

## **Impact of Strategic Human Resource Management on Small and Medium Sized Enterprises in Some Selected Local Government Areas in Abia State, Nigeria**

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**Abstract:** *The study investigated the impact of Strategic Human Resource management on small and medium enterprises in some selected local government areas in Abia State, Nigeria. 126 respondents were selected from 235 population of businessmen and women in the four local government areas of Abia State. The general objective of the study is to investigate the place of Strategic Human Resource Management in improving corporate performance among SMEs in Abia State Nigeria. The study used descriptive statistics (frequencies, means and percentages) to answer the three research questions posed for the study. The Spearman Rank Correlation Coefficient was used to test the three hypotheses that guided the study. The results obtained from the analysis showed that there is a strong positive correlation between strategic Human Resource Management (SHRM) and performance level of competition in Small and Medium Sized Enterprises (SMEs). The major finding of the research work is that SHRM is an important and indispensable tool for any organizations performance and for any organization that wants to gain competitive advantage over others. The study therefore recommends that further studies be carried out in Nigeria to investigate the causes of non-adoption of Strategic HRM in Abia state in particular. The causes of this when known and curbed, small and medium scale industries in Nigeria might become more competitive in boosting the development of Nigerian economy.*

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### **I. INTRODUCTION**

#### ***Background of the study***

Human resources management is potentially business function which has become a key element of the strategy of every SME in their efforts to establish and maintain their competitive edge on the market. In recent years, human resources management gained special significance, in theory and practice of SME management. Many SMEs are included in skills of human resources management and they pay more attention to development of their human potentials than ever before. Because of sudden changes and concrete conditions, human resources management is perceived as strategic factor influencing not only the success of SME but also of nations.

In recent years while much attention has been given to small scale businesses by Nigerian policy makers, politicians, practitioners and academics, little research has been done on strategic management practices within the small business sector of the Nigerian Economy. This is surprising in view of the importance of small and medium scale business organizations as critical engines of employment and economic growth (Brouthers, Anderson and Nicolas, 1998). In the case of Nigerian manufacturing sector, over 90% of all businesses are SMEs according to generally accepted official definition (SMEDAN, 2009). The under representation of SMEs in terms of strategic management research data seems inappropriate when the scale of this sector is considered. This fact, together with the key role that manufacturing inevitability plays in economic prosperity, strongly suggests the importance of increasing our understanding of the management of strategy in manufacturing SMEs in Nigeria. Given recent government policy regarding the identification and encouragement of high- growth SMEs in Nigeria, an important gap in the extant literature is any reliable empirical evidence concerning possible linkages between business performance and the strategies utilized by SMEs. The primary objective of this study therefore, is to reveal the competitive, business level of strategies that are being utilized by these firms and the impacts of such strategies on the performance of the sampled enterprises.

#### ***Objectives of the Study***

The general objective of the study is to investigate the place of strategic human resource management (SHRM) in improving corporate performances among SMEs in Abia State Nigeria. The specific objectives are to:

1. To determine the extent to which strategic Human resource management is practiced by small and medium enterprises in Abia State.
2. To determine the relationship between the level of competition and adoption of SHRM.
3. To determine the level of commitment of SMEs in adoption of strategic human resource management.

#### **Research Questions**

1. Is Strategic human resource management practiced by small and medium enterprises in Abia State?
2. How SHRM does affects the level of competition of SMEs in Abia state?

### **Hypothesis**

1. Adoption of strategic human resource management does not have any significant effect on performance of SMEs.

## **II. METHODOLOGY**

### **Research Design**

The study is a descriptive survey because it adopted the use of questionnaires aimed at finding the impact of strategic HR management on small and medium Enterprises.

### **Population**

The population of the study was owners of business of small and medium firms/enterprises and they were located across four local government areas of Abia State Nigeria (i.e. Ikwuano, Ohofia, Umuahia North and Umuahia South local government areas).

