



## H. R. M. PRACTICES IN SMALL AND MEDIUM SIZE ENTERPRISES IN BIDAR DISTRICT OF KARNATAKA

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### ABSTRACT

People have always been central to organizations, but today they have taken on even more central role in building a firm's competitive advantage. An organization's success has come to depend more on human capital which includes knowledge, skills and attitudes imbedded in an organization's members (Prahalad and Hamel, 1990) Watson (1963), the founder of IBM says, "You can get capital and erect buildings, but it takes people to build a business". HR expenditures which -were earlier regarded as cost items, are now viewed as a strategic investment rather than simply a cost to be minimized. When employees' knowledge, skills, and attitudes (KSAs) are valuable, and difficult to imitate, and organised, a firm can achieve a sustained competitive advantage through people. Even though some sort of people- management has been there in SMEs, HRM in the modern sense as a decisive variable in augmenting competitive advantage, entrepreneurial and firm performance is of recent origin.

**KEYWORDS** : Human, Capital, Palanning, Performance, Management, Resource,

### Introduction.

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HR expenditures which -were earlier regarded as cost items, are now viewed as a strategic investment rather than simply a cost to be minimized. When employees' knowledge, skills, and attitudes (KSAs) are valuable, and difficult to imitate, and organised, a firm can achieve a sustained competitive advantage through people. Even though some sort of people- management has been there in SMEs, HRM in the modern sense as a decisive variable in augmenting competitive advantage, entrepreneurial and firm performance is of recent origin. In his research on SMEs in Denmark, Torben Anderson (2003) says that the increasing attention on HRM in SMEs is a comparatively recent phenomenon.

### Statement of the Problem

In this background, an attempt is made in this section to problematise the research topic will be chosen "HRM practices in SMEs: A study of select SMEs in Bidar District," by raising some relevant questions of the diverse dimensions of the topic. The questions are raised in the dismal background of the virtual absence of the theoretical and empirical research on SMEs' HRM practices in general, and that on the SMEs considered in the present inquiry, in particular.

### Objective of the Study:

To critically examine the HR practices in select SMEs.

#### Hypotheses

There exists a positive association between HRM practices and the competencies and commitment of the employees, and through them on the firm performance.

### Research Methodology

The present inquiry will have to be partly theoretical and partly empirical of course, the latter is given higher accent since the focus of the study is on the HRM-awareness and HRM practices of the 15 selected SMEs in Gulbarga district. As pointed out in section 1.3, there is acute paucity of research on HRM in respect of SMEs. And no research inquiry has gone into this specific aspect in Gulbarga district. Also there is no simple theory of HRM, which can explain the importance and impact of HR functions and HRM practices on the performance of SMEs. And because of this reason, HRM theory is also given adequate importance.

### HRM PRACTICES IN SMEs

#### A Brief Note on Select HRM Practices

As already pointed out in the introductory section, a brief note on each of the six HRM practices is given in this section. The simple objective of these notes is to know how far or how near the practices in SMEs in the respondent SMEs are to the theoretical notions of HRM practices.

#### Recruitment and Selection.

In general, recruitment refers to the efforts of the companies to create a pool of suitable candidates for their organizations. According to Bohlander, et al.(2002)"Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. During this process, efforts are made to inform the applicants fully about the qualifications required to perform the job and the career Opportunities the organization can offer its employees". For this, the recruiters ought to know the job specifications for the positions they intend to fill. And job specification is a statement of the knowledge, skills, and attitudes (KSAs) required of the person who is required to perform a given job. In fact job specifications provide a basis for attracting qualified applicants and discouraging unqualified ones.

Human Resource Planning (HRP)

HRP and recruitment are closely related processes. It is said that HRP establishes a blueprint for staffing the organization, and recruitment sets this plan into motion. HRP is a kind of forecasting. It is the process of anticipating and making provision for the movement of people into, within, and out of an organization.

#### Training and Development

These are the days of competency-based competition. The success of organizations is based more on human capital comprising KSAs of the employees that give them edge over their competitors than on built capital comprising machinery, finance and technology. Apart from this, the rapidly changing technologies require that employees continuously hone their KSM to cope with the new processes and systems.

#### Performance Appraisal

Performance appraisal is twice-blessed. It blesseth him that appraises and him that gets appraised. In other words, it is beneficial to both the employer and the employee. It helps the employers to assess the value addition which each employee makes. It becomes the basis for increments, incentives, productivity rewards etc., to employees. Performance appraisal serves many purposes. But in general, those purposes can be compressed into two categories; administrative and developmental. The former includes decisions about who will be promoted, transferred, or laid off. It also includes compensation decisions and the like.

### Compensation Package

Compensation package, if not the core, is an important part of FIRM. It is doubtful, whether employees would continue working were it not for the money they earn. Employees desire compensation systems that they perceive as being fair and commensurate with their skills and expectations, (Peter V. Le Blanc and Paul W. Hulvey 1998). Therefore, pay is a major consideration in HRM, because it provides employees with a tangible reward for their services, as well as a source of recognition and livelihood. Employee compensation includes all forms of pay and rewards received by employees for the performance of their jobs. Compensation has three dimensions - direct compensation and indirect compensation, and non-financial Compensation.

### Motivational Measures

"Motivational Measures", like every other HRM practice, has direct bearing on the commitment, competence and productivity of the employees, and through them on the organizational performance. As stated above, these measures include financial incentives, benefits, and non-financial compensation such as recognition, rewarding jobs, flexi-time, cordial relations etc.

