Does the Role of Human Resource Management (HRM) affect the access of Sri Lanka’s SMEs in the Global Market?

E.M.S Ekanayake
Department of Social Sciences, Rajarata University of Sri Lanka

Abstract
Development of small and medium sized enterprises (SMEs) has become an essential component in every economy. SMEs are often encouraged private partnership and entrepreneurship and therefore it can be adjusted according to the socio-economic changes. Ensuring employment opportunities, poverty reduction, promoting economic diversification and acquisition of sustainable development and growth are some of the exclusive advantages that can be extracted from the SMEs progress. In that human resource management become an important part of the SMEs management which can create effectively and efficiency in production scenario through the strategic deployment of workforce by playing various functions. Hence, this study was aimed to identify what are the challenges of entering global market, recognize possibility of recruiting and detain qualified workers, identification of strength and weaknesses of HRM and to figure out what way to get ready HRM for global market. In order to address the research objective, this study was based on the secondary data sources which were found out via extensive web search. In that, reputed published books and index journal articles were the main information sources. According to the findings, it was clear that HRM can influence
on SMEs performances in order to reach for the global market. Amidst the SMEs uniqueness, human resource practices are functioning in order to facilitate peaceful and healthy working environment for its workforce. Representation of workforce, recognition of needs of the employees, rights-based approach for the workers, workforce management and coordination are some of the significant functions perform by HR practices within SMEs operationalization. On the other hand, difficulty in attracting workforce, high demand for the benefits, influence of organizational policies and enforcements, lack of trained professionals to compete with the current trends exist as challenges for the HR practices. Therefore, well organized managerial implication, empowering the leadership at the business operations and establishing new work culture along with trust, loyalty, commitment and values are possible strategies to strengthen the HRM in acquiring global market opportunities.

**Keywords:** Human Resource Practices, Challenges, Small and Medium Enterprises

**1. Introduction**

Sri Lanka as a multi-cultural country, its demographic profile is estimated about 20.2 million and also now it is becoming a middle income country. Therefore, cottage and small and medium scale enterprises play a significant role in developing the economy by creating employment opportunities, mobilization of domestic savings, eradicating poverty, income distribution, rural development, training workers and stimulating entrepreneurs and creating rich economic background to enhance the export market (Nishantha & Padmasiri, 2010). Advocate (2020) along with the Organization for Economic Co-operation and Development (OECD) noted that SMEs improvement is increasing the job creation and value addition which is supportive
for the emerging economies. Furthermore it is stated that most of the SMEs in Sri Lanka can be categorized as sole ownership accounts for 1,019,681 which 71,126 are small ventures and 10,405 are medium businesses and these businesses consist of employees, self-employed persons, active partners and unpaid family workers who contribute for the economic performances. Though business registration mechanisms have established at the Divisional Secretariats, 45% of micro enterprises and 10% of small ventures are remaining unregistered. As a whole, 42% of businesses are not registered and 25% of enterprises establishments are handling by women and this percentage is by far higher in rural sector (35%) than the urban sector (28%). When compare with the large scale enterprises, SMEs are undeveloped and yet to be improved. Another study related to the furniture and the other wooden products manufacturing establishments in Moratuwa Divisional Secretariat Division and found out that financial issues, human resource issues, technology management issues including maintenance of the higher quality and upgrade the technology, business rules and regulations matters, competition problems and infrastructure related issues are the highlighted challenges experience by SMEs in that region (Kankanamge, 2011). Empirical study has attempted to identify level of human and physical resources available for SMEs in Central and Uva Provinces and he claimed that lack of human and physical resources could be influenced on existing and new SMEs in many ways including limited accesses to the modern developed technology, machinery and upgraded infrastructure, and non-availability of skillful workers. In that, author has used SWOT analysis and came up strengthens of these provinces as availability of land, weather condition, geographical landscape, cultural and religious sites, raw materials, sufficient human capital and availability of skilled labor in garment sector. But, he emphasized weaknesses of SMEs in the provinces including
scarcity of skilled labor, non-availability of modern technology, lack of market opportunities, insufficient initial capital and debts, inadequate expertise, issues related to the land ownerships and dependency mentality of inhabitants are constantly deprived the SMEs growth (Deyshappriya, 2019).

Even though SMEs contribution for the economic development is in a high rate in Sri Lanka, now it is facing number of challenges due to lack of dedication of HR (Human Resource) staffs and least attention to improve the HR network in the business sector. Because, role of the Human Resource Management (HRM) in the SMEs can be positively affected via training and development, performance appraisals, recruitment packages, maintaining morale, getting and keeping big clients or customers, developing international quality standards and set the competitive compensation levels. However, he stated that ineffective Human Resource Management (HRM) in the business environment lead to job dissatisfaction, insufficient commitment, absenteeism and also employee turnover is high in this sector (Rajapakshe, 2017).

