

Human Resource Management Practices in Small and Medium Enterprises

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Abstract

This article analyzes diverse aspects of human resource management as practiced in small and medium scale businesses. The significance of human resource management has increased with the expansion of businesses at different levels due to the liberalization of market and trades across the world. The role of human resources in corporate organizations is crucial in the sense that the strength of people determines the growth of businesses. Human resources are taken as the most precious asset of SME. To reach its values the business must pay a huge importance in human resource management. The implementation of enterprise strategy relies on the employee's quality as reflected in the entire process of engagement in the world of business. This paper has aimed to demonstrate the implementation of human resource practice and their impact in Small and Medium Enterprise (SME) performance. The data used in the paper have been from secondary sources including articles, reports and dissertations. The existing literature demonstrates the management of human resources is aspiring in the business world. Both management and implementation of human resources has influenced the success of small and medium enterprises. Indeed, the commendable management of human resource helps three fundamental intents of each enterprise: surviving, increasing and raising their incomes. The paper investigates into the role of Small Scale Enterprises (SMEs) in the manufacturing sector that contributes to the growth of economy. Indeed, small-scale enterprises are important for modern economy as it widely contributes to employment growth as well. The development of a country depends on economic prosperity. Managing human resources in businesses can help to enhance the status of corporate world that aims to multiply economy of all aspects of society. As business establishments are human organizations, people are very indispensable in its existence and success. The study has explored that human resource development is significant to any organizations ranging from small to large scale enterprise because it is well known that no business can exist without human beings. It is recommended that SMEs business should clearly define recruitment policies in consistency with the existing laws of a particular nation. Besides, there should be consistency in training activities, the owners of SMEs business should ensure that training offered to employees at all levels is pertinent to their needs. Overall, human resource management practices play a significant role in affecting labor productivity in manufacturing companies.

Keywords: Human Resource, Small Scale Enterprises, Recruitments, Employment, Development

Introduction

This paper analyzes the current trends in human resource management practices in small and medium scale enterprises particularly in Nepal. Development of Industry sector in the country is necessary to reorient the economy for prosperity that has shrunk because of devastating earthquake and border obstructions. It is indispensable to focus on Nepalese workforce, skill and raw material based domestic investments to encourage national level industries for achieving national employment generation as per the motto of the Constitution of Nepal. In this way, knowledge skill, technology and capital in possession of nonresident Nepalese migrants can be utilized in national development efforts thereby shaping the economy prosperous (MoF 2016). Even global growth competition of SMEs to raise constantly their performances if they want to be confronted with the competitors, to achieve the existing SMEs must endow in human resource management. According to Armstrong (2008), Human Resource Management (HRM) is a strategic and coherent access of management the most valuable asset of an organization-people that work there individually or collectively contributing to achieve the objectives of the organization. SMEs that advance their performances and develop competing advantages, must apply an effective system of human resource practice (Zheng et al, 2006; Katou, 2012). Practices of human resource consist of formal access employed in human management (Armstrong, 2008). Concretely speaking, SME follow informal practices of management (Behrends, 2007). Besides, they persuade these informal practices of management to control the employees, where the formal structures of communication and control do not prevail (Willkinson, 1999).

According to Katz et al (2000), the owners and managers of SMEs percept formal human resource management is a road to lead to bureaucracy (Katz et al., 2000). In the view of Marlow (2002), Small and Medium Enterprises ignore the application of formal Human Resource Management Practice because they do not have indispensable resources. However, informal practices of management with growth make formal regulation and policies and acts for Small and Medium Enterprises workers' control (Nguyen and Bryant, 2004; Marlow, 2002). Such move can be seen toward a more structured form that persuades Human Resource Management in case an enterprise begins to structure a hierarchical pattern with an access to break the work and administrative amplifying process (Kotey and Slade, 2005). Besides, informal practices of management resources are more advanced in small and medium enterprises than big enterprises. In accordance with Wright and McMahan (1992), it is shown that management of human resources of Small Medium Enterprises to be less patterned and planned relatively with big firms that apply more formal practices of human resources in the world of business.

