Internal openness? How and why managing directors in SMEs involve employees in strategic conversations

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Abstract

Purpose – This paper investigates the ways managing directors (MDs) in small and medium-sized enterprises (SMEs) involve employees in strategic conversations. The paper examines how managers interact with employees in strategic conversations, and why the managers do so (or do not), to generate empirically grounded knowledge about the nature of internal openness in SMEs.

Design/methodology/approach – This study employs a general inductive approach and is based on in-depth interviews with 60 Swedish MDs with development and growth ambitions.

Findings – The paper develops a model of employee involvement in strategic conversations based on the nature and intensity of the MD–employee interaction. A key finding is that SMEs exhibit wide variation in terms of employee involvement, from virtually no employee involvement to, in some cases, far-reaching company democracy. The reasons for this variation are complex, but personal preferences and company size are shown to have an impact, as does, to some degree, ownership structure. In contrast to existing research, the limitations and drawbacks of involving employees in strategic conversations are outlined.
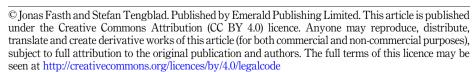
Originality/value – The study provides important insight into MDs' views and practices of internal openness in strategic conversations in SMEs. A model of employee involvement in strategic processes is outlined, and potential limitations of internal openness are highlighted.

Keywords Strategic conversations, Employee involvement, Human resource management, Internal openness

Paper type Research paper

1. Introduction

Although genuine employee participation in decision-making in SMEs has been shown to have numerous positive effects (Moser *et al.*, 2017; Lopez-Cabrales *et al.*, 2009; Sels *et al.*, 2006), research has indicated that SMEs tend to underutilize their employees' talents and knowledge in decision-making (Wilkinson *et al.*, 2007). Instead, business development has, according to Andries and Czarnitzki (2014), Prouska *et al.* (2021), and Gilman *et al.* (2015), been predominantly reliant on managers' individual knowledge and preferences. The situation raises an intriguing question: If internal openness, in the sense of opening up strategic conversations for employees, has numerous benefits, why do SME managers not strive to involve their employees in strategic conversations to a much greater extent?

This paper investigates the ways managing directors (MDs) in small and medium-sized enterprises (SMEs) in a growth [1] setting involve employees in strategic conversations, and the reasons why they do so (or do not). SMEs in a growth stage play a critical role in economic

growth and job creation (e.g. Lans *et al.*, 2008; Rasheed *et al.*, 2017); however, they also face unique obstacles. According to several classic growth studies (and later confirmed by, e.g. Demir *et al.*, 2017; Lee, 2014; Phelps *et al.*, 2007), managers of small growing firms must manage an increased amount of information (Hambrick and Crozier, 1985), contend with greater complexity of organizational tasks (Slevin and Covin, 1998), make more decisions, and act more quickly than their non-growing counterparts (Hambrick and Crozier, 1985; Kotter and Sathe, 1978). They must also typically deal with a scarcity of resources, otherwise known as the "liability of smallness" (Aldrich and Auster, 1986; Abatecola *et al.*, 2012). To handle this situation managers must oversee human resources in such a way that they continuously improve processes, products, and strategies (Barney, 1991; Penrose, 1959; Barney *et al.*, 2011). One way to achieve this is to involve employees in decision-making and problem-solving.

This paper aims to investigate the internal openness of strategic conversations in SMEs with a pronounced desire for development and growth. This means how and why (or why not) these managers involve employees in strategic conversations, and it is unique in examining the nature of internal openness in strategy processes in smaller growth companies from the perspective of MDs. Previous studies on internal openness have either focused on internal openness in large companies (e.g. Luedicke *et al.*, 2017; Marchington and Kynighou, 2012) or how employees in SMEs experience internal openness (e.g. Verreynne *et al.*, 2013; Prouska *et al.*, 2021; Cox *et al.*, 2009), while attention to managers' experiences of internal openness in SMEs has been limited. Although studies by both Wilkinson *et al.* (2007) and Gilman *et al.* (2015) contain elements of managers' perspectives on internal openness in SMEs, the main focus is on employees' experiences, with only a few MDs included. Therefore, there is a knowledge gap regarding MDs' perspectives on the use of internal openness in SMEs with growth ambitions. Given that it has also been claimed that managers' preferences are decisive for whether an SME is more or less open (Dundon *et al.*, 2004; Prouska *et al.*, 2021), it is worthwhile addressing the identified gap. On this basis, we formulate the following research questions: (1) How do managers in SMEs with growth ambitions interact with employees in strategic conversations, and (2) Why do they interact (or not interact) with employees in strategic conversations?

The article is structured as follows. First, the concept of internal openness in SMEs is introduced. The second section describes the research method. The following section presents and discusses the results. Finally, the paper discusses the value and contribution of the study to the theory and practice of internal openness in SMEs, as well as some limitations of the study.

2. Theories about internal openness in strategic conversations
Ever since Penrose (1959) presented her theory of the growth of the firm, growth has been associated with the processes through which knowledge is acquired and applied. Kolb's experiential learning theory (2014) describes it as learning by exploring new experiences, reflecting on those experiences, drawing conclusions, and applying the knowledge to new situations. This theory builds on the intellectual heritage of John Dewey, Kurt Lewin, and Jean Piaget, who believed that human learning and development are based on people's interrelationships with the environment. In these interrelationships, the involved actors proceed from what they already know and believe based on their previous experiences but construct new knowledge and understanding in what Vygotsky (1978) calls relational learning. Kolb and Kolb (2005) used the concept of a learning space to describe the context within which learning takes place, and highlighted conversation as a tool through which human beings naturally make meaning from their experiences.

