

ACTUAL HR ISSUES IN SMALL AND MEDIUM-SIZED ENTERPRISES

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Abstract

Nowadays small and medium-sized enterprises are in a very difficult situation due to hard competitive struggles, the lingering economic crisis and difficult financial situation in Central Europe. This scientific paper focuses on up-to-date and very important issue to be solved by the owners and managers of small and medium-sized enterprises on daily basis. The implementation of modern managerial tools into everyday business activities is demanding and requires appropriate expertise and experience. The present contribution is trying to pinpoint the causes of these barriers in enterprises and define possible solutions to improve the quality of work with human resources. Considering the fierce competition, managers put emphasis on business processes, customers and finances and less attention they pay on human resources management, although this factor is one of the most important determinants of success. The aim of this paper is to list the most important HR activities small and medium-sized enterprises can provide, which can be a key factor in achieving their business objectives and maintain long-term stability.

Key words: small and medium-sized enterprises, human resource, management, key to success

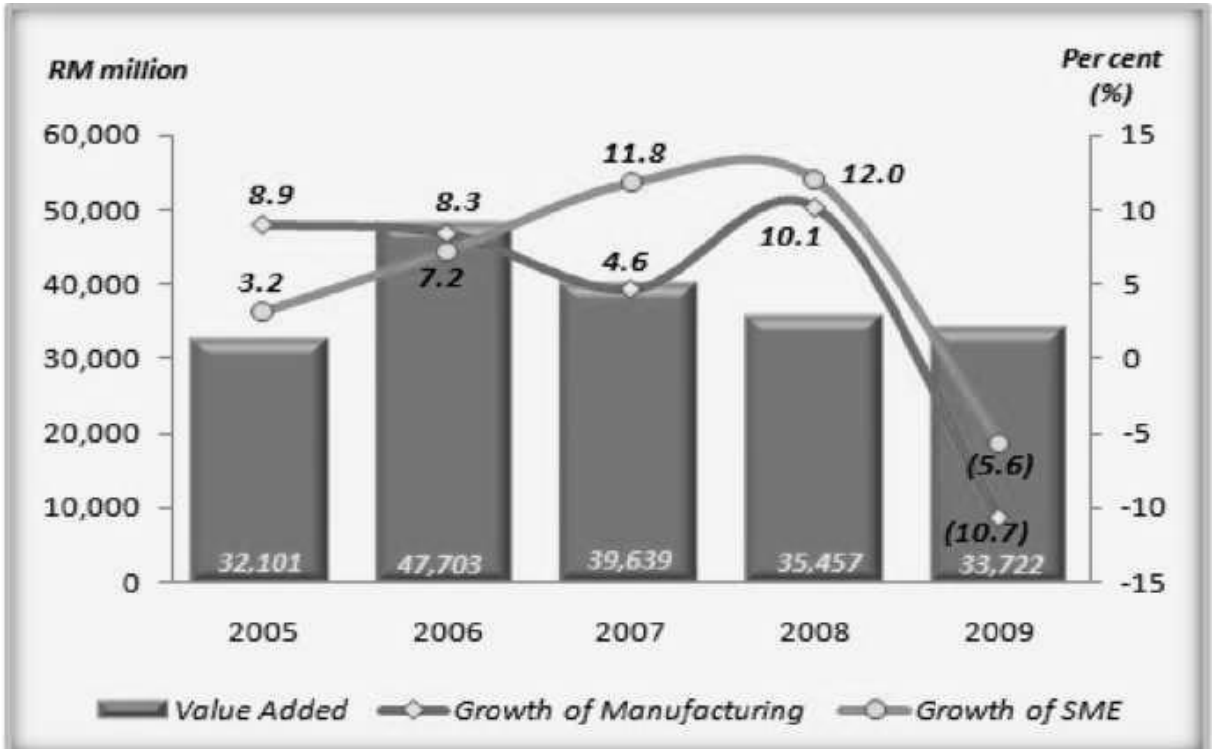
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Introduction

The 21st century from economics point of view can be characterized with speed, variability, complexity properties. The competition in the market is quite hard, companies cannot choose between the tools, which can help to win the fight against competitors. W. Chan Kim and Renee Mauborgne (2015) in the book, titled Blue Ocean Strategy, described today's market economy such as blood – stained oceans, where the priority of the organisms is to survive without carrying about the other's physical or even psychological integrity. If we put this theory into the reality, we can see, that the hypotheses is absolutely true. We can see

interesting parallel between the evolution and the business sector, because only those companies can survive and successfully operate, which are large, strong and desperate. Today's successful multinational or transnational enterprises can only develop, if they willy-nilly engulf the smaller competitors who are unable to have a say into the development of processes. Nevertheless interesting dichotomy is that almost two thirds of today's enterprises is classified into SME sector.

