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## HUMAN RESOURCE MANAGEMENT PRACTICES AWARENESS IN SELECT SMES (SMALL MEDIUM ENTREPRENEUR)

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### ABSTRACT

*The twenty first century is characterised, inter alia, by unprecedented changes, challenges, and opportunities for growth. It has also brought with it ways and means to acquire the competencies to take advantage of the opportunities and to overcome the challenges effectively. The revolutions in transport and communication have been making the world not only smaller and smaller, but also flatter and flatter. The globe has become a tiny village of instant communication and abundant information. The ongoing mega process of globalization, characterised by liberalization, privatization, marketization, and Trans nationalization, has been initiating and accelerating the process of inexorable integration of markets, nation states, and technologies to a degree never witnessed before in the recorded history of mankind. Its impact has been so comprehensive that no part of life — socio-economic, politico-cultural, ecological and demographic - across countries and continents can afford to be free from its influence. Every country must endeavour consciously to take advantage of the opportunities engendered by the mega process, otherwise they will be endangered.*

### KEYWORDS

human resource management, small and medium enterprises.

### INTRODUCTION

Awareness is an essential pre-requisite for management - whether it is business management or management of agricultural operations, or marketing management. Of late, it has become an integral and indispensable part of management policies and practice. Its importance is more pronounced in people-centered HRM policies and practices. The importance of HRM has been recognized by large enterprises. Many of them are aware of the determining role that HRM practices play in augmenting the competitive advantage of the firms by augmenting the competencies and core competencies of their employees. They are also aware that HRM practices have bearing on organizational performance. They know that employees are not merely walking costs, more than that they are running values. Large enterprises are also aware that HRM is of strategic importance and HR managers ought to be involved in strategic planning and decision making. But many of them may not be translating their awareness into action. And those who convert their awareness into action, may be doing so in respect some of the practices of HRM.

### A BRIEF NOTE ON HRM

People have always been central to organizations, but today they have taken on even more central role in building a firm's competitive advantage. An organization's success has come to depend more on human capital which includes knowledge, skills and attitudes imbedded in an organization's members (Prahlad and Hamel, 1990) Watson (1963), the founder of IBM says, "You can get capital and erect buildings, but it takes people to build a business". HR expenditures which were earlier regarded as cost items, are now viewed as a strategic investment rather than simply a cost to be minimized. When employees' knowledge, skills, and attitudes (KSAs) are valuable, and difficult to imitate, and organised, a firm can achieve a sustained competitive advantage through people. Even though some sort of people- management has been there in SMEs, HRM in the modern sense as a decisive variable in augmenting competitive advantage, entrepreneurial and firm performance is of recent origin. In his research on SMEs in Denmark, Torben Anderson (2003) says that the increasing attention on HRM in SMEs is a comparatively recent phenomenon. While "competing through people" may be the theme for HRM, the idea remains only a framework for action. Bohlander, et.al (2001) observe that on a day- to-day basis, managers, ought to focus on specific challenges and issues that pertain to human resources. They have summarised the overall framework for HRM in fig 1

**FIGURE 1: OVERALL FRAMEWORK FOR HUMAN RESOURCE MANAGEMENT**

Competitive Challenges	Human Resources	Employee Concerns
Globalization	Planning	Background diversity
Technology	Recruitment	Age distribution
Managing Change	Staffing	Gender Issues
Human Capital	Job Design	Educational levels
Responsiveness	Training/Development	Employee rights
Cost Containment	Appraisal	Privacy issues
	Communication	Work attitudes
	Compensation	Family concerns
	Benefits	
	Labour Relation	

Source: Bohlander et.al. (2001) Managing Human Resources, p6.

HRM, to be successful, need strike a balance between the emerging "competitive challenges" and "employee concerns". It is here that HRM plays an important role in getting the most from employees and providing a work environment that meets their short-term and long term needs.

### STATEMENT OF THE PROBLEM

Some theoretical and empirical inquiries have gone into the critical role of HRM in ensuring competitive advantage and business success of firms through the competencies and core competencies of their employees. Among other things, they have provided evidence in support of the assertion that there exists a direct relationship between HRM (Human Resource Management) and organizational performance and business success. It is found that HRM practices such as human



resource planning, recruitment, selection, training and development, performance appraisal, compensation, incentives and benefits and the like, have profound influence on the KSAs (knowledge, skill & attitudes) of employees. In countries like America, it is said that many companies have not only passed through the first phase of reengineering of HRM practices with reference to the "task-centered" organizations during the 20<sup>th</sup> century, but, right now - in the first decade of the 21<sup>st</sup> century - they have been making conscious efforts to make a paradigm shift from task-centered" FIRM practices to "process-centred" HRM practices. This is what Michael Hammer (1996) says in his famous book "Beyond Reengineering"

In this background, an attempt is made in this section to problematise the research topic will be chosen "HRM practices in SMEs: A study of select SMEs in Gulbarga District," by raising some relevant questions of the diverse dimensions of the topic. The questions are raised in the dismal background of the virtual absence of the theoretical and empirical research on SMEs' HRM practices in general, and that on the SMEs considered in the present inquiry, in particular.

