

An Integration of HRM Systems in Small and Medium-sized Enterprises

Dr Meghna Aggarwal

Assistant Professor, ASSM College (A university College of GNDU, Amritsar), Mukandpur, Dist SBS Nagar

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ABSTRACT

There is a widely accepted opinion that human resource management is not necessary for small and medium-sized enterprises (SMEs), and is not cost effective for small organizations. Consequently, the owners of SMEs often ignored human resource management issues, such as professional and objective selection, employee training and development, performance appraisal, and so on. Such an approach to employees is wrong, because increased competition imposes on small, as well as on large organizations, the need for better understanding and managing of all available resources. In the present study, relative contribution of each variable in total discriminant score is estimated with the help of the product of discriminant coefficient and the respective mean difference of the variables. The higher discriminant coefficient is noticed in the case of the management support. It shows the higher influence of management system in the discriminant function.

1. Introduction

HRM in small and medium-sized enterprises has gained importance only in recent decades. Human resource management as a business function in the organization derives and combines the tasks and activities related to the employees. Mazzarol, T. (2003) defines human resource management as the "process of attracting, developing, and maintaining a talented and energetic workforce to support organizational mission, objectives, and strategies" (p. 240). But this definition only partly reflects the core of HRM in an organization. It is a much more comprehensive definition which says that human resource management as a new concept encompasses "the policies, practices, and systems that influence employees' behaviour, attitudes, and performance" (Noe et al., 2010, p. 2). According to these authors, some of the most important HRM practices that support the organization's business strategy are: human resource planning, recruiting and selection of employees, training and development, performance management and compensation management.

According to Harrison (1997), most of the literature and general knowledge of human resource management in SMEs ensues from the study of these activities in large companies. However, as Curran and Blackburn (2001) emphasize small business context is a challenging research area because small does not mean simple and small business is not just a scaled down version of a larger one. Furthermore, SMEs have a different structure, available resources and management of activities and processes, and it is not uncommon that even philosophy of the existence of small business is significantly different compared to a large one. Accordingly, it is important to highlight that "all human resource management activities in a small business require different forms of acting compared to large corporations" (Reid, R.S., & Harris, 2002).

The general statement that human resources are the only renewable resource that can provide multiple creation of value-added by combination of other resources is relevant for large organizations as well as for the small ones. In addition, growing competition, which particularly affects SMEs, imposes the need for better understanding and controlling of all factors of production, including human resources. Finally, an additional reason for considering the optimal way of managing human

resource in small and medium-sized enterprises is the positive impact of these activities on business performance

The capabilities to manage human resources in small and medium-sized enterprises are significantly different in terms of the features of large companies. The specificity of HRM practices in small and medium-sized enterprises lies in this observation. Empirical studies that were carried out in the late eighties and nineties of the twentieth century showed that small organizations perform activities of human resource management in an informal and flexible manner compared to the large organizations (Barron, Black, & Loewenstein, 1987)

2. Research Methodology

The scope of the study was restricted to the states of Punjab and Haryana. The study was based on primary data. The data was collected from 381 small and medium scale enterprises through the convenient sampling method. For obtaining the responses, a five point Likert scale has been used. In the present study, descriptive statistics was applied with the help of SPSS.

3. Objectives of the Study

1. To study the existence of systems at selected SMEs;
2. To examine the relative contribution of systems in total discriminant Score at the SMEs;

4. Analysis of Data

Nature of enterprise denotes the category under which the selected unit of business falls into two categories namely small and medium scale enterprises. Table 1 shows that among the companies selected for this study, 52 per cent belongs to the small scale category and 48 per cent are in the medium scale category. That means the number of small and medium scale companies selected in this study are moderate.

Table 1: Nature of Enterprises

Sl. No.	Nature of Enterprises	Number	Percent
1.	Small	198	51.97
2.	Medium	183	48.03
	Total	381	100.00

Nature of Existence of Participative Management in the Units

Since the existence of participative management in the units may have its own influence on the level of implementation of HRM practices and its impact in the units, it is included in the present study. The nature of existence of participative management in the units is treated as a binary variable. The distribution of units based on the nature of existence of participative management is presented in Table 2.

TABLE 2: Nature of Existence of Participative Management in the Units

Sl.No.	Nature of existence	Number of units in		Total
		SEs	MEs	
1.	Yes	22	167	189
2.	No	176	16	192
	Total	198	183	381

In total, as a maximum of 50.39 per cent of the units are not having any participative management in their units. In the case of small units, 88.89 per cent of the units are not having participative management in the units whereas in the medium units, it constitutes only 8.74 per cent to its total. The analysis infers that the level of existence of participative management in medium units is higher than in small units.

Designation of the Respondents

Designation means the job title entitled by the respondents. In the present study, the designations are confined to supervisors and managers of the enterprises. The

distribution of respondents on the basis of their designation is given in table 3.

Table 3: Designation of the Respondents

Sl. No.	Designation	Number of respondents in		Total
		SEs	MEs	
1.	Supervisors	257	128	385
2.	Managers	139	238	377
Total		396	366	762

The above table shows that in 64.89 per cent of the respondents belongs to supervisors' category, and 35.11 per cent are in the managers' category. In case of MEs the above table shows that 34.97 per cent of the respondents belong to supervisor category, and 65.02 per cent are in the managers' category. It shows that the majority number of respondents in the selected categories belongs to supervisors.

Reliability and Validity or Variables at SMEs

Before summarizing the scores of the variables it is essential to examine the reliability and validity of variables in each system at the SMEs the confirmatory factor analysis has been applied for this purpose. It results in content and convergent validity. The overall reliability of variables in each systems at the MEs is measured by Cronbach alpha. The results are given tables.4 and 5

TABLE 4: Reliability of variables in systems at SMEs

Sl. No.	Variables in Systems	Number of variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
1.	HRM Team Support	6	0.898	0.900	0.604
2.	Management Support	5	0.837	0.841	0.516
3.	Organizational system	33	0.977	0.983	0.634
4.	Existence of Core HRM Systems	18	0.975	0.979	0.724

* Signification at 5 per cent level.

