

## Association Between Size Of Smes, Years Of Its Existence And Recruitment And Selection Practices With Special Reference To Bengaluru And Mysuru Regions

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### Abstract

*An organization, which could belong to the manufacturing sector, insurance industry, government institutions, community organizations, universities, school systems, social units, or even families, may vary in size and complexity. Regardless of its scale, an organization brings together individuals to collaboratively achieve specific goals or missions. The implementation of Human Resource practices is contingent on the organization's size, and distinctions exist between the practices of large corporations and small businesses. The prosperity of small businesses hinges on the effectiveness of their human resource management. In this study, the overall mean serves as a benchmark for determining the formal adoption status of human resource management (HRM) practices. Scores above the overall mean indicate a formal adoption of HRM practices, while scores below signify an informal adoption. The findings reveal that only a limited number of small and medium-sized enterprises (SMEs) have formally embraced recruitment and selection practices. Moreover, larger SMEs exhibit a higher likelihood of formally adopting these practices, suggesting a positive correlation between SME size and the adoption of formal recruitment and selection processes. Additionally, the study indicates that younger SMEs are more inclined to adopt formal recruitment and selection practices compared to their older counterparts, underscoring an increase in formal adoption as the years of SME existence decrease.*

**Keywords:** *Formal adoption, Informal adoption, Recruitment and Selection, Size of SMEs, Years of existence.*

### Introduction

Small and medium-sized enterprises (SMEs) exhibit a diverse range of structures, spanning from sole proprietorships to group-based entities, and engage in activities ranging from manufacturing to services, with definitions varying from nation to nation. These enterprises are typically overseen by owners or managers, and their organizational structures tend to be relatively flat with fewer hierarchical layers. Recognized as a pivotal force for economic prosperity, particularly in countries like India marked by abundant labor supply, unemployment, capital scarcity, and a burgeoning large industrial sector, the small-scale sector

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offers opportunities for ancillarisation and other economic developments [Poornima M. Charantimath, 2006, pp. 2-3].

In broader terms, organizations encompass diverse sectors such as manufacturing, insurance, government institutions, community organizations, universities, school systems, social units, and even families. These entities can vary widely in size and complexity, working collaboratively with groups of individuals to achieve specific goals or missions.

According to Thang and Scott [1], descriptions of formal and informal adoption of HRM practices in SMEs are shown below.

**a) Formal adoption of Recruitment and Selection Practices:**

Small and medium-sized enterprises (SMEs) adhere to a systematic recruitment and selection process. Owners or managers in SMEs meticulously follow formal procedures, including the identification of needs, job analysis, and selection processes. Typically, SMEs attract potential candidates through channels such as professional agencies and advertisements.

**b) Informal adoption of Recruitment and Selection practices:**

SMEs often lack written criteria or established rules for recruitment, opting instead for a case-by-case approach. Notably, there is an absence of formalized procedures for recruitment and selection. In this context, candidates often approach SMEs independently, and these enterprises frequently depend on personal networking for identifying potential hires.

**Objectives of the Study**

To examine the association between size of SMEs, years of its existence and their recruitment and selection practices.

**Recruitment and Selection**

Recruitment and selection practices are the two interrelated processes. According to Edwin B. Flippo “Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization”, while selection is the process by which definite tools are used to choose from a pool of aspirants’ most appropriate for the work taking into consideration, organization goals and legal requirements. Recruitment provides the company with a pool of prospective candidates who may be qualified to fill employment vacancies. Thus, the hiring and selection process becomes essential to the success of the organization. Ineffective hiring and selection practices have a negative financial impact and add to the expense of training and supervision, whereas efficient hiring and selection practices lower staff turnover and enhances the output.

With consistent, uniform policies and procedures, small and medium-sized businesses' (SMEs') performance does better. Small businesses have low levels of formalization, and owner-managers are heavily involved in human resource functions. In medium-sized businesses, there is a high degree of formalization together with a rise in staff strength [1].

**Review of Literature on Employee Recruitment and Selection**

The relationship between firm size, hiring and recruitment formalities, and performance in Vietnamese SMEs was investigated by Thang and Scott [1]. They claim that the existence of

HR staff and formal hiring and recruitment procedures or criteria are signs of formal recruiting techniques. They discovered that where there is no official policy and decisions are decided on an individual, situation-by-case basis, there is an informal system in existence. They found that companies with a larger workforce are more likely to use formal hiring and recruitment procedures.

Debi and Pawan [2] conducted an exploration indicating that the formality of recruitment practices in Indian small and medium enterprises tends to be minimal. Their suggestion is that SMEs should consider adopting formal recruitment practices as a means to demonstrate progress and enhance their overall recruitment effectiveness.

Ignace and Dennis [3] have identified a significant feature in the recruitment procedures between large and small firms within the Canadian manufacturing sector.