Within strategy research, the importance of relational learning, conversations, and the environment for strategic work has come to the attention of researchers in the strategy-as-

practice field, who see strategy as a situated, socially accomplished activity constructed through the actions and interactions of multiple actors (Jarzabkowski, 2005). The focus is on strategic conversations in which different actors exchange "information, views, and proposals intended to shape the continued evolution of an organization's strategy" (Whittington *et al.*, 2011, p. 536). Argyris and Schön (1978) defined strategic conversations as a type of dialogue in which two or more people collaborate to create a strategy or plan to achieve a common goal, and describe strategic conversations as an important tool for learning. In the traditional view, strategy-making is exclusive to an organization's upper echelons, which often envelops strategy in a veil of secrecy (Chesbrough and Appleyard, 2007; Gegenhuber and Dobusch, 2017; Whittington *et al.*, 2011). However, according to Birkinshaw (2017), Hautz *et al.* (2017), Pittz *et al.* (2019), and Whittington *et al.* (2011), characteristics such as inclusion, cooperation, and transparency have become more common in recent years, meaning a larger number and a greater variety of actors can engage in the strategic conversation.

Strategic processes that include stakeholders at all levels and among those external to the organization are referred to as open (Hautz *et al.*, 2017; Luedicke *et al.*, 2017). While Chesbrough and Appleyard (2007), in the first explicit usage of the term "open strategy," emphasized the exchange of ideas with external actors, later users of the term have also included internal actors (e.g. Hautz, 2017; Hautz *et al.*, 2017; Stieger *et al.*, 2012; Whittington *et al.*, 2011). In this paper, we use internal openness as a concept for the variety of openness regarding managers' involvement of employees in their strategic conversations. We intentionally use the term "conversation" rather than "decision" because it focuses on the communication between managers and their employees that precedes, accompanies, and follows actual strategy decisions.

The level of openness in strategic work can be viewed from various perspectives. Whittington *et al.* (2011) used transparency and inclusion as two dimensions to describe the evolution of strategy-making. Transparency involves informing others about what is going on, while inclusion means that relevant actors collaborate in the strategic work. In both cases, there is an opportunity to influence the strategic content, albeit to varying degrees. Quick and Feldman (2011) made a similar distinction regarding public engagement initiatives. They distinguished between participation, where ideas and information are gathered, and inclusion, which involves the creation of interacting stakeholders. Similarly, Gegenhuber and Dobusch (2017) identified three variants of openness that new ventures use when formulating strategy with external audiences: broadcasting (transparently communicating relevant information), dialoguing (asking for opinions and engaging in conversation), and including (involving in decision-making). Thus, organizations can choose to increase their openness in different ways. They can choose the lowest degree of openness, providing more information about their strategic work and decisions without allowing additional actors to have a voice, or they can let actors share their views without being included in the decision-making process, or they can include actors in the decision-making process (Hautz *et al.*, 2017). How employers choose to act may depend largely on the values of the founding owners (e.g. Andries and Czarnitzki, 2014; Prouska *et al.*, 2021; Gilman *et al.*, 2015).

One aspect of internal openness that, to our knowledge, has received limited attention (with an exception in Prouska *et al.*, 2021) is that openness can vary greatly among individuals within departments and hierarchical levels. Certain individuals may be allowed to make decisions, asked more regularly for advice on new ideas, and kept generally better informed than less trusted staff (Marchington and Kynighou, 2012; Cox *et al.*, 2009).

The literature mentioned above suggests that openness exists in various forms. MDs often have to make careful choices regarding the appropriate form and degree of openness, whether they like it or not. In the HRM literature, internal openness has been linked to various concepts, such as employee participation, involvement, empowerment, voice, and

engagement (e.g. Litwin and Eaton, 2018; Strauss, 2006; Wilkinson and Fay, 2011; Wilkinson and Mowbray, 2019), and it has been connected to a large number of outcomes, such as the quality of strategy ideas (Adobor, 2019), innovativeness (Querbach *et al.*, 2021; Kim *et al.*, 2021; Zhou *et al.*, 2019; Shahzad *et al.*, 2019), creativity (Hautz, 2017; Luedicke *et al.*, 2017), job satisfaction (Wikhamn *et al.*, 2021), and organizational performance (Litwin and Eaton, 2018; Verreynne *et al.*, 2013).

However, despite its potential benefits, previous studies of how SMEs use internal openness have shown mixed results. On the one hand, studies have shown that employees are involved in a wide spectrum of organizational and business decisions (e.g. Wikhamn *et al.*, 2021), and that employees in smaller firms tend to perceive great involvement in terms of influence over management decisions generally (Philip and Arrowsmith, 2020; Forth *et al.*, 2006; Storey *et al.*, 2010). On the other hand, research has shown that SMEs tend to underutilize their employees' talents and knowledge in decision-making (e.g. Andries and Czarnitzki, 2014; Prouska *et al.*, 2021; Gilman *et al.*, 2015). Explanations for this are threefold: (1) managers believe that employees do not want to have a greater influence (Gilman *et al.*, 2015); (2) managers become overburdened with the day-to-day work pressures of customer demands or are too busy and preoccupied with dispatching products, such that they find little time to handle the varied and emerging range of people-management issues (Roberts *et al.*, 1992; Westhead and Storey, 1997); and (3) managers may lack experience in HRM (Cassell *et al.*, 2002; Sheehan, 2014). Given these reasons, employment practices have been found to be low on the priority list of smaller firms (Cassell *et al.*, 2002). However, openness in strategy-making is a recent phenomenon that has been explicitly considered by only a few studies (Hautz *et al.*, 2017; Luedicke *et al.*, 2017). As a result, there is a lack of existing knowledge about how business leaders think about and practice internal openness.

3. Method

Due to the lack of previous studies in the area of employee involvement in strategy-making in SMEs with growth ambitions, this study adopts an inductive approach. As it incorporates a discovery process, it can be referred to as generative research (Locke *et al.*, 2008), which seeks to provide a nuanced and comprehensive understanding of internal openness in SMEs. Ultimately, the goal was to develop a rich and detailed description of MDs' experiences of internal openness and to highlight the key themes and patterns that emerged from their narratives.

The study is based on grounded theory, but without strictly following the work steps of Strauss and Corbin (1998). Instead, this study adopts Charmaz's (2006) more interpretive approach to grounded theory, in which researchers play a more active role in theory development after a relatively inductive data gathering. Our research began with no predetermined theories or hypotheses, as per Eisenhardt's (1989) recommendations. We aimed to minimize specific variable–theory relationships, especially during the initial stages (p. 536). While "true theory-agnostic grounded theorizing" (Glaser and Strauss, 1967) may be impossible (Doz, 2011), the endeavor has been, as far as possible, to maintain an open mind for different interpretations of the MDs' descriptions of their strategy work.