Another study carried out in Hambanthota District in Sri Lanka by using fifty MSMEs was able to recognize impact of HRM practices on business performances. In that, study recognized that selected MSMEs have adapted to the informal HR practices; on average selected enterprises two out of eight possible formal HR practices, two-thirds of MSMEs have adopted fewer than three HR practices and one-third have not adapted to any formal HR practices. Author further mentioned that most common HR practice is using professional sources of recruitments, using written criteria for firing and also having a HR plan for the business. The nature of HRM practices in the selected district is differed according to the owner-manager’s educational
Does the Role of Human Resource Management (HRM) affect the access of Sri Lanka’s SMEs in the Global Market?

Another study conducted in Gampaha District regarding the Human Resource Management in SMEs and it revealed that there are some positive attitudes of employees towards the HRM including promotion from inside, staffing, equal employment opportunity, quality of training, reasonable compensation and paid vacations and sick days. As well as it has recognized, productivity has been upgrading while employee turnover, absenteeism and grievances are low. But, it further declared that training in most of the SMEs was not integrated in a planned way for employee career development in SMEs (Weerakkody & Ediriweera, 2008).

Particularly, small and medium enterprises have been so far existed under many challenges. Specially, impact of external forces including industrialization, globalization, technological revolution and other socio-economic mobilizations have by far created both positive and negative consequences for the SMEs in Sri Lanka. In that Human Resource Management practices are highlighted factors involving SMEs growth. The negative effects of these Human Resource Management practices adversely impact on entering to the global market and business expansion. Therefore, this study is attempting to recognize what are the challenges of entering global market, identify possibility of recruiting and detain qualified workers, identification of strength and weaknesses of HRM and to find out what way to get ready HRM for global market.

**Human Resources Management and SMEs in Sri Lanka**

Global economy is one of the most important market for any country which creates the foundation to integrate with various economies across the globe instead of any hindrances. Therefore, SMEs have been recognized to act a significant role
in economic development in both developed and developing countries. Gamage & Takayuki, (2013) stated now, there are so many different definitions are interpreted the SMEs based on various parameters including number of employees, annual turnover, capital investment and energy consumption etc. As they further mentioned that different countries and different agencies are used various terms to identify the sector such as small and medium enterprises, rural enterprises, small and medium industries, small and medium activities and cottage and small scale industry. Along with the National Small Business Amendment Act of South Africa in 2004 defined “SMEs as any separate business entity including co-operative enterprises and non-governmental organizations managed by one owner or more and is predominantly carried on in any sector or subsector of the economy”(Hung, Cant & Wiid,2016). Prasanna et al., (2019) along with the IFC defines the lower and upper levels of thresholds of SMEs as the businesses with many employee ranging between 10-50 and 50-250 respectively as well as agreeing with the World Bank interprets SMEs and large firms in their recent enterprise survey by using the employment size of the venture 5-19, 20-99, and 100+ as small, medium and large respectively.

Singh & Singh (2014) emphasized that SMEs are key drivers for the socio-economic development and its overall contribution for the GDP is clarified through the evidence from OECD countries. SMEs have provided new job opportunities for OECD countries since 1970 and GDPS contribution encountered as approximately 30% in Australia and New Zealand, 51% in the UK and USA, 57% in Canada and Japan, and 76% in Luxembourg. When it comes to the SMEs, it plays crucial role in developed countries like UK, USA, Canada, and West Germany and especially in Japan and Baruha. Particularly, developing countries like India
SMEs consider as a growth improvement strategy because of their contribution in job creations, income generation, GDP and exportations. India as the fastest growing economy in the world, its Ministry of Finance stated that GDP stood at 8.8% at the first quarter 2010-11. In addition, overall growth of the index of industrial production (IIP) noted as 13.8% in July 2010 against to 7.2% in July 2009 (Sathpathy, Nagajyothy & Sailajarani, 2017). Faisal & Sulphey (2018) emphasized that SMEs is the backbone of the Indian economy which is contributing around 37.54% of GDP, 37.33% of India’s total manufacturing outputs and creating employment opportunities approximately 1,171.13 million. Gamage & Sdoi (2008) mentioned that SMEs in Japanese economy in 2001 reported as 4.7 million and accoutered for 99.7% of all firms as well as it has showed an improvement in recent years with regard to the annual average of 6.1% between 2001 and 2004. As a result of that, exit rate has exceeded the entry rate despite the slight upward swing in the entry rate and therefore the gap has expanded further to 2.2% in terms of number of establishments and 2.6% in terms of number of enterprises.