Damodhar and Satish [4] discussed recruitment and selection practices in large and small Canadian manufacturing firms. They observed that large firms commonly employ written tests and panel interviews in their procedures. In contrast, small firms typically refrain from utilizing external sources for recruitment. Their findings indicate that both large and small firms prioritize providing improved job opportunities for qualified individuals. Selection processes, involving one-on-one interviews, are common in both small and large firms. However, in small firms, the employment decision often relies on the opinion of the owner or manager. The authors recommended that small firms consider incorporating panel interviews into their selection processes.

Robert [5] examined selective staffing in small manufacturing companies of South-eastern USA. The researcher discovered that small firms viewed selective staffing as a key attribute.

Catherine et al. [6] explored that recruitment and selection functions are the most used practices by European SMEs. Recruitment sources for the organization include recommendations and references from current employees, constituting an informal selection process.

Jyothi [7], in her article, observes that small firms in India primarily rely on newspapers, networks of friends, and relatives as sources of recruitment.

Timothy [8] conducted a study on the adoption of human resource management practices in Australian small firms. His findings reveal that, in comparison to medium and large firms, small firms in Australia tend to adhere to informal recruitment and selection procedures.

Kamble [9] found that SMEs located in the Belgaum district of Karnataka, India, predominantly rely on advertisements as a recruitment source. His study revealed that a majority of these firms lack human resource planning and do not have promotion opportunities for employees."

Coetzer et al. [10] studied HRM practices in New Zealand SMEs and found that practices are informal but are good and different and are not inferior to large firm practices. The authors found that word of mouth serves as the primary source of recruitment for SMEs. When a specific skill set is needed, these businesses turn to newspaper advertisements. People apply casually and this is the low-cost source where employees are recruited.

Sundar and Ashok [11] investigated the recruitment and selection practices in SMEs situated in Chennai city, India. Their findings indicated that a majority of these SMEs lack a formal human resource policy. They recommended that SMEs consider tapping into human resources

through campus recruitment, as it is a relatively cost-effective method. Additionally, they suggested that experienced individuals could be hired through walk-in interviews.

Rajesh and Ravindra [12] investigated recruitment and selection practices in small-scale industries in Miraj city, India. They discovered that the relationship between employees and employers has a significant impact on organizational growth. The researchers concluded that formal human resource practices within an organization serve to bridge the gap between workers and management.

Ashu and Betsy [13] explored current human resource issues in micro, small, and medium-sized enterprises in India. Their study highlights that only a limited number of these enterprises have implemented formalized recruitment practices.

### Methodology

According to Likert and Renesis [14], "Resulting total score may be interpreted with reference to some comparison group, with respect to theoretical or empirical chosen cut-off scores". Following the perspective of Nanjundeswaraswamy and Swamy [15], the overall mean is designated as the cut-off score, specifically in the context of a five-point Likert scale. In this research, the overall mean serves as the benchmark for determining the formal adoption status of recruitment and selection practices. Scores exceeding the overall mean are classified as a formal adoption of recruitment and selection practices, while scores below the overall mean are categorized as an informal adoption of recruitment and selection practices.

**Table 1 Overall Mean of Recruitment and Selection practices**

HRM Practices	Overall mean
Recruitment and Selection practices	3.06

From table-1 it can be concluded that for recruitment and selection practices, values above 3.06 is considered as formal adoption.

### Research instrument

The questionnaire encompasses inquiries about Recruitment and Selection practices, employing a set of closed-ended questions. Each question utilizes a five-point Likert scale, allowing respondents to express their agreement or disagreement, ranging from "Strongly Disagree" to "Strongly Agree."

### Sample

The data for this study was gathered through a specifically constructed questionnaire, distributed to the owners/managers of 384 manufacturing Small and Medium Enterprises (SMEs) situated in the Bangalore and Mysore regions of Karnataka, India.

1. **Null Hypothesis: H<sub>01</sub>:** Size of SMEs is not dependent on recruitment and selection practices.
2. **Alternate Hypothesis:** Size of SMEs is dependent on recruitment and selection practices.
3. **Null hypothesis H<sub>02</sub>:** There is no significant association between years of existence of SMEs and recruitment and selection practices.

- 4. Alternate Hypothesis:** There is a significant association between years of existence of SMEs and recruitment and selection practices.

**Size of SMEs and Formal Adoption of Recruitment and Selection practices**

The formal adoption of various Recruitment and Selection practices by SMEs has been analyzed based on their size, considering the number of employees working in these enterprises. The results are presented below:

Table 2 illustrates the association between the size of SMEs and their formal adoption of Recruitment and Selection practices. Among the 384 respondents, 71 SMEs (18.5%) have adopted formal recruitment and selection practices. 8 SMEs have an employee strength of less than 10, 22 SMEs have a workforce between 11 and 25, 25 SMEs have a staff size ranging from 26 to 50, and the remaining 16 SMEs have more than 50 employees.