3.1 Sample and data collection

As a basis for the selection of managers, we turned to a publicly funded growth program for SMEs in the Gothenburg region (Sweden) that had the intention to grow. This comprised 679 participating companies, where all had actively chosen to invest their time in the development program and paid a participation fee, both of which indicate an ambition to grow. Among these, the researchers selected companies that at the time of the study had more than 10

employees (although it later transpired that four of the selected companies had fewer than 10 employees). This resulted in a list of 188 companies that were ranked based on the last three years' growth (measured in turnover increase) in order to contact and interview those with the highest growth. The reception was very positive and of all those contacted, only four of the most high-ranked MDs on the list declined to participate in an interview.

After conducting interviews with 60 MDs on the high-growth list, we ceased data collection. This decision was partly because the number of interviews was sufficient to capture different variants of relevant descriptions for this study, and partly because the same patterns began to return compared to the interviews already completed. This suggested that a state of saturation (Charmaz, 2006; Glaser and Strauss, 1967) had been achieved.

Tables 1-4 show the characteristics of the interviewed MDs, as well as the companies in which they were active (for individual-level characteristics, see the Appendix). The companies led by the MDs had between four and 117 employees, with an average of 27 employees. The companies were between six and 48 years old at the time of the study, with an average age of 18 years. The sample was diverse in terms of industry, including 15 different sectors. In terms of the managers' characteristics, they ranged in age from 35 to 67 years old, with an average age of 50 years. Among those interviewed, only four were women. In terms of educational background, 24 had completed compulsory school as their highest education, four had completed post-secondary education, and 29 had a university degree. Information on education was missing for three participants.

As the primary concern was to understand the MDs' views and use of internal openness, asking open-ended questions was particularly helpful as it enabled us to gather the participants' own words and definitions. The interviews were semi-structured and consisted of two parts. In the first part, the managers were asked about how they work to create an understanding of their business situation, whether they involved others, and whether they used any practices to facilitate the work. In the second part, they were asked about different kinds of major decisions made during recent years and how they arrived at those decisions. All of the interviews were conducted at the MDs' offices and lasted between 30 and 120 min. The interviews were recorded with the respondents' approval and

Wholesale	16
Computer consultancy	9
Technical consultancy	8
Manufacturing	8
Research and development	3
Advertising	2
Transport	2
Architecture	1
Building/construction	1
Cleaning	1
Media	1
Heating and sanitation work	1
Mail order	1
Market and opinion poll	1
Paintwork	1
Catering	1
Risk and injury assessment	1
Software publishing	1
Staffing	1

Table 1.
Industry distribution

Source(s): Author's own creation/work

subsequently transcribed verbatim. No ethics committee approval was required for this research since sensitive personal data was neither requested nor recorded.

3.2 Data coding and analysis

The analysis proceeded in four phases (see Table 5). First, we read all of the transcribed interviews to gain an overall understanding of their content. Several aspects were of particular interest. The managers' stories varied in terms of the number of employees involved in their descriptions. Some of the managers highlighted the involvement of employees in their decision-making, while others described decision-making as a task for

<10	4
11–20	27
21–30	13
31–50	9
51–99	4
>99	2
data missing	1
Source(s): Author's own creation/work	

Table 2.
Firm size (no. of employees)

6–10	10
11–15	21
16–20	6
>20	22
data missing	1
Source(s): Author's own creation/work	

Table 3.
Firm age (no. of years)

35–44	19
45–54	24
>54	17
Source(s): Author's own creation/work	

Table 4.
Age of managing directors

Steps in analysis	
1. Initial coding	Thorough reading was undertaken to understand the content of the transcribed interviews. Differences were identified in who they involved and the kinds of openness, which formed the basis for further analysis
2. Pattern search	Based on the identified categories (who and degree of openness), a search for connections and variances between categories, and variances within categories, was conducted to find patterns
3. Categorizing	The transcribed interviews were read once again to assess and place them in different categories. The analysis showed clear differences and similarities between and within different groups. A model of internal openness was developed
4. Empirical explanation	Different kinds of internal openness were explained and described based on identified personal and contextual factors
Source(s): Author's own creation/work	

Table 5.
The process of analysis

themselves or possibly involving only one other person. The managers' stories were categorized based on how many employees were involved when they developed their understanding and made important decisions about the company's future. The first identified category for the analysis was *who* the managers involved in their strategy-making.

The second important category in the analysis related to the different kinds of openness. Among the interviewed MDs, some involved employees in decisions, some consulted employees before making decisions, and others informed employees about decisions made. Therefore, the second important dimension for the analysis became the *degree* of openness when MDs developed their understanding of the company's growth opportunities. Thus, the initial coding raised questions about who managers involve in their work and the degree of openness. Based on these issues, the analysis proceeded to find patterns in relation to the identified categories in the stories.

In the following third phase of the analysis, we analyzed all of the transcribed interviews once again to assess and place them in different categories. This analysis informed the development of a model consisting of five different modes of employee involvement, from individual governance to broad delegation.

Having established a clear pattern in terms of how MDs involve employees in different ways, the fourth and final phase of the analysis considered how these variations can be explained: Why do internal openness practices differ? Therefore, this phase contained an analysis of the differences and similarities between the groups in terms of the managers' views of internal openness and the dimension of *why* managers were motivated to open (or not open) the strategic conversation to employees.

4. Findings
One dimension in which the managers' descriptions of openness differed was the kind of openness they used, which can also be called depth of openness (cf. with Marchington, 2015). In the highest degree, the MD strove for forms of internal openness where employees could be involved in decisions about business development. However, some MDs thought it was sufficient to consult employees before making decisions, while others chose to only inform employees about decisions that had already been made.

The interviews also showed that we cannot regard employees as a homogeneous group in the sense that all employees have the same degree of influence over management (cf. Cox *et al.*, 2009; Marchington and Kynighou, 2012), as the MDs described variants of diffusion of openness to employees. Some of the MDs strove to involve all employees, while for others it seemed more appropriate to involve specific employees, and a third group, for various reasons, did not consider it possible to involve any employees. By combining these different variants of depth and diffusion of openness, several practices regarding internal openness arose. The variants conveyed during the interviews in this study were: (1) individual governance, (2) partial dialogue, (3) partial delegation, (4) broad dialogue, and (5) broad delegation. Each variant is presented in Table 6.