Fig.1: Contribution of SMEs output and value added to the manufacturing sector, 2005-2009



Source: <http://economics-in-the-world.com/enhancing-organizational-performance-of-malaysian-smes-through-human-resource-management-hrm-practices-and-organizational-innovative-capability-introduction.html>

So it is not surprise, that the Eurostat reported that nearly in all of the European Union Member States 60 – 70% of people are employed in SME sector. According to Mura and Machová (2015) SME sector is the European Union's economy driver, because some studies have found that almost 94-97% of all companies can be classified in this sector. Therefore it is such important to pay attention for these companies operating in SME sector, not just from economic, but from human capital perspective as well. According to mentioned facts, this sector operates almost with ¾ part of people, who want and know to work. Despite this fact SME sector has serious deficiencies in human resource management (HRM). This is caused by the managers and company owners, because they priority is to maintain business

relationships, to service customer needs, and last but not least to ensure the financial stability of the company. It is often overlooked that one of the main keys to the success is the properly trained and motivated workforce. The following graph illustrates the complexity of human resource management:

Fig.2: Human Resources Management System



Source: <http://www.mishainfotech.com/human-resource-management-system.aspx>

Dúbravská et al. (2015) have researched how huge pressure is set to SMEs from the perspective that the managers and company owners at all costs want to appear on the international market. The truth is, that their available human capital is not properly prepared to carry out international tasks. About the difficulties of the internationalization of SMEs and about its statistical analysis we can read in the study of Grančay et al. (2015). Their study deals with „gravity models”, which can help to analyze almost all of the international business theories. Authors pay attention for the application of the properly organized HRM methods, because, as they say, that can be the key factor in the international success as well. This scientific paper intends to highlight for these assumptions and their analysis.

1 Material and Methods

The aim of the presented scientific paper is to highlight for the importance of the HRM in SME sector. It is right, that nowadays managers have lot of important tasks, e.g. selecting the right business model, finding and keeping the right partners, but often they do not care about the human capital. However that is one of the most important key to achieve a business success. In this scientific paper the research is based on secondary data collections and they analyzing. These secondary data research the mentioned issue in post – 2010 period. Due to collecting and analyzing the data we can appropriate consequences, which HR tools in SME sector should not be ignored. The output of the analysis is drafting a proposal for SME sector which can increase the loyalty of human capital and the company's efficiency.

2 Results and Discussion

2.1 Actual difficulties in SME sector in relation to HR management

Quite often we can find source documents that examine human resource management, but they does not care about the driver of the HRM, which is the leadership. The leadership is one of the most important managerial activity, which require the most attention and professionalism. This phenomenon was investigated by Mura and Horváth (2015), too. They have already pointed out, that the HRM and the leadership are collectively a key factor in achieving the objectives set by the company. It can be said that SME sector cannot be typified, so it is not made up of homogeneous elements, because of this the operation of the sector cannot be examined together. In fact, SME sector is very complex and heterogeneous sector, which should be devised into two groups: a group of small businesses and a group of medium enterprises. However in activities of both group we can quite rarely find tools of HRM, but some of the dynamic developing medium enterprises are trying to deal with the human capital. On the other side is true that these type of businesses have often financial constraints or they have no skills to solve HRM problematics (Deák and Coll., 2013). In some cases enterprises try to create and operate HRM, but for the survival and the effectivity they also need qualitative material and intellectual capital. In such cases we can meet with HR methods and channels specific for multinational corporations, however in many cases lot of companies choose an external advisory firms for help. This extern consulting work is the link between small and medium businesses, because quite often HR activities of small businesses are realized by involved external partners. I mean the payroll, social and healthcare contributions, other administrations, etc. As a reason for outsourcing there is often a fact, that small business owners (often also leaders) do not have sufficient knowledge and they have

very tight schedules and lot of tasks to be carried out in connection with the performance of daily activities (Lengyel,2010).

