEs against the backdrop of an environment characterized by high levels of institutional uncertainty. This article offers three key contributions to the empirical and theoretical literature on HRM in SMEs.

First, the article highlights the importance of institutional approaches in combination with HRM systems theory for understanding HRM in SMEs located in highly uncertain environments. The article stresses that the institutional theory of informal institutions and the concept of path-dependency are well-suited to analyse the ingredients of uncertainty for SMEs and HRM challenges they pose by understanding institutional change in transition economies as characterized by change and continuity, incrementalism and rupture (North, 1990). Indeed, focusing on the contested, radical and on-going transition from socialism to market-based system has enabled the article to capture the high levels of uncertainty in Kyrgyzstan, embodied in unregulated labour market, weak property and labour law enforcement and a strong shadow economy. Against this uncertain backdrop, exporting SMEs in the garment industry encountered unique HRM challenges, ranging from the constant threat of labour shortages, high levels of labour turnover to problems of implementing efficient discipline and reward policies.

Thereby, this article adds to the literature on HRM in SMEs a distinct set of fundamental HRM challenges, supporting the thesis that SMEs are highly vulnerable to environmental uncertainty (Edwards and Ram, 2010; Festing et al., 2013; Storey et al., 2010). The majority of HRM research on SMEs is conducted in relatively stable political and economic environments that

are characterized by higher levels of environmental and institutional certainty. Here, HRM challenges in SMEs are often of technical and strategic in nature, explained with the lack of HRM expertise and specialism (Harney, 2015). This article underlines the discussion of the importance of contextualising HRM to understand the interplay between SMEs and the wider environment on the one hand, and particular HRM challenges that emerge from this environment on the other (Cunningham, 2010; Delbridge and Keenoy, 2010; Horwitz and Budhwar, 2015; Psychogios and Prouska, 2019).

The second key contribution of this article is that it addresses the gap of research on HRM systems in SMEs (Borda et al., 2019; Psychogios and Prouska, 2019) and identifies and analyses two contrasting HRM systems in Kyrgyz SMEs. First, the article identifies a control HRM system among some SMEs that deploy transactional, individualized and low-trust HRM practices (Guest, 1987; Hauff et al., 2014; Storey, 1992). These HRM practices aim to solve the distinctive HRM challenges by heightening the replaceability of labour and tightening managerial control and thus represent the core characteristic of control HRM. The combination of HRM system theory with institutional theory enhances understanding of the embeddedness of HRM system in an uncertain context while also allowing to analyse some of the reasoning behind deploying the control HRM system. Here, the article offers novel insights into how SME managers adopting this HRM system refer to market forces of the newly introduced market-based institutional system. This is incorporated in the logic of individualised competition and low trust-based transactional exchanges that informs their decision to adopt a path-break approach with traditional values of informal institutions and deploy a control HRM system that aligns more with contemporary market economy values and thereby enables them to adapt to external environmental uncertainty.

In contrast, a novel hybrid commitment HRM system that this article coins ‘commitment-paternalist HRM system’ is also identified among some SMEs. They tend to utilize practices that are associated with HRM commitment systems such as responsible autonomy for workers, personal and direct communication between workers and management and investment in workers (Guest, 1987; Storey, 1992; Wilkinson et al., 1992). Yet, the article suggests that strong notions of paternalism accompany commitment practices. Paternalism is visible in the fatherly and benevolent managerial approach that aims to establish reciprocal exchange, loyalty and moral ties between management and workers in order to elicit control from inside the worker and strengthen loyalty to the firm (Thompson, 2011; Zhu et al., 2012). The focus on

the legacy of informal institutions situates the commitment-paternalist HRM system approach within its broader institutional context, pointing to the influence of path-dependent institutions. Indeed, this article showcases how some SMEs consciously merge values and behavioural norms that stem from informal institutions that are anchored in the Soviet past with modern HRM commitment system practices. This is reflected in SME managers' belief that a collective and reciprocal approach to labour management is key to overcome the perennial HRM challenges in an environment with high institutional uncertainty.

This supports Zhu et al. (2012) and Psychogios and Prouska (2019) emphasis on the importance of exploring informal institutions and the path-dependency of SMEs in transition economies in order to fully understand the nature of HRM in SMEs and their strategies. Following on from this, the article supports Buck et al. (2003) and Morley et al. (2018) suggesting that it is not only important and sufficient to understand path-dependent change, but also to capture path-breaking change in order to unravel the diverse and distinctive types of HRM that emerge as a result of the co-existence of strong market forces and the continuing importance of informal institutions and "ideational legacies" from the past (Morley et al., 2018: 473). Therein, our study also highlights that the process of change from socialism to capitalism is not straightforward but is rather riddled with uncertainties, complexities and contradictions, including in terms of HRM practices. This is reflected in our findings which reveal the evolutionary nature of HRM systems in a transition economy context. The existence of a hybrid HRM system further strengthens the usefulness and applicability of HRM systems in exploring HRM in SMEs. Indeed, discussions about hybrid HRM systems are a key debate in the literature on HRM in large organisations (Hauff et al., 2014) and this article suggests this discussion to be extended to the field of HRM in SMEs (Borda et al., 2019).

