

Effective HRM Practices for MSME Sector Success: An Empirical Study

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ABSTRACT

Any organization's success strongly correlates with its workforce and employee engagement. Finding the correct human resource personnel can take much work for small and medium-sized businesses. Human resources significantly influence the success of the nation's small and medium-sized enterprises. Small and medium-sized companies are crucial to the nation's economic development and generate many job possibilities. Small and medium-sized businesses use human resources in various ways, including recruitment, performance evaluation, and compensation management. The success of human resource management in a company is greatly aided by the human resource-based system, which is very important for every firm. Although there are some parallels in H.R. methods, significant enterprises' H.R. groups are more focused on strategic business challenges and have succeeded in using information technology to a more considerable extent for the mundane file maintenance components of H.R.'s job. Contrarily, H.R. informants at mid-sized businesses are more operationally oriented, seem to be more content with the abilities and expertise of their noticeably smaller H.R. staffs, and give their H.R. organizations higher ratings on performance across a variety of parameters.

Keywords- Human Resource Management, Small and Medium Enterprises, Compensation Management, H.R. Informants, Mid-Sized Firms.

INTRODUCTION

Micro, small, and medium-sized businesses are a primary source of employment and a significant contributor to a nation's G.D.P. (MSME). Even though these businesses have several disadvantages over large ones, the research claims that human resources are one of their primary competitive advantages. The financial benefit is directly positively impacted by competitive advantage.

The ability of an organization or a strategic business unit to seize control of strategic behavior in the industries in which it competes is the concept of the strategic initiative. Competitors will be forced to respond if any organization can take the initiative in such a situation. Suppose the organization can obtain a strategic advantage based on the proactive strategy. In that case, it can control its destiny, maintain an edge over rivals for a considerable time, and carve out a niche. The distinctive qualities of a company's goods or services and how they are advertised and provided determine its competitive advantage. These "advantages" are reliant on specific human resource competencies in one way or another. The company should strive for comparative supremacy in these areas to establish and maintain market dominance (Aisyah et al., 2017). Although management may be pursuing well-defined objectives and sensible plans, it risks falling behind a rival that pays more attention to securing a competitive edge through its people's resources. The ideal way to think of human resource management (H.R.M.) is as a collection of regulations that have strategic importance for any organization.

They are meeting more general company objectives, such as evolving organizational values, productivity, and delivery methods and enhancing employee commitment, flexibility, and quality of work life. Nowadays, regardless of a company's size, as technology and capital have become commodities on the market, the only thing that separates

businesses is their ability to manage their people's resources. The article aims to examine how adequate human resources were managed and used in S.M.E.s in India during the period of economic reforms, as these reforms allowed for significant changes in the economy's structure, of which S.M.E.s are a vital pillar (Belas et al., 2020). The study will illustrate human resource management and the dynamics of its development as an essential strategy in business development by illustrating a position adopted by many economists for a sense of competitiveness and globalization trends. Managing human resources is a complete overhaul that has presented difficulties for S.M.E.s (H.R.M.). The primary responsibilities of H.R. are to serve as a thought partner to business leaders and promoters, manage growth or stagnation with limited resources, and strike a balance between employees' expanding needs and the resources the company can supply. However, when the company grows, maintaining this kind of relationship becomes more challenging (Bilan et al., 2020). Each business, small or large, can benefit from research on its human resources. Adequate opportunities for ensuring efficiency in producing goods and services that provide a desirable standard of life are created by careful management of human resources.

LITERATURE OF REVIEW

Brazer & Daryanto (2019) said that the study's aims have successfully addressed the issue based on the discussion of the study's final ten findings and the quotations from the literature section above. The primary study's majority of data indicates a close association between H.R. management practices and fulfilling the fundamental objectives of every small firm across a wide range of application situations, which is why. Because MSMEs would only be able to excel in their competition with a superior S.D.M. training approach, mainly because companies are vying for customers in the digital era, defined by various innovations and creatives.

