

# ANNALS of Faculty Engineering Hunedoara – International Journal of Engineering

Tome XIV [2016] – Fascicule 4 [November]

ISSN: 1584-2665 [print; online]

ISSN: 1584-2673 [CD-Rom; online]

a free-access multidisciplinary publication  
of the Faculty of Engineering Hunedoara



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## THE IMPACT OF HUMAN RESOURCES MANAGEMENT PRACTICES IN SMES

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**ABSTRACT:** This work aims to assess human resource factors and best practices in small and medium enterprises (SMEs). The human resources (HR) components considered in this paper are organizational structure, personnel training and promotion, and organizational culture. To achieve the objective of this study a combination of inclusive literature review, visits, interviews, observations and a survey of 100 SMEs was used. These results are consistent with previous findings which reported that the SMEs performance was affected with the practices of human resource management. The main limitation in this work is the non-availability of timely data from many SMEs due to their lack of trust in these studies towards improving SME performance. The findings of this research not only show the positive relationship between BPHRM and SMEs, but also focus on elements leading to success, other lead to flair and some other mixed, which can be easily adapted to organizational structure, organizational culture and personnel training elements. These results could be applied on any other SMEs. This is the one of the first studies to examine HR factors and best practices through organizational structure, personnel training and promotion, and organizational culture of SMEs.

**Keywords:** SMEs, human resources, organizational structure, personnel training, promotion

### 1. INTRODUCTION

Human resource management (HRM) is the age old practice of recruitment, employee selection, providing proper orientation and induction, providing proper training and skills development, employee assessment and appraisal, providing proper compensation and benefits, employee motivation, maintaining employee health and safety. The major purpose and principle of HRM, more so in SMEs, is to make proficient utilization of existing human resources and the desire to have skilled and competent workers to make their firm more effective than their competitors. Humans or men are the most important assets for SMEs rather than money, materials or machines because without skilled and competent workers no activity can be performed efficiently and cost effectively.

The first part, which is the introduction, discusses the importance and goals of this study and literature review which discusses the Human Resources Management in Small and Medium-sized Enterprises (SMEs), Organizational Structure (OS), Organizational Culture (OC) and Personnel Training and Promotion in SMEs and problem formulation.

The second part of this paper describes the proposed methodology which discusses the hypothesis of the study and the eight step research methodology procedure.

### 2. LITERATURE REVIEW

#### 2.1. Human Resources in SMEs

Newman et al. [1] examined the HR factors in Chinese SMEs and found strong relationships between external organizations, firm size, age and growth orientation with the adoption of best HR practices. Wu et al. [2] examined 2004 SMEs in UK from the perspective of HR and found that the requirement of highly skilled workers is greater in SMEs than in other firms. Sheehan [3] found a relationship among human resource management and the performance of British SMEs. François [4] highlighted that human capital affects development of international business and

globalization. Lafuente et al. [5] reported that human capital matters support employment growth in Romanian SMEs. (Hill and Stewart, 2004) discussed the characteristics of SMEs and explored how these might influence the HRD policies and practices developed within three English SMEs. Reid et al. [6] examined the results of a survey that studied the relationship between best practices in human resource management (BPHRM), and family and non-family businesses. Reid et al. [6] pointed to the importance of focusing on the central role that HRM plays in achieving the objectives of quality of by studying ten Malaysian SMEs. Cunningham et al. [7] reviewed and examined the role of HRM practice of Chinese SMEs and suggested that a combination of Chinese and western practices might be the best way forward for development. Barrett et al. [8] examined 600 Australian SMEs and recommended SMEs looking for growth to focus on formal HRM practices through their business plans. Sutton [9] reported, as a result of an exploratory study of British tourism SMEs, that many SMEs are unaware of the role of HRM practice in continuous improvement process. Carroll et al. [10] discussed the role of IT adoption and its association and relationship with HRM practices in Canadian SMEs.

### **2.2. Organizational Structure (OS)**

Some of the benefits of SME organizational structure evaluations include adapting and validating the organizational structure effectiveness. Two commonly used tests evaluate the performance of SME organizational structures are based on the fit of design and good design principles. Fit of design ensures that the SME organization structure is fit for the purpose and helping to achieving company goals. It consists of the social system value test, the strategy test (product-market strategies), the people test and the feasibility test (constraints). Good design principles include the specialist culture test (specialization principle), the difficult integration test (co-ordination principle), the redundant hierarchy test (knowledge and competence principle), the accountability test (control and commitment principle), and the flexibility test (innovation and adaptation principle). Typically, organizational structure is the hierarchical arrangement of lines of authority, communications, rights and duties of an organization. It evaluates how clear roles and responsibilities are defined, as well as company awareness of personnel needed to carry these out effectively. The organizational structure is illustrated by an organizational chart and determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. A structure depends on the organization's objectives and strategy. Gibson et al. [11] used a mathematical simulation model to examine the relationships between economic performance and organizational structure, scale as well as organizational efficiency. Aldama et al. [12] used a questionnaire to examine the relation between organizational structure and effectiveness through 40 aspects among Chilean companies. They found that the corporate social responsibility function has a strong relation with organizational structure and the number of employees in the company. Atkinson et al. [13] examined the nature of employment relationship in 102 American SMEs for improving the workplace and found that there are no guarantees for SMEs workers to take all legal rights. Foster et al. [14] tested the effect of organizational structure on team performance. Lupton et al. [15] discussed the function of organizational structure on the knowledge transfer. Worley et al. [16] discussed the effect of organizational structure and lean implementation success at an American electronics manufacturer and pointed to the positive affecting on problem-solving skills. León et al. [17] examined the effect of organizational structure on organizational learning conceptualization, improvement and development.

### **2.3. Organizational Culture (OC)**

Organizational Culture is may be defined as the shared values and beliefs among the members of an organization and the way in which they relate to each other, their work and the outside world in comparison to other organizations. Bérard et al. [18] examine effect of the culture on the capacity of 123 SMEs across 14 countries, showing that international working relationships and cultural values have a direct effect on environmental scanning behavior and an indirect effect on intellectual property protection capability. Silverthorne [19] reported that OC affects satisfaction at work in Taiwanese companies. Lee et al. [20] investigated the relationship between culture and organizational performance among Singaporean companies. Their work has shown the force of culture in affecting organizational performance. Yazıcı et al. [21] surveyed OC and highlighted the key and dominant characteristics for success. They proposed five cultural dimensions as well. [21] examined the impact of OC on job satisfaction in American firms and concluded that workplace satisfaction was positively related to clan cultures, the impact of effective leadership on

organizational performance was studied and a correlation between strong culture and long-term performance of the organization was found. Valencia et al.[22] examined the relationships between Organizational Culture (OC) and product innovation, finding OC as the key factor to enhance innovation and develop new products or services in Spanish firms. Fortado et al. [23] described the faces of organizational culture - human relations, software of the mind, process consultation, and appreciative inquiry - and critiqued them, concluding that the meaning of culture has changed over time. Alonderiene et al.[24] examined the relationship between managers' informal learning and their job satisfaction by sampling 173 managers in Lithuanian SMEs. The study found a strong correlation among those factors and also those they impacted job satisfaction. Asah et al. [25] investigated the effect of motivation, personal values and managerial skills of managers on the performance of South African SMEs and found positive relationships between these factors.

#### **2.4. Personnel Training and Promotion in SMEs (PTP)**

Small and medium enterprises usually do not have sufficient knowledge and experience of personnel management practices. Most SMEs resist in providing sufficient training, health and welfare facilities to their employees due to the resulting increase in costs. SMEs are also less likely to obtain management training than larger firms due to financial constraints and information gaps and few see training as a strategic tool. Improving labor skills is a critical issue for development of SMEs, especially managers' skills which effect directly on workers skills and SMEs performance. Among the various types of courses and trainings that can and must be given at SMEs are quality assurance, software engineering, technical writing, materials and processes, safety, financing of projects, innovation and commercialization, configuration management. Panagiotakopoulos[26] reported that SME owners do not understand the role of worker training for skills improvement. A suggestion is to force owners to access training programs is by tying training with funding.Vuuren et al.[27] examined the business performance and skills improvement after employees attended training programs and indicated that both performance and skills were improved after the training programs.Robertson[28] highlighted the role of governments in providing incentives for training to upgrade the skills of SME owners and managers to help provide motivation of the development of SMEs.AIMadhoun[29] discussed the obstacles and weak points that hamper the development and training process of Palestinian SMEs. The study found a relationship between SME development and training process, and obstacles and weak points of SMEs.Macpherson et al.[30] studied the main factors which affect the approach towards training in 198 manufacturing SMEs. The study found formal training is the corner stone for developing firms in the UK.Thassanabanjong et al. [31] studied the factor which bridging the gap of training investments and approaches of 438 SMEs in Thailand. The study pointed to the lack of training for SME owners and managers.Jones [32] examined the increase in training at Australian SMEs and the study pointed to the main reasons of the increase as being change in production technology, improved product, improved process technology and the resulting increase in productivity.Choo et al. [33] reviewed the impact of training on worker job satisfaction at an Australian firm and the study found job satisfaction affected by work environment and company values.Butler et al. [34] discussed the role of knowledge transfer in developing personal skills and improving efficiency and innovation of UK SMEs while also highlighting the relevant change management issues. [30] examined the effect of development activities on the performance of manufacturing SMEs in the UK pointed to formal training as being more effective than informal training in improving performance of SMEs. Gilman et al.[35] reported that the study of human resource practices in SMEs remains under-theorized and under-researched. They also highlighted some differences between practical and theoretical studies. Many other studies focused on HRM practices in SMEs notably ([36]; [37]; [38]; [39]; [40];[41]) Some other research focused on studying the theoretical perspective of human resource management in SMEs notably ([42]; [43]; [44]; [45])

