



“A STUDY TO ANALYSE THE EFFECT OF NON-IMPLEMENTATION OF HUMAN RESOURCES(HR) STRATEGIES AND POLICIES IN SELECT MSME’S WITH REFERENCE TO KARNATAKA”

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Abstract

Human Resource Management (HRM) functions, practices and measures are increasingly becoming vital, considering the growth of the knowledge based economy. Human resources in an any firms, whether small or medium is constituted as an important aspects. The success of an organization or a business completely depends upon the quality of human resource employed. Human resources can play as an important role in realizing and fulfilling the objectives of an enterprise. Accordingly, this has made the investment in human resources a necessity in such a way as to make the enterprise be able to withstand the challenges facing the environment in which they operate. Hence in order to achieve those objectives it is very important to implement HR strategies and policies in the Small business firms. Only a very limited study has been made in the human resources management aspect of small and medium industries in Indian context. Therefore the present study intends to examine the status of human resources management in small and medium units located in Karnataka.

Key Words: HR Strategy, MSME, GDP, Special Economic Zone, Reimbursement.

Introduction

Strategic HRM defines the organization’s intentions and plans on how its business goals should be achieved through people. It is based on three propositions: first, that human capital is a major source of competitive advantage; second, that it is people who implement the strategic plan; and, third, that a systematic approach should be adopted to defining where the organization wants to go and how it should get there.

Strategic HRM is a process that involves the use of overarching approaches to the development of HR strategies, which are integrated vertically with the business strategy and horizontally with one another. These strategies define intentions and plans related to overall organizational considerations, such as organizational effectiveness, and to more specific aspects of people management, such as resourcing, learning and development, reward and employee relations.

The functions can be grouped as follows:

- 1) **Strategic HR Management:** As a part of maintaining organizational competitiveness, strategic planning for HR effectiveness can be increased through the use of HR metrics and HR technology. Human resource planning (HRP) function determine the number and type of employees needed to accomplish organizational goals.
- 2) **Equal Employment Opportunity:** Compliance with equal employment opportunity (EEO) laws and regulations affects all other HR activities. **Staffing:** The aim of staffing is to provide a sufficient supply of qualified individuals to fill jobs in an organization. Job analysis, recruitment and selection are the main functions under staffing. Workers job design and job analysis laid the foundation for staffing by identifying what diverse people do in their jobs and how they are affected by them. Job analysis is the process of describing the nature of a job and specifying the human requirements such as knowledge, skills, and experience needed to perform the job. The end result of job analysis is job description. Job description spells out work duties and activities of employees.
- 3) **Talent Management and Development:** Beginning with the orientation of new employees, talent management and development includes different types of training. Orientation is the first step towards helping a new employee to adjust himself to the new job and the employer. It is a method to acquaint new employees with particular aspects of their new job, including pay and benefit programmes, working hours and company rules and expectations. Training and Development programs provide useful means of assuring that the employees are capable of performing their jobs at acceptable levels and also more than that. All the organizations provide training for new and in experienced employee.
- 4) **Total Rewards:** Compensation in the form of pay, incentives and benefits are the rewards given to the employees for performing organizational work. Compensation management is the method for determining how much employees should be paid for performing certain jobs. Compensation affects staffing in that people are generally attracted to organizations offering a higher level of pay in exchange for the work performed. This function uses

rewards to motivate personnel to achieve an organization's goals of productivity, innovation and profitability. Compensation is also related to employee development

- 5) **Risk Management and Worker Protection:** HRM addresses various workplace risks to ensure protection of workers by meeting legal requirements and being more responsive to concerns for workplace health and safety along with disaster and recovery planning.
- 6) **Employee and Labour Relations:** The relationship between managers and their employees must be handled legally and effectively. Employer and employee rights must be addressed. It is important to develop, communicate, and update HR policies and procedures so that managers and employees alike know what is expected.

Specific Hr Strategies

Specific HR strategies set out what the organization intends to do in areas such as:

- **Talent management:** How the organization intends to win the war for talent.
- **Continuous improvement:** It aims at providing for focused and continuous incremental innovation sustained over a period of time
- **Knowledge management:** creating, acquiring, capturing, sharing and using knowledge to enhance learning and performance
- **Resourcing:** attracting and retaining high-quality people
- **Learning and developing:** providing an environment in which employees are encouraged to learn and develop
- **Reward management:** defining what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals.
- **Employee relations:** defining the intentions of the organization about what needs to be done and what needs to be changed in the ways in which the organization manages its relationships with employees and their trade unions.

