

Review of Human Resource Development (HRD) in Small and Medium Enterprises (SMEs): A Comprehensive Analysis

Simant Pratap Singh¹, Dr. Sarvesh Singh²

¹Research Scholar, Department of Commerce, Shyama Prasad Mukherjee Govt. Degree College(A constituent college of University of Allahabad),Prayagraj

²Assistant Professor, Department of Commerce, Shyama Prasad Mukherjee Govt. Degree College,(A constituent college of University of Allahabad),Prayagraj

ABSTRACT:

The purpose of this study is to analyze the strategies, results, and recommendations related to the development of human resources (HRD) in small and medium-sized enterprises (SMEs) by a thorough evaluation of practices. Academic investigation, theories, and empirical evidence are identified and analyzed using a methodical literature review technique.

The study examines how efficient HRD procedures affect SMEs' overall success. It investigates the connection between efforts in HRD and performance metrics for organizations, such as productivity, profitability, customer satisfaction, and employee engagement. Additionally, the study examines how HRD fosters innovation, creativity, and adaptability within SMEs, facilitating their ability to navigate dynamic business environments.

Based on the synthesis and analysis of the literature, practical recommendations and guidelines are provided for SMEs to enhance the effectiveness of their HRD practices. These suggestions are meant to help with the planning and execution of customized HRD treatments which take into account the special requirements and limited resources faced by SMEs.

Keywords: Human Resource Development, SMEs, Organizational Performance, Literature Review.

INTRODUCTION:

Regardless of size, any organization's ability to succeed and endure depends greatly on its human resources. The importance of successfully managing and growing human capital becomes even more crucial in the setting of small and medium enterprises (SMEs). Human resource development is crucial to SMEs' overall growth and competitiveness in today's fast-growing business climate by expanding the knowledge, abilities, and capabilities of their workforce.

By developing the skills, knowledge, and capacities of an organization's staff, human resource development (HRD) plays a crucial part in determining the success and sustainability of that business. The emphasis on HRD has grown in recent years, particularly with regard to Small and Medium-Sized Businesses (SMEs), which make up a sizable and dynamic sector of the global economy. In both industrialized and developing countries, SMEs are recognized as key generators of innovation, job creation, and economic progress. As a result, improving SMEs' HRD practices is essential for boosting

their competitiveness and promoting general economic development.

The special problems and opportunities for HRD are presented by the nature of SMEs, which is defined by constrained resources, lean organizational structures, and an entrepreneurial spirit. Contrary to major organizations with dedicated HR departments and huge training expenditures, SMEs frequently face resource shortages, necessitating the adoption of innovative and affordable HRD techniques. Due to variables including the workforce's entrepreneurial attitude, the necessity for rapid skill development, and the significance of talent retention, SMEs have different HRD needs than bigger businesses.

Despite the widely recognized significance of HRD in SMEs, the amount of literature in this field is still rather small and dispersed. While several studies have looked at certain aspects of HRD in SMEs, there hasn't yet been a thorough and integrated review of HRD methods that are customized to the particular needs of these businesses. Thus, the objective of this review study is to carry out a comprehensive examination of the corpus of academic literature on HRD procedures within SMEs. This study intends to shed light on the strategies, outcomes, and best practices related to HRD implementation in SMEs by synthesizing and analyzing a wide range of research studies, theoretical frameworks, and empirical evidence.

The Role of Human Resource Development in SMEs: -

The special possibilities and challenges that small and medium-sized enterprises (SMEs) encounter make HRD's role all the more important. SMEs are a sizable and dynamic segment of the world economy that support economic expansion, innovation, and job creation. SMEs, which contribute significantly to GDP and employment, are acknowledged as important forces behind economic development in both industrialized and developing nations.

However, resource limitations, fierce rivalry, and quick technology advancements frequently define the difficult environment in which SMEs operate. SMEs might not have the infrastructure, funding, or experienced HR staff needed to carry out extensive HRD initiatives, in contrast to major enterprises. SMEs, on the other hand, may find themselves in a more urgent need for HRD due to their constant need to innovate, develop new goods and services, and improve operational effectiveness in order to stay competitive.