#### **2.5. Problem Statement**

The major source of employment and support industry are SMEs, but they are affected by issues related to capital, credit, technology and HRM. HRM is concerned with managing and controlling workers in the workplace to achieve company objectives with labor satisfaction. Management of people is a key challenge faced by small and medium enterprises. The most important success factor in SMEs is measured by how to manage people.Gilman et al.[35]reported that the study of human resource practices in SMEs remains under-theorized and under-researched. Very little



literature has attempted to examine the role of HRM through OS,OC and PTP. Although SMEs managers can manage time, money, information and machine, but only can lead employees. Small and medium enterprises usually do not have sufficient knowledge and experience of personnel management practices. In the light of the impact of human resources management practices in SMEs issues mentioned above, the following questions can be formulated:

- » What are the factors that tend to contribute towards a successful HRM in SMEs?
- » What are the factors that contribute towards the failure of HRM in SMEs?
- » What are the suggestions about the factors that contribute towards the failure which can be easily adapted to organizational structure?
- » What are the factors combine the success/failure factors in HRM in SMEs?
- » Is successful implementation of the human resources function impacted by organizational structure, organizational culture and personnel training?
- » Do SME managers' and/or owners' characteristics and best HR practices share a positive relationship?

The purpose of this work is to assess the human resource factors in SMEs, and to study their impact on improving performance.

### **3. RESEARCH METHODOLOGY**

Human resource management (HRM) is critically important for SMEs in both service and industry sectors. Management of people is key challenge faced by small and medium enterprises. The most important success factor in SMEs is measured by how to manage people. Key challenges of human resource management include selecting the right people, improving workers' skill, improving productivity, transferring technology and increasing managers' performance, among others. The purpose of this work is to assess the human resource factors in SMEs, and to study their impact on improving performance. The eight step research methodology procedure that comprises of data collection tools design (DCTD), data collection (DC), interpretation of responses (IR), data auditing by comparison (DAC), data analysis by ANOVA and Chi-square tests (DA), verification and validation of results (VVR), feedback results from SMEs (FBS), and reporting (R) are shown in figure 1 (DCTD- DC-IR-DAC-DA-VVR-FBS-R) and the steps are explained below.

#### **3.1. Data Collection Tools Design**

Having defined the HRD in SMEs search and identified the key concepts, the team needs to produce a list of keywords that will be used to begin HRD search. Keywords should consist of all possible words or phrases that might be used to describe HRD in SMEs subject. A dictionary must be used to check HRD in SMEs definition of the key concepts. Also search must be made for the concept of HRD in SMEs on the internet, in research papers and in textbooks. If the research team then has suitable papers from research journals, they examine these papers for substitution of key words. When the team has done this, the research team should have lists of words and phrases for each concept.

#### **3.2. Questionnaire Design**

There are five stages in the HRM questionnaire design and testing: conceptualization, questionnaire design, and questionnaire testing, revision and data collection.

#### **3.3. HRM Interview Guidelines**

The interviewer can follow the rail data about HRM in SMEs. Open-ended questions are asked during interviews at SMEs. The pre-design phase for the SME interview focused on previous work in the area of HRM in SMEs.

#### **3.4. HRM Type of Interview**

Closed ended questions with yes or no answers are avoided in interviews. The interviewer facilitates the interviewee by providing free choice and encouraging the person to ask questions that invite fuller answers. The interview is designed to encourage a full answer using knowledge and feelings. Feelings are a central to human behavior. It helps the interview to gathering data about interviewee opinions, feelings, current state of the system and organizational goals. Types of Topics in HRM Questions are worker behaviors in SMEs, worker opinions about HRM, worker feelings, worker knowledge about HRM, worker assistance in the field of HRM, background and demographic questions. Immediately After HRM Interview check the audio recorder, if utilized, make fair notes based on your notes written during the interview and notes any remarks immediately after the HRM interview.

