EXPLORING HUMAN RESOURCE MANAGEMENT PRACTICES IN SMALL AND MEDIUM SIZED ENTERPRISES WITH SPECIAL REFERENCE TO BANGALORE AND MYSORE REGION

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ABSTRACT

Human resource is required for an organization to conduct different business activities. Without the support of human resource the organization cannot exist or operate effectively. Human resource includes managers, supervisors and other sub-ordinate or employees. An organization has to forecast its manpower needs and adjust its manpower planning and development programs.

Human resource is most important resource in management and needs to be used efficiently. It is necessary for success of an enterprise. Human resource is a highly productive corporate asset and the overall performance of companies and corporations depends upon the extent to which it is effectively developed and utilized. It is the most delicate factor of production and need not be treated merely as a commodity to be bought and used in factories. The importance of manpower in business management is now universally accepted [1].

Success of any organization depends on the effective use of human resources. This is true in the case of SMEs where the owners/managers have a close and more personal association with their employees. Human resource management (HRM) includes different practices such as Recruitment and Selection, Training and Development, Compensation and Rewards, Performance Appraisal and Welfare Measures. If good Human resource practices are
followed, an organization can avoid Recruiting wrong employee, employee turnover, finding employees with poor performance. Human resources (HR) are important of all economic activities. In order to be successful in market it is to equip and implement change in their existing human resource management practices.

2. SMALL & MEDIUM Sized ENTERPRISES (SMEs)

The small and medium sector has emerged as a dynamic and vibrant sector of the Indian economy. It has contributed significantly to the realisation of the socio-economic objectives of growth in employment and exports, support entrepreneurship and ensure industrial dispersal. It is a well-recognized fact that a small-scale sector holds the key to economic prosperity in an economy like India, characterized by abundant labour supply, unemployment and underemployment, capital scarcity, growing modern large industrial sector providing scope for ancilliatisation and so on. The sector has grown during the past five decades besides playing a vital role in fulfilling India’s socio-economic objectives. The SMEs accounts for about 35 percent of the country’s industrial production, 40 percent of exports and 60 percent of employment opportunities. Various policy initiatives undertaken by the government, whether by way of incentives or protection, have helped the sector in acquiring the status of a major contributor in the growth process. Liberalization and economic reforms have thrown up new challenges for the SMEs. In the changing scenario, building competitive strengths, introducing technology upgrading and quality improvement are vital issues which need to be addressed in order to build the capability to withstand emerging pressures and ensure sustained growth. The Government is conscious of the role and importance of Small and medium Scale Industries in strengthening our economic performance and is therefore committed to putting in place a policy framework that would address the problems of this sector and help it become internationally competitive[2].

3. LITERATURE REVIEW

Ramsey, Scholarios, and Harley [3] elucidate the link between HR and productivity. According to them performance is improved by adopting HR practices. According to Julien [4] HRM practices exist but they are not formalized and are diverse in nature. Chandler & McEvoy [5] opines that firms that invest in employee training, engage in formal performance appraisal and link these to incentive compensation are likely to have lower employee turnover, higher productivity and enhanced performance.

According to Klaas, McClendon & Gainey [6] formalized HRM practices require considerable development costs and due to the tight supply of financial resources SMEs fear this as cost disadvantage. Thus, vision and knowledge of the owner/manager and limited time and resources play a role in keeping SMEs informal.

Noe, Hollenbeck, Gerhart and Wright [7] argues that human resource practices shapes the behaviour, attitudes and performance of the employees, So HR practices are considered as important tools for organizational performance.

Drummond [8] explored that training helps an individual to perform better in a given task and subsequently contributes to the firm performance and recommends the authorities to focus on training to improve performance.

Eresi [9] said that SME units are hardly putting in place human resources management policy and wages determination and promotional decisions are confusing and arbitrary.

De Kok & Uhlmaner [10] explored that SMEs generally have less formal HRM practices, but a substantial amount of unexplained variation still remains across small firms. It is recognized increasingly that SMEs are heterogeneous, complex and influenced by a range of factors and encompass firms of various sizes with varying degrees of complexity in management. So far, scholars who mostly studied the formality of the prevailing HRM and practices in SMEs could not simplify this complexity.

