



Transitioning from micro to small: Emergent organising in employment system formalisation

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Abstract

As micro-enterprises grow, employment systems become increasingly crucial due to challenges in surmounting limited resources, environmental instability, and the liabilities of smallness. This article explores how employment systems formalise during micro-enterprise growth, focusing on the interactional micro-processes among founders and other key actors. We utilise a lens of emergent organising to address the limitations of existing HRM and employment models for micro-enterprises, contexts marked by informality, fluid roles and limited HR expertise. Using an embedded exploratory multiple case study design, we show how founders and their micro-enterprise teams collectively enact formalising the employment system through two micro-processes: aligning mental models and routinising employment system practices, evidenced across three hospitality micro-enterprises in New Zealand. Our findings also show that these mechanisms pattern into employment system features that blend formal and informal practices, feedback loops, and a shared understanding of employment in micro-enterprises.

Keywords

employment system formation, emergent organising, small and medium-sized enterprises, employment system

Introduction

Micro-enterprise growth trajectories are undermined by numerous obstacles, particularly when the imperative is to address the organisation's employment and human resources (HR) issues. This process of growth is inherently complex, as it necessitates not only the enhancement of operational capacities but also the strategic development of the workforce (Amarakoon and Colley, 2023). This

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occurs within a context where micro-enterprises have to manage the liabilities of smallness, including the lack of resources, capital, managerial and human resource management (HRM) expertise, and labour market competition (Festing et al., 2013; Krishnan and Scullion, 2017; Leipziger et al., 2024). In addition, the varied levels of formality, multiple work roles, and intricate social relationships that exist within these smaller teams further intensify the inherent uncertainty (Harney, 2021; Kroon and Paauwe, 2022). Empirical studies substantiate these insights, highlighting the challenges of assembling a highly skilled workforce required for organisational viability (Georgiadis and Pitelis, 2012). Analyses have also noted the need to balance the advantages of formalisation and standardisation with the benefits offered by informality (Kotey and Slade, 2005), as well as the enduring impact of ownership, which serves as a persistent ‘blueprint’ shaping employment characteristics and practices (Baron et al., 1999a).

Despite these insights, micro-enterprises pursuing growth remain a distinctive and under-theorised organisational context for employment and HRM research. There is growing recognition that developing the employment system of micro-enterprises may not adhere to a top-down, rational process when translating HRM concepts into operational practice (Bondarouk et al., 2018). Micro-enterprises generally rely heavily on their owner-managers (Alves and Carvalho, 2022; Carlson, 2023), with responsibilities distributed among the founding team and employees (Sharma et al., 1990; Velazquez et al., 2019). This organisational structure may limit the direct application of managerial theories and HRM practices developed for larger organisations, as these key actors play a central role in implementation (Kehoe and Han, 2020; Trullen et al., 2020). Consequently, the interactional dynamics of these key actors within their micro-enterprise context pose significant challenges for theoretical analysis, as such interactions often seem ad hoc, spontaneous, and unstructured (Brytting, 1990; Schweizer, 2012). Although empirical evidence on micro-enterprises is limited, research on smaller firms reveals significant contradictions and variations in how line managers implement employment policies and practices, leading to diverse unintended outcomes (Lai et al., 2017; Tsai et al., 2007). The ongoing interplay between formal and informal practices within micro-enterprises also presents considerable obstacles to delivering employment benefits and executing effective HRM strategies (Amarakoon and Colley, 2023; Harney et al., 2022). Thus, there is a growing call for research on how employment systems emerge in micro-enterprises, incorporating views that the process may be ad hoc, unplanned, and collectively negotiated (Ho and Teo, 2022; Jones and Schou, 2023).

This study aims to extend our understanding of employment system development by studying the emergence of such systems in micro-enterprises. In particular, we focus upon emergent organising, “the development of processes for configuring connections and activities to enhance the reliability and effectiveness of operations” (Shepherd et al., 2021: 22). Much of the operational context for micro-enterprises suggests that many of their processes are ad hoc, suggesting a reliance on spontaneous and informal ways of addressing immediate challenges and opportunities (Ho and Teo, 2022). In addition, close-knit relationships and direct communication between employees and management can foster a flexible and responsive work environment; yet, may also lead to inconsistencies and perceptions of unfairness (Harney et al., 2022). Thus, we build on a micro-process view to explore how the emergent organising of key actors within micro-enterprises leads to the formalisation of employment system policies and practices. This approach helps build a theory of employment models and HR emergence (Burton et al., 2019a, 2019b), identifying the individual-level and collective activities that lead to the emergence of organisational-level systems, such as the employment system of the firm (Troth and Guest, 2020). We also examine emergent organising through the perspective of micro-enterprise leaders and collective interactions between employees (Dello Russo et al., 2018), providing a fine-grained analysis of the individual actions and behaviours that lead to the implementation of specific practices within an overall

system. Given the nascent research on employment systems in micro-enterprises and emergent organising, we ask:

How do micro-processes of emergent organising unfold through interactions among owner-managers, line managers, and employees during micro-to-small enterprise growth?”. And relatedly, “through what mechanisms do these micro-processes stabilise into formal and informal features of an employment system?”.

Theoretical framework

Micro-enterprise growth under conditions of constraint and informality

Micro-enterprises form the majority of businesses in many economies and can be considered the economic backbone and driving force behind regional growth (Beltramino et al., 2020; Lehtinen et al., 2021; Olchawa, 2025). Other research has noted their significance for economic development due to their substantial contribution to job creation, production, and domestic consumption, making them an important context for understanding entrepreneurship and growth (Belás et al., 2016; Berrone et al., 2014; Bruton et al., 2013; Heshmati, 2001; Thapa, 2015). Such firms are characterised by several defining features that set them apart from larger organisations; they are commonly understood as the smallest organisational form within the small business population, but their formal definition varies considerably across countries and policy contexts. For example, many jurisdictions, such as the EU and OECD, define them as having fewer than 10 employees (European Commission, 2003, 2016), with others applying a narrower threshold of fewer than five employees, such as the USA and New Zealand (US Congress, 2024; MBIE, 2025). Their characteristics include a supposed organisational simplicity due to their smaller employee size (Dundon and Wilkinson, 2018; Olchawa, 2025), resource scarcity (Carlson, 2023; DelVecchio et al., 2024), and labour intensity (Beltramino et al., 2020; Sharma et al., 1990). In addition, micro-enterprises frequently operate in environments characterised by financial scarcity and low barriers to entry, resulting in increased competition, and are especially susceptible to economic volatility, such as the effects experienced during the COVID-19 pandemic (Alves and Carvalho, 2022; Block et al., 2015; Dagpin et al., 2022; Fabeil et al., 2020). Nevertheless, these studies also illustrate that ad hoc, emergent, and rapid adaptations were instrumental in ensuring the ongoing survival and viability of micro-enterprises (Giansoldati et al., 2025; Haq et al., 2025).

In this environment, micro-enterprises rely on their owner-managers to navigate their various challenges who generally consolidate decision-making authority, basing their choices on established values, personal perspectives, and informed judgement (Velazquez et al., 2019). Growing micro-enterprises often follow a unitary approach, where employment policies are shaped largely by the owner-manager’s values or by a small group of decision-makers (Burton et al., 2019a; Jaouen and Lasch, 2015; Romme et al., 2012). This dominant coalition or familial ownership leaves a lasting imprint on management style and practices (Baron et al., 1999b; Baron and Hannan, 2002; Hannan et al., 2006), often directed by initial employment blueprints (Burton, 2001; Ho and Wilson, 2007). Frequently, such decisions are undertaken amid complex circumstances, influenced by immediate interactions with employees, customers, partners, and advisers, which may include ad hoc or spontaneous behaviours (De Sordi et al., 2024; Metzger et al., 2024). In these settings, objectives may evolve, information may be limited, and established decision-making frameworks are often not yet in place (Baker et al., 2003; Weick, 1998). Research indicates that in situations where environments or contexts are uncertain, and planning is not feasible, the capacity to respond swiftly and address problems as they emerge becomes increasingly critical (Hilmersson et al., 2022).

Beyond the challenging environments encountered by micro-enterprises, where owner-managers exert considerable influence, the process of growing these businesses requires addressing the ongoing issue of formalisation (Herbane, 2019; Storey et al., 2010). Micro-enterprises are characterised by direct control and exhibit the highest levels of informality (Kotey and Slade, 2005). Owner-managers typically exercise direct, personal control, reducing the need for detailed documentation or formal HR policies (Hanks et al., 1994). However, recent critiques note that much of the current research places excessive emphasis on owner–manager viewpoints (Amarakoon and Colley, 2023; Harney et al., 2022). Informality is more than just the absence of structure; it represents a negotiated arrangement that may shift in response to regulatory shocks such as new legislation (Ram et al., 2001).