Globalization of Small and Medium Enterprises have obtained special attention due to challenges experienced by SMEs in front of the business expansion. In that, Alyafie & Al-Mubarak (2016) have recognized internal and external barriers faced by SMEs. They clarified internal barriers such as limited information to establish and analyses the market, limited human resource management, insufficiency of finance and difficulties in setting pricing strategies for company. As they revealed, external barriers including difficulties in transaction with foreign customers and competitors in global market, government rules and regulations which are restricted the exportations and globalizing the firm and also many small scale ventures located in developing countries.
are by far not globalized because of the vacant of domestic markets, reputation for small quantity and quality goods, low technological requirement and inconveniences in linking with international supply-chain networks.

Ocloo, Akaba & Worwui-Brown (2014) highlighted that SMEs in Africa are weak in terms of small local markets, entry of many ventures into their markets sometimes with superior products, undeveloped rural interactions and also difficult business conditions which consists of cumbersome official procedures, poor infrastructure, dubious legal systems and unattractive tax regimes. In addition, along with the OECD interpreted even though the process of globalization has presented rapid changes to enter to the global market, it is simultaneously provided number of barriers which sometimes affect growth and profitability and thus, it reduces the abilities of vendors in performing global competitiveness. For example, Ghanaian consumers are used to buy foreign goods and majority of local actors have found themselves selling goods from other countries. Especially, their local market has been invaded by the second hand and cheap productions including textile and clothing, electronic from China, South East Asia and Western countries. As a result, small scale ventures are vulnerable than large businesses due to impact of the liberalization, globalization and the competition.

Yoshino & Hesary (2016) explored a study to identify challenges faced by SMEs in Asian context and concluded that SMEs are often experienced obstacles from increased competition, market demand, technology, capacity constraints, innovation and creativity. Hence, SMEs potentiality is not always realized due to some facts related to the small scale ventures including scarcity of resources (finance, technology, skilled labor, market accesses and market information), lack of economies of scale and scope,
higher transaction costs related to the large enterprises, lack of networks which support for the lack of information, know-how, experience of domestic and international markets, inadequate ability to compete with large scale enterprises due to R&D expenditure and innovation (product, process and organization), subject to churning and insufficient entrepreneurial zeal, capacity and know-how. Particularly, geographical isolation among SMEs puts them to get away from the process of globalization and regional integration.

Yoshino, Hesary & Farhad (2017) emphasized 70% of the Indian, 80% of the Chinese and 90% of the Malaysian financial structures are based on the bank loans and thus, Asian economies are often formed by the bank-dominated financial markets particularly their venture capital are not well developed. Though the banking system is the major source of financing, it is improving challenges to borrow money from banks due to strict Basel capital requirements.

As a developing country, the development of SMEs in Sri Lanka plays a strategic role in growing social and economic components of the country. Therefore, Sri Lankan economy is accounting for 80% of all businesses which have found out in all sectors of the economy, primary, secondary, and tertiary and also give occupations for person of various skills, skilled, semi-skilled and unskilled. It is highlighted that 20% of industrial establishments have fallen into the SME team while in the service sector their share is over 90%. In addition, SMEs are necessary source of creating job opportunities which is accoutered about 35% of employment (Sandamali, Ranasinghe, Wickramanayake, Dilrukshi, Fernando, Gunarathne, Fernando, Prathibha, Geethanjali, Abeywickrama, 12.06.2020). Vaikunthavasan, Velnampy & Rjumesh (2019) stated that SMEs
as the backbone of the Sri Lankan economy encounters more than 75% of ventures, provides 45% of job opportunities and 52% contribution for the GDP (Gross Domestic Production). He agrees with the Central Bank of Sri Lanka and defines the SMEs as enterprises that have an annual turnover less than Rs 600 million and its borrowings below Rs 200 million. Further along with the Sri Lankan Export Development Board (SLEDB) interprets the SMEs as enterprises with a capital investment excluding land and buildings of less than Rs 8 million or with annual export turnover of less than Rs 50 million. Muladilge (2017) explores a study related to the export contribution of SMEs and figured out its prevalence as follows;

<table>
<thead>
<tr>
<th>Country</th>
<th>Input to exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>26</td>
</tr>
<tr>
<td>India</td>
<td>40</td>
</tr>
<tr>
<td>China</td>
<td>42</td>
</tr>
<tr>
<td>Japan</td>
<td>14</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: Muladilge (2017)

As he explains, when it comes to the SMEs contribution for the exports in Sri Lanka, there is an insufficient adaptation for internationalization practices among SMEs. In that, he mentions only 3157 SMEs have listed in Export Development Board (EDB) as exporters out of more than million numbers of establishments. He furthermore noted that SMEs in Sri Lankan is considered
Does the Role of Human Resource Management (HRM) affect the access of Sri Lanka’s SMEs in the Global Market?

About both product composition and export destinations during the previous three decades as well as he says that SME exports are highly vulnerable to crisis in few exporting regions and industry sectors because SME exporters are mainly consisted of primary goods with technologically stagnant production practices that can be copied by other competitors easily. As an example, the author points out Sri Lanka’s share in high-tech exports average 1.8% compared to 75% in Korea, 27% in Thailand and over 50% in Singapore and Malaysia. In addition to that, Navarathne (2017) emphasized challenges experienced by small and micro enterprises mainly include maintaining high quality of productions and services, improving the technology, business rules and regulations related issues, competition problems and infrastructure related matters. Wijayarathne & Perera (2018) stated that major obstacles faced by SME exporters in the export market including high cost of capital to finance export, lack of government incentives, scarcity of technology, complexity of export documentation procedure, inadequate financing resources, high tariff and non-tariff barriers, currency fluctuations, shortage of competitive price for foreign customers, high insurance cost and insufficient institutional support.

Vaikunthavasan, Velnampy & Rjumesh (2016) carried out another study to identify challenges towards the development of SMEs and they clarified some barriers including financial capital, infrastructure, employment opportunity, greater utilization of machinery, equipment and raw materials and intellectual and skill employees, sub-contracting with formal and informal sectors. In addition to that, they have recognized external environment related issues such as environmental regulation, government incentives for innovations and environmental actions, environmental protection, supply chain impacts their environmental strategic decisions and also technological
Vijayakumar (2013) conducted a study in Jaffna District in order to recognize the impact of three decades war for the development of SMEs in the region. He claimed that Jaffna-Northern Province has largely affected especially agro-based businesses such as fish and fish productions, tobacco faulty, paddy and rice, coir, coconut productions and Palmyra products. Thus, he mentioned different domains where Jaffna was unable to develop SMEs including great majority of small and medium enterprises destroyed by the arm conflict especially medium businesses were totally destroyed, lack of electricity facilities during the war period, most of the native Jaffna people were displaced from their own place and coastal areas were controlling by the military forces, youngers and other entrepreneurs migrated to the Canada, Europe and America, people did not show a preference to establish a new venture due to the fear or arm conflicts, the poor infrastructural facilities including road and communication particularly there was no connection with the South of Sri Lanka, there was no any marketing facility, people who like to establish a new business were unable to borrow loans from the banks as well as high cost of raw materials restrict the business expansion and new business establishments.

Vijayakumar, Brezinova & Sedlacek (12.06.2020) noted another dimension of challenges could be affected on the SMEs growth by using Kaluthara and Gampaha Districts. He revealed gender bias and refusal of freedom are the highlighted factors for women to enter to the business field because 88% of male predominantly dominated in the both districts. Women participation for the business sector is merely 12% which is a minus point for SME growth. Especially a great majority of entrepreneurs has showed low level of education which prevents their managerial and
also financial capabilities and strategies in the firm. He further revealed that when the growth rates of the SMEs are 60%, maturity of those SMEs is only 4% in both districts.

Gamage & Takayuki (2013) explained that performances of SMEs could be defined by using various indicators such as management process, marketing strategies, network plans, human resource management and technology etc. He claimed that unless SMEs have positive responses from above mentioned indicators, it is difficult to accomplish desired goals from SMEs. Furthermore, even though Sri Lanka do not show a due attention to the HRM, that is a decisive factor as far as SMEs concern. As his mentioned, most of the SME’s performances failed due to low quality products, insufficient financial facilities, inconveniences in finding good raw materials, government policies, lack of skilled training, high competition and existing substitutes, insufficient information regarding the market, labor issues, technological problems, poor management and HRM related issues. In addition, in terms of management practices such as planning, organizing, staffing, directing and controlling, SMEs are very much poor and therefore, most of the SMEs are experienced poor decision making, poor organization, poor controlling, weak directing and staffing. Thus, it creates failures in future development, financial performances, production process and the marketing.

Pretheeba (18.06.2020) highlighted that challenges faced by SMEs in Sri Lanka through various domains. Those are including lack of adequate and timely finance, limited capital and knowledge, lack of availability of suitable technology, low production capacity, scarcity of skillful labors at affordable cost and obstacles offered by modernization and expansion. Not only that, author deeply analyzed the ways of infrastructure
and electricity can be impacted on the development of SMEs in the country. When it comes to the infrastructure, poor quality of infrastructure, availability and the accessibility are the weak part of the provision of infrastructure in Sri Lanka. In terms of electricity provision, there are some challenges are emerged such as high cost generations, transmission and distribution, poor governance which lead to sever obstacles on reliable and quality supply of electricity.

