

# HUMAN RESOURCE MANAGEMENT IN MICRO AND SMALL ENTERPRISES

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**Abstract:** *The main goals of this study are, on the one hand, to describe the existing situation regarding the human resource management in micro and small enterprises, and to highlight the manner in which this should be managed to bring a number of benefits to organisations from this sector, on the other hand,. To achieve this goal, previous research and publications from important authors in this domain were consulted. Furthermore, the case of a micro-enterprise from Braşov was studied – Delis Dana S.R.L. to analyse the manner in which the human resources management functions were actually implemented.*

**Key words:** *micro enterprise, small enterprise, human resources management functions.*

## 1. Introduction

A manager needs access to a large amount of information in order to run a successful business. In a large enterprise, the collaboration with experts in different domains is possible, but in a small organisation, financial resources do not allow this. In this situation, a small enterprise's manager should gain the knowledge from different fields by learning from publications in order to take decisions based on theoretical aspects and examples. The human resource management represents one of the essential processes in an organisation, considering that without the human resource a company cannot exist. The main purpose of this study is to help small organisation managers find the information they need about human resources management, in a

material which integrates theoretical aspects, adapted for small firms' characteristics, with specific examples. To accomplish the main aim of this study, it will contain two parts. In the first part, using information revealed by previous research, it will describe the manner in which the activities of human resource management are and should be accomplished in small enterprises, and in the second one, it will describe the manner in which this activities are effectively accomplished in a small enterprise from Braşov.

## 2. Objectives

Considering the extent of human resource management as a field of study and the diversity of its specific practices, this publication has tried to group the activities

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to cover an important section of this field. Thus, to group the information and the results revealed, this research uses the four functions of human resource management. According to important authors in this domain, human resource management consists of four basic functions: staffing, training and development, motivation and maintenance [3]. The staffing function comprises activities concerned with seeking and hiring qualified employees [3], more exactly it involves processes like planning human resources, recruiting personnel, selecting candidates and integrating the new members of the organisation. The activities in human resource management concerned with assisting employees to develop up-to-date skills, knowledge and abilities are specific to the training and development function [3]. This function is formed by two processes: the training, which represents the process of providing employees with specific skills or helping them correct deficiencies in their performance, while the development represents an effort to provide employees with the abilities the organisation will need in the future [4]. Motivation is the force that energizes, directs and sustains behaviour [1], so the motivation function is concerned with identifying that force and helping employees exert at high energy levels [3]. The maintenance function is concerned with maintaining employees' commitment and loyalty to the organisation by ensuring a safe and healthy working environment and caring for employees' well-being [3]. Therefore the objectives, that this publication proposes to achieve, are: to describe the manner in which the activities specific to human resource management functions should be performed; to highlight the importance of implementing the principles of human resource management in micro and small enterprises; to describe the manner in

which the human resource management activities are accomplished in small organisations and to identify the persons that are responsible for implementing these activities. Because the staffing function is considered by professionals a priority in an organisation [14], this study will focus on this human resource management function, but it will also discuss the other three functions.

### 3. Material and Methods

In this study, the deductive approach will be used, in which a theory and hypothesis are developed and a research strategy designed to test the hypothesis. The hypothesis that this study proposes to test is: *in the micro and small enterprises there are human resource management activities, but they are treated in a superficial manner, being performed in a sporadic way.*

This study will be an exploratory one because its purpose is to clarify problems, to seek new insights concerning human resource management activities in micro and small enterprises. The strategy used to achieve the proposed objectives is the case study, which represents a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context, using multiple sources of evidence [9]. The predominant collected data will be qualitative, but quantitative data will be also used. In the first part of this research, secondary data from multiple sources like books, journals and government publications and survey-based secondary data were collected and analysed. In the second part of this research, primary data were collected through questionnaires and an interview, and secondary data by consulting the organisation's website and reports.

