BUSINESS SUSTAINABILITY: ROLE FOR HRM WITH SPECIAL REFERENCE TO ACQUISITION AND RETENTION OF TALENTS IN SMES

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Abstract

The effectiveness of talents in an organization plays a very significant role in the organizational performance which in turn influences the sustainability of the firm. Talents Acquisition is the most significant function which influences all other functions in the organization.The acquisition of the right talents and retention of such talentsaremajor challengesfor SMEs. This paper brings outthe various problems and the practices for acquisition & retention in the Small Enterprises through casesof small companies and a theoreticalframework for SMEs to enhance the effectiveness ofthe acquisition of talents process.

***Key words**: Human Resource Management, Acquisition of talents, Retention of talents, Business sustainability, HRM in SMEs*

Introduction

The Small and Medium Enterprises (SMEs) are of key importance to the Indian economy. They contributed 17% to the nation's GDP and employed 40% of Indian work force (ET June9, 14). It is the second largest work force after the Agricultural sector in India.The scenario in Karnataka, there is about 10.5 lakh micro, small and medium enterprises in Karnataka. These industries provide jobs to nearly 250 lakh people with 62 lakh in registered sector. The SME sector in Karnataka produces about 6000 items (KASSIA report, July 2014). These numbers are very encouraging and fortunately, the current pro-business development initiation from both the state and central Govt. clearly highlights the move towards Industrial development of our country. The business friendly environment creation, Invitation for foreign direct investments for manufacturing and the subsequent new revised SME policy will enable the SMEs to contribute progressively to the economic development of the country. The Contribution of small and medium enterprises to the country's gross domestic product (GDP) is expected to increase to 22% by 2020. (Business Standard 27 Sept 2014)

At present, the fundamental drivers are in the right pace for the Small Industries Development. But, the elements of external environment are not the only determinant for the firm's performance. This depends on various internal elements as well. One of the most important internal elementsfor firms' performance is the Human Resources thatarethe Talents. Acquisition of right talents at the right time and the retention of such talents are very significant for the firms in SME sector.

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Purpose of this study

The purpose of this paper is to bring out the various problems and the practices in talent acquisition & retention forthe Small Enterprises and to prepare a theoreticalframework for SMEs to enhance the effectiveness ofthe process talent acquisition.

Method used for the study

This study is based on the Case Study of five differentsmall enterprisesengaged in producing Anti-Depressant drug (Pharmaceutical company), Auto parts, Restaurant and another an educational consultancy in Bangalore.Data collected through personal interview with the owners and a few employees of the respective Company.

Limitations

Studying a few cases, the results cannot be generalized. The findings of the studyare indicative and the framework designed can be used for academic purpose.

Business sustainability – Role for HRM

Business Sustainability, i.e., sustainability of the firm in this business world depends on variousfactors from both internal &external environment. This present world of business can be described as - volatile, uncertain, borderless digital world. In this complex business world, there are many dynamic forces from different directions from the environment acting on the firm. The external forces collectively represented by the five major ones - Social, Cultural, Economic, Environment & Political. The change in the intensity of these forces are driven by yet another force- TECHNOLOGY. These external forces along with the internal forces with different levels of intensity create turbulence in the firm. The counter forces in the form of different creative business strategies are applied by the firm in order to seek sustainability. (Vasantha& Kennedy, 2013) Creative minds generate such innovative and creative business strategies.They are the talents of the firm. Hence, effective management of such talents signifies the role of HRM in business sustainability. The acquisition of such talents and retaining of such talents are very significant functions of HRM for a firm's sustainability.

Acquisition of Talents

73% CEO s in India spend more than one-fourthof their time directly on talent related activities. While 68% acknowledge that this time has increased in recent years, 79% also affirm that this focus will only increase further next year. This indicates a relevant change in the way organizations are functioning today (monsterindia.com survey 2011). In today'sbusiness environment, the growth and development of any organization, be it an MNC or a SME is directly proportional to the employee's growth. Therefore, talent management can impact any organization's bottom line and growth. SMEs are struggling to find skilled workers especially at middle level positions. They are finding it to identify, who is their real candidate with the right skills, how their business model can get the quality cost scale balance right, and most importantly how they can retain their key talent. (Business Standard 27 Sept 2014)

Acquiring talents is not just recruiting, it is an ongoing cycle of processes related

to attracting, sourcing, recruiting, and hiring employees, based on the requirements of the organizations, be it a particular set of skills or behavior.