Recruiting and selecting employees are significant practices of human resources that are employed more than other practices in Small Medium Enterprises from the perspective of Cassell et al. (2002). Indeed, the terms recruiting and selecting refer to the selection of staff, as Wright et al. (2005) point out that the staff selection incorporates structured interviews and official examinations of the applicants through the process of employment. Tocher and Rutherford (2009) have claimed that the Small Medium Enterprises have a customary access

with the procedure of recruiting. The conventional method of recruiting incorporates describing the places of work, deciding the duties and responsibilities for the prospective employees. In fact, the established method begins with recruiting process through persisting with the selection of employees, their training and seminar. Finally, the employees' performance evaluation is accomplished (Tocher and Rutherford, 2009). Small Medium Enterprises are comparatively seen with big organizations that have more problems in recruiting of clever staff since they use more attractive channel of employees including commercials in newspaper and walking in comparison with big recruiting agencies (Bacon and Hoque, 2005). Barret and Mayson (2007) have viewed that the mostly used method of recruitment in Small Medium Enterprises is the word of mouth that is an option with low cost of withdrawal of candidates. This method is more applicable and acceptable.

Discussion

This paper focuses on the interconnectivity between human resource management and small and medium size industries. Human resource management is an integral part of both small and medium size firms. Nyarko (2013) opines that small and medium size industries cannot function well without proper human resource management practices. They play crucial roles in boosting employee performance and bringing about positive organizational results. The human resource management practices are paramount in the domain of small and medium firms which undertake recruitment and selection seriously as these steps help to get commendable employees (p. 37). As a matter of fact, the progress of commercial organizations depends on the human resource practices as implemented by the small and medium size industries. Small and medium size enterprises (SMEs) cannot work properly without apt management of human resource practices. Recruitment and selection of effective and efficient employees are the basics of human resource management in both corporate and social organizations.

Indeed, human resource pervades in all types of organizations as without people no companies or organizations with any motto can function. Therefore, the employees are needed and their management is imperative for effectiveness and efficiency of the tasks undertaken so far in the respective organizations. Human resource is intrinsic in all organizations ranging from small firms to big industries, from private organizations to public institutions including universities, hospitals, clubs, military department etc. The goal is attained through the involvement of people (Eduful, 2002). Overall, the goal of the human resource management is to maintain the relationship in such a way that at any given time, the organization can put people at the right place rendering most economic and useful services. It helps to contribute to the sustenance and growth of the enterprise in entirety. Thus, human resource is the crux of every sort of organization.

Despite pervasiveness of human resource management practices in all sorts of organizations, its role in small business is immensely significant because it has been playing a vital role to facilitate global economic development over many years as asserted by Verheaul and Thunrik (2000). In general, thousands of people start new businesses almost

every day across the world and of course, their direct involvement through investment of resources and their precious time help to exceed the economy of the world. Their entrepreneurial ventures contribute to increasing the global economy.

Due to tough competition in the free market, sometimes, small and medium size firms go out of business. The fact that is the contribution of small and medium businesses in the economic growth of most of the countries is so high that big industries seem nominal. However, the competition pushes them to the margin. The fundamental scheme is that small firms frequently fail to tackle effectively obstructions that threaten their current operation and disturb attainment of higher levels of output and employment. To implement a successful business strategy to eradicate such a challenge, companies must ensure that they have the right people capable of delivering the strategy effectively and efficiently. In this regard, human resources prove to be the most valuable assets of all sizes of organizations and firms. Since it plays a significant role in the success of firms and organizations, to ensure the effective management of the employees to achieve the organizational goals becomes imperative.

Human resource has been defined in many ways. Banuako (1991) relates human resource with the skills, talents, abilities, knowledge, energy, intelligence and the capabilities of the people who learn to grow. For the proper utilization of the assets to achieve the goal of the organization known as management, human resource plays a significant role in the rapid growth of the organization that reaches the peak of success. Mathis and Jackson (1994) point out that the management of people at work is one of the fundamental keys to organizational exponential growth. Organizations need to plan, organize, direct and control the affairs of the firm for achieving the commercial and corporate goals set so far. Hence, the role of human beings in implementing and achieving the goal is paramount. The caliber of people as reflected in their performance does not allow the organizational functions to go wrong. Tracey (1994) defines Human Resources Management (HRM) as the organizational function that underscores the effective management, direction and utilization of people both the persons who manage, produce, market and sells the products and services of an organization and those who hold up their innovative activities. It deals with the human element in the organization – people as individuals and groups, their recruitment, selection, assignment, motivation, empowerment, compensation, utilization services, training, development, safety, promotion, termination and retirement (Nyarko, 2013, P. 38).

