

Study of Personnel concerns of MSME’s in Pune, India

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Abstract: The micro, small and medium enterprises (MSMEs) sector in India is the major contributor of GDP in the country. These MSME’s are the foundation for the country’s GDP and catalyst in the growth engine and success of big corporates and multinationals in India.

Two major people management issues faced by MSME’s are to find attract and retain suitable employees. It is imperative to have strong Human resource management practices in MSME’s to leverage, grow and sustain the disruption in the market place. There are multiple HR challenges for MSME’s in India and specifically in Pune. The objective is to measuring the linkages between HR dimensions of MSME’s and organizational performance and to study implementation of HR practices in MSME by IT, Manufacturing and service sector.

Keywords: MSMEs, Human Resource, Employees, Challenges, Manufacturing, Services

1. Introduction

Huge percentage of manufacturing units in the world fall under the category of MSME and work as the livelihood for the 80 percentage of industrial employment (Vettriselvan.R., & Balakrishnan. A, 2014).

The micro, small and medium enterprises (MSMEs) sector in India is at the second level just after the China. According to the statistics of financial year 2017, the total number of MSMEs in the country was more than 36 million. These MSME established the majority of the business base and contribute considerably to their exports as well as to their GDP or GNP (Kharbanda V. P., 2001).

According to the Ministry of Micro, Small, and Medium Enterprises, MSME is principally “any enterprises which is basically engaged in production and execution services, subject to limiting factor of investment in plant and machinery and equipment.”

Table 1.1-Classification of MSMEs

Classification of Micro, Small, and Medium Enterprises		
Sector-	Investment in plant and machineries	Investment in equipment
Micro Enterprise	Does not exceed Rupees 25 lakhs	Not more than 10 lakhs
Small Enterprise	Between Rupees 25 lakhs and 5 crores	Between Rupees 10 lakhs and 2 crores
Medium Enterprise	Between Rupees 5 crores and 10 crores	Between Rupees 2 crores and 5 crores

(Source: www.dcmsme.gov.in/MSMED2006.pdf.)

1.2 Role of MSMEs in Indian Economy

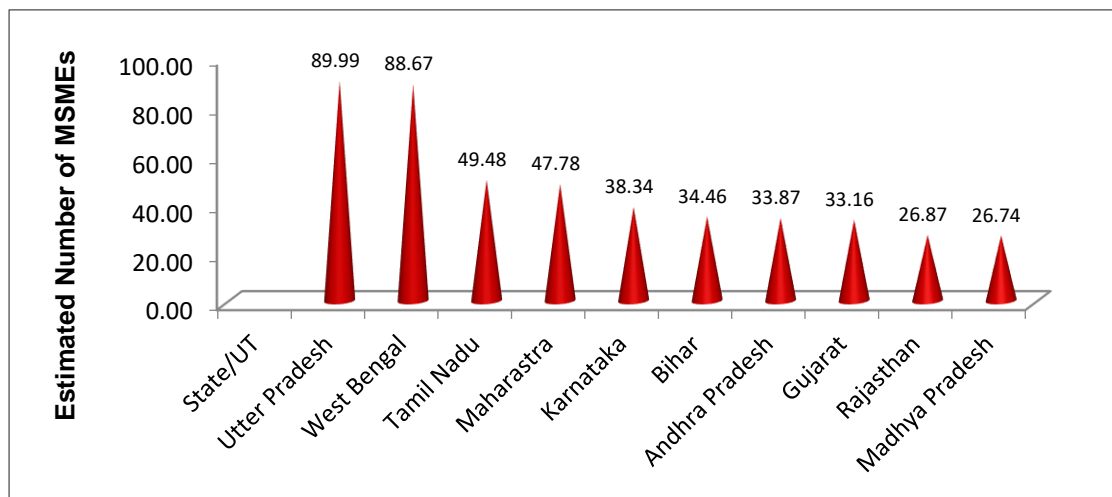
Based on the data of Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, the contribution of MSME Sector in country’s Gross Value Added (GVA) and Gross Domestic Product (GDP), at current prices for the 2012-2017 is as below:

Table 1.2: Contribution of MSMEs in Country’s Economy at Current Price

Year	MSME GVA	Total GVA	Share of MSME of GVA (%)	Total GDP	Share of MSME in GDP (In %)
2012-13	3020528	9202692	32.82	9944013	30.40
2013-14	3389922	10363153	32.71	11233522	30.20
2014-15	3704956	11504279	32.21	12467959	29.70
2015-16	4025595	12566646	32.03	13764037	29.20
2016-17	4405753	13841591	31.83	15253714	28.90

1.2.State wise distribution of MSME

Figure 1.1 describes state wise distribution of MSME in India. Maharashtra is fourth largest numbers of MSME’s in India.



