

Near East University



Faculty of Economics and Administrative Science

Department of Business Administration

MAN400

**“Human Resource Management in Small and Medium Sized
Enterprises”**

Submitted By: Niyazi Altuğ Seçkiner

Submitted To: Dr. Şerife Zihni Eyüpoğlu

Date: February 2005

Acknowledgement

In the preparation of this study, I want to thank the instructor of Human Resource Management, Dr. Şerife Zihni Eyüpoğlu because of her contributions of my project, and I also thank Assist. Professor Dr. Okan Şafaklı and Assist. Professor Dr. Erdal Güray for helping me about the subject of 'Human Resource Management and Small-Medium Sized Enterprises'.

ABSTRACT

Until recently human resource management was no play much role in achieving goals and successful of plans. However, now it is changed and Human Resource Management play very important role in helping organizations goals and to be more competitive advantage.

The purpose of this study is established to produce a product or provide a service typically includes individuals with a wide variety of knowledge, skills, abilities who are expected to perform job activities in a manner that contributes to the attainment of organizational goals.

LIST OF TABLES

| | | |
|------------|------------------------------------------------------------------------|----|
| Table:4.1 | Number of business for the sectors..... | 12 |
| Table:4.2 | Number of business for establishment date..... | 13 |
| Table:4.3 | Number of business for the nationality of the owners of companies..... | 14 |
| Table:4.4 | Employee replacements..... | 15 |
| Table:4.5 | Employee Skills..... | 15 |
| Table:4.6 | Following particular procedures..... | 16 |
| Table:4.7 | Procedures differs according to the type of position..... | 16 |
| Table:4.8 | Important factors for selecting new employee..... | 17 |
| Table:4.9 | Factors differs according to the type and position of the job..... | 17 |
| Table:4.10 | Using of job description..... | 18 |
| Table:4.11 | Selection interview..... | 18 |
| Table:4.12 | Kind of interview..... | 19 |
| Table:4.13 | Interview differ according to the job and position..... | 19 |
| Table:4.14 | Using tactics by selecting employee..... | 20 |
| Table:4.15 | Orientation program..... | 20 |
| Table:4.16 | Measuring employee performance..... | 21 |
| Table:4.17 | Measuring employee performance periodical..... | 21 |
| Table:4.18 | Customers feedback..... | 22 |
| Table:4.19 | Employees training..... | 22 |
| Table:4.20 | Kinds of training..... | 23 |
| Table:4.21 | Giving training periodical..... | 23 |
| Table:4.22 | Training changes according to the job and position..... | 24 |

TABLE OF CONTENT

| | |
|----------------------|-----|
| Acknowledgement..... | i |
| Abstract..... | ii |
| List of Tables..... | iii |

CHAPTER 1

INTRODUCTION

| | |
|--------------------------------------------------------|---|
| 1.1. Human Resource Management..... | 1 |
| 1.1.1. Why Human Resource Management?..... | 1 |
| 1.1.2. The Purpose of Human Resource Management..... | 2 |
| 1.1.3. The Objective of Human Resource Management..... | 2 |
| 1.1.4. Human Resource Management Funtions..... | 3 |
| 1.2 Objective Of The Study..... | 5 |

CHAPTER 2

| | |
|-----------------------------------------------------------------------------------|---|
| 2.1. Small and Medium Sized Enterprises..... | 7 |
| 2.1.1. What Is Small And Medium Size Enterprises (SME)?..... | 7 |
| 2.1.2. SMEs in the TRNC..... | 8 |
| 2.1.2.1 The Competitive Power And Economic Importance Of SMEs In the TRNC..... | 8 |
| 2.2 HRM and SMEs..... | 9 |

CHAPTER 3

| | |
|---------------------------|----|
| RESEARCH METHODOLOGY..... | 11 |
|---------------------------|----|

CHAPTER 4

| | |
|-------------------------------------------------------------------------|----|
| HRM PRACTICES AND SMALL MEDIUM SIZED ENTERPRISES IN THE T.R.N.C..... | 12 |
|-------------------------------------------------------------------------|----|

CHAPTER 5

| | |
|-------------------------------------|----|
| CONCLUSION AND RECOMMENDATIONS..... | 25 |
|-------------------------------------|----|

| | |
|-----------------|----|
| REFERENCES..... | 27 |
|-----------------|----|

| | |
|---------------|----|
| APPENDIX..... | 29 |
|---------------|----|

I. INTRODUCTION

1.1. Human Resource Management

1.1.1. Why Human Resource Management?

Human resource management (HRM) is the utilization of individuals to achieve organizational objectives. Consequently, managers at every level must concern themselves requires effective HRM. Individuals dealing with human resource matters face a multitude of challenges, ranging from a constantly changing workforce to ever-present government regulations, a major technology revolution, and the effects and its aftermath. Furthermore, global competition has forced both large and small organizations to be more conscious of costs and productivity. Because of the critical nature of human resources issues, these matters must receive major attention from upper management. Management has been defined as the process of getting , results with and through the efforts of people. Regardless of the working environment or the technical specialties involved, most managers spend a major part of their time working with others and getting results through the efforts of others. In much of the growing body of international literature in the field, there is a recognition that human resource management differs, in certain fundamentals respects from the earlier themes of personnel management and, in its organization, from personnel departments.

Above all, it is viewed as being linked closely to the emergent strategies, especially of large organizations, both public as well as private. It also involves all managerial personnel (and especially general managers). It regards people as the most important single asset of the organization. It seeks to enhance not only company performance but also individual and societal well-being. But within human resource management, there are two main standards of thinking. The first (often referred to as the 'hard' variant of HRM) focuses on the links with

strategy and the role of HRM in furthering the competitive advantages of the firm. The second (typically labeled 'soft' HRM) builds on human relations, traditions and stresses the importance of the subject as a means of furthering employee satisfaction and a range of related 'humanistic' objectives that are achievable from the insights of systematic studies within HRM. The two levels of philosophