

## HR ISSUES IN SMALL & MEDIUM ENTERPRISES - A LITERATURE REVIEW

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### ABSTRACT

The Small and Medium Scale Enterprises being very volatile in nature are always exposed to high degree of risk. It is therefore imperative for them to address the uncertainty in their environment with the help of the workforce around them. Due to a leaner work force structure, it is easier for HR to implement change management programs in SMEs. The HR faces the challenge to adhere to the agreed policy norms in SMES. HR also faces the problems to synchronize the goals of the promoter and the individual employee goals. This paper analyses the various issues faced by SMEs and various strategies which would help the SMES to be more resilient.

**KEYWORDS:** HR Department, Small Scale Industries, Personnel Planning

### INTRODUCTION

Small Scale Industries occupy a place of strategic importance in the economy of many countries owing to their significant contribution made to national income, employment, export, innovation, and developmental activities. They contribute significantly to social and economic development objectives such as labour absorption, income distribution, rural development, poverty eradication, regional balance, and promotion of entrepreneurship. In fact, they play an important role in the process of the country's industrial development. In developing countries, small labour intensive industries have been favored basically to create employment opportunities in an economy with abundant unskilled labour available even though such industries may not always be supported on grounds of economic efficiency. For a company to work effectively, it is crucial for the HR department to align the organizational goals and mission statements with best practices to address various issues that may come up in a business.

According to a survey conducted by Confederation of Indian Industries, 20% of medium and 80% of small sized businesses have no HR departments. Increasing attention on human resource management (HRM) in small and medium enterprises (SMEs) is a comparatively recent phenomenon. HR-researchers have largely ignored the SMEs, even though smaller companies could be fruitful subjects for empirical investigation because their numbers, the growth-rates and not least diversity in the qualitative aspects of management practices. For SME's to ensure long term success in the market, it is crucial to have systematic HR practices. Indian SME's can always learn from the big players and address their HR challenges in order to ensure success. For them, the two most important challenging aspects are competent workforce and recruiting the right talent.

People acquisition being more important than people retention for SME's, it is crucial for them to focus on their Human Resource activities. Many organizations also introduce innovative programs to put HR practices in place and combat attrition. These programs sometimes include stress management, involving weight watchers to help night shift workers to adapt the shifts, flexibility to work from home etc. Companies even welcome suggestions from their employees for improvement, which is an innovative approach and Indian SME's should focus on it. In addition to the above mentioned points, organizations can also propose re-employment and retention of old workers as a part of their systematic HR practices. All these approaches can facilitate Indian SME's to ensure success.

## LITERATURE REVIEW

The pace of change is so rapid, and its scope so wide, that some analysts see the emergence of new technological paradigm (Freeman and Perez, 1990). The increasing attention on human resource management (HRM) in small and medium enterprises (SMEs) is a comparatively recent phenomenon. HR-researchers have largely ignored the SMEs, even though smaller companies could be fruitful subjects for empirical investigation because their numbers, the growth-rates and not least diversity in the qualitative aspects of management practices.

Thereby HRM in SME's has been a white spot on the map, and this despite the characteristic Danish industrial structure, i.e. the large proportion of SMEs; the long tradition for a rather institutionalized and well organised labour market, which could provide a basis for a more professional approach to human resources, and finally the supposed very good basis for future competitiveness, due to the values characterizing employees as well as managers in Danish companies, i.e. democratic management style, informal organising, flexible working arrangement etc. Personnel planning or training and development initiatives were not seen, due to the same reasons as mentioned under HRM (Andersen 1997). One could say that the tradition for more professional work with employees is very limited, and that the only way to approach the personnel- or HR-activities in general, is through growth.