Armstrong[11] explored that incentives are given, to motivate people and to be more productive to achieve high level of firm performance.

Barrett and O’Connell[12] identified that general training has positive impact on firm performance whereas firm-specific training does not.

Mullins [13] suggested that comprehensive performance appraisal system forms the basic yardstick for assessing an individual’s performance, highlight potential for future career advancement and helps to improve the performance.

Deshpande S.P. and Golhar D.Y.[14] explored that career development, participative management and so on are absent in SMEs.

According to Jyothi [15] in small firms recruitment is done through their own network of friends and relatives. Most of the small firm’s do not spend on training and development. HR policy is absent and performance of employees is not linked with rewards.

Ian, Jim and Will [16] described that in order to achieve higher productivity incentives should be incorporated to organization strategies.
3.1 Summary of literature

In SMEs recruitment is done through own network of friends and relatives and is informal. HR practices exist but are not formal and become formal as the size of the firm increases. Training helps in improving the skills and improves the performance of the firm. Performance appraisal helps in improving the individual’s performance. In order to achieve higher productivity, incentives should be incorporated to organization strategies. A human resource practice shapes the behavior, attitudes and performance of the employees, So HR practices are considered as important tools for organizational performance.

4. RESULTS & DISCUSSION

A pilot study is conducted to identify problems in the questionnaire [17] and helps in reviewing the factors considered in questionnaire. Ambiguous questions could lead to some misinterpretation by the respondents. Therefore, by using a pilot study, the researcher can determine the adequacy of instructions for respondents completing the questionnaire [18]. Forty copies of the questionnaire were administered to the owners/managers of small and medium scale manufacturing enterprises in Bangalore and Mysore region of Karnataka. A reliability test was conducted to test the validity and reliability of the variables. From 40 questionnaires distributed, 25 were collected, thus the response rate was 63 per cent.

4.1 Reliability Testing

To measure the reliability of the questionnaire used, Cronbach’s alpha is employed. Cronbach’s alpha scores of all variables with complete response of 25 SMEs are given below in table 4.1

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Number of factors</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment and selection</td>
<td>21</td>
<td>0.718</td>
</tr>
<tr>
<td>Training and development</td>
<td>21</td>
<td>0.838</td>
</tr>
<tr>
<td>Performance appraisal</td>
<td>24</td>
<td>0.862</td>
</tr>
<tr>
<td>Welfare measures</td>
<td>11</td>
<td>0.766</td>
</tr>
<tr>
<td>Compensation and Rewards</td>
<td>14</td>
<td>0.868</td>
</tr>
<tr>
<td>Firms performance</td>
<td>4</td>
<td>0.931</td>
</tr>
</tbody>
</table>

A commonly accepted rule of thumb for describing internal consistency using Cronbach's alpha,[19][20] is as shown in Table 4.2

<table>
<thead>
<tr>
<th>Cronbach’s alpha</th>
<th>Internal consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>α ≥ 0.9</td>
<td>Excellent</td>
</tr>
<tr>
<td>0.7 ≤ α &lt; 0.9</td>
<td>Good</td>
</tr>
<tr>
<td>0.6 ≤ α &lt; 0.7</td>
<td>Acceptable</td>
</tr>
<tr>
<td>0.5 ≤ α &lt; 0.6</td>
<td>Poor</td>
</tr>
<tr>
<td>α &lt; 0.5</td>
<td>Unacceptable</td>
</tr>
</tbody>
</table>

The internal consistency reliability coefficients (Cronbach’s alpha) in this study are well above the level of 0.7, thus are acceptable for the analysis purpose.

5. CONCLUSION

Human resource is required for an organization to conduct different business activities. Without the support of human resource the organization cannot exist or operate effectively. Success of any organization depends on the effective use of human resources. The small and medium sector has emerged as a dynamic and vibrant sector of the Indian economy. HR practices exist but are not formal and become formal as the size of the firm increases. A pilot study is conducted to identify problems in the questionnaire and helps to determine the adequacy of instructions for respondents completing the questionnaire. The internal consistency reliability coefficients (Cronbach’s alpha) in this study are well above the level of 0.7, thus are acceptable for the analysis purpose.
6. REFERENCES