Employee training is not the only aspect of HRD in SMEs. Developing leadership skills within the company, promoting creativity, and cultivating a culture of lifelong learning are all part of it. A flexible, adaptable, and multi-role-capable staff is necessary for SMEs, which are frequently driven by an entrepreneurial spirit. In order to effectively address the unique demands of the company, HRD in SMEs must be customized and concentrate on developing the competences and abilities that are essential for successful business operations.

Challenges and Opportunities in HRD for SMEs: -

The characteristics of SMEs offer HRD potential as well as obstacles. Resources are scarce, which is one of the main problems. It might be challenging for SMEs to invest in formal training programs or hire outside consultants for HRD projects since they frequently have limited financial and human resources. The implementation of creative and economical HRD strategies that can provide noticeable outcomes without placing a heavy financial strain on the company is required due to the shortage of resources.

SMEs deal with issues pertaining to organizational design and culture in addition to funding constraints. SME organizational structures are typically flat and highly informal, in contrast to large organizations that

have well-established hierarchies and specialized divisions. Due the potential for fewer defined roles and duties and more fluid decision-making processes, this can make it difficult to implement standardized HRD procedures.

These difficulties do, yet, also offer possibilities. HRD procedures might be more adaptable and agile because of the entrepreneurial character of SMEs. Small businesses and close-knit work environments are advantageous for SMEs to cultivate a culture of learning and growth. HRD activities can be closely integrated with the strategic goals of the organization and customized to fit the unique needs of the workforce because executives and business owners are directly involved in day-to-day operations.

Additionally, the intimate ties that exist between management and staff in SMEs might support informal and customized HRD procedures. Employees can acquire new skills and abilities in a hands-on, practical way by integrating hands-on instruction, mentoring, and coaching, for instance, more easily into regular operations. Employees in SMEs, who frequently wear many hats and must swiftly adjust to new tasks and responsibilities, might find great success with this casual approach to HRD.

OBJECTIVES:

1. To analyze the existing HRD strategies employed by SMEs and assess their effectiveness in enhancing employee skills, productivity, and organizational performance.
2. To investigate how HRD practices affect SMEs' organizational performance.
3. To provide recommendations and guidelines for effective HRD implementation in SMEs.

RESEARCH METHODOLOGY: -

The current inquiry uses secondary data from numerous sources, including research papers, thesis, websites, magazines, and newspapers, and takes a descriptive method. The methodology of the work is a focused literature review, with an emphasis on articles published in both HRD-related mainstream publications and a select few non-HRD journals. This complex process encourages a thorough investigation of impact of HRD practices in SMEs context, allowing for the extraction of insightful conclusions.

LITERATURE REVIEW: -

- **Swanson (1995)** outlined organizational development, learning, and enhancement as the procedures involved in improving human knowledge in human resource development (HRD).
- **Garavan (2007)** As a result of the direct relationship between an employee's individual skills, abilities, and knowledge and the enterprise's value in the knowledge economy, HRD is a fundamental component and objective of efficient human resources management.
- **Aruna GAMAGE (2007)** resulted a substantial link between HRD Intensity and firm performance, as shown by the analysis that uses regression and Pearson Product-Moment correlation to show a direct association among the variables. This suggests a considerable improvement in overall performance is observed by firms that make large HRD investments. Furthermore, it is suggested that HRD practices improve company performance in addition to building employee abilities, forming workplace attitudes, and inspiring people to meet organizational goals. HRD Intensity also has a good impact on employee skills, attitudes, and motivation.
- **Kraja (2015)** Employee development and training has emerged as a critical component of contemporary HR management in the knowledge-based economy, as a means of enhancing perform-

ance inside organizations.