In other words, organization moving from a simple structure towards a functional configuration, with increasing formalizations as an outcome (including personnel practices). The departure from a more universalistic approach to HRM, towards either a configurational or a contingency approach, signal emerging problem. This is if companies have pursued the strategy of aligning HR-policies across themes, employees and time (see Baron and Kreps 1999). The implications caused by the lack of interest are many, both for SME's and for the HR-domain. As Larsen (2000, p. 11) is emphasizing:

“We still lack the conceptual framework and methods applicable for the majority type of companies C small and medium-sized companies. Hierarchical thinking and stability that we rarely find in smaller organizations characterize large companies. Not only have we neglected to deal with the segment that represents the majority of Danish companies, but in parallel we experience that the so-called large companies are increasing assuming the characteristics of small companies. This fact should be sufficient reason for us to engage in research and development that hopefully will make us understand small and medium-sized companies, and/or large companies that carry the characteristics of small companies”. The lack of interest for the phenomenon is however two-sided.

The practitioners, the managers and/or owners of the SME's, have on their side often ignored personnel-or HR-issues like training and development, performance management, employee counselling etc. It seems to be the case that managers have had the view, that HRM is unresponsive or not tailorised enough to their needs, and it is considered too

costly an activity to carry for a small organization. The lack of appropriateness, expectation of the activities being too bureaucratic, time consuming and the lack of clarity concerning direct effects etc., has resulted in very limited attention to the approach and the techniques associated with it among management (often without any background knowledge on personnel and HR). The question is however whether this type of companies perhaps have practiced personnel management, i.e. they have (not yet?) taken the step towards HRM? Here earlier studies indicate even traditional personnel activities are rather seldom used in SMEs.

There are many tangible and intangible implications of an unresponsive HR-domain to small business needs, and a lack of interest in HR from company manager's side. To begin with, lack of consultation and follow-through between the two sides, seems to be working against mainstream arguments, claiming that SME's are losing out to larger companies in the competition for skills. There seems to be the argument, even beyond HR, stressing the importance of recruiting "the right" mainly younger employees.

Humans tends to make the difference, they are the precondition for innovation, practicing experimental learn etc. Secondly, the lack of consultation between research and SME's undermines the accountability and legitimization of HR. An unresponsive HRM may discourage businesses from opening, continuing or expanding, all of which would have a negative impact on the community at large. This trend must be broken if healthy growth is to be realized in SME's and HR as a domain is to be more efficient and vi-able. We would like to go even one step further, to claim that HRM in SMEs is not unambiguous and homogeneous phenomenon.

Rather one would expect several different approaches to the management of human resources, taking into consideration the variety of practices characterizing the activities in general in SMEs, and taking into consideration that size is only one out of several important contingencies. We will return to this later. In this light there is a lack of knowledge concerning variety of practices and approaches to HRM in SMEs, and as HR-researchers we have to make more effort to study and understand SMEs. In order better to understand this size of organizations, they have to be approached as a heterogeneous sample, where one will look for similarities as well as differences. Looking at the human resources populating organisations, the future composition of the workforce seems to change in direction of increasing diversity. This trend is somewhat contrary to the developments characterizing the exercise of employment relations and to some extent industrial relations.

Here emphasis is on convergence, i.e. national systems and practices are supposed to approaching each other, mainly pointing towards one - or a few - common standard(s). The HR-domain is characterized by similar arguments, but the conclusions differ: There is an almost united opinion, that "people are organizations most important assets". This "truth" in the HR- and to some extent the business community, is based on arguments like the following: Global financial markets and the rapid spread of state of the art information technology have undermined the power of financial and physical capital, and their monopoly to create sustainable competitive ad-vantage. Instead, business will increasingly seek and find advantage through better use of human resources. Human capital is, as mentioned in the former section, recognized as an important component of national productivity growth, and it is of superior performance in the large proportion of companies.

However as mentioned by Larsen (2000), the growing diversity in organizations implies, that individual sub-groups will increase in numbers and have different and sometime conflicting demands, which could make it necessary

to design more focused and diverse HR-policies. The common wisdom, that on the policy level, employees should be treated equal, is thereby challenged. An additional, and relatively neglected, problem is that even within a given national context culture and work-life forms vary across the country. Headquarters, often located in the metropolis, most often designs the HR-policy of large national or international companies.

The HRD department design policies and the work is done by people whose life form is usually career oriented. However, the policies must function for employees in other parts of the country, where the war to talent is less prevailing, and where it perhaps is first generation wage earners characterizing the majority of employees, and whose values and needs are quite different. Therefore, it should not come as a surprise, if the company has difficulties in getting its message across to and accepted by all man-agers and employees. The argument is therefore, that diversity creates a need for people to be able to collaborate across traditional boundaries of competence, culture, and age, is increasing.

