

Chapter 18

HRM Evolution in SMEs: Recruitment and Selection Case

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ABSTRACT

The enormous business competitiveness at a global scale and the constant search for sources of competitive advantage have led several scholars and practitioners to implement their studies to pay attention to the potential of HRM in the success of companies. Portugal, like others European countries, is not set apart from the question of HRM. However, it is rare and recent to find empirical literature on practice of HRM in Portugal, and even more scarce to find literature that focuses on SMEs. This study clarifies the situation of SMEs in the Portuguese context, serving as a basis for discussion on HRM in SMEs in an international context. This chapter looks to understand the role of recruitment and selection on Human Resource Management (HRM) at Small and Medium Enterprises (SMEs) in Portugal, as well as contribute to a better knowledge of this area, still little studied. More particularly, it aims to understand the level of implementation of recruitment and selection. Data was collected by questionnaire from 512 small and medium enterprises in Portugal, and from these, 3 hypotheses were formulated and tested using the SPSS program. From this study, the authors conclude that HRM is not yet a reality in SMEs. Recruitment and selection are the HRM practices more commonly used in SMEs, but in an informal way.

INTRODUCTION

Micro, small and medium enterprises (SMEs) play a central role in the global economy. They constitute an important source of entrepreneurial skills, innovation and employment. The world business community is made up mainly of SMEs. For example, SMEs in the enlarged European Union are around 23 million and provide approxi-

mately 75 million companies and 90% of the total enterprises. The economic and social crisis that has sparked crossed several public debates about the importance of SMEs for the Portuguese business. During recent years, millions of euros were spent in European funds for SMEs modernization. Programs like SMEs training or QI-SMEs are a few examples. For decades, SMEs were seen as companies with disqualified manpower, mainly

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with a family organization and rudimentary fundamentals of management.

Today, in part due to the economic crises that have plagued the world, this image tends to change. Indeed, extinguishing mediocre companies, this crisis contributes to the development of innovative and creative organizations, which remain in the global market. The search for competitive factors has led businessmen to invest in their employees training, as well as in quality processes, encouraging the formalization of all critical business processes. Areas such as marketing or human resources (HR), once overlooked by businessmen have, now, gained importance in the business world.

Insert in a very dynamic and demanding global economy, SMEs, in order to adapt and survive, face the need for deep and constant changes, as well as increase competitiveness and efficiency of their main components. As a vital part of an organization, HR can't be away from these changes, needing mechanisms, processes and practices that make them more productive, motivated and committed.

As a result of these challenges, human resource management (HRM) policies and practices appear, in order to convert HR in strategic ones or being in line with corporate strategies. It emerges the discussion of a strategic HRM, and a strategic integration with business policies. It is relevant to say that the approach of HRM impact on organizational performance, so far reported in the literature, has been based in large companies researches. Few studies address the idiosyncrasies of small businesses. Indeed, studies of HRM in SMEs focus on HRM practices used in large companies, but adapted to the size, resources and culture of small businesses.

Nowadays, HRM is gaining visibility in SMEs. There is a change of mentality within businesses reflected in the increasing use of recruitment and selection (R&S), investment in training and development and greater relevance in the evaluation of employee performance. In what concerns

Portugal, the role of HRM has gone through an evolutionary process, like in other countries, which has been described and analyzed by some academics. However, little or nothing is known about the HR function, as mentioned Cabral-Cardoso (2006). HRM studies are rare and those that exist are associated with large enterprises. The choice of the subject and its relevance in part is linked to the low investment in SMEs management research. Although organizations are smaller in size, it is interesting to note that HRM in SMEs can be informal and less sophisticated or complex and highly structured, allowing the researcher to contact a wide variety of situations.

This study aims to contribute to a better understanding of R&S in SMEs, something overlooked by the main studies, serving, mainly, as a starting point for future research focusing on specific HRM aspects in SMEs. It also intends to establish a benchmark of action in what concerns R&S practices that will enable researchers and practitioners, with better conditions for the development of a HRM model in SMEs. Specifically, it aims to: (a) Identify the key studies; (b) Build an explanatory model; (c) and, define modes of action, for R&S in SMEs.

HRM IN SMEs

HRM concept appears in the US, in the 80's, assuming as a distinct concept in philosophy and approach to managing people in organizations (Cabral-Cardoso, 1999). Following the changes of paradigm in the business world, it appears associated with a shift to a strategy based on the commitment of workers, characterized by a new approach in terms of quality, flexibility, strength-of-work, enhanced teamwork, R&S, and thoughtful and strong investment in training and development (Cabral-Cardoso, 2004).

SMEs, an important source of entrepreneurial skills, innovation and employment, have long been

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