- **Paul Ogunyomia and Nealia S. Brunin (2015)** resulted a direct correlation between non-financial performance and occupational health and safety (OHS) and human capital development (HCD). The significance of emphasizing employee productivity is underscored by the fact that Employee Performance Management (EPM) is the only HR practice that has a substantial financial performance correlation. There was insufficient predictive power of Employer Resourcing (ER) and Reward Management (RM) for performance indicators.
- **Hani SHAFEEK, (2016)** This study looks at personnel training and advancement, organizational structure, and culture to find out what influences HRM success or failure. Clear authority and responsibility, well-defined job duties, and good communication are all necessary for successful HRM. On the other hand, a lack of emphasis on social activities, a lack of creativity, a lack of teamwork, insufficient employee performance management, and inadequate orientation and training programs are all linked to HRM failure.
- **Otoo, F. N. K., & Mishra, M. (2018)** The dependent variable in this study is employee performance, and the independent factors are career growth, training and development, performance appraisal, and compensation. Employee performance is highly impacted by training and development (H2) and career development (H1), according to the data. In contrast, employee performance is not much impacted by performance reviews (H3). Employee performance is heavily influenced by compensation (H4).
- **Kareem, M. A., & Hussein, I. J. (2019)** The study's important conclusions include a clear link between employee performance and HRD dimensions (career development, organizational development, and training and development). It also proves that employee performance raises organizational effectiveness to a large degree. These findings suggest that HRD methods should be given top priority by university and institute decision-makers in order to boost worker performance and enable their staff to effectively contribute to organizational objectives.
- **Zeqir Vocal & Ymer Havolli2 (2019)** After carefully examining the researcher's findings, the following conclusions can be drawn: There is no correlation between an entrepreneur's educational background and the overall performance of the firm. On the other hand, it has been noted that elements like employee motivation, career promotion, and training and development have a favorable effect on organizational performance.
- **Wuen, C. H., Ibrahim, F., & Ringim, K. J. (2020)** The study's conclusions show how training and development, performance reviews, employee involvement, and human resource professionals have a major influence on an organization's overall success as well as its financial and non-financial aspects. On the other hand, it is discovered that there is little effect on the financial, non-financial, and overall performance of SMEs from recruiting and selection, rewards and incentives, and communication channels.
- **SINGH, L. B., MONDAL, S. R., & DAS, S. (2020)** According to the research, HR departments base hiring and selection decisions on both merit-based hiring and personal recommendations. Technical skills are the main focus of training, whereas behavioral performance is the main focus of performance management systems, which are uncommon. Payments are made either weekly or monthly, and compensation is based on time wage rates. Rules for employee discipline are not routinely followed. Informal routes are employed for motivation and communication. Senior positions and increased responsibility are two retention tactics. In general, when trade unions are absent, employee relations

remain steady. A family-like environment is fostered by emphasizing an open work culture, flat organizational structure, high job security, and some employee involvement in decision-making.

- **Arwab, M., Ansari, J., Azhar, M., & Ali, M. (2022)** The study measured training motivation, benefits, and assistance by looking at training and development as a single variable. Task, adaptive, and contextual performance were used to evaluate employee performance. Findings indicated that while training effects are not directly impacted by contextual, task, or adaptive performance, they do favorably influence motivation and support for training. The results underscore the favorable correlation between employee participation in training and development initiatives and improved performance, so validating the noteworthy advantages of training and development for both employee advancement and organizational expansion.

RESULT AND CONCLUSION:

Businesses that put a high priority on HRD and adopt best practices in the field are more likely to see an improvement in firm performance, an improvement in employee skills and motivation, and a great work environment, all of which help to foster long-term success and growth. Based on the results of the vast research, it is clear that human resource development (HRD) is essential in developing a connection between firm performance and human resource development (HRD). Large expenditures in HRD are associated with a large improvement in overall organizational performance, and the level of HRD is profoundly highly correlated with employee skills, attitudes, and motivation. These mediating factors show that HRD methods not only improve company performance but also help employees develop their abilities, adopt positive attitudes, and become more motivated to work toward organizational goals. Investing in comprehensive HRD programs, focusing on non-financial performance, implementing efficient performance appraisal and compensation systems, fostering an open and inclusive work environment, giving priority to the development of technical and professional skills, and continuously evaluating and adapting HRD strategies to align with business needs are some key best practices.