Early research highlights how critical employees become as businesses seek growth (Heneman et al., 2000; Welbourne and Cyr, 1999), with studies showing links to firm growth and survival (Andrews and Welbourne, 2000; Barrett and Mayson, 2007). More recent work elaborates on this context by showing that firms formalise selectively and unevenly through formal and informal practices, signalling negotiated adaptation rather than rational transition (Siqueira et al., 2016; Williams and Shahid, 2016). Prior studies indicate that HR practices in micro-enterprises tend to be informal and deeply rooted in social contexts (DelVecchio et al., 2024; Velazquez et al., 2019). However, these practices may evolve into more effective approaches through relational and intermediary-led interventions rather than through the implementation of formal HR systems. For example, Ram et al (2022) demonstrate that human resource change in micro-enterprises occurs through relational, intermediary-led engagement, while remaining contingent, context-specific, and emergent. Amarakoon and Colley (2023) for example, demonstrated that employee attraction and retention in a regional SME were enabled by the dynamic synchronisation of formal HR systems and informal, personalised practices, allowing professionalisation without eroding the relational strengths of small-firm employment. Thus, empirical research suggests that these decisions are relational, collective, and perhaps satisficing. However, research on where these instances occur remains limited and underexplored (Burton et al., 2019b).

Micro-processes and the formalisation of employment systems in micro-enterprises

With regard to micro-enterprises, emergent organising is a useful framework for understanding how owner-managers and their teams navigate formalisation and implementation of employment practices as they grow (Shepherd et al., 2021). Emergent organising highlights how organisational processes evolve through actions, interactions, and continuous adjustments, rather than relying solely on rational decision-making and the direct implementation of a design (Lichtenstein et al., 2006; Shepherd et al., 2015). Research has demonstrated examples such as the emergence of a new venture involving a sudden shift from behaviour to cognition (Lichtenstein et al., 2006); how individuals and groups unite after crises to manage their distress (Drabek and McEntire, 2003; Shepherd and Williams, 2014); how groups utilise unconventional resources, activities, and organisational structures to tackle nonroutine tasks in uncertain conditions (Coelho et al., 2019); and how ad hoc organising activates collective agency to achieve outcomes (Ho and Teo, 2022). Thus, emergent organising foregrounds how organisational processes stabilise through actions, interactions, and ongoing adjustments rather than through prior design (Shepherd et al., 2021).

Similar to many broad theoretical concepts, research on emergent organising is somewhat fragmented, with notable conceptual overlaps with key entrepreneurial ideas such as bricolage (Baker and Nelson, 2005), improvisation (Hmieleski and Corbett, 2006), effectuation (Sarasvathy, 2001), and both venture and organisational emergence (Katz and Gartner, 1988; Stinchcombe, 1965). As

expected, this fragmentation suggests that a comprehensive framework either remains absent or is in its early stages of development. In addition, much of the literature is context-specific, primarily drawing on studies related to disasters or new venture creation (Shepherd et al., 2021). Consequently, additional research is required to elucidate the mechanisms of emergent organising, particularly within micro-enterprises where unpredictable conditions are common, where owner-managers and their key actors influence and dominate, and where formalisation of established structures is absent. From an emergent organising perspective, employment systems, covering recruitment, role allocation, performance, rewards, and people management, are shaped through everyday activities and ongoing negotiation, often originating informally from owner–manager prior experiences and values (Harney and Dundon, 2006; Mayson and Barrett, 2006; Ram et al., 2001). While these practices can become established and support growth over time (Baron et al., 1999a, 1999b), the interplay between informal actions and formal systems may be fluid and contested in micro-enterprises. Thus, based on these insights, it is important to shift the analysis of the employment system formalisation to its microfoundations (Barney and Felin, 2013).

Feldman and Pentland (2003) described how work practices develop into repeated, recognisable patterns of interconnected action through an ongoing interplay between ostensive aspects, shared, abstract understandings of ‘how things are done’, and performative aspects, namely the situated enactment of those practices in everyday activity. As practices are enacted repeatedly, they can stabilise into recognisable patterns that orient future action, even in the absence of explicit rules or formal policies. Such stabilisation is not the result of deliberate system design, but of incremental adjustments arising from actor attempts to accomplish work under locally specific conditions (Feldman, 2000; Pentland and Feldman, 2005). This micro-process perspective challenges dominant assumptions that the formalisation of employment systems follows a linear and intentional trajectory in which informal practices are progressively replaced by formal structures. Importantly, formalisation does not necessarily displace informality. Rather, formal and informal elements often coexist and mutually shape one another as firms grow (Amarakoon and Colley, 2023; Ram et al., 2022). From this perspective, formalisation represents a moment within the ongoing evolution of organising processes rather than a stable endpoint.

Studies of start-ups and early-stage ventures show that improving judgement and coordination amid uncertainty depends on sequential learning through repeated actions (Jones and Schou, 2023) in addition to careful configuration of people management practices (Rodrigues et al., 2022). Through such learning processes, owner-managers begin to recognise which ways of managing people work effectively, gradually rendering employment practices more reliable and predictable. Although action-based learning and strategic people management are increasingly acknowledged as important (Alves and Carvalho, 2022; Beltramino et al., 2020; Velazquez et al., 2019), the ways in which their micro-processes contribute to shaping and partially formalising employment systems within micro-enterprises remain poorly understood. Specifically, current research provides little detail on how routine interactions related to hiring, supervision, and performance expectations combine to create employment structures that are both organised and adaptable.

Accordingly, advancing understanding of micro-enterprise growth requires a microfoundational view that attends closely to how organising unfolds through situated action. By examining how employment practices are enacted, interpreted, and selectively codified, this perspective can reveal the mechanisms by which micro-enterprises stabilise their employment systems without fully bureaucratising them. To empirically unearth these mechanisms, this study adopts an embedded multiple case study design, enabling close examination of employment system formalisation as an evolving accomplishment shaped by the owner–manager and their team’s actions, shared understandings, and growth-related demands.

Method

Research design

We adopted an exploratory, embedded multiple case study design to investigate how employment systems emerge in micro-enterprises during growth. This design is well-suited for theorising under-explored, processual, and context-dependent phenomena where mechanisms remain poorly understood (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Yin, 2017). Moreover, it facilitates a nuanced understanding of how individual and group actions both shape and are shaped by organisational contexts (Battilana, 2006). We used embedded units of analysis within each case to capture organising processes (Yin, 2017).

Case selection and empirical context

Our research focuses on the restaurant sector in Auckland's metropolitan central business district (CBD), a representative setting for micro-enterprises facing common environmental and labour market pressures. This industry constitutes an analytically relevant setting because it is highly dependent on human capital and owner-manager oversight, while also being characterised by persistent employment-related challenges (Abdelhamied and Elbaz, 2018; Fu et al., 2019; Hewagama et al., 2019). Theoretical sampling was employed to select micro-enterprises that had experienced both business growth and the formalisation of employment systems. Consistent with established qualitative methodology, theoretical sampling involved the iterative selection of cases and embedded units of analysis (e.g., episodes of employment system formalisation) on the basis of their emerging theoretical significance, allowing for systematic comparison and refinement of constructs during analysis rather than reliance on ex ante sampling criteria (Coyne, 1997; Draucker et al., 2007).

To enhance comparability and reduce contextual heterogeneity, the sample was restricted to established micro-enterprises that had operated for more than three years, sufficient time for employment systems to emerge and stabilise (Delmar et al., 2003; McKenzie and Woodruff, 2006), and that had experienced substantive employment growth, increasing from fewer than five employees to more than 12 full-time equivalents. Participants were recruited via a hospitality industry newsletter and identified through snowball sampling, which helped access micro-enterprises that are typically difficult to engage with on employment and organisational issues. SMEs were identified through industry networks and prior research contacts and were included where participants explicitly described workforce growth alongside changes in the structuring and coordination of employment practices. These indications were corroborated through organisational documents and observational insights collected during fieldwork. Three micro-enterprises (Alpha, Beta, Gamma) participated over a three-month period.

Embedded units of analysis: Employment system formalisation episodes

Within each case, we identified employment system formalisation episodes as embedded units of analysis. These episodes were defined as bounded, problem-triggered intervals during which founders, line managers, and employees collectively engaged with employment-related issues, for example, recruitment, retention, performance management, or role allocation, and constructed, implemented, or revised the venture's employment system by changing employment mechanisms. Rather than bounding the episodes temporally, we bounded them analytically around these focal phenomena of employment system formalisation, beginning with the identification of employment problems/issues and ending with their perceived resolution (end marker). End markers capture participant recognition that an employment arrangement had stabilised into an expected way of

operating, rather than the initial introduction of specific policies or practices. In practice, each embedded unit corresponded to a specific employment-related episode within a case such as managing staff turnover, coordinating service delivery, or responding to customer complaints. These episodes were identified through interview narratives, observational fieldnotes, and organisational documents, and were treated as bounded sequences of interaction from the initial problem trigger through to the point at which a relatively stable way of working was established. This approach acknowledges that micro-enterprises organise processes irregularly, seldom following set stages of growth. Based on these criteria, we identified nine episodes of employment system formalisation across the three cases, each identified by its case and designated problem triggers, as detailed in Table 1. Episode labels are used consistently across tables and text to support transparent tracking of episodes of employment system formalisation.

We assessed theoretical saturation at the level of individual employment system formalisation episodes rather than at the level of codes or themes. An episode was treated as analytically crystallised when: (1) no new employment mechanisms were observed across interviews, observations, or documents; (2) actors referred to the arrangement as the expected or taken-for-granted way of operating; and (3) subsequent data instances reproduced existing organising patterns without prompting further theoretical refinement. These criteria are operationalised through the end markers reported in Table 2, which capture the participant's shared recognition that an employment arrangement had stabilised into routine practice rather than remaining provisional or contested.