### 3.5. Data Collection

#### Literature Review

The literature review for this study was conducted through three steps: organization structure, organization culture and, personnel training and promotion in order to bridge the knowledge gap. The research team found that the review did not bridge the gap due to lack of information that hampers the improvement and success in SMEs.

#### Questionnaires

The research team distributed by mail 300 questionnaires and 100 completed questionnaires were received. The questionnaire used a Likert scale of 1-5 and contained three items to measure the use of best HR practices, viz. organization structure, organization culture and personnel training and promotion.

#### Interviews

The research team conducted 100 interviews that included 100 owners and managers of SMEs. Interview guide revolved around the same three topics: organization structure, organization culture and personnel training. The research team also interviewed some experts in HRM.

#### Direct Observation

The research team conducted direct observation to know the details of HR activity in SMEs, to evaluate them, and make sure that HR practices are according to standards. Direct observation is also used to verify the data collected by other tools in the study. The research team used direct observation standard forms to ensure the quality of the data collected. It is a neutral setting to further understand HRM problems in SMEs.

#### Interpretation Of Responses

Out of a total of 300 questionnaires sent out 100 responses were received back by the research team

#### Data Auditing by Comparison

All data collected from literature review, questionnaires, interviews and direct observations were compared, to make sure of its accuracy before the analysis stage.

#### Data analysis by ANOVA and Chi-square tests

Chi-square test and ANOVA were the analytical techniques used. SPSS software was used for statistical analysis of the gathered data and to examine differences in HRM practices in SMEs.

#### Verify and Validate Results

At the end of the study the research team presented a workshop involving SMEs managers and owners of the participating companies, and a number of experts, academics and industrialists which are interested in SMEs, in order for knowledge sharing and to verify and validate the results obtained by the study.

#### Feedback Results from SMEs

The research team sent the results obtained from this study, after verification and validation, to the participating SMEs in order to investigate the feedback of these firms.

#### Reporting

Final report about the effect of HRM in SMEs must be sent to the agencies responsible for development of SMEs in order to bridge the gap between theoretical and practical studies as well as the gap between academia and industry

### 4. RESULTS AND DISCUSSION

The major source of employment and support industry are SMEs, but they are affected by issues related to capital, credit, technology and HRM. The common definition of SMEs, by European Commission's definitions of SMEs (Commission of the European Communities recommendation of 3 April 1996), according to number of employees as shown in table 1. In this section, we present the results and discuss the main findings from HFM of SMEs quantitative analysis. Examine of the demographics is a good introduction to understanding of the findings of the SMEs, so counting number of workers, area of industry and other sectors are essential part of analysis.

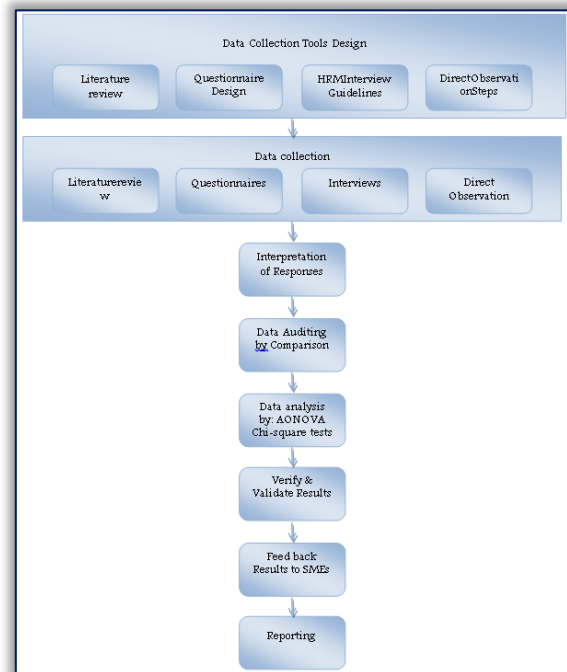


Figure 1. Research Methodology Procedure

Table 1: Definitions of SMEs

Number of Employees	Defined as
0-9	Very small (micro) firms
10-49	Small firms
50-249	Medium firms
250+	Large firms

Table 2: Distribution of the main sectors of SMEs in our sample

Companies main sector	Responses	Ownership/ Management
Manufacturing	40%	Family-owned/ Owner-manage
Service sector	60%	Corporation/ Professional manager

Table 3: Characteristics of managers and owner of SMEs

Characteristics	Average percent
Age	34 year
Total Experience	9.5 year
Experience in the firm	4.2 year
Education	Master 20%-Bsc80%
Family business	80%
Non-family business	20%

Table 4: Employee characteristics in SME samples

Number of employees	Response rate (%)
10-49	30%
50-149	20%
150-250	50%

HRM Questionnaires were mailed to 300SMEs, responses were received of the questionnaires response from every sector in our sample is shown in table 2.

