Human Resource Management in Entrepreneurial Business: A Literature Review

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Abstract. Entrepreneurial orientation is critical for small and medium organizations for the survival and growth of their businesses. Entrepreneurial is an undertaking in which a particular human being proceeds along with opportunities by exploring the benefit of human resource management. The study justified that the role of managing human resources effectively and efficiently is significant in fostering and maintaining high levels of productivity in entrepreneurial businesses. Employees are said to be the most important resources available to an entrepreneur in the creation, development, and sustenance of a thriving entrepreneurial business. However, it was recommended that business owners should ensure competent candidates are being selected and placed during the recruitment process, as proper selection and placement of candidates into the organization will result into having the right people doing the right job which would enhance future performances of entrepreneurial businesses.

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Introduction

In the world today, small and medium enterprises are seen as the major drivers of the economic growth and development in the economy by characterized by free-market entry, sole ownership, entrepreneurship orientation, business, and management
SMEs do not only represent the nation’s opportunities for industrial development but also contribute majorly to the sustainability of human resource management in the area of enhancing and alleviating inadequacy in HRM.

In Nigeria today, the poor condition of the economy which implies poor finance and inadequate infrastructure, poor managerial competence have been identified as the most crucial reasons affecting SMEs enterprise [2]. The Covid-19 pandemic is the call for organizations to move from one stage of their business cycle to the next, this is often causing for revamp of entrepreneurial skills and building innovation capacities to survive, achieve profitability, and stimulate entrepreneurial growth. Research on human resource management in entrepreneurial business is relatively rare in SMEs because it is more focused on operational activities in the organization.

One way to examine the uniqueness of human resources is through HRM to get suitable employees for the organization. The dynamic capability theory [3] also claimed that organizations could combine internal and external knowledge to deal with environmental changes in capturing the opportunities. HRM is a concept that can make it easier for employees to share knowledge because they feel comfortable at work [4]. Based on these considerations, this study aimed to analyze the empirical impact of human resource management in an entrepreneur’s business.

**Literature Review**

This review critically discusses human resource management (HRM) and entrepreneurial business. This will form the theoretical review, conceptual review, and subsequent link that occur between HRM and entrepreneurial business based on the various kinds of literature and studies that were now turned.

**Theoretical Review**

Orakwue and Iguisi [5] argue that behavioral management theory, resource dependency theory, organizational life cycle theory, organizational learning theory, general system theory, are some of the theories that can be used to explain the connection between HRM practices for the management of workers and entrepreneurship. However, the study adopted behavioral management theory, and resource dependency theory, for the study, and finally, the study underpins the resource dependency theory as the theoretical link between HRM and entrepreneurial business.

**The Behavioral Management Theory**

The behavioral management theory can be defined as the use of human resource practice as devices for influencing the patterns of behaviors of individuals and team members in other to accomplish the organizational aims and objectives [6]. Understanding such behaviors help the managers in making the right decisions, and the steps to be taken on the management of people as well as expected consequences.

The human dimension of work and the behavior of employees have been addressed by the management principles in the management study. Schuler and
Jackson [7], studied the generic strategies of Porter [8] which explains how the firms chase competitive advantage depending on their selected market choice. They argue that organizations tie approximate human resource policies and procedures with a selected generic strategy which will enhance job performance as well as organizational productivity [5].

It was further argued that organization also pursuing cost minimization strategy should choose rigid policies, while, an organization pursuing an innovation tactic would need to look far away for better improvement in their working environment which also includes the resources that will enhance new behavior in the employees such as career paths and long term goals in terms of the reward to encourage and positive work behavior, and also include discipline to unethical or dysfunctional behaviors [9].