Data collection and triangulation

We collected primary data through observation and fieldnotes, semi-structured interviews, documentation, and archival sources. Interviews (60–90 minutes) involved owner-managers, line managers, and employees, with follow-ups and transcript validation. These respondents were selected because they occupied roles directly involved in the focal employment system episodes, enabling us to capture both the initiation and enactment of organising processes from multiple, complementary perspectives. Direct observation and fieldnotes captured employment practices during various operational periods, including meetings and informal routines. Table 3 presents key demographic details. Data were triangulated across interviews, participant observation, fieldnotes, documentation, and archival materials to enhance construct validity and capture both ostensive and performative aspects of employment practices (Pentland and Feldman, 2005). This enabled us to examine not only what practices were formalised, but how they were enacted, interpreted, and stabilised through everyday organising. In all cases, formal role titles evolved over time; we retain the participant's emic role labels in Table 3, which highlight the analytic roles in the study to preserve comparability.

Data analysis

Data analysis followed an iterative, multi-phase approach. We constructed detailed chronologies for each case (Eisenhardt and Graebner, 2007) then conducted within-case analysis to trace owner-manager and key actor decision-making and its enactment during employment system formalisation episodes. Our interpretations and chronologies were validated by informants, who confirmed the accuracy of actor timelines, rationales, and roles, with any unclear or conflicting accounts clarified through follow-up discussions with the informants (Santos and Eisenhardt, 2009). To integrate observations, fieldnotes, and interview data systematically, we analysed data at the level of employment system formalisation episodes rather than at the level of isolated codes or themes. For each episode, we triangulated (1) participant accounts, (2) contemporaneous observational notes, and (3) documentary artefacts to trace how interpretations and practices evolved over time.

Table 1. Description of cases and embedded unit data.

Case	Embedded employment system formalisation episodes	Brief description	Founded	General growth*	Initial FTEs	FTEs
Alpha	AlphaRetention	High employee turnover resulting in fragile workforce capacity. Family–employee relational tensions. Inconsistent performance standards. Staffing instability. Inconsistent service quality and execution. Difficulty sourcing specialist culinary skills in a competitive labour market. Inconsistent performance under service pressure.	2010	7%	3	12
	AlphaConflict					
	AlphaQuality					
	BetaRetention					
Beta	BetaSkills	Persistent trainee turnover disrupting staffing continuity. Difficulty sourcing specialised culinary talent and culture fit.	2010	10%	5	40
	BetaService					
Gamma	GammaTurnover	Lack of formalised rules and role clarity.	2017	12%	5	25
	GammaAlignment					
	GammaComplaints					

*Owner-manager’s qualitative description of the average Compound Annual Growth Rate (CAGR) over firm’s lifetime. Growth indicators are used to situate the employment-system transition rather than to claim overall business performance.

Table 2. Description of employment system design episodes.

Boundary markers								
Firm	Episode	Primary Trigger (problem)	End marker (episode-stabilisation indicator)	Key actors	Formalised policies and practices (codified or routinised)	Informal practices (relational, discretionary, or situational)	Key employment design changes	
Alpha	AlphaRetention	Early turnover and internal conflict.	The intern/trainee pipeline and review routine are repeatedly referenced by participants as 'how we do things now,' with no further redesign discussed.	Saji, Isha & Puja.	- Online recruitment expanded; intern/trainee pipeline established. - Promotions and training linked to performance review; resignation notice standardised. - Staged interviews with manager/team lead involvement. - Work-sample tests and scenario prompts used in selection.	- Referrals/word-of-mouth and internal recommendations continue. - Daily coaching and relational gestures (e.g., meals/cards) reinforce standards. - Manager discretion compresses steps when staffing is urgent. - Referrals/trust-based hiring and selection-through-onboarding used for some entry roles.	- Established a repeatable recruitment pipeline (online + interns/trainees). - Standardised performance-development routines (review cycle + training linkage + notice period). - Introduced a repeatable selection sequence (staged interview + tests). - Created an alternative pathway for certain entry roles (selection-through-onboarding).	
	AlphaConflict	Relational conflict between family members and employees. Need for reliable performance under service pressure.	The staged selection sequence is routinely applied across subsequent hires, and deviations (e.g., fast-hire exceptions) are explicitly recognised as exceptions rather than alternatives.	Saji, Isha & Puja.	- Scheduled appraisal cycle with documented criteria; performance-linked pay/progression. - H&S protocols aligned to requirements: induction and routine reporting. - Shift work introduced; attendance/payroll record-keeping established. - More structured recruitment (recommendations + online adverts + internships) and two-stage interviews/tests adopted. - Two-stage interviews (manager + team lead) implemented. - Practical/apptitude tests and interview question papers used; criteria codified and archived.	- Immediate on-the-job coaching/corrections; situated mentoring by supervisors. - Informal recognition (e.g., vouchers) and peer-based control reinforce norms. - Relational supports (meals, celebrations, transport/care) and introduce-a-friend referrals persist. - Open-door, case-by-case grievance handling continues. - Owner network and referrals remain influential. - Tests/questions are tailored by section; scenario conversations used ad hoc.	- Implemented recurring appraisal routines (cycle + criteria + documentation). - Embedded compliance routines (H&S induction, communication, reporting). - Instituted a stable shift-based staffing arrangement supported by records. - Adopted a repeatable recruitment/selection bundle (sources + interviews/tests + internal progression linkage). - Created reusable selection artefacts (question papers, tests) and codified criteria. - Integrated selection with internal development pathways (training/promotion linkages).	
	AlphaQuality	Perceived quality deficiencies in restaurant operations.	Appraisal timing and evaluation routines are treated as expected operational cycles, with supervisors and employees referring to them as routine rather than corrective interventions.	Saji, & Isha.				
Beta	BetaRetention	High turnover and workload imbalance in a small team (5 employees).	Shift scheduling and recruitment arrangements are described by participants as the normal operating template, supported by routine administrative upkeep rather than ad hoc coordination.	Takashi, Anton, Mike, & John.	- Shift work introduced; attendance/payroll record-keeping established. - More structured recruitment (recommendations + online adverts + internships) and two-stage interviews/tests adopted. - Two-stage interviews (manager + team lead) implemented. - Practical/apptitude tests and interview question papers used; criteria codified and archived.	- Immediate on-the-job coaching/corrections; situated mentoring by supervisors. - Informal recognition (e.g., vouchers) and peer-based control reinforce norms. - Relational supports (meals, celebrations, transport/care) and introduce-a-friend referrals persist. - Open-door, case-by-case grievance handling continues. - Owner network and referrals remain influential. - Tests/questions are tailored by section; scenario conversations used ad hoc.	- Implemented recurring appraisal routines (cycle + criteria + documentation). - Embedded compliance routines (H&S induction, communication, reporting). - Instituted a stable shift-based staffing arrangement supported by records. - Adopted a repeatable recruitment/selection bundle (sources + interviews/tests + internal progression linkage). - Created reusable selection artefacts (question papers, tests) and codified criteria. - Integrated selection with internal development pathways (training/promotion linkages).	
	BetaSkills	Difficulty finding Japanese culinary experts.	Interview formats and assessment criteria are reused across comparable hires and referred to as the established way of identifying specialist skills, with discretionary tailoring treated as acceptable variation.	Takashi, Anton & Mike.	- Staffing planned on a two-week horizon; attendance/shift records maintained for payroll. - Role-specific appraisal formats and induction/H&S communications implemented.	- Peer correction and face-to-face guidance reinforce service norms. - Rapid, discretionary conflict/grievance handling on a case-by-case basis.	- Standardised scheduling routines (two-week rosters + rotation tracking). - Introduced role-specific performance documentation linked to training.	
	BetaService	Inconsistent or substandard service performance	Staffing coordination and performance checks are enacted on a recurring cadence and referenced by managers as part of ongoing operations rather than responses to service breakdowns.	Takashi & Anton.				

