A STUDY ON HUMAN RESOURCE MANAGEMENT PRACTICES IN SMEs

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HRM in SMEs- Introduction

Increasingly, SMEs are seen to have an important role in our economy, indeed it would seem that both national and local economies are largely constituted of smaller enterprises, with the addition of a minority of larger enterprises. Given this significance, the SME potentially provides a rich source of material for management researchers on a range of current themes. However, Hendry et al. (1995) suggest that much management theory continues to emphasize large firms even though their economic significance has declined in recent years. Indeed they suggest that there are two common inferences within the management literature that operate to the determinant of SME research. One is that SMEs are less important than large firms, and the second that SMEs should learn from large firms.

Chandler and McEvoy, 2000 suggest that although published research indicates that effective management of HR is one of the most important problems faced by SMEs, there is an acute shortage of research identifying the practices in use in small firms.

Need for the Study

After globalization, all industries are realizing the importance of human management practices at their units. The cost of acquiring new employees in work is mounting up than the cost of retaining existing employees. The employees are having wider knowledge and scope to get employment as they interested. The announcement of freebies by the Government of India and Tamilnadu increase the reluctance to engage in employment among the employees. With these pressures, the SMEs are struggling to survive in the globalised market. In order to survive in the market, they have to enrich labour productivity, adopt cost cutting strategies and quality assurance strategies at their SMEs. For that implementation, there should be a proper HRM management in SMEs.

The HR mantra of any industry are: 1) an employee should feel happy to come to work; ii) an employee should be happy and productive while at work; iii) at the end of the day, the employee should return home in a relaxed frame of mind and spread happiness; and iv) to improve is to change, to become more effective, change has to happen often. The human resource strategies of the SMEs are based on the concept that the employees

should feel cared for. They believe that employees' empowerment is the key word in industry. It is imperative to analyse what the employees feel about the HRM practices in order to formulate employee friendly HRM practices at SMEs.

Related Review of Previous Studies

Richhell et al., (2010) identified the skill shortages and rare training programmes at SMEs in Hungary. The owners of SMEs are reluctant to discuss their future plans with their employees. The owners are also reluctant to seek advice from those outside the firm.

Tsai et al., (2007) suggested that the 'bleak house' scenario has been over emphasized and close working relationships. . . produce mutual respect and even loyalty. It can be argued that this suggested polarization of the SMEs employment relationships is unhelpful.

Kieser and Ebers (2006) observed that the size of the organisation is a critical influencing factor on its internal structure. Motivating, communicating, provision of training and the development of skills present very different problems for the micro firm of two or three employees as compared with the medium sized firm with perhaps 200 employees.

Arif (2010) indicated a moderate rating for most of the HRM systems in the entire organisation including those with ISO certifications. However, ISO certified companies were perceived to be doing better on managing career system, conducting contextual analysis for goal setting and quality orientation.

Hughes and Bozionelos (2007) mentioned that work life balance policies in SMEs are clear to retain skilled workers, reduces costs through better productivity and efficiency and increase profitability.

Harrington and Ladge (2009) pointed out that in small firms there is a lack of formalization of practices and managers' individuality to establish working conditions with their employees.

Tahir et al., (2010) concluded that all HRM variables namely selection, training, performance appraisal system, compensation system and employees participation have a positive relation and impact on financial performance of banks but the major contributory practices are selection, training, compensation and employee participation.

Objectives of the Study
1. To reveal the background of the employees in the selected SMEs;
2. To examine the rate of implementation of HRM practices at the SMEs;

Research Design

A research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It is a framework or blue print that plans

the action for the research project. The present study has made an attempt to describe the background of the employees, their view on the implementation of human resource management practices it is descriptive in nature. Apart from this, the present study has its own objectives and structured methodology to fulfill it and hence it is descriptive in nature.

Collection of Data

Both primary and secondary data were used in the present study. The secondary data were collected from records of District Industrial Centre, Madurai and the primary data were collected with the help of structured questionnaire.

Sampling Procedure

From among the list of SMEs registered and located in Madurai, 120 sample units are selected at random using lottery method giving equal weightage to Small and Medium Enterprises.

Construct Development

The present study is mainly based on the primary data collected from the sampled employees of SMEs. The questionnaire was designed with the help of the employees and owners of the SMEs at Madurai and also with the help of review of previous studies. The questionnaire was divided into two important parts. The first part of the questionnaire includes the profile of the employees whereas the second part of the questionnaire focuses on the implementation of HRM practices at their SMEs. The variables related to the above said aspects are drawn from review of previous studies.

A pre-test was conducted among 15 SMEs at Madurai town. Based on their feedback, certain modifications, additions and deletions were carried out. A final draft was prepared to collect the primary data.

Findings

The collected data were analysed with two broad categories viz., Small Enterprises(SEs) and Medium Enterprises(MEs).

The employees working in SMEs are classified into workers, supervisors and managers. The important designation among the sampled employees is supervisors. The important age group among the employees is middle aged which is commonly seen in SEs and MEs.