**Resource Dependency Theory**

This theory was established by Pfeffer and Salaneik [10] They posit that how organizations can best obtain and successfully make use of the limited resource which not only differentiate them in a competitive market but also revealed that the resource is durable, not easily replaced. This approach sees an organization in an open system that depends on the external environment where it energies its resources such as Man, Money, Machine, Materials, Markets). Bird, Hall, Momente, and Reggiani [11] describes the ability of the firm to establish a correct link with the environment that ensures contact to such unique and distinguishable resources which offers benefits such as an enhanced brand name, organization repute, greater employee affinity, boost customers’ trust and consequently bringing about competitive advantage and overall financial performance. The approach describes how to choose a suitable resource from the environment where she operates which can enhance the value and brand image of the goods and services of the firm. Hum resource is the most valuable asset in the organization. To sustain the competitive advantage of a growing entrepreneurial venture means choosing a specific HRM policy and procedure which is internally reliable and stable with the vision and mission of the organization.

Resource dependency theory buttresses the link between HRM and entrepreneurship. The theory argues that a lack of required resources in the organization such as human resources, organizational resources, or technological resources will reduce the growth potential among the organization [12]. The theory explains how organizations draw unique resources from the environment through the implantation of human resource practices. No entrepreneurial firms will be highly competitive in the business market without proper management of the human resource. HRM became the only source for a sustainable competitive market. Human resource-based theory suggests that the higher the application of HRM practices such as employing the right number of people with the right skills, adequate training, and development, frequent payment of wages and salaries can lead to higher performance of the business. The concepts of strategic management were supported by this theory which helps in linking the firm tactic with the management of people. Organizational attainment can be determined by the culture, values, attitude, and commitment of the workers [13].
Conceptual Review

Entrepreneurship

The concept “entrepreneurship” explains various activities of an entrepreneur. Different authors have different meanings for the concept [5]. Dabic, Ortiz – De – Urbina – Criado, and Romero – Martinez [13] explained that entrepreneurship is a difficult concept to pin down because it draws on various academic disciplines with perspectives that are different. Putari [15] explained that entrepreneurship involves the role of an agent who put together all means of production and realizes in the value of products, the value of wages, the capital employed, profits belonging to himself, and as well the interest and rents he pays, thereby viewing entrepreneurs as change agents. In the same vein, Soyibo described entrepreneurship as the process of identifying an opportunity that is related to satisfying needs and converting it to a service or product, hence engaging in wealth and value creation for the people. Entrepreneurship is a function of looking for investment and creation openings, arranging an undertaking to take up a new creation process, raising capital, recruiting labour, and utilizing resources, and as well presenting new pursuits towards social and monetary objectives [16]. It can be deduced from the reviewed literature that entrepreneurship involves activities such as discovering opportunities (unsatisfied needs) in the society and making good use of such opportunities by engaging in the production of goods and/or services to satisfy such needs or wants.

Human Resource Management (HRM)

As organizations attempt to compete in the markets through people, HRM has assumed a vital strategic role lately. Jones and George [17] attest that HRM involves all managerial activities; attracting and retaining employees as well as guaranteeing that their performance is at a high level, which must be geared towards the achievement of organizational objectives and goals. Dessler [18] defined HRM as “the policies and practices involved in carrying out the human resource aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and labour relations”. Lin et al., [19] explained that HRM includes all activities that are related to managing employment relationships in an enterprise.

Essentially, therefore, HRM involves all activities undertaken by entrepreneurs or managers towards attracting and retaining competent employees. These activities may include recruitment, selection, and placement of competent workers, proper and deserved reward and compensation for employees, adequate training and development programs for all employees without prejudice, as well as proper utilization of labour. An enterprise with effective and efficient HRM tends to have its employees and customers more satisfied, such an enterprise also tends to be more innovative and as well have greater productivity, [20]. An effective and efficient HRM helps the entrepreneur in the actualization of the enterprise or company’s goals, objectives, mission and vision.
Recruitment

Ezeali and Esiagu [21] claimed that an organization’s efficiency in service delivery and its success depends largely on its workforce quality, which was recruited into the enterprise through recruitment and selection exercise. Adagbabiri and Okolie [22] posited that proper selection practices in an organization’s recruitment process will determine who is hired. Adagbabiri and Okolie [22] further explained that when competent people are chosen for the task, performance and the productivity of the enterprise increase thereby leading to its success. Orakwue and Iguisi [5] affirmed that a key component to organizational success is the recruitment of the right people, who possess the necessary competence and skill who can fit into the need of the organization at different growth levels.