(continued)

Table 2. (continued)

Boundary markers							
Firm	Episode	Primary Trigger (problem)	End marker (episode-stabilisation indicator)	Key actors	Formalised policies and practices (codified or routinised)	Informal practices (relational, discretionary, or situational)	Key employment design changes
Gamma	Gamma Turnover	Elevated employee turnover within the firm	Staffing arrangements and retention responses are referred to by senior actors as the standing approach for managing turnover, with replacement and reward decisions no longer treated as exceptional events.	Raj.	- Recruitment via sites/ social media; trainee/ intern programmes planned; attendance/leave systemised. - Pay rises and packages linked to performance/talent as retention levers.	- Rapid replacement and discretionary sourcing; headhunting for competitive vacancies. - Informal welfare events (e.g., BBQ nights/day-outs) complement retention efforts.	- Established routine staffing infrastructure (pipeline + attendance/leave systems). - Implemented explicit performance-linked monetary retention practices.
	Gamma Alignment	Perceived person-organisation misalignment.	The hiring sequence for key roles is applied consistently across subsequent cases, with participants describing it as the baseline process while retaining discretion for specific candidates.	Raj, Leila, Jay & Pavi.	- Two-stage interview process; Head Chef work sample for kitchen roles. - Role-specific selection criteria; certificates/experience checks used in screening.	- Judgement-based assessments of candidate/ employee 'asset' value. - Try-out socialisation via intensive early training; headhunting for hard-to-fill roles.	- Standardised hiring sequence for key roles (screening → final + work sample). - Added baseline credential checks while retaining discretionary try-out socialisation.
	Gamma Complaints	Incidence of customer complaints. Need to institutionalise compliance and clarify rights/ obligations	Compliance and grievance expectations are treated as embedded components of everyday employment relations, with monitoring and escalation occurring without prompting or renegotiation.	Raj, Leila, Jay, & Pavi.	- Safety/hygiene requirements implemented; attendance/leave systemised; team leaders appointed. - Safety and grievance procedures embedded in contracts; induction plans and role-varying appraisal forms used.	- Then-and-there coaching and constant checking in day-to-day operations. - Soft-control practices (e.g., shared lunches/awards) and direct access to manager for grievances.	- Embedded compliance and voice infrastructure in formal employment documents and induction. - Introduced routine monitoring/ appraisal practices alongside ongoing informal coaching.

Table 3. Key actor profiles and demographic summary.

Case	Participant	Role*	Tenure/ Seniority	Employment status/hours	Highest education/ qualification	Ethnicity	Age	Gender
Alpha	Saji	Owner-manager	N/A	Full-time	10+ years in hospitality	Indian	40–49	Male
	Isha	Line Manager (Head Chef)	9 years	Full-time	7 years in hospitality	Indian	40–49	Female
	Puja	Line Manager (Front Office Supervisor)	1 year	Full-time	5 years in hospitality	Indian	30–39	Female
	Liyo	Employee (Kitchen Assistant)	2 years	Part-time	3 years in hospitality	Indian	20–29	Female
Beta	Takashi	Owner-manager	N/A	Full-time	10+ years in hospitality	Japanese	40–49	Male
	Anton	Line Manager (Restaurant Manager)	9 years	Full-time	10+ years in hospitality	NZ	40–49	Male
	Mike	Line manager (Sous Chef)	4 years	Full-time	6 years in hospitality	European Japanese	30–39	Male
	John	Employee (Kitchen Assistant)	1 year	Full-time	5 years in hospitality	Filipino	30–39	Male
Gamma	Raj	Owner-manager	N/A	Full-time	Ayurvedic cuisine (level not specified)	Indian	50–59	Male
	Leila	Line Manager (HR/Admin Officer)	3 year	Full-time	8 years in hospitality	Indian	30–39	Female
	Jay	Line Manager (Chef de Partie)	2 years	Full-time	Cookery Level 4; 3 years in hospitality	Indian	40–49	Male
	Pavi	Employee (Assistant Store Manager)	1 year	Full-time	1 year in hospitality	Indian	20–29	Female

*Participant emic titles retained in brackets.

For example, in AlphaQuality, initial interview accounts framed quality problems as individual performance issues. However, participant observation during service periods consistently documented on-the-job corrections, peer monitoring, and repeated micro-teaching by supervisors.

These observations prompted analytic memos noting a shift from 'performance failure' to 'teaching-based patterning'. Subsequent re-reading of interviews revealed that managers retrospectively described these practices as routine rather than corrective. This analytic move led us to theorise routinising employment as a stabilising micro-process, rather than treating coaching as merely informal supervision. Analytically, observations were therefore, not used as confirmatory evidence but as sensitising triggers that redirected coding and interpretation, shaping how interview accounts were subsequently read and compared across episodes. Our analysis proceeded through joint interpretation, informed by the literature on micro-processes and emergent organising.

Constant comparison between theory and data improved our emergent theory (Glaser and Strauss, 1967), as we employed theory elaboration and generation, actively seeking unexpected decisions, actions, and behaviours in each case (Eisenhardt, 1989). The process included recursively cycling between case data, emerging theory, and existing literature, leading to our final aggregate dimensions (Eisenhardt et al., 2016). To support systematic cross-case comparison, all employment system formalisation episodes were analysed using a common analytic template, comprising of: (1) problem trigger, (2) involved actors, (3) formalised and informal practices, (4) end markers indicating stabilisation, (5) micro-process mechanisms, and (6) observable adjustments. This structure was applied consistently across all nine episodes (see Table 3), enabling comparison of how equivalent organising challenges activated similar micro-processes under differing conditions.

Cross-case analysis proceeded by comparing episodes with similar triggers across firms such as turnover, quality, and complaints, examining whether mental models were aligned and routinising employment was activated, how these were enacted differently, and how stabilisation occurred through patterned routines and feedback dynamics. This yielded replicated patterns across cases and enabled us to identify theoretical replication by examining whether similar explanations, mechanisms, sequences, or tensions held across cases and their embedded units. Across the nine episodes, initial first-order coding captured recurrent practices and interaction patterns such as discussing employment problems, communicating expectations, sharing ways of doing things, delegating responsibilities, adapting practices locally, and reinforcing common language. Through iterative comparison within and across cases, these recurrent activities clustered into two higher-order micro-processes: aligning mental models and routinising employment. We then revisited episodes to test whether these labels accounted for both convergent and variant enactments across cases. Finally, we conducted peer debriefing with academic colleagues and the informants to rigorously test our theoretical constructs and processes (Lincoln and Guba, 1985).

Throughout the analysis, we engaged in reflexive memo-writing to reveal and interrogate assumptions arising from prior research on employment and micro-enterprise formalisation. To mitigate retrospective rationalisation, interpretations were anchored in observable routines, artefacts, and episode-stabilisation indicators rather than relying solely on recalled accounts. Competing interpretations were discussed among the research team and tested through peer debriefing and informant feedback, with divergent perceptions, particularly between managers and employees, retained analytically rather than resolved prematurely.

Findings

This study identified two overlapping patterns of emergent organising that guided the formation of the employment system: *aligning mental models* and *routinising employment*. These patterns enabled employment system formalisation in micro-enterprises as they grew. Aligning mental models

involved resolving employment challenges, communicating strategic vision, and sharing mental models. Routinising employment involves delegating authority, adapting practices to management styles, and converging language and action.

Micro-process I: Aligning mental models

Our evidence shows that founders built their restaurant employment systems by assessing existing resources and employment challenges. Founders and key actors addressed employment challenges through group-level interactions that aligned cognitive expectations. Previous research underscores the importance of clear mental models for effective organisation and management (Burton, 2001), and across cases, founders and key actors jointly discussed employment challenges, articulated expectations, and negotiated responses, indicating that employment system formalisation emerges through cognitive and collective interaction. We theorise this micro-process as cognitive alignment achieved through ongoing communication among founders and key actors, building on employment ‘blueprints’ and shared expectations (Burton, 2001) and the emergent emphasis on interaction and adjustment (Shepherd et al., 2021).

AlphaQuality demonstrates how employment issues were addressed collaboratively. Its rapid growth led to operational problems due to inconsistent practices and a small staff team. This lack of quality required improved management, which the owner–manager, Saji and line manager, Isha tackled together. Saji stated that staff performance regarding operational quality needed to be addressed first,

Performance management was initially not regarded as a stable process due to frequent employee turnover. However, over time, evaluations were adapted to motivate staff through performance rewards, promotions, and opportunities for career development.

In improving the quality of their operations, Saji utilised a more “traditional approach”, a directive approach to managing using hierarchical structures, in contrast to Isha’s more informal “peer approach”, which emphasised relationships. Their collaboration led to an agreement on employee accountability, documentation implementation, and evaluation of emerging roles and structures. Consequently, the company formalised disciplinary and grievance procedures and introduced annual employee performance reviews.

The second mechanism, communicating strategic vision, is evident in GammaTurnover. Gamma’s attachment practices focus on offering more money and benefits than competitors. Initially, they recruited less experienced staff to develop them in the ‘Gamma way’. Owner–manager, Raj shares his philosophy of rewards and benefits during weekly meetings. He also delegated these responsibilities to team leaders and appointed an ‘HR /admin officer’, Isha,

I think Raj does not hesitate to retain good employees by offering them a higher salary package. The main aim of this is to ensure the restaurant continues to operate smoothly and without interruption.

Having a dedicated HR/admin officer aimed to centralise resource allocation for rewarding loyalty. As Jay (line manager) describes this strategic vision of reward and benefits for instilling attachment at Gamma, “*is everyday communication.*”

The third mechanism, sharing best practices, was evident in BetaService. Beta selects primarily on cultural fit. Owner–manager Takashi, emphasised that his model for selecting potential employees was paramount in their hiring practices.

We check employee's qualifications and experience when hiring, but more than formal credentials, we want our staff to feel satisfied with their job, colleagues, and work environment, as we believe this directly influences their mindset and work efficiency.

Takashi's employment mental model for selecting potential employees stems from his experiences with past favourable workplaces. Beta, a multicultural organisation, emphasises a 'family-like' and team-oriented environment to attract employees, using internal referrals and recommendations. Employment knowledge was shared among key actors, such as Mike, the line manager, who integrated cultural fit by sharing his experiences with Takashi. This resulted in structured work practices and early implementation of zero-discrimination policies.

