

Small and medium scale enterprises in nigeria



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Introduction

The contribution of small and medium-sized enterprises (SMEs) to the economic growth and development has been enormous. This contribution is significant for both the developed and developing world. Many governments acknowledge the fact that SMEs play a significant role in the growth and development of their economies. Consequently, a number of government investment projects are geared towards fostering the growth and development of local SMEs.

The institution of policies geared towards the facilitation and empowerment of SMEs as well as improving the performance of SMEs remains a major objective of many economic policy makers and governments. In addition, international economic and financial bodies such as the IMF, World Bank, the European Investment Bank (EIB) and the International Financial Corporation (IFC) have invested heavily in making SMEs robust and vibrant in developing countries. Furthermore, non-governmental organisations (NGOs) in developing countries such as Nigeria have employed advocacy and capacity-building campaigns to promote the growth of SMEs.

Despite the importance accorded to SMEs as well as their contribution to economic growth, Onugu (2005) argues that the performance of SMEs in Nigeria has been below expectations. Unlike SMEs in other countries, the contribution of Nigerian SMEs to economic growth has not been very impressive (Onogu, 2005).

Following from its independence, the Federal government of Nigeria has invested significant sums of money to promote entrepreneurial and small

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business development projects (Mambula, 1997, 2002). However, results from these projects have not been very impressive. In other words, most of these projects have often been unable to yield their expected returns.

Despite the country's endowment with raw materials and other natural resources, there has been little progress towards the development of the manufacturing sector, which could have increased the production of value added products thereby substituting imports, increasing exports and increasing employment (Mambula, 1997, 2002).

Business failure often comes as a result of a number of factors. This could be as a result of poor customer service, poor management and poor human resource management. While the poor performance of SMEs in Nigeria can be attributed to a number of factors, human resource management could be a major factor in determining this poor performance. Human resources are a principal source of economic growth. Like other resources, human resources require effective and efficient utilisation so as to ensure maximum contribution is achieved from them. Approximately 50 per cent of people work in small and medium sized enterprises.

Despite this high proportion of human resources in SMEs, most studies that study human resource management have focused on large corporations with very limited attention to SMEs. Moreover, most studies on the practices of human resource management have been carried out in the developed world with very limited attention paid to developing countries like Nigeria. This study is one of the few studies that focus on the management of human resources in SMEs in a developing country. The country that has been chosen for the study is Nigeria. The paper examines the factors that affect

the practices of human resource management in an SME in Nigeria and how these practices can affect the performance of the SME in particular and its contribution to the overall growth of the economy as a whole.

Objectives of the Study

The objective of the study is to examine the SHRM practices of an SME in Nigeria. The study will also examine how those practices affect the performance of the SME and provide policy implications of the findings for future strategy development.

Research Questions

The paper will be providing answers to the following questions:

What are the Strategic human resource management practices of the SME

How do these practices affect the performance of the SME

What are the implications for future development of strategic human resource management practices at the SME

Research Outline

The paper is going to follow the following areas: Section one will cover the introduction; section 2 will be dealing with the literature review; section 3 will be discussing the methodology and describing the data; section 4 will provide the results and analysis; and section 5 will present conclusions and recommendations.

Literature Review

Strategic human resource management (SHRM) practices refer to those activities that are specifically developed, executed and implemented on a deliberate alignment to a firm's strategy (Huselid et al., 1997). The phrase "strategic human resource management is an indication that people in the firm are regarded as strategic resources (i. e human capital) that must be managed and leveraged when implementing and executing the strategy of the firm. In early years, efforts made to develop a conceptual framework on strategic human resource management were based on the assumption that in order to promote human behaviour that would fulfil the strategic objectives of the firm, the firm had to implement specific human resource management practices (Fisher, 1989; Schuler and Jackson, 1989; Snell, 1992).

