

## HUMAN RESOURCE PRACTICES IN SMES: AN INVESTIGATION OF MALE AND FEMALE LED BUSINESSES

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### Abstract

*The primary objective of the research was to investigate the difference in the perceptions of males and females regarding human resource practices in small and medium enterprises. The factors of HR practices which were taken in the study are Training and development, Compensation, Employment security, Quality of work life and Participative management. A questionnaire based survey was conducted on 323 owners and managers of Small and medium Industry of Punjab, Haryana and Chandigarh. The results showed that the perception of both male and female owners and managers about the various HR practices (Training and development, Compensation, Employment security, Quality of work life and Participative management.) in their organisations is similar.*

### INTRODUCTION

Human resource management, which became popular in the early 1980s, is a system, a philosophy, policy and practices that can influence individuals that work in an organization. Human resource researchers and managers are of the view that human resources are the most important asset of an organisation (Barney et al., 1998).

According to Magginson (1977) “Human resources are the sum total of inherent abilities, acquired knowledge and skills representing the talents and attitudes of employed personnel in an organisation.” Storey (1995) viewed human resource management as “A distinctive approach to employment management which seeks to obtain competitive advantage through the employment of a highly committed and skilled workforce, using multiple and specifically devised techniques. HRM activities include human resource planning, recruitment and selection, induction, job analysis, training and development, performance appraisal, participative management, quality of work life, career planning, fringe benefits, rewards and recognition, welfare activities, safety, health and environment policy, suggestions scheme, promotion and transfers and exit policy.

**Schuler and Jackson (1987)** described HRM practices as “A system that attracts, develops, motivates and retains the employees to ensure the effective implementation and survival of the organization and its members.” The influence of people management practices on firm performance has been an interesting issue over a long span of time. It has been observed that a large corpus of studies on this subject have been carried out in the West. In the 1990s, a comprehensive amount of research was conducted to investigate support on the link between human resource management practices and performance. (**Daud, 2006**) Statistical evidence was found for the connection between workforce management practices and performance (e.g. Arthur, 1994; Huselid, 1995; Tzafrir, 2005; Jayram et al.1999; Dalaney et al. 1996; Harel and Tzafrir, 1999). **Arthur (1994)** empirically tested the association of human resource activities with manufacturing performance on a sample of 30 U.S. steel Minimills and found that human resource systems, add significantly to understanding the relationship between turnover and organizational performance. **Huselid (1995)** conducted a study to evaluate that a bundle of human resource practices, had a significant impact on employee turnover, productivity and corporate financial performance. **Tzafrir (2005)** evaluated how HRM practices mediate its impact on improving organisational performance. **Jayaram et al. (1999)** examined the association among implicit variables of people management practices and organizational performance. **Dalaney et al. (1996)** conducted a research on U.S. firms and their results indicated linkage between HRM practices and firm performance. **Harel and Tzafrir (1999)** argued that human resource management practices have a significant impact on the organizational and market performance of a firm.

The **objective** of the study was to investigate the HR practices prevalent in the SMEs of Punjab ,Haryana and Chandigarh. Also, the difference in the perceptions of males and females about human resource practices in these enterprises.

## **Definition of SMEs**

According to MSMED Act 2006, the micro, small and medium enterprises are classified in two classes:

(a) **Manufacturing Enterprises**- The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951. The Manufacturing Enterprises are defined in terms of investment in Plant & Machinery.

(b) **Service Enterprises**: The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or on equipments (in case of enterprises providing or rendering services). The present ceiling on investment to be classified as micro, small or medium enterprises is as under:

**Table 1.1: Classification of Firms**

<b>Old definition ( Prior to 2nd October, 2006)</b>		
Classification		Investment limit for Plant, Machinery or Equipment
	Manufacturing Enterprises	Service Enterprices
Micro	Upto Rs.25 lakh	Upto Rs. 10 lakh
Small	Above Rs.25 lakh & upto Rs.1 crore	-
Medium	Not defined	Not defined
<b>New definition (from 2nd October, 2006)</b>		
	Manufacturing Enterprises	Service Enterprices
Micro	Upto Rs.25 lakh	Upto Rs. 10 lakh
Small	Above Rs.25 lakh & upto Rs.5 crore	Above Rs.10 lakh & upto Rs.2 crore
Medium	Above Rs.5 crore & upto Rs.10 crore	Above Rs. 2 crore & upto Rs.5 crore

Source: [www.dcmsme.gov.in/publications/census10.pdf](http://www.dcmsme.gov.in/publications/census10.pdf).