Recruitment exercises being carried out by organizations would determine their business success. Through a proper recruitment process, competent employees capable of bringing innovative ideas for the growth, development, and expansion of the organization will be selected among a large or small pool of applicants. Prejudices and biases should be avoided when recruiting, selecting, and placing job applicants on the job. Recruiting a wrong candidate for the job will amount to having a round peg in a square hole or vice versa, which may, in turn, lead to an enterprise not being able to outgrow or outshine its competitors.

Reward and Compensation

Reward and compensation as described by Orakwue and Iguisi [5] is one amongst many vital component of HRM function. Verma [23] explained compensation to be the remuneration given to employees in form of benefits and financial returns. Compensation is given to employees for their contribution to achieving organisation’s goals and objectives [23]. A study by Ndung’u and Kwasira [24] showed that there was a positive and significant relationship between reward system based on employees performance, career reward system and employee motivation. Verma [23] established that not only will rewarding employees based on individual and group performances through financial and non-financial rewards increases the performance and efficiency of employees, but will also contribute to the overall performance of the organisation.

Training and Development

Training and development as described by Nabi Ahmed and Rahman [25] is “an educational process which entails sharpening of skills, concepts, changing of attitude and gaining more knowledge, all of which are geared towards improving employees’ performance”. Noe, Hollenbeck, Gerhart, and Wright [26] concluded that employee development is a necessary effort of an enterprise to improve and enhance service quality and to meet the threats of social change and competition globally. When an organization provides formal and informal training programs, such as coaching, mentoring, basic skills training, and job rotation, employee’s development will be influenced thereby causing a positive change in their overall performance in the organization [27].
Training and development is another vital element necessary for achieving the growth, expansion, and competitive advantage objective of a business enterprise. Employee’s knowledge and abilities increase when they acquire new skills through training and/or developmental programs. Increased employee knowledge will then in turn be a tool to improve the performance of the business enterprise. This is corroborated by Thang and Buyens [28], who posited that training and development programs provided by organizations to their employees, lead to superior behaviors, skills, abilities, knowledge, attitudes of beneficiaries that eventually improve the performance of the organization.

The Link between HRM and Entrepreneurial Business

Human resource management and the entrepreneur concept is a well-recognized and accepted process within them. But the integration of both studies has been the current situation [29]. The survey carried out by System for Analysis, Research, and Training (SMART) in 2003 indicated that over 45% of the business owners consider human resource management one of the most management areas which need to flourish with consideration so that the new ventures grow and develop properly.

Orakwue and Iguisi [5] examine the concept of “entrepreneurship” in HRM. The study introduces strategic HRM as an entrepreneurial strategy in which the employees are seen as the main resource needed for the organization to accomplish its aims and objectives. They conclude that establishing new firms or continuing an already established firm where there is a scarce resource, the role played by the entrepreneur becomes a crucial management function in the selection and personal development of HR competencies.

The firms were encouraged to implement the role of the entrepreneur in managing human resources to accomplish the value of the organization. Dabic, Ortiz-De-Urbina-Criado, & Romero-Martinez [13] review literature on “human resource management in entrepreneurial firms” and provide the importance of human resource management in entrepreneurial firms. Their study aimed to determine how far research has been done in this area and what areas still pending study. Madmoli [30] considered the connections that occur between HRM and organizational entrepreneurship in Iran using knowledge sharing by middle managers as a mediating variable. The study was applied research and utilized a sample of 384 managers and employees selected using Cochran’s sampling formula. Data was collected using an author synthesized questionnaire and was analyzed using path analysis. The study found a positive and significant relationship between the variables and an improved relationship with the mediating role of knowledge sharing practice among middle managers who help bridge the knowledge gap between employees and top managers.

