Strengths and Weaknesses of Human Resources Management in SMEs

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Abstract: The SWOT analysis is a core of strategic management. A part of this analysis is analysed in this paper. It comprehensively analyzes the external and internal environment of human resource management in small and medium-sized enterprises (SMEs) in South Bohemia and support them in choosing a suitable personnel strategy. This analysis should not analyze past development only as the ability of managers to predict future developments and adapt to changes has been more and more important for strategic management. Communication processes and employee training has been considered by managers the greatest weaknesses and strengths.

Key words: Human resource · Management · SWOT analysis · Communication · SMEs

JEL Classification: L10 · M10

1 Introduction

The quality of functioning of the human factor is one of the most important factors influencing the success or failure of enterprises in a competitive environment (Armstrong, 2002). Akhtar, Ding and Ge (2008) surveyed general managers and HRM directors in 456 Chinese companies on product/service performance and financial performance of their companies and a range of SHRM practices. They found that a set of HR practices (training, participation, reoriented appraisals, and internal career opportunities) affected both product/service performance and financial performance. HR practices influence an organization's social climate, which in turn, shapes knowledge exchange and combination and leads to better organization performance (Collins & Smith, 2006). Richard and Johnson (2001) found that HRM effectiveness significantly reduces turnover, which in turn increases overall market performance assessment.

Nikandrou and Papalexandris (2007) examined HRM practices that distinguish top-performing firms from others regarding management of people in mergers. They noted that for economic synergies to be realized, human synergies must be achieved first and HRM has a vital role to play in the process. The researchers found that successful companies had increased HR involvement in strategic decisions, formalized HR practices, built organizational capability through training and development activities, devolved HR activities to line managers, and emphasized internal labor market opportunities. Macky and Boxall (2008) found that HR practices have an additive, positive relationship with the employee work attitudes of job satisfaction, trust in management, psychological identification with their organizations, and intention to remain employed with their organizations.

Management approaches and the status and nature of human resources work in the organization has been changing with increasing demands on human resources (Bohlander, 2004). Many researchers agree that the human resource function is one of the most crucial elements in an organisation's success (Dolan & Jackson, 2002). Armstrong (2002) defines Human Resources Management as a strategic and coherent approach to the management of an organization’s most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives (Armstrong, 2002). Kleibl et al. (2001) define the goal of human resources management, more specifically, as securing the quantitative aspects of human resources (number, age and occupational structure and formal qualifications) and also qualitative aspects (performance, creativity, motivation and identification with the goals of an enterprise).

The concept of human resources as the key factors of strategic importance for the success of an organization contributes to emphasize the strategic approach and long-term aspect of Human Resource Management (Koubek, 2002). HRM is clearly being renewed in organisations and gradually affirming its strategic role (Pinto & Prescott, 1988).

De Pablos (2005) argued that to create a sustainable competitive advantage, organizational flexibility (both resource and coordination) and fit (both internal and external) must be achieved simultaneously to create a firm that renews itself and can respond quickly to environmental demands. Recent studies have continued to examine the relationship between HRM and competitive performance. Foot and Hook (2002) recommend a strategic approach to human resources
management. The employee development should be a part of the strategic plan of an organization and clearly relates to corporate objectives. Strategic human resources development should contribute to the implementation of corporate strategies through policy and practice of human resource development (Hroník, 2007). As Trainer (2004) reports, the organization analysis through the SWOT analysis gives a systematic way of evaluating internal and external forces of the environment and thus is a part of strategic planning.

The SWOT analysis is a classification method that enables a summary evaluation of social and economic analysis (Řehoř, 2007). It is suitable for the formation of a future strategy (Johnson, Scholes & Whittington, 2012). Its task is to detect information (strengths and weaknesses) and to enable the designated authorities identify on the one hand, the possibilities for development of a municipality, on the other hand to point out potential problems (risks) and specify the necessary steps for their removal - to formulate a strategy (Janečková & Vaštíková 1999). Its outcome is defining a strategy that seeks to use the strengths and opportunities and to eliminate weaknesses and threats (Tyll, 2014).

2 Methods

The aim of the paper is to assess the human resources management in small and medium-sized enterprises and to define the strengths and weaknesses of this important management function.

Primary data was obtained using quantitative methods questionnaire. The research sample was selected using non-probabilistic method of random selection, because of the difficult conditions of data collection. Research sample therefore contains 300 small and medium sized enterprises from the South Bohemia region. The questionnaire survey had the character of the scale (within the evaluation questionnaire were determined intervals from 0 to 20% poor, 21 to 40% below average, 41-60% average, 61-80% satisfactory, 81 - 100% perfect). These intervals are applied in the evaluation of the operation of individual processes. Within the SWOT analysis, first of all, the managers of SMBs were supposed to specify what their strengths and weaknesses in human resources management were.

3 Research results

3.1 Rating a process of internal communication by their importance for an enterprise

This question was dealing with rating nine important processes in an enterprise. The managers of SMEs were supposed to rate the processes by their importance for the organization. The average rating is reported in figure 1. The production process was reported as the most important (average rating of 2.6) followed by trade, finance and quality control. The process of internal communication was reported at the seventh position (rating of 6.5); preceded by the process of human resources management (rating of 5.5). The managers did not see the area of communication (both internal and external which was rated as the least important) so vitally important for the management of an organization.

