The Association of Business Strategies and Different Organizational Factors with Human Resource Management

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Abstract

Small and medium enterprises has been defined by various writers in different ways because its definition different in different part of the world but most of them are agree on the following definition that smaller firms have less than 50 employees and medium firms have less than 250 employees. In spite of the great role in international economy SMEs have got little attention from writers and practitioners in the west particularly with human resource point of view. When Japanese industries start leading in the world then west has realized to find out the main reason of their success. HR practices are essential for small and medium enterprises, because SMEs have large space to adopt these practices. Another important thing is the success of these practices in SMEs about which Storey (1995) said that SMEs are prepared to experiment with new practices and the track record for the success of these practices seems to be well above average. The contribution of this work is to investigate the association of business strategies and different organizational factors with Human Resource Management. In addition, this work also studies the integration of Human Resources and business strategies across small and medium size SMEs.

1. Introduction

The organizations have developed personnel department to manage properly their employees. Now we call it Human Resource Department or HRD. The main
purpose of HR department to perform HR activities in organizations. A couple of studies have focused more generally on the use of HR Practices in SMEs. The main work is done by storey in this field. Storey (1995) suggests in his one survey that in general larger the organization, the more chance there was that each of the new employment initiatives had been launched. The reason is, larger organizations had more expertise at their disposal, and the relevance of some of the initiatives was clearly tied to size. However, there was an interesting and important new finding. When we look at the degree to which certain initiatives had been sustained. We found that smaller organizations had enjoyed the greater success. Different writers have explained HR practices in different ways but most of them are agree of the following types of practices, selection and recruitment, training and development, reward system, performance appraisal, health and safety, job security etc. Storey (1995) also said that the purpose of good HRM practices is to recruit, select, motivate and retain employees. In spite of the great importance of SME in economy of developing and developed countries it got less attention from writers and practioners. There are many reasons but some of them are mentioned by Storey and Westhead (1997) that there is a debate concerning the abilities of small firms to adopt HRM and workplace innovations due to the lack of resources, such as time and money, management expertise and greater informality relative to their larger counterpart. They have also criticised the managers and owners of SMEs that most of them have little knowledge of HRM and much more experience of business issues. Heneman and Berkley (1999) argued that only a handful of research studies have been conducted on recruitment practices in SMEs while in comparison hundreds of studies have been conducted on recruiting practices in large firms. Hendry et al.
(1995) suggest that much management theory continues to emphasize large firms even though their economic significance has declined in recent years. Indeed, they suggest that there are two common inferences within the management literature that operate to the detriment of SME research. One is that SMEs are less important than large firms, and the second is that SMEs should learn from large firms. The above points mentioned the importance and lack of attention to Human Resource Management and their practices in SMEs. It shows that research on SMEs in limited and it needs more attention from researchers. This is the main reason which motivates the researcher to work on this study. We work on the association of business or organizational factors with HRM. Rest of this paper has been organized as follows. In section related work is presented. The focus of section 3. is analysis and discussion concerning findings of this research. In section 4. conclusion and future work is detailed and references are given in section 5.

2. Related Work

Small and medium enterprises are companies whose turnover falls below certain limits. The abbreviation SME occurs commonly in the EU and in international organizations, such as the World Bank, the United Nations and the WTO. The term small and medium enterprises have become more standard in a few other countries. Storey (1994) said that there is no single, uniformly acceptable definition for small firms. Firms differ in their level of capitalization, sales and employment. Hence, definitions that employ measures of size (number of employees, turnover, profitability, net worth, etc.) when applied to one sector could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to a different result. Competition is often intense for SMEs. Many small suppliers are unable to influence price or quantity in competitive
markets. To compete in the market competition SMEs are following competitive strategies. According to Porter (1980) the contingent and standard view, of competitiveness where firms compete on cost or differentiation is problematic for SMEs. They are unlikely to be able to lock in customers and suppliers, build barriers to entry, or significantly lower costs. However, such SMEs do often have processes and products that are difficult to imitate. Thus the resource based view of strategy may to be helpful in enabling SMEs to compete effectively.