## REVIEW OF STUDIES ON HUMAN RESOURCE PRACTICES IN SMALL BUSINESSES

**Dundon et al. (1999)** used a single case study approach to explore the HR practices of small firms. They provided an empirical evidence that unionisation at Motor Co. would be beneficial to employees. Interview, observation and survey method was used for data collection purpose. It was concluded that the family-run organisations can be highly unfair to the employees and Government assistance is required to extend unionism in small businesses.

**De Kok et al. (2003)** did a survey of 695 Dutch firms to study the formalisation of HRM practice in small firms. They formed six hypotheses with the aid of theoretical framework. Data was collected through questionnaires. The results highlighted that larger firms have more formal HRM practices and a separate HRM department as compared to the smaller firms. Secondly, small firms which have comparatively formal strategy formulation process. There are more chances that they have more formal HR practices. Thirdly, non-family enterprises have more formal HRM practices than the family businesses.

**Bartam (2005)** conducted a study on human resource management (HRM) to investigate the adoption of HRM in Australian small firms. He derived the data from AWIRS 1995 which is a large-scale workplace survey organised by the Commonwealth Department of Industrial Relations. Data analysis was done through Chi-square, ANOVA tests and logistic regression analyses .Their Findings suggest that Australian small firms are less likely than medium or large firms to employ formal HRM practices including recruitment and selection procedures, written occupational health and safety guidelines and performance evaluation practices. Employment of resources to HRM and the development of a corporate ethic are similar in both large and small firms. Training in employee relations and development of a formal organisational strategy is lacking in the management of small firms. Despite the lack of resources and training among small firms, these units are adopting the workplace innovations such as total quality management.

**Cunningham and Rowley (2005)** emphasised on people management in the lesser-explored area of Chinese small businesses and provided an outline for research. They compared the four main employment practices which included recruitment and selection, training and development, pay

and reward systems, and employee involvement (communication). They concluded that a combination of western approach with Chinese HR practices can be used to develop SMEs.

**Barrett and Mayson (2007)** tried to explore the intersection between entrepreneurship and HRM small firms by conducting a survey of 600 small Australian business firms. It was found after the analysis that non-growing firms are less likely than the growth oriented firms to use formal HRM practices and the practices of the growth oriented firms are written down, regularly applied within the organisation.

**Johnson and Devins (2008)** argued that the contribution of SMEs is significant in skills policy agenda. They pointed out the importance of SMEs in employment generation, increasing production, innovation and competitiveness. They also summarised and reviewed evidence on training in SMEs. Lastly, they suggested that the connection between skills and qualifications may be problematic in case of the micro enterprises, with the potential for inconsistency between public policy objectives and the priorities of the owner-managers of the small firms.

**Cunningham (2010)** tried to investigate the changing nature of HRM on the less researched area of Chinese micro businesses. Survey and interviews were used for data collection. The major characteristics of human resource management in China's SMEs were identified and the problems and difficulties that may occur during HRM take-up were illustrated in the research. Key factors influencing the nature of people management in Chinese micro businesses were emphasized in the study. Further, a comparison of Chinese small businesses human resource management practices and Western HRM models was carried out. The results signify some common grounds between them.

**Giauque et al. (2010)** examined the impact of the various HR practices on employee commitment in Swiss small businesses. They conducted the survey through questionnaires and the respondents were the knowledge workers of small enterprises. They found that human resource practices which affects knowledge worker's commitment are firm support and the goodwill of the institution, whereas other HRM practices which does not affect knowledge worker's engagement are workers participation in decision making, talent management and level of contentment with salary.

**Mahmood and Omran (2011)** tried to explore small business manager's perception of need for and interests in education and training. Particularly, they attempt to find out 'the underlying motivations which affected managers' attitudes to education and training through a survey which was done on a small selection of building organisations within the central belt of Scotland. It was found that a general lack of interests in education and training among the small business managers. The factors responsible for the lack of interests were: manager's evaluation of education and training, personality characteristics, limitation of resources, and the characteristics of training providers.

**Ojokuku (2012)** conducted a review to emphasize the special human resource requirements of micro and small enterprises. The secondary sources were the key basis of data collection. According to him, HRM in small businesses is affected by the size of the business and the attitude of the employer. He concluded that SMEs need to employ effective human resource management practices to gain competitive advantage. It will facilitate them to survive in tough competition.

**Sunder and Kumar (2012)** conducted a research on Human resources management in Chennai city of India in small business. Structured questionnaire was used for data collection purpose. The results indicate that the most of the units did not have any proper human resource department. They applied HR practices in a whimsical manner. After analysing the inhibitions faced by SMEs, they suggested contingent approach towards different aspects of HRM.

**Mattare and Monahan (2013)** explored key human resource practices in micro businesses. The study was conducted through questionnaire consisting of 45 questions which was mailed to a list of 9,184 micro businesses .A total of 959 usable responses were gathered. Data was analysed with the help of SPSS software. Frequency, mean and Pearson's Correlations were also calculated. The findings revealed that only a few small entrepreneurs provided health and retirement benefits to the employees.

