The Impact of Human Resource Management Practices on SMEs Performance: Study Based in Southwest Algeria

Dr. Elhazzam Mohammed
Tahri Mohammed University - Bechar- Algeria
mhazzam@gmail.com

ملخص

تهدف هذه الدراسة إلى معرفة أثر ممارسات إدارة الموارد البشرية (التخطيط للموارد البشرية، الاختيار والتعيين، التكوين والتطوير، الأجور، تقييم الأداء) على الأداء الاجتماعي بالمؤسسات الصغيرة والمتوسطة بالجنوب الغربي للجزائر. وبناء على دراسة وتحليل الدراسات السابقة تم تطوير استبانه من اجل جمع بيانات للبحث، حيث تم توزيع 52 استبانه على مسيري إدارة وأقسام الموارد البشرية في المؤسسات محل الدراسة . وتم اختبار فرضيات البحث وتحليل البيانات باستخدام البرنامج الإحصائي الخاص بالعلوم الإنسانية والاجتماعية (SPSS)

وتوصلت الدراسة إلى وجود اثر ايجابي ومهم لممارسات إدارة الموارد البشرية على الأداء بالمؤسسات الصغيرة والمتوسطة بالجنوب الغربي للجزائر.

كلمات مفتاحية: ممارسات إدارة الموارد البشرية– التخطيط للموارد البشرية– الاختيار والتعيين– التكوين والتطوير، الأجور، تقييم الأداء– المؤسسات الصغيرة و المتوسطة – الأداء.

 Abstract

   This study aims at exploring the impact of human resource management practices (Human resource planning, recruitment and selection, training and development, compensaion and performance appraisal) on SMEs Performance in Southwest Algeria.

   Based on Literature previous empirical and conceptual studies a survey questionnaire was developed to collect data, in which the questionnaire instrument was distributed and delivered to 52 managers HRM of enterprises under study.

   The statistical Package for Social Sciences (SPSS) was used to test the hypotheses and to analyze the data.

Empirical findings revealed a positive and significant impact of human resource management practices on SMEs Performance in Southwest Algeria.

Keywords: HRM Practices - HR Planning-Recruitment and Selection- Training and Development- Compensation- Performance Appraisal- SMEs - Performance**.**

1. INTRODUCTION

The environments in which organizations operate today are divergent The Algerian Small and medium-sized enterprises (SMEs) have been facing unprecedented challenges of Algerian economy. SMEs play a very important economic and social role, both through their importance in the economy and in job creation, a role which is greatly appreciated in these times of crisis and rising unemployment, the development of SMEs can help to face many challenges linked with economic development. On the other hand the management of

human resources is one of the ways SMEs may use to increase their performance[1] and their competitiveness in the new organizational landscapes, There is no underestimation of importance and effect of the Human Resources management at all . Human resources are considered the most precious asset of SME. In order to reach its values the firm must pay a huge importance in human resource management. The implementation of enterprise strategy is dependent from the employee's quality who are arranged to realize

1.2 Study Questions (RQ)

Specifically, this study was undertaken to explore the answer to the following research questions (RQ):

RQ1: Is there any association between HRM practices and SMEs Performance in Southwest Algeria?

RQ2: Do HRM practices have any impact on SMEs Performance in Southwest Algeria?

1-3. Study Objectives

This study explores the effect of human resource management practices on SMEs Performance in Southwest Algeria. The specific objectives of this study are

* To determine the influence of HR planning on SMEs Performance in Southwest Algeria.

* To determine the influence recruitment and selection on SMEs Performance in Southwest Algeria.

* To determine the influence of the training and development on SMEs Performance in Southwest Algeria.

* To determine the influence of compensation on SMEs Performance in Southwest Algeria.

* To determine the influence of performance appraisal on SMEs Performance in Southwest Algeria.

2. LITERATURE REVIEW
2.1 HRM

Human Resources Management refers to the management of people at work in an organization. It is concerned with the development and effective utilization of human resources to ensure that the organization is able to achieve success through people [2].

It is the management function through which managers recruit, select, train, and develop members for an organization[3]. HRM is also a strategic and comprehensive approach to managing people and the workplace culture and environment. HRM consists of the design and implementation of policies and all the practices that can assist in promoting efficient utilization of human resources and the accomplishment of the organization's goals and objectives[4]

2.2 HRM Practices

Human resource practices are defined as the planned human resource deployment and the organization's progress is targeted towards reaching the goals through efficient management of human capital.[5]

a-Human resource planning

Human resources planning is a first and most basic, activity of the HRM function[6] and the process of identifying current and future human resources needs. Also The human resources planning is a process of guiding activities related to the human resources management [7] . Human resources planning involve securing the right people, building a supportive work environment and developing the capacity to ensure the organization's success. There are a variety of considerations that impact this planning, including impending retirements and transitions, the availability of employees with certain skills sets and changes in the environment that may require training for existing employees.