Dabic, Criado, and Martinez, [13] argued that both, HRM and entrepreneurship have their importance and implications, practically and intellectually. The success or failure of any entrepreneurial business can be determined and enhanced by human resource management [29]. Uyar and Deniz [31] investigated the “role of HRM and developing sustainable entrepreneurship”. The further and explained how HRM practices and procedures can be implemented
by the entrepreneur to direct their business. They argue that human/employee is the most important resource for entrepreneurs, surprisingly; the business owners have at least the average level of knowledge on human resource management and its functions. The widely documented relationship between human resource practices and corporate entrepreneurship has been explained in a variety of ways. One explanation is that enhancement of employee skills and of the motivation to use those skills leads to creativity improvement [32]. Employees will not only use their skills to enhance core job performance but will also suggest innovative ideas that will improve corporate entrepreneurship. The effectiveness and efficiency of an employee can be attained if the HR practices invest in the knowledge and skills of the employee. Employee skills and knowledge are imperceptible and not replaceable due to the role they play in the organization or firm.

Entrepreneurship is a task in which an individual proceeds along with favorable opportunities by exploiting the available resources [33]. Narula and Chaudhary [33] the relationship of HRM practices with the context of entrepreneurship were examined. The study revealed that the business owner 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 business, the process of entrepreneurship is a facilitator to the needs of HRM practices.

The above figure conceptualizes the link between HRM and entrepreneurial businesses (figure). Effective HRM is vital for managers, entrepreneurs as well as organizations in achieving a higher level of entrepreneurial success. Proper recruitment process, reward, and compensation plan, as well as training and development programs, aid entrepreneurial businesses in achieving greater performance and competitive advantage.

Conceptual Framework. Researchers’ Compilation, 2021

**Conclusion and Recommendation**

The reviewed literature gave a good insight into the link between human resource management and entrepreneurial business. It was discovered that the role of managing human resources effectively and efficiently is significant in fostering and maintaining high levels of productivity in entrepreneurial businesses. Employees are said to be the most important resources available to an entrepreneur in the creation, development, and sustenance of a thriving entrepreneurial business.
Getting the best from them requires proper management. When properly managed, they tend to give their best in terms of engagement and cooperation to the furtherance of the aims, objectives, and goals of the enterprise. This calls for strategic management of human resources in entrepreneurial businesses.

Since there is a link between human resource management and entrepreneurial business, entrepreneurs, as well as managers, should ensure proper recruitment, selection, placement, reward, compensation, training, and developmental processes in the organization, as all these motivates human resources to contribute meaningfully to the organization, which on the short and long run will amount to the success of the entrepreneurial business in the local and global market. Managers should ensure competent candidates are being selected and placed during the recruitment process, as proper selection and placement of candidates into the organization will result in having the right people doing the right job which would enhance future performances of entrepreneurial businesses. Furthermore, proper compensation, reward, training, and development system will motivate and aid improvements in the knowledge, skills, and abilities of the organization’s human resources which are required for the organizations growth and expansion.

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Управление человеческими ресурсами в предпринимательской деятельности: обзор исследовательской литературы

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Аннотация. Предпринимательская ориентация имеет решающее значение для малых и средних организаций, для выживания и роста их бизнеса. Предпринимательская деятельность — это процесс, в котором конкретный человек действует в соответствии с имеющимися возможностями на основе управления человеческими ресурсами. Проведенное обзорное исследование подтверждает, что эффективное и действенное управление человеческими ресурсами играет важную роль в стимулировании и поддержании высокого уровня производительности в предпринимательской деятельности. Считается, что сотрудники являются наиболее важным ресурсом, доступным предпринимателю для создания, развития и поддержания процветающего предприятия. Тем не менее, авторы рекомендуют владельцам предприятий обеспечить отбор и распределение компетентных кандидатов в процессе найма, поскольку надлежащий отбор и устройство кандидатов в организации приведет к тому, что компетентные люди будут выполнять подходящую для них работу, что повысит эффективность предпринимательской деятельности и самого предприятия.

Ключевые слова: управление человеческими ресурсами, предпринимательская деятельность, менеджер

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