### **Sample and Sampling Technique**

This research is concerned only with small and medium businesses in Abia state, Nigeria. The reason for this is that it is highly probable that cross-enterprise differences in the nature of business activities could confound findings relating to SME strategies and to SME growth and performance more generally. Such influences are, to a reasonable extent, controlled for by examining a single enterprise. The primary concern in this research is with SME strategy, growth and performance, and it is more likely that these will be evident in businesses that are legally organized as proprietary companies (Freedman and Godwin 1994; Grey 1992; Hughes and Storey 1994).

### **Instrument for Data collection**

The above hypothesized relationships were tested using data collected through self-administered, structured questionnaires containing essentially close-ended questions.

The questionnaires were administered to marketing directors, or in some cases other businessmen and women within the four local government which are randomly selected small and medium scale enterprises in Abia state Nigeria. The questionnaire was made up of four sections A, B, C, and D. Section A contained six main questions that deal with demographic characteristics of the respondent's owner-manager and their firms.

Section B contained questions that deal with the strategic Human Resource management of the forms. In this section, enterprises were asked to describe or choose their methods of handling competition using a series of items that covered the differentiation and low cost approaches. Section C contained questions that deal with the sales growth, total income/revenue growth, incidence/ frequency of customer complaints in the enterprise, and growth in customer base. These parameters were used as measures of performance. Section B to D used a structured 5-point modified Likert scale battery of strongly Agree (5) Agree (4) Undecided (3) Disagree (2) and strongly Disagree (1) in line with Atiku, Genty and Akinlabi (2011). The respondents were asked to indicate the extent to which they agree/ disagree with various statements.

### **Method of Data Analysis**

The descriptive statistics such as frequencies, percentages and graphs are used for the analysis of the research questions while the hypothesis testing was done with Spearman Rank Correlation Coefficient. SPSS (Statistical package for social sciences) computer software was used to run the analyses. The hypotheses were tested at 0.05 level of significance. At 5% level of significance, reject null hypotheses for test with probability estimate lower than 5% (0.05) and conclude that they are statistically significant. Otherwise, we accept 0.05 (when probability estimates are above and conclude that there is no overall statistically significance).

## **III. RESULTS**

Of the 130 questionnaires distributed to the four local government in Abia State, a total of 126 completed and usable questionnaires representing a response rate of about 96.9% are returned.

### **Analysis of Research Questions**

**Research question 1:** Is Strategic human resource management practiced by small and medium enterprises in Abia State?

Variable	SA	A	U	D	SD	Remark
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Structured planning mechanism	5 (3.96)	44 (34.92)	4 (3.17)	56 (44.44)	17 (13.49)	Disagreement
Differentiation strategy	12 (9.52)	42 (33.33)	7 (5.56)	44 (34.92)	21 (16.67)	Disagreement
Sales growth/low cost strategy	2 (1.59)	49 (38.89)	5 (3.96)	56 (44.44)	14 (11.11)	Disagreement
Mixed strategy/revenue growth	3 (2.38)	41 (32.54)	5 (3.96)	58 (46.03)	19 (15.08)	Disagreement

**Source:** Computation from SPSS 20 Analysis.

The responses to research question one is shown in table 1 above. The study showed that majority of the SMEs in Abia state, Nigeria does not adopt strategic HRM.

This is evident from the results which is an indication that majority of the staff, businessmen and women of the SMEs was in disagreement that their manufacturing firms and business does not have structured planning mechanism, differentiation strategy, low cost strategy/sales growth and mixed strategy. Ticking disagreement to these variables implies that these firms do not adopt them in their management processes. This equally means that strategic HRM is not in use in these sampled areas and as well affect their performance level.

**Research question 2:** How SHRM does affects the level of competition of SMEs in Abia state?

Variable	SA	A	U	D	SD	Remark
Do things that gives use edge over our rivals	26 (20.63)	62 (49.21)	6 (4.76)	16 (12.70)	16 (12.70)	Agreement
Frequency of customer complaints	2 (1.59)	13 (10.32)	25 (19.84)	72 (57.14)	14 (11.11)	Disagreement

**Source:** Computation from SPSS 20 Analysis.

The research question two tries to find out how SHRM affects the level of competition in SMEs. The respondents were of the view that adoption of strategic HRM will enhance the ability of SMEs to do things that gives them edge over others and as well enable them to experience growth in customer base. The result indicated that none of the SMEs is best in terms of attaining to customer complaints; hence none of them could satisfy customers need effectively.

