

PEOPLE MATTER

The role of human resource management assumes an important position as hiring right talent and retaining it becomes crucial to the growth of SMEs

Neha Bhatia

Small and Medium Enterprises (SMEs) continue to play an immensely important role in Indian economy. While SME as a sector is on a growth trajectory, it is also facing several new challenges on the way. Efficient human resource (HR) management is one such daunting task. While, till few years back, HR management was limited to big corporate houses and MNCs, today, it is becoming important in Small and Medium Enterprises (SMEs) too. There is phenomenal growth in HR practice in SME sector with increase in the number of employees and the consequent need for more efficient employee management to achieve organizational goals. Infact, now HR policies are customized to suite the requirements of this sector and the challenges faced by it on HR management front.

Higher intake and better HR management

With the expansion of SMEs there is an immense need for a new HR management system. Says Dinesh Agarwal, founder & CEO, IndiaMART.com, "Usually, in SMEs it is not more than one person taking care of HR responsibilities and this person often wears many hats within the organization. SMEs follow simple, non-elaborate HR practices and processes. As SMEs grow in size, their requirements in terms of talent recruitment and employee engagement change. Looking at this, they may consider investing in the formation of HR as a separate vertical. In our case also, we began with a single person, flourished to hundreds and today, more than 3500 employees form our team. At each stage, we saw changes in our HR practices." HR role assumes an important position as hiring right talent and retaining it becomes crucial to the growth of the business. Kanthi D Suresh, managing director, Konnexions HR Pvt. Ltd adds, "With the changing trends and aggressive competition from the bigger corporate houses SME's are compelled with the need to benchmark



their process. HR is now looked at by the SME's from the perspective of attaining better efficiency and control and be competitive primarily from the point of hiring and retention."

New HR initiatives

In a smaller set up there is greater proximity among employees. Infact management and employees share a closer relationship. And it has several advantages too, as Rajiv Oza, director HR, Dr Reddy's Laboratories says, "HR will play an important role in attracting and retaining talent to work in SMEs. For those who would like to fold their sleeves and manage dynamics very near to the market will enjoy their career in SMEs. HR plays multiple role in SME sector. In my view the role has more canvas which covers multiple functions like HR, personnel, IR, Corp Communication, PR and so on. Most of the SME operate in an environment of cut throat competition with limited resources. The core role of HR is to be a thought partner to the Promoters and Business leaders; manage growth or stagnancy with limited resources; balance growing needs of employees with that of the organizations ability to provide them." But as the organization expands it become difficult to maintain this kind of relationship. What becomes quite challenging is to keep the large pool of employees motivated. Agrees Agarwal, "When we had staff strength of less than 100, the small team size allowed us to network with employees closely and regularly. We even introduced recognition methods to reward

high performers. At the stage when we had between 100-1000 employees, we saw innovative products develop and even smallest developments mattered. Engagement and communication with employees at the time was on a high. However, there was relatively less intervention from top management."

HR challenges for SMEs

SMEs face unique challenges and to tackle them HR management is becoming more heterogeneous. Shares Agarwal, "SMEs certainly encounter universal HR issues like attracting right people, selection processes, motivating on-board employees, development and retention of potential talent. But there are certain constraints specific to SMEs which are challenging and do need to be addressed. One major challenge that SMEs face today is to select the right kind of person for the right kind of job at the right time and at the right amount." Oza is of the view that SMEs face unique challenges that stem largely from their size. "The major challenge in SME is attracting talent at middle and senior position. The second big challenge is retaining them in an environment which is pursuing the path of professional maturity since significant piece of talent is poured in is from very professionally managed companies. SMEs also loose lot of talent to large companies because of brand name and at times good salary packages. Also the fact is that there are reasonably good amount of SMEs who work in a limited manpower budgets in such cases the attracting and retaining talent becomes more challenging."

Key focus areas

SMEs need customised HR processes and practices as they have specific requirements and solutions. Industry experts are of the view that the role of a HR manager in SME is quite demanding and exhaustive in terms of hiring the talent, which would be more keen to work in a bigger organisation, and also managing the resources when they are not in abundance at all. "The HR manager can hit the bulls eye by getting himself equipped with all the requisite tactics, complete understanding of the company necessities, an eye for the right candidate, updated knowledge of processes as well as market trends, among others. Above all, he has to be a 'People's Person' and passionately drive everyone to achieve the common goal of the company," avers Agarwal. Given the rapid expansion of SME as a sector it's quite ostensible that HR initiatives have become more heterogeneous, with HR staff itself grown manifold and their roles separately defined.

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