

## The Reality of Strategic Human Capital Development in Small and Medium Enterprises.

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### ABSTRACT

Human capital is vital for any organization for the attainment of organizational objectives. Developing the human capital thus becomes a critical conduit to the attainment of organizational objective. There has been an increase in the number of Small and Medium Enterprises (SMEs) in Zimbabwe and human resource management has become very critical. The human resource is the only resource that can provide competitive advantage amongst rivals. This paper seeks to highlight the challenges faced by small and medium enterprises in effectively implementing human capital development (HCD). Qualitative research methodology was used as the main research approach in the study. Two small and two medium mining organisations were conveniently identified in Gweru and used as case studies. Data was gathered mainly through the use of face to face interviews with 12 participants. It was obtained that both small and medium enterprises view human capital development as very important in their operations. However they pointed out that they cannot employ HCD effectively as they have limited financial resources, lack of skilled staff, lack of expert knowledge on human resource issues as well as lack of effective employee retention strategies. The researcher recommends that the small and medium enterprises forms partnerships with other organisations so as to mobilise resource and also for knowledge sharing.

**Key words:** Development, strategic, human capital development, challenges, reality

### INTRODUCTION

Small to Medium Enterprises (SME's) are the seed bed for the development of big corporations world over. Their importance in any economy is undisputable. Human capacity has become a critical index of competition in the world of business to the extent that the development of such capacities through training has become top priority in designing the strategic plan of the business (Tim and Brinkerhoff 2008). Managing them effectively has become of paramount importance in any economy. The success or failure of SMEs rests on the human resource. The human resource element has become the only single factor which competition cannot copy. Developing and managing them human resource effectively therefore helps creating better SME's that will enable national development. Intellectual capital, knowledge and competence of employees cause success or failure of SME's in dynamic environments.

### BACKGROUND OF THE STUDY

The mining sector in Zimbabwe comprises a large scale sub-section with more than 130 000 operating mines. The formal small scale with more than 20 000 registered mining claims of which about 10% are in active production. Formal small scale miners are those miners who

have registered their mining claims with the Ministry of Mines and Energy in accordance with the provisions of the Mines and Minerals Act Chapter 21:05 (1996). These mines operate or at least attempt to within the confines of the minerals Act together with other relevant statutory instruments such as the Mining (Management and Safety) regulations 1990. The majority of the mining companies are located along the Great Dyke. According to the constitution of the Small and Medium Sized Enterprises Association of Zimbabwe, a small enterprises consist of an organization whose asset base is less than US\$100 000 or has an annual turnover of less than US\$500 000. This type of an organization is registered under the premium member in the association. The medium enterprise is on the other hand defined as an organization that exceed the threshold for small enterprises but have assets less than US\$ 1 million. However according to the Ministry of Small to Medium enterprises in Zimbabwe (2002) an SME is a registered enterprise with employment levels ranging from 30 -70 employees depending on the type of industry. For the purpose of this research the researchers used the definition of the Ministry. SMEs are important in Zimbabwe given the fact that majority of the bigger firms are currently downsizing and in the worst case closing down. Conventional sources of employment are shrinking, formal employment opportunities are becoming increasingly limited in Zimbabwe. SME's therefore absorb back into the workforce the employees that are made redundant by downsizing, restructuring or rationalisation taking place in large organization (Landstorm 1998). This provides income to the region thereby stimulating local economic activity and driving wealth and further employment creation. Walker and Webster (2001) argues that SME's offer consumers a greater opportunity for choice by operating in fragmented or niche markets which larger firms cannot economically enter or are reluctant to enter because of unattractive risks. Ogundele (2007) argues that SME's represent 90% of the enterprises of Africa. SME's make up the largest business sector in every economy (Culkin and Smith 2000). Governments world over are supporting the growth of SME's as a part of the overall national development, economic and national regeneration. The importance of SMEs is also enshrined in the Zimbabwe Agenda for Sustainable Socio- Economic Transformation (Zim Asset) which is an economic blue print. It highlights that the main thrust of SME's and co-operatives policy will be developed and provision of funding for indigenous business ventures will be provided .especially start-ups and those run by previously disadvantaged individuals. This goes to show that SME's are important therefore there is need to critically analyse the HR issues in these organisations. However in Zimbabwe, the issue of Strategic Human Resource Management (SHRM) have received little specific attention for researchers. Oforegbunam et al (2010) argues that empirical research in strategic human resources management has tended to focus on larger concerns. The researcher identified this gap and thus sought to assess human capital development is viewed in small to medium enterprises since this is a critical aspect in an organization.