Although SMEs managers can manage time, money, information and machine, but only can lead employee. Good managers can lead people to work effectively in a team work, some characteristics of managers and owner of SMEs as shown in table3. Several questions relating to the personality, habits and background of the owners were asked.

Employee characteristics in our sample SMEs as shown in table 4. To measure the HRM practices and its impact of performance in SMEs, three items are used; OS (organizational structure),PTP (promotion and training of personnel) and OC (organizational culture) as shown Figure 2. All items designed to collect information about the role HRM efficiencies in the firm.

**First item OS (organizational structure)**

OS how clear roles and responsibilities are defined, as well as company on awareness of the e need to carry these out. OS identifies the flow of information with different levels of the organization. The flow of decisions follows a top down approach in a centralized structure whereas in the case of decentralized structures, the various levels of the organization make their own

decisions. Well-designed organizational structures result in smooth operations and reduce the risk of disruptions. By establishing a hierarchical structure with a clear chain of command, firms are in a better position to simplify their operations through the creation of hierarchy with clear order.

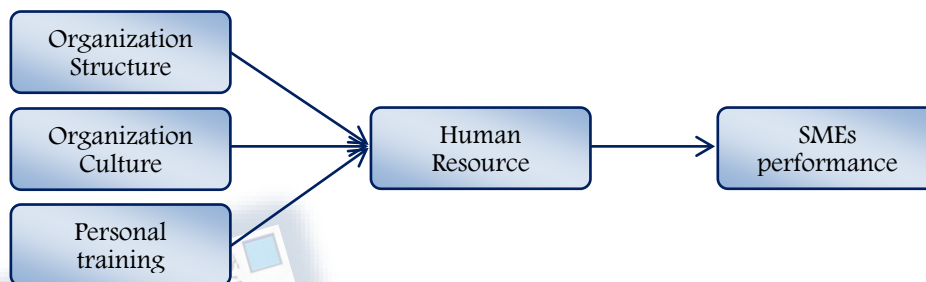


Figure 2. Model of the relationship between human resource components (Organization Structure, Organization Culture and Personnel Training) and SMEs performance

**Second item PTP (promotion and training of personnel)**

PTP evaluates how clear roles and responsibilities are defined, as well as company awareness of the personnel needed to carry these out.

**Third item OC (organizational culture)**

OC evaluates personnel behavior and their awareness of company objectives. Organizational Culture is defined as the way in which members of an organization relate to each other, their work and the outside world in comparison to other organizations. The Dimensions enable a tangible alignment of Organizational Culture and Strategy. In the modern business world, OC challenges firms and empowers them. A good culture environment leads to improvement of performance and creation of innovation. If there is disparity between the organization culture and the company’s vision and mission, it can lead to catastrophic consequences. Several SME managers and owners recognize the crucial role that culture plays, but face difficulty in utilizing culture for continuous improvement of performance.

Table 5: Statistics of three items for best HRM practices from our sample of SMEs

HRM variables (items)	Average
OS (Organizational Structure)	73.50
PTP (Promotion and Training)	57
OC (Organizational Culture)	64.50



PTP represent the weakest HRM area which is percentage 57% from the weight of this area, while OC represent 64.5% from the weight of this area and the highest HRM area is OS which is represent 73.5% from the weight of this area, as shown in Table 5 and figure 3. PTP still can be improved at least about 17% keeping all consideration of OS. OC in a similar manner, OC also has a potential to improve about 7%. Keeping these with improvement in mind, more efforts are required especially in PTP.