In the extremes, some companies are perhaps dominated by a “youth culture”, while others seem to emphasize the importance of senior employees, whom the company cannot afford to lose. In recent years some organizations have treated senior employees poorly, which is problematic for many reasons. Among other, one reason for giving higher priority to senior employees is, that if they feel it becomes intolerable to work in the company and decide to retire, they will be very difficult to replace due to the small cohorts of young people arriving on the labour market and secondly because the costs of having only few shared knowledge and limited experiences on products and markets seems to increase. Another expression of diversity is the emergence of more ethnic minorities in Danish companies. In this area there seems to be a radical change though there are still many barriers to overcome.

More companies and organizations are supposed to experience a concrete need or pressure for greater ethnic diversity among the employees without this being reflected in their recruitment and promotion policies. One argument for greater ethnic diversity can be, that it will create greater agreement between the employees and the group of citizens or customers that they are servicing. This is however an unambiguous tendency. The Danish Management Barometer uncover over a two year period very limited support for more focus by managers on ethnic differences between employees. However, for companies with increasing diversity, their balancing of the ethnic composition of the staff might immediately seem troublesome or time-consuming. Contrary to what should be expected, many homogenous workplaces (as to gender, race, religion, etc.) produce a series of side effects in relation to the values and norms of the dominant culture. Summing up, there seems at least in some companies and organization to be an emerging pressure towards diversity management, and this place quite some pressures on the traditional universalistic personnel- and HR-practices, and not to forget policies. If this goes for organisations in general, SME's have to address the question also.

## **OBJECTIVE OF THE STUDY**

- To conceptualize HR issues in general in Business enterprises
- To high light HR Issues in SMEs
- Challenges related to HR in SMEs
- Critical analysis of HR Issues in SMEs in Indian Context

### **Conceptualize HR Issues in Business Enterprises**

A non transparent appraisal system and subjective appraisal system drives talented employees out of an organisation depending upon the job market situation. Firms thus need to ensure objectivity and fairness in performance appraisal system to check rising attrition among their high skilled personnel. Corporate need to provide visible growth opportunities and regular training for up gradation of skills of the high performance employees. Many talented skilled youths leave their jobs not because of monetary reasons but when they think, they are not growing or acquiring new skills (as compared to their peers) that will affect their future marketability or simply because they are underutilized. Many firms believe that spending on training of employees is wasteful expenditure, as other firms will poach their trained employees. As a result, they postpone it for the good times when financial are favorable, with negative consequences for growth of people's productivity. In the long run, increasing the supply of skilled workers, will keep the wages under control.

However expenditure on training of personnel as a percentage of revenue remains abysmally low (0.05 per cent) in India's manufacturing sector. This is somewhat higher at 0.25 per cent in the services sector but still very low given the challenges of operating in a globalised business environment.

### **HR Issues in Indian SME's**

A competent workforce is perhaps the most important asset for any organisation. Thus it is in the interest of any company irrespective of its size to positively focus on human resource (HR) development & management. However, it is rather sad that the HR activities are often neglected by many Indian SMEs. As per a survey conducted by the Confederation of Indian Industries (CII), around 80% from the small enterprises and about 20% of the medium enterprises respondents indicated having no formal HR department. The Indian economy is now the second fastest growing economy of the world. As per the Ministry of Finance, the GDP of India stood at 8.8% in the first quarter of 2010-11 (the overall growth of GDP in 2009-10 was 7.2%); overall growth in the Index of Industrial Production (IIP) was recorded at 13.8% during July 2010 as opposed to 7.2% in July 2009.

In such a visible growth environment, tremendous efforts are being made by SMEs (Small and Medium Enterprises) to make their prominent presence felt and to convert their growth plans into reality. In last two decades, there have been certain spaces where many SMEs have not grown either by choice or by challenges in capabilities to transform their business. SMEs compete with big players either as B2B or as B2C business models. Where on one hand big players enjoy economies of scale to control prices, SMEs enjoy agility in bringing the product faster to the market on the other. Assuming that other factors such as strategy, funds and right personnel are comparable, we still find many SMEs struggling to achieve expected growth. While entrepreneurs are willing to explore ways to minimize this inertia, HR and its different facets also play an important role to address the growth issues SMEs face.