Characteristics of Hr Strategies

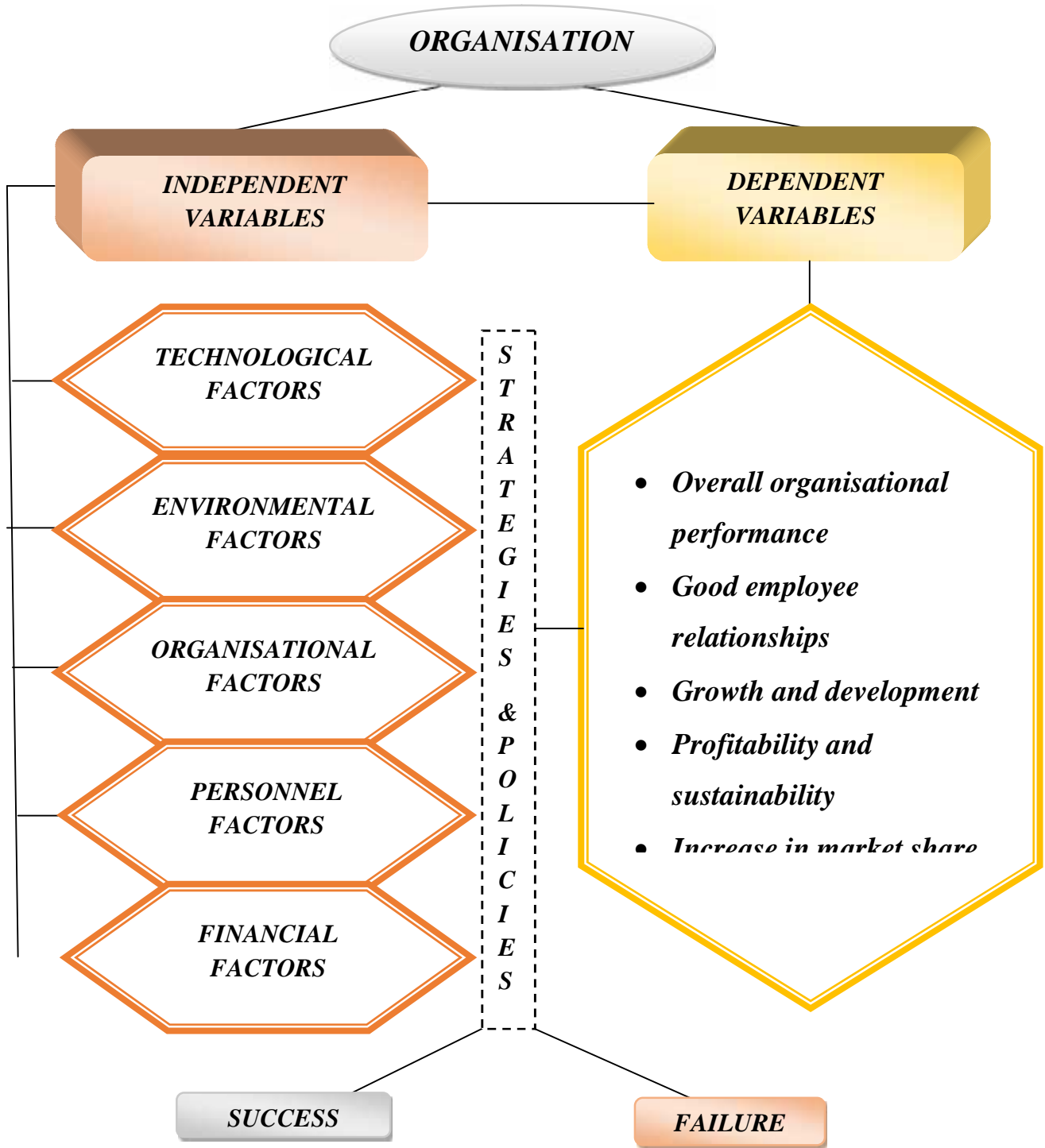


Literature Review

A Literature Review is usually established to highlight the essence in the form of an abstract of the Scholarly Articles of many authors in order to fill the gap in the various researches conducted beforehand in topics similar to this and the concerned research.