TABLE 5: Validity of variables in Systems at SMEs

Sl. No.	Variables in Systems	Number of variables	Range of Standardized Factor Loading	Range of t-value
1.	HRM Team Support	6	0.619-0886	12.51*-15.40*
2.	Management Support	5	0.609-0.796	12.59*-16.16*
3.	Organizational system	33	0.581-0.907	13.25*-29.71*
4.	Existence of Core HRM Systems	18	0.706-0.930	17.97*27.46*

* Signification at 5 per cent level.

The standardized factor loading of the variables are rater than 0.60 which reveals the content validity. The signification of t-values of the standardized factor loading of the variables shows the convergent validity. It is also proved by the composite reliability and average variance extracted since

these are greater than its minimum threshold of 0.50. The Cronbach's alpha of all variables is greater than its standard minimum of 0.60. All these results indicates that the reliability and validity of the variables at SMEs.

Table 6: Existence of Systems at SMEs

Sl. No.	Systems	Mean score in		t-value
		SEs	MEs	
1.	HRM Team Support	2.673	2.964	-3.659*
2.	Management Support	2.518	2.843	-4.365*
3.	Organizational system	3.354	3.057	4.027*
4.	Existence of Core HRM Systems	2.565	2.900	-3.966*

* Signification at 5 per cent level.

HRM Team Support

Here the p-value is less than the significance level 0.05; the difference in HRM team support between small and medium enterprises is significant. The table shows that the HRM team support is significantly higher in medium enterprises (2.964) compared to small enterprises (2.673).

Management Support

Here the p-value is less than the significance level 0.05; the difference in management support between small and medium enterprises is significant. The table shows that the management support is significantly higher in medium enterprises (2.834) compared to small enterprises (2.518).

Organizational Systems

Here the p-value is less than the significance level 0.05; the difference in present opinion between small and medium enterprises is significant. That is, there is significant difference in present opinion between small and medium enterprises. The table show that the present opinion is significantly higher in

small enterprises (3.057) compared to medium enterprises (3.354).

Existence of Core HRM System

Here the p-value is less than the significance level 0.05; the difference in existence of HRM systems between small and medium enterprises is significant. That is, there is significant difference in existence of Core HRM systems between small and medium enterprises. The table shows that the existence of Core HRM systems is significantly higher in medium enterprises (2.565) compared to small enterprises (2.900).

Discriminant Systems at SMEs

The present study has made an attempt to identify the important discriminant systems at SEs and MEs with the help of two group discriminant analysis for source policy implications. Initially, the mean difference in each system at SEs and MEs and its' statistical significance have been computed separately. The discriminant power of each system at SMEs has been estimated with the help of Wilks Lambda. The results are presented in table.3.34

Table 7: Mean Difference and Wilks' Lambda of variables at SMEs

Sl. No.	Systems	Mean Score in		Mean Difference	t-value	Wilks' Lambda
		SEs	MEs			
1.	HRM Team Support	2.673	2.964	-0.292	-3.659*	0.966
2.	Management Support	2.518	2.843	-0.325	-4.365*	0.949
3.	Organizational system	3.354	3.057	0.297	4.027*	0.916
4.	Existence of Core HRM Systems	2.565	2.900	-0.334	-3.966*	0.954

* Signification at 5 per cent level.

The significant mean differences are noticed in HRM team support, management support, present opinion and existence of HRM system since their respective t-values are significant at 5 per cent level. The higher mean difference are identified in the cases of existence of HRM system (-0.334) and management support (-0.325). The higher discriminant power is noticed in the cases of HRM team support (0.966) and existence of HRM system (0.954).

The relative contribution of each system in total discriminant score is estimated by the product of discriminant coefficient and the mean difference of the existence of various systems existed at SMEs. Since all the four systems are statistically significant, these are included to estimate the discriminant function. The results are shown in table.3.35

TABLE 8: Relative Contribution of Systems in Total Discriminant Score

Sl. No.	Systems	Discriminant Coefficients	Mean Difference	Product	Relative Contribution
1.	HRM Team Support(X ₁)	-0.073	-0.292	0.021	5.198
2.	Management Support(X ₂)	0.973	-0.325	0.316	77.36
3.	Organizational system(X ₃)	-0.164	0.297	0.049	11.90
4.	Existence of Core HRM Systems(X ₄)	-0.068	-0.334	0.023	5.544
Total				0.408	100.0

* Signification at 5 per cent level.

The unstandardized procedure has been followed to estimate the function. The estimated function is $Z = -0.073(X_1) + 0.0973(X_2) - 0.164(X_3) - 0.068(X_4)$

The relative contribution of each variable in total discriminant score is estimated with the help of the product of discriminant coefficient and the respective mean difference of the variables. The higher discriminant coefficient is noticed in the case of the management support (0.973). It shows the higher influence of management system in the discriminant function. The higher relative contribution of determinants in total discriminant score is noticed in the case of management support (77.36).

5. Conclusion

Human Resource Management (HRM) functions, practices and procedures are increasingly becoming important, considering the growth of the knowledge based economy. Human resources in any enterprise, whether small or medium constitute an important area of study. This study analysis the existence of systems and relative contribution of each variable. Total discriminant score is estimated with the help of the

product of discriminant coefficient and the respective mean difference of the variables. The higher discriminant coefficient is noticed in the case of the management support. It shows the

higher influence of management system in the discriminant function.

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