A strategic approach to human resource management is an approach that links the human resource management policies with the strategic objectives of the firm. There has been significant debate over the term SHRM as has been the case for human resource management (HRM). Many researchers argue that SHRM lacks conceptual clarity (e. g., Bamberger and Meshoulam, 2000). Three competing frameworks on SHRM have emerged: the contingency, universal and configurational perspectives (Miles and Snow, 1984; Schuler and Jackson, 1987; Delery and Doty, 1996; Pfeffer, 1998; Youndt et al., 1996; Boxall and Purcell, 2000, 2008). According to the universal perspective, all HR practices in all firms have a positive impact on firm performance (Delery and Doty, 1996). The configurational perspective suggests that firm performance depends on unique HR practices while the contingency perspective suggests that a firm's HR practices are a function of

its strategy (Miles and Snow, 1984; Schuler and Jackson, 1987). A number of studies have tested the different frameworks and found contradictory results. For example, Youndt et al. (1996); and Chang and Huang (2005) argue in favour of the contingency perspective while Tackeuchi et al. (2003) favour the configurational perspective.

The frameworks suggested above are mostly relevant for large organisations. Little effort has been devoted towards the development of SHRM in SMEs. For example, Saini and Budhwar (2008) in a study of SHRM practices in SMEs in India argue that bounded rationality tends to constrain the willingness to implement innovative HR practices in SMEs in India because most owners of SMEs tend to believe that they are doing their utmost best. Barber et al (1999) observe that HRM practices that work well in large organisations do not work properly in small firms. As a result, Heneman and Tansky (2002) stresses the need to develop different HRM models for SMEs rather than simply extending existing models that are suitable for large organisations to SMEs. The literature on Human resource management in SMEs suggests that a strategic approach to HRM in SMEs is yet to be developed. Conceptual models that relate human resource management practices in SMEs to the strategic capabilities of these organisations need to be developed in order to enable SMEs achieve the full benefits of their human resources. As can be observed, most of the studies of HRM practices in SMEs have been limited to SMEs in Western Europe, U. S. A and India with very limited attention given to Africa in general and Nigeria in particular. In the light of the above limitations, this study aims at contributing to the literature by studying the SHRM practices of SMEs in

Nigeria. The study does not intend to test any hypothesis. Rather it intends to focus on providing an in-depth analysis and discussion of the HRM practices of a Nigerian SME.

Research Methods and Data

Research Methods are the approaches taken to achieve the objectives of a research project (Saunders et al., 2009). There are two main approaches to research including the inductive and deductive approaches. The inductive approach is an approach that aims at developing testable hypotheses while the deductive approach focuses on testing existing hypotheses. The inductive approach can use a single case study to multiple case studies while the deductive approach depends on the use of multiple cases. Moreover, the inductive approach can use either qualitative or quantitative methods whereas the deductive approach relies heavily on the use of large data sets and quantitative research methods.

The inductive approach is advantageous over the deductive approach in that it does not generalise its results to all cases. It aims at providing an in-depth analysis of a small number of cases. Therefore, it is the approach that will be used in this study.

In order to achieve the objective of this study, this paper will use a case study approach. In order to do this, a Nigerian-based SME will be selected. An in-depth analysis of its SHRM practices will be examined and related to its performance. In order to gain detailed understanding of the approaches, the “ Interpretative phenomenological Analysis (IPA) will be used to gain an in-depth analysis of the HRM practices of the SME. The Interpretative

phenomenological analysis (IPA) is an experimental qualitative approach to research in psychology and the human, health and social sciences (Smith et al., 2009). The human resource practices that will be investigated include recruitment, selection, training, remuneration, leave of absence, interpersonal communication, sick pay, and promotion. The practices of these variables will be analysed and an evaluation of how they affect the performance of the SME will be conducted. The performance measures that will be used include profitability, liquidity, management efficiency and leverage ratios. The ratios will be analysed in relation to the SHRM practices identified along with the Nigerian economic environment in which the SME is based.

Data

The research will use both primary and secondary data. Data for the SHRM practices will mainly be primary data. This data will be collected using survey questionnaires issued to the employees of the SME and interviews conducted with key management staff. Performance data will be collected from the financial records of the SME. Data on the performance measures will be gathered from the financial records of the SME.

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