John F Kennedy as cited by Gary (2000) once said, 'manpower is the basic resource, the indispensable means of correcting other resources to mankind's use and benefits. How well we train, develop and employ the human skills is fundamental in deciding how we will accomplish as organisations. The manner in which we do this will profoundly depend on the kind of nation we have'. In order to ensure SMEs are effective and remain competitive, they need to train and develop the human capital in line with changing trends in the economy. Shiu (2006) defined human capital as the productive capabilities of peoples skills, expertise and knowledge that have economic value. Human capital development represents the planned opportunity that is provided for training, education directed and planned experiences and guided growth (Tim and Brinkerhoff 2008). Training is considered fundamentally important to human capital development. For any organization to survive, it must train and retrain its human resource in consonance with its immediate and remote operational environment. It helps employees attain self-fulfillment in personal goals as they work to achieve organizational goals. Thaker (2008)

highlights the benefits of human capital development as increased productivity, reduced employee turnover, increased efficiency resulting in financial goals and decreased need for supervision. A general observation has shown that efforts have been targeted on the aspect of financing and provision of infrastructure. It is however imperative that other aspects should be looked into in order to generate workable solutions to the growth and survival of SME's. Little has been written in terms of SMEs in Zimbabwe. It is against this backdrop that this study set out to examine.

### **METHODOLOGY**

The research was purely qualitative as it sought to get the views of human capital development by managers in small and medium enterprises. Moorhead (1990:50) defines qualitative methodology as "research involving analysis of data or information that are descriptive in nature and not quantified." This method is exhaustive as it explains and describes the concepts involved in this case human capital development and small enterprises. In addition it offers explanations to subjective questions that cannot be objectively expressed. The researcher used convenient sampling to select the registered small and medium mining organisations in Gweru. Convenient sampling is a non-probability sampling technique which includes participants who are readily available and agree to participate in the study (Ross 2005). The researchers acknowledge the weaknesses of this sampling technique but however still maintained its use because most of the small mining organisation did not want to participate in the research because they were very busy. Ross (2005) highlights that convenient sampling is a relatively easy choice for researchers when a group of people cannot be found to question. The researchers identified 2 small mining firms and 2 medium mining firms. The researcher was assisted by one of the officers at the Ministry of Small to medium enterprises to identify the small and medium enterprises. To solicit data, interviews were used. Four managers (one from each mine) were interviewed as well as 8 general employees (2 from each mine) making a sample size of 12.

### **FINDINGS AND DISCUSSION**

It was obtained from the research that all the participants acknowledged the importance of human capital development (HCD). They all agreed that HCD plays an important role in improving the operations of the organization. From the data gathered, it can be noted that the small and medium mining companies did not have specific Human Resource Management (HRM) departments. In four of the organisations under study, the owner of the small mines was the HR manager as well as the finance manager. In the other two organisations, the sons of the owner were regarded as the ones responsible for all the welfare issues of the employees. This however affects the formality of HR activities in the organisation. Kok et al (2003) highlights that SME's are less likely to have a specific HRM department or manager. This is also supported by Tocher and Rutherford (2009) who say that HRM in most SME's is done by the owner or manager of the organization. The HR activities are not formalized especially Human Resource Development (HRD), Recruitment and Selection (R & S) and Performance Management (PM). Bacon and Hoque (2005) argues that formality increases when the department or HR manager is present. They further argue that organisations with higher proportion of low skilled workers were less likely to adopt more HR practices. This is evidenced from the organisations as most of the employees are less skilled thus the high degree of informal activities.

It was also discovered that there was no proper human capital development in the SMEs due to high numbers of low skilled employees. The owners or managers in the mining organisations pointed out that most of the employees were employed on contract bases therefore developing them was a waste of time. They feared that employees would anytime

leave them for other mining company's since they themselves 'porched' them from other mines. The management views is also supported by Bacon and Hoque (2005) that low skilled staff are more easy to replace making HRD less needed in comparison with highly skilled employees.

The other reason pointed out by the owners for lack of proper HRD programs is lack of financial resources. All the managers indicated that due to lack of financial resources they are forced to get someone who already has the knowledge of operating a machine or doing any task. Human Capital Development programs were deemed expensive as they do not have any other financial sources. Lack of finances of SMEs is also supported by the views in the Technological Capabilities Theory popularised by Lall (2001). He argues that smallness is dangerous just like in the animal kingdom where younger and smaller animals are easy prey for predators. The theory points out that small firms do not easily access funds from financial institutions because they lack collateral and therefore lending to them is regarded as highly risky.

The researcher discovered that the owners and the managers in the SMEs attach low priority to human capital development. Most of them are unwilling to participate in programs which require them to finance even when a small proportion of the total training. One of the participants pointed out that free training at national level is targeted on women. This was said to be very unfair as they said it discriminates the male entrepreneurs living them with no managerial skills. Two of the owners further pointed out that this then leads to lack of managerial knowledge and at the end of the day they don't realise the importance of some HR activities like human capital development.

### RECOMMENDATIONS

The researchers recommend partnerships and joint ventures at local or regional level. These partnerships will facilitate the provision of capital injections and managerial expertise or even transfer of technologies. This will increase the survival rate of SMEs and results in them being successful and competitive even in global markets. This will also enhance knowledge sharing which is also a critical aspect in human resource management.

### CONCLUSION

Human capital development is of paramount importance for any organization. As depicted in the findings, small and medium firms appreciate its importance. However lack of knowledge and lack of expert knowledge in the area is the main challenge in effectively implementation of HCD. Resource mobilization and knowledge acquisition a key important requirements for HCD to be effective in small and medium enterprises.

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