The main elements that comprise talent acquisition are-

Employer branding, outreach, networking, Relationship building with potential candidate communities and continuously building and enhancing the talent pool for the organization. (GeremyCepin)

The published reports states that the Talent Acquisition in SMEs is the top most challenge among other challenges. As per the Hire right's recently released report on Employment Screening Benchmarking, the acquisition and retention of talents are the major business challenges for the organizations as shown in the fig 1. The Answer during SME world's interview with R.U Srinivas, CEO, Caliber Point, about problems of Indian SMEs shown in the fig 2(Source: HireRight survey 2013)

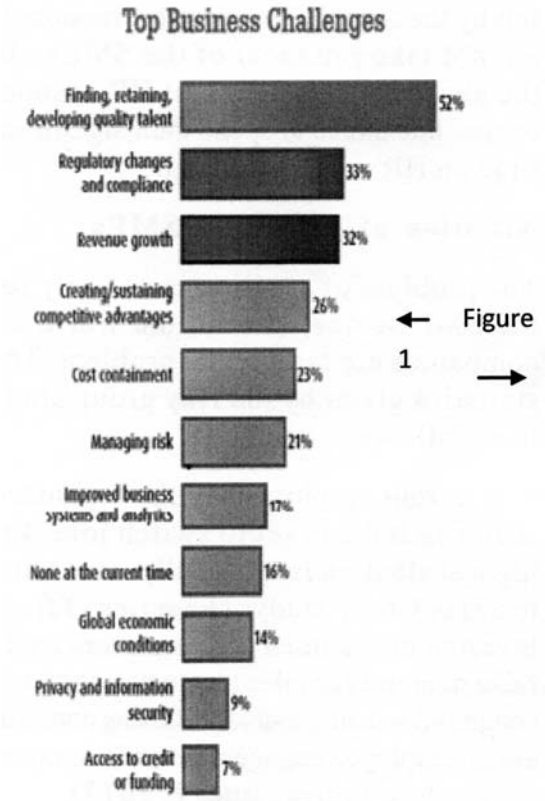
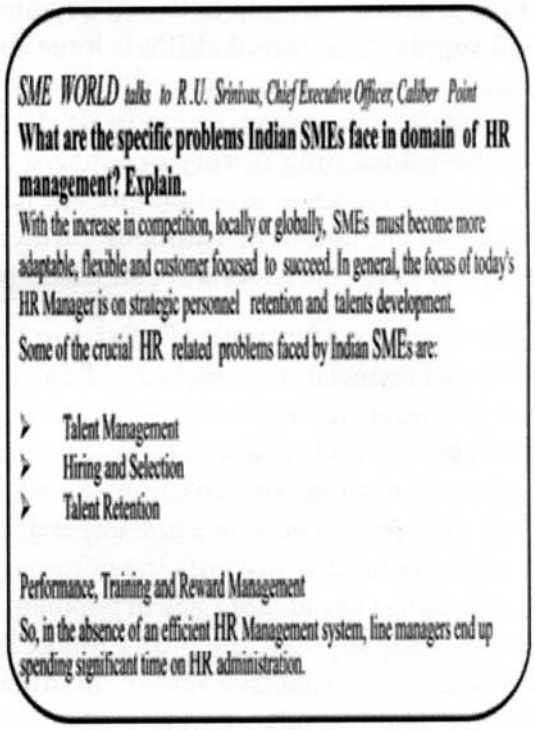


Figure 1



SME WORLD talks to R.U. Srinivas, Chief Executive Officer, Caliber Point

What are the specific problems Indian SMEs face in domain of HR management? Explain.

With the increase in competition, locally or globally, SMEs must become more adaptable, flexible and customer focused to succeed. In general, the focus of today's HR Manager is on strategic personnel retention and talents development. Some of the crucial HR related problems faced by Indian SMEs are:

- Talent Management
- Hiring and Selection
- Talent Retention

Performance, Training and Reward Management

So, in the absence of an efficient HR Management system, line managers end up spending significant time on HR administration.