- Exploring human resource management practices in small and medium sized enterprises - Authors: Catherine Cassel, Sara Nadin, Melanie Gray, Chris Clegg
- Managing human resources in small organizations, what do we know
- Human resource management in growing small firms
- Human resources management practices in small and medium industries Authors: Dr. K. Sundar; P. Ashok kumar

CONCEPTUAL FRAMEWORK





Statement of Problem

Human Resource Management (HRM) functions, practices and procedures are increasingly becoming important, considering the growth of the knowledge based economy. Human resources in any enterprise, whether small or medium is constituted as an important aspect.

The success of an organisation or a business completely depends upon the quality of human resource employed. Human resources can play as an important role in realizing and fulfilling the objectives of an enterprise. Accordingly, this has made the investment in human resources a necessity in such a way as to make the enterprise be able to withstand the challenges facing the environment in which they operate. Hence in order to achieve those objectives it is very important to implement HR strategies and policies in the Small business firms.

Only a very limited study has been made in the human resources management aspect of small and medium industries in Indian context. Therefore the present study intends to examine the status of human resources management in small and medium units located in Karnataka.

Objectives of the Study

1. To thoroughly understand the sustenance of HR Strategies and policies in small and medium enterprises.
2. To analyse and understand the practices of Human resource management followed in small business firms
3. To find out the major employment challenges and problems faced by small business units
4. To critically examine the performance of small business firms
5. To analyse and understand the correlation between the proprietor and his/her employees.
6. To help small business firms implement strategies that improve the working condition of their employees as well as their overall performance
7. To identify the reasons behind problems faced by small business firms in terms of their employees.

Methodology

Research methodology is a term that basically means the science of how research is done scientifically. It is a way to systematically and logically solve a problem, help the reader understand the process of research, and analyze the methods in addition to the information obtained by the researcher. The method of research used by the researcher is exploratory method where the researcher tries to explore in depth the impact of non-implementation of HR Strategies and policies in MSME's.

Sources of Data

- I. **Primary Data:** Primary data refers to the data collected for the first time by the researcher. Primary data was collected by distributing questionnaires to 125 Micro, small and medium enterprises all over Karnataka.
- II. **Secondary Data:** Secondary data refers to the data that has been collected by any other person and is used by various users. Secondary data was collected from various websites, books etc.

Sampling Design

Sampling is a process in which a predetermined number of observations are taken from a larger population.

Simple random sampling: A simple random sample is a subset of a statistical population in which each member of the subset has an equal probability of being chosen as a sample.

The samples were randomly collected from various districts of Karnataka. The various districts from where data was collected are Bangalore Urban and rural , Tumkur, Mysore, Raichur, Harsikere, Davanagere, Kolar, Chitradurga, Gowribidnur, Turvekere, Magadi, Madugiri, Kortagere, Mangalore, Hasan, Dharwad, Chikkaballapur.

Sample size: The sample size is 125 different micro, small and medium business enterprises in Karnataka.

Tools For Data Collection

The data is collected by,

- i. Distributing questionnaires through Google forms
- ii. Websites, books etc

Plan of Analysis

It is the process of evaluating data using analytical and logical reasoning to examine each component of the data provided. The data collected is converted into tables and the tables are analysed and inference is drawn by converting the tabulated data into graph by using bar graph, pie charts etc.

Ministry of Micro, Small & Medium Enterprises – Introduction

MSMEs have been contributing to spreading entrepreneurial culture through business innovations. Unique feature of MSMEs is that they are widely dispersed across sectors of economy producing diverse range of products and services to meet local as well as global markets. Needless to mention that the contribution of MSME is 8 per cent of GDP, 45 per cent of manufacturing output and 40 per cent of exports of the country and uniquely they are least investment driven with high returns.