Perera (2018) noted that specific factors which are affecting on growth of the SMEs including weak business environment, insufficient infrastructure, limited accesses to the finance, low technological capabilities, lack of methods for protection and nursing of SMEs, insufficient recognition and lack of drive for innovations. Nishantha (2018) explained adaptability for ICT applications mainly constraint by inadequate internal IT infrastructure, lack of trust, lack of personal motivation, internet connection issues and poor knowledge. As well as, he further noted that regulations are affecting a business areas such as starting a business, dealing with construction permits, registering property, obtaining credits, protecting investors, paying taxes, trading across the borders, enforcing contracts, closing a business, getting electricity power and employing workers.

Gamge (2014) along with the National Human Resources and Employment policy highlights the policy relevance in order to address issues faced by SMEs. He mentioned those issues including gender biases within the sector because employees are predominantly men and therefore he raises the necessity of good and equal employment practices in order to address above biases and to take the women participation in the sector. SMEs entrepreneurs do not have adequate knowledge and skills regarding the field and also majority of entrepreneurs do not like
to provide any welfare services, training opportunities and health facilities due to increase of their cost of production. In addition, author further mentioned that absenteeism is the common fact among the SMEs workers which is reduced the productivity and the staff morale towards their job. Mainly SMEs are being disadvantaged due to scarcity of information sharing, leading to conflicts, dissonance and other industrial relations issues. According to the study carried out in the Northern Province, author agreed with the Centre for Women and Development and there are more than forty thousand of widows including 26340 in the Jaffna District.

He uttered according to the Ministry of Child Development and Women Affairs, there are 89000 widows represent in the North and East areas. Among them great majority of women were uneducated and thus they could not compete for the economic wellbeing. Some supportive factors for the women including lack of entrepreneurial abilities among women, insufficient financial support, inadequate skilled labors, and weak managerial and also weak marketing procedures are another growth barriers identified by the study. SMEs face inconveniences in finding business expansions due to lack of information regarding the domestic and international market. They are also weak in terms of low skills of product development, packaging, distribution and sales promotion. In addition to the, infrastructure availabilities in the war affected areas are highlighted obstacle to keep contacts with the market linkages and development of investment opportunities. Particularly, limited road facilities constraint the market accessibility for agricultural and industrial productions which negatively impact on trade and labor mobility. Poor telecommunication facilities make barriers to accessibility in labor and commodity market information. Especially, insufficient market demand restricts the business expansion.
Mangalesvaran (2013) interprets the Human Resource Management as a distinctive approach to employment management which is seeking to accomplish competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques. According to his study carried out 58 SMEs respondents out of the 20 districts in the Sri Lankan context came up with certain issues related to the HRM. He mentioned that 73.6% SMEs said that labor turnover is high. Poor employee attitude (74.7%) towards the works have been hampering the activities of SMEs. 69% of them are not committed to the work. 60% of them are belonging to somebody. 61.3% of them are not regarded the rules and regulations of the work place. Through the study he further realized that employees are much more concerned about their salaries and other privileges than their output. Human Resource Management is on the other hand a human management process. Rajapakshe (2017) uttered that the quality of work life of the employee has not been secured by this sector and proper HRM practices cannot be seen in the sector. As the reason, he mentioned that there is no clear policy regarding the sector and also existing policies are not functioned and implemented properly.

Priyanath (2006) conducted a study in the Rathnapura District in order to realize basic managerial deficiencies faced by SMEs in the selected region. The study revealed that basic management functions including planning, staffing, organizing, controlling and directing are not successfully exercised by the SMEs which are facing so many troubles in business expansion future. Author mentioned most of the owners of the SMEs act as managers while controlling all the responsibilities, which are not delegated to others. Hence, great majority of SMEs do not perform efficiently due to delay in decision making procedure,
poor organization, weak staffing, poor controlling and directing. In addition, study found that financial management is mostly weak as well as most of the SMEs are not calculated their total expenses, total revenue and the profit etc. As author mentioned SMEs in that region do not keep their accounts systematically. Especially, most of the SMEs do not provide welfare facilities and retirement privileges for the workers such as EPF and ETF to stimulate employees. Thus, poor productions and planning, weaknesses in production process, poor quality of the products and the weak marketing practices are the outstanding managerial deficiencies encountered in the study.