The trade-offs, which every SME faces day in and day out are worth exploring. Trade-offs can be articulated as growth with centralization or decentralization, or growth with partnerships or without partnerships. Cognitive and Emotional trade-offs include decisions like whether to have more of owner's family or more of professional employees on the Board; whether to have more powers given to professional employees or to keep the powers with owner's nominees. The basic values that SMEs reflect are trust, cost consciousness, agility, high level of risk taking ability, centralized decision making, culture of driving business by intuition and relationships rather than facts and

professionalism. More often than not, the values of the Promoter or owner are the expected values or culture of the organization. And this perhaps is one of the most important aspects restricting the growth of SMEs as there is a dire need for change in the organization culture to match the challenges of business.

For example, with growth in scale of the organization, there is a substantial increase in decision making also. And if change in the process of decision making is not addressed, the organization will be in a grid lock. Although this is true for any organization, SMEs with high growth rate are hugely impacted if this change is not addressed. Another cultural impediment faced by SMEs is that the existing employees who are well adjusted to the conventional culture generally develop differences with the employees who are recruited from professionally driven big companies.

This allows them to take advantage of rapid technological advances for their survival and competitiveness in the present context of global economy, and enables them to cope up with the higher levels of environmental uncertainty (Martin and Matlay 2001; Matlay 2000; Storey 1994; Hill and Stewart 1999; Gibb 1997; Hendrickson and Psarouthakis 1998; Marlow and Patton 1993; Pfeffer 1994; Whittington 1993).

These new demands have been described earlier by Snell in his article on HR-architecture, and more recently, Larsen (2000) has described this “as dilemmas and paradoxes” (Larsen 2000, p.3). Technological advances have eroded physical, cultural, economic, and political borders. These advances have revolutionized the nature of production, transportation, and communication systems and consequently the nature of work and workers (Baldwin, Gray and Johnson, 1995). The explosion in technology-use has fostered a concern about its impact on workers (Betcherman, 1995). Small firms need effective personnel policies particularly as every employee comprises a large percentage of the workforce for a small business (Gatewood and Field, 1987). During periods of rapid technological change, shortages of particular types of skilled workers emerge.

Many forms of technological change are accompanied by changes in skill requirements. This is particularly true of the changes associated with the adoption of the new advanced technologies that are being implemented in the manufacturing sector (Doms, Dunne, and Troske, 1997). The contradiction of managing opposing forces, is caused by the attempt to apply a more flexible approach to human resources, and not just apply more flexibility to the individual within the company, and this flexibility seems to be based on both employee as well as employers interests. There is no consensus among researchers regarding the role of HRM in small-firm success (Deshpande and Golhar, 1994). HRM practices may be a leading cause of small business failures (McEvoy, 1984). Inadequate and inefficient HRM in SMEs may result in low productivity and high dissatisfaction and turnover among the staff (Mathis and Jackson, 1991).

Some companies have more recently been moving in the direction of Human Resource Accounting (HRA), emphasizing the cost perspective on their human resources, and thereby having mainly a short term oriented perspective - i.e. Return On Investment, ROI) is the dominant logic. In other words a perspective somewhat similar to the share-holder value approach. On the other hand we do also see “C as mentioned above - companies and organizations emphasizing a humanistic and developmental oriented approach to its human resources. In other words, the focus is on investment again, but with a much more indirect and less output-focused. In this light, there seems to be a basis for a more diverse approach to the use of human resources, i.e. the practices are now so diverse, that we have to look for a more varied approach the traditional universalistic approach, a variation which could prove to be a polarization? The departure from one universalistic model is in some respects a departure from the “best practice” approach as promoted by and the

others high commitment and/or high performance HRM approaches, mainly promoted in US-textbooks and (to a lesser extent) research papers.