**Table 2 Size of SMEs and Formal Adoption of Recruitment and Selection practices**

Size of SMEs	N	Recruitment and Selection Practices
Less than 10 employees	80	8
11 to 25 employees	131	22
26 to 50 employees	144	25
More than 50 employees	29	16
Total	384	71

**Years of existence of SMEs and Formal Adoption of Recruitment and Selection practices**

The formal adoption of various Human Resource Management (HRM) practices by SMEs has been analyzed based on the years of existence of these enterprises. The results are presented in Table 3.

From Table 3, it is evident that out of the 71 SMEs (18.5%) that have formally adopted recruitment and selection practices, 23 SMEs have a tenure of less than 10 years, 27 SMEs have been operational for 10 to 20 years, and 21 SMEs have a longevity ranging from 20 to 30 years. None of the SMEs with a tenure of more than 30 years have formally adopted recruitment and selection practices.

**Table 3 Years of existence of SMEs and Formal Adoption of HRM Practices**

Years of existence of SMEs	N	Recruitment and Selection Practices
Less than 10 Years	86	23
More than 10 years but less than 20 years	164	27
More than 20 years but less than 30 years	96	21
More than 30 years	38	0
Total	384	71

**Association between size of SMEs and HRM practices**

The Chi-Square test is conducted to study the association between size of SMEs and recruitment and selection practices and the results are presented in table 4.

**Table 4 Association between Size of SMEs and Recruitment and Selection Practices**

Size of SMEs	Recruitment and Selection Practices		Total
	Formal adoption	Informal adoption	
Less than 10 employees	8 (14.8)	72 (65.2)	80
11 to 25 employees	22 (24.2)	109 (106.8)	131
26 to 50 employees	25 (26.6)	119 (117.4)	144
More than 50 employees	16 (5.4)	13 (23.6)	29
Total	71	313	384

Source: Primary data \*Significant at 5 %

Table 4 shows the association between size of SMEs and recruitment and selection practices and the results are interpreted as follows.

The expected frequencies are given in the parenthesis of the above table.

Chi-Square Value: 30.09\*      D.F: 3      p = 0.000

As the  $\chi^2$  value is statistically significant, the null hypothesis **H<sub>0</sub>** which states that the size of SMEs is not dependent on recruitment and selection practices is **rejected**. **Alternate Hypothesis** is **accepted**. Hence recruitment and selection practices are dependent on the size of SMEs.

Also, the inference drawn from the analysis indicates that the observed frequencies are higher than the expected frequencies among SMEs with more than 50 employees in relation to formal adoption. This suggests that the formal adoption of recruitment and selection practices is higher among SMEs with more than 50 employees compared to other size groups.

#### **Association between Years of existence of SMEs and HRM practices**

Chi-Square test was conducted to study the association between Years of existence of SMEs and recruitment and selection and the results are presented in table 5

**Table 5 Association between Years of existence of SMEs and Recruitment and Selection Practices**

Years of existence of SMEs	Recruitment and Selection Practices	Total

	<b>Formal adoption</b>	<b>Informal adoption</b>	
Less than 10 Years	28 (15.9)	58 (70.1)	86
More than 10 years but less than 20 years	27 (30.3)	137 (133.7)	164
More than 20 years but less than 30 years	16 (17.8)	80 (78.2)	96
More than 30 years	0 (7.0)	38 (31.0)	38
Total	71	313	384

Source: Primary data

\*Significant at 5 %

Table 5 shows the association between years of existence of SMEs and recruitment and selection practices and the results are presented as follows.

The expected frequencies are given in the parenthesis of the above table.

Chi-Square Value: 13.685\*      D.F: 3      p = 0.003

As the  $\chi^2$  value is statistically significant, the null hypothesis **H<sub>0</sub>** which states that there is no significant association between years of existence of SMEs and recruitment and selection practices is **rejected**. **Alternate Hypothesis** is **accepted**. This indicates that recruitment and selection practices depends on the number of years of existence of SMEs.

Also, as it is observed that the formal adoption of recruitment and selection practices is high among SMEs with less than 10 years of existence, as the observed frequencies are higher than the expected frequencies in this category compared to other groups.

## Conclusions

As per insights from several authors in the field of human resource management practices, it's acknowledged that recruitment and selection practices display variations based on the size of the industry, showcasing differences between large and small businesses. Moreover, there is a positive correlation between firm size and the probability of having a human resource department, which, in turn, fosters the formality of recruitment and selection practices and policies. The findings of the study further emphasize that few SMEs have adopted formal recruitment and selection practices. The study reveals that large-sized SMEs exhibit a higher likelihood of adopting formal recruitment and selection practices. This suggests that as the size of SMEs increases, there is a corresponding increase in the adoption of formal recruitment and selection practices. Additionally, the findings indicate that younger SMEs are more inclined to adopt formal recruitment and selection practices compared to their older counterparts. This implies that as the years of existence of SMEs decrease, there is an increase in the adoption of formal recruitment and selection practices.

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