It is important to clarify the significance of recruitment and selection in human resource management as practiced in businesses. The management generally undertakes recruitment and selection from professional associations, private employment agencies, educational institutions, professional organizations, news paper advertisements, trade and professional journal advertisements, unions as well as internal notice boards/memos. This process can help the managers to choose the best professionals for their respective organizations. Although such sources of recruitment are comparatively quite expensive and time consuming, majority of managers tend to follow this approach of recruitment and

selection. In this regard, Byars and Rue (2000) have stated that the main aim of the recruitment and selection process has been to obtain a number of quality employees at a minimum expense to satisfy the human resource needs of an organization because majority of managers prefer to recruit by word-of-mouth that is one of the most cost effective ways of recruitment as practiced so far in businesses.

In this way, the selection of employees by examining letters of application, testimonials, experience certificates, practical tests, and interviews, the entire process of recruitment is accomplished for the better human resource management in businesses. However, most of employers do not use referees' report, written test, and medical examination results. In fact, selection of new staff involves choosing the candidates with the qualification to perform the job and in selecting such employees, small businesses generally strive to get individuals who can collaborate with the managers of firms in terms of skills and capacities (Nyarko, 2013, p. 42).

There are two factors that count a lot in the small and medium size enterprises. These factors are job satisfaction and job stress. Job satisfaction is measured with the help of many aspects. The most important aspect is job content and the least important aspect is fringe benefits. The study shows that job satisfaction is higher in medium enterprises than that in small enterprises. Besides, job satisfaction depends on training, placement, and grievance handling practices, relationship building, employees' participation, stress management practices and green human resource practices in small enterprises. On contrary to this, job satisfaction depends on job evaluation practices, training, placement, and grievance handling practices, relationship building, green human resource practices and human resource development practices in medium enterprises. Similarly, job stress in small and medium enterprises plays a significant role in human resource management practices. Job stress is been measured with the help of different aspects. However, the most important aspect is feeling exhaustion at the end of work in a day and the least important aspect is heavy task load. Employees in both small enterprises and medium enterprise experience similar level of job stress. Besides, job stress depends on recruitment practices, placement, and grievance handling practices, employees' participation, and practices to control absenteeism, compensation management, green human resource practices and human resource development practices. In medium enterprises, job stress relies on recruitment practices, grievance handling practices, compensation management, green human resource practices and human resource development practices. Overall, job satisfaction and job stress immensely affect the human resource management practices in both small and medium enterprises.

Since small enterprises seem to be in peril due to managerial reasons, the organizational structure within such firms becomes important. Environment within small enterprises can be measured with the help of different aspects. However, approachable management is the most significant one and clarity in job description is the least crucial. Besides, clear communication flow also plays an insignificant role in small enterprises. When the situation is comparatively seen, the organizational environment in medium

enterprises is higher than that in the small enterprises. In addition, organizational environment in small enterprises depends on training, motivation, relationship building, compensation management and performance assessment practices. In medium enterprises, organizational environment largely depends on motivation, grievance handling practices, and relationship building and compensation management practices. Thus, the role of organizational environment in the entire process of human resource management undertaken by the managers or employers becomes highly important.

On a similar note, organizational commitment in small and medium enterprises can be measured with the help of different standards. Loyalty to the organization is the most important aspect, whereas leaving from the organization is the least important standard. The study shows that the organizational commitment is equally significant in both small and medium enterprises. Nonetheless, organizational commitment in small enterprises depends on performance assessment practices, and human resource development practices. Job evaluation practices, workers' participation, practices to control absenteeism, stress management practices are the determinants in terms of organizational commitment in medium enterprises.

This article explains the concept of human resource management practices and factors that affect the management along with the outcomes of human resource management practices. Besides, the paper has employed descriptive and explanatory approach to show the cause and effect relation between the precursors of human resource practices and effect of human resource practices in different outcomes.

Conclusion

The paper identifies the importance of the role of implementation of human resource management practices at the small and medium enterprises to foster its performance. Job satisfaction as practiced in small enterprises depends on training, placement, grievance handling practices, relationship building, employees' participation, and stress management practices. Similarly, job stress depends on recruitment practices, placement, grievance handling practices, employees' participation, practices to control absenteeism, and compensation management. The study has explored that organizational environment plays a vital role in human resource management practices in both small and medium enterprises. This environment largely depends on training, motivation, relationship building, compensation management and performance assessment practices. The commitment of employees to the organizations or firms they are working matters much. Their commitment can be measured with the help of training, stress management practices and compensation the employees receive the organizations.

The article has dealt with resource management to use the practices of human resource and their impact on small and medium enterprise performance. Using the human practices help small and medium enterprises to improve their performance result that punishment and reward is the most profitable practice of small and medium enterprises.

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