



Human Resource Management as Entrepreneurial Tool: A Literature Review

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Abstract

Entrepreneurship is an undertaking in which particular human being proceeds along favorable opportunities by exploiting the available resources successfully. Entrepreneurs cannot handle a business single handedly. An Entrepreneur needs to recruit, allocate persons to different work, influence the employees and conserve them for the growth and expansion of the enterprise. As there are many tasks to be performed from establishing to the growth of a venture, the process of Entrepreneurship is a facilitator to the needs of Human Resource Management practices. This research paper highlights the relationship of HRM practices with context to Entrepreneurship. In retaliation, research is done based on the conceptual reading of available literature review of human resource management practices, entrepreneurship and the relationship between the two variables.

Key words: Entrepreneurship and HRM Practices

JEL Classification: M12

Paper Classification: Literature Review

Introduction

In today's scenario, almost every country is being affected by the ever-changing economic challenges, so the concept to generate and provoke significant entrepreneurial activities is protuberant goal for the government of every country. Many researchers have emphasized on the significance of entrepreneurship in the economic development of the country (Davidson et al, 2006). No single person can establish an enterprise by itself. An entrepreneur needs help of other persons to accomplish the desired goal of the organization. So, the entrepreneur needs to follow the process of human resource management. Some of the most crucial functions, an entrepreneur must perform is to recruit the required man force, assign work to different people, influence them to complete their tasks and retain employees to help the enterprise in growth and expansion. It is not a simple task (Philippe and Thelma, 2006). As entrepreneurial businesses grow the human resource practices need to be more formal, complex, systematized and methodical, and disbursement of authority to the subordinates is undertaken to achieve effective results (Pugh et al., 1976; Kotey and Slade, 2005; Flamholtz, 1995). So, the process of Human Resource Management acts as a supporter to perform the entrepreneurial activities effectively and efficiently (Covin and Slevin, 1991).



Human Resource Management

The term “Human Resource Management” cannot be explained in a single definition. It is a continuous process which is to be followed from the start of any business/venture. The functions of HR are means as well as end within themselves.

Human Resource is one of the most crucial elements who provide versatility and variability in an organization (Khatri, 1999). The term Human Resource Management relates to management of people in an enterprise (Hunt, 1992) which involves planning, organizing, staffing, leading or directing, controlling and coordinating different activities of the work force within an enterprise (Saint- onge, 2004). Planning involves the current estimation of number and type of people needed and to forecast the changing values and behavior of the employees and their impact on other functions of enterprise. In Organizing, different tasks are allocated to different persons, their relationships are determined, and integration of activities is done towards a common goal. Staffing focuses on the recruitment and selection of required human resource through different sources. Recruitment should be done in a system that enables increased level of employee selection and development. Direction comprises encouraging human resource to work willingly for the accomplishment of the goal through various ways such as career planning, increase in their remuneration for the targets achieved, ensuring the morale of employees, developing cordial relationships and providing safety and welfare facilities to the employees. Controlling leads back to planning. It compares the standard and actual results achieved and helps to find the deviations. Controlling involves performance appraisal, audit and analyzing of the personnel records. The objective of HRM practice is to establish a more open and flexible style of management so as to increase the motivation and enthusiasm of employees, and develop them so that they can give their maximum input in achieving their respective departmental goals. The efficiency in achieving the desired outcomes rely on the expertise, size and the budgets of concerned department.

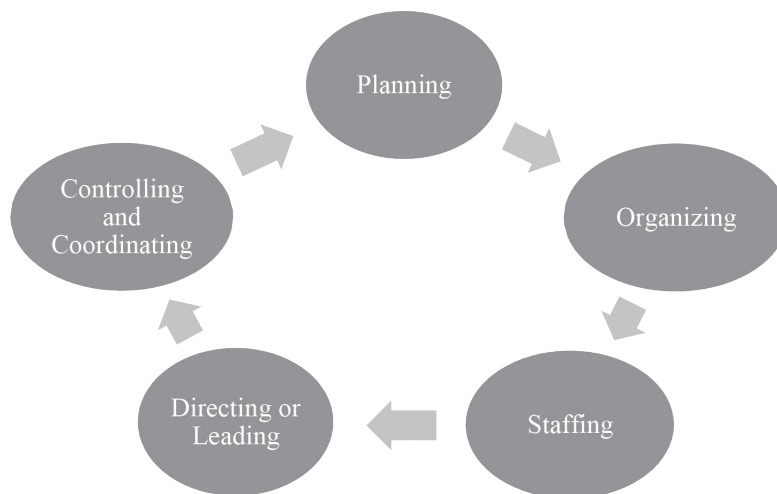


Figure 1: Cycle representing the various functions of Human Resource Management

The prevalent need is to utilize a system which involves practices of management that gives human resource’s competence, knowledge, and inspiration and emerges as a workforce that proves to be origin of competitive advantage (Guthrie, 2001). Organizations that can effectually impact the behavior and motivate their workforce to have clarity in attaining the pre determined objectives can enlarge the performance and feasibility of employees through effective human resource management practices (Huselid, 1995). Industrial and organizational psychology