## 4. Results and Discussions

### 4.1. Small and medium enterprises sector in Romania

According to statistical and financial indicators, the sector formed by micro and small organisations presents an important function in the national and international economy. Micro-enterprises are defined as enterprises which employ fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed 2 million euros [13]. Small enterprises are the enterprises which employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed 10 million euro [13]. In Romania, between 2008 - 2013, micro-enterprises represented around 89% of all enterprises, the medium number of employees being 931879 persons, representing 23.6% of the total employment [12]. The small enterprises represented 8.9% of the total number of organisations in our country, the medium number of employees being 829525 persons, accounting for 21% from the total of employees in Romania [12]. The economic sectors which present the largest numbers of micro and small enterprises are: the wholesale and retail sector, the service sector, the construction sector and the manufacturing sector. In the manufacturing sector, the food industry is the field with the largest number of enterprises [12]. About 92% of the total number of the organisations that operate in the food industry are micro and small enterprises.

### 4.2. Human resource management in micro and small enterprises

Usually, the theoretical aspects concerning human resource management are devised to large enterprises, which present a considerable number of employees, and it only very rarely happens

to be aimed at organisations with fewer members. The purpose of this part of the research is to find aspects that are useful to small enterprises and to adapt them to characteristics of this type of organisations.

As concerns micro and small enterprises, the human resource management activities are very restricted, being limited to certain duties most frequently performed directly by the entrepreneur, sometimes in an empiric way [8]. This field is characterised by an informal approach because, on the one hand, the small organisations need to be able to adapt themselves to high levels of environmental uncertainty, and, on the other hand, to the lack of resources that leads to less use of formal human resource management practices [2]. The goal of this part of the research is to present activities that small business managers can implement by adjusting them to firms that they manage. By compounding formal practices with some that allow adaptations and interventions, every manager can accomplish his own human resource management system that fit with the goal of his business, with the organisation's typology and with the personnel's needs. The next sections of this subchapter presents the manner in which the activities specific to every human resource management functions are implemented and the manner in which this should be implemented to bring benefits to organisations.

**4.2.1. The staffing function** contains the recruiting, selection and the integration of human resources. To assure the efficiency of these activities, it is necessary to precede them by the planning of human resources. This is the process of analyzing and identifying the need for and availability of human resources so that the organisation can meet its objectives. Its focus is to ensure the firm has the right number of human resources, with the right capabilities, at the right time, and in the

right places [7]. Usually, in small enterprises, the human resource planning is accomplished by the manager, in a intuitive manner, the main reasons being that they do not have the financial resources to collaborate with professionals and they do not have the necessary managerial methods and techniques to accomplish this process in a planned mode. The second reason can be regarded as unfounded, considering that important authors in this domain have proposed some activities like: assessing information about the organisation and the external environment, forecasting the demand of human resources, establishing recruiting sources and means, the selection process and actions or reducing the surplus of the workforce [1], [7], [11].

The first step that the manager needs to make after collecting data about the enterprise and the external environment is to conduct the job analysis, which, for each job from the organisation, takes the form of job descriptions and job specifications. A job description identifies the tasks, duties, and responsibilities of a job, and the job specification lists the knowledge, skills, and abilities an individual needs to perform a job satisfactorily [7]. These are important documents for small firms even if managers frequently ignore them. They should know that the lack of these documents could cause conflicts and the employees' frustration [5]. If the manager concludes that recruiting is necessary, he needs to decide if he uses the internal recruitment, which implies attracting candidates from the company, more precisely the promotions or transfers, or the external recruitment which implies hiring employees from outside the organisation [7]. The next step that a manager needs to take is to select the most efficient and the less expensive recruitment sources. The managers could store the candidatures brought by persons who are

looking for a job, and, if it is possible, they can select potential employees among those candidatures. If those are not sufficient, they can choose other recruitment sources. The most adequate recruitment sources for small enterprises are: the recruitment based on referrals from current employees or from organisation's customers, the recruitment by internet advertising, career sites and social media, the customers' recruitment, and the partnership with state-sponsored employment agencies [4]. After the decision concerning the recruitment sources, the manager needs to decide the type of the recruitment message which will be a realistic or an attractive one. After the recruitment announcement is disseminated to all selected sources, the candidatures are received and collected. In this phase, the most important is the level of qualification of the candidates and not their number.