b- Recruitment and Selection

The Human Resources Area needs to perform different activities in order to find a person with the right skills, abilities, experience and knowledge to fill a vacancy. So that recruitment and selection are vital functions of human resource management for any type of organization. Recruitment and Selection are the most expensive part of human resource management and an essential component of any organization because when organizations appoint the right people for the job[8], train them properly and treat them appropriately, the people not only produce good results but also tend to stay with the organization longer. It is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization

c-Training and Development

Training and development play an important role in the effectiveness of organizations, and to the experiences of people in work. Organizations employees are required to continuously update their knowledge, skills, and work habits.

Training and development is a dimension of human resource practices where firms invest on development of their employees" knowledge, skills ability and other required skills to improve the productivity of employees. Training and Development is the HRM function that formally and systematically provides new learning to increase employees" capabilities. The primary purpose of training and development is to increase organizational performance by increasing employee performance. Training and development can transform human resource to human capital where skilled employee would better perform in the success of organization as compared with none or less- trained employees.[9]

d-Compensation

Compensation systems that organizations offer to the employees play a key role in increasing employee motivation, performance and productivity[10]. Employees typically depend on wages, salaries, and so forth to provide a large share of their income and on benefits to provide income and health security. Compensation is the bonuses submitted to the employee due to their services. Compensation process can be divided to direct financial compensation and indirect compensation whether it financial or non financial. It is a strategic policy in the organization, where it can affect on the employer's possibility to attract new applicants, gain employee's loyalty and ensure the maximum level of performance to meet the organization goal and objective from the employee. Some compensation components encourage commitment to employers, while others motivate engagement in the job. It is possible to stimulate one and not the other, though it's generally better to foster both[11].Therefore, if the organization does not adopt good systems of compensation, the organizational performance and productivity will be down.

e-Performance Appraisal

Performance appraisal (PA) has been defined as the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback , catering for work needs and offering career guidance. [12]. It is s a structural formal interview between subordinate and superior that usually takes the form of periodic interview in which the work performance of the subordinate is examined and discussed, with the view to identifying the weakness and strength as well as opportunity for skills and development.[13] Organizations can monitor the development of desired employee attitudes and behaviors through the use of the appraisal mechanisms. This appraisal-based information could be used for changing the selection and training practices to select and develop employees with the desired

behaviors and attitudes. However, the effectiveness of skilled employees will be limited unless they are motivated to perform their jobs.

2.3 SMEs

Small and medium sized enterprises play a central role in the Algerian economy. They are source of entrepreneurial skills, innovation and employment etc.., however, SMEs has no standard definition, and they have been identified differently by various individuals and organizations, such that an enterprise that is considered small and medium in one country is viewed differently in another country. Some common indicators employed in the various definitions include total assets, size of the labor force employed, and annual turnover and capital investments[14] In Algeria, Ministry of Industry and Mines considers SMEs all enterprise with number employees < 250 and annual sales < 2 billion dinar as presented in (Table 1).

Table 1: Definition of SMEs in Algeria.

| Enterprises	Employee	Turnover (dinars)	Total assets(dinars)
Small	10-49	< 200 million	< 100 million
Medium	50-250	200 million- 2 billion	100 - 500 million

Source: Algeria's Ministry of Industry and Mines

2.4 Performance

Performance is defined to include "the action or process of performing a task or function seen in terms of how successfully it is performed"[15]. When these definitions are put together, we can say organization performance relates to how successfully an organized group of people with a particular purpose perform a function. Essentially, this is when we refer to organizational performance and achievement of successful outcomes

3. Study Model and Hypotheses
3.1 Study Model
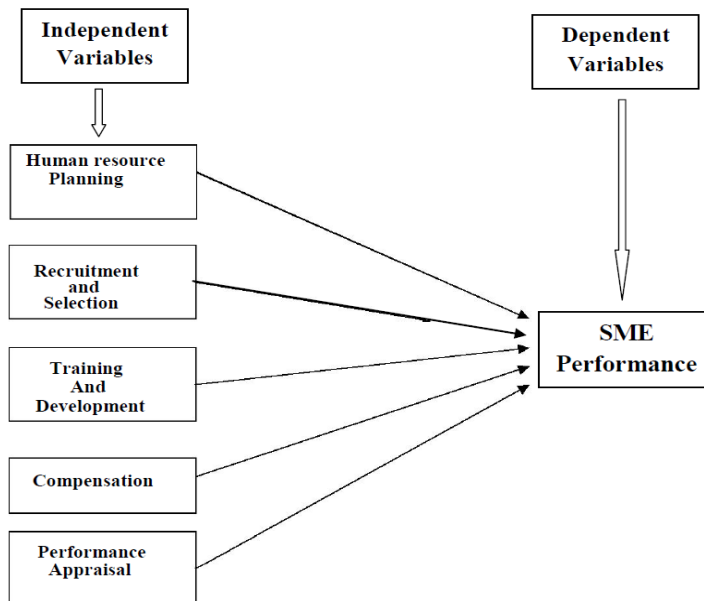
Fig 1: Research model

3.2 Study Hypotheses

In order to achieve the objectives designed for this study, the following research hypotheses are stated based on the revelation in the review of literature concerning HRM practices and SMEs performance