Many writers believe that human resource has a great role in small and medium size firms because they can not compete with large firms on the basis of their financial recourses. This is the labour force which helps SMEs to take competitive advantage from the market. Much of the work in this regard has been focused on North America, as Ng and Maki 1993 and Deshpande and Golhar 1994, have indicated a growing awareness of the importance of appropriate labour management to maintain competitiveness in tight market. Arguing the above HRM trend in UK, Bacon et al. (1996) undertook a survey of 229 small and medium sized firms to test this assertion. They found that many firms claimed to be practising new managerial strategies, were sustaining such initiative and reporting positive outcomes. This shows that human resources has great importance in the success of small and medium enterprises.

Since the late 1970s, there has been a growing interest in the impact of small and medium enterprises (SMEs) on both local and national economies. DTI (1999) recent estimation shows that SMEs account 99% of all business in the UK and also constitute more than 90% of companies in the EU.

The link between HRM and business strategies is important because it will keep the workforce motivated which help in achieving the organization targets. To
motivate the work force organizations need to select suitable business strategies. In other resources human resources are very important because it play a key role in SMEs development and should be utilised according to the need and business plan of small and medium enterprises as Legge (1995) stated that in order to achieve goals and objectives organizations need to use human resource effectively. In other words we can also say that for successful operation of SMEs there should be a link between human resource management and business strategies. Because of the relationship between human resource management and business strategies the literature uses another word which is called strategic human resource management (SHRM).

3 Analysis and Discussion

The focus of this section is to analyses key findings resulted as a part of this research project. Accordingly this section has been divided into different sections in order to examine crucial HRM concepts which are existed in practices in a real working environment.

3.1. Part A: Firms Introduction

In part (A) we will represent a brief introduction of the firms which are selected for conducting interviews.

3.1.1. Kebabish Fast Food

Kebabish is situated on Smithdown road (Liverpool) and it provides fast food to the customers in surrounding areas. It has started its business in January 2002, and within five years time it has purchased another food store on Allerton road (Liverpool). Due to its high quality food and hard working employees kebabish has made a large number of customers within four miles area. Kebabish is providing two types of services, self service and delivery to the customer’s premises. The main income source is fast food (Pizza and Kebab). Kebabish delivery service is very fast and within forty minutes it provides fresh cooked food within four miles area. It's a big challenge for Kebabish because strong competitors are also operating in the...
surrounding area. This is the hard work of Kebabish employees which made it possible to take share from competitors who are operating in the area since long before. Due to the increasing demand of customers Kebabish has increased the number of employees from nine to seventeen. These people are operating in three main areas:

- Kitchen staff
- Frontline staff
- Delivery staff

Kitchen staff is responsible for preparation of fresh food according to the customer order and dispatching food stuff delivery to the store while frontline and delivery staff is responsible for taking orders (counter and phone) and delivering food to the customers. All these areas are operating close to each other and having good communication channel in between them. Kebabish orders food stuff to the local whole sellers and they deliver it to the store.

3.1.2. Mad 4 Mobile (Mobile Business)

Mad 4 Mobile is another medium size enterprise which was selected for interview. It is situated in the armpit of ASDA on Smith down road (Liverpool). It has started its business in March 2003 and was just repairing mobiles at that time. Now it provides all type of mobile services i.e. repairing, selling, buying and mobile contracts. To start contracts in Liverpool was a big challenge for Mad 4 Mobile to take a share from big and well established competitors (Fone 4 u, T-Mobile, Orange, Vodafone and Carphone warehouse are operating in this small city. Mobile contracts are one of the key income sources for its business.

Mad 4 Mobile has increased its number of employees because of the increasing demand from customer side. At the moment 22 people are working in different business areas of Mad 4 Mobile. People can also deal with the firm through its Website (www.mad4mobile.ac.uk).

