



MANAGING ORGANIZATIONAL DIVERSITY THROUGH BEST HUMAN RESOURCES PRACTICES, MSME, BENGALURU

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ABSTRACT

In the present competitive world, the companies are facing lot of skill shortage, talent crunch and attrition those reached historically height ever, that made the companies feel the internal customer also more important equally with external customers, so every company try to devise best HR practices to attract best talent. Modern best practice does more than just improve efficiency, it recreates an entire HR operation. Today, HR Professionals in virtually every industry are coping with an array of huge new problems: the growth of worldwide markets, rapid creation of novel technologies, skill gaps in critical situations, and increased productivity requirements. These are the initial building blocks that are identified through the research conducted with respect to MSME of Bangalore city to help HR mangers deliver the best possible business decisions.

KEY WORDS: Best practices (HRM); Human Resource Management; Performance Appraisal; Corporate Social Responsibility (CSR).

INTRODUCTION

In today's cut throat competition and changing market condition, business units are working hard in developing strategies to stay in the game and overcome the competition. Small and Medium Enterprises (SME's) in India have emerged more dynamic and energetic over the

past five decades. These small and medium enterprises along with micro units contribute nearly 8 percent of the country's GDP, providing largest share of employment next only to agriculture and helping in industrialization of rural and backward areas.

Small and Medium Enterprises: Definition of small and medium enterprises differs from country to country. Few commonly used criteria to define SMEs in international level are the total net assets, investment level and number of employees. In India MSME's are defined as per MSME Development Act, 2006 based on the investment made in plant and machinery (manufacturing) and on equipment for enterprises providing or rendering services. Revision is expected to be made on the act based on the bill proposed as Micro Small & Medium Enterprises Development (Amendment) Bill, 2014.

| Classification | MANUFACTURING ENTERPRISES | | SERVICE ENTERPRISES | |
|----------------|--|---|--|---|
| | The MSMED Act, 2006 (Not Exceeding) | The MSMED (Amendment) Bill, 2014 (Not Exceeding) | The MSMED Act, 2006 (Not Exceeding) | The MSMED (Amendment) Bill, 2014 (Not Exceeding) |
| Small | Rs. 5 Crores | Rs. 10 Crores | Rs. 2 Crores | Rs. 5 Crores |
| Medium | Rs. 10 Crores | Rs. 30 Crores | Rs. 5 Crores | Rs. 15 Crores |

REVIEW OF LITERATURE

Best HR Practices:

It refers to a set of techniques or methods that have been proven to help organizations reach high levels of efficiency or effectiveness and produce successful outcomes. Best practice refers to an approach, technique, system, activity, process, strategy, tactic or methodology in the HR domain. Best practices are evidence-based and proven effective through objective and comprehensive research and evaluation. HR practices pertain to channelizing the manpower effectively in order to achieve the company's objectives (Wright & Snell, 1991). These approaches can also be conceived as a basis in order to tap into the firm's human capital and ultimately secure the prescribed goals (Delery & Doty, 1996).

Some of these approaches include, enhancing innovation in the enterprise (Jiménez-Jiménez & Sanz-Valle, 2005), establishing clear policies and values in accordance with Strategic Human Resource Management with a motive to impact both internal and external circumstances to benefit the organization (Schuler 1992) and employee centric practices such as career management and development to increase staff who are self-motivated and innovative (Delery & Doty, 1996). Other notable approaches include contingency approach (Dyer, 1985) and the Best Practice approach (Huselid, 1995). Organizations' structure progressive reward systems to encourage employees to indulge in risk taking and better creativity (Guptal & Singhal, 1993). Therefore, it can be inferred that HR practices are essential in supporting the productivity of an enterprise.