Lastly, the article contributes to the discussion regarding the convergence, divergence and hybridization of western HRM practices in emerging and transition countries. This paper is among the first studies to focus on HRM issues in the Central Asian transitional periphery more generally, and on HRM practices of exporting SMEs in this region in particular, thereby highlighting a valuable empirical contribution by extending HRM literature to new grounds. Warner (2009) and Rowley et al. (2016) and Zhu et al. (2012) have argued that HRM systems in large organisations are primarily characterized by within-country and between country variations. This article contributes to this discussion by providing evidence of a within-industry variation of HRM systems that go back to the different ways that SME managers tackle HRM

challenges. In this way, the variability and yet coherence of HRM practices even in highly uncertain environments is illustrated and explained with the differing set of values and norms that stem from new and past institutions in a context that has experienced radical and on-going change and uncertainty. Supporting Psychogios and Prouska (2019) and Rowley et al. (2016), this article suggests that in order to understand variations of HRM in organisations, and particularly in internationally oriented SMEs in transition economies, the concepts of informal institutions and path-dependency are well equipped to contextualize HRM theory, allowing to capture and explain variations and hybridization. Yet, more research needs to be done on HRM systems and their embeddedness in formal and informal institutions in order to illustrate a nuanced portrayal of the variety of HRM practices, systems and strategic choices, including in contexts that are characterized by high levels of uncertainty.

Practical implications, limitations and future research

The peripheral transition economies in Central Asia are endowed with natural resources and rapidly growing markets, making them attractive but so far relatively unexplored destinations for international businesses (Minbaeva et al. 2007; Wood and Demirbag, 2015). This study offers rare empirical insights into the state of HRM in this “historically” under researched region (Morley et al., 2018: 469) and suggests that firms that are currently active in, or are seeking entry into Kyrgyzstan need to be aware of the co-existence of older and newer institutional structures that run counter to the assumption that institutional environments in transitional periphery may be homogenous. The article provides implications for practice by developing awareness of how the co-existence of path-dependent and path-breaking institutional change shapes HRM systems in different ways. HRM concepts and tools have been dominated by Western discourses and developed and tested in MNEs. The article argues that firms entering Kyrgyzstan should be aware that Western HRM models tend to reflect an “individualistic context” (Rowley et al., 2016:11), whose ideals of behaviour emphasize individual accomplishments, individual incentives and individual development. These ideals, while gradually being set in place, may still be in conflict with deeply embedded values and behavioural norms of many labour market participants, although not all of them as evidenced in this paper. Furthermore, the study suggests that academics and practitioners need to be sensitive towards the particular contexts and past and present formal and informal institutions that shape HRM practices in transition economies (Delbridge and Keenoy, 2010). The illustration of two different HRM systems also offers an understanding of how firms in transition economies manage people in unique and novel ways against the backdrop of context

specific HRM challenges. It adds to the prevalence of the dualistic control and commitment HRM system focus in the literature a contextualized social and political focus, suggesting that control and commitment systems are used in non-Western contexts in hybrid forms. Thus, understandings of hybrid HRM systems allows practitioners to develop an understanding of the reality of HRM in different contexts and supports the development of new place-based models and interventions to help firms improve their practices and achieve better performance and strategic outcomes. Such a contextualised approach will help practitioners and policy makers alike to avoid the drawbacks of ‘one-size-fits-all’ type recommendations on HRM.

Lastly, it remains to acknowledge the present paper’s limitations in the context of which its findings should be viewed. It is important to highlight that the firms included in this study are exposed to international markets and the particular approaches to HRM identified may, in part, also reflect the pressures they face from exposure to international competition. Thus, caution is advised in applying the findings of this study as they may not be generalisable to firms with no internationalisation experience. Future research can, for instance, complement the findings of this study by examining the state of HRM in domestically oriented firms and whether such firms adopt a similar mix of HRM systems or whether their practices reflect greater commitment to older or newer institutional structures. Additionally, it has not been the focus of this paper to address how owner-specific characteristics such as background, age, education, generation and entrepreneurial orientation, among others, impact HRM approaches at the firm level. While addressing these questions was beyond the scope of this study, they also represent potentially promising and similarly understudied avenues that future researchers can address to gain a more complete understanding of the micro and macro-level factors impacting HRM in transition contexts. Lastly, the study’s methodological approach and in particular its singular focus on the garment industry also constrains the wider generalisability of its findings. Future research is advised to adopt more cross-industry efforts to add to the findings of this study.