FIGURE - 1 **FIGURE - 2**

The problems in acquisition of talents given below are based on the responses of the owner of the company during their interview for the case study–

1. Finding the right talent at the right time

The employability of majority of the fresh graduates from colleges both technical and non-technical is not up to the standards expected by the employer. It is like searching for a (talent)needle in a (large pool of graduates coming out of the universities every year) haystack.

At the junior management level, the issue is of finding a trained person with required skills is more. The gap between demand and supply of required skills is huge. In companiesthey train most of the lower level staff in the organization itself. This on-the-jobtraining is very expensive to the company. Also, most people are not educated enough to be trainable further. At higher levels, the issues are of affordability.

Next, because of growth of MNCs in IT, ITES and financial services, in middle level, the problem has been the mismatch of expectations and reality in terms of work and compensation. The ambitions are huge with very less experience and expertise. Attracting talents towards the company is a challenge because of Lack of popularity of the company i.e., the brand image & value in that respective sector, nominal amount spent on advertising/ promotion, lack of competent compensation packages, fewer opportunities & the image of small size is the biggest hurdle to attract the talent.

2. Selection and Recruitment

A bad hire has a greater negative impact in SMEs. A new hire at a small company represents a much larger percentage of the workforce than one at a large scale company having more employees.In such cases companies also suffer greater proportionate financial and productivity loss from having to re-recruit, re-hire and re-train in the aftermath of a bad hire.

3. Full time HR professional

Adding to these, in this sector, usually the owner or the line manager takes charge of HRM. Even though there is a necessity felt by the owners, full time professionals are not taken in most of the SMEs. In the absence of an efficient HR system, owner/ line manager spend their significant time on HR administration.

Attrition of Talents in SMEs

The problem of attrition is not only for the SME sector; around the world all companies are facing this problem. The statistics given by the Hay group study is as follows-

One in four employees in the organized sector in India is set to switch jobs, the highest attrition rate globally, according to a Hay Group study. The series of fresh investments planned across sectors could raise demand for talent even as economic conditions remain moderate. Raising concerns are on employee engagement and retention. (Economic Times, June 7, 2013)

Causes for Attrition as per the responses given by the Owner of company during their interview for the case study -

Small companies have become transit camps becausethey are the primary source of employment opportunities for new entrants.This sector, for many reasons, invariably compromises and recruits untrained workers who are then trained on the job. Quite often once the workers reach a certain level of skill they are absorbed by the larger companies. Consequently, the small companies are in a constant process of training raw hands and being unable to retain skilled workers. One person (talent) who leaves the company will attract many more from his team. Thus attrition percentage increases.

The other most quoted reasons for attrition as per the SMEs survey are(Human capital, Feb14) –

- Insufficient remuneration and employee benefits paid to employee by his employer.
- Mismatch of job profile.
- Job stress and work-life imbalances.
- Entering of new companies and sectors in to the market.
- Lack of authority provided to accomplish ones task.
- Monotony of job.
- Lack of proper facilities provided by employer
- Lack of proper environment.
- Poor concern about employees by their employer.
- Poor promotion policies or lack of promotion for long time.

Practices followed in Acquisition of talents as seen in the case studied:

- As a matter of policy, more than 60% of the employees have recruited through employees' references or internal job posting.
- Company's web presence by having updated website, using SCOs and using tools like LinkedIn, Twitter, and Face book to create brand awareness for the company to attract talent.
- To create awareness about the company and their products, short term projects and internships to students are offered. With this the students can get opportunity to put their hands on in the live projects, which creates interest in them to take up job options in the company itself.
- A wrong hire proved to cost more in this sector. Hence, in order to avoid a wrong hire, the screening process made short but precise to assess the skills and attitude required for the position. Avoided all types of theoretical questions in the interview and the talent is assessed based on the standard tests like competency, behavioral and psychometric tests.

Practices followed to minimize attrition of talents as per the responses of the interview -

There are cases, where some of their employees are working since inception and a few are here in this company since last 20 years. The common reasons to stick on to the same company as per their opinion listed in the order of most to least are —

- Freedom in terms of expression and experimentation.
- The hygienic factors like the work environment & Work place
- Commitment & Loyalty factor
- Job satisfaction

The HR practices with reference to retentionas per the cases studies, Performance based compensation used for higher level positions. They have the concept of Co-ownership which encouraged leveraging the talent of the people by making the right balances of power between employees and employers. At lower levels the companies have taken the attrition as usual. No other specific strategy or practice seen towards retention of talents in the company.