The questions however still remains, as to whether the universalistic model for the management of human resources can be accepted as one - out several "C models? And secondly, if it is not best practice, will it then be a configuration or a contingency approach (best fit) (Klein and Kozlowski (2000, p. 214), which is best at characterizing the practice of HR in Danish SME's?. A common thrust among these studies points to the importance of good HRM practices. HRM has been defined as the "Process of attracting, developing, and maintaining a talented and energetic workforce to support organisational mission, objectives and strategies" (Schemerhom, 2001) According to most of the researchers, SMEs have a number of strategic advantages, particularly in terms of flexibility, informality, and adaptability compared to larger ones. They also agree that SMEs have been more successful because of their structural adaptability and sustainability.

HRM practice in small business is undoubtedly quantitatively and qualitatively different from those in larger organisations. The growing small businesses need to develop their HRM practices, as increasing size inevitably brings increased complexity, necessitating a more professional approach towards managing the personnel (Gilbert and Jones, 2000). Audretsch and Thurik (2000, 2001) argue that effective HRM practices are becoming increasingly important in the new "knowledge-based" economy, as companies face the double challenge of the need for more highly trained employees coupled with a shortage of qualified labour. These challenges, towards smaller firms in general, reinforce the need for effective HRM practices in the small firm. Gilbert and Jones (2000) found that HR practices in small businesses are predominantly informal, ad-hoc and opportunistic; nevertheless, they are effective in small business. Yet, relatively little research addressed the nature and significance of these differences.

Globalisation has thrown many challenges to SMEs. One of the greatest conceptual challenges is that on one hand, the individual SMEs would be fiercely competing with each other within the nation and beyond and on the other hand at the same time they would be forced to collaborate and work together than ever before to safeguard their own mutual interests to survive (Anil, 2003). In India, SSIs account for 95 per cent of the country's industrial units, 40 per cent of industrial output, 80 per cent of employment in the industrial sector, 35 per cent of value added by the manufacturing sector, 40 per cent of total exports and 7 per cent of net domestic product. Clearly, after agriculture, this is the single biggest group in the country's economic activities (Bhavani, 2004).

Small enterprises particularly, have been in vogue in manufacturing Endeavour even before the dawn of industrial revolution (Lall, 1998). Over the last two decades, many studies have reported the implementation of ISO certification and its impacts on Small and Medium Enterprises (SMEs) around the world. However, until recently, there have been only few attempts to empirically establish the link between Human Resource Management issues and SMEs in particular. SMEs, both in size and shape, are not uniform across the globe. The way they are defined depends on the stage of national economic development and the broad policy purposes for which the definition is used. The Small-Scale Industry (SSI) sector in India is different from the SME sector in other countries. There is no typology of medium scale industry in India and the Indian definition of SSI is investment specific, while in the rest of the world it is in terms of employment, assets or sales or combination of these factors (Krishna, 2004).

Even modern SMEs in many countries face competitive challenges in the emerging scenario. The threat has been one of the most important aspects of the larger competitive challenges posed to the SMEs by accelerating technological change, globalization and liberalization. Traditional modes of competition, based on low costs and prices, are being replaced by the 'new competition', driven by quality, flexibility, design, reliability, and networking. Perhaps, the most radical change in the economic landscape at the end of the 20th century has been the shift in economic activity away from a local or national sphere towards a much broader international or global arena.

One of the major forces enabling economic globalization has been technology. Increasing competitive pressures linked to globalization are driving SMEs in developing countries to look for international partners in order to reduce costs and or facilitate the development of competitive advantages.

### **Challenges for HR Function**

When the enterprise is Promoter driven, the stakes of HR are very high because it has a two-fold role – firstly, to continuously influence the Promoter on the need for organization culture change and secondly, to manage the agenda for organization culture change. Often, the values which the Promoter reflects are different from the values that the employee groups reflect. The condition becomes critical when the values of Promoters, employees and those which are essential for business growth are all different. In such a scenario, it is important to create awareness amongst decision makers about the need for change. SMEs are mostly interested in hiring good talent from big giants and many senior professionals take this lead since the roles in SMEs are extensive and more motivating.