As per the replication logic used to understand these episodes under different conditions, these mechanisms were replicated in function, though enacted differently across cases (Eisenhardt et al., 2016). However, it is important to note that there was variability in how these mechanisms were enacted. Notwithstanding the prevailing assumptions that founders have an inordinate influence on the practices of their employment systems (Burton, 2001), other key actors can also drive the features that become ingrained. For example, in GammaAlignment, Leila identified the gaps that led to the employment issues in resolving employment challenges. She suggested that Gamma's quality concerns were due to insufficient product inspections. This led to her informing Raj that directing the right mix of knowledge and skills to look for in improving Gamma's offerings.

Likewise, we can see how variation in communicating strategic vision emerged in BetaRetention. While most of our cases focused on leadership to communicate its strategic vision, Beta's use of group emails, peer mentoring, and social activities communicated its culture as one that valued teamwork and close working relationships. Finally, leaders frequently shared insights on best practices for most cases. However, in BetaSkills, employees contributed to acclimating new entrants by utilising onboarding practices that evolved from Beta's employees, such as socialising new entrants, suggesting flexible working arrangements, and rotating roles. Table 4 provides a summary of example quotation evidence from each case episode.

Micro-process 2: Routinising employment

In addition to aligning mental models, our micro-enterprises faced the challenge of implementing practices to implemented and repeatedly enacting practices that gradually stabilised formal and informal routines. Our evidence suggests that routinising employment, a complementary micro-process, enabled the employment system to formalise. While aligning mental models focuses on cognitive alignment, routinising employment involves the behavioural implementation of policies and practices. Our evidence suggested that owner-managers and their employees initiated these mechanisms to formalise and standardise their employment system dimensions. We theorise this micro-process as behavioural alignment produced through repeated communication and coordination that stabilise employment practices over time, consistent with emergent organising (Shepherd et al., 2021) and routine dynamics work on the interplay of shared understandings and situated enactments (Feldman and Pentland, 2003; Pentland and Feldman, 2005).

The first mechanism, delegating and sharing authority and control, created formal hierarchies and lines of control across the cases. In GammaComplaints, Raj organised daily morning staff meetings to plan and solve problems, and informally monitored his employees' performance. Raj and Leila shared authority in employee management, with Raj overseeing performance and Leila handling welfare and administrative tasks. Raj confirmed his need for direct control and oversight of employee performance to "*guide employees with proper practice.*" This led to several outcomes, such as Leila becoming the "HR/admin officer" and implementing employee records and

Table 4. Aligning mental models micro-process examples.

Episode	Collectively resolving emergent HR challenges	Communicating strategic vision	Sharing best practices
AlphaRetention	"As the management of (Alpha) struggled at the beginning of the restaurant with high employee turnover and consistency of the employee contribution to the work, together, we had to find HR strategies to increase recruitment and retention, which were practised" (Isha, Line manager).	"By ten years, I was hoping the restaurant can develop with administration, documentation, staff records, and future planning for the business" (Saji, Owner-manager).	"Just such high turnover costs us hugely; we just needed to use interns or starting-level skills to replace them. I asked Isha to help us with this. Then we told everyone how to do it" (Saji, Owner-manager).
AlphaConflict	"This change happened after losing a few kitchen employees after a conflicting situation occurred when the manager hired only close friends and relations; we all needed to address this problem" (Saji, Owner-manager, Alpha).	"Although some employees have been selected without prior industrial experience and qualification. It can be assumed that they have been selected by considering the required attitudes and personality qualities, which at the time were very different to what we wanted. . . so we had to tell them why" (Isha, Line manager).	"Paper qualifications cannot determine whether a candidate is good for the position or not. They must have the correct attitude. We select and prefer candidates who can have the capacity and competency to fulfil the job role and duties assigned to them" (Isha, Line manager).
AlphaQuality	"With customer complaints and declining customer ratings on the company website, performance was taken seriously by the management due to the need to enhance the quality of the service, food quality and taste" (Isha, Line manager).	"I try to manage my staff with the help of other team leaders; they help communicate to our employees, it's a united effort" (Saji, Owner-manager).	"I try to maintain the staff with the peer approach without handling the staff in a very formal way to keep the employees in a comfortable zone. We make sure the performance of the employees is evaluated and checked on a frequent basis because it is the way team members learn. We make mistakes, we correct those mistakes next time" (Isha, Line manager).
BetaRetention	"I told Anton, employee retention has become a challenge for the management; hence, employee welfare and training are clearly defined under informal practices" (Takashi, owner-manager).	"We had a few setbacks in terms of the HR functions and administration, but we needed to just be consistent and communicate to the team our improved strategies, and first, we just started to look for how we can attract people within the industry. It took a while to get that known" (Takashi, owner-manager).	"We work as a team to achieve one goal. So, it is important to have employees who align with our culture, procedures, and operating practices. In my experience, employee celebrations, gatherings, birthday celebrations and dinner outs for staff help" (Anton, Line manager).
BetaSkills	"Throughout this, we then noticed that internal recruitments work best for us as we can train the existing staff and elevate their title, which is less costly" (Anton, Line manager).	"For example, we thought publishing social media advertisements tends to showcase the images of company events that justify the friendly and family-like culture in the workplace so we started to let everyone know" (Mike, Line manager).	"Recruitment was mainly based on the recommendations given by the owner's close friends, so there was no proper recruitment policy practised or any documented proof kept in this regard by the management. We had to use our experiences" (Mike, Line manager).
BetaService	"We discussed that performance evaluations of the company need to happen regularly with the involvement of the team leaders, for sure" (Mike, Line manager).	"As I mentioned, we communicate everything directly, we have section heads for each area, and we allocate shift managers as we work for shifts" (Anton, Line manager).	"I came up with this setup, as we do not have systems or complicated protocols" (Anton, Line manager).
GammaTurnover	"There was, at the start, so much turnover with our trainees, cause so many problems. It was difficult at first; they just left and sometimes didn't give notice. It would just disturb our business. I sat down with Isha, we talked about doing something, anything to avoid this problem" (Raj, owner-manager).	"Every morning, meetings with all the employees assembled for the day. We get what is planned and discussed, anything for development areas" (Jay, Line manager).	"With this one, Jay provided some ideas around which skills make the most sense in the kitchen, not always something we searched for" (Leila, Line manager).
GammaAlignment	"The final outcome will be the decision of Raj as we all get together and discuss the pros and cons" (Leila, Line manager).	"We spend time on the issue of the contract, things to do, safety procedures, all will be thoroughly explained so nobody is confused" (Leila, Line manager).	"I brought in ideas for performance management for Gamma" (Leila, Line manager).
GammaComplaints	"We all had to take these complaints seriously; we needed to talk about it, discuss who was doing what" (Raj, owner-manager).	"I'll advise me about what went wrong and show the areas to improve. All the managers need to do that" (Raj, owner-manager).	"I taught them how to mentor and treat the junior staff" (Leila, Line manager).

attendance systems, while Raj maintained direct control and eschewed hierarchy to foster a “*family feel*”. This delegation and sharing of authority and control were informal and emergent, with control duties emerging over time and becoming more formalised as line managers in the firm began to work out their strengths and vision for running the business. Raj designated Leila as the “*HR person you look to for all employee issues*.” Over time, these informal roles became formalised through titles and work processes.

As the HR/admin officer, it is my responsibility to ensure that recruitment, attendance, and payroll records are kept up to date for Raj (Leila, Line manager, Gamma).

Early organisation building in employment systems involved formal policies and practices (Martínez-del-Río et al., 2021), but informal actions also shaped their implementation. Another mechanism for routinising employment is adapting practices to individual management styles. BetaRetention highlights how micro-enterprise leaders can engage their employees through impactful, personalised practices. Anton aimed to create a close-knit, team-based culture, and explained this as a reflection of his experiences in retaining employees by taking good care of them. In addition, the happiness from a good working environment would translate into better customer service.

Our strategy is to treat our employees well, listen to them, and provide thorough training. When they take good care of our customers, it has a positive impact on the business. Building healthy relationships leads to long-term staff retention (Anton, Line manager).

According to Mike, this philosophy and practice of ensuring a “family-like relationship” is borne out by attaching employees to his team from his personal experiences: “*My manager looks after me. He is open to new ideas, takes care of me like a good parent*.” Subsequently, Mike adopted social practices such as referring to a friend or family member as the primary means for recruiting newcomers and ensuring retention, “*we are like a small family, very united and be there for each other, we are high in team spirit, and it is very much fun to work like that*.” While much of the recruitment focuses on referrals, Beta also advertises on its website and social media pages, with Mike ensuring that when he hires people who come through these channels, “*to fit the organisation. . . and that the job should fit the employee*.”

Our last mechanism, converging collective language and action, shows how management used consistent language and actions to signal their intent in using specific practices. Alpha’s initial reliance on hiring family and friends led to major conflicts and high turnover as the company expanded (see AlphaConflict). Faced with difficulties in replacing specialised food knowledge and preparation skills, management formalised selection processes to retain staff. Saji explained,

Paper qualifications alone cannot determine whether a candidate is suitable for the position. They must have the right attitude. We select and prefer candidates who demonstrate the capacity and competency to fulfil the job role and duties assigned to them.