Employment creation is next to agriculture, thus MSME sector has potential of tapping individuals to associate with economic activities by way of self-employment. One of the priorities of our Government is the inclusive concept in enterprise creation. In this endeavour, this compilation would benefit all those entrepreneurs including first generation, women, scheduled tribes, scheduled castes, handicapped, ex-servicemen, marginalized communities, etc., for enabling them in creating enterprises. Ministry of MSME has a number of schemes and programmes to help and assist entrepreneurs' especially small businesses.

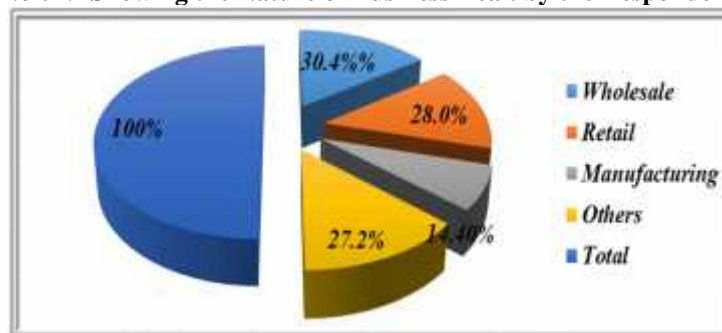
Though ours is a dedicated Ministry for MSME, number of other Ministries in the Government of India has been supporting the cause. Leveraging information would enable prospective and existing entrepreneurs to spiral up their business prospects. In order to appreciate, understand and utilize the compiled information, it is recommended to every entrepreneur (budding, existing), institution (Government, private) engaged in training of trainers, entrepreneurship and skill development, etc., to take advantage of this for enterprise creation.

Nature of Small And Medium Enterprise

Nature of activity of the Enterprise	Investment in plant and machinery excluding land and building for enterprises engaged in manufacturing or production, processing or preservation of goods	Investment in equipment excluding land and building for enterprises engaged in providing or rendering of services (loans up to Rs 1 crore)
Micro	Not exceeding Rs.25.00 Lakh	Not exceeding Rs.10.00 Lakh
Small	More than Rs.25.00 Lakh but does not exceed Rs.500.00 Lakh	More than Rs.10.00 Lakh but does not exceed Rs.200.00 Lakh
Medium	More than Rs.500.00 Lakh but does not exceed Rs.1000.00 Lakh	More than Rs.200.00 Lakh but does not exceed Rs.500.00 Lakh

Data Analysis

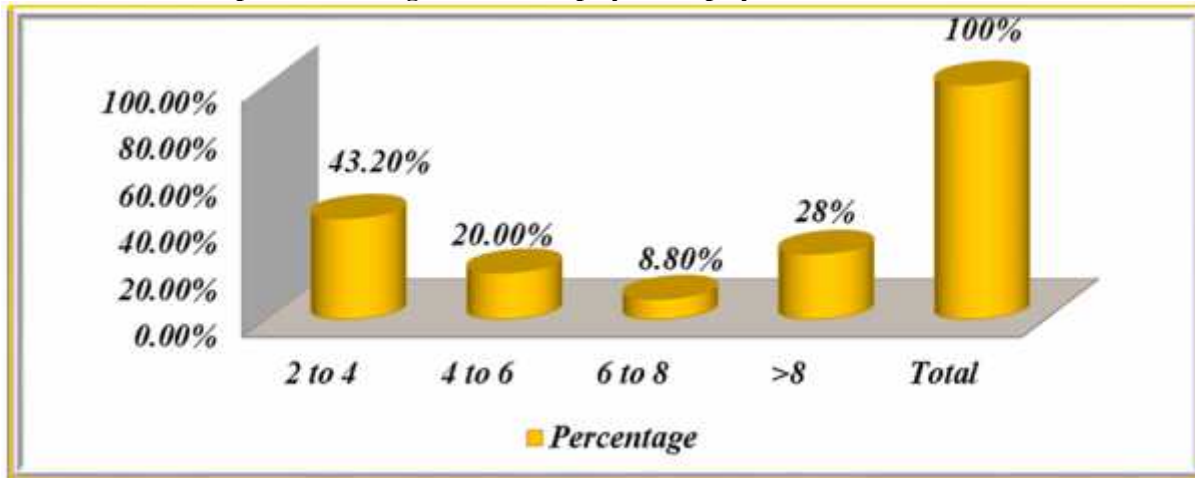
Graph No 01:- Showing the Nature of Business Dealt by the Respondents



Inference

From the above graph it can be inferred that 31% of the respondents are into wholesale business, 28% of the respondents are into retail business and 14% of the respondents are into manufacturing business.