**Test of Hypotheses**

H0 1: Adoption of strategic HRM has no significant effect on performance of SMEs

Variable	Data 1	Data 2	Rank 1	Rank 2	D	D <sup>2</sup>
A	6	12	2	3	1	1
B	45	41	4	4	0	0
C	8	7	3	2	1	1
D	54	46	5	5	0	0
E	2	6	1	1	0	0

Calculating the Spearman Rank correlation coefficient of ranked data,

$$R = 1 - \frac{(6 \sum d^2)}{n(n^2 - 1)}$$

Analysis of the result, Spearman rank correlation (calculated)=0.9

Spearman rank (table) at P = 0.05=0.900

Degree of freedom (df)= 3

This represents strong positive correlation between strategic HRM and performance level of SMEs in Anambra state. This implies that adoption of strategic HRM have significant effect on performance level of SMEs in Abia state Nigeria.

Since the p-value is below the 5% level of significance for this study. Therefore, the study rejects the null hypothesis that adoption of strategic HRM does not have any effect on performance level of SMEs in Abia state Nigeria.

**Summary of Findings**

Studies have shown that achieving a competitive advantage position and enhancing performance in an organization and business set relative to their competitors/ rivals are the main objective that business organization should strive to attain. Also, the idea that strategy content influence performance is a central element of generic management theory, to remain competitively advantaged, studies have equally suggested the use of strategic human resource management. This is because strategic HRM identifies the purpose of the organization and the plans and actions to achieve the purpose.

Despite these, some research work have targeted to investigate the impact of strategic management on organizational growth and development but none have assessed the impact of strategic HRM on small and medium enterprise on small and medium sized enterprises in some selected local government areas in Abia State, Nigeria. Existing studies in Nigeria, aimed at evaluating strategic HRM practices, and the impact of ownership type and Aghe (egOladipo and Abdulkadir, 2010; Oladipo and Abdulkadir, 2011; Abdulkadir, 2012). Related studies on this study were on strategic planning (an offshoot of strategic management) 9see Ilesaanmi, 2011 and Akinyele&Fashogbon, 2007). Moreso, scanty studies have been done on strategic management in Africa (egRaduan, Jegak, Hashinda and Alimin, 2009 in Malaysia) did not cover indeed, the areas that the objectives of this work covers.

Based on the above premise, the study investigated the level of use and effect of strategic HRM on SMEs in Abia state south east Nigeria. Descriptive and spearman rank correlation indicated the following findings

- 1) Strategic HRM is an important and indispensable tool for any organization performance and for any organization that wants to gain competitive advantages over others.
- 2) The study reveals that a genuine application of strategic HRM by SMEs will enhance staff and organizational performances.
- 3) Strategic HRM has effect on level of competition of SMEs in Abia State.

#### **IV. Conclusion**

The adoption of strategic HRM practices by SMEs in Abia state is greatly influence by differentiation strategy, mixed strategy, sales growth and growth in customer base. The strategic HRM practice, SMEs adopts is a function of whether the firm is small or medium sized. (Oladipo&Abdulkadir, 2011) Strategic HRM is not yet a common practice among SMEs in Abia state. Nonetheless, strategic HRM has been identifies as a veritable tool for improving the competitiveness, performance level and commitment level of small and medium enterprises in Abia state, Nigeria.

#### **Recommendation**

The study recommends that further studies be carried out in Nigeria to investigate the causes of non-adoption of strategic HRM in Abia State in particular and Nigeria in general. The causes of this when known and curbed, small and medium scale industries in Nigeria might become more competitive in boosting the development of Nigeria economy. The entrepreneurial centre and business schools in Nigeria should incorporate strategic management principles into their curricular. This will engender sound managerial know-how and boost the performance and competitiveness of firms and businessmen and women in Nigeria.

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