4.1 Individual governance/autocracy
Despite all normative insights about the importance of involving employees in decisions, or at least of consulting them before decisions are made, the largest proportion of MDs in this study (N 24; 40%) practiced what we refer to as *individual governance*. This means that the MDs choose to only inform their employees of decisions after they have been made (and sometimes barely even then), and do not involve any employees in either decisions or consultation.

Variant of internal openness	Number of MDs in this study (%)	Characteristics	Example citations
Individual governance/ autocracy	24 (40)	The MD does not involve any employees, either in decisions or consultations	"When I stop and think, that's when I get the inspiration. When I take a walk outside by the sea or just sit down at home." (4) "I guess I'm pretty lonely when it comes to such questions." (9) "When I think to myself." (20) "I have a side of me that likes to be by myself and think about strategic goals . . . can long for those moments where you get to sit in your own room." (29) "You go and figure things out by yourself . . . a little by yourself." (37) "A lot of people say things . . . but I don't really listen to it . . . a lot comes from my own head." (44) "Now we even have a small management team, but I'm still the dictator of it, and I intend to continue to be." (45) "Much of the strategic thinking has been inside my head . . . I haven't had close colleagues." (46) "So when it came to decision points, I listened to them, then I made the decision I had made before anyway . . . I didn't anchor the decisions anywhere . . ." (46)
Partial dialogue	13 (22)	A few employees are consulted before decisions are made	"I want to hear other people's input . . . to challenge my thoughts." (1) "I always want to be one step ahead of the management team. But I'm the one who makes the decisions. They are advisors to me." (5) "It has been important to our firm that we have been very tight, Ola and I . . . it is not lonely . . . we have a good climate for discussing things." (11) "We may have a discussion in the group. But I'm the one who decides . . ." (22) "I'm happy to bring it up with XX and XX . . . Let them come with thoughts and wishes, what they want, what changes they want to make." (26) "We brought it up at an information meeting, then we had an activity . . . we had some beer, etc. and then they got to give feedback on what they thought . . ." (31) ". . . but we talk to some internal specialists depending on what we are working with." (36) "We have some employees who are very creative and who have a lot of ideas." (40) "All proposals and all work that is done connected to strategy, it is done by the management team . . ." (43) "All strategy work is done almost entirely by the management team . . . it has become natural to only work with the management team." (47) "The management group is really everything, we have a very flat structure; therefore, I basically discuss all questions with the management group . . ." (49)

Variant of internal openness	Number of MDs in this study (%)	Characteristics	Example citations
Partial delegation	16 (27)	Specific employees are allowed to participate in decision-making	"We have Fabian who is somewhat in charge of development, so when it comes to product strategy issues, we talk a lot with Fabian and discuss with him . . . The strategic decisions we have made are usually product-related. So he has been involved a lot in that development." (30) "Yes, we [CEO and one employee] try to be a bit strategic and think a bit ahead. The last time we had such a meeting was just before the holiday; we went to his summerhouse . . . we know roughly what the company is on its way to, so it's probably more to think of what we need to do, what the organization should look like . . ." (30) "On Wednesdays, we eat lunch together, and not with the others. And there we can make quick decisions." (58)
Broad dialogue	3 (5)	All employees are invited to participate in conversations that influence the MD before decisions are made	"Then we used two methods. One was to run a big workshop internally . . . and talk about the path we've taken, this is what we've come up with . . . try to break it down." (19) "We have involved staff in a great deal, in everything really . . . Everyone must have insight into what is being done, everyone must be able to influence what is being done . . . involve staff in different ways." (25) "But since we've tried to work like that, . . . what do you want to do, we try to work with everyone's thoughts and ideas, like visions. And we are probably doing that to an even greater extent now, I think." (25) "We have a meeting structure . . . we gather the entire company once a month. We have a product group, we have a marketing group . . . when we have strategy discussions, ideas are supposed to come from this marketing group into strategy discussions." (33) "I can point with my whole hand . . . but if I do it that way, we'll never get there. It's really about getting everyone to walk in the same direction. I allow quite a lot of discussion so that everyone has the same image in mind." (33) "A key word for me in this company is involvement. That everyone at this company should feel seen, feel appreciated, feel that they are contributing." (33)

Table 6.

(*continued*)

Variant of internal openness	Number of MDs in this study (%)	Characteristics	Example citations
Broad delegation	4 (7)	All employees are invited to participate in decision-making	"We have a lot of very talented people here who are good at taking initiative. Very little of what we do that is good comes from me. But the most important thing is everyone's drive to find possible things to do and to do good things, to act." (18) "I don't want to make too many decisions by myself. I want to hear other people's opinions, try to form an understanding, and then we go for it. But if it involves a lot of money, or is strategically important, we want as many people as possible to be involved in the decision." (50) "I am a humble person who is keen to get my employees involved in what we decide so that . . . that we agree that this is the right way to go . . . but I want them [employees] to feel that they have been involved and made these decisions." (54)

Source(s): Author's own creation/work

Table 6.

I am a person who thinks a lot. I have a side of me that likes to be by myself and think about strategic goals. I enjoy it very much. I can long for these moments when you get to sit in your own room, and think through where you are, where you are going, what challenges, and how to get there. I work a lot like that. (29)

Through social gatherings (such as weekly meetings, kick-offs, conferences, strategy days) and/or more digital information channels, they provide follow-ups of what has happened in the past period, the future path chosen by the MD, and what this means for employees. In some cases, there is a management team, but it is used solely to anchor decisions and as a channel for disseminating information on decisions already made. One MD described this as "a dictatorship":

During this journey I have had detail, super-control of all projects, of all customers . . . And it has worked, well you can say as a dictatorship, and it still does. When there is any question it ends up with me and then I decide [what] we do. (R45)

However, this does not have to mean that the MD is always alone in their strategic process, although this is the case in some companies. Instead of involving employees, some managers choose to use other partners, friends, spouses, customers, suppliers, competitors, and/or external advisers as discussion partners. They often also seek more organized input from external board members and colleagues in various forms of MD networks. However, when it comes to employees, the managers in this category choose to "only" inform them.