Graph 02 - Showing the No of Employees Employed in the business firms



Inference

From the above graph it can be inferred that 43.2% of respondents have employed 2-4 employees in their firms and 8.8% of respondents have employed 6-8 employees in their firm.

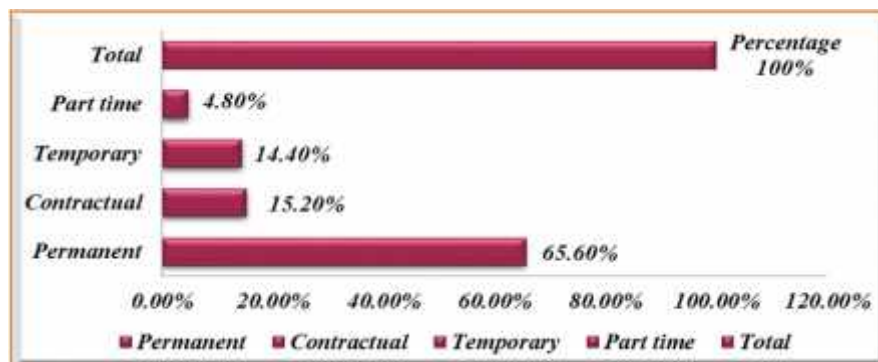
Graph 03 - Showing the Background from which the Employees are employed



Inference

From the above graph it can be inferred that 52.0% of respondents have employed people from local places and 4.8% of respondents have employed people from other places.

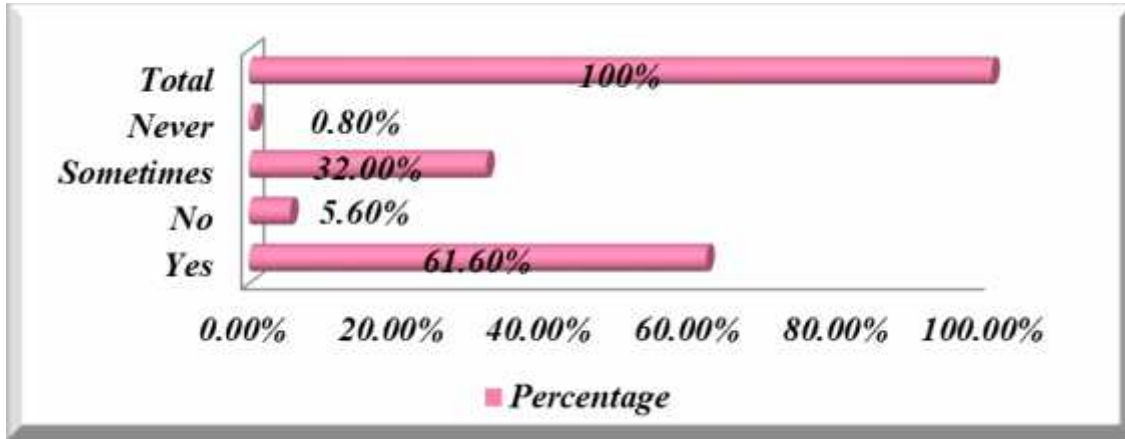
Graph 04 - Showing the Type of Contract Maintained with the Employees



Inference

From the above graph it can be inferred that 65.6% of respondents have maintained permanent contract with their employees and 4.8% of respondents have maintained part-time contract with their employees.