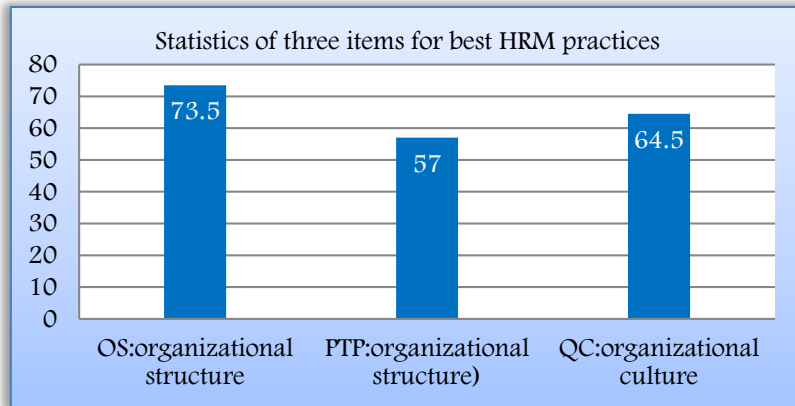


Figure 3. Relation between the main HRM items

Calculate Analysis of Variance (ANOVA) F Test. SST (Total sum of square) equal 14907,SSW(sum squares with deferent groups) equal 12882,Sum square between groups equal 2025 and ANOVA Equal 63.61The responses examined by SPSS Program Version 6, basic statistics tools and Chi-square tests are also used. Examine the quality of HRM Variables by using one-way ANOVA; it is also support results validity[46].A one-way analysis of variance is a way to test the equality of 100means at one time by using variances in ours study; it is also used to compare the means of 100 independent groups. The one-way ANOVA uses an F test statistic; F statistic is a ratio between group's variability and within group's variability. Chi-square tests are used to examine variables which tested by nominal scales. Achi square (X<sup>2</sup>) statistic is used to investigate whether distributions of categorical variables differ from one another. The Chi Square statistic compares the counts of categorical responses between 100 independent groups in our study. Chi square tests can only be used on actual numbers and not on percentages, proportions and means. Descriptive statistics for the selected variables as shown in table 6.

Table 6 : Descriptive statistics for the selected variables.

Questions	Mean	SD	Min	Max
Q1	72	20.93	20	100
Q2	72	17.01	40	80
Q3	78	23.28	40	100
Q4	72	27.74	40	100
Q5	54	30.63	0	80
Q6	52	28.64	0	100
Q7	70	27.13	40	100
Q8	52	29.93	0	100
Q9	82	21.11	60	100
Q10	66.4	19.49	24	100
Q11	74	23.82	40	100
Q12	68	26.48	0	100
Q13	64.4	23.88	24	100
Q14	52	27.07	0	80
Q15	44	30.98	0	100

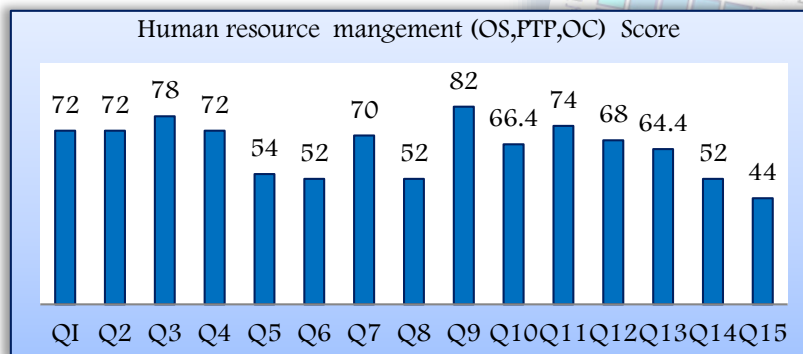


Figure 4. Human resource management HRM score in main items (OS, PTP, OC)

The factors that tend to contribute towards a successful HRM in SMEs are as follows:  
In Organization culture:

- » Nearly 82% of companies have good oral and written communication for effective flow of information through different company levels.

In Organization Structure

- » About 78% of firms have clearly defined job functions, descriptions, authorities and responsibilities of each position.
- » In 74% of companies, the management has been able to make personnel feel as a part of the company as well as to help them understand what the company offers them for their own development.
- » 72% of management believes that personnel should be motivated, trained, informed and rewarded in order to raise productivity and that this process should be continuous and shared throughout different managerial levels.
- » About 72% of companies foresee the need for new personnel to fill different positions in the short and mid-terms.
- » Almost 72% of companies claim that they use a fair salary scale based on objective criteria for each job position.

The factors that contribute towards the failure of HRM in SMEs are as follows:

In Organization Culture:

- » Only 44% of companies have frequently organized social and sporting activities for their employees. The situation where the majority of small and medium enterprises show little or no interest in social activities is not too optimistic. SMEs must find ways to integrate social and sports activities into or around their daily business operations in order to minimize negative environmental impacts. This helps to establish a positive relationship between social activities and SME performance. The most common social activities are sports, cultural and health related. SME managers or owners must focus on social activities at the local level to improve the reputation of their companies and their image as employers. They must identify the main characteristics, advantages, benefits and future improvements needed from these activities. The main reasons to incorporate social activities in SMEs are to improve relations with the community, to improve job satisfaction and to improve SME performance. Some factors that affect the integration of social activities include business benefits expected, time and money spent on these activities. Also, the attitude of SME owners and managers influences these activities.
- » Exactly 54% of companies foresee the need for new personnel to fill different positions in the short and mid-terms. SMEs should plan and foresee requirements for new hires according based on current workforce levels and the need for expansion or possible future developments. SME managers should be interested to know whether current workers are adequate to achieve company goals and objectives. They must be aware and up-to-date about where the company is heading to and what the intended growth in the short and long term is in addition to knowing which areas of the business will reduce or stop and which will grow and expand. Managers at small at medium enterprises should regularly review and monitor company workforce to ensure that the workforce plan still achieves the business needs. The manager should develop a database with details of each employee with respect to skills, experience, productivity, qualifications, training, grades by category, profile, historical trends and other relevant information. SME managers should forecast future staff needs in accordance with strategic and business planning objectives to get the right people with the right skills, in the right place and at the right time.
- » About 64.4% of companies use teamwork for encouragement throughout all company levels including managerial and operational. The common but avoidable causes of poor teamwork in SMEs are the owner's personal style, waste of time, lack of proper communication, lack of information, misunderstanding of authority and responsibility, and employee dissatisfaction. The SME manager should explain, with reasons and justifications, the importance of teamwork to all employees and make sure that the teamwork concept, culture and values be a part of the company. This can be achieved by simple and effective ways to encouraging employees to work more effectively in teams. Building teamwork culture in the SME workplace needs time and effort and is hence developed over time. SMEs owners can organize team building activities on a regular basis to achieve success. It is developed through daily habits to help employees better understand themselves and others. As a leader, the SME manager should establish a relationship with each team member, and consider that each employee's ideas as important. He must encourage trust and cooperation among employees in teams, encourage team members to share information, delegate problem-solving tasks to the



team, establish team values and goals, evaluate team performance, encourage listening and brainstorming, establish the ideal size for a team which is between two to five members, establish protocols for team interaction, make each member's goals clear, all the while accepting that conflict is normal and can occur within teams.

#### In Personnel Training and Promotion:

- » About 52% of companies give rewards to employees for their contribution towards meeting the company objectives (e.g. innovation, quality and productivity). One of the core values of SMEs excellence in terms of their organization system and process is managing for innovation. It is unrealistic to target let alone achieve a 100% guarantee for the success of new innovations. SME owners and managers can use self-assessment to evaluate their companies. This includes leading change by using senior leaders to provide the focus needed to initiate SMEs excellence. Staff must be made aware on how to start SME excellence after brainstorming by using suggestion forms with reason for change and the role of supervisors in process change being clear. SMEs managers can use suggestion schemes encouraging employees to provide ideas and suggestions on how to improve the organizational performance and provide incentives and rewards for suggestions which can be feasibly applied. Behaviors that improve employee satisfaction must be recognized and rewarded.
- » About 52% of companies conduct periodical evaluations of employee performance. To conduct periodical evaluations of employee performance, it must be clear what company goals the employee needs to achieve. The tools and criteria of evaluation must also be clear. The main aim of evaluating all staff is to achieve better SME performance and maximum staff output. Measuring labor satisfaction periodically is a corner stone to sustain continuous improvement. SMEs must regularly review employee performance. Appraisals aid in transferring to the employees what is expected of them; review of their work will provide them constructive feedback and they will be made aware of any shortfalls in their performance. Employee appraisals also make SMEs recognize and reward good workers while helping identify and train workers who are having trouble. Evaluation of employee performance identifies a lot of employment problems early as well as to document these problems. It provides the employee with a chance to correct the problem. SMEs ought to set up a system to measure employee performance based on performance standards and goals. Performance standards describe what SMEs want workers in a particular job to accomplish and how they want the job done; goals should be tailored to each employee. The SME manager formally evaluates all workers by writing a performance appraisal and holding a one-on-one meeting with each employee. The manager must listen attentively to the worker's comments and have the employee write the comments and suggestions down on an evaluation form. In addition, the manager must take meeting notes and then include them on the form.
- » In 54% of the surveyed companies, defined procedures for orientation and training of new employees exist. Development of employees through training is a corner stone of continuous improvement of SME performance. Training both new and current employees increases SME productivity by development of employee skills, improving productivity by the use new technology and augmenting skills of staff with highly motivated teamwork. Reduced employee turnover, increased job satisfaction and decreased need for supervision are the main benefits of employee training SME managers must plan for training with focus on the time allowed for training, the specialized skills needed for training and useful information in the training process. The structured training program should be compatible with the company's objectives and strategy while respecting the value of the training to change current activities. The training strategy of SMEs depends on customers, competitors, market, and current status of the company with respect to its internal strengths and weaknesses as well as external opportunities and threats. With clear vision, mission, goals, objectives and strategies, a company can identify its training needs of the job characteristics and the needs of the individuals. SMEs should know where they want to be in future by devising strategic plans. What SMEs need is a training program to take the company from its current status to the future desired state by overcoming the gaps identified during planning. If there is a financial support for the training efforts, firms must decide accurately where training is required and focus precisely on the content of the training program. SMEs can carefully select the right trainees by comparing current individual employee skill levels to standard level. Training objectives should obviously state what skill will