As per above literature mentioned, SMEs development is one of the major pathway of acquiring both social and economic development. But SMEs are still performing their tasks under the impacts of local and global forces. In that, both internal and external factors are highly affected to weak the business performances. With regard to that, investments of the vendors do not take considerable efforts to promote their outputs by strengthening accesses for the global market. Because, still Sri Lankan acceptance of SMEs expansion circulates within the regional and local business environment. However, worldwide, there is an up - coming trend in taking part of the global economy in front of the competitive environment. How but, still accessibility for the global market is not in a satisfactory level. Therefore, SMEs expansion is subjected to be demotivated due to inadequate social, economic and human investments. Thus, this study will attempt to recognize the role of HRM in facing challenges of entering global market of SMEs performances in the Sri Lankan context.
2. Methodology
This study was employed extensive web search in order to collect literature under the secondary data collection. It used key two words such as human resource management and SMEs in the global and Sri Lankan context from 2000 to present. This comprehensive web search emphasized thousands of hits. The second part of the data collection paid huge attention to strain push and pull factors experienced by SMEs in the field of human resource management. In the secondary data collection, reputed published books and index journal articles were the major information sources. Here, two different steps have been used for the data analysis. First step involved identification of push and pull factors related to the HRM practices within SMEs. Second step employed to filter the most influential push and pull factors towards the HRM practices. Finally overall data analysis was broadly considered in order to utilize effective HRM practices which need for the SMEs, in Sri Lanka, in order to enter to the global market.

3. Results and Discussion
Human Resource Management (HRM) is a useful and effective intervention mechanism used by every firm which is more focused on how people should be managed as workers or employees in the organization or workplace they belong. In that available literatures discuss HRM practices under two subdivisions such as “hard and soft” HRM. According to the hard human resource management, it is formulated on behalf of managing and controlling workers in order to accomplish strategic goals of the organization whereas soft HRM practices often consider about the necessities of the employees while understanding the significance of their effective commitment to the organization. HRM practices in the small and medium scale enterprises now have been acknowledged while managing people in their
Does the Role of Human Resource Management (HRM) affect the access of Sri Lanka’s SMEs in the Global Market?

Wok settings. Literature noted that necessity of understanding the employment relationships within the smaller social setting is paramount as well as significant to recognize differences between managerial interventions and strategies followed by large and small firms (Reid, Morrow, Kelly & McCartan, 2002). According to the Cooperate Social Responsibility (CSR) concept, it uses as a self-regulation strategy within the organization. It is a broadly considered business model which brings benefits for the consumers and companies while boosting their brands through CSR programs, philanthropy and volunteer efforts. For example enabling the employee welfare is the highlighted area which is taken into account under the CSR concept. In that, employee welfare is one of the main areas considered within the organization. Not only the employee but also employee’s families are also taken into consider under CSR principles. Providing insurance policies for workers and their families, social activities carry out by ventures, building of healthy and secured working environment for the employees are some of the important factors considered by the CSR. The correlation between HRM and CSR principles are equally important in terms of enabling concrete relationship between social capital (workforce) and productive efficiency in the SMEs in Sri Lanka.

There are several models related to the HRM practices. In that Karen Legge model (1978) is one of the famous models which considers in the human resource management fields. According to this model, he divided human resource practitioners into three categories such as Conformist Innovator, Deviant Innovator and the problem solver. The conformist innovator is the human resource practitioner who recognizes with the organizational objectives as well as he then, comes up with possible strategic interventions including cost reduction, conflict mitigations and also consideration of productivity increases in order to accomplish organizational objectives. The deviant
innovator is considering shifting away from the institutional goals and trying to bring independent professional stance for the working environment. Importantly, deviant innovators as the one category of human resource practices involve in some specific areas of employee development, and work-life balance. In other words, their ideas and opinions can influence for the competitive advantages, even though they might have been come with oppositions. The problem-solver is the third category among HR practitioners that facilitates daily assistance to the Management processes as Problem-solver. It is also now viewed as a conventional role played by the Human Resource practitioner. However, human resource practitioners are ready to work for the growth and development of their organization. On the other hand human resource management brings tangible values such as effectiveness and efficiency to the firm while become strategic contributors for the institutional success by managing workforce through business-like approach. HR personnel tend to become proactive in front of the organizational laws and policies, as well as more futuristic regarding the human resource planning, compensational strategies, and value addition to their organizational management process. According to the available literature, it has clearly described operational to strategic transformation within the HR practices (Anthonia & Omotayo, 2012).
Does the Role of Human Resource Management (HRM) affect the access of Sri Lanka's SMEs in the Global Market?

Source: Anthonia & Omotayo, 2012.
Solid research studies conducted regarding the human resource practices have identified that positive impact generated by the human resource management including employment security, selectivity in recruiting, high wages, incentive pay, employee ownership, participation and empowerment, promotion forms in the organization and training and skills development etc. When it comes to the formal and informal HR practices, there is a distinction. Empirical study conducted in the Sri Lankan SMEs context has been able to provide differences of both formal and informal practices under selected indicators.