Chang & Huang (2005) found that human resources are one of firms' most critical growth metrics. A key component of human resource management in small and medium businesses is motivation and job security. Small and medium-sized businesses use human resources, including recruitment, selection, performance evaluation, and compensation management. Several organizations strongly emphasized the education and training of their human resources, paying close attention to how their potential and skill sets are developing. Innovative and effective human resource strategies and systems are essential for driving business growth; organizations would only meet their goals with them.

Hermawati (2020) described that the objective of this study was to conduct an empirical investigation into the effects of HRMPs on the operational success of MSMEs in HDSL. Eight H.R.M. practices that were in line with earlier studies were found. Select MSMEs in HDSL have found that using professional sources for hiring, having defined termination criteria, and having an H.R. plan for the company are the most frequently used H.R. practices. Findings demonstrate that MSMEs in HDSL have engaged in eight specifics H.R.M. practices to varying degrees of formality and informality.

Manullang (2021) said that the findings imply that for H.R. professionals in mid-sized companies, the capacity to concentrate greater efforts on strategic - as opposed to operational - concerns is probably a function of the level of HR-IT integration and H.R. outsourcing that happens as the organization increases. More HR outsourcing seems to have been accomplished by larger companies than by mid-sized companies in the areas of training and employee benefits. As a result of better I.T. use in the delivery of H.R. services, larger companies are also more likely to have improved H.R. procedures and reduced H.R. transaction costs.

Oduro & Nyarku (2018) found out that the management of S.M.E.s is very informal, and the obligations of the employer and employee to one another are implicit and built on trust. The informality of S.M.E.s and the intimate personal ties between employers and employees offer intriguing concerns concerning the psychological contract between S.M.E. owners and employees, making it a unique setting for studying employment relationships. Further research may look at the type and content of psychological contracts in S.M.E.s.

Sitompul et al., (2021) described that although there is a ton of literature on HRMP, most of it is targeted at larger businesses. The study's findings close this gap by highlighting the significance of HRMP adherence in MSMEs and its connection to commitment. The advantages of the five types of HRMPs under investigation could be leveraged to

immediately affect resource-constrained MSMEs' H.R. decisions. This research may be used to launch initiatives in a number of the world's developing nations. In the absence of addressing fundamental HRMP concerns, turnover will increase, service quality will deteriorate, customer satisfaction will plummet, and businesses will be driven from the market.

Katyal & Xaviour (2015) found that the MSMEs are the main pillars of the developing economies because they can replace large-scale enterprises, increase employment, mediate between the industrial and agricultural sectors, contribute to industrial production, and increase export revenues. According to this study, employees in MSMEs are more likely to consider leaving their jobs due to a lack of medical facilities, a terrible working environment, a lack of welfare programs, inadequate pay, and poor labor relations. Without human effort, management cannot reach its goals and objectives in a profitable way, hence it is important to focus more on the companies' precious assets when developing and putting into use H.R.M. strategies that will increase productivity in a long-term, sustainable manner.

Satpathy et al., (2017) discussed that the report supports local H.R. practices at S.M.E.'s in Delhi-NCR and highlights opportunities for further formalization. Since S.M.E. firm performance can be predicted by H.R. practices, proper human resource procedures must be followed to improve employee effectiveness. S.M.E. businesses are crucial for the development of the nation. Innovation and creativity would benefit from formal H.R. processes. Although changing from one type of strategy to another would take time, S.M.E.'s may eventually embrace a combination of techniques, including formalizing H.R. processes as well as indigenous approaches.

Sheehan, M. (2014) said that the organizational performance is significantly impacted by H.R.M. procedures. The performance of the organization will increase if H.R.M. procedures are efficient. Not just huge corporations but also small firms must follow this rule. Yet, it was noted in management literature that there is still some uncertainty regarding the connection between H.R.M. practices and organizational performance. There is a gaping hole or unsolved mystery in this connection. Hence, mediating factors need to be considered by researchers. Since human capital is connected to both H.R.M. procedures and organizational performance, it is theoretically possible for it to mediate these interactions.