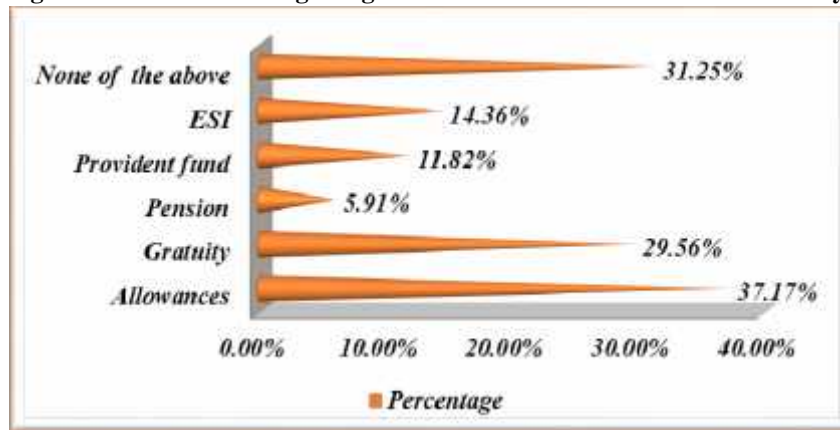
Graph 05 - Showing whether there is Any Annual Increment of Salary or Not



Inference

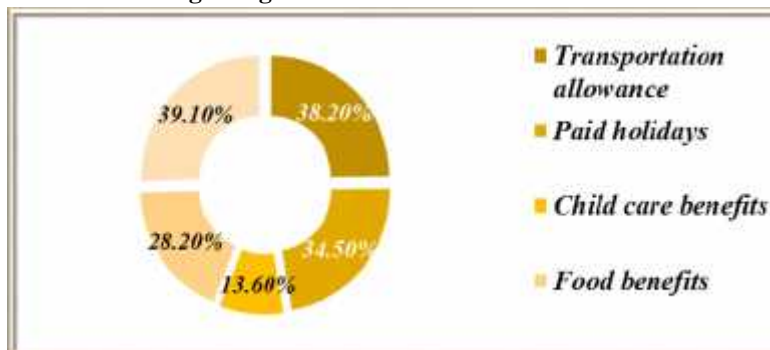
From the above graph it can be inferred that 61.60% of respondents provide annual increment in the salary of their employees and 0.80% of respondents have never provided any annual increment in the salary of their employees .

Graph 06 - Showing which of the Following Long Term Benefits are included In the Salary of the Employees



Inference: From the above graph it can be inferred that 37.17% of respondents provide different types of allowances to their employees and 5.91% of respondents provide pension to their employees.

Graph 07 - Showing from the Following Fringe Benefits which are the Ones Added In the Salary of the Employees





Inference: From the above graph it can be inferred that 39.10% respondents don't provide any of the above allowances to their employees and 13.60% of respondents provide child care benefits to their employees.

Summary of Findings

This section basically explains in detail the findings made by the researcher from the data collected and analysis made from the responses got from the respondents.

- i. It is found that 31% of the respondents are into wholesale business, 28% of the respondents are into retail business and 14% of the respondents are into manufacturing business.
- ii. It is found that majority (51.2%) of the respondents are operating their business for more than 15 years and 8% respondents are operating business for less than a year.
- iii. Most (43.2%) of the business firms have employed 2-4 employees in their firms.
- iv. It is found that many small business firms (48.8%) systematically ascertain and formulate appropriate plan for human resource requirements and 30.4% of businesses neither plan nor systematically ascertain the requirements of human resources.
- v. Majority (52%) of MSME's hire employees from local areas.
- vi. It is found that majority (65.6%) MSME's hire employees on permanent basis.
- vii. 57.4% of MSME's hire employees based on their efficiency and 32.8% of MSME's hire employees on the basis of their experience.
- viii. It is found that majority (75.2%) of MSME's don't maintain any contract with their employees.
- ix. Majority (74.4%) of MSME owners provide necessary information regarding the business, products dealt in and variations in the product to their employees.
- x. It is found that majority (62.4%) of MSME's have not conducted any training and development programmes to their employees.
- xi. It is found that most (44.8%) of the MSME's do not provide knowledge to their employees regarding the competition the business is facing in the market and no opportunity is given to the employees to make suitable decisions
- xii. It is found that most (61.6%) of the MSME's update their employees with knowledge regarding current issues and trends relating to their job from time to time.
- xiii. It is also found that majority (61.6%) of MSME's maintain their records manually.
- xiv. It is also found that most (48%) of MSME's fix the amount of salaries to their employees on the basis of the amount of work rendered.
- xv. 72% of MSME's pay salary to their employees in the form of cash.
- xvi. It is found that (36.8%) of MSME's earn 0-10% of profits annually
- xvii. 61.6% of MSME's provide annual increment in the salary of their employees
- xviii. It is found that majority (71.2%) of MSME's do not provide any retirement benefits during the time of resignation to their employees
- xix. Most (37%) of the MSME's do not provide any of the long term benefits like allowances, provident fund, gratuity etc to their employees.
- xx. 67.2% of MSME's do not conduct any tests to assess the performance of their employees.
- xxi. It is also found that 52% of MSME's provide fixed percentage of bonus every year to their employees
- xxii. Majority (62.4%) of MSME's does not provide any fringe benefits and allowances to their employees.
- xxiii. Most (39.1%) of the MSME's do not provide any of the fringe benefits to their employees.
- xxiv. It is also found that majority (71.2%) of MSME's do not provide any of the allowances like Leave travel concession, family accommodation allowance, house rent allowance, cost of living allowances etc.
- xxv. Most (45.6%) of the MSME's expect the employees to apply for leave by informing on the day of taking leave.
- xxvi. 77.6% of the MSME's do not provide any safety and medical insurance to their employees.
- xxvii. It is also found that 73.6% of SME's resolve their disputes with their employees through negotiation.
- xxviii. It is also found that majority (64%) of MSME's warn their employees in case of any misconduct or fraud or malpractices carried on by an employee.
- xxix. Majority (60%) of the MSME's are satisfied with the work rendered be their employees.
- xxx. It was also found that majority of the owners of MSME's face problems like high absenteeism, low efficiency and productivity, lack of efficiency and qualitative work high resistant to change and majorly escapism from work.