has characterized some important human resource functions such as selection of competent employees, providing training, appraisal of performance timely, and fair compensation to them (Boxall & Purcell 2001). The organizational behavior of the employees can be strengthened with efficient human resource management practices particularly in areas like staff adherence, proficiency, and flexibility, which results in improvised employee performance and thus strengthening the overall organizational performance (Koch and McGrath, 1996).

Entrepreneurship

The word 'Entrepreneurship' can be summarized as "a procedure to generate value jointly with help of remarkable collection of different facilities and resources to utilize an opportunity" (Stevenson et al., 1989). The person who generates idea to explore the opportunity and work towards achieving it is known as Entrepreneur. The concept of Entrepreneurship was firstly recognized in the review of literature on individual as entrepreneurs (Kirzner, 1973). The process in which people by themselves or with the help of internal organization system, seek the unexplored opportunities taking consideration of the resources they presently have and can be obtained from the environment, can be defined as Entrepreneurship (Stevenson & Jarrillo, 1990). To create entrepreneurship within already prevailing enterprises requires repetitive pursuance and utilization of current market opportunities or technological change (Miller, 1983). Many studies have been conducted on Corporate Entrepreneurship also. These studies evaluate entrepreneurial firm's behavior that means the study of behavior of those firms which show entrepreneurial behavior. In order to pursue the process of Entrepreneurship successfully, the entrepreneur should have significant qualities of a HR manager like leadership, risk taking, team building, and competitive and good management skills. It benefits the potential of recognizing latest opportunities, specifically estimating their worth in state of risk and uncertainty, and utilizing them efficiently (Hitt et al., 2001). Entrepreneurship can be developed keeping in mind the four basic aspects. First, there must be existence of some opportunity or ways by which profits can be generated. Second, person should have capability to explore the facts and information about the existing opportunity. Third, person must possess the ability to take the risk. Fourth, entrepreneur should have the ability to manage organization of workforce and available resources. Hence, an organization can be termed as entrepreneurial firm which has ability to recognize, assess and finally utilize the opportunities (Shane & Venkataraman, 2000). Organizations that are characterized as entrepreneurial are inclined towards pro-action, are competitively assertive, risk taking, creative and innovative, proficient in discovering and exploiting upcoming technological opportunities, explicating their own marketplace, and following the path designed by them (Lumpkin & Dess, 1996; Miller, 1983)

Objectives of the Study

1. To establish a linkage between HRM and Entrepreneurship through literature review.
2. To prepare a conceptual model representing the linkage of HRM practices with Entrepreneurship.

Proposition: HRM practices have a significant positive impact on Entrepreneurship.

HRM as Entrepreneurial tool – Research Review

The concept of Human resource management and entrepreneurship is well-recognized and acknowledged process within themselves. But integration of both the studies has been a current

situation (Katz et al., 2000). Among all the operation, Human resource management practices is considered as important managerial operation that can affect the outcome of entrepreneurship (Morris & Jones, 1993). The START (System for Analysis, Research and Training) 2003 survey shows that more than 45% of the entrepreneurs consider HRM as one of the three prime management areas which needs to be flourished with consideration so that the new ventures grow and develop properly.

Both HRM and entrepreneurship has their relevance and inferences, practically and academically (Dabic, 2011). The results of any firm i.e success or failure, especially of the entrepreneurial firms can be ascertained and influenced by the effective management of the human resources (Katz et al., 2000). HR practices influence different facets: possessing human resources, preserving human resources and developing the human resource (Garand and Fabi, 1992). The position HRM holds is crucial in building the culture of organization and intensifying morale of employees and groups. Some HRM practices, for instance, induction, training, development, performance appraisal, compensation, etc. help to surpass learning and boost motivation level of employees.

The value of Organizational intellectual capital increases with effective HRM practices. (Keld and Nicolai, 2003). HR manager needs to recognize and locate the opportunity. This is called Opportunity discovery. Opportunity discovery capability is defined as the potential to perceive that an opportunity pertains in the market with some worth. It implies the propensity to determine gain in some market or technological advancement with the implementation of a new means-end relation sustaining construct which is undisclosed to the competitors (Shane and Venkataraman, 2000). It includes job analysis, recruitment and staffing. Job analysis can be defined as sequential steps to recognize and direct the particular duties of the job and the importance of these duties for a given job. (Anderson, 1999). The outcomes of faulty recruitment are enormous and can make the organization highly unsuccessful. So, job analysis is an indispensable level in the hunt for efficiency and conduct of employees in any organization (Martory and Crozet, 1984).