(Source: <https://msme.gov.in/relatedlinks/annual-report-ministry-micro-small-and-medium-enterprises>)

Fig 1.1: State wise distribution of Enterprises

1.3 Major Characteristics of MSME Organisations

The involvement of the proprietor of small-scale business organization usually high as compare to the possessors of huge industries (Mankelow, G. (2008). MSMEs, which employ about 40% of country’s workforce, pay less consideration to human resource management (HRM) and put more attention on day to day business operations. Previously, lots of other studies were done which clearly indicated an association between human resource practices and the performance of an organization (Theriou, G. N., & Chatzoglou, P. D 2008; Wiklund and Shepherd, 2005).

1.4 Challenges for Human Resource

According to Hughes & Rog (2008), two major people management issues faced by MSME’s are to find, attract and retain suitable employees. It is required to have sound Human Resource Management practices in the MSME’s to overcome from the challenges (Amin et al., 2014). There are multitude of HR Challenges if MSME. The following challenges in the Micro, Small Medium Enterprises are given below:

- The biggest challenge for HR is to first attracting the talent based on role congruity and then sustaining the talent by providing MSME culture which is equivalent to professional organisation.
- High level of research and development is required.
- In MSME some HR functions are more important and some can be avoidable.

2. Various theories to minimise these issues

This section of literature review mainly emphasis on the observation and finding noticed by the different researcher based on their empirical and conceptual research.

Reorganization of various motivating factors was considered as major focus by various researchers (Teprsta, 1979). Two main theories were given in this regard in which the first one is Maslow’s Hierarchy of Needs (Maslow, 1987) and other is Herzberg’s Two-Factor Theory. Maslow’s theory of human motivation has five segments (physiological, safety, social, esteem and self-actualisation) of ‘needs’ in a definite order. Huitt (2004) revealed in his study that all of the prerequisites mentioned above become has the great importance for the employee of the organization.

To pursue the necessities (may be related to development, profession or flexible working) of the workforces and to support them, human resource management and managers of the organization prefer the Maslow’s hierarchy (Kremer and Hammond, 2013).

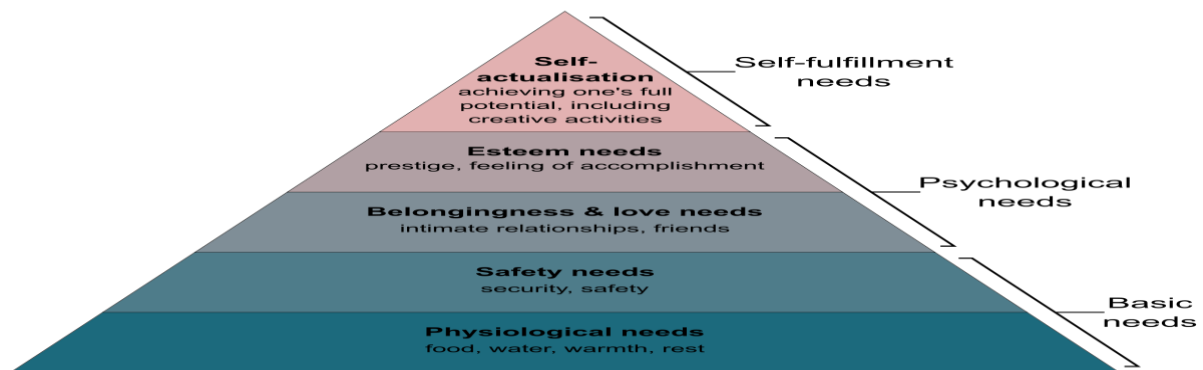


Figure 2.1: Maslow’s Hierarchy of Needs

(Source: Wikipedia)

The current and existing globalization which is the need of the time always stimulate for the essential changes in every arena of human life.

To understand the role and challenges of HRM on various MSME organization, various previous studies covering the constructs like, Human resource policies and procedure, Job Motivation Scale, Organisational commitment, Recruitment and Selection, Job satisfaction, Qualitative job security, Appraisal System, Work Conditions, Organisation Performance work environment, Compensation and Rewards, have been discussed.

2.1.Human resource policies and procedure

The study done of Ananthram and Chan (2013) showed the difficulties and challenges faced by the employee involved in the MSME based human resource management department during the implementation of the suitable HRM policies and practices which could be held constant and localized.