## REVIEW OF LITERATURE

From the classical economics to the post-Keynesian analysts, today's thinkers the topic of the entrepreneur has been surveyed. Observations, theories and pronouncements have advanced. Not only were pure economists involved in this endeavor, but also prominent social such as Marx, Weber, Sombrod and Veblen. In general, contemporary economists agree that the entrepreneur is a business leader and that his role in fostering economic growth and development is a pivotal one.

Peter Drucker defines an entrepreneur as one who always search for change, responds to it, and exploits it as an opportunity. He observed that "Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation. And they need to know and to apply the principles of successful innovations".

Chu and Siu (2001), a further study on the effects of the Asian Financial Crisis on human resource practices in the area was conducted, whose paper examined the processes of the 'rightsizing' strategies of Chinese-owned small and medium-sized firms in Hong Kong. The research results suggest that SMEs in Hong Kong follow different human resources practices at different stages, and also suggested a tentative model for the 'rightsizing' strategies of human resource departments in Chinese state owned small and medium-sized firms in Hong Kong.

## OBJECTIVES OF THE STUDY

To study the awareness level own managers of the SMEs about the various concepts of HRM and HRM practices.

1. The SMEs under study are aware of the various notions of HRM and HCM (Human Capital Management) and their inter-relationships and their bearing on firm performance.
2. To study the awareness level own managers of the SMEs about the various concepts of HRM and HRM practices.

## RESEARCH METHODOLOGY

The present inquiry will have to be partly theoretical and partly empirical of course, the latter is given higher accent since the focus of the study is on the HRM-awareness and HRM practices of the 27 selected SMEs in Gulbarga district. As pointed out in section 1.3, there is acute paucity of research on HRM in respect of SMEs. And no research inquiry has gone into this specific aspect in Gulbarga district. Also there is no simple theory of HRM, which can explain the importance and impact of HR functions and HRM practices on the performance of SMEs. And because of this reason, HRM theory is also given adequate importance. The empirical findings of the study are discussed with reference to the related aspects of HRM theory. With a view to achieving the objectives will have been set for the study, the researcher has used three research will have namely, theoretical, empirical participatory research in which the researcher and the researched keep themselves in touch with each other as often as possible from the beginning to end, and the research outcome would be of immense use to the researched SMEs in effecting policy correction and also in taking remedial action, if necessary. All these factors have influenced the methodology to be adopted. The thesis also carries chapter-specific methodology, wherever necessary.

The work is based on both secondary and primary sources of information and data. Before starting the exercise of information and data gathering, the researcher will be attempted a relatively comprehensive survey of the theoretical and empirical works under the guidance of his research supervisor.

TABLE A: CLASSIFICATION OF SELECTED SMES BY EMPLOYMENT

Sl. No.	Number of Employees	Number of SMEs
1	Up to 50	09
2	51 to 100	10
3	101 to 150	03
4	151 to 200	01
5	201 to 250	02
6	251 to 300	--
7	301 to 400	01
8	401 to 500	01
	<b>Total</b>	<b>27</b>

Source: field study

In order to lend authenticity to the work, the data are gathered from both secondary and primary sources. Secondary sources include: the periodical and special publications of the Directorate of Economics and Statistics, and the Directorate of Commerce and Industries, Government of Karnataka; the District statistical office; Zilla Panchayathi, Gulbarga District Industries Centre, Gulbarga Industrial Potential Reports of all the 10 taluks prepared jointly by the Taluk Industries Centres and the Centre for Entrepreneurship Development of Karnataka (CEDOK) Gulbarga the perspective plan 2006-2011 of Gulbarga District and Census Reports. Apart from these sources, information and data will be collect from Karnataka Human Development Reports (KHDRS).

Data will also gathered from the print media – periodicals, journals and dailies like the Hindu and Economic Times. Above all, the firm – specific secondary data are gathered personally from the annual reports and other office records of all the 27 SMEs.