Based on these findings, businesses can take into account the best HRD practices listed below:

- Invest in thorough HRD programs: Businesses should set aside funds to create an all-encompassing HRD plan that emphasizes education, job advancement, and employee motivation.
- Place more emphasis on non-financial performance: While improving employee skills, attitudes, and motivation is important, it should also be taken into account because it can contribute to total organizational success. Financial performance is important.
- Implement fair and efficient methods for performance evaluation and pay: When combined with the right awards and remuneration, a fair and efficient performance appraisal system may inspire employees to perform at the top of their game.
- Promote an open and welcoming workplace culture: To increase employee engagement and happiness, promote open communication, include staff in decision-making, and provide a supportive work environment.
- Prioritize the development of technical and professional skills. Through targeted training and development programs, organizations should offer employees the chance to acquire and improve technical and professional abilities.
- Constantly assess and modify HRD procedures: Make required adjustments to align HRD activities with organizational goals and employee needs by routinely evaluating their performance.

PRACTICAL IMPLICATIONS:

This study contributes to the body of understanding by providing a comprehensive analysis of HRD in SMEs. In order to improve comprehension of the tactics, results, and best practices associated with HRD implementation with reference of small and medium-sized businesses, it provides insightful information to researchers, policymakers, and practitioners.

REFERENCES:

1. Arwab, M., Ansari, J., Azhar, M., & Ali, M. (2022). Exploring the influence of training and development on employee's performance: Empirical evidence from the Indian tourism industry. *Management Science Letters*, 12(2), 89-100.
2. Becker, G. S. (2002). The age of human capital.
3. Gamage, A. (2007). Impact of HRD Practices on Business Performance: An empirical analysis of manufacturing SMEs in Japan. *Meijo Review*, 8(3), 85-109.
4. Garavan, T. N. (2007). A strategic perspective on human resource development. *Advances in Developing Human Resources*, 9(1), 11-30.
5. Kraja, G. (2015). Training, development and performance (Case study of the Albanian Public Administration). *Journal of Sociological Research*, 6(1), 129-140.
6. Ogunyomi, P., & Bruning, N. S. (2016). Human resource management and organizational performance of small and medium enterprises (SMEs) in Nigeria. *The international journal of human resource management*, 27(6), 612-634.
7. Otoo, F. N. K., & Mishra, M. (2018). Measuring the impact of human resource development (HRD) practices on employee performance in small and medium scale enterprises. *European Journal of Training and Development*, 42(7/8), 517-534.
8. Shafeek, H. (2016). The impact of human resources management practices in SMEs. *Annals of the Faculty of Engineering Hunedoara*, 14(4), 91.
9. SINGH, L. B., MONDAL, S. R., & DAS, S. (2020). Human resource practices & their observed significance for Indian SMEs. *Revista Espacios*, 41(07).
10. Swanson, R. A. (1995). Human resource development: Performance is the key. *Human resource development quarterly*, 6(2), 207-213.
11. Voca, Z., & Havolli, Y. (2019). The impact of human resources development on small and medium enterprises (SMEs) performance. *Journal of Economics and Management Sciences*, 2(2), p45-p45.
12. Werner, J. M., & Desimone, R. L. (2006). *Human resource development: Foundation, framework and application*. South-Western Cengage learning.
13. Wuen, C. H., Ibrahim, F., & Ringim, K. J. (2020). The impact of human resource management practices on SMEs performance: an exploratory study in Brunei Darussalam. *International Journal of Asian Business and Information Management (IJABIM)*, 11(2), 68-87.
14. Kareem, M. A., & Hussein, I. J. (2019). The impact of human resource development on employee performance and organizational effectiveness. *Management Dynamics in the Knowledge Economy*, 7(3), 307-322