

# Analysis of Strategic Human Resource Management Practices in Small and Medium Enterprises of South Asia

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## ABSTRACT

This empirical article aims to ascertain the impact & relationship of SHRM practices with service behavior among employees of SME's in Pakistan. Data was collected from 32 small & medium enterprises including Manufacturing, Consultants, Automotive, Fashion, Handicrafts, Surgical, Sports Goods & Customer Service sectors of 8 major cities of Pakistan by using stratified random sampling technique. The response rate was 76% as 180 questionnaires were distributed among front line employees, middle managers & executive managers and 38 questionnaires were returned back with 76% response rate and 118 questionnaires were found useable. Pearson's  $r$  correlation & linear regression analysis techniques were used to analyze the data on SPSS, PSAW version 22. According to results, the Regression model is weakly parsimonious & accounts for 33.3% of the variance. SHRM practices on the whole have positive moderate significant relationship (.337\*) & positive impact ( $\beta = .787$ ) on service behavior. In depth, training has positive weak significant relationship (.219\*) & positive impact ( $\beta = .147$ ), participation has positive moderate significant relationship (.499\*\*) & positive impact ( $\beta = .432$ ), job description has positive moderate significant relationship (.340\*\*) & positive impact ( $\beta = .352$ ), result-oriented appraisal has positive weak significant relationship (.222\*) & positive impact ( $\beta = .015$ ), internal career opportunities has positive weak significant relationship (.292\*\*) & positive impact ( $\beta = .295$ ) on service behavior. Employment security (.131) & profit sharing (-.054) have non-significant relationships with service behavior. This study facilitates the policy makers to adopt appropriate SHRM practices to foster service behavior among employees. This study was conducted in eight cities of Pakistan by using cross sectional research design. Future research direction is to expand the study by using longitudinal research design.

## KEYWORDS

Pakistan, Service Behavior, Small and Medium Enterprises, Strategic Human Resource Management

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## INTRODUCTION

Every organisation keeps the intention for having an edge over its competitors in order to sustain and gain competitive advantage. Organisations, nowadays, are gradually moving fast bringing along several changes in their strategies and culture. To sustain in the market, management ponder upon different aspects like technology, finance, marketing or human resources (Kianto, Saenz, & Aramburu, 2017; Carlson, Carlson, Zivnuska, Harris, & Harris, 2017; Erina, Ozolina, & Gaile-Sarkane, 2015). Although organisations may pursue many paths, one that is frequently not recognized is investing in human resources. Human resources are the source of achieving competitive advantage because of its capability to convert the other resources (money, machine, methods and material) into output (product/service). The other things can be imitated by the competitors like technology and capital but the human resources are unique assets of an organisation.

Human resources should be used in an effective way in order to enhance organisational performance. Even though, some companies recognize the growing importance of human resources, but few conceptualize them in strategic terms. As a result, many companies forego the opportunity to seize competitive advantage through the initiative of strategic human resource management (SHRM) practices. SHRM practices refer to organisational activities aimed at managing the pool of human resources and ensuring that the resources are employed towards the fulfilment of organisational goals (Schuler & Jackson, 2005 and 1987; Schuler & MacMillan 1984; Wright & Snells, 1991). Strategic Human resource management practices are those activities of management which are directed towards ensuring employee commitment and productivity to achieve sustainable competitive advantage for the firm (Shahnawaz & Juyal, 2006). Delery and Doty defined SHRM practices as a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contributes to the achievement of its business objectives (Delery & Doty, 1996). SHRM practices include recruitment and selection procedures, training and development activities, compensation and reward systems and performance appraisal processes. Traditional HRM emphasized only specific activity or task but modern HRM emphasizes (Stone, Deadrick, Lukaszewski, & Johnson, 2015) on their total contribution in the firm, concerning for overall effectiveness and synergy of these practices.

SHRM practices of an organisation have a significant influence in making employees committed to exhibit the kind of attitudes and behaviours that are needed to develop good image of the organisation. These practices together play an important role in the development of relations within or outside of the organisation and are based on high level of trust. The outcomes of effective HRM practices are generation and sustenance of a committed workforce towards the organisation, job and service behaviour. SHRM practices bring change of attitudes and behaviours of employees that lead to customer satisfaction especially in service organisations. These practices foster employees' shared perceptions of a supportive organisational environment that motivates behaviours that contribute to the organisational performance. Thus, human resource practices would be capable of establishing service behaviour signaling that SHRM practices could stimulate positive reactions of the employees. No matter how well constructed are organisational plans, even then employee behaviour and attitudes can determine the success or failure of an organisation. SHRM practices play an important role in fostering service delivery and subsequently organisational performance. Thus, an effective HR management in organisations is a prerequisite for quality service.

SHRM has received a great deal of attention in recent years, especially in the fields of human resource management, organisational behaviour and industrial relation (Kim, Ryu, Kim et al., 2017; McDonnell, Boyle, Stanton et al., 2016; Delery & Roumpi, 2017; Senia & Ying, 2015; Tang, Chen, & Jin, 2015). Different researchers developed strategic model to integrate between HRM and business strategy (Lloyd & Meshoulam, 1998; Boxall & Purcell, 2000; Torrington, Hall, & Taylor, 2005) while other researchers tested the relationship between HRM practices and employee outcomes (Edgar & Geare, 2005; Gould-Williams, 2007) and (Kuvaas, 2008; Boxall & Macky, 2009; Gellatly, Hunter, Currie, & Irving, 2009). Other studies were done in finding the relationship of strategic human

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