4.1.1 Partial dialogue. The second variant of internal openness is labeled *partial dialogue* (N 13; 22%). This refers to situations where the MD involves a few specific employees in discussions about the future of the company. This means that the MD consults some employees on the issue, but makes the decisions by themselves. Among the interviewed managers, two variants were primarily used: (1) consulting a single individual with special expertise, as known to the manager, if necessary . . .

I have a couple of people (in the organization) who I think are very competent, and I want their most honest, constructive feedback, to challenge my own thoughts. (1)

. . . or (2) regular meetings with specific individuals, preferably within a management team, to examine questions.

> I always want to be one step ahead of the management team . . . I want to have a nice atmosphere within the team; however, I'm the one who makes the decisions. They are only advisers to me. They are the brainpower . . . I'm the one who decides. (5)

Some MDs also, several times per year, arrange internal advisory boards where selected individuals discuss the future of the company, as in the below example:

> I try to find forums to get input so I have decided to run strategy meetings once a year . . . so I hand-pick people, some people who I think can add a lot to these discussions, some experienced that have something to contribute to the strategy. (49)

For more individual conversations with selected individuals, managers consider lunch meetings a productive activity. Regardless of the type of forum used, the input is limited to a few employees, and they are only consulted before decisions are made.

4.1.2 Partial delegation. A third form of internal openness can be called *partial delegation* (N 16; 27%); in this situation, specific employees are not only consulted but also allowed to make decisions on their own. In many ways, this form of internal openness is similar to partial dialogue, although it differs in one important point: in these cases, the specific employees are involved in making decisions:

> I work a lot with our quality manager, we talk a lot. She has a lot of interesting thoughts, so she and I can discuss a lot and make decisions about what we should do. (8)

The most common form of involving employees in decision-making is a specific management group where certain employees receive some form of decision-making rights. In this case, managers may also use less frequent meetings (e.g. variants of councils for strategy), where specific employees participate in decisions. In some cases, the management team collaborates with certain employees outside the management group that the MD includes in their decision-making. However, the work does not have to take place within a formalized management team. The key aspect is that specific employees are allowed to participate in decision-making:

> We have no management team, we have wound it up. I have tried from time to time to have management teams but I do not think it works. I have finally come to the realization that having a management team is just about meeting expectations. You are expected to have a management team at a company. But here we are three people who decide everything. We run the business together. (52)

It is interesting to note that only one of the companies had employee representatives on its board, and that this led to the involvement of only a few employees. Admittedly, the MD appreciated the employee representatives' ability to highlight other perspectives in discussions with the board, but the arrangement also meant that the manager did not consider it necessary to involve other employees in strategy work.

4.1.3 Broad dialogue. A fourth variant of internal openness combines the involvement of all employees with a consultative role in *broad dialogue* (N 3; 5%). Here, all employees are invited to participate in strategic conversations (which is not the same as all employees choosing to participate). By arranging various forms of discussion forums, whether physical or digital, MDs try to create channels to gather employees' ideas and tips.

> I went out to everyone in the company and asked, 'If you want to continue working here, where should we be in three years? How should we develop so we are an attractive employer? What should our growth look like?' Then, based on that dialogue we had ongoing dialogues in large forums in different ways, in workshops to involve as many as possible in the discussions . . . But of course, in the end, it was the board that made the final decision. (19)

Other initiatives mentioned that gave employees the opportunity to influence the future direction of the business included regular creative days, where all employees are free to explore whatever company areas they choose to learn and discover how that knowledge can be used in the business. A related activity described by one MD is an ideas game that employees regularly use to identify and develop each other's ideas in a playful and fun way. Regardless of the forms used, all employees have the opportunity to influence the MD in different ways before decisions are made.

> I have involved staff in a great deal in everything really. You can't say it's 100% transparent, but we still want it to be full transparency. Everyone should have insight into what is done, everyone should be able to influence what is done . . . to involve staff in different ways. (25)

4.1.4 Broad delegation. The fifth and final variant of internal openness presented by the managers in this study is *broad delegation* (N 4; 7%). In these cases, the manager allowed all employees to participate in decisions. The participants described two variants to enable this broad delegation. First, the companies establish flexible groupings with varying participants depending on who is best suited to the issues being addressed. Here, open meetings replace classic management group meetings, and different employees are invited based on the specific needs at the time. One manager described how they had replaced the management team with other forms of flexible teams:

> We do not have a management team, but we have a support team instead . . . The support team make all decisions regarding operations. We simply work together and see who is best suited to do this. My vision is that everyone is part of the team, the whole company is the support team. You go in and out of the support team depending on your role. For a while, you are involved since you have a function, need support, or can provide support. And tomorrow you do not need any support or cannot give support and then you are not included. (7)

A second variant to enable broad delegation is to arrange different kinds of workshops that include both analysis work and decisions (e.g. annual strategy conferences). Characteristically, the MD can enter these meetings with the expectation of making a certain decision, but leave with another decision because the participants' arguments led elsewhere. In other words, the employees are allowed to participate in the decisions. In the highest degree of impact, the manager strives for forms of internal openness where employees make decisions about business development independently. This is achieved by assigning tasks such as analysis, planning, and budgeting to employees, sometimes in the form of self-governing groups. Common across these forms is that all employees are invited to participate in decision-making.

> We have many very talented people who are good at taking initiative. Very little of what we do that is good comes from me. I bring a certain amount of energy and act like the messenger between different people internally, but the most important thing is everyone's drive to find possible things to do and do good things, to act. It is very important for us to have such a climate. (18)

4.2 The impact of company size, sectoral belonging, and ownership structures
In this study, a pattern emerged in that the degree and diffusion of internal openness increased with the size of the organization. Broad dialogue and broad delegation were noted in organizations with more employees (an average of 43 and 40 employees, respectively) compared to the companies with partial dialogue and partial delegation (an average of 23 and 29 employees, respectively), which in turn had more employees than the organizations with individual governance (an average of 20 employees). Thus, the study found that variations in internal openness practices appeared to depend on the size of the companies, whereby the MDs in larger firms tended to be less self-reliant.