Mr Khalid is the owner and managing
director of Mad 4 Mobile. He was working in the same industry before starting his own work. All the employees are operating in different business areas. The repairing staff is operating in the main centre Liverpool as well as in Manchester. The front line staff is responsible for buying, selling and contracting mobiles while some of the employees all engaged in import and export of mobile parts from China and India. Answering one of the interview question Mr Khalid said that this is the hard work of employees due to which our business grow too much in short period of time.

3.1.3. Global Food Supplier (Cash & Carry)
Global food suppliers are whole sellers and their business is operating on the water front side of Liverpool. Global foods have started their business in 1999 and within first four years they have developed their business. They are providing fast foods material to take aways and restaurants. The main reason of their success is no one area. Their business is also involved in import and export. They import fast food and soft drinks from European countries. There are 25 people are working in this business. Manager is the controller of the business. The total staff is operating is three areas, manager office, reception and computer area and the floor area where all the lower staff is working. The business is providing all the facilities to the customers i.e. delivering the stuff to customers shops and restaurants and also the customers are buying the stuff from the store (cash and carry). Mr Hassain is the manager who is working in this business from the start. There is a good communication channel between all the people in Global Foods Suppliers and MR Hassain believe that their success is because of the friendly environment between management and staff.

3.1.4. Vision 1Security Company (Pvt) Ltd
All businesses in Liverpool and through out England have their own security system or having static security guards. The big
examples are Marks & Spencer, Tesco, ASDA, etc. This convince the researcher to put one security company on his list that how they are doing their business. The researcher selects Vision 1 Security Company. This company operates in Liverpool and Manchester. The total number of people working in this business is 68. They are providing static and mobile security guards and also providing electronic security system to different business and companies. Their main office is in the Liverpool and Mr Aren is the operation manager. There total staff is operating in two main areas, office and security sites. Mr Aren said that we are 24 hours in touch with our security guards and customers. If they got any problem we are responding in minutes on there calls. This is the quality of our staff which makes it possible to respond quickly to our customers. Mr Aren said that we have also applied for SIA (security industry authority) registration which further improves our services.

### 3.2. Part B

This part is about the general questions of HRM and we have come to know from the answer that there is no HR department or HR managers in small and medium enterprises. Mainly managers and owners of SMEs are responsible for all management and human resource management related decisions like selection and recruitment, training and development, motivation, employees record keeping and learning and development of the employees in the firms.

Answering the question about contribution of HR to the business strategies the interviewees said that as there is no HR managers in their firms so there is no contribution from this side because no one is specifically recruited in these firms to perform HR activities in their firms while responding to the second part of the question most of them said that definitely we are keeping our human resource in our minds when are taking any decision about the business strategies but they are not
making their business policies on the basis of their human resources. Only Vision 1 managing director replied positively in this regard that we are totally making our business strategy according to the human strength. At the moment our business is expanding and we can take many business contracts easily but we can not do it at the moment because of the human resources deficiency. He said for example that last week we were signing a business contract with Tesco but we did not have any spare security guard for that job so we left that contract. He said that we totally making our business strategies on the basis of our human resources.

Answering the following question “Are you setting your targets according to the human resources or you set the targets first? Normally all the SMEs which the researcher has studied during this report has a common trend about there target setting that first they are looking to the target in front of them business. If their human resources are matching with the target then they are going for that target without any delay or problem as long as there other resources are also matching with the target. But if the current human resource is not matching with their business targets then they are doing some changes if possible in their human resources to make it match with business target. For example owner of kebabish Fast food said that if we got extra work on Friday and Saturday nights then we are increasing one driver for delivery food to the customers. Normally one driver is doing this job but in busy circumstances like Friday Saturday nights we changed the positions of our staff.