Figure 1 Rating a process of internal communication in SMEs by their importance

![Figure 1](source: Own processing)
3.2 Rating a process of internal communication by its functioning

The SMEs managers in South Bohemia also rated functions of the processes. The rating was performed in % (0% - does not work 100% - maximum satisfaction with the functioning). As reported in figure 2, the best results were reported for the production process (88%). The Quality management and trade were rated by more than 80%. Internal communication was reported at the 6th place (65%). External communication was seen as the worst process of this rating (52%). Again, this result clearly indicates that the area of communications is not fully implemented and that there are a number of ways to make this process more efficient as the managers would appreciate.

Figure 2 Rating a process of internal communication by its functioning in %

![Diagram showing ratings of different processes]

Source: Own processing

3.3 SWOT analysis

Strengths

Through the SWOT analysis, the managers of SMEs should determine their strengths in the field of human resources management at first. Most of them (nearly 9%) considers the development and training of employees a very strong area. This is further followed by the following aspects (see Table 1): communication (8%) and remuneration; attitude and behaviour of employees and their stability in the organization (all around 6%).

Table 1 Strengths of SMEs in HRM

<table>
<thead>
<tr>
<th></th>
<th>n</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Development and Education</td>
<td>19</td>
<td>8.72</td>
</tr>
<tr>
<td>Communication</td>
<td>17</td>
<td>7.80</td>
</tr>
<tr>
<td>Remuneration</td>
<td>13</td>
<td>5.96</td>
</tr>
<tr>
<td>Attitude and behaviour</td>
<td>13</td>
<td>5.96</td>
</tr>
<tr>
<td>Stability of employees</td>
<td>13</td>
<td>5.96</td>
</tr>
<tr>
<td>Team work</td>
<td>11</td>
<td>5.05</td>
</tr>
<tr>
<td>Market position</td>
<td>9</td>
<td>4.13</td>
</tr>
<tr>
<td>Working environment</td>
<td>9</td>
<td>4.13</td>
</tr>
<tr>
<td>Qualification</td>
<td>8</td>
<td>3.67</td>
</tr>
<tr>
<td>Expertise</td>
<td>8</td>
<td>3.67</td>
</tr>
</tbody>
</table>

Source: Own processing

The following were also reported as strengths: flexibility, motivation, corporate culture, hiring and recruitment, work organization, experience, tradition and reputation, evaluation and satisfaction.
Weaknesses

The area of communication with employees was reported as the most important weakness by more than 11% of SMEs followed by development and training of employees (nearly 11%) and remuneration (approximately 9%) – see Table 2.

Table 2 Weaknesses of SMEs in HRM

<table>
<thead>
<tr>
<th>Weakness</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>21</td>
<td>11.23</td>
</tr>
<tr>
<td>Development and Education</td>
<td>20</td>
<td>10.70</td>
</tr>
<tr>
<td>Remuneration</td>
<td>16</td>
<td>8.56</td>
</tr>
<tr>
<td>Remuneration</td>
<td>11</td>
<td>5.88</td>
</tr>
<tr>
<td>HRM</td>
<td>11</td>
<td>5.88</td>
</tr>
<tr>
<td>Recruitment</td>
<td>10</td>
<td>5.35</td>
</tr>
<tr>
<td>Evaluation</td>
<td>8</td>
<td>4.28</td>
</tr>
<tr>
<td>Fluctuation</td>
<td>8</td>
<td>4.28</td>
</tr>
<tr>
<td>Organization of work</td>
<td>7</td>
<td>3.74</td>
</tr>
<tr>
<td>Behaviour of employees</td>
<td>6</td>
<td>3.21</td>
</tr>
</tbody>
</table>

Source: Own processing

The following were also reported as weaknesses: employee motivation, time, finance, experience, management skills, overloading of employees, social policy and seasonality.

4 Conclusions

SMEs in the market environment of the 21st century are exposed to conditions that are changing literally overnight due to rapid globalization and highly turbulent environment. Competition gains a whole new dimension forcing enterprises to rapid responses to emerging threats. Activities of enterprises have been expanding. Thanks to innovations, discoveries and progress of modern science new products are created and together with opportunities as other products become obsolete and decline. Product life cycles is shortening and forcing enterprises to be more flexible. Methods and procedures in the management of organizations and human resources have been changing too. More than ever before, it is difficult to attract and retain quality employees in particular.

SMEs may enjoy greater flexibility because of the simplicity of their internal organization, being faster at adapting and responding to changes. This new situation reveals the need to suggest or find more efficient management processes so that SMEs can apply strategies that allow them to achieve a better performance. The most important process for SMBs in South Bohemian Region is the realm of manufacturing – production (2,6), which is followed by trade, finance and quality management. Process of internal communication ranks behind human resources management (5,5) and it occupies the seventh place (6,5). Managers should pay more attention to these processes. The role and importance of human resources in the company is constantly growing and people have become one of the most important resources of enterprise in recent years.

The area of communication and human resource development and education are mostly reported by the SMEs as their biggest strengths or weaknesses. SMEs must eliminate weaknesses and improve communication with employees and enable them to develop their skills. Development and training of human resources should provide opportunities for learning, development and training to improve the performance of individuals, teams and organizations. Investment in the training and education of employees manifestly would enhance organizationally specific knowledge, particularly where this has a broad perspective that includes helping employees to learn a wide range of skills, rather than equipping them simply to complete a restricted job.

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References