As such, line managers focused on selecting candidates with development potential. Isha explained that they had to go through a process of mutual agreement regarding how they expressed those qualities to their potential candidates and each other. Saji explained they reached a common “*language and thinking*” for selection, recognising key employees had “the attitude and urge to perform.” These ideas were formalised into the line manager selection procedure. After a preliminary interview, the candidate must undergo a work sample with the respective sectional head and

meet Saji and Isha. This episode highlights negotiation and communication in selecting employees, prioritising potential.

Once again, there was variation in how each case enacted these mechanisms. In the delegating and sharing authority and control mechanism, Gamma (in GammaTurnover) formally appointed one person to take on HR responsibilities, establishing the HR/admin officer role in the restaurant, in contrast to the other cases, where this was shared among more than one individual. In adapting practices to individual management styles, line managers introduced new practices they believed would align with mutually agreed-upon philosophies or policies. However, in three cases (AlphaQuality, BetaService, and GammaComplaints), these line managers adapted existing practices at their discretion. For example, in GammaTurnover, section heads could offer higher compensation rates to retain talent. Typically, a top-down approach dominates the converging collective language and actions mechanism, with the owner–manager directing their philosophies and practices to the line managers.

In contrast, Beta involved line managers, who developed them together. The micro-process of routinising employment demonstrated emergent properties in the implementation of employment practices (Shepherd et al., 2021). Routinising employment showed how owner-managers and line management negotiate formalisation in their emergent employment system, building collective processes in their ventures (Ho and Teo, 2022; van Mierlo et al., 2018). A summary of sample quotation evidence for each case episode is provided in Table 5.

Emergent organising micro-processes and employment system formalisation

The micro-processes of aligning mental models and routinising employment shape the emergent organising of employment systems. Across cases, formalisation did not occur through the whole-sale introduction of formal rules, but rather through gradual stabilisation processes that led to recognised and repeatable ways of operating. Unlike larger firms, micro-enterprises rely on the experiences of key actors to balance formal and informal practices in achieving a coherent employment system. Table 6 complements this analysis by specifying the patterned routines and feedback dynamics through which stabilisation is accomplished. In addition to formal and informal practices, our data highlights two stabilising dynamics: patterning routines and feedback loops. Patterning routines involve the frequency and repetition of behaviours that ensure regular use of practices (Goh and Pentland, 2019).

We identified two patterned elements in micro-enterprises. Across the cases, patterning was primarily applied through teaching and standard-setting routines, where participants acknowledged expectations regarding performance, conduct and task execution are reinforced through ongoing interaction. This included supervisors and line managers demonstrating tasks, correcting performance on the job, or reiterating expectations during briefings. In addition, documentation artefacts such as employee manuals and training manuals played a significant role in reinforcing teaching and standard-setting routines, working alongside to stabilise expectations while preserving discretion and relational flexibility.

In addition to patterning routines, our evidence shows feedback loops in the formalisation process of the employment system, operating through employee feedback and acquiescence. In some episodes, employee feedback (defined in this study as providing information or knowledge that leads to “successful adaptation of repertoire”; (Johnson et al., 2023: 64), informed key actors of the necessary adjustments, such as alterations to scheduling or performance expectations. In some cases, employee feedback formed the basis for modifying or adapting formal and informal

Table 5. Routinising employment micro-process examples.

Episode	Delegating and sharing authority and control	Adapting practices to individual management styles	Converging collective language and action
AlphaRetention	"Isha helped me to make the leaders more formal, showing what to do and how to do it; we had to start from scratch" (Saji, Owner-manager).	"Team leaders, like Isha, adapt staff development to their style and support work-life balance by offering flexible hours and meals" (Saji, Owner-manager).	"Saji, Isha, and senior managers commit to promoting a culture of quality and development through frequent emphasis" (Puja, Line manager).
AlphaConflict	"For this, Isha oversees all selection processes in the business" (Saji, Owner-manager).	"How do I do it? I just do the preliminary interview with the candidate, show them how it's done and then Isha conducts the tests" (Puja, Line manager).	"All of us say, we need attitude, performance, and enthusiasm" (Isha, Line manager).
AlphaQuality	"I try to manage my staff with the help of other team leaders, as they must directly report to me on any matters regarding almost anything" (Saji, Owner-manager).	"I can conduct this as per the given criteria from the management, just using my way of relating to employees" (Puja, Line manager).	"Just develop one-to-one discussions with everyone and discuss further developments until everyone gets it" (Puja, Line manager).
BetaRetention	"But well-trained team leaders or supervisors are very helpful, and they have also been given such responsibilities to make sure the operations run smoothly" (Takashi, owner-manager).	"We adapt to their understanding and their ways of doing things, so it might change how we do things in the kitchen" (Mike, Line manager).	"We are a 'family fit' culture, so we all say this about Beta" (Anton, Line manager).
BetaSkills	"Takashi then delegated interview tasks to Anton and team leaders, implementing two-stage interviews with managers and team leaders when the normal way just didn't work" (Anton, Line manager).	"We work as a team to achieve one goal. So, it is important we let people manage their own team" (Anton, Line manager).	"When we looked for the right skills, we all had to look for the emphasised candidate references such as capacity, speed, and competency" (Mike, Line manager).
BetaService	"We normally ask the senior team who wants to take care of it; we can rely on one another to take responsibility" (Takashi, Owner-manager).	"Interviews with me or Anton and team leaders. Practical tests and work examples for Mike" (Takashi, Owner-manager).	"Coach them on it, get them better, teach them how to say and do it" (Anton, Line manager).
GammaTurnover	"Leila has been working for one year at this restaurant, coordinating the HR and administrative functions with every employee, so she has been doing this job" (Raj, owner-manager).	"For example, if the management expects the resigning employee to stay more with the company, they can try and offer them what they think is useful to keep them" (Leila, Line manager).	"It's an ongoing process, we need to remind people here that we have to coordinate how we do things together" (Leila, Line manager).
GammaAlignment	"After Leila, we get the team leader in to work on the problem" (Raj, owner-manager).	"We've built our systems around what works best for us, but I always encourage my team leaders to manage in a way that suits their strengths, as long as the job gets done well" (Raj, Owner-manager).	"I'll get them to be more professional, tell them what issue they are talking about" (Leila, Line manager).
GammaComplaints	"Leila is responsible for all those things, how to keep quality, complaints, disciplinary, administration, she keeps all those things under her care" (Raj, Owner-manager).	"Sometimes they come in, and we have to encourage them when they're down, or remember they are our people, or even reward them to keep them going" (Jay, Line manager).	"The process is, Raj, will come in, meet with everyone and tell us what to tell the others" (Pavi, Employee).

Table 6. Feedback loops and patterning routines.

Episode	Teaching/standard-setting routine	Documentation Artefacts/documentation used or produced	Employee voice/feedback (evidence)	Acquiescent response/silence (evidence)	Adjustment/update
AlphaRetention	"Every morning before we open, I gather the team to go over the day's plan. It's important to ensure everyone understands their responsibilities and that we're all on the same page. That way, we can deliver the best service without any confusion" (Saji, Owner—manager). "Our handbook has guidelines for what to do" (Liyo, employee).	"We have a manual appraisal and related forms and documentation that team leaders must attend on an annual basis. The appraisals take different forms with the job role of each employee" (Isha, Line manager). Employee handbook – information on employee code of conduct, internal policies, fire, health and safety, company culture, and reporting structures. Field notes: Employees' training certifications on file.	"Often, my manager always asks me about what he can do better, whether it's managing, how he does things, or how he deals with customers. So often it's easier to work as a team if we spend that time letting him know why something happens" (Puja, Line manager). Not evidenced (staff primarily complied with guidance).	Field notes: Employees accept role allocations without challenge during morning briefing. "No problem, just let them guide me" (Liyo, employee).	1-month notice + intern/trainee backfill; payroll—attendance system used.
AlphaConflict					Screening → multi-step recruitment adopted; handbook/reporting rules reinforced.
AlphaQuality	"Training is something we all go through here; it's just part of how things work. My supervisor always makes sure we're learning on the job, and if there's anything we need help with, they step in right away. It's not just a one-time thing, it happens regularly and really helps us improve" (Puja, Assistant Manager). "Our daily morning meetings. . . [to] discuss the issues. . . show them how to handle them with fewer people" (Mike, Line manager).	Company website—Gallery on employee engagement, and customer reviews. Beta has manual processes for employment records, performance appraisals, and training" (Takashi, Owner—manager).	"In this place, all the work is done with the timetable; my supervisor is the one who guides me and always checks if we're on the right track or whether we need to change" (Liyo, employee). "We did complain, we can talk to our immediate supervisor directed to the restaurant manager" (John, employee).	Field notes: Employee responded to questions about performance with "just follow". "Although sometimes I am facing uncomfortable situations in the workplace, being Japanese, I keep quiet and keep the co-worker's area friendly and helpful" (John, employee).	Monthly kitchen checks + 6-monthly reviews; training sheets checked at appraisal. Shift system + interns; ~2-week rosters; attendance/payroll records maintained.

