Chapter 50
Effective Human Resources Management Practices in Small and Medium Enterprises:
Global Perspectives of the MIST (Mexico, Indonesia, South Korea, Turkey) Economies

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ABSTRACT

This chapter explores HRM (Human Resource Management) practices in SMEs (Small and Medium Enterprises) in the MIST (Mexico, Indonesia, South Korea, and Turkey) economies. Researchers and consultancy firms such as Goldman Sachs have suggested that these nations will be potentially very strong trading economies for the next decade based on economic analyses. SMEs play pivotal roles in these nations as they contribute to a majority of their domestic employment and GDP (Gross Domestic Product). The focus of the chapter is based on a thorough investigation of secondary sources on HRM practices (recruitment and selection, training and development, performance management, and compensation) of SMEs in the MIST nations. Institutional theory and Strategic Human Resource Management (SHRM) perspectives are showcased in understanding these practices better. The findings of the study suggest that HRM practices adopted in the MIST countries, both individually as well as a cluster, reflect the aspects of universalistic, contingency, resources bases, and institutional perspectives of the Strategic HRM (SHRM) model. The evidence also indicates the simultaneous adoption of both convergence and divergence theories of international HRM. The chapter also presents a model of HRM practices adopted by the SMEs in the MIST nations. Theoretical and practical implications of findings are discussed and directions for future research are provided.

INTRODUCTION

This chapter explores HRM practices (recruitment and selection, training and development, performance appraisal and compensation) in SMEs (small and medium enterprises) in the MIST (Mexico, Indonesia, South Korea, and Turkey) economies. These four nations have been identified as important global business participants for the next decade (Brent, 2009: Aycan, 2006; Leal, 2006). Based on economic analyses, Goldman Sachs, a global consulting company, has identified this list of emerging economies (MIST) as showing a lot of economic and trade prospects in the next decade. In 2001, Goldman Sachs identified the BRIC (Brazil, Russia, India and China) nations as having lots of potential to dominate the global business market.

The MIST economies are considered vibrant markets with increased potential for consumer buying. Mexico, with its geographical proximity to the US, is considered a strategic leader in the global export market. The government is also hoping to deregulate some of its state industries creating opportunities for international investors. Indonesia has abundant skilled and non-skilled employees attracting multinationals to invest in both off-shoring and outsourcing facilities. South Korea has opened its doors to foreign direct investment after its financial crisis in 1997. It has experienced tremendous growth in several industries especially in its automobile and consumer industries. Turkey has demonstrated consistent fiscal growth since 2003 and is attracting foreign direct investment to develop it domestic market (Myles, 2012; Kapadia, 2012; Gupta, 2011; Brent, 2009).

Scholars suggest that most of the academic research tends to focus on large or "best" companies leaving the understanding of management practices in SMEs largely unexplored. For example, out of 207 articles published in top tier journals, only 7 articles identified HRM practices of small and medium companies (Cassell, Nadin, Gray & Clegg, 2002). This is in spite of the fact that most countries rely on SMEs for the majority of their business and trade prospects (Kishore et al, 2012; De Clercq, & Rius, 2007; Cassell, Nadin, Gray & Clegg, 2002). In a study of 156 entrepreneurs at SMEs, it was demonstrated that HRM practices was the most strategic concern for the management of these firms (Heneman, Tansky, & Camp, 2000).

Strategic human resource management (SHRM) presumes that much of the variation in HR practices across organizations should be explained by the organizations' strategies. Also, firms demonstrating greater congruence between HR practices and strategies should enjoy superior performance (Delery and Doty, 1996; Arthur, 1992; Schuler and Jackson, 1987). The SHRM literature draws on a number of models, which includes universalistic, contingency, configurational, and resource- based perspectives (Rhodes, et al., 2008; Aycan, 2005; Bowen et al., 2002; Delery and Doty, 1996).

The contingency perspective of SHRM presumes that the impact of HRM practices or systems depends on contextual variables (Hofstede & Minkov, 2010; Aycan, 2005; Bowen et al., 2002) such as strategy, structure, process, employee behavior, culture, institutional frameworks, and industry trends. Schuler and Florkowski (1996) have stressed the need to examine fit of HRM activities with competitive strategy, national culture, and organizational life cycle. In this chapter, particular attention is given to examine whether there is any variation of HRM practices of SMEs in different countries that is associated with different cultural orientations (individualism/collectivism, power distance, masculinity/femininity, uncertainty avoidance, long/short term orientation). Indeed, if the same set of HRM practices is used across all the four countries, regardless of strategy, culture etc, then there is support for *universalistic* rather than *contingency* perspective of SHRM. It is also important to note that the relevancy of convergence (universalistic, best practices, high performing work practices) and divergence (culture- bound

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