

Chapter 30

Training as a Strategic HRM Tool to Foster Employee Development in SMEs

Ramnath Dixit

 <https://orcid.org/0000-0002-7131-5857>

Symbiosis International University (Deemed), Pune, India

Vinita Sinha

Symbiosis Centre for Management and Human Resource Development, Symbiosis International University (Deemed), Pune, India

ABSTRACT

This chapter aims to highlight the relevance of training and development for employees in SME organizations, and how it can positively impact workplace performance and ensure survival of the organization in the current competitive environment. Over the past few decades, small and medium enterprises (SMEs) have witnessed a paradigm shift in their approach towards human resource management (HRM). With the objective of being globally competitive and to retain talented workforce, the SME sector has been focusing on training their personnel on diverse areas. It is in this context that training and development has emerged as a strategic HRM tool for organizations to foster their employee development initiatives. The chapter concludes with insightful recommendations to strengthen human capital in SME organizations by harnessing training interventions effectively.

INTRODUCTION

Small and Medium Enterprises (SMEs) has witnessed exponential growth in the past few decades. Numerous studies suggest that SMEs act as engines of economic growth, both in developing and developed nations (Golhar & Deshpande, 1997; Ivy, 1997). A report by (The World Bank, 2015) suggests that SMEs contribute approximately half the national income in developing economies. SMEs perform a pivotal function by ensuring sustainable development and enabling employment, income and prosperity

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(Wright, Roper, Hart & Carter, 2015). Similar sentiments are echoed by (Vuong & Rajagopal, 2017) who posit that SMEs contribute towards economic growth globally through job creation, poverty alleviation and encouraging innovation. Empirical investigations conducted by researchers (Galang & Osman, 2014) comprising organizations in Malaysia and Philippines reveals that SMEs with a strategic human resource management approach perform better towards human resource outcomes. This meteoric rise in the SME sector has also led to an influx of human capital in these organizations. However, SMEs often confront HRM issues related to employee performance as well as inadequacy in terms of employee training (Long, Ajagb & Kowang, 2014) as well as talent retention (Cardon & Stevens, 2004). Thus, decision-makers in the human resource domain are focusing on strengthening their workforce potential by leveraging training and development as a strategic tool. The advent of training interventions in the SME space is still in its infancy and therefore, requires continual nurturing and strengthening to facilitate the accomplishment of business objectives through its human resources. Training thus becomes an organizational necessity and no more an exclusive prerogative of the larger corporations. However, for SMEs to reap full potential of its training interventions, they must view trainings as a strategic tool and not just as a “good-to-have” tool. In this context, it is pertinent for SMEs to broaden their perspective and envision their employees as business partners. This chapter attempts to emphasize on the following key dimensions to foster employee development in SMEs through maintenance of a strategic perspective towards training:

1. Developing a holistic training strategy in alignment with organizational goals
2. Building a sustainable training ecosystem in SMEs
3. Identifying critical employee challenges that can be addressed through training
4. Addressing organizational bottlenecks in SMEs, impacting training interventions

BACKGROUND

For organizations to achieve global repute, it is essential that they convert themselves into becoming learning organizations (Dawson, 2017). Training and development, therefore has truly emerged as an indispensable tool to address diverse areas of employee growth and development. Training can be defined as the process to disseminate knowledge or skills to employees such that they can perform various job tasks effectively. It is “any attempt, within or outside the organization, to increase job-related knowledge and skills of either employees or managers” (Jayawarna, Macpherson & Wilson, 2007). The primary reason for organizations to provide workplace training is to augment employee skills that can foster business holistically and positively (Mudor & Tookson, 2011). Furthermore, as suggested by (Fenn, 2015) organizations can accomplish continual success in global and competitive environment by leveraging training and development. Employee training comprises of interventions aimed at providing requisite information and new skills to employees to facilitate their opportunities of professional development (Elnaga & Imran, 2013). Researchers (Jones, Beynon, Pickernell & Packham, 2013) have identified that the use of different training methods applied at an individual employee level has a positive impact on SME business performance. The SME sector in the present Volatile, Uncertain, Complex and Ambiguous (VUCA) (Bennett & Lemoine, 2014) environment is fully exposed to the vagaries of global competition and therefore needs to strengthen its human capital on a continual basis, both to survive and prosper. Mutua (2018) reports a positive business growth on account of the training provided and encourages

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