

Designing and Enhancing the Performance of SMEs in Strategic Human Resource Management

Anbarasu Murugesan

Masters in Business Administration, Anna University, Chennai, India

Email: [anbarasum.hcm\[at\]gmail.com](mailto:anbarasum.hcm@gmail.com)

Abstract: *SMEs are considered to be one of the major contributors to the economies of developing countries by improving their business performance through the integration of labor policies and procedures. In modern times, customer needs are growing in terms of competitive environment and traditional HR processes have been replaced by HR strategic processes. Therefore, organizations adopt strategic decision - making strategies for rapid growth and business development and are able to compete in the global market. Large companies often agree more with HRM strategic policies compared to smaller and medium - sized organizations. Therefore, the current study aims to investigate SHRM among SMEs that improve SME performance. Also, the impact of those policies on SMEs was assessed when SHRM was introduced in these firms. In order to achieve the main objective of the research, a descriptive research design and quantitative research approach were followed. A survey based on a pre - tested, systematic, self - administered questionnaire was conducted to collect data and use secondary data resources. The scope of the study has been affected by future research.*

Keywords: SMEs, SHRM policies, SHRM practices, business

1. Introduction

Human resource management has implemented a number of processes that have helped to develop the organization's economy through strategic management and human resource management. These processes are ultimately characterized by progressive development in the human resource management system of research (Wei & Lau, 2010). These organizational management practices in organizations have been found to be growing in the region (Ma Prieto & Pilar Pérez - Santana, 2014; Chen et al., 2018). This has created a competitive advantage that leads to a more developed company environment. Firm performance and human resource management (HRM) have contributed to the development of SMEs (Georgiadis & Pitelis, 2012).

As a result of globalization, major economic changes, growing demand for consumers and investors, and increasing competition for new products and services, the current state of business is emerging rapidly. Companies should improve their competitiveness by reducing their service costs, improving their quality, and diversifying their businesses to succeed in the current business context. Labor productivity is the key to maintaining unprofitable profits. Human resources are a very important tool for companies. All other commercial assets are tangible or intangible resources that require human intervention to build value. Hiring qualified staff is therefore essential to the health and success of a company. Competitive management of human resources is about managing staff to maximize market performance and build strategic profitability. The introduction of new human resource management strategies has significant benefits, including improved employee satisfaction, improved work environment, improved customer loyalty, increased employee engagement, strong organizational retention and effective human resource management, and more. Instead of optimism, there are major barriers, such as identifying potential workplace plans, promoting new strategies, developing management and leadership skills, and addressing the changing needs of the

company.

This study aims to highlight the benefits and barriers in the field of Strategic Human Resource Management (SHRM) of small and medium - sized organizations that are important to be investigated. The project aims to assess the impact of such policies on small and medium enterprises and will include guidelines for implementing SHRMs in SMEs. This current study will therefore highlight the importance of SHRM and analyze Human Resources capabilities to improve SME performance.

2. Aims and Objectives

Current research includes the following goals and objectives"

- Emphasizing the benefits and barriers in the Strategic Human Resource Management (SHRM) sector for small and medium enterprises.
- Assess the impact of SHRM - related policies on small and medium enterprises including guidance on implementing SHRMs in SMEs.
- Assessing the human resource capacity to improve the performance of SMEs.

3. Literature Review

Concept of SHRM implementation among the organization

Research on the development of the industrial economy has changed the value of the human factor in terms of social and economic factors that have affected the functioning of organizations in developing countries, especially small and medium - sized organizations. The business climate in modern times has necessitated the emergence of unpopular demands on these organizations so that they can adapt quickly to the changes being made by the firms. Therefore in order to address such issues, Strategic Human Resource Management (SHRM) was adopted by these SMEs to

increase organizational efficiency. SHRM policies have been pursued by a human organization that incorporates staff skills, knowledge, and skills that help to achieve the organisation's business objectives. Therefore, it can be said that SHRM is a process related to the future of SMEs and the implementation of HR programs that contribute to solving business problems that lead to the achievement of business objectives in the form of factory growth and development.

Changes in HR management have included the emergence of existing SHRM by replacing traditional management with the implementation of modern strategies that include staffing to their care facilities. All of these changes have transformed business strategies that include hiring and retaining the right person and allowing them to gain ethical and cultural leadership in the organization.