The primary sources of the study are gathered from persons – management and employees of each of the 27 SMEs separately. The researcher will make use of the interview method based on the questionnaire, and observation method. She will interview the heads of all the respondent SMEs and their employees. She has recorded her observations on HRM-related matters during her visits.

The awareness about the notion of HRM is necessary for any firm that thinks of using HR practices to increase employers' and employees' competencies, its competitive advantage, business success etc. This does not mean that awareness, enables firms to use HR practices to achieve organizational objectives / goals. However, it does mean that it has the potential to do so.

Among the 27 sample firms, 13 have expressed their awareness, and the remaining 14 have expressed their ignorance about HRM. Of the 13 firms that have shown their awareness, 5 belong to IS (Oil industries) category, 5 to AB (Agro based) category, 2 to GN (Granite, slab cutting & polishing) category, and 1 to RGN (Ready-made garments) category. And of the 14 that have shown their ignorance, 10 firms belong to IS category, 3 to AB category, and one to RGN category.

On the basis of the above data, one should not jump to the conclusion that firms which have awareness do use HR practices consciously to achieve organizational objectives/goals is. Awareness is necessary, but not sufficient for implementing HR practices. Some other factors such as the size of a firm's operation. Willingness of the top management, cost and revenue implications of HRM, etc., do influence the decisions to use HRM practices. During the course of her personal interaction, the researcher discovered that none of the sample SMEs - aware and not aware-has done any exercise in this regard.

**DATA ANALYSIS**

That being the case, mere awareness of the notions of the HRM would be of not much use. The researcher undertook this exercise, among other things. With a view to sensitizing and conscientising the select SMEs about HRM notions and practices during the course of gathering the data through dialogue-centered interaction.

From the question-based and category-based analyses of the respondents' responses, it has become abundantly clear that the select SMEs lack knowledge about HRM notions and practices. Somehow they have been managing "people" to their advantage, but not scientifically. This is evident from the fact that most of their HR structures and HR-practices are informal, non-formal and adhoc. Presently, owing to the non-use of apt HRM practices, without their knowledge, they might have been losing a lot. HRM, if understood rightly and practiced properly would definitely contribute to the competency-based competitive advantage and business success.

**TABLE 1: HR AWARENESS OF INDIVIDUAL SMEs BY CATEGORIES**

Q. No.	Variable/Questions	Respondents Responses							
		IS category		AB category		GN category		RGN category	
2	3	4		5		6		7	
		Yes	No	Yes	No	Yes	No	Yes	No
(1)	Do you have a separate HR Department?	03	13	1	07	--	02	--	02
(2)	Are you aware of HRM?	05	10	05	03	02	--	01	02
(3)	All the Firms, irrespective their size, use both human capital and built capital. Do you consider human capital more important than built capital?	02	13	02	06	02	--	01	02
(4)	Do you know that HRM plays a determining role in enhancing/promoting firm's competitive advantage, and through it, its performance?	03	13	02	06	02	--	1	2
(5)	Do you know that HCM and HRM practices enhance entrepreneurial performance?	02	13	02	06	01	02	01	02
(6)	Do you know the difference between HCM and HRM?	02	14	02	06	01	02	01	02
(7)	Do you know the difference between traditional HRM and Strategic HRM?	02	13	1 & 3	06	01	02	01	02
(8)	Do you know the difference between non-strategic HCM and Strategic HCM?	02	13	1 & 3	06	01	02	01	02
(9)	Are you aware of the relationship between strategic planning and Human resource planning?	02	13	1 & 3	06	01	02	01	02
(10)	Do you know that HR Problems and practices vary according to the various phases in the life cycle of an organisation?	02	13	1 & 3	06	01	02	01	02
(11)	Are you aware that the human capital of the employees has positive effect on business success?	1 & 3	13	1 & 3	06	01	02	01	02
(12)	Are you aware that the human capital of the employees has positive effect on business success?	1 & 3	13	1 & 3	06	01	02	01	02

Note: 1) The answers to question No. 1 (a) are presented in Tables

**TABLE 2: HR AWARENESS OF INDIVIDUAL SMEs BY CATEGORIES TOTAL CATEGORY WISE RESPONDENTS RESPONSES**

Question No.	IS		AB		GN		RGN		Total	
	8		9		10		11		12	
	Y	N	Y	N	Y	N	Y	N	Y	N
1)	3	12	1	7	--	2	--	2	4	23
2)	5	10	5	3	2	--	1	1	13	14
3)	2	13	2	6	2	--	1	1	7	20
4)	2	13	2	6	2	--	1	1	7	20
5)	2	13	2	6	1	1	1	1	6	21
6)	2	13	2	6	1	1	1	1	6	21
7)	2	13	2	6	1	1	1	1	6	21
8)	2	13	2	6	1	1	1	1	6	21
9)	2	13	2	6	1	1	1	1	6	21
10)	2	13	2	6	1	1	1	1	6	21
11)	2	13	2	6	1	1	1	1	6	21
12)	2	13	2	6	1	1	1	1	6	21