Table 2: Formal and informal practices of Sri Lankan SMEs.

<table>
<thead>
<tr>
<th>Practices</th>
<th>Informal adaptation</th>
<th>Formal adaptation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who handle the HR function (specialist or not)</td>
<td>No specialist. Owner or one employee handles this function along with other functions</td>
<td>Firm has HR department (specialist)</td>
</tr>
<tr>
<td>Hiring rules</td>
<td>No written criteria or rule. Firm recruits each individuals case-by-case basis</td>
<td>Firm has a proper procedure for recruitment</td>
</tr>
<tr>
<td>Firing rules</td>
<td>No written criteria or rule. Firm dismisses individuals case-by-case basis</td>
<td>Firm has a proper procedure for dismissing employee</td>
</tr>
<tr>
<td>Sources of new employees</td>
<td>Candidates come on their own or firm mostly rely on personal networking</td>
<td>Firm attract mostly through professional (Universities, Vocational school) bodies</td>
</tr>
<tr>
<td>HR plan</td>
<td>No written plan. Only intuitive plans</td>
<td>Has written plans</td>
</tr>
</tbody>
</table>
Social pressure is another important factor which link with the human resource management. Because it is becoming an extrinsic factor in impacting the extent which employees exert at work. When there is a pressure from the social environment then employees tend to work well since, unless pressure mitigates one’s social recognition. There are many sources of pressure such as customs, requirements, legislations, and enforcements within the working environment (Palagolla & Wickramasinghe, 2016).

Even though there are positive impacts can be seen through the effective utilization of human resource management, sometimes role of the HRM practices are negatively affected on the development of SMEs. Particularly, small firms have been taken less attention in the field of HRM practices than their large firms do. In that small ventures are challenged by the HRM practices because the small size of the venture does not warrant hiring practitioners exclusively committed to the HRM processes. Hence, SMEs is to adapt formal HRM practices due to scarcity of resources including money and time. Thus, mostly small
businesses are practiced less use of high performances given by the HRM than the large firms. Therefore, small ventures are functioning under informal and flexible manner. According to the literature findings, firm size is an important factor towards the formal planning and managing processes and for the overall human resource management sophistications. Mostly employees and managers are less likely to get a proper training within the small business. Because small ventures have less formalized performance appraisals, less likelihood of bonuses depending on the company productivity as well as less training compared with the large businesses. However, firm size as a way of predicting HRM practices, a large heterogeneity exist within the firm type and formalization of HRM practices figured out among small ventures (Mangaleswaran, 2015). Along with the Karl Marx ideas on the economy, the concept of infrastructure and the superstructure can be applied to analysis the situation of HRM practices within SMEs. According to his ideas, economy becomes the key controller of every aspect in the society. SMEs become strategic booster of economic renaissance in the country. Though it can be successfully contributed for the socio-economic development, initial investments like money (finance) and other resources have created limitations for the human capital investments. As the above literature noted, SMEs are not sufficiently adapted to the HRM performances due to these scarcity of resources which means economy has invaded every single component of the business growth. In that, small ventures which do not have affordability to hire keen and talented professionals for their HRM practices are vulnerable to compete against the large firms. On the other hand, large firms which have enough resource allocation for the HRM practices are successfully continuing their business functions towards the global achievements.
Family owned businesses are famous entrepreneurial performance within the Sri Lankan context. In that employee recruitments are become more informal and it happens under the recommendations of family members, close friends or relatives. In fact formally established rules and regulations do not consider in the case of employee selections. Selected workers are trained by the senior members or entrepreneurs on the job. Hence there is no long-term training and they facilitate short-term but through internal mechanisms. According to this mechanism, there is no proper promotion policy within the institution, and specifically, their promotions are determined by the entrepreneurs via certain factors such as hard working, loyalty and punctuality etc. With regard to the Sri Lankan content, human resource management is very much important as well as training in the area of new technological adaptation is timely required factor in the SMEs (Sivalogathasan & Wu, 2020). One of the study carried out in Sri Lankan 58 SME sectors around 20 Districts have identified that specific areas that human resource management have faced troubles. In that, study says 73.6% of respondents have mentioned that labor turnover is high. Poor employee attitudes towards the SME has negatively affected to its performances. It revealed that they are not committed to their work. They believe that it is belonging to somebody. They are not regarded to the laws and other regulations within the workplace. Employees are requiring more salary and benefits without delay which are not matched with their outputs. This study further claims that great majority of small and medium enterprises were labor intensive and still used it. The medium sized ventures have mentioned that inability of the applicant to control basic tool and equipment. The ICT usage is more rather lacking among most of the employees in SMEs. Hence, the lacks of trainees are raised as an issue from the SMEs. Importantly, most of the trainees are school drop outs as well as trainees who could not get access
for the higher educational opportunities due to lack of finance or their inability to funds. The study note that poor human resource practices such as lack of HRP, training, motivation and knowledge have not properly addressed at the core of the SMEs functions (Mangaleswaran, 2013).