Strategic planning has transformed many of the challenges and opportunities of HR professionals of large organizations now contributing to corporate development by participating in strategic decision - making. But, nonetheless, small and medium - sized organizations are not able to use the strategic planning of HR professionals. Therefore, in order to overcome this decision to implement SHRM policies in SMEs, the negative aspects of HR activities need to be changed in understanding the benefits and opportunities of SHRM in an organization.

4. Benefits and challenges in SHRM implementation in SMEs

SMEs have the potential to create decent work environments that include an open culture with complex HR management policies and a small workload compared to large companies. HR managers working in SMEs can solve workplace problems by frequently contacting staff and sharing important information with them. HR Specialists in SMEs aim to establish effective performance identification of development opportunities that provide business development. SHRM data prioritize business issues and can address those issues in order to eliminate barriers to SME development. Also, the use of SHRM in SMEs helps to play an important role in developing and stabilizing competitive advantage with other organizations. The strategic decision - making by the HR department regarding organizational policy is considered important by the staff and is closely followed in the organization which leads to the growth of the firm.

The implementation of SHRM in SMEs has enabled the company to motivate its employees by providing them with opportunities and rewarding them with skills so that strong performance can be improved in the future and economic growth in the business is enhanced. Also, SHRM registers for SME development by organizing training programs for its employees to ensure the changes taken by the company and to address potential challenges during business. The implementation of SHRM in SMEs has helped to increase competition, reduce costs, improve decision - making, promote motivation among employees, reduce business delivery times, and provide better customer care. All these developments in SMEs have proven that the implementation

of SHRM has been successful in growing the business in the company.

While applying SHRM policies to SMEs, these organizations also face a number of challenges. Maintaining a focused HR focus is sometimes difficult for SMEs due to a lack of resources such as a limited budget for hiring HR staff. In this regard, managers and supervisors are responsible for maintaining human resource policy and for co - operating the role of co - operatives that bring conflict to the development of the firm. The economy is a major challenge for SMEs as it develops problems during the training of new employers. The maintenance of an organizational culture is also not properly followed by SMEs due to the lack of desirable HR.

5. Impact of SHRM on SMEs

The evidence of SHRM includes the implementation of SHRM policies and procedures in SMEs so that firms can achieve their larger business objectives. SHRM policies include the implementation of training programs, opportunities for appropriate job roles, performance appraisal, operational compensation, recruitment and selection processes, and employment security (Danlami, 2011). SMEs are considered to be a major factor in economic growth in response to the urgent needs of the market. This helps to promote the development of SME industries. Therefore, SHRM in SMEs helps to gain competition Profitability of a rapidly changing business environment (Asaolu et al., 2012).

The implementation of SHRM in SMEs leads to the emergence of new products and services in a company that is effective in meeting customer needs (Easa et al., 2020). Therefore, the factory economy is further developed in the short term. It has therefore been pointed out that the implementation of SHRM in SMEs has helped firms develop flexibility and learning ability to develop strong performance by committing to meeting the global market demand and developing the adaptive capabilities of the firm and promotion. their new operational strategies (Fuet al., 2015; Messersmith & Guthrie, 2010).

6. Research Methodology

The research provided follows a descriptive research design and quantitative research approach to achieve the larger research objectives. In order to obtain a descriptive research design, the observations are made in terms of social theories. The hypothesis may or may not be based on the data collected and further, the research process is carried out accordingly. This research approach adopted a multidisciplinary research approach as it aimed to investigate aspects of Strategic Human Resource Management (SHRM) between small and medium - sized organizations. It will also analyze the impact of SHRM policies and their implementation on SMEs. Also, the performance improvement of SMEs is analyzed.

6.1 Data Collection

The research data provided will be collected from various

employees working in small and medium - sized organizations. A simple random sample design was selected for this study that included a sample size of approximately 200 - 300 employees. SME staff includes both newly hired and senior employees. Both the primary and secondary data collection methods were used in this research study. A survey based on a pre - assessed, systematic, self - administered questionnaire was conducted to collect data from participants which was considered the primary data collection method. Secondary data includes data collected from published articles, journals, websites, hospitals, and other study resources.