On the flip side, the success of such senior professionals depends on how much they are willing to unlearn to fit culturally. The culture dimension is shifting from a 'professional driven' company to a company which is in pursuit of becoming 'professionally driven'. HR has the challenge of attracting talent on role dimension and then retaining that talent by providing a professionally driven organization culture. Apart from roles, attraction and retention is also clearly linked to the ability of SMEs to offer competitive benefits package. However, since benefit costs decline (as firms become equipped to aggregate risk across a larger number of employees), SMEs are at a disadvantage in their ability to offer competitive packages. Due to low degree of bureaucracy and leaner work force structure, it is easier for HR to implement change management programs in SMEs.

Moreover, the response to such initiatives is also well received. Another factor for HR to realize is that not all HR processes have equal importance in SMEs and there are certain exceptions to be dealt with. For example, the process of promotion in SMEs has a lot of say from the Promoters. Many times the promotions may not be yearly but as and when needed. Such frequency has its own advantages in making organization agile and responsive. Similar dimensions are observed in the recruitment process, which is generally based on referrals. The most important dimensions which are looked, apart from functional competencies, are loyalty and trust. Since most SMEs take high amount of risk, it is therefore imperative for them to address the certainty through reliable and loyal work force which can shoulder them in good and bad times.

Another challenge which the HR faces is adhering to the agreed policy norms which succumb to exemption from the owners. HR also needs to understand that the owners do not want to feel themselves devoid of decision making power due to change in policies. Such instances may be appropriate from the business point of view but may look inappropriate from the HR point of view. HR professionals need to be conscious that professionalism without the loss of agility and

responsiveness is the right transformation direction for such companies. SMEs face unique challenges that stem largely from their size. While economies of scale permit larger organizations to employ a team of specialists to address the complexities involved in managing HR programs, this is not a viable option for many SMEs. The costs associated with hiring highly trained HR professionals on a full-time basis are likely to be prohibitive for many smaller organizations. As a result, HR activities often become the responsibility of line managers.

This can be problematic for two reasons. First, the complexity of many HR activities is likely to result in them becoming a significant drain on managerial time and resources. As such, HR tasks may interfere with managerial responsibilities that are directly related to revenue production. This problem is even more critical given that scarcity of managerial talent is often cited as a key factor limiting growth in SMEs. This scarcity of managerial talent increases the opportunity costs associated with time spent on HR administration by SME line managers. Second, many HR tasks involve substantial complexity and thus the quality of HR decisions may well be affected by the fact that line managers often lack significant training and expertise in HR.

To summarize, HR functions deal with different dynamics when contributing to SME growth plan. While the organization plans to follow a successful trajectory, there is a need for both HR and the Promoters to appreciate and agree on change management agenda through change in organization culture. HR has the responsibility to understand business dynamics in SME environment before implementing the standard HR practices, policies and processes. This mutual appreciation will help HR to be an effective business partner.

## **CRITICAL ANALYSIS**

Most research and theory-building in HRM is associated with studies of large organizations. However, most firms in the major and developing economies employ 50 people or less. In order to analyse the nature and role of HRM in SMEs, it is necessary to analyse SMEs and their similarities to and differences from large organizations. Some argue that small firms do not face any particular HR issues compared to large firms, but need HR to help them grow. HRD is often then translated into formal 'enterprise training', involving systematic instruction in business, managerial and functional skills. This 'official' view sees the SME sector as not facing any specific HR issues that differentiate it from large firms; HRD, of a formal 'enterprise training' kind, is seen as primarily necessary to facilitate their growth. SMEs from this perspective are seen as scaled-down large firms and SME HRM as scaled-down large firm HRM.

However, evidence from UK Government-supported enterprise training programmes suggests that they have often not had the impact on performance anticipated. There is little evidence that small business-owners are particularly attracted to such training, either for themselves or their staff, and many commentators have argued that such training has often not been cost-effective, nor has it had the impacts desired. This may be due to the lack of education, inward looking orientation and lack of perspective of many owner managers or the individualism, stress on personal independence and desire for control of entrepreneurs. Such factors may all contribute to the rejection of outside training provision.