Current HR trends with respect to acquisition and retention of talent as per Deloitte's Human Capital Trends 2014, (Josh Bersin)

The global economic growth has created a new level of competition; the companies are more focusing on their retention and engagement of their employees rather than concentrating on cost reduction. Technology, the principal driver of business continues to connect all people, places and products and making the data as new currency.Talent, skills, and capability needs become globaland integrated capability Development Replaces Training. Talent Mobility and Career Development are considered seriously and Talent Analytics Comes to Front of the Stage. As per the trend, it is clear that the economy will grow, employees will be in charge, and HR's role in business success will be more important than ever.

Theoretical Framework for Talent acquisition in SMEs

Keeping in mind,the problems, practices of talent acquisition and the growing importance of the right talent for companies, atheoretical framework designed to enhance the effectiveness of the process.

Talent acquisition is a strategic approach to identify, attract, and take them on boardthe right talent. Organizations need right talents to efficiently and effectively meet dynamic business needs. Talent acquisition is not just recruiting. The recruiting tends to focus mostly on immediate hiring needs by just posting a requisition and extending an offer. Talent Acquisition is more than these. It includes attracting the talents, pooling the talents, selecting and recruiting the talents and taking them on board.

This framework for talent acquisition will help the SMEs in framing their policies, practices and strategies to hire right talents. The application of this framework will enhance the effectiveness of the process.The theoretical framework for talent acquisition is as shown in the following Fig3.

Figure 3: Framework for Talents Acquisition

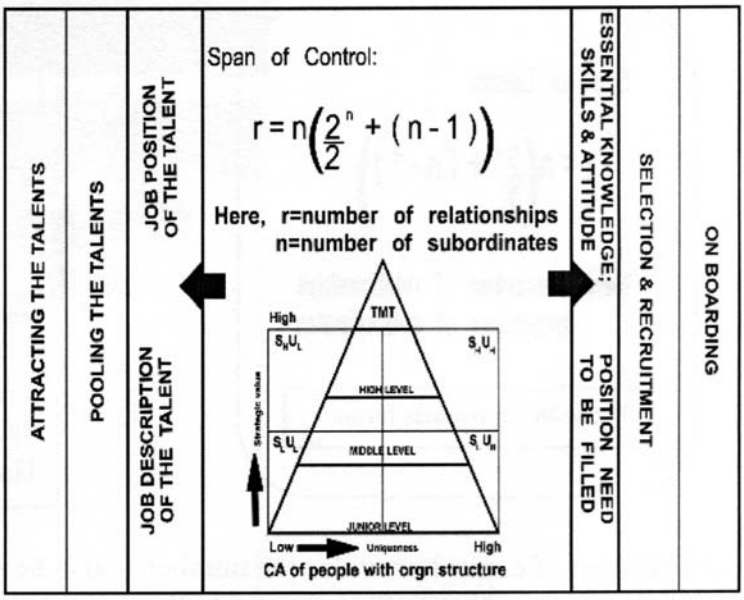


FIGURE – 3: Framework for Talent Acquisition

This theoreticalframework is designed based on the following concepts –

- Organizational Structure
- Span of Control (Graiciunas formula)
- Competitive Advantage of Human Capital