6.2 Data analysis

The research study provided analyzes with presentations of graphs, pie charts, etc. in order to analyze the collected data. Different types of mathematical tools are used to analyze reliable facts and other important information. Data analysis tools such as SPSS, ANOVA, chi - square, descriptive analysis, etc. will be used to analyze data collected in a given study.

7. Limitations of the Study

The current study has been under the implementation of SHRM among SMEs to promote robust performance and evaluation of SHRM - related impact and policies in small and medium organizations. Although current research has achieved a major research objective, some aspects of human resource management are not yet available. Theory related to strategy development is not included in the provided research that should be ensured in order to better understand SHRM policies and procedures. SHRM policies included in SMEs need to be defined in a more detailed way.

References

- [1] Prieto, I. M., & Pérez - Santana, M. P. (2014). Managing innovative work behavior: the role of human resource practices. *Personnel Review*.
- [2] Chen, Y., Jiang, Y. J., Tang, G., & Cooke, F. L. (2018). High-commitment work systems and middle managers' innovative behavior in the Chinese context: The moderating role of work-life conflicts and work climate. *Human Resource Management*, 57 (5), 1317 - 1334.
- [3] Georgiadis, A., & Pitelis, C. N. (2012). Human resources and SME performance in services: Empirical evidence from the UK. *The International Journal of Human Resource Management*, 23 (4), 808 - 825.
- [4] Danlami, A. S. (2011). Strategic human resource management and organizational performance in the Nigerian manufacturing sector: An empirical investigation. *International Journal of Business and Management*, 6 (9), 46.
- [5] Asaolu, T. O., Agorzie, C. J., & Monday, J. U. (2012). Strengthening technological capacity building of SMEs in Nigerian Oil & Gas industry. In *Proceedings of the 1st Annual International Conference on Accounting, Finance and Management* (pp.10 - 13).
- [6] Easa, N. F., & El Orta, H. (2020). HRM practices and innovation: an empirical systematic review. *International Journal of Disruptive Innovation in Government*.
- [7] Fu, N., Flood, P. C., Bosak, J., Morris, T., & O'Regan, P. (2015). How do high performance work systems influence organizational innovation in professional service firms?. *Employee Relations*.
- [8] Messersmith, J. G., & Guthrie, J. P. (2010). High performance work systems in emergent organizations: Implications for firm performance. *Human Resource Management: Published in Cooperation with the School of Business Administration, The University of Michigan and in alliance with the Society of Human Resources Management*, 49 (2), 241 - 264.
- [9] Delery, J. E., & Roumpi, D. (2017). Strategic human resource management, human capital and competitive advantage: is the field going in circles?. *Human Resource Management Journal*, 27 (1), 1 - 21.
- [10] Heilmann, P., Forsten - Astikainen, R., & Kultalahti, S. (2020). Agile HRM practices of SMEs. *Journal of Small Business Management*, 1 - 16.
- [11] Cerchione, R., & Esposito, E. (2017). Using knowledge management systems: A taxonomy of SME strategies. *International Journal of Information Management*, 37 (1), 1551 - 1562.
- [12] Pucci, T., Nosi, C., & Zanni, L. (2017). Firm capabilities, business model design and performance of SMEs. *Journal of Small Business and Enterprise Development*.
- [13] Sardi, A., Sorano, E., Garengo, P., & Ferraris, A. (2020). The role of HRM in the innovation of performance measurement and management systems: a multiple case study in SMEs. *Employee Relations: The International Journal*.
- [14] Eikelenboom, M., & de Jong, G. (2019). The impact of dynamic capabilities on the sustainability performance of SMEs. *Journal of Cleaner Production*, 235, 1360 - 1370.
- [15] Khan, N. R., Raziq, A., & Ghouri, A. M. (2019). Strategic Human Resource Management and Organizational Competitiveness in SMEs of Pakistan: Moderation Role of Regulatory Environment And Industry Characteristics. *Journal of Business & Economics*, 11 (2), 51 - 73.
- [16] L'Ecuyer, F., & Raymond, L. (2017). Aligning the e - HRM and strategic HRM capabilities of manufacturing SMEs: A "gestalts" perspective. *Electronic HRM in the Smart Era (The Changing Context of Managing People, Volume)*, 137 - 172.