In addition, very small 'micro-businesses' in particular may lack time, as well as sufficient clarity over their training needs. Others have argued that, on the contrary, SMEs, especially sole-traders and micro firms, are very different from larger organizations, not just in being disadvantaged in relation to financial and labour markets, access to information, and compliance with regulation and reporting requirements, but also in terms of the cultural and personal

motivations of owner-managers and their need for a wide range of skills in managing informal relationships. These are not often taught in formal training courses.

For other firms, perhaps in the 'growth corridor' of fast growth SMEs with 15-24 employees there may be a need to introduce formal management and HRM, often perhaps because such firms are linked into complex supply-production-distribution chains and networks with larger businesses, and are often open to much more influence from large firms, including influences and demands over HRM practices. Formal HRD may have a positive impact here. However, few studies have looked at how SMEs actually manage their own HRM. There is some evidence that many trainers focus on the past, on critical analysis, on knowledge, on passive understanding, on detachment, on symbols, on neutral communication and on concepts. However, entrepreneurs typically focus on the future, on insight, on creativity, on active engagement, on emotional involvement, on events, on personal communication and on problems and opportunities. The entrepreneurs' stress on 'charisma' may contrast with the trainers' stress on order, rationality, and predictability, qualities emphasized in much formal training. As a result, there may be a greater receptiveness among SMEs to more informal development processes and more personalized development experiences, such as those provided by consultants and mentors.

SMEs do engage in HRD, but not necessarily formal training, and such individualized, personalized and consultant-like relationships may help owner-managers identify appropriate training and knowledge needs and develop appropriate skills.

## CONCLUSIONS

A review of HRM in SMEs shows that, whereas SMEs are typically not, as the 'official' view suggests large firms scaled-down and needing formal enterprise training to grow neither are they uniform and homogeneous with respect to HRM. Some very small firms, consultancies and partnerships may be influenced by very different drivers from most large firms, often attributed to the owner-managers or partners' cultural and psychological motivations and their desire for independence, autonomy and lifestyle considerations, with a fear that growth will inhibit their development. However, since such firms will often be linked into supply-production-distribution chains and networks, their interest will often lie in building relationships, accessing knowledge, and contributing to the knowledge chain as a knowledge intermediary.

The SMEs the world over have been undergoing crucial changes in response to the manifold imperatives of globalization. The potential of neo localism having been much emphasized, the SMEs in developing countries have often been split between national strategies and objectives of promoting this vital and most promising sector and the demands of a globalizing business environment. In India, the historical role of SMEs in creating ample opportunities for employment for the teeming millions has come to occupy secondary status in the face of novel strategies to ensure external orientation, achieving manufacturing competitiveness and emerge notable global player. Of the most vital infrastructure bottlenecks, access to adequate, reliable and reasonably priced power remains a challenge for SMEs progress and competitiveness. Further, poor transport network (whether roads, railways or ports) have emerged as important constraints to the development of SMEs in a dynamic fashion.

Despite decades of small industry policy making, even during the reforms period, there has been a definite decline in the access to credit by the small (and within it the so-called tiny sector) enterprises. It is clear that there is no dearth of capital available but there remain serious implementation snags, including complex and unhelpful procedural requirements, which, ultimately result in dwindling access to loan finance. The situation is similar when it comes to the intractable product reservation policy. Given the large scale attempts to promote industrial clusters in the SME sector, it needs to be underscored that, despite the potential of neo-localism, cluster promotion in the Indian context must move beyond the 'sectoral' bind; a comprehensive regional development strategy needs to be woven into the cluster development policy. In fact, as the Indian SMEs are looking forward to a newer and larger market space, with its numerous advantages of skills, raw materials and large domestic market as well, networking with various stakeholders both within and outside the country is a worthwhile attempt.

To the extent such networking contributes to mutual benefit in terms of technology and market, the new initiatives are welcome. But complacency in such issues as employment creation and neglect of the vast segment of small and tiny units operating within low-road' syndrome could be a major roadblock to the sector. If globalization and external orientation, including being connected to the global production networks or value chains, fail to be broad-based and, essentially, turns advantageous to a small section of limited sectors of production, the strategy needs a serious rethink.

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