The next step specific to the staffing function is the selection, which represents the process of choosing individuals with the correct qualifications needed to accomplish jobs in an organisation [7]. Managers should select candidates based on an evaluation form which includes the most important criteria that were established in the job specification. After the selection of the most adequate candidates, the next step is the implementation of the selection methods. For small businesses, the most adequate selection methods are the job interview and work sample testing, because these are suitable for the budget that small enterprises managers can assign for these activities. After the selection of the most appropriate candidate, the next stage is to confirm the offer of employment after satisfactory references have been obtained, and the applicant has passed the medical examination required for employment [1]. An important step, very often ignored by small organisations managers, is to

communicate to the inadequate applicants that they are not suitable for the vacant position. Another activity that managers frequently omit is the evaluation of the recruitment process, an activity which can generate important insights for future staffing processes.

The integration stage contains two simultaneous processes. Orientation is a short-term program that informs new employees about what is expected of them in the job and that helps them cope with the stresses of transition [4]. Socialisation is a long-term process that helps employees settle into the job, get accustomed to the new organisation, understand its culture and the company's expectations. Even if small business managers consider integration as a useless process, they should know that its omission can generate high initial fluctuation, low performance of the new employees and lack of commitment [6].

Another activity specific to the staffing function is to reduce the surplus of the human resource. This can be caused by economical factors or by the employees' result. When an employee has unsatisfactory results, the manager is the person who needs to try and solve the problems that generate those results or to present employees the methods in which they can finish his activity in that organisation: demission, layoff or voluntary early retirement (when this is possible).

**4.2.2. The training and development function** contains activities concerned with assisting employees to get the up-to-date skills, knowledge and abilities needed to perform their jobs more successfully [3]. The training is the process of providing employees with specific skills or helping them correct deficiencies in their performance; the development is an effort to provide employees with the abilities the organisation will need in the future.

Training methods that are suitable for small enterprises are the job rotation, which implies lateral transfers, apprenticeships and internships. The development methods that small enterprises can utilize are job rotation, which implies vertical transfers and trainings. Small business managers need to understand that the implementation of training and development methods bring organisations a lot of benefits like: increasing employees' commitment and motivation, enabling them to perform better and helping the organisation meet its strategic objectives [10].

**4.2.3. The goal of the motivation function** is to provide competent, adapted employees, who have up-to-date skills, knowledge, and abilities, with an environment that encourages them to exert high energy levels [3]. Considering the complexity of human behaviour, it is difficult or even impossible to find a single motivation factor that determines the behaviour of the entire personnel. Therefore, this is the reason why it is recommended that managers find, for each employee, that force that energizes, directs and sustains behaviour [1]. In small enterprises, with few employees, managers have the possibility to apply this principle. The financial motivation techniques that managers utilise in small enterprises are bonuses and salary increases [5]. Because of the almost permanent manager's presence in the organisation, non-financial motivation techniques could be utilised like praise, recognition, admonition, discussions between manager and employee etc. It is important that managers create a system that includes those motivators that their employees need to meet the organisational objectives.

**4.2.4. Maintenance function** is the human resource management function whose main goal is to determine employees to stay in the company. It is

considered that the retention of the personnel in an organisation is the result of a human resource strategy which is determined by factors like: organisational and management factors, rewards, career training and development, employer policies and practices, job and work-life and employee-supervisor relationship [7]. These drivers of retention should not be ignored by small enterprises managers. They need to consider that employees want to be treated with respect and they want employers to be empathetic to their needs.

If the small businesses managers want to maintain their companies in a competitive environment, in which every error or loss can have serious consequences, it is important that they understand that the human resource is the base of every organisation, considering that people are those who use the other resources (material, financial and informational resources) [11].