Note: 1) The answers to question No. 1 (a) are presented in Table 3 and answers to question no. 1 (b) are presented in table 4

TABLE 3: PARTICULARS OF PERSON'S IN-CHARGE OF HR MATTERS BY THEIR OFFICIAL POSITION CATEGORY-WISE RESPONDENTS RESPONSES

Sl. No.	Persons in-charge of HR Matters	IS code Numbers	Total Nos.	AB Code Numbers	Total Nos	GN Code Numbers	Total Nos	RGN Code Numbers	Total Nos	Grand Total
1	2	3	4	5	6	7	8	9	10	11
1	Owner/Managing Director	IS-01,05, 08,10,13, 14 & 15	8	AB-02,03, 04,06& 07	5	GN-02	1	RGN-01 & RGN-02	2	16
2	Accounts Manager	IS-02 & IS-06	2	--	--	--	--	--	--	2
3	Senior Account	IS-09 & IS-12	2	AB-08	1	--	--	--	--	3
4	Technical Manager	IS-11	1	--	--	--	--	--	--	1
5	Secretary	--	--	AB-05	1	--	--	--	--	1
6	HR-Manager	--	--	AB-01	1	--	--	--	--	1
7	Manager (Administration)	IS-03 & IS-04	2	--	--	GN-01	1	--	--	3
	<b>Total :</b>		<b>15</b>		<b>8</b>				<b>2</b>	<b>27</b>

TABLE 4: PARTICULARS OF PERSON'S IN-CHARGE OF HR MATTERS BY THEIR OFFICIAL POSITION CATEGORY-WISE RESPONDENTS RESPONSES

Sl. No.	Persons in-charge of HR Matters	IS code Numbers	Total Nos.	AB Code Numbers	Total Nos	GN Code Numbers	Total Nos	RGN Code Numbers	Total Nos	Grand Total
1	2	3	4	5	6	7	8	9	10	11
1	Up to 12 <sup>th</sup> Standard	IS-05, IS-08, IS-10,IS-13, IS-14 & IS-15	6	AB-04, AB-07, & AB-08	3	--	1	RGN-02	1	10
2	Graduates (General)	IS-02, IS-04, IS-06, IS-07, IS-09 & IS-12	6	AB-02, AB-03, AB-05, & AB-06	4	--	--	RGN-01	1	11
3	Graduates (Technical)/Graduates (Professional)	IS-01 & IS-11	2	--	--	GN-01	1	--	--	3
4	Post-Graduates (Management)	IS-03	1	AB-01	1	GM-02	1	--	--	3
	<b>Total :</b>		<b>15</b>		<b>8</b>		<b>2</b>		<b>2</b>	<b>27</b>

## SUGGESTIONS

These recommendations of the researcher are based on the qualitative gap between the written responses and the oral responses of the owners! NIDs of the select SMEs. Some of them have shown their awareness about the various concepts of HRM, their inter-relationships, and about their impact on employees' competencies, firms' competitive advantage and performance by recording their mono-syllabic answer "yes" in writing. Many could not do even that.

But, even those who showed their awareness in that way, did not have the right understanding of what they expressed in writing. This was discovered by the researcher during her personal (oral) interactions with the owners individually. Their notions were very vague and were not fit for operational use. But given the current competency-based competition, knowledge of the basics of HRM, and skills to transform such knowledge into appropriate HRM interventions are necessary for SMEs to survive and prosper.

In this background, the researcher recommends that the owners / MDs/ top management of the select SMEs should be trained in the science and art of HRM notions and practices in a very simple way, keeping in view their levels of understanding and context-specific practical needs. With such training, in course of time, they would be able to organize training and development programmes for their employees.

The training programme ought to be conceived, planned, and executed under the joint auspices of the DIC, TICS, the Gulbarga District Association of SMEs, and the locally available HRM experts, academics and researchers. In this matter, the DIC and the Association should take the lead. The HRM experts, academics and researchers ought to be involved actively in preparing the training modules and in designing the teaching and training methodologies.

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