6- CONCLUSIONS, MANAGERIAL IMPLICATIONS, RECOMMENDATIONS & FUTURISTIC ASPECTS OF THE STUDY:

6.1 Conclusions

World Bank (1995m) study based on the assessments of 192 countries conclude that global wealth constitutes of 16% of physical capital, 20% of natural capital and 64% attributed to human and social capital.

As SMEs are going to be growth engine of Indian Economy and having 2nd largest area of employment generation in India after Agriculture, it has unlimited opportunities to chase through its crucial asset called people. Corporate Social Responsibilities have become moral duty of the firm to follow and CSR towards its employees. That will make firm more responsible in providing ethical environment for the firm and also make their employees sensitive towards their responsibilities and their vital role in delivering firm’s performance, Puja Bhatt & Dr. Chinnam Reddy, (2010).

Given contemporary financial market constraints and limited growth in demand, smaller firms are focusing increasingly on how to utilize existing resources more efficiently and effectively (Gallego et al., 2012). Given their resource limitations, small and medium-sized firms have fewer options than their larger counterparts to improve performance. However,
one resource that is common to all organizations, which has been the focus of increasing theoretical, empirical and practical attention in small and medium sized enterprises (SMEs), is that of human resources. Small firms face many challenges in creating a productive workforce given often severe resource constraints and informal organizational structures. This may be particularly problematic in industries with intense product-market competition.

The SIAM Automotive report (2006-2016) identifies procurement of manpower, its development and specialized training as key focus areas for sustained productivity and growth of this sector.

Sree Rama Murthy, et al. (2011) investigate among Romanian companies found, high involvement human resource management practices were positively related to subjective organizational performance and an objective measure of performance, ratio of market value to book value.

The study conducted by, Intan Osman et al (2011); investigated in their study on Malaysian Organizations that, HR practices do have a significant impact on the performance of Malaysian organizations


From the findings of HRM practices and Firm Performance Correlation studies, it was found HRM Practices has a positive impact on Financial Performance. And the most positively related that has impact of CSR practices towards employees, Employee Participation & staffing. HR
planning and Training are failed to create any significant impact, hence HR Planning and training has less influence on firm’s financial performance. This may be explained that using great amount of money investing in selective staffing to get talented people can somewhat cut down cash flow for market share expansion. (P.Bhatt & Dr. Reddy, SC, 2012). Sales Growth of the firm can enhance by CSR practices towards employee, employee participation, training and staffing which indicates that, well trained sales staff can effectively convert cold call into sales call thereby impressing upon company's market share and its contribution towards his employees’ wellbeing in a form of CSR activities.

Regression analysis of HRM practices on firm performance found that, impact of HRM practices on Firm Performance is positive but it shows more impact in non-financial performance than to a firm financial performance. It reveals that, in SMEs the role of HRM is shattered by the marketing, finance and production role due to limited machine, material and money.

Similar findings reveals in the study of (C.Patel & Bhowmick S.(2013) that, Small entrepreneurial firms in India do not implement formal HR practices due to limited operations in low technology, low margin business encouraging great lack of formal systems and practices prominently in human resources management.

Puja Bhatt & Dr. Chinnam Reddy (2012), findings from the relationships between HRM practices and Operational performance concludes that there is a positive relationship between HRM practices and operational performance. SMEs can enhance the operational performance by using operational strategies like Just in Time (JIT), Advance Manufacturing Technology (AMT) and (TQM) Total Quality Management can be
implemented to ensure high product quality with low cost. Adopting these strategies align to HRM strategies, firms can reduce work error, scrap rate, bottleneck of production process through preventive maintenance of machines. As a result, cost is cut, quality is improved and customer satisfaction is increased through high quality and low cost and on time product delivery.

It is argued by Boxall (1996) asserts, the resource-based perspective implies the need to build strategic management processes. Therefore, the role of HR in increasing firm performance in large [and small] firms significantly relates to the perception of the top management team and their HR capabilities (Prahalad and Hamel, 1990; Kakabadse et al, 1995; Hunt, 1995).

Our findings on Moderating role of Management Style on the relationship between HRM practices and Firm performance as well as HRM practices and Operational Performance shows that, top management’s decentralization role delegates the operational tasks and authority to perform this task to middle level management and junior management develops confidence among employees to become responsible and contribute towards the performance.

Ferndale, E.,(2011) emphasize the moderating role of trust in achieving employee commitment and firm performance.

Searle, R., et al (2011) in their study revealed direct as well as indirect relationships of both human resource (HR) practices and performance with trust. The relationships of both with trust were partially mediated by perceptions of organizational trustworthiness (in terms of perceived ability and trustworthy intentions of the organization).
Our findings on moderating role of trust suggests that, HRM practices can impact on firm performance significantly depends upon the trust prevails in the firm for their top management. Similarly operational practices of the firm do have moderating effect of trust on HRM practices impact on operational performance of the firm.