Challenges in Implementing Best Practices:

In a present-day scenario the business environment is considered to be both highly volatile and fiercely competitive. Constant change in skills and knowledge would require the HR practitioners to be adaptive to the ambiguity faced at the workplace (Mayrhofer and Brewster, 2005). A herculean task involves

the coordination of operations and decoding the cultural complexities in the organization (Pucik, V. 1997). Other notable challenges include the short sightedness of the higher management regarding the principle issues concerning HR practices (Burton, 2003), retention and appraisal of trained employees (Chermack et al, 2003), negative implications on organizational efficiency due to unfavorable employee behavior (Swanson & Holton III, 2001) and inadequacy of knowledge among HR expert practitioners (Burton, 2003). Also, lack of sufficient encouragement and failure in communicating benefits of HR practices has come across as barriers to Strategic Human Resource Management (Kane, 2001). Moreover, conflict of functional roles between the line staff and HR professionals can prove detrimental and as a barrier to effective HR practices (Larsen and Brewster, 2003). Hence, to overcome the challenges faced, HR functions need to be restructured and modernized.

Outcomes of Best HR practices:

Human Resource practices have a convincing relationship with work outcomes and have gained priority in the research field (Edgar & Geare, 2005). Fulfillment of elementary needs result in beneficial outcomes since; self-motivated employees who are job involved are created (Gagne' and Deci, 2005). Other positive results include maturity of employee decision making skill by direct participation (Heery & Noon, 2001), organizational commitment due to the combination of both firm hiring practices, extrinsic motivation (Ryan and Deci, 2000), improving employee self-reliance and decreasing external interference (Howard & Foster, 1999) and determining specific areas for betterment (Snell & Dean, 1992). On the other hand, improper HR practices lead to unfavorable results such as turnover intention (Tett & Meyer, 1993) which in turn affects performance (Rod & Carruthers, 2008) and enhances voluntary turnover (Zimmerman, 2008). Even in the presence of limited negatives, a positive relation

between best HR practices and outcomes is clearly outlined.

NEED FOR THE STUDY

Best practices act as a benchmark towards self-improvement for an organization. Many scholars have conducted researches to identify the best practices for large scale industries in which the flow of funds and other resources seem to be abundant but, have to a large extent ignored the functioning of Small and Medium enterprises with lesser resources and limited capital. These companies follow certain best practices which go unnoticed by many enterprises and even when implemented, dissemination on these practices are done rarely. This invoked our interest to identify the best practices in small and medium enterprises. Apart from applying these practices as a social responsibility or as a normal practice, the organizations should prioritize on the dissemination of those practices which will not only be an experience worth sharing but, also help in exhibiting and enhancing the pride of the same.

OBJECTIVES

- Identifying the best practices of small and medium enterprises in Bangalore
- Dissemination of best practices with the members of small and medium enterprises.

METHODOLOGY

Project Design:

It refers to the conceptual structure within which the project is carried out. It constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004). Our study falls under the broader umbrella of descriptive research since, we make an effort to determine and elucidate the existing HR best practices among the small and medium enterprises.

Population:

Population refers to total collection of elements and sample as a part of such population. In our project, population encompasses the companies registered as MSME's.

Sample and Sampling Procedure:

Sample refers to the part of population which can be generalized at the later stage towards a larger group. We have compiled data from 40 respondents pertaining to Small and Medium enterprises in Peenya Industrial Area and

Machohalli Industrial area using the method of snowball sampling.

Snowball Sampling:

This is a non-probability sampling method where the data are collected using references. In the initial stage of snowball sampling, individuals are discovered and may or may not be selected through probability methods. This group of individuals are then used to refer the researcher to others who pose similar characteristics and who in-turn identify others.

Data Collection:

Primary source:

Primary research is the research where data is gathered first hand. We have collected the data from the respondents by the method of interview.

Research Instrument:

Interview method refers to the survey via two-way conversation between a trained interviewer and a participant. In this method the HR practitioners describe their best practices and the criteria applied by them for identifying and justifying the same. We prepared a detailed checklist to probe the discussion after which the participants' response has been recorded.

Secondary source:

Any data, which has been gathered earlier for some purpose is considered as secondary data.

The secondary data collection for this study is through:

- a. MSME Website
- b. Reference books
- c. Journals

OUTCOMES OF THE STUDY

Recruitment:

- 1) The major source of recruitment is Employee referral.
- 2) Employees get referral bonus based on candidate reference.

Selection:

- 1) Mapping is done through psychometric tools.
- 2) Based on job description, a tailor-made template is created for psychometric testing for which 1-2 lakhs rupees per annum is spent.
- 3) Results of psychometric tests are taken as a base for questioning during the candidates selection.