The marital status among the employees in SEs and MEs is married. The important nativity among the employees in SEs and MEs are rural and urban respectively. The important social class among the employees is backward/most backward class which is followed by the scheduled caste/tribe which is commonly seen in the case of SEs and MEs.

The important education level among the employees is under graduation. The level of education among the employees in MEs is higher than the level of education among the employees in SEs.

The dominant type of family among the two groups of employees is nuclear family system. The most important family size among the employees in SEs and MEs are at the medium level. The important years of experience among the employees are at moderate level (10 to 20 years) which is followed by highly experienced (above 20 years). The level of experience among the employees in SEs is higher than that of among the employees in MEs.

The important monthly income among the employees is less than Rs.20,000. The most important monthly income per month among the employees in SEs and MEs are less than Rs.20000 and Rs.20000 to 30000. The level of monthly income is higher among the employees in MEs than the monthly income of the employees in SEs.

The implementation of HRM practices at SMEs have been evaluated by the implementation of induction, communication, retention, human resource planning, recruitment and selection, training and development, motivational, career development, compensation management, labour welfare, supervisory support, employer- employee relation, performance appraisal and human resource development practices at SMEs.

The highly implemented HRM practices at SEs are recruitment and selection; and motivational practices whereas at the MEs, these two are career development practices and training and development practices. The significant difference among the SEs and MEs have been noticed in the implementation of induction, communication, retention, training and development, career development, labour welfare, supervisory support, employer-employee, performance appraisal and human resource development practices.

Discussions
Implementation of various HRM Practices in the SMEs
The rate of implementation of HRM practices at the SMEs has been measured by the mean score of the variables in each HRM practices. The mean of score of each HRM practices among the SEs and MEs have been computed separately. The 't' test been executed to find out the significant difference among the SEs and MEs regarding the implementation of HRM practices. The results are given in

Table 1 Implementation of various HRM Practices at SMEs

Sl. No.	HRM practices	Mean scores in		't' statistics
		SEs	MEs	
1.	Induction practices	2.7782	3.2771	-2.0453*
2.	Communication practices	2.6914	3.2279	-2.3668*
3.	Retention practices	2.7284	3.2136	-2.2517*
4.	Human resource planning practices	2.9022	3.2486	-1.7034
5.	Recruitment and selection practices	3.1002	3.5188	-2.0142*
6.	Training and development practices	2.8822	3.5472	-3.0886*
7.	Motivational practices	2.9821	3.2877	-1.8541
8.	Career development practices	3.0386	3.5787	-2.6074*
9.	Compensation management practices	2.5584	3.0311	-2.3089*
10.	Labor welfare practices	2.6448	3.1741	-2.5261*
11.	Supervisory support practices	2.6308	3.0481	-2.1144*
12.	Employer employee relationship practices	2.6332	3.0643	-2.3086*
13.	Performance appraisal practices	2.6285	3.2078	-2.7676*
14.	Human resource development practices	2.7154	3.2605	-2.3089*

*Significant at five per cent level.

The highly implemented HRM practices at SEs are recruitment and selection practices and motivational practices since their mean scores are 3.1002 and 3.0386 respectively. In the MEs, these are career development practices and training and development practices since their mean scores are 3.5789 and 3.5472 respectively. Regarding the implementation of HRM practices, the significant difference among the SEs and MEs have been noticed in the case of all HRM practices except the 'human resources are planning practices' and 'motivational practices' since their respective't' statistics are not significant at five per cent level.

Level of Implementation of HRM Practices (HRMP) at the SMEs

The level of implementation of HRMP at the SMEs is computed by the mean score of fourteen variables in HRMP at SMEs' employees. In the present study, the HRMP is confined to less than 2.00; 2.00 to 3.00; 3.01 to 4.00 and above 4.00. The distribution of employees on the basis of HRMP is given in Table 2

Table 2 Level of Implementation of Human Resource Management Practices at SMEs

Sl.No.	HRMP	Number of SMEs in		Total
		SEs	MEs	
1.	Less than 2.00	89	46	135
2.	2.00–3.00	112	70	182
3.	3.01–4.00	89	91	180
4.	Above 4.00	27	42	69
	Total	317	249	566

The important HRMP at SMEs among the employees in the present study is 3.01 to 4.00 and 2.00 to 3.00 which constitutes 31.80 and 32.16 per cent to its total respectively. The important HRMP at SEs is less than 2.00 and 2.00 to 3.00 which constitutes 28.08 and 35.33 per cent to its total respectively. In the MEs, these two are 3.01 to 4.00 and 2.00 to 3.00 which constitutes 36.55 and 28.11 per cent to its total. The analysis reveals that the level of implementation of HRMP is higher at MEs than the level of implementation of HRMP at SEs.

Concluding Remarks

The present study concludes that the rate of existence and implementation of HRM system and practices in the medium enterprises are higher than the small enterprises which is varying from moderate to high among their employees.

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