Regarding sectoral influence, no clear patterns emerged in this study to support an assumption that internal openness is also industry-dependent. Since companies in the same industry should face similar conditions regarding technological development and uncertainty around the world, it is reasonable to expect, with this theoretical starting point, to find industry patterns regarding the managers' practices of internal openness. However, an empirical analysis of the relationship between the managers' description of internal openness in practice and their companies' industry showed no such expected patterns. Instead, the identified groups of managers represented a wide variety of industries, and MDs from the same industry appeared in several of the groups. Thus, the variance in the practice of internal openness does not appear to be a result of an industry's conditions or requirements.

Another contextual factor that, to our knowledge, has not been noted in previous studies of internal openness, but which may have an impact, is managers' ownership. In SMEs, it is not uncommon for the manager to own a substantial portion of the company, and it is reasonable to assume that a manager with a large ownership stake would not face the same requirement for openness from other stakeholders compared to a manager with no share, or who owned only a small share of the company. However, in this area, there was an even distribution between the different categories, with one exception: there were significantly fewer managers (only one) with no ownership interest in the company among those who practiced individual governance compared to the other groupings. This result aligns with the findings of Daily and Dollinger (1993) and Dyer (2003), who concluded that owner-MDs exert more centralized control compared to employed non-owning managers. However, the tendency was not very strong in this study, thus pointing toward the importance of entrepreneurial beliefs rather than ownership structures.

In summary, the MDs described how they use internal openness in different ways, which are summarized in Table 6.

4.3 Rationales for choices regarding internal openness

In the interviews, the MDs put forward three main rationales for why they do not involve employees, which are described below.

4.3.1 No need for additional competence. One explanation for why the company executives chose not to invite employees was that they saw no need for additional skills to run and develop the company. They described themselves as possessing the experience and knowledge required. Several leaders even cautioned about letting others "grind down one's ideas," and emphasized the importance of being stubborn and daring to believe in their own ideas and gut feelings. Others described how they enjoyed being by themselves and thinking about the development of their business, without the involvement of other actors.

4.3.2 Making the process smoother. Employees were also unselected to create a smoother process. One business manager described this as a way to avoid what he referred to as a "messy parliament" where everyone joins in and gives their opinion—a process that was only considered a waste of time. Another business leader believed this was a way to avoid "brakes," in which employees' input simply served to kill ideas. Another aspect mentioned was keeping employees calm, since not all employees can handle all types of information. Meanwhile, another manager explained that employees only interfere with the process, as they are unlikely to bear any personal risks and therefore cannot fully understand the decision situation.

4.3.3 Dislike of personnel issues entering into business discussions; aim of focusing on the business. A third explanation for why employees were not involved in strategic conversations was based on the fact that some of the MDs did not like personnel issues entering into business discussions, and therefore attempted to avoid such issues if possible. Instead, these MDs directed their interest toward the business and the opportunity to make money. They did not describe themselves as business leaders but as businesspeople.

However, among the MDs that used partial dialogue or partial delegation, the main explanation for limited internal openness was that only a few employees were seen as creative and as having ideas, with an ability to take responsibility, and thus with something to contribute. A distinctive feature of this group of managers was that they primarily described internal openness as a way for them to use the brainpower of specific employees, and only mentioned to a limited extent anything about employees' need to get involved.

Among the MDs who strived to involve all employees, two primary related rationales were given as explanations: (1) to strengthen employee well-being, and (2) to create engagement. Thus, these MDs seemed to focus more on employee needs. Regardless of the internal openness practices used, these approaches were applied to engage all employees in the company's long-term development, which was said to be a prerequisite for success:

> I can't stand up and say, pointing with my hand, now we're going to do this. Because then they say: why? It is an important part of our success that all employees, as much as they can and want, are involved in the actual development of the offer, and what we should do. (28)

This category of MD also mentioned purposes such as obtaining fresh information, taking advantage of the "brainpower" that employees possess, and challenging their own thoughts and ideas. However, compared to the managers who chose to involve only a few specific employees, these MDs explained their choices as being based on employees' well-being and needs to a greater extent. However, they also considered themselves to be dependent on employees' decisions to develop the company.

5. Discussion

This study enhances the comprehension of strategy-making in SMEs by expanding the framework of Gegenhuber and Dobusch (2017) into a typology of five variants of internal openness. In applying the model to the SME setting, a more nuanced understanding of the types of openness practices used, along with the extent to which they are used, is obtained. The study reveals that internal openness is heavily influenced, or even determined, by the orientation of the MD. This differs from the understanding of internal openness in larger companies, which has largely been developed within a framework of industrial relations and negotiated order between employers and trade-union representatives, often without the physical presence of an entrepreneur. Consequently, internal openness in SMEs is much more idiosyncratic and shaped by the MD's orientation toward openness. According to this study, internal openness is typically conducted in an informal and non-bureaucratic manner.

A key finding of this study is that the largest group of MDs in our sample exercised internal openness to only a limited extent. Previous literature has indicated that SME executives do not involve employees to a greater extent in strategic conversations due to their belief that employees have no desire for greater influence and their perception that they do not have time for people-management issues (Querbach *et al.*, 2021; Gilman *et al.*, 2015; Roberts *et al.*, 1992; Westhead and Storey, 1997). This study highlights three additional arguments: some managers believed that they did not need additional expertise; others felt that decision-making without employee involvement led to a smoother process; and others indicated that they did not want personnel issues to enter into business discussions. Thus, the phenomenon described by Roberts *et al.* (1992), Westhead and Storey (1997), and, to some degree, Querbach *et al.* (2021) as the problem of the overly busy entrepreneur who is preoccupied with dispatching products with little spare time to handle the range of emerging people-management issues may instead be described as a choice by the MD based on personal interests and values. Therefore, an important finding of this study is that internal openness in SMEs is more tied to MDs' views of the employment relationship and their implicit models of the employment exchange (cf. Allen *et al.*, 2013; Marchington, 2015; Dundon *et al.*, 2004) than to firm-specific situations.