Training:

- 1) For Induction training, OSHA (Organizational Safety and Health Administration) procedure is followed. Intensive training is conducted for one week.
- 2) Frequent training is conducted on safety.
- 3) Training is conducted four times in a year to avoid skill obsolescence.
- 4) Mock safety training is provided annually by external experts.

Performance Appraisal:

- 1) An indigenous appraisal system known as “Internal skill matrix” was developed and followed to assess the performance of the employees, which is conducted annually.
- 2) One company follows quarterly appraisal system which encompasses employee performance, division performance, market survey and inflation.
- 3) Tests are conducted for temporary and probation officers.
- 4) By and large, once in six months appraisal system is followed.

Compensation:

- 1) Increment is based on:
 - a. Employee performance
 - b. Inflation (economic)
 - c. Division performance
 - d. Market survey (similar companies).
- 2) At the time of joining, new recruits are offered a joining bonus which is a small portion of their salary to look after their basic requirements to establish a good will in advance.
- 3) Special allowances are given apart from Salary + Overtime which is a higher scale than the competitor company in that location.
- 4) Fixed deposit and recurring deposits are encouraged.
- 5) Salaries are paid to the employees bank accounts (some credits on 1st of every month & some last day of month).
- 6) An indigenous ERP software and HRIS (Human Resource Information System) system is followed.

Motivation:

- 1) Few companies credit the salary on the 1st of every month.
- 2) Employees are monetary motivated.
- 3) Annual bonus is given based on the company profit in the financial year.

- 4) Incentives are given for senior staff based on KRA’s (Key Result Areas).
- 5) Unskilled workers get trained and made to move up the career ladder.
- 6) The potential of an office attender from another company was identified, who was later hired and trained and went to become a skilled technician.

Personal Records:

- 1) After the Induction training, the new recruits will be evaluated by the functional in-charge to evaluate their readiness to be placed on the job.
- 2) Individual files are maintained.
- 3) Good and bad performances are recorded. Good performance is rewarded and bad performances are penalized as well.

Health:

- 1) Employees are insured with Jeevan Jyothi (accidental, life insurance).
- 2) Group insurance, accident relief care insurance is provided.
- 3) Regular health camps including biannual checkups.

Corporate Social Responsibility (CSR):

- 1) Not much evidence of CSR being followed in SMEs within the available data, however, some specific instances of planting of saplings in Peenya Industrial area has been found.

Grievances:

Besides the statutory grievance redressal mechanism

- 1) Suggestion boxes are available for complaints.
- 2) These complaints are collected, read carefully and then addressed by the welfare officer.
- 3) The issues are further discussed across table, on a one-to-one basis with the supervisors, after which it is addressed by HR and Management.
- 4) Every month meetings take place and all are open for complaints.

Environment:

- 1) Plastic cups are not used, only paper cups are used.
- 2) Personal hygiene information is being given prominently.
- 3) Processed bottled water is supplied for drinking.

Welfare:

- 1) Free lunch is provided for all employees. Manager, owner and employees have lunch together.
- 2) Some companies offer food at subsidized rates.
- 3) Below middle class – Education of girl child is sponsored by the company, (any number of female children, till 10th standard) in quality English medium schools. Moreover, computer fees, bus fare are also paid by the company.
- 4) If there is more than 1 son, only one is sponsored.
- 5) In some instances, every 1st of a month, competitions such as Rangoli, Food festival etc., are conducted. Winning participants get Rupees Five hundred as well as some quality gifts.
- 6) After completion of 3 years of service, the company provides paid holiday for 1 week. Along with the employees two of their family members excluding two children are offered a tour package to visit places at Kerala, Chennai (2 days and 1 night)
- 7) Every year employees are taken to good resorts.
- 8) Employees are encouraged even after retirement and their skills are utilized wherever required.

CONCLUSION

The research outcome gives us an idea about best practices followed in SME's. This research might be highly beneficial not only for the SME's in Bangalore but can also act as guidelines for other SME's in various states. These best practices help other companies to examine, reexamine their best practices and also to adopt few new and better practices. Apart from small and medium enterprises, large scale organizations may also get inputs as how managers and owner managers use their best practices in SME's with limited resources, which can help them to further optimize their operations and make them efficient.

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