Objective

1. To find the effective HRM practices for MSME sector success

Methodology

In this study 235 respondents were surveyed to find the effective HRM practices for MSME sector success. The study was conducted with the help of structured questionnaire. Also, researcher used a convenient sampling method for collecting the primary data. The data was analyzed and evaluated by mean and t-test, after the completion of the fieldwork.

Findings

Table below is sharing respondent's general details in which it is found that in total 235 respondents, males are 52.3% and females are 47.7%. 27.2% are in the age group of 25 – 30 years, another 29.8% are between 30 – 34 years of age, 23.5 % are in the age group of 35 – 40 years and remaining 19.5% are above 40 years of age group. 23.4% of the respondents are graduate, 56.1% are post graduate and remaining 20.5% are doctorate. Talking about their designation, 27.7% were Sr. Managers, 46.0% were managers and rest 26.3% were CEOs.

Table 1 General Details

Variables	Respondents	Percentage
Gender		

Male	148	62.9
Female	87	47.1
Total	235	100
Age (years)		
25 – 30	64	27.2
30 – 34	70	29.8
35 – 40	55	23.5
Above 40	46	19.5
Total	235	100
Education		
Graduate	55	23.4
Post Graduate	132	56.1
Doctorate	48	20.5
Total	235	100
Designation		
Sr. Manager	65	27.7
Manager	108	46.0
CEO	62	26.3
Total	235	100

Table 2 Effective HRM Practices for MSME Sector Success

S. No.	Statements	Mean Value	t value	Sig.
1.	Recognizing the appropriate resource for company, who may be not the best, but who suits the requirement of the assignment	4.18	15.188	0.000
2.	It follows employee efforts in the organization so as to decrease the employee resignation	3.96	12.435	0.000
3.	Makes it easy for retired employees to re-join the organization at a lower salary	3.25	3.290	0.001
4.	Offers career rise in the company and builds an environment of accepting different types of tasks	4.06	13.667	0.000
5.	Helps employees feel a member of the company by minimizing the hierarchy	3.87	11.402	0.000
6.	Facilitates work-life balance by designing practices like flexible working hours and work from home	3.81	10.437	0.000

7.	Improves the productivity of employees in long run	3.76	9.885	0.000
8.	Helps SMEs business in innovation and creativity	3.12	1.568	0.059

Table above is showing the effective HRM practices for MSME sector success. The respondent says that recognizing the appropriate resource for company, who may be not the best, but who suits the requirement of the assignment with mean value 4.18, offers career rise in the company and builds an environment of accepting different types of tasks with mean value 4.06 and it follows employee efforts in the organization so as to decrease the employee resignation with mean value 3.96. The respondent also believes that HRM helps employees feel a member of the company by minimizing the hierarchy with mean value 3.87, facilitates work-life balance by designing practices like flexible working hours and work from home with mean value 3.81 and improves the productivity of employees in long run with mean value 3.76. The respondent also says that, makes it easy for retired employees to re-join the organization at a lower salary with mean value 3.25 and helps SMEs business in innovation and creativity with mean 3.12. Further t-test shows that all the statements are significant (with the value below 0.05) except one statement which is helps SMEs business in innovation and creativity with a significance value above 0.05 i.e. 0.059.

CONCLUSION

According to research, one of the key factors influencing an organization's performance is likely to be the strategic use of human resource management (H.R.M.). The owner of the business, who serves as its focal point, must possess the energy, skills, resources, and commitment necessary for S.M.E.s to succeed. Due to the owners' frequent involvement in manual labor and responsibility for employment affairs, such as wage decision, personnel issues are frequently ignored and handled informally. It is commonly known how human resources can improve a company's efficacy and efficiency. Regardless of the size of the company, people are a strategically significant and necessary resource for attaining an organization's goal, according to the resource-based approach of management. Regarding MSME, which appears to be the most overlooked, there is a significant need for theoretical addition in this area. In this timeframe, extensive study is necessary to increase the knowledge base for formalization and implementation.

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