## RESEARCH METHODOLOGY

### Data

This study centred on the Small and medium Industry of Punjab, Haryana and Chandigarh in the Northern India. Convenience sampling was used to select the SMEs from these three states. The data was collected during March to July 2012 from those SMEs, which cooperated and agreed to participate in the study. The total universe was N=350. Questionnaires were given to the owners or managers of these SMEs. Despite various reminders, the researcher could gather data from 323 owners and managers from the various SMEs under study. The information about the Gender of the owners or managers was asked in the beginning of the questionnaire followed by the questions on the three constructs of the study that is HR practices, Business strategy and Firm performance. Four statements were included in the questionnaire for each HR practice and business strategy and five statements were taken for the factors of Organizational performance. Items included in the questionnaire were adopted from the questionnaire developed by Lee et al. (2010). The items were measured using a five point likert scale with anchors ranging from strongly agree to strongly disagree.

### **Significance of the study**

This research tries to offer insights into the various HRM practices which are required to enhance the performance of the SMEs in northern India. From academic perspective, the present study attempted to fill the gap in the literature on HRM practices in the SMEs. Lastly, this study intends to supplement the previous research in HRM practices as there are few studies on HRM practices in SMEs.

### **Characteristics of Respondents**

The demographic factors such as age, qualification, gender, designation and place were taken into consideration. Regarding age 22.29 % were in the age group of 25-35, and 39 % were the age group of 35-45, 28.48 % lied in the age group of 45-55, 8.05 % were in the age group of 55-65 and 2.17 % were above 65. As far as qualification is concerned 4.33% were diploma holders, 52.32% were graduates, 19.50% were post graduates and 23.83% were falling in any other category. Majority of owners and managers were males (88.24 %) and a few were females (11.77 %).out of the total respondents 78.64 % were owners whereas 21.36 % were managers. 22.29 % respondents were from Chandigarh ,36.53% were from Punjab and 41.18 were from Haryana.

## Pilot Survey

A pilot survey of 30 owners and managers was conducted to check the validity and reliability of the questionnaire. The researcher modified the measurement instruments in relation to the study undertaken.

## Data Analysis

The SPSS package software was used to analyse the data. t-TEST was used for the analysis of data. The computation of the data was done in order to do the following statistical analysis through SPSS package: 1) Descriptive Analysis 2) Inferential Analysis

## Results and discussion

### Reliability and Validity analysis

The reliability of HR Practices, Business strategy and Firm performance questionnaire scale was determined by using Cronbach's Coefficient alpha. The reliability coefficient for measuring HR practices (Q1-Q20) is 0.918. The reliability coefficient of HR practices exceeded the minimum requirement for reliability test, it is therefore concluded that all the factors of HR Practices are internally consistent. Validity testing has already been performed by the respective authors.

### Hypothesis

$H_{01}$ : there is no significant difference between the perceptions of male and female owners and managers about Training and development practices in the SMEs understudy.

$H_{02}$ : there is no significant difference between the perceptions of male and female owners and managers about compensation in the SMEs understudy.

$H_{03}$ : there is no significant difference between the perceptions of male and female owners and managers about Employment security in the SMEs understudy.

$H_{04}$ : there is no significant difference between the perceptions of male and female owners and managers about Quality of work life in the SMEs understudy.

H<sub>05</sub>: there is no significant difference between the perceptions of male and female owners and managers about Participative management in the SMEs under study.

## FINDINGS AND DISCUSSION

### HR practices prevalent in the SMEs

The present study examines the HR Practices prevalent in the SMEs under study.

The average of the factors of Quality of work life was observed to be 3.9040 on 1-5 Likert scale. The mean value is on the higher side of the Likert scale (1-5). This underlines that according to the perception of owners or managers of the SMEs the employees are satisfied with the working conditions that the SMEs are providing and the environment in the organisations is motivating. There is a balance between the stated objectives and the resources provided by the SMEs. The employees are free to offer comments and suggestions.

It was observed that the means of the various factors of Compensation is 3.8885 on Likert scale (1-5). Again, the mean value is on the higher side of Likert scale (1-5), It emphasizes that the owners or managers of the SMEs perceive that incentive system at various SMEs is fair at rewarding people who achieve firm's objectives and it encourages them to reach organisational objectives. It also recognises the people who work efficiently.

The mean of the statements of Participative management was observed to be ranging 3.6478 on Likert scale (1-5). This highlights that it is perceived by the owners or managers of the SMEs that the employees have influence on the decisions made by the management and their ideas and suggestions are implemented. Opportunities for employee participation in decision making are provided to the employees and team performance is encouraged in the organisation.