Bittner (2011) writes that the current HR issues should not be tested together because there are several stages in the HR activities of small and medium enterprises. The author devises into three stages the relationship between HRM and employee. The most common case is the quasi „nonexistent” relation between the HR department and the employees. This case is specific for the post – communist countries. That means that the department exists only to solve personal matters, just as during the socialism. Here the relationship between workers and HR department appears just only with the signing contracts, or the acceptance of dismissal papers. So it can be said, that in these cases we cannot talk about „management”, because there is no need for it, and there is no inclination from no one. Bittner (2011) continue in the research from that perspective, that expect of the mentioned case there are only two extremes – the positive and negative side. The positive case (unfortunately this is the rarest) is when the employees comprehend that the HR department exist to serve their favor, the managers are sufficiently skilled and are able to motivate employees. In businesses with this type of HR departments the loyalty of their employees measurably increase and due to their satisfaction they are able to work independently. Also thanks to proper motivation there are able to accomplish high–quality and professional work. The absolute opposite of that case is the negative attitude. In these companies the HR department from workers perspective is judged as a necessary bad fact. The management is also faulty in these cases, because the HRM department was created just because they need it (the company have lot of employees), but it has only administrative tasks. They do not have properly trained professionals, do not try to deal with problems of human point of view. Unfortunately the department solve problems only just with standard templates and according to upper judged instructions. It is not unusual, that these type of HRM systems mean lot of extra worries for the workers, e.g. pointless seminars and trainings, unnecessary administration – these do not have real value to employees.

2.2 The importance of human resource management in small and medium enterprises

Famous authors, like Baird and Mashoulm (1988) or Horsaby-Kuratko (1990) were made researches about HRM in SME sector in the early '90s. They tried to confirm or even confute investigations which claim, that there is linear relationship between the size of the company

and the frequency of applying HRM tools (if the company size is big, there are more often HRM tools applied into daily activities). Businesses in SME sector at foundation phase do not take care about the design of the HRM – they do not have unitary system and rules. It can be said, that in this phase businesses have informal HRM system. After few months, if the business has consolidated, the main task of the HRM is to find, create and train new staff, so they need lot of knowledges and skillful trainers. In this lifecycle of the business are developed new HRM systems and structures, which can help to achieve business goals. In the next period, namely the permanent solidification and during the operational activities, the system of the HRM is changing again and get new roles (develop new motivation systems, performance evaluation system, etc.). However, in the case of micro businesses often the HRM system has been absolutely not created and the HRM tools are not applied into daily activities.

With an absolutely new approach to HRM was investigated in a roundtable discussion in Hungary in 2014. In article, written by Júlia Szegedi (2014), we can read that on the meeting were the three major Hungarian leader companies in SME sector. They were talking about new trends in HRM from other point of view. These professionals highlighted the importance of safety and security standards required by the law, give priority preservation of workers health. It means, that in all aspects we can positively appreciate health days, screening programs, family health programs organized by companies – the workers feel good, because they feel they are really important for the company, on the other side, these programs have relatively small budget but much more yield. Psychologists say, that these programs have positive impact for the workers soul and they can help to increase the loyalty and motivation.

According to Deák István et al. (2013) another important fact is, that SMEs need to know, how the main activities have to be managed in case of HRM. In the following list are collected the major HR functions of SMEs:

- Job analysis
- Job design
- Recruitment
- Selection
- Performance evaluation
- Motivation
- Other specific HR activities

a) Job analysis, job design

In lot of cases at the adaptation phase of businesses there is no predetermined plan for task distribution, so employees have no idea what role will they have in the business. It can cause lot of heavy problems and complications. It can happen, that some tasks will not be solved, because employees will wait for each other, or in opposite case, some tasks will be solved twice or multi-organized. In spite of this researches show, that in first few months of operating in SMEs exists “everyone do everything” principle. This principle can be managed as long, as there are only few employees in the company and they are often in family relationship, so they have no problem to communicate with each other open minded and seamless. However, as the company need more employees, is indispensable to create so-called job analysis and job design. Thanks to these facts it can be concretized and clarified, that what kind of tasks, responsibilities will have each worker and who belongs to other. The job analysis in fact is an empirical analysis, which determines:

- The content of the job – its purpose, function, authority and responsibilities
- The relations of the job – with which other departments is in daily contact and it outlines hierarchical relationships
- Requirement for filling job – skills, competencies, abilities, attitudes and experiences
- Required tools and equipment that are essential for successful operation
- The environment of the job – difficult working conditions, noise, dust, humidity etc.
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b) Recruitment, selection

During the recruitment and selection the company want to integrate new workforce into the operation. Essentially this is a marketing activity, because the company tries to stand out in the best possible light, quasi it wants to sell itself, be attractive for professionals and to show up in the labor market. Of course, mentioned processes are not only self-price from the company, but it is a process that requires a very considerable expertise in a number of important questions:

- For what kind of job does company need an employee (for an existing job or a new position)?
- Where is the position of the job in the company structure and what value have this position for the organization?
- Does the organization need one or more employee to perform the necessary tasks?

- What kind of tasks are need to be completed by the new employee in that position?
- What kind of competences, skills and knowledges are needed for applying position?
- What type of motivational tools are available to motivate employee in that position?

Of course, if all those questions were answered and information are available for HR specialist, the selection process can be started. In that moment the filter is very important because of the huge number of candidates for the same position. That is why there is a basic requirement that says, the process of selection must be considered and unitary. In this spirit is advisable to organize the selection process in addition of three principles:

- Reliability
- Validity
- Economical

In case of reliability I mean, that if the selection process is repeated again and again, it must be ended with the same result, so with the same choice from candidates. The contradiction of this is the nowadays most common process during the selection, the short interview. The short time period during the interview does not allow to create a realistic picture about the candidate, and is so probable, that if HR specialist would made the interviews again on an another day, the result would be completely different – it can be depends on the actual mood of the candidate or HR specialist, on the clothe set of the candidate or on much more facts.

In case of validity I mean, that companies should use general processes or solutions in selection process, which have been created exactly for that process and can measure exactly that competence, which is indispensable for that position. It can be said, that the general IQ test is not useful in all cases, because it not exactly measures good problem-solving skills or attention sharing capabilities.

The case if economical solutions is clear, all of the companies try to cut spending money for recruitment and selection processes, but on the other side is true, that the cheapest solutions are not giving the best result and they can skew reality.

All these three principles are have to be solved by the HRM department in organizations, so it clear that not just in multinational businesses is important to create a relevant and well-structured HRM system, but in SME sector, too, because businesses in that sector also need well-selected, trained and motivated employees.

c) Performance evaluation and motivation

As we all know, is not enough for organizations to create and manage a well-structured system of recruitment and selection, the priority is not just to get the right employee to important positions, but they also have to organize and properly manage a motivation system. Is very important to have motivated employees, because they are one of the most important keys to achieve business successes. Companies have to increase employee's loyalty, because the selection and the adaptation training of a new worker costs lot of money and it causes loss of time. The system of performance evaluation and motivation are cannot be separated, because interrelated to each other. HRM department need to know, what performance can achieve an employee, and based on that information they can consider, what kind of changes have to be made. There are three most common performance evaluation processes that are used in SME sector:

- I. general, systematic review – mostly it is a non-formal way to evaluate employee performance. The principle of this method is based on the evaluation of daily activities, but it is often not can be considered as relevant, because mostly depends on the actual mood of the boss, on the boss-subordinate relationship, so it is mainly a subjective opinion. This type of review is quite common and has goal to assign tasks and competences.
- II. systematic review – it is based on regularity, which is conducted with predetermined methods. This type of evaluation can be characterized as formal, because it has planned and systematic format. Its outputs are important for HR department and they form the basis of personal decisions.
- III. random rating – it depends on actual situation. The most common reason of these type of reviews are unusual poor performance of the worker or a group of workers. Random rating can be characterized as formal review and it is based on real relevant dates.

Conclusion

In this scientific paper above was clearly demonstrated that HRM is not only possible for multinational and transnational organizations, but it is a much needed part of businesses in SME sector, too. The result of the well-organized and managed HRM system is the increasing workforce loyalty, the increasing work performance and a good atmosphere in the company. Of course, every business in SME sector have to weigh, how much personal, material and financial sources have for managing the HRM system, but it is also true, that without

professionals is not possible to achieve long-term business goals. Organizations must pay attention for the system and they should avoid, that HRM was just only a necessary evil.

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