Culture plays an important role in bringing efficiency of employees, Study on a UK-based small- and medium-sized enterprises by Patel, P. C., & Cardon, M. S. (2010) suggest that having a group culture is a key factor in the extent to which HRM practices are adopted, as well as how effective adopting these practices is for increasing labor productivity.

The SME sector is plagued with high shortage of skilled and unskilled manpower both at supervisory and worker levels. India revealed to understanding issues like work culture across Indian SMEs organizations pertaining to interplay of Indian values, its effect on employee relations, performance, leadership and team work. Budhwar et al (2000); Findings on HRM practices and its impact on firms years of operations suggests that, with respect of number of years the firm into existence, the more it grows, level of HRM practices hasn’t changed which indicates that, SME owners have yet to explore the hidden potential associated with intellectual resource of the firm in bringing firm’s performance and productivity.

Findings on Operational performance and its impact on firms years of operations suggests that, there is no significant change in operational practices of firm with the years of operations, in globalized economy, the firm should be proactive to change and to meet global players in the SMEs from rest of the world, the Indian SMEs should significantly accept
the change by adopting strategies like mergers & acquisitions, strategic alliances and technology transfers.

Findings on firm performance and its impact on firms years of operations suggests mixed results, while in case of non-financial performances, it is not having significant change with the years of operations while in case of financial performance, there is significant change in the financial performance from the years of operations to the present growth of the firm. Hence as the firm grows, financial performance is improved significantly and this improvement should be reinvested in the form of buying new technologies, expanding businesses on global platform and nurturing talent for the fast changing business scenario world over.

Our research adds an important conceptual link by showing that culture plays an important role as a moderator in the HRM and firm financial performance relationship as well as HRM- Operational performance relationships. It reinforces the importance of the culture in the context of HRM practices contribution in firm’s performance.

Building on the scarce existing works on the role of HRM practices in Indian SMEs, this study has attempted to make a significant contribution to the topic of HRM and its impact on firm’s performance & productivity. As the present study has established an empirical basis for examining the impact of the human resource practices on firm performance, the results support the claim that HRM practices in the SMEs is positively related to the performance of firms. Thus, any investment towards increasing human resource practices must be considered as a crucial and strategic factor, which in turn will increase the firm’s performance. (A.Karami, 2006)
It can, therefore, be concluded that an investment to increase HR activities will result in successful achievement of its goals and objectives in a competitive landscape. There seems to be a strong and positive relationship present between the degree of HR involvement in the development and implementation of operational practices and that of the organizational performance in the SMEs.

Thus the authors like, Rai, Soumi (2012), C.Patel & Bhowmick S.(2013), Patel, P. C., & Cardon, M. S. (2010). A.Karami,(2006), feels that there is a need for concentrated efforts towards undertaking empirical research in specific aspects of the broad based Indian SMEs domain, given its complexities and exploring the impact of HRM practices on the continued growth and progress of the corresponding industries accordingly.

Based on the summary of the findings, we can conclude that there are positive relationship between HRM practices and operational performance; the findings are positive relationships between HRM practices and firm performance, which in line with other previous researchers in this field (Becker & Gerhart, 1996; Delaney & Huselid, 1996; Delery & Doty, 1996; Patterson et al, 1997, Chang & Chen, 2002; Singh.K, 2004, M.Bhattacharya et al ,2005 ;Khandekar.A. 2005, Daud N, 2006, A.Som (2008), Agrawal T 2010; Subbaiah, B. 2013 etc.).

Moderating roles on HRM practices and Firm performance as well as between HRM practices and Operational performance is moderated by Decentralization as Management Style, Trust on top management of the firm as Social Capital and Proactive Culture as Corporate Culture, Although F values in this results reveals that, this is just the beginning and it is too early for determining the pros and consequence of
decentralization, culture and trust on employees behavior in the long way.

Regression Analysis of HRM practices creates positive impact on firm performance, here interesting fact is as SMEs have not accepted role of HRM as front leader, the results reflects the same, as compare to non financial performance variables like employee productivity, reduction in employee absenteeism, the financial variables like increase in Market Share, Sales Growth, Profitability and Rate of Return, HRM practices have shown lower B coefficient and lower correlation. However in case of correlation as well as regression, relation is positive. It is the big sign of hope for human capital to impart a strategic role in revamping the whole SME sector in India.
6.2 Managerial Implications

There are many managerial implications for SMEs as,

The result shows the positive relationship between HRM practices and operational performance. From this finding, managers can feel more confident on investing in human capital to improve operational performance. Among those practices, employee participation and incentives strongly influence operational performance items, especially product quality and product delivery.