The researcher observed that the average of the factors of Training and Development is 3.6347 on 1-5 Likert scale. The inference drawn here is that according to the perception of the owners or managers of the SMEs various extensive training programs are being provided to the employees every few years in the SMEs.

The mean of factors of Employment security came out to be 3.4389 on likert scale. The mean value is on the higher side of Likert scale (1-5).Therefore, it is inferred that it is the perception of the owners or managers of the SMEs that job security is guaranteed to the employees in the various SMEs and it is very difficult to dismiss an employee from his/her job even if the firm is facing economic problems.

#### **t-test on human resource practices on the basis of gender**

t-test was applied to find out the mean difference between the scores of males and females to see whether the difference in their HR practices, Business strategy and Firm performance was significant or not.

**Table-2: Gender-wise Comparative Analysis of HR Practices**

Variable	Gender	N	Mean	T value	df	P value (2-tailed)	Significant/ Non-significant
Training and development	Male	285	3.6289	-.352	321	.725	Non-significant
	Female	38	3.6776				
Compensation	Male	285	3.8842	-.279	321	.781	Non-significant
	Female	38	3.9211				
Employment security	Male	285	3.4342	-.270	321	.787	Non-significant
	Female	38	3.4737				
Quality of work life	Male	285	3.8956	-.503	321	.616	Non-significant
	Female	38	3.9671				

Participative management	Male	285	3.6412	-.423	321	.673	Non-significant
	Female	38	3.6974				

$H_{01}$ : Upon comparing, the mean Training and development scores of the male and female owners/managers which is 3.6289 and 3.6776 respectively. It was observed that the mean score of females is slightly higher than the males. The t-test was applied on the mean scores to find out the difference between the scores of two groups. It revealed that the  $p=.725$  which is greater than the assumed  $\alpha=0.05$ . This indicates that there was no significant difference between the average Training and development scores of males and females. Therefore, it was inferred that perception of both male and female owners and managers about Training and development in their organizations is similar and the  **$H_{01}$  is ascertained as accepted.**

$H_{02}$ : Between the males and females, the mean Compensation score of females i.e 3.9211, was higher than the males i.e. 3.8842. The t-test was applied on the mean scores of males and females to find out the difference between the scores of two groups which revealed that the  $p=.781$  which is comparatively greater than the assumed  $\alpha=0.05$ . This suggests that there was no significant difference between the average Compensation scores of male and female owners or managers. Thereby leading to the inference that perception of both male and female owners and managers about Compensation in their organizations is same and  **$H_{02}$  is ascertained as accepted**

$H_{03}$ : Pursuant to the analysis of data, it was observed that the mean Employment security scores of both males and females were 3.4342 and 3.4737 respectively, which indicates that out of the two, the females had a comparatively higher score. The t- test was applied on the scores of both males and females which show that the P value is .787 which is greater than the assumed  $\alpha=0.05$ . This implies that there was no significant difference between the average Employment security scores of male and female owners or managers. It was, therefore, inferred that both male and female owners and managers had a same perception about Employment security in their organizations and  **$H_{03}$  is established as accepted.**

**H<sub>04</sub>:** After comparing the mean Quality of work life scores of males and females, owners/managers in the SMEs, it was found that their scores were 3.8956 and 3.967 respectively. Again this reveals that the females had a little greater score than the males. Results of the t-test on the mean Quality of work life scores of men and women shows that the P value = 0.616, which is greater than the assumed  $\alpha=0.05$ . This indicates that there was no significant difference between average Quality of work life scores of males and females. Thereby, inference can be drawn that perception of males and females, owners and managers about Quality of work life prevailing in their organization is same and **H<sub>04</sub> is accepted.**

**H<sub>05</sub>:** Upon comparing the mean Participative management scores of the male and female owners/managers which is 3.6412 and 3.6974 respectively. It was observed that there is a meager variation in the mean score of females than that of the males. The t-test was applied on the mean scores to find out the difference between the scores of two groups. It revealed that the p=.673 which is greater than the assumed  $\alpha=0.05$ . This indicates that there was no significant difference between the average Participative management scores of males and females. Here, it was concluded that perception of both male and female owners and managers about Participative management in their organizations is similar and **H<sub>05</sub> is established as accepted.**

## CONCLUSION

The researcher analysed the mean scores of HR practices that were perceived to be prevalent by the respondents in the following descending order, Quality of work life (3.9040), Compensation (3.8885), Participative management (3.6478), Training and Development (3.6347), Employment security (3.4389) Thus, it shows that Quality of work life is perceived to be highly prevalent and Employment security least in the SMEs under study.

It was concluded that perception of both male and female owners and managers about the various HR practices (Training and development, Compensation, Employment security, Quality of work life and Participative management.) in their organisations is similar.

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