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Appendix

Table 1: Relevant features of old and new institutional systems in transition economies

| Comparative dimensions and features | <i>Old/Socialist-era institutional features</i> | <i>New/Post-Socialist era institutional features</i> |
|--|---|--|
| Economic system | <ul style="list-style-type: none"> - <i>state-planned economy</i> - <i>centrally controlled prices</i> - <i>prohibition of private entrepreneurship activities and profit seeking motives</i> | <ul style="list-style-type: none"> - <i>market-based economy</i> - <i>price liberalisation</i> - <i>centrality of private enterprise activity, competition, efficiency and profit seeking motives</i> |
| Socio-political system | <ul style="list-style-type: none"> - <i>social paternalism</i> - <i>limited individual freedom</i> - <i>state cares for all and acts in the interest of all</i> - <i>individuals are part of the collective</i> | <ul style="list-style-type: none"> - <i>democratic capitalism</i> - <i>focus on individual and economic freedoms</i> - <i>state acts as provider of rules and laws</i> - <i>people are autonomous actors</i> |
| Value orientation | <ul style="list-style-type: none"> - <i>group-oriented culture</i> - <i>collectivistic value system</i> | <ul style="list-style-type: none"> - <i>individual-oriented culture</i> - <i>individualistic value system</i> |
| Dominant organisational type and roles | <ul style="list-style-type: none"> - <i>state-owned enterprises</i> - <i>dominated by paternalistic management tradition</i> - <i>key role to provide jobs and social/non-wage benefits to workers</i> | <ul style="list-style-type: none"> - <i>privately-owned enterprises</i> - <i>focus on transactional management practices</i> - <i>key role to achieve profitability</i> |

Compiled by authors from insights from multiple sources: Buck et. al. 2003; Lane and Myant (2007); Myant and Drahokoupil (2011); Zhu et. al. (2012); Morley et. al. (2018).

Table 2: Firm characteristics

| <i>Firm No.</i> | <i>No. of workers</i> | <i>Product specialization</i> | <i>Export markets</i> | <i>Interviewee position</i> | <i>Location of the firm</i> |
|-----------------|-----------------------|-------------------------------|-----------------------|-----------------------------|-----------------------------|
| Firm 1 | 12 | Garments and footwear | Russia, Kazakhstan | Co-founder | Bishkek |

| | | | | | |
|---------|---------|----------|--|------------------------------|----------------------|
| Firm 2 | 35-50 | Garments | Russia, Kazakhstan, Uzbekistan, Tajikistan | Owner & Manager | Bishkek |
| Firm 3 | 100-120 | Garments | Russia, Kazakhstan, Uzbekistan | Owner and manager | Outskirts of Bishkek |
| Firm 4 | 60-80 | Garments | Russia, Kazakhstan, Uzbekistan, Tajikistan | Owner and manager | Bishkek |
| Firm 5 | 30-60 | Garments | Uzbekistan, Kazakhstan. Russia | Owner and manager | Bishkek |
| Firm 6 | 55-80 | Garments | Russia, Kazakhstan, Germany, Mongolia | Owner and manager | Bishkek |
| Firm 7 | 15-25 | Garments | Kazakhstan, Tajikistan, Russia, Uzbekistan | Owner and manager | Bishkek |
| Firm 8 | 50-60 | Garments | Russia | Managing director | Bishkek |
| Firm 9 | 500 | Garments | Kazakhstan, Russia | Co-founder and manager | Outskirts of Bishkek |
| Firm 10 | 8-10 | Garments | Kazakhstan | Owner and manager | Bishkek |
| Firm 11 | 60-70 | Garments | Kazakhstan, Russia | Managing director | Outskirts of Bishkek |
| Firm 12 | 32 | Garments | Russia | Owner and manager | Outskirts of Bishkek |
| Firm 13 | 40-50 | Garments | Russia, Kazakhstan | Owner and manager | Bishkek |
| Firm 14 | 8-12 | Garments | Kazakhstan, Russia, South Africa | Owner and manager | Bishkek |
| Firm 15 | 8-10 | Garments | Kazakhstan | Owner and manager | Bishkek |
| Firm 16 | 30-50 | Garments | Russia | Owner and manager | Bishkek |
| Firm 17 | 50 | Garments | Russia, Kazakhstan, Armenia | Managing director | Outskirts of Bishkek |
| Firm 18 | 6-10 | Garments | Russia, Kazakhstan, Dubai, EU countries | Owner and manager | Bishkek |
| Firm 19 | 500 | Garments | Russia and Kazakhstan | Co-owner and general manager | Bishkek |
| Firm 20 | 30 | Garments | Russia, Dubai, EU countries | Owner and manager | Bishkek |
| Firm 21 | 30-40 | Garments | Russia | Owner and manager | Outskirts of Bishkek |