In previous literature, a low degree of internal openness has been seen as problematic. According to Hambrick and Crozier (1985), Slevin and Covin (1998), and Kotter and Sathe (1978), an increased amount of information and complexity may require employees to have greater involvement in both dialogue and decision-making. Hautz *et al.* (2017) described this as a dilemma: while there is a need for more information to obtain a better picture of the situation, the amount of information needed can make the process cumbersome. Moreover, by not involving employees, MDs' growth ambitions may become based on their personal desires rather than values ingrained in the whole company, which may hamper growth processes. There is a kind of catch-22 here: the liability of smallness (Aldrich and Auster, 1986; Abatecola *et al.*, 2012) limits the willingness to involve employees, yet employee involvement can mitigate the liability of smallness.

However, the findings of this study indicate that there is not always an optimum strategy for maximizing strategic openness. In this concluding section, we also want to address the potential pitfalls of strategic openness from the MD perspective. A first obstacle could pertain to the MD finding employees who can really contribute to the strategic processes. This may not be a problem within the knowledge-intensive sector, which has many well-educated employees. However, in small construction firms, transportation companies, or small healthcare providers, for example, the situation may be different. Of course, one can also ask employees for opinions in these settings, but this may not lead to effective strategic conversations about how to develop the firm by acquiring new resources, competencies, and so on.

Second, there is a potential danger for the MD that by involving employees in strategic conversations, their own entrepreneurial vision may become diluted. The involved employees may be unable to take a company development perspective and may argue for solutions that are more in line with their own interests than with those of the MD or the customers. This could even lead to a co-optation of the strategic development of these small firms where the MD finds themselves having to compromise their own convictions as decisions may not be made in the best interests of the company. In a similar vein, our findings show that many successful MDs develop their organizations without involving employees extensively in strategic conversations. Nevertheless, we also found MDs who were able to involve employees in strategic conversations without making sacrifices regarding their entrepreneurial perspective.

Thirdly, involving many employees in extensive strategic conversations can take a lot of time and therefore be costly, and it can also slow down the pace of decision-making. This is not to say that strategic conversations are a waste of time, but rather that they can be of limited benefit. Additionally, there are successful MDs who do not regularly invite their employees to such conversations.

In summary, this study identifies two types of successful MDs: (1) the well-coping and self-reliant entrepreneur who steers the company without involving employees in strategic conversations, and (2) the visionary entrepreneur who can involve employees in their vision. The less successful entrepreneurs are those who are unable to generate internal openness even though they need to (the isolated entrepreneur), or those who involve employees in strategic conversations but cannot align them with the company's development perspective, leading to decisions that diverge from entrepreneurial interests (the co-opted entrepreneur). These four positions are displayed in Figure 1. Arguably, internal openness can be seen as a double-edged sword; it can bring advantages if used effectively, but it can also have negative effects on the entrepreneur.

A managerial implication of the above findings is that internal openness should not be rushed into. Despite the common assumption that employees should be involved in strategic work, unless there is a clear vision and a focus on what is best for the company, which is also shared among employees, there is a risk of managers ending up as co-opted entrepreneurs. On the other hand, if employees are not involved, there is a risk that managers will become

isolated entrepreneurs. As highlighted in the analysis, internal openness can vary distinctly in form, and to avoid dysfunctional consequences of internal openness, it is essential to know which practices are effective under which conditions. Hence, managers need to choose appropriate practices; the typology developed above can be used as a tool to discuss, consider, and possibly adjust their internal openness in practice. By reflecting on their work, taken-for-granted and deep-rooted practices can be highlighted and challenged. Since internal openness is not unequivocally positive, as greater transparency and inclusion might come with problems, managers should identify the most appropriate form of internal openness for their own situation.

6. Contributions

This study confirms that internal openness in strategic conversations is a multifaceted phenomenon that can take many different forms (Whittington *et al.*, 2011; Quick and Feldman, 2011; Gegenhuber and Dobusch, 2017). In addition to this confirmation, the paper makes three contributions to the field. The first contribution lies in the construction and utilization of the typology of employee involvement in strategy-making. Small companies rarely contain multiple organizational layers, which means that managers can usually communicate directly with the individuals involved in the matter at hand. Therefore, this paper has introduced another way of describing the diffusion of openness that is adapted to the situation of SMEs.

The second contribution is that it has shown that internal openness in SMEs is heavily influenced, or even determined, by the orientation of the MD and is typically conducted in an informal and unbureaucratic way. This is in contrast to the prior understanding of internal openness in larger firms, which has largely been developed within a framework of industrial relations and negotiated order between employers and trade-union representatives.

The third contribution of the paper is that it problematizes strategic openness as something that is inherently desirable. We found successful MDs who did not involve employees in strategic conversations, and those who did but had difficulties making this involvement productive from an entrepreneurial perspective. In doing so, we have opened up avenues for future studies that can consider strategic openness more critically, asking: What is taking place in the strategic conversations and what is actually achieved, and how do the outcomes of these conversations contribute to firm success?

7. Limitations and suggestions for future research

Like other studies, this work has various limitations that open up directions for future research. This study has only focused on MDs in firms with growth ambitions within one specific country. Therefore, it cannot provide an overall picture of employee involvement in strategy-making in SMEs in general. As a suggestion for future research, it would be

	Low involvement in strategy-making	High involvement in strategy-making
Successful entrepreneurship	1. The self-reliant entrepreneur	2. The visionary entrepreneur
Less successful entrepreneurship	3. The isolated entrepreneur	4. The co-opted entrepreneur

Source(s): Author's own creation/work

Figure 1.
Internal openness as a double-edged sword

beneficial to use this study's typology to investigate the occurrence of internal openness in other institutional settings.

Another limitation is the time period involved in the study. The results are based on MDs' descriptions of their strategic work at a certain point in time; thus, we cannot discern anything about how their interactions with employees change over time or how strategic conversations evolve. A longitudinal study of several MDs' strategic interactions could contribute to a deeper understanding of these aspects. Additionally, this study did not examine the quality of interactions. It is one thing to determine that MDs interact with employees to varying degrees, but do the specific kinds of skills possessed by MDs and employees matter? Future studies can contribute to a deeper understanding of what constitutes quality in MDs' interactions with their employees. In addition, it would be valuable to explore how internal openness in strategic conversations impacts companies' performance over time, including both financial and non-financial performance. An important issue to explore is how MDs involve employees in sustainability issues and the challenges and opportunities that the triple-bottom-line perspective can have for the companies. Lastly, it would be interesting to investigate how technology and digitalization can affect employee involvement in strategic work and how MDs can use technology to create internal openness in strategic conversations.