#### **4.3. Human resource management in *Delis Dana S.R.L.***

*Delis Dana S.R.L.* is a micro-enterprise, from Braşov which operates in the activity domain the *Manufacturing cakes and fresh pastry*. Four criteria were considered when choosing this firm: the location – in Braşov, activity domain – food industry, availability of the manager to offer information about the human resource management in his organisation and the implementation of a recruiting process in a recent period. This enterprise was founded in 2008 by two administrators who, even if tried to develop their business, this has registered negative financial results. In 2008-2009, the firm functioned with 2 employees and in 2010, the managers adopted a growing strategy by increasing the number of employees with 3 persons. In 2011-2013, the company was formed by 6 employees. The managers consider that the

efficient administration of the personnel is very important; therefore, using the knowledge achieved during university education and the professional experience, the administrators have tried to implement their own human resource management system, by mixing formal practices with decisions based on intuition and previous experiences. To collect information about the human resource activity, two questionnaires and an interview were used. One questionnaire was applied to the manager who deals with human resource management and one to an employee with experience in this firm. Based on the data collected through the questionnaires, a semi-structured interview was devised, together with the administrator who answered the questionnaire. Based on the information collected, the situation of this enterprise was analysed and the manner in which human resource management functions are accomplished was identified. In the next section, the actual situation for every function will be presented, as well as the improvements that could be implemented.

**4.3.1. The staffing function.** The first activity of this function, the planning of the human resource, is omitted in most of the small enterprises by managers. By way of contrast, in *Delis Dana*, the administrators are planning the human resource based on relevant information about the economic environment, the organisation characteristics and previous experiences. Because, in a small company the internal recruitment is inefficient, managers choose the external recruitment. During March – April 2014, the most recent recruiting process was implemented, which has the goal to find a baker. The recruiting sources that were utilised were newspaper advertisements and announcements on online job-sites. Managers could use recruiting sources like collecting spontaneous candidatures, customers,

employees and direct mail. As candidatures, more precisely, the résumés, were received by the company, the administrators analysed and sorted them, basing their decisions on two very important criteria: the acquired knowledge and the previous experience on the same job. Also, they followed the requirements defined in the vacant job specification.

The selection method used in this firm is work sampling, which offers the possibility to verify the knowledge that candidates have. After the managers decide which candidate is the most appropriate to the vacant job's requirements, they communicate the negative answer to the persons who were not accepted to occupy the vacant job. Even if in small businesses, integration is frequently omitted process, the managers of *Delis Dana S.R.L.* are aware of the impact that this exerts on the development of the new employees' commitment, on the fluctuation of the personnel and on productivity. To improve this process, managers could designate a responsible for assisting and directing the new members in orientation and socialization and they could adapt these processes considering the personality of each new member.

**4.3.2. The training and development function.** In *Delis Dana S.R.L.*, improvised learning methods are preferred, training methods being used more than development methods. Based on the data collected in this research, some recommendations were made. One of them is that managers should use internships as a training method. The other one is to use an improvised development method, more precisely: the manager could gain knowledge and create a collection of information. The theoretical aspects from the material elaborated by manager could be applied by employees in the pastry field, in order for them to acquire new skills and abilities.

#### **4.3.3. The motivation function.**

Concerning this function, both administrators consider that every person is unique and has his own system of values. Staying with employees almost all of the working time, managers can identify the aspects that motivate each organisation's member, and they can utilise that motivation, ensuring that every employee is determined to try to achieve high performances. Even if the majority of small enterprises use predominant financial forms of motivation, *Delis Dana* uses predominantly non-financial methods.

**4.3.4. The maintenance function.** In this enterprise, managers make efforts to maintain an environment characterised by harmonious relationships between colleagues, by correct policies and practices, applied in the same manner for each employee. By ensuring the necessary resources and offering financial and non-financial rewards, an organisational climate is provided that determines the members' commitment and loyalty.

## **5. Conclusion**

As regards the manner in which the human resource management activities are accomplished, the hypothesis proposed at the beginning of this study was confirmed in the first part of this research, but it was infirmed in the second one. Even if in the majority of small firms the human resource management contains superficial and sporadic activities, in *Delis Dana S.R.L.*, managers try to create and improve a human resource management system based on theoretical aspects and practical experiences. They admit the importance of human resource activities and they consider that their implementation can bring positive effects to the organisation and its members.

In conclusion, it can be affirmed that this research has achieved its goals. This study

can help small business managers who are preoccupied by the evolution of their own businesses, by offering them, in a single publication, information like: theoretical aspects, recommendations that imply reduced costs, arguments and exemplifications. This could be useful to managers for creating a human resource management adapted to the characteristics, necessities and resources of each business.

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