Recruitment of admirably qualified employees is predominant transformation related follow-up for small scale beginners (Baldwin & Gellatly, 2003). The entrepreneur is the foremost person of beginning organization. The entrepreneur is assisted by remaining enterprise representatives who are directly or indirectly included in the entrepreneurial undertaking (Zahra 1999). Organizations are able to effectively strategize, troubleshoot and resolve difficulties, modify according to environmental circumstances, find different methods to enlarge advantages and reduce costs and have ability to innovate; if they are bestowed with superior human resources (Coleman, 1988; Lengnick-Hall, 1992; Snell & Dean, 1992; Youndt et al., 1996). The way a firm coordinate and manages its human resource is favorably correlated with its propensity to develop new products (Laursen, 2002). Unwell delineated compensation fixation and performance appraisal systems restrain behavior of entrepreneur in well-established organizations (Balkin & Logan, 1988). HRM facilitates firms to execute the knowledge strategies to create transformations (Michie & Sheehan, 1999; Shadur & Snell, 2002). Contrary, the entrepreneurial firms which are not able or willing to tackle successfully with HRM concerned problems detect it troublesome in alluring and sustaining efficient employees, are incompetent to stimulate the sustained employees, and in general, fail to increase the worth of their employees generally with their terrible sustainability ramifications (Baron, 2003). HRM practices also influence the abilities and motivation of the employees and impart them with opportunities to perform expected behaviors (Locke and Latham, 1990). Due to the fact that HRM function is indispensable to prosperity of any entrepreneurship (Welbourne, 2006), HRM practices must emphasize on structuring compatibility among employees as well as complementing individual employee personality with different job conditions (Larsen, 2001).



Conceptual Framework

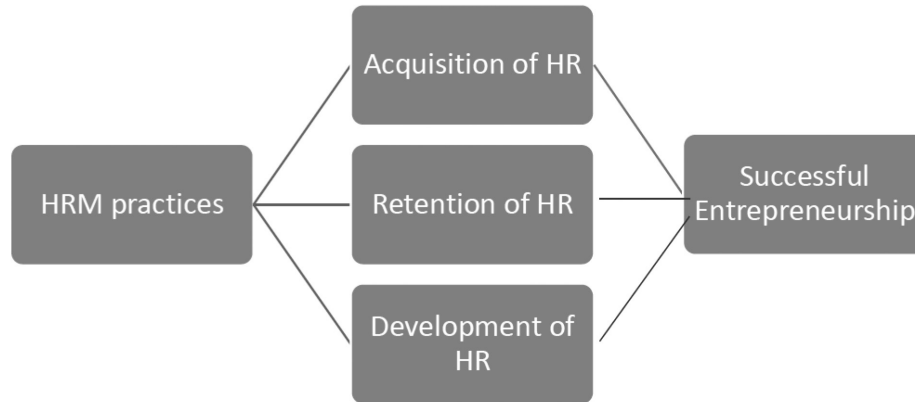


Figure 2: A Conceptual Framework

Based on the discussions in the research review, an abstract model integrating the HR practices and Entrepreneurship is prepared to strengthen the innovative spirit within the entrepreneurial firms. According to this model, effective utilization of HR practices i.e. Acquisition, Retention and Development of HR will lead to the success of Entrepreneurship.

Conclusion

This research paper sighted to investigate the linkage of the different subsystems of HRM with entrepreneurship. Accordingly, the literature is focused on the intersection of the subsystems of HRM with Entrepreneurship. The study and investigation of the existing literature explored the various duties to be performed by the entrepreneur in relation to the Human Resource Management. It proposes that efficient HRM practices will assure entrepreneur's victory in strategizing itself to sustain innovative potential of employees. Therefore, Entrepreneurs need to recognize and acknowledge the requirement to enhance the organization's HR practices.

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Authors' Profile

Neha Narula is presently pursuing Ph.D. from University School of Management, Kurukshetra University, Kurukshetra, Haryana, India. She has qualified UGC-JRF and also has been Awarded "Lt. Sh. Amitabh Khandelwal Memorial Medal" for being topper student of M.B.A by Kurukshetra University in 2016. Her area of interest is Human Resource Management. She has teaching and research experience of 4 years. She has attended several seminars and conferences and presented 4 papers.

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