One person from reception start deliveries along with other driver and only one person is controlling the counter area. Mad 4 Mobile boss said in response to this question that some time our Manchester branch got very busy and they need some extra support then we sent one person from Liverpool to complete their work. Global Food suppliers manager said that
actually we not setting our business targets on the basis of our human resources but we do not put extra burden on our employees. He further said that during winter we became very busy because all the restaurant and take aways got very busy then one person from our management department start work with the delivery team to deliver the orders on the right time to the customers. It is clear from the above part (B) questions answers that all the SMEs do not set their targets according to their human resources. They are looking for their targets first but as they have limited human resources so they are trying their best to get their business targets by rearranging their limited human resources. All the managers and owners of SMEs are agree on the answer that HR related strategies and business strategies are in the minds of SMEs owners and owners and when they want they can take the decision. Mr Aren said that I can easily take any human resource management related decision it does not need any particular department or manager in my firm because financially I can not afford any HR manager.

3.3. Part C

Part (C) of the interview is about training related activities of the selected firms. It will show what types of training's are providing by the firms.

Training and development is another important factor which can help in development of employees and make them more competent and ready about future challenges. In all cases studied during this report training in provided to the employees during job time because these businesses can not arrange particular training sessions to their employees. But in case of Vision 1 Security Company training is not provided to the employees on job time even they can not put any one on job without training and security licence.

According to Mr Aren (managing director) of Vision 1 Security, the security industry authority (SIA) is providing training for
security throughout the country. The training session is continuous for 2 weeks and then after three months the SIA authority issue the license and the person then legally can do the security job. Mr Aren further said that the police is regularly checking the security sites in Liverpool and throughout the country and if they catch any without security licence he will be prosecuted and the company will be fined 5,000 pounds for keeping the person on job without licence. This is the only case which we studied during this report which can provide training to their employees and also paying for the training. The total cost on the training is about three hundreds pounds and the company is paying this money.

Another interesting trend in SMEs managers and owners about the training of their employees is their own past experience in their fields. For example Mad 4 Mobile owner worked with a mobile dealer in Manchester to repair mobiles for long time. So any one new come for a job he put him on the mobile repairing work and start his training. Kebabish (Fast Food) owner worked in a take away for a long time in Birkenhead and most of the time he deliver pizzas and kebabs to customers premises. Now in his own business he is training the new drivers how quickly to deliver the food to customers premises and what safety precautions you need to take when you are delivering food some one premises at midnight. Global Fast Food manager said that we are providing training to our people in all areas related to business needs. He also said that even we do not have regular HR manager but we are providing training’s to our employee which can help in their skills development.

By answering the question 'after how long they are providing training to their employees' Kebabish owner said that there is no fix time or period in which we are providing training but we do it when we are recruiting new people and then regularly provide them information’s about new things happening in the warehouse. Mad 4
Mobile owner and Global Fast Food manager were also replied the same answer but Me Aren (managing director) Vision 1 Security said that we are providing training when we recruit the people and then regularly do it two times a year.

Kebabish and Mad4 Mobile owners have different idea about the skills of employees. They both said that we need multi skills people in our businesses. Mad4 Mobile owner said that I need my employee to know about all mobile works i.e. repairing, selling, contracting and counter dealing etc. Kebabish owner said that I need my pizzas driver to know how to prepare kebabs, pizza and sandwiches.

Personal observation has a key role in assessing and reviewing the training needs. Customer feedback is particularly work in this area. Kebabish Fast Food and Global Food supplier are particularly looking for their customer’s feedback because if their food quality is not good then strong competitors are also operating in the area and they will took advantage of their weakness and can damage their business. So these two SMEs are looking much more for their customer feedback as compare to the other two SMEs.

Training and development is also playing a vital role in employees job enrichment. Global Food Supplier said that I knew nothing when I start work in this business but after three years experience now I am a manager in this business. This is because of the regular training programme which developed my skills and now I can handle the whole business alone and this is the reason I am regularly providing training to my employees to develop their skills and make them ready for future challenges.

3.4. Part D

This part is the biggest part of interview. We will ask questions about HR practices and motivation of the staff. Team work and communication system among the staff and management will also be highlighted. We will also ask questions about reward system, monitoring techniques in the
firms, future changes and recruitment mechanism inside the firms. HR activities are very important in organization as we have already given the example of Japan automobile industry in the literature that HRM was one the main reason in their success. They encouraged and motivated their employee which improve the quality of their services as well as gain competitive advantage from the automobile industry. Later on the Europe has also followed the Japanese and opened human resource management departments with the name of personnel departments in their organizations. Answering the question 'how HRM can help in maintaining the staff' Global Food Supplier manager replied that these activities are very important. For example we give training to employees which motivate them because learning is very useful for future growth in organizations. We also give them two bonuses a year at the time of Eid-ul- Feter and Eid-ul-Azha (celebrations of Muslim people). These two celebrations are like Christmas and Easter. Mr Aren (Vision 1 security) managing director said that HR activates are very useful but we can not afford all them. Our job continues seven days a week, to encourage our people for weekend work we give them time and half wages on weekends and also providing regular training after every six months which give them a chance to learn much more about their job. Mad 4 Mobile owners said that we are giving extra percentage to the staff on selling mobile contracts to the customers. Kebabish Fast Food owner gave me a very interesting answer about the staff motivation. He said that every night we are giving free food to our employee and also gave extra money to our drivers on extra deliveries. Global Fast Food manager said that we are giving paid holidays whenever some one going on holidays or got sick and lying at home. All these are the activities which can motivate the staff in any organization especially in the studied SMEs because there are
limited number of resources and great privilege are paying to the employees. There is a little difference in HR activities to motivate the staff in studied SMEs. This is mainly depending upon the nature of the business in sample SMEs.

About providing up to date information to employees Kebabish owner and Vision 1 Security managing director did not reply positively and remain silent on this question. May be they did not have the source to collect information about competitors activities. Global Food Supplier manager said that we are regularly providing information to our staff about competitor’s activities. In fact this is a difficult job but this also very important job to survive in the market. He also said that we do not have informations about our competitors then we will lose our business to competitors. Mad 4 Mobile boss said that we are collecting weekly leaflets of big mobile stores to know about their offers and response alternatively because if we did not do like this then people will not come to our small business and will go to big market leaders in mobile field like Carphone warehouse, Phone4U etc. We are regularly providing these information’s to our staff and also tell them how to reply if a customer questions about these things. Communication is one of the main important factors for running organizations. According to some writers if communication fails in organizations, they became dead. Certainly if there is no communication channel between staff and management then how they will sort out the problems of organizations. All these explanations about information and communication reflect that there is a very week information and communication channel between sample SMEs. They need some advance information and communication system like letters, faxes to pass the informations quickly among the staff. Most of the sample SMEs owners and managers are relying on group discussion while some time it seems difficult to communicate with the staff.
who are in another branch of the business. Teamwork is the main thing for organization success. All the studied SMEs management are trying to emphasize more on team building because team work can make it easy for an organization to achieve their goals. Preparing the existing staff for new leadership is not a matter of considering is sample SMEs because they are not agree to leave their seats. Organizational changes are other big issues for all sample SMEs. All of them agree on these changes. Kebabish boss said that due to the increasing demand in Liverpool we have recently expanded the kitchen size in order to fulfill the new demand and also we are thinking to recruit one more driver for delivering the food to customers premises. These changes are very important for us because without it we cannot be completed enough to meet the customers demand. Mad 4 Mobile boss said that there is a lot of competition in mobile retail market. New technology and mobile offers are coming day by day and if we do not change ourselves with according to the market demand then we will close our business very soon. He further said some of our office staff is getting daily awareness of the market and if we think that this new product is now important then we immediately purchase it. In conclusion he said that we need to be wake up all the time in business world otherwise the survival will be difficult in today business world. Global Food Supplier manager replied to this question about organizational changes that we are expanded our business in other cities of England and also trying to increase the range of import as well. He further said that we cannot do these changes then we cannot capture the UK Fast Food market. Mr Aren (Vision 1 Security) managing director said that before we were providing only static security facility but now we have started retail security as well because we saw opportunity in retail security so we decided to go for this opportunity and bring some changes in our
business.

Reward and monitoring is another important HR practice in small and medium enterprises. Organizations are monitoring their staff by two ways. Monitoring by customer feedback and monitoring by the management itself. Monitoring by the customer feedback require high skills. For example in Kebabish (Fast Food) and Mad4 Mobile the staffs requires high skills for their job. In Kebabish customer feedback is directly influencing the owner decision because if they can not provide quality food then the customer will complain and at the end the customer will moved to another fast food shop for buying their food. For doing quality job they are getting they are getting cash reward from the owner. Same in the case of Mads4 Mobile Mr. Khalid said if a person cannot repair mobiles or cannot handle the customers properly then how I can keep him on job.

The entire sample SMEs owners and managers are agreeing on strategic involvement of their staff. Kebabish Fast Food boss said that most of the staff in this business is working with me from the beginning of this business and they spending more time in business as compare to me and they know more about this business. Almost all the time they are telling me about new ideas and give me new suggestion about fast food business. Mad 4 Nobile boss said that one of my staff members is business student and if we got some problems which we can not solve then he helps us in solving the problems. He further said that as an owner I will know best about my business all the time. My experience and qualified staff can help me all the time if they got good ideas. Global Food Supplier manager said that if my floor staffs do not tell me about the floor problems then how I will know about the floor work problem and can make a strategy for that. Mr Aren has also replied in the same way as Kebabish boss replied.

Recruitment and selection is also very
important process for any organization particularly for SMEs this is very important because they have limited resources including human resources as well. Kebabish boss said that if I need some one for my immediately then I could not go through formal procedures but I contact my business colleagues and ask them if they know any suitable for this job. The other studied SMEs owners and managers also give me the same answer and this process is helping us to get a right person for the right job. It mean that in studied SMEs selection and recruitment process is going on by personal contacts and not by formal methods as in big organizational.

3.5. PART E

Part (E) of this interview is the most important part in which we will ask the question about integration of HR and business strategies in SMEs. We will also find out the reasons which can help in this integration.

Answering the question ‘Are you truing to integrate your HR and business strategy?’ If so why? Kebabish Fast Food owner said that our human resources are the success of our business. Our work force is working with us from long time and they fully understand this business. If we do not use them properly and put extra burden on them then we loose them and we do not want to loose our experience workforce because of our wrong business strategy. Kebabish owner want to say that their experience human resources are their competitive advantage and they do not want to loose them. Mad4 Mobile boss replied that off course this is the workforce of our business who is completing the work and if we put big targets for them (making wrong strategy) then how we will meet our targets. Global food supplier manager said we are trying to make our business strategy according to our human resources to get maximum benefit from our work force otherwise we can not be succeeded in food industry.

Vision 1 Security managing director said
that human resources are the main part of our business strategy because our single business contract depends on our single employee. If we lose a single employee then we lose our complete single business contract. He further said that our work force is our string competitive advantage and we do not want to lose them.

4. Conclusion and Future Work

Small and medium enterprises play a very important role in economic development of developing and developed countries. By studying the Japanese organizations the western writers and practitioners have found that workforce management (utilization) is their main reason of there success. This has a great influence on the writers, practitioners and researchers to consider and think about the proper use of workforce in western organizations. They call this management style ‘Human Resource Management’ or HRM. In this work the association of business strategies and different organizational factors with Human Resource Management has investigated. Moreover, this work also focused on the integration of Human Resources and business strategies across small and medium size SMEs. In future we intend to contribute similar findings with the ongoing research in this area.

5. References


3. David J. Storey and Westhead (1997), Management training in small firms - a case of market failure?