### HRM Practices in IS-Category SMEs: An Overview

Of the 15 units, four units claim to have some sort of recruitment and selection practice. They are: IS-01, IS-03, IS-04 and IS-15 and the remaining 11 units admit that they do not have any such practice. As far as "manpower planning" is concerned, only one unit (IS-01) claims to have it. And the remaining 14 units admit that they do not have any such practice. Similarly, IS-01 is the only unit among the 15 units which claims to have "training and development" and "performance appraisal". There are three units among the 15, which claim to have adopted some "motivational measures". They are IS-01, IS-02 and IS-03. The only HRM practice which is in SMEs in all the 15 units is "compensation". These details are given in Table-01 and Table 02

**Table-01**

#### Practice-wise Particulars of HRM Practices in Vogue in IS-Category units

Sl. No.	HRM practice	Code Nos. of practicing units	Code Nos. of non-practicing units	PR (Nos.)	NP (Nos.)	Total (Nos.)
1	Recruitment and selection	IS-01, IS-03, IS-04 & IS-15	IS-02, 05, 06, 07, 08, 09, 10, 11, 12, 13 & IS-14	04	11	15
2	Man Power Planning (HRP)	IS-01	IS-02 to IS-15	01	14	15
3	Training and development	IS-01	IS-02 to IS-15	01	14	15
4	Performance appraisal	IS-01	IS-02 to IS-15	01	14	15
5	Compensation Package	IS-01 to IS-15	NIL	15	--	15
6	Motivational measures	IS-01, IS-02 & IS-03	IS-04 to IS-15	03	12	15

Source : Derived from the Appendix Table – 4.

Note: "PR" represents practice in vogue and "NP" represents practice not in vogue.

**Table-02**

### Particulars of HRM Practices in IS Category by Units

Sl. No.	Code Nos. of Units	Recruitment & selection	Human resource planning	Training & Development	Performance appraisal	Compensation package	Motivational measures	Practicing (Nos.)	Non-practicing (Nos.)	Total (Nos.)
1	IS-01	PR	PR	PR	PR	PR	PR	06	--	06
2	IS-02	NP	NP	NP	NP	PR	PR	02	04	06
3	IS-03	PR	NP	NP	NP	PR	PR	03	03	06
4	IS-04	PR	NP	NP	NP	PR	NP	02	04	06
5	IS-05	NP	NP	NP	NP	PR	NP	01	05	06
6	IS-06	NP	NP	NP	NP	PR	NP	01	05	06
7	IS-07	NP	NP	NP	NP	PR	NP	01	05	06
8	IS-08	NP	NP	NP	NP	PR	NP	01	05	06
9	IS-09	NP	NP	NP	NP	PR	NP	01	05	06
10	IS-10	NP	NP	NP	NP	PR	NP	01	05	06
11	IS-11	NP	NP	NP	NP	PR	NP	01	05	06
12	IS-12	NP	NP	NP	NP	PR	NP	01	05	06
13	IS-13	NP	NP	NP	NP	PR	NP	01	05	06
14	IS-14	NP	NP	NP	NP	PR	NP	01	05	06
15	IS-15	PR	NP	NP	NP	PR	NP	02	04	06

Source : Derived from Appendix Table 4

Note: "PR" represents practice in vogue and "NP" represent practice not in vogue.

1. "Nos." in columns 9, 10 and 11 refer to the number of HRM practices.

### Concluding Remarks

The findings of the unit-wise analysis of the FIRM practices in SMEs in the IS-category units are summarized as under:

- Among the 15 units, IS-01 is the only unit which has put into practice all the six HRM practices considered in the inquiry.
- > Compensation package is the one practice which is in SMEs in all the 15 units. Of course, the practice found in all the units is not comprehensive. It is adhoc and informal.
- IS-03 claims to have put in three HRM practices - recruitment and selection compensation package and motivational measures. Of course, they are not the standard practices.
- IS-04 has put into practice two HRM practices - recruitment and selection and compensation package. Both the 4 practices are deviations from be standard practices.
- Similarly, IS-15 also has put into practice the very two HRM activities as IS-04. They do deviate a lot from the standard practices.
- In the remaining 10 units (from IS-05 to IS-14) - nine sDal Industry units and one foundry-based casting unit - only compensation package is in SMEs. The practice is one and same in all the nine sDal Industry units and it is decided by their association.
- The casting unit (IS-11) has its own indigenous approach to compensation. Only three functional heads are paid relatively fair wages and others are paid minimum wages. This, in brief, is the outcome of the inquiry into the HRM practices in SMEs (unit-wise.)
- While concluding the summary of the findings regarding HRM practices, it is to be pointed out that the relatively larger units- AB-01, AB-02, AB-03, and AB-04 should have put into practice all these HRM activities in their own interest and in the interest of the employees. This has been done, in its own way, by AB-01. Secondly, in the remaining four units - AB-05, AB-06, AB-07 and AB-08 - non-practicing is owing to their ignorance in some cases and indifference in some other cases. However, their limited size is also a reason for not implementing the HRM practices. However, if the larger units adopt these HRM practices consciously, they are bound to gain in terms of their organizational performance. At the same time, the employees also gain a lot. These units have ample scope to develop and

enhance the competencies and core competencies (Human capital) of their employees, and through them, their performance.

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