8. Conclusions

This study has shown that the degree of internal openness differed significantly among the respondents. Based on the synthesis and analysis of the results, a model of employee involvement in strategy-making was developed, from virtually no employee involvement in strategic conversations to a very high degree of internal openness. The reasons for the variance are multiple and indicate several limitations and drawbacks to internal openness. In this regard, the paper views internal openness as a double-edged sword, in contrast to previous literature that has regarded it as inherently good. This conclusion provides opportunities for more nuanced and critical studies in the future on involvement practices in the SME context.

Note

1. Here defined as companies with a pronounced desire to grow, which a number of studies have shown to be decisive for the possibility of achieving growth (see, for example, Delmar and Wiklund, 2008; Barringer *et al.*, 2005; Demir *et al.*, 2017).

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Appendix

| | Ch. of the entrepreneur | | Characteristics of the firm | | | | | |
	Age	Education	Ownership	Industry	Employees	Sales (MSEK)	Age (years)	No. of shareholders
1	38	University—Economics	100%	Wholesale, Software	14	20	11	1
2	40	University—Economics	N	Wholesale	11	18	27	4
3	62	University—Law, Economics, Behavioral Sciences	60%	Risk and injury assessment	15	39	13	2
4	40	Primary School	100%	Mail order	9	36	9	1
5	44	Primary School	N	Wholesale	42	57	30	2
6	54	–	50%	Advertising agency	8	9	12	2
7	51	Primary School	Y	Technical Consultant	76	69	15	5
8	39	Primary School	46%	Production of food, Wholesale	16	33	13	4
9	53	University—Engineer	50%	Computer operation	20	29	18	2
10	44	University—Computer Science	50%	Computer programming, consulting	41	36	13	2
11	51	Primary School	51%	Computer consultancy	32	45	11	7
12	59	Primary School	Y	Technical Consultant	4	4	11	5+
13	60	University—Engineer/Architect	100%	Architect, Interior Design	30	41	10	1
14	39	University—Economics	N	Wholesale	14	46	8	1
15	55	University—Economics	N	Wholesale	29	195	12	2
16	57	Primary School (Technical)	100%	Manufacturing, Plastic packaging	10	12	26	1
17	67	Primary School	90%	Technical Consultant, Wholesale	20	58	24	2
18	45	Primary School	Y	Wholesale	23	80	24	5
19	48	University—Computer Science	5%	Computer consultancy	103	133	13	42
20	49	Primary School (Technical)	70%	Technical Consultant	24	49	19	3
21	55	University—Engineer	Y	Wholesale	10	38	12	2
22	52	University—Multimedia	33%	Wholesale	16	47	14	3
23	63	Secondary Education	100%	Wholesale, Installation	6	8	18	1
24	45	Primary School	25%	Wholesale	19	57	32	3
25	38	Primary School	50%	Computer consultancy	12	9	9	2

Table A1.
Respondent
information

| | | Ch. of the entrepreneur | | | Characteristics of the firm | | | |
	Age	Education	Ownership	Industry	Employees	Sales (MSEK)	Age (years)	No. of shareholders
26	58	University—Economics	51%	Daily newspapers	11	14	17	2
27	59	University—Engineer	100%	Technical testing and analysis	10	11	7	1
28	48	Secondary Education	33%	Computer programming	58	65	12	3
29	46	Primary School (Engineering)	50%	Wholesale	13	36	32	2
30	43	University—Engineer	50%	IT/Organization Consultant	14	13	7	2
31	44	Primary School	33%	Paintwork	20	23	23	3
32	47	University—Engineer	10%	Manufacturing, Instrument	26	32	20	3
33	59	University—Engineer	N	Technical Consultant	51	180	48	1
34	35	University—Engineer	25%	Heating and sanitation work	30	41	23	3
35	62	Secondary Education	50%	Wholesale	11	39	47	2
36	49	University—Economics	20%	Computer programming	25	51	13	5+
37	57	Secondary Education—Econ	33%	Cleaning	117	107	24	3
38	39	University—Engineer	33%	Technical Consultant	19	16	13	3
39	64	University—Econ. + Engineer	N	Manufacturing, Instrument	37	57	29	2
40	61	University—Economics	80%	Market and opinion poll	42	66	22	4
41	46	University—Economics	30%	Software publishing	47	38	11	12
42	46	Primary School	50%	Wholesale	12	38	26	2
43	49	University—Economics	N	Scientific and Technical R&D	17	36	15	1
44	48	Primary School	100%	Transport	39	40	14	1
45	49	University—Engineer + Economics	100%	Building construction work	22	48	24	1
46	51	University—Engineer	25%	Scientific and Technical R&D	15	12	8	4
47	40	University—Engineer	42%	Technical Consultant	47	41	7	4
48	59	Primary School	80%	Staffing	–	–	–	3
49	43	–	N	Computer programming	19	39	11	1
50	43	Primary School	25%	Wholesale, Technical Consultant	24	100	11	4
51	49	Primary School	N	Manufacturing, Machinery	27	39	37	2
52	41	University—Economics	33%	Advertising agency	21	47	24	3

(*continued*)

Table A1.

| Ch. of the entrepreneur | | | Characteristics of the firm | | | | |
| | | | | | | | |
Age	Education	Ownership	Industry	Employees	Sales (MSEK)	Age (years)	No. of shareholders
53	54	University—Engineer	N	Scientific and Technical R&D	13	9	6	6
54	48	University—Industrial Economics	50%	Manufacture, Electrical appliances	35	56	27	2
55	58	Primary School	N	Manufacturing, Wholesale	16	19	16	–
56	54	Primary School	35%	Wholesale	11	22	11	3
57	44	Primary School	100%	Transport	40	143	6	1
58	59	Primary School	100%	Manufacturing	34	52	22	1
59	43	Primary School	50.0%	Retail, Catering	17	32	23	2
60	54	–	100%	Wholesale	25	345	28	1

Note(s): Y = Yes, N=No
Source(s): Author's own creation/work

Table A1.