It was noticed and reported that to achieve the goals and objective in any of the organization, human effort is extremely important which require the complete focus on the valuable assets (Satpathy et al., 2017). In this study the investigation of the association between HRM and SME performance by considering the various variables like business operations, culture, social capital, firm size and firm’s age were done.

2.2.Employee Well Being

Nishii, Lepak and Schneider (2008) say that employee well-being is an outcome of proper designing of HRM practices. Similarly, Turner, Huemann and Keegan (2008) point out that “HRM traditionally has two roles: (a) management support, providing the organization with competent people to perform the work processes; and (b) staff support, looking after their well-being”. Baptiste (2008) research shows that employee well-being at work is an outcome of HRM practices.

In the contemporary work environment situation where the HRM practices are changing with the advent of changes occur in the environment, the MSME’s have to ensure employee well-being and ethical treatment of their employees.

2.3.Organisational Commitment

Mowday et al. (1979, 1982) - define organisational commitment in three factors –

(1) Individual employee has a strong acceptance, belief in organisational values and its goals; (2) Readiness to employ substantial effort on behalf of the organisation; and

(3) a strong motivation and commitment to remain in the organisation.

A study done in UK by Storey et al., (2010) reveal- Their study shows that high organisation commitment is an outcome of informal relationship among employees, flexible work patterns limited or no hierarchies, participative management practice and negotiable work responsibilities.

2.4. Recruitment and Selection:

To recruit and retain the capable and skilled manpower in the organization (Williamson, Cable & Aldrich, 2002; 19) is one of the critical challenges for the human resource management team due to the availability of lots of opportunity and options in the current industrial and economic era.

Ganesh and Kulkarni (2012) took the objective of the research that was to examine the technique in which the social enterprises approached the need for setting up numerous systems and procedures for managing the human resources.

Ashu Katyal and Betsy Xaviour (2015), analyzed the status of HR operations in MSME, and found the involvement of MSMEs in financial development of the nation, challenges confronting by MSME. In their study, they suggested some of the ways to overcome from the HRM challenges in MSME.

2.5. Job Satisfaction:

The expanding job satisfaction of the employee and best performance of any organization is the prime objective and major challenge of the human resource management (Barling, Kelloway and Iverson, 2003). Showing good positive correlation between HR practices and employee job satisfaction (Ting 1997).

To encourage a sense of togetherness among the organisation and its workers. Suggested the conduction and implementation of various motivational program and promotional/incentives schemes like bonuses, flexible working, awards (Harzing & Pinnington, 2010).

2.6. Performance Appraisal:

Boswell and Boudreau, (2002) in his study, found, the Performance Appraisal as one of the most acute and significant human resource practices. In the study title "The Role of Human Resource Management in Employee Motivation" conducted by ÖZLEN et al. (2014). They also suggested about the necessity of strategies and proper functions in the Bosnian companies which play an important role to enhance the inspiration of employees in order to get more benefit.

2.7. Working Conditions

Herzberg theory is considered one of the most important theories of motivation, it has two factors and named also as two factor theory which explains that specific factors in the work environment influences job satisfaction. The two factors are motivators and hygiene factors. Hygiene factors are related to the lack of undesirable work conditions (Lindsay, Marks and Gorlow, 1967). Working condition is part of hygiene factors. Providing basic physical facilities like adequate lighting, ventilation, sustainable temperature, and noise free environment (Hogber 2005).

Good safety measures along with good safety records this will ensures positive safety culture in the organisation and enhance organisational performance (Newstrom 2002). Johnstone (2010) in the study of health and work safety includes maintaining physical, psychic and mental welfare of the Individuals.

2.8. Compensation and Reward:

The study done by Boxall and Purcell (2003), suggested that HR policies and practices are feasible to contribute to the sustainable modest benefit. Further, Heraty and Morley (1998) indicated that the common shortcomings in the employment procedure has not the direct association with HR strategy, resourcing strategy and broader business goals whereas Deloitte (2005) has identified the unsuccessful process of recruitment and the retention as the crucial problem.

2.9 Turnover Intention

The most comprehensive model was job-resources demands (JD-R) model (Bakker & Demerouti, 2006, Demerouti & Verbeke, 2004). This model explains why an individual may choose to leave an organisation. which leads an individual to leave or stay in the organisation. Another model for turnover intention was given by Petriglieri's (2011) theory of identity threat responses. Identity exit stage by a person is the outcome of identity

threat in the organisation, and could not get the social support or within strength to cope up with the threat. This model explains the conceptual model of work identity.