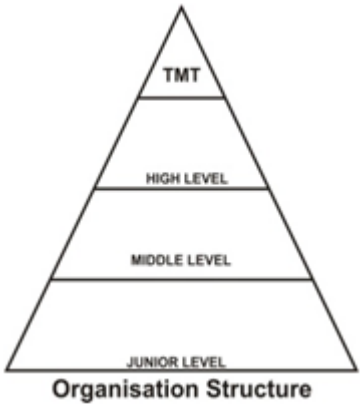


Figure 4a:
Organization Structure

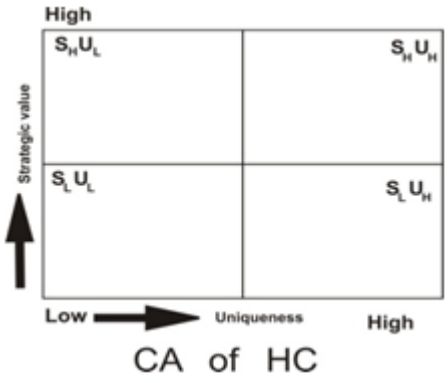
The figure 4a, 4b & 4c represents the concepts used in the framework for talent acquisition and also highlights area of concern for SMEs with respect to talent acquisition and retention. The triangle in the figure 4a represents the Organizational structure, The formula in 4b gives the span of control i.e., the number of subordinates reporting to the manager and the rectangular area with the 4–quadrants as in fig 4c, represents, the Competitive Advantage of Human Capital highlighting the job positions significant for SMEs. The Fig 3 gives the theoretical framework for Talent Acquisition in SMEs. This gives the complete picture of different processes involved in the talent acquisition. Attracting the required talents, pooling the specific talents, selection and recruitment of the talents and on boarding of such talents are the different processes.

Span of Control:

$$r = n\left(\frac{2^n}{2} + (n-1)\right)$$

Here, r=number of relationships
n=number of subordinates

Figure 4b: Graiciunas formula



CA of HC

4c: Competitive Advantage of Human Capital

The Span of control provides the number of people reporting to the manager to the senior or to the middle level manager. This span of control includes the relationship of the people who directly report, the cross relationship of the people report to particular manager. Hence, in order to keep the productivity standard at optimum level in the organization, the span of control for managers should be maintained. Based on the studies conducted, HL d" 6; MLd" 20. In recent studies(HBR April 2012) it is highlighted that the span of control has doubled over last 2 decades. Current trend is for SL positions the number of immediate reports are gone up to 12.

Using the concept of CA of human capital, the Job descriptions can be derived and the concept organizational structure will provide job position level in the organization. This information can be strategicallyused to attract the talent and pool the interested talents. At the same time, using these concepts the Knowledge, Skills, Attitude essential for each position and the roles and responsibility along with the expected deliverables can also be derived. These can be effectively incorporated for the recruitment and on boarding processes.

As per this framework, for any given organization one can identify their functions/ department with the following chart1 –

FUNCTIONS/ DEPARTMENT:	(S-L/ U-L) BLOCK 1	(S-H/ U-L) BLOCK 2	(S-L/ U-H) BLOCK 3	(S-H/ U-H) BLOCK 4	TOTAL
LEVELS OF JOB POSITION	H / M / L	H / M / L	H / M / L	H / M / L	H / M / L
NO OF POSITIONS PLANNED					
NO OF POSITIONS FILLED					
JOB DESCRIPTION					
DELEVERABLES					
KNOWLEDGE; SKILLS; ATTITUDE ESSENTIAL					

Chart 1: Details of Functions/ Department as per the Framework shown in Fig3

To begin with, keeping thesimilar formatin theexcel sheet/ spread sheet, can be expanded to the number of positions in each level, as shown in the above table. Further this can include, positions filled, not filled, the job descriptions with KSA, preferences, compensation for all the levels in different departments.This can also be used for HR planning including replacement chart and succession planning.

SMEs are more cautious about the employees at the middle level, which contains employee types of all the blocks(S-H/U-H; S-H/ U-L; S-L/U-H; S-L/U-L)& high level, in the (S-H/ U-L)&(S-L/ U-H) blocks.

Junior level attrition is taken as usual. But they have the necessaryarrangements made for regular supply of manpower to this level. Most of them are managing by having tie ups with colleges and recruiting apprentice trainees under govt. scheme.

The employees in the middle level and high level of (S-H/ U-L); (S-L/ U-H)are considered for retention and development activities as well. The block (S-L/ U-L)aremay be managed by outsourcing as well depending up on the type of expertise required.

The HR interventions are different for different blocks and levels in each case. Appropriate interventions required on case to case basis for effectiveness.

With all these three concepts as shown in the framework, the processes involved in talent acquisition can be effectively managed.

Conclusion

Every SME has its own history and experience with people who build it and working in it. They are unique and specific cases; every one of SMEs has a unique set of its HRM needs which can be identified individually, there are although some common features shared by majority of those companies.

The common problem of talent acquisition and retention can be managed effectively by having effective HRM practices, aligning with the current trends, adopting latest technological tools and developing brand to attract the talents.

Despite all the issues, the fact is that the smaller companies are capable of producing extraordinary results, if they have dedicated empowered and motivated people. (Bhardwaj, 2014) With the enormous productive potential of their smaller teams SMEs can overcome the factor of small size with right talents.

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