According to the Ulrich Becks ideas on risk society, he emphasizes the correlation between globalization and the risk society. He further mentioned that the legacy of the risk in modern society, later, would lead the foundation to create a global risk society. In the modern society, there are so many technical changes happening rapidly. These changes are constantly created new risks and people have to adapt and react for that. He argues that, this risk is not only limited to the health and the natural environment but also it causes to creates risks in some specific situations such as employments, increase of job insecurity, decrease of impact lead by customs and traditions, exclusion of traditional family system etc. Moreover, it does not limit only to the one country. In the era of globalization, risk has more powers to impact on every country and their social structures. Then, it globally creates unnecessary consequences for the whole society. Along with Beck’s opinions on risk society, the human resource management issues can be understood. As the studies discovered, HRM is struggling to find out proper trained employees for the SME functions. But literature has proven that most of the employees are school drop outs and people who have not higher education because of the inabilities in fund raisings. As a result HRM cannot be effectively used ICT in their workplaces. As Beck has revealed, the correlation between technological adaptation and the job security has become huge challenge and risk for the employees. Since they are not educationally well performed, their job security and its continuations have made a considerable risk for themselves and
for the organizational survival as well. Because, in the modern era, ICT comes as a strategy to uplift productivity among enterprises but if the practitioners and employees are not clever in terms of acquiring technological adaptation then it will cause for the overall functional stagnations in the venture. Based on the overall information, SWOT analysis can be effectively employed to demonstrate the entire picture of HRM practices within the SMEs in Sri Lanka.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| • Availability of workers  
• Division of labor in the SMEs  
• Work culture  
• Leadership  
• Workforce strength  
• Organizational rules and regulations in terms selecting, promoting employees etc. | • Managerial deficiency  
• Unskilful employee  
• Less educated workers  
• Loopholes in organizational policies  
• Poor decision making  
• Poor directing and controlling. |

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
</table>
| • Availability of formal and informal enterprises.  
• Inherited business environment.  
• Business uniqueness.  
• Clearly defined employee tasks (job description)  
• Increase entire productivity and efficiency in the business firm.  
• Acquisitions of more consumer preferences.  
• Service expansion | • Scarcity of resources  
• Money and other funds  
• Skillful practitioners  
• High competition  
• Information dissemination  
• Lack of suitable technological adaptation.  
• Interpersonal conflicts  
• Maintaining the heterogeneity among employee |

4. Conclusion and Recommendations
This study provided insights to the role of human resource management practices and Small and medium enterprises in Sri Lanka. It was accurate from the study findings, human resource management and its role has a positive impact on ventures in terms of facilitating healthy working environment,
consideration of needs of the workers, employee management and coordinating, concern about the employee rights and continuation of peaceful working environment. On the other hand, study found out lots of challenges faced by human resource management including difficulty in attracting employees, high demand for the benefits, impact of organizational policies and enforcements, lack of trained professionals to compete with the current trends etc. Specifically, this study noted that formal and informal enterprises are used to manage their ventures via different formal and informal HRM practices and those are differed in terms of hiring, providing trainings, job descriptions, performance appraisals and HR functions etc. Even though there are distinctions between formal and informal HR practices, they commonly experience such constraints. Hence managerial implication is an essential requirement as the study noted which has potentiality in ensuring good and quality HRM practices in order to remain competitive in front of the global market. Therefore, performances of the small and medium enterprises will be advanced if the exiting attention is gone to proper utilization and management of the human resources. Mainly, business owners and related leaders should be taken human resources as the broad and inevitable concept for their business growth. With regard to the employee attitudes towards the working culture, it is needed to be created positive work culture among SMEs in Sri Lanka. This culture should be consisted of new cultural elements such as trustworthiness, commitment, work values and loyalty which can ensure the social and personal life of the employee through the organizational structure.

References

Does the Role of Human Resource Management (HRM) affect the access of Sri Lanka’s SMEs in the Global Market?


Asian Social Science, 636-650.


Does the Role of Human Resource Management (HRM) affect the access of Sri Lanka’s SMEs in the Global Market?


Does the Role of Human Resource Management (HRM) affect the access of Sri Lanka’s SMEs in the Global Market?

Business Management, 18-23.


University of Kelaniya.