(continued)

Table 6. (continued)

Episode	Teaching/standard-setting routine	Documentation Artefacts/documentation used or produced	Employee voice/feedback (evidence)	Acquiescent response/silence (evidence)	Adjustment/update
BetaSkills	"Some are slow workers; some are good, and we have to be directly involved with them and identify their weaknesses and strengths in the process, since the learning abilities can be different from one person to another" (Anton, Restaurant Manager).	"We spent time with the formats for these functions are made and developed by the restaurant manager with the help of the team heads" (Anton, Restaurant Manager, Beta). Documentation: Interview questions checklist, employee forms, attendance/payroll and documentation.	"I wasn't experienced in the industry. I asked for help, and they gave it" (John, employee).	"We all get comments on our work all the time, and it helps to know how to learn from it" (John, employee).	Interview/test checklists archived; coaching focus updated with team-head input
BetaService	"Our work is being checked frequently, and my team leader will always guide me with the work and help me." (John, Kitchen assistant).	Documentation: Performance appraisals, training manuals, memos on professional development.	"Daily meeting, then and there we talk about what we can do to improve the situation" (John, employee).	"We don't have to do anything sometimes, pretty much good guidance and leadership, just go with the flow" (Mike, Line manager).	Section-head oversight + frequent checking: manual appraisal/training artefacts updated.
GammaTurnover	Field notes: Leila notes that induction is mandatory on the first day, along with contract issuance and safety briefings, and this was taught to Jay and other supervisor's.	"Leila takes care of the written documents" (Raj, Owner-manager, Gamma). Documentation: Training manuals	"I go straight and will talk to Leila" (Pavi, employee).	"When Leila tells me, I just do" (Jay, Line manager).	Fixed-term trainees + targeted pay adjustments; attendance/leave/payroll monitored by HR/admin.
GammaAlignment	"Raj would advise me about what went wrong and show the areas I need to get better at. It is everyday communication" (Jay, Line manager).	Documentation: Performance Appraisal Forms, Revised job descriptions.	"I can always tell them I am satisfied with pay or my hours" (Jay, Line manager).	"She (Leila) knows more, so follow without any problems" (Pavi, employee).	Daily coaching/meetings; credential screening + 2-stage interview + work sample used.
GammaComplaints	"Improvements will always be attended, which will help freshers to be familiar with the work" (Leila, HR/Admin Officer).	"Leila has been working for one year at this restaurant, documenting and coordinating the HR and administrative functions with every employee" (Raj, Owner-manager).	"Always go to Raj" (Pavi, employee).	Not evidenced.	Safety/grievance clauses in contracts + meeting; meeting-based corrections + forms updated.

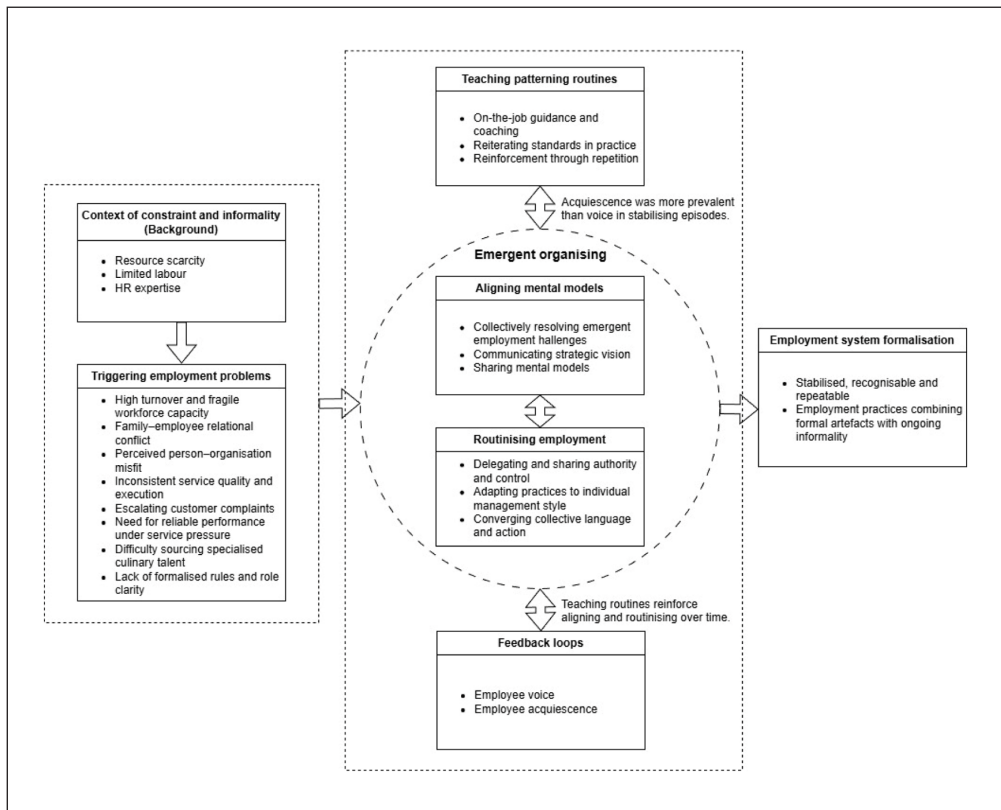


Figure 1. Micro-process model of employment system formalisation in micro-enterprise.

practices in the employment system, such as when Pavi (line manager, Gamma) disputed how performance management was undertaken, highlighting that “*I can talk with the manager if I have any grievance or any situation to work out.*” In other cases, stabilisation occurred through employee acquiescence, “a deeply-felt acceptance of organisational circumstances, a taking-for-granted of the situation and limited awareness that alternatives exist” (Pinder and Harlos, 2001: 349), that followed established practices without challenge or dispute. Importantly, we distinguish acquiescence from silence by evidence of acceptance and continued enactment of practices, rather than disengagement or withholding of input leading to enactment of the emerging routine as normal ways of doing things. Through both feedback and acquiescence, employees interacted with key actors to reinforce, adapt or leave unchanged the stabilisation of the employment system formalisation episodes. These findings allowed us to develop a model (see Figure 1) that shows how employment systems in growing micro-enterprises become more formal through emergent organisation, patterning routines guided by teaching, and asymmetrical feedback dynamics, all while informality persists and formal bureaucratic control is not required.

Discussion

There is consensus that managing employment and HR issues in micro-enterprises is critical during growth stages (Harney and Alkhalaf, 2021; Regalia, 2017; Van Lancker et al., 2022; Velazquez

et al., 2019). However, the mechanisms by which this occurs remain under-researched and under-theorised. This gap has become particularly salient in the aftermath of the Covid-19 pandemic, which exposed the vulnerability of micro-enterprises to labour shortages and environmental shocks, while revealing the simultaneous reliance on their agility, improvisation and informal organising (Fabeil et al., 2020; Sabel et al., 2024). Drawing on rich comparative case evidence from hospitality micro-enterprises, our findings demonstrate that, contrary to prior research that foregrounds linear formalisation and managerial design, it is the interactional micro-processes that stabilise organising without displacing informality. In doing so, we contribute to micro-enterprise research by theorising how emergent organising enables the development of employment systems, offering several significant insights.

First, we contribute to the theoretical understanding of emergent organising by demonstrating that micro-enterprises are formed through collective enactment and emergent behaviours, based on ad hoc and interactive processes. Prior research highlights emergent organising as a response to crisis, disruption or non-routine tasks (Da Silva et al., 2026; Shepherd and Williams, 2014); yet, it offers limited insight into how such organising sustains everyday employment relations as firms grow. Our findings highlight the importance of shared understanding among key actors for effective employment negotiation and formalisation. Aligning mental models, which involves key actors recognising and sharing knowledge on employment issues, and routinising employment, which describes patterning employment practices into daily operations, highlights the influence of the socio-behavioural context and action-based processes that precede structural certainty (Lichtenstein et al., 2006; Shepherd and Williams, 2014). In addition, our results illustrate that organisational mechanisms assist actors within micro-enterprises in determining optimal strategies for balancing flexibility and consistency during the growth process, addressing a recognised theoretical need in the field (Da Silva et al., 2026). While owner-managers remained central in setting priorities and allocating authority, the employment system did not emerge through unilateral design alone. Rather, it was progressively stabilised through the situated contributions, adaptations, and responses of line managers and employees. We therefore conceptualise emergent organising here as collectively enacted but asymmetrically structured.

Second, our research study provides some implications for how emergent organising allowed key actors to integrate formal and informal activities into a coherent system. Researchers have identified formality as a preference for rule-based, standardised practices, while informality is associated with social negotiation (López et al., 2019). Studies indicate that micro-enterprise managers often favour informal operational methods (Edwards et al., 2009; Matlay, 1999). Moreover, prior research demonstrates that micro-firms tend to formalise selectively and inconsistently, frequently integrating written policies with relational approaches (Kotey and Slade, 2005; Ram et al., 2022). Additional evidence suggests that the spatial and social proximity among key organisational actors significantly influences informal managerial actions within micro-enterprises (Marlow et al., 2010). Our findings illuminate the micro-processes through which formal and informal practices are co-constituted in these settings. Although balancing formality and informality may be a deliberate strategy (Amarakoon and Colley, 2023), our data show that this balance can also emerge organically. While HR knowledge can be crucial (Ho et al., 2023), consensus regarding the meaning, coherence, and uniqueness of employment practices commonly develops during the early phases of firms. Specifically, alignment of mental models among key stakeholders fosters shared expectations regarding roles, performance, and fairness, whereas routinising employment practices, such as coaching, documentation, and delegation, reinforces these expectations in daily operations. Notably, formalisation does not eliminate informality; rather, it solidifies through partial codification of inherent understandings, while performative actions continue to adapt to situational demands.