The results of correlations & regression analyses of HRM practices- firm Performance show that appraisal, staffing HR planning, and employee participation positively influence employee productivity. Managers of firms in SMEs should choose these four HRM practice dimensions as the priorities when they intent to boost employee productivity. Similarly to reduce absenteeism in the firm, equality, fairness and transparency along with planning, employee participation and performance appraisal can help the management to bring employees back on the floor for longer time. These practices also help in making workplace relations hormonal and provides them accident free environment to work. Along with CSR practices towards employees and Performance appraisal and incentives provide better developmental activities for employees.

However, to improve financial performance like increase in market share, sales growth and rate of returns, managers of SMEs should take incentives, training, CSR practices towards employees and appraisal practices into account. Among those, CSR practices towards employees and performance appraisal found as the most effective HRM practices for bolstering operational performance and boosting financial performance.
Firm profitability can rely on their investment made for manpower planning and effective staffing. For Research & Development as well as new product development at the firm, HR planning, Performance Appraisal, Incentives and Employee participation can play a vital role.

SMEs can rely on product quality, product delivery, and production flexibility to improve performance. Product quality is the most preferred operational priority, providing the better result than the other three.

Besides the HRM practices, managers of the firms should think of adopting decentralized management style, proactive culture and building social capital as trust to improve Operational and firm performance.
6.3 Recommendations for SMEs

It was evident that HRM practices are critical for the performance of SMEs. However, moderate emphasis of the SMEs on some HRM practices as found in the study is regretting. The SMEs should remember that the present competition is totally different from the old one. Before liberalization of economy in India, it was possible heavy protection in terms of tariff and non-tariff barriers provided by the government of India to save the local SMEs from the influx of foreign firms and their products but recent changes in FDI policy in India, related to 100% foreign equity, foreign firms and products from all over the world are entering into the country. Competition has become intense with the influx of Chinese product.

With the higher standards of living and consumer’s income, latest technologies and products are becoming obsolete with very short life. Hence strengthen Research & new product development is essential for all size of the firm, especially if we talk of SMEs than it is contributing 45% of countries export hence they are more vulnerable to global competition. Hence innovation and productivity of employees and entrepreneur are considered to be the new source of firm’s competitiveness and performance. Impacts of HRM practices on employee productivity found significant impact of human resource planning, performance appraisal and employee participation. It means that, SMEs should plan this crucial resource well in advance, develop them and utilize its best performance by involving them into decision making of the firm.

Indeed, the importance of HRM as a source of competitive advantage has long been aware in the West even in South East Asian Countries but in
India, SMEs had completely ignored the role of HRM in their growth but in recent years, as SMEs in India has started contributing to export bringing this sector as most productive sector after service sector in GDP. Understanding the pivotal role in the growth engine of Indian economy and HRM role in SMEs growth should be given equal importance as the other roles of SMEs.

MSME Department of India should take active part in the development of HRM in SMEs by providing training to the entrepreneur in various areas related to its management, export as well as competition to be faced in global market.

Various SME associations like, VCCI, SME chambers of India, FGI, CII as well as MSME mentor should join hands together and make a common place for registration as in India. According to latest census of SME in 2009, it was found that, there are 26 million SMEs in India, out of this only 1.5 million is registered which is tip of iceberg, hence formal registration and integration of all the information in one united database will help future researchers as well as policymakers and SMEs for the development of 60 million employees and their human skills.

Thus, in order to increase firm performance and to benefit from HR capabilities, it is recommended that practitioners and SMEs’ managers increase the involvement of the HR specialists in the process strategic management of their firms.
6.4 Future Aspects of the Study:

Based on the above rationales, further research should pay attention to the following themes. As mentioned above, the findings of this research, especially the HRM practices and firm performance shed light on the HRM practices for non financial performance and financial performance. Present findings are significantly contributing to the non financial performance than to financial performance so future studies should be towards individual practices and how it is impacting the firm’s financial performance.

Present study has taken management style, culture and social capital as moderating variables, other variables such as firm strategy and environmental uncertainty can be tested on HRM and firm performance relationship as well as HRM – operational performance relationship. Further studies could also consider undertaking more complex research than the present research by adding control variables other than firm size and employees’ strength in the firm.

While this study makes a number of contributions, it also has a number of limitations. The major limitations of this study revolve around sampling issues as the small sample size (226 firms) reported here may have affected the current results. Even though the findings might have indicated certain results, these findings cannot be construed as an independent model to ensure performance of the entire SME sector. As nature of SMEs is keep changing based on SME clusters. Hence separate studies should be undertaken for SMEs of textile, manufacturing, gems and so on.
Nonetheless, this model has provided insight into possible reasons for organizational performance. In addition to that, the study focused on perceptions of organizational performance and HR practices as reported by the employees. Hence, it is subject to common source and common method bias.