H 1: There is a significant impact of Human Resource Management Practices on SMEs Performance in Southwest Algeria

Sub-hypothesis

H1.1: There is a significant impact of Human resource planning on SMEs Performance in Southwest Algeria

H1.2: There is a significant impact of Recruitment and Selection on SMEs Performance in Southwest Algeria

H1.3: There is a significant impact of Training and Development on SMEs Performance in Southwest Algeria**.**

H1.4: There is a significant impact of Compensation on SMEs Performance in Southwest Algeria**.**

H1.5: There is a significant impact of Performance Appraisal on SMEs Performance in Southwest Algeria

4. Study Methodology
4.1 Sample and Study Population

Sampling is a procedure of selecting a part of the population on which research can be conducted, which ensures that conclusions from the study can be generalized to the entire population. The sampling criteria for this study, the SMEs should involve the employment of a minimum of 30 employees, and must be located in southwest of Algeria (N= 52)

Table 2: The demographic characteristics of the study sample

Characteristics			Freq	%
S M E	**Age SME (n=52)**	**5-10 yrs**	**16**	**32.48 %**
		11-15 yrs	**13**	**25.64 %**
		16-20 yrs	**7**	**13.67 %**
		>20 yrs	**14**	**28.21 %**
	nature and activity (n=52)	**Manufacturing**	**10**	**19.23 %**
		Trading	**6**	**11.53 %**
		Construction	**17**	**32.71 %**
		Services	**14**	**26.92 %**
		Others	**5**	**09.61 %**
R E S P O N D E N T S	**Academic qualification (n=52)**	**Baccalaureate or less**	**13**	**25. %**
		Baccalaureate+4	**31**	**59.6.%**
		magister	**7**	**13.4 %**
		Ph.D	**01**	**2 %**
	specialty of qualification (n=52)	**Law/Social/ Management**	**29**	**57 %**
		technical	**16**	**30 %**
		other specialties	**7**	**13.7 %**
	Professional Experience (n=52)	**Below 5 yrs**	**22**	**41.89 %**
		5-10 yrs	**5**	**10.25 %**
		above 10 yrs	**25**	**47.86 %**
		above 10 yrs	**25**	**47.86 %**

Source: Data research

4.2 Methodology

In order to realize this study a methodology consisting from a combination of primary and secondary data has been used. A considerable amount of secondary data is gathered from existing literature about the impact of human resource practices in SME performance. For empirical analysis of the study, a questionnaire has been used. The results include the analysis of 52 questionnaires gathered from the SME that work in different activities of Southwest Algeria. The data collected from questionnaire are tested with descriptive regression and correlation analysis. The data were possessed with SPSS. The rate used in the questionnaire is based on 5-point Likert scale (with 1=strongly disagree, 2=slightly disagree, 3=neutral, 4=agree, 5= strongly agree)

4.3 Reliability and Validity

Before applying statistical tools, testing of the reliability of the scale. Cronbach's alpha is the most widely used method. Reliability is the degree to which measure are free from error and therefore yield consistent results[16]. The closer the reliability coefficient gets to 1.0, the better it is, and those values over .80 are considered as good. Those values in the 0.70 are considered as acceptable and that reliability value less than 0.60 is considered to be poor.

Table 3. Reliability value of the Scale

	Scale	Nb. of Items	Cronbach's Alpha (α)
1	HR Planning	5	0.786
2	Recruitment and Selection	5	0.716
3	Training and Development	5	0.768
4	Compensation	5	0.825
5	Performance Appraisal	5	0.645
6	SME Performance	1	/

Source: Data research

5. Study Hypotheses Testing

The following tools were used to test the hypothesis: frequencies, means, percentages and standard deviation were used as descriptive analysis to meet the study questions, while simple regression was used to test the main hypothesis and its branches.

. Main hypothesis: There is a significant impact of Human Resource Management Practices on SMEs Performance in Southwest Algeria.