This dynamic enables micro-enterprises to establish a sufficient structural foundation for growth without compromising the relational and flexible characteristics typical of small-firm employment. An important implication is that our findings reveal how emergent organising micro-processes bridge the gap between the ostensive and performative aspects of routines. Much research in this area conceptualises routinisation in established organisations with institutionalised structures (D'adderio, 2008; Hales and Tidd, 2009), however, our findings suggest that employment practices emerge through interaction rather than prescription, continuously shaped and refined as actors enact, question, and adapt practices in situ, an emerging insight that is gaining traction in the literature (Breslin, 2022). Alternatively, the micro-processes we identify may also constitute a foundation for HRM system strength, aligning mental models can increase the perceived distinctiveness and shared meaning of emerging employment practices, while routinising employment can support consistency and consensus in how those practices are enacted and interpreted across actors (Bos-Nehles et al., 2021; Bos-Nehles and Meijerink, 2018).

Finally, our feedback loops provide additional theoretical implications for the formalisation process of the employment system (Akbar et al., 2018). Identifying patterning routines and feedback loops allows us to empirically demonstrate what has been hypothesised in the literature (Greer et al., 2017; Leonardi, 2015), that negotiation and implementation are entwined processes, confirming views that employment system building is fluid and adaptive (Trullen et al., 2020). Our study suggests how emergent organising motivates patterning and the role of feedback loops in the employment system. Extant research suggests that employment system formalisation follows the decision to adopt certain practices (Brenes et al., 2008; Dooley et al., 2000). However, as we demonstrate for micro-enterprises, the symbolic behaviours such as directing learning and documentation, that accompany these decisions enable them to routinise their ongoing maintenance (Bartunek et al., 2007). We advance emergent organising and routine dynamics theory by specifying how micro-enterprise employees offer feedback through direct feedback and acquiescence behaviours. These processes shape the employees impact on employment system formalisation, a dynamic previously studied only within larger organisations (Bos-Nehles and Meijerink, 2018; Piening et al., 2014). Similar to findings in large organisations, our study shows that employee feedback is crucial for refining the employment practices that are ultimately utilised. In addition, we uncover the concept of employee acquiescence in this process, indicating employment system approval through non-verbal acceptance, which maintains supervisor-employee rapport (Dyne et al., 2003). This research illustrates the varied impact of employee input on the employment system (Bashshur and Oc, 2015; Rusbult et al., 1988).

Practical implications

The findings have several practical implications. We reveal that micro-enterprises develop their employment systems based on existing human capital experiences. As such, we see an essential role for HR knowledge in improving strategic human resource management (SHRM) in micro-enterprises. In particular, we note the increasing evidence that improving HR knowledge can enable better SHRM among SME owners and their managers (Ho et al., 2023; Martínez-del-Río et al., 2021). This enables greater alignment of the appropriate SHRM with their environment (Gahan et al., 2019), suggesting that specific HR knowledge can also benefit the unique environment of micro-enterprises. Where increasing the knowledge of owner-managers and line management is impractical, evidence suggests that external HR support services can be beneficial (Atkinson et al., 2022). These could be critical, as evidence suggests that aligning HR knowledge with strategic goals may have implications for the development of strategic and dynamic capabilities in smaller firms (Weaven et al., 2021).

Second, identifying emergent organising micro-processes suggests careful attention should be paid to socio-cognitive processes. A strategic approach to people management must account for the emergent, unpredictable interactions that shape the implementation and adaptation of the employment system. Danner-Schröder and Geiger (2016) propose specific activities by owner-managers and line managers to standardise and enact employment practices. They suggest that ‘effortful enactment’ of HRM, such as prioritising and protecting the workflow process, can suppress disruptive practices and ensure consistent application. During unexpected events, such as labour shortages (which frequently occur in micro-enterprises), management’s communication and resource bricolage can curtail inappropriate responses that disrupt employment objectives (Turner and Rindova, 2018).

Finally, our feedback loops demonstrate how social interaction with key actors can shape the coalescence of emergent organising into employment systems. Employees’ perceptions of this feedback process and their direct involvement can offer insight into managing their sense of inclusion or exclusion within the firm (Heffernan et al., 2022). The research on employee motives and their active participation in employee voice suggests that there is a range of silences (acquiescent, defensive, and prosocial silence), all of which have varying implications for employee motives in the firm (Dyne et al., 2003). While much is known about the enactment of employee voice in large organisations, relatively little research examines the effects of silence. However, research demonstrates that it positively affects burnout, emotional exhaustion, and abusive supervision (Jahanzeb and Fatima, 2018; Kiewitz et al., 2016; Knoll et al., 2019;), while negatively affecting job satisfaction (Wang and Hsieh, 2014). As such, recognising employee responses to employment system formalisation and decisions is imperative to minimise the negative impact of these processes on employees, their relationships in the firm, and the organisation’s culture (Morrison, 2023).

Limitations and future research

This research uses retrospective data to build its case studies and may be susceptible to memory and recall errors (Huber and Power, 1985). However, retrospective accounts are widely regarded as theoretically appropriate for studying emergence, sensemaking, and formalisation, in which patterns and structures are understood only after they have stabilised and are also interpreted reflectively by actors who enact them (Abbott et al., 2016; Langley, 1999; Weick, 1995). Seminal research in this field has relied on retrospective data to build theory, an objective of this study as well (Pentland et al., 2012; Williams and Shepherd, 2016). In addition, we have attempted to mitigate these errors using multiple data sources and triangulation to build our cases. Our revisits to key informants and their ability to verify their decisions, actions, and behaviours enabled insights into the reasoning and rationalisation of past events and behaviours related to our phenomena of interest (Gioia et al., 2013). Nevertheless, future research could examine and test the relationships between our emergent organising micro-processes and other concepts (such as team mental models) and various organisational outcomes, such as the performance of these employment systems or more behavioural outcomes, such as engagement or employee satisfaction, as retrospective designs may underrepresent moments of ambiguity, contestation, or failed experimentation. Future research could then examine the conditions under which emergent organising is more or less effective, including the extent to which leadership is concentrated in highly central or influential founders versus distributed across multiple actors, the role of labour-market slack or resource munificence, and the moderating influence of customer coupling on employment system outcomes.

Finally, another limitation is our focus on three restaurant micro-enterprises in one area. Although our focus was on the phenomenologically rich employment system formalisation episodes, an argument can be made that there may be far more (or less) variation of micro-processes

observed. Therefore, future research could explore how employment systems become differentiated or isomorphic as formality and greater environmental pressures are enacted into the process (Chapman et al., 2018). Future research could thus examine employment system formalisation in micro-enterprises across diverse contexts, such as different industries and countries or regions, as employment legislation, institutional frameworks, and resource munificence may hold greater sway in other contexts. In addition, closer analysis of feedback loops and routine patterning may help explain variation in how employees express support for, express concerns about, or disengage from the emerging employment system, for example, by drawing on Morrison's (2023) taxonomy of employee silence.

Conclusion

The article calls for a distinct micro-enterprise lens that recognises employment systems as selectively formalised, low-cost, and deeply embedded in relational interaction, highlighting dynamics that are often obscured when viewed through frameworks derived from larger organisations. Rather than dedicated HR systems, employment system formalisation relies less on formal HR structures and more on selectively stabilising key practices within ongoing relational interactions.

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Ethical considerations

This research was approved by the Auckland University of Technology Ethics Committee (AUTEC) [reference 20/7] and conducted in accordance with the ethical standards of the 1964 Declaration of Helsinki and its amendments.

Consent to participate

Informed consent (including consent to publish) was obtained from all participants and organisations, ensuring voluntary and confidential participation in line with ethical research practices.

Author contributions

Marcus Ho led the conceptualisation, research design, data collection, and manuscript writing. Lakshika Kapukotuwa contributed to the data collection, data analysis, interpretation of findings, and critical revisions of the manuscript. Pola Wang supported the literature review, assisted with data coding, and provided editorial input throughout the writing process. All authors reviewed and approved the final version of the manuscript.

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Data availability statement

The data supporting the findings of this study are not publicly available due to ethical and confidentiality restrictions. The dataset contains sensitive information provided by participants under informed consent agreements that do not permit public disclosure. Access to de-identified data may be considered by the

corresponding author upon reasonable request, subject to institutional ethics requirements and the protection of participant confidentiality.

Artificial intelligence statement

The authors used generative artificial intelligence tools (Microsoft Copilot) to assist with language editing and manuscript refinement. All intellectual contributions, theoretical development, data analysis, interpretation of findings, and final manuscript content remain the responsibility of the authors.

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