be changed as a result of the training and should relate to the firm's mission, vision and strategic plan.

Ultimately, one could combine the above success/failure factors in HRM in SMEs as follows:

In the personnel training and promotion:

- » About 70% of firms have clearly defined job functions, descriptions, authorities and responsibilities of each position.

In the organization culture:

- » In 68% of companies personnel creativity is stimulated, suggestions to solve problems are welcomed, and successful ideas are rewarded.

The study focuses on SME managers' and owners' characteristics which directly influence the Best Practices of (BPHRM), which discusses education level, industry experience, service experience, experience in SMEs per year, total experience per year, understanding firm's vision, understanding firm's mission, family business and non-family business

## **5. CONCLUSIONS AND FUTURE RESEARCH**

[46] reported that the study of human resource practices in SMEs remains under-theorized and under-researched. Very little literature has attempted to examine the role of HRM through organizational structure, personnel training and promotion, and organizational culture. This is the one of the first studies to examine HRM through organizational structure, personnel training and promotion and organizational culture of SMEs. The purpose of this study is to assess and understand the nature of human resource factors in SMEs as well as to study their impact on improving organizational performance. The main objective of this study was to examine the factors which affect the best practices in human resource management (BPHRM) in SMEs from the perspective of managers and owners.

This work increases the HRM literature and practice of dealing with continuous improvement of SMEs in developing economies. The eight step research methodology procedure that comprises of data collection tools design (DCTD), data collection (DC), interpretation of responses (IR), data auditing by comparison (DAC), data analysis by ANOVA and Chi-square tests (DA), verification and validation of results (VVR), feedback results from SMEs (FBS), and reporting (R) is recommended. Model of the relationship between human resource components (Organization Structure, Organization Culture and Personnel Training) and SMEs performance is recommended. The study also pointed to the opinions of SME managers and owners which are a corner stone for continuous improvement of BPHRM.

This study highlights that family business owners (ownership from family members) are more in number than managers (leadership) of non-family businesses in SMEs. Characteristics of managers and owner of SMEs are highlighted. The findings of this research not only show the positive relationship between Best Practices of HRM (BPHRM) and SMEs, but also focus on elements leading to success, other lead to failure and some other mixed, which can be easily adapted to (OS, OC and PTP). PTP represent the weakest HRM area which is percentage 57% from the weight of this area, while OC represent 64.5% from the weight of this area and the highest HRM area is OS which is represent 64.5% from the weight of this area. PTP still can be improved at least about 17% keeping all consideration of OS. Similarly, OC also has a potential to improve about 7%. Keeping these improvements in mind, more efforts are required especially in PTP. Various types of courses and trainings that can and must be given at SMEs are recommended. The results of this study lend us to recommend that SMEs must encourage and support HRM for continuous improvement. These results could be applied on any other SMEs. These results are consistent with previous findings by Newman and Sheikh, 2014 as well as Cunningham and Rowley, 2007 who reported that the SMEs performance was affected with the practices of human resource management.

Future research should also focus on the effect of environmental management, quality assurance, production and operations, strategic planning, finance and accounting, information systems and commercialization on SMEs performance. Future work may bridge the gap between SMEs and universities through entrepreneurship as discussed by Barrett [46].

### **Conflict of interest**

The author declares no conflict of interest.

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