2.10 Organisational Performance

The relation of strategic human resource management (SHRM) and performance of an organisation has been discussed by many researchers in last 20 years and organisational performance is an integral part of Strategic human resource management (Guest et al., 2013).

The social exchange theory (SET) (Jiang et al., 2013; Lepak et al., 2006)

The researcher proposes to apply the social exchange theory (SET) framework to measure quantitative relationship between Human resource management in MSME and organisational performance. Researcher has used the SHRM has three theories –

- universalistic,
- contingency and
- configurational perspectives.

Researcher has proposed social exchange theory's and under this Ability-Motivation-Opportunity and contingency theory (AMO Theory) been studied by the researcher from the employee's perspective. According to this theory the researcher proposed to study the linear relationship between the various HRM aspects with organizational performance in the MSME context.

- The result can help MSMEs to devise proper HRM Strategy to enhance employee productivity.

3. Findings

3.1.Finding for IT industry

The HR challenges are minimal in IT sector due to practicing and implementing proper HR practices among the MSME. The reason which emerges out of the research is that most of the IT Sector MSMEs are working with the organised sector, so they have to maintain Global standards; however, they have to sustain the practice and improve on some dimensions to minimise the challenge.

3.2Finding for Manufacturing

The result of this research shows that manufacturing MSMEs' are the most challenged as far as HR dimensions are concerned in Pune city. They have to work towards implementing proper HR processes through HR intervention which leads organisational development. In last four to five years, the manufacturing sector is getting big boost from the government. This research shows that HR intervention will certainly enhance organisational productivity.

3.3Finding for services

The HR challenges are moderate in Services sector. Services sector MSME's are doing good in the area of Job satisfaction and job security, compensation and reward, recruitment and selection, employee well-being and implementing of HR functions in the organisation. They have to work hard in terms of working environment, appraisal system and organisational commitment. The reason of low organisational commitment is due to mobility of the workforce on a small increase in the salary. The loss of personnel in services is very critical as the employees, if a employee leaves the organisation he/she take away the clients also with oneself.

In the present context there is a dire need that managers and promoters in MSME's need to be creative and use disruptive innovation for various HR practices. This requires HR managers to be more creative and implement some innovative practices in the MSMEs. HR managers need to understand appropriate skills which are required in an employee while selecting him/her, they have to create a working environment which is innovative and giving a scope for development and enhancement of employee's career.

Researcher proposes that owners and promoters of MSMEs need to work towards creating an environment where HR intervention will lead to organisational development.

Promoters/Mangers need to work all round development of various HR dimensions like looking for employee's well-being, enhancing organisational commitment of employees, attracting and retaining the talent through proper recruitment and selection, creating an environment of job security and job satisfaction, develop proper appraisal system and reviewing it over a period of time, providing best compensation and reward to its employee, and curb turnover intention of employees.

4. Conclusion

This research study begins by the researcher curiosity about the HR intervention and organisational development for the MSME sector. The researcher keen interest to study MSME's is due to the "Prime Minister announcement of Make in India campaign launched by GOI on 25 September 2014". Researcher keen interest was to enquire whether the MSMEs are ready to take the vision of the prime minister on the ground level. The challenges faced by the MSME with regard to HRM is an obvious choice to deep dive to explore the role of HR intervention in the MSME sector.

Based on the study objective researcher mined the literature and found that limited researcher been done in the area of HRM challenges for MSME. After doing the extensive literature review the researcher found ten human resource dimensions which play crucial role for any organisation. These ten dimensions or categories are the challenges as well parameters for any MSME's success or failure w.r.t. Human resource strategies.

With the advent of time and competitiveness in the domestic and global market place researcher has proposed the following strategies to MSME to strengthen them such as

- Implementation of HR functions,
- Establishment of proper HR department
- Written criteria of hiring and firing
- Inculcate professionalism in HR domain,
- Developing a HR plan of the company, written job role and functions.
- Inculcate Organizational Commitment
- One of the most important criteria for the success of any MSME is well placed appraisal system which needs to be transparent, clear and effective.
 - Providing facilities such as hygienic working environment which ensures quality of work life.
 - Participative management by making employees as part of decision making. The most important task for the MSMEs needs to work towards employee retention curb turnover.

The present Covid19 crisis and global economic scenario is a big opportunity for the MSME sector; along with Prime Minister's mantra of "Aatmanirbhar Bharat" can provide a big boost to MSME sector. These changes in global and domestic economic scenario provide a positive eco system for MSME. Implementation of HR strategies and OD intervention will give boost to MSME's and they can provide income generation source along with curbing socio-economic disparity in the society.

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