Table 4: Simple regression of Human resource Management Practices on SMEs Performance

RESULTS OF ANOVA TEST					
T	beta	Sig	F	r^2	r
15.892	0.743	0.000	124.870	0.574	0.758

The value of r^2 for in Human resource management Practices is (0.574) and (f= 124.870, P= 000) which explain (57.4%) of variance in SMEs Performance. Therefore, Human resource Management Practices was found to have a significant and positive on SMEs Performance , the regression coefficient for Human resource management Practices (β =0.743, P= 000). Based on the result we accept the study hypothesis that indicates a significant impact of Human resource management Practices on SMEs Performance in Southwest Algeria at level of (P≤ 0.05).

. **Hypothesis 1-1**: There is a significant impact of Human resource planning on SMEs Performance in Southwest Algeria

Table 5: Simple regression of Human resource planning on SMEs Performance

RESULTS OF ANOVA TEST					
T	beta	Sig	F	r^2	r
12.520	0.604	0.000	179.988	0.365	0.604

The value of r^2 for Human resource planning is (0.365) and (f= 179.988,
P= 000) which explain (36.5%) of variance in Human resource planning.
Therefore, Human resource planning were found to have a significant and positive effect on SMEs Performance, the regression coefficient (β =0.604,
P= 000). Based on the result we accept the study hypothesis that indicates a significant impact of Human resource planning on SMEs Performance in Southwest Algeria at level of (P≤ 0.05).

. **Hypothesis 1-2**: There is a significant impact of Recruitment and Selection on SMEs Performance in Southwest Algeria

Table 6: Simple regression of Recruitment and Selection on SMEs Performance

RESULTS OF ANOVA TEST					
T	beta	Sig	F	r^2	r
10.568	0.689	0.000	98.124	0.491	0.701

The value of r^2 for Recruitment and Selection is (0.491) and (f= 98.124, P= 000) which explain (49.1%) of variance in Recruitment and Selection. Therefore, Recruitment and Selection were found to have a significant and positive impact on SMEs Performance, the regression coefficient (β =0.689, P= 000). Based on the result we accept the study hypothesis that indicates a significant impact of Recruitment and Selection on SMEs Performance in Southwest Algeria at level of (P≤ 0.05).

. Hypothesis 1-3: There is a significant impact of Training and Development on SMEs Performance in Southwest Algeria

Table 7: Simple regression of Training and Development on SMEs Performance

RESULTS OF ANOVA TEST					
T	beta	Sig	F	r^2	r
11.378	0.578	0.000	108.016	0.441	0.664

The value of r^2 for Training and Development is (0.441) and (f= 108.016, P= 000) which explain (44.1%) of variance in Training and Development. Therefore, Training and Development were found to have a significant and positive impact on SMEs Performance, the regression coefficient (β =0.578, P= 000). Based on the result we accept the study hypothesis that indicates a significant impact of Training and Development on SMEs Performance in Southwest Algeria at level of (P≤ 0.05).

. Hypothesis 1-4: There is a significant impact of Compensation on SMEs Performance in Southwest Algeria

Table 8: Simple regression of Compensation on SMEs Performance.

RESULTS OF ANOVA TEST					
T	beta	Sig	F	r^2	r
9.379	0.602	0.000	105.871	0.367	0.606

The value of r^2 for Compensation is (0.367) and (f= 105.871, P= 000) which explain (36.7%) of variance in Compensation. Therefore, Compensation were found to have a significant and positive impact on SMEs Performance, the regression coefficient for (β =0.602, P= 000). Based on the result we accept the study hypothesis that indicates a significant impact of Compensation on SMEs Performance in Southwest Algeria at level of (P≤ 0.05).

. Hypothesis 1-5: There is a significant impact of Performance Appraisal on SMEs Performance in Southwest Algeria.

Table 9: Simple regression of Performance Appraisal on SMEs Performance.

RESULTS OF ANOVA TEST					
T	beta	Sig	F	r^2	r
9.575	0.525	0.000	99.154	0.387	0.622

The value of r^2 for Performance Appraisal is (0.387) and (f=99.154, P= 000) which explain (38.7%) of variance in Performance Appraisal. Therefore, Performance Appraisal were found to have a significant and positive impact on on SMEs Performance, the regression coefficient (β =0.525, P= 000). Based on the result we accept the study hypothesis that indicates a significant impact of Performance Appraisal on SMEs Performance in Southwest Algeria at level of (P≤ 0.05).

6. Conclusions

The purpose of this research was to examine the impact of human resource management practices (Human resource planning, recruitment and selection, training and development, compensation and performance appraisal) on SMEs Performance in Southwest Algeria. The results of the study showed the overall consistency of findings with the model and all the five human resource practices are positively correlated with SMEs performance, in which the hypotheses test confirms that there is a significant and positive impact of human resource management practices on SMEs performance in Southwest Algeria. This positive relationship indicates that attempt of human resource practices can significantly lead to improve of performance, and all the variables are very necessary for SME performance.

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