Conclusion

This study entitled "The Impact of non-implementation of Human resource (HR) strategies and policies in small business firms with reference to Karnataka" has enabled the researcher to thoroughly understand the level of existence of HR Strategies and policies in SME's in Karnataka. This study has enabled the researcher to understand the impact that the SME's



have due to non implementation of HR strategies and policies on the Human resources, business owners and on the overall performance of the businesses.

It also helped the researcher to analyse the level of understanding and correlation between the employer and the employee. The researcher also analysed that SME's operating less than a year or two have implemented some of the HR strategies and have found improvements in the level of productivity and quality of work rendered by the employees.

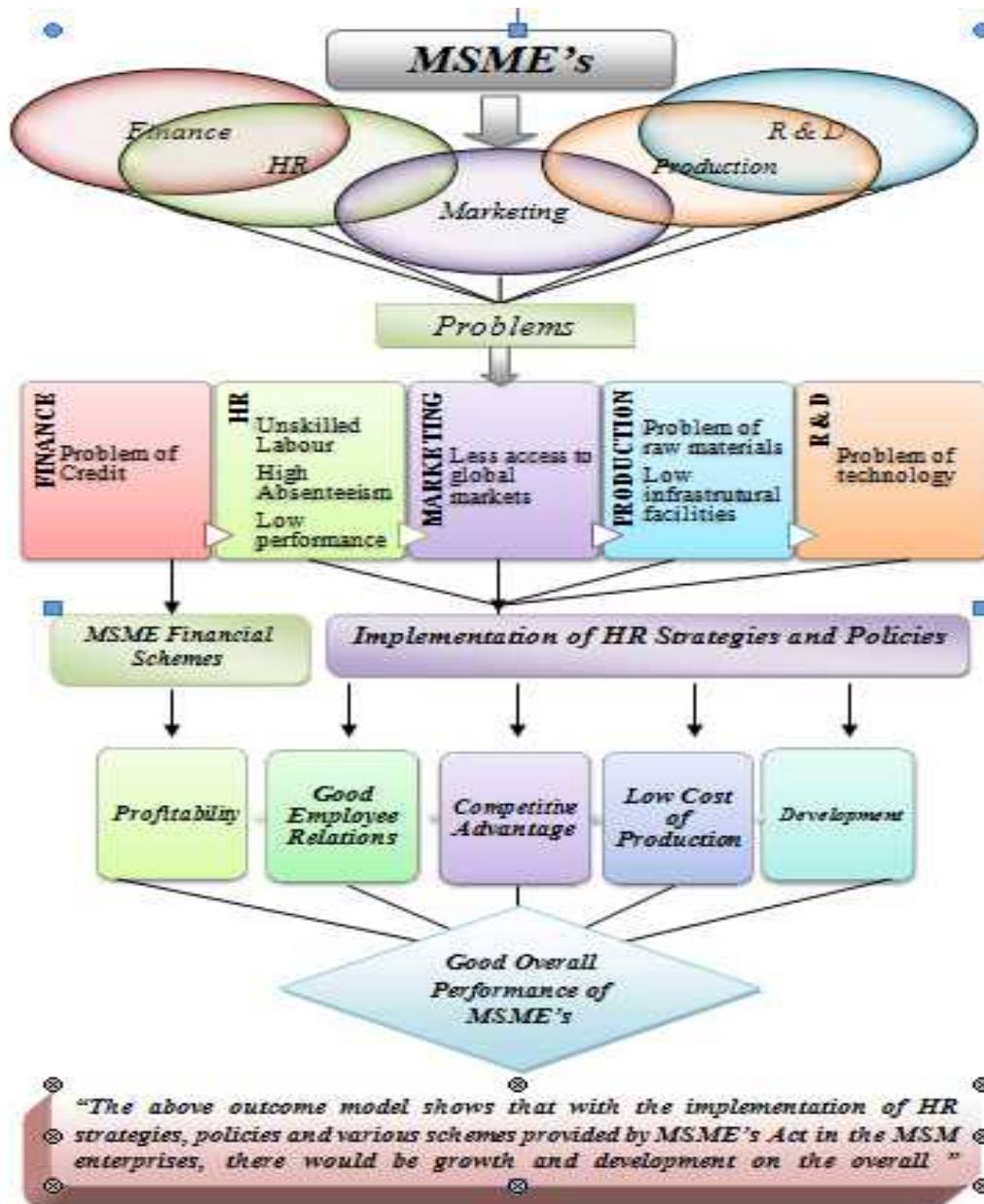
Human resources in any enterprise, whether small or medium is constituted as an important aspect. The success of an organisation or a business completely depends upon the quality of human resource employed hence fulfilling the objectives of an enterprise. Accordingly, the investment in human resources has become a necessity in such a way that the enterprise will be able to withstand the challenges to be faced in the environment in which the business is operated. Designing programs and effective human resource policies will allow for the growth of human resource performance and increase the overall performance of the business.

Recommendations

This section is about the suggestions given by the researcher of the study to the company in order to improvise the loop holes and negatives in the field after serious research and analysis by the researcher.

- As only 14% of respondents are into manufacturing businesses by encouraging many manufacturing firms, there can be increase in employment opportunities for non- employed and also would benefit the society as customers in Asian countries prefer to buy more manufactured products.
- It is found that most of the respondents are into business for more than 15 years and they haven't implemented most of the HR Strategies and policies and hence are facing many problems with their employees like low productivity, low morale, high absenteeism etc. Hence it would be favourable and beneficiary for the business enterprises to implement at least basic strategies that would benefit employees.
- Many MSME's neither plan nor systematically ascertain the requirements of human resources. But by implementing human resource planning, it would help in proper and effective utilization of human resource requirements and also it helps to anticipate shortages and/or surpluses of manpower in the organisation, it also helps to execute future plans of the organisation regarding expansion, diversification and modernization. Through human resource planning it is ensured that employees in right number and of right kind are available when required.
- Many MSME's hire employees on the basis of efficiency and experience and not based on the knowledge acquired. By acquiring skilled employees it will help the business flourish. By making a wrong selection it increases cost and can be difficult and time-consuming and having the wrong person on job can disrupt the status of the firm too. Hiring the right people isn't just about hiring the people who have the technical abilities but it's about finding those people who will enable the business to succeed.
- Majority of MSME's don't offer any long term benefits and fringe benefits to their employees. By offering employees various fringe benefits and allowances which would act as a motivating factor for employees and also help in boosting up the self-esteem of the employees. Providing adequate benefits makes the employee dedicated towards his work. The benefit will help the employees to work better and stay with the organization with which they are related for a long period of time and Government of India is offering various mandatory benefits and schemes for increasing the economic security of the employees.

Suggested Model



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