

Chapter 5.14

Exploring Perceptions about the use of e-HRM Tools in Medium Sized Organizations

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ABSTRACT

This research focuses on acceptance of Human Resource Information Systems (HRIS) in medium sized organizations. We look at general SME's in The Netherlands. The goal of this research is to analyse the perceptions about the use of HRIS as there is currently very little knowledge about it in "medium sized organizations". To support the explorative nature of the research question, four case studies were selected in organizations that were using HRIS. Overall we conclude that the use of e-tools in medium sized organizations is perceived as useful, whereas not easy to use. The organizations involved perceive that the use of HRIS helps them to make HRM more effective.

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INTRODUCTION

Nowadays IT supports critical HRM functions such as recruitment, selection, benefits management, training, and performance appraisal (Grensing-Pophal, 2001). During last decade large organizations have for several reasons implemented an increasing number of electronic Human Resource Management (e-HRM) solutions (Ruël et al., 2007; Ruta, 2005; Voermans and Veldhoven, 2007). While large organizations are no longer surprised by e-HRM, SME's are at the early stage of its adoption.

Our knowledge about HRM practices in SME's is odd (Huselid, 2003), but even less – about e-enabled HRM in SME's. Only during the last couple of years research into HRM in SME's has taken off. According to Heneman *et al.* (2000), scholars are lamenting the dearth of information about HRM

practices in SME's as the existing HRM theories are often developed and tested in large organizations. At the same time, there is a serious need in the development/ application of HRM concepts in the environment of SME's as well-motivated and well-trained workers are probably the most important assets for smaller companies to stay competitive (Huselid, 2003). De Kok (2003) puts forward two main arguments which justify the specific attention for SME's: firstly, SME's form a large and vital part of modern economies; and secondly, despite the heterogeneous character of the SME sector, SME's differentiate from large organisations in many respects.

This bias in HR research is of course understandable. Larger companies have the resources and people available to implement and perform state of the art HR policies and practices and are thus more exciting research playgrounds. They usually have more, and more sophisticated HR in place. But neglecting SME's is inconvenient, given their position in most economies.

In the US for instance, 99,7% of all companies have fewer than 500 employees (the US definition of SME's is all companies with fewer than 500 employees), a startling 78,8% have fewer than 10 employees (Heneman et al. 2000). The European definition of SME's is companies with fewer than 250 employees. If we use that definition, in the Netherlands 714.000 out of a grand total of 717.035 companies are SME's. Only about 1300 companies have more than 500 employees, whereas about 386.890 have no employees at all (Van Riemsdijk and Bondarouk, 2005). According to the Dutch organisation for SME's companies with up to 250 employees (99% of all Dutch companies) provide 2.8 million jobs, more than half of the total of 4.8 million jobs in the Dutch private sector. 48% of the added value and 53% of yearly turnover of this sector is generated by these small and medium sized companies (Meijaard et al., 2002).

Yet good personnel management seems at least as important for small companies as for larger ones, and owners/directors of small companies

are well aware of that. Indeed, next to general management issues, personnel policies are seen as the most important aspect of management by owners/directors of smaller companies (Hess, 1987 in Hornsby and Kurato, 1990). At the same time top management in smaller companies find personnel policy issues both difficult and frustrating (Verser, 1987, cited in Hornsby & Kurato, 1990). In other words, many owners/ directors of SME's do find HR important enough to occupy themselves with it directly, but at the same time find it very hard to address the issue in a proper way and could use some help on the topic.

Concluding, what is known is that SME's account for a significant proportion of employment in different countries, and that the owners/managers of SME's have high interest in personnel issues. However, what is not known is how people are managed in these firms, and to which extent information technologies play a role in people management (if any). The number of articles looking at the HRM issues in small business is increasing (Special Issues in the *Human Resource Management Review* in 1999 and 2006 are good evidence for the growing interest in it). However, as Heneman et al (2000) and Cardon and Stevens (2004) have shown, the progress has been slow.

Research into electronic HRM did not touch SME's yet. There is no clarity whether SME's use e-HRM applications and for what purposes, what the full advantages of e-HRM for SME's are (if any), and to what extent e-HRM improves HR processes. It is hard to accurately capture the extent of e-HRM usage by SME's as the data on e-HRM practices is primarily based on research in large organizations.

Because of the very important position of SME's in our economies, at one hand, but our limited understanding of HRM and specifically e-HRM in SME's, at another hand, we started an explorative research into e-HRM in Dutch SME's. Our goal was to analyse the use of e-HRM tools in SME's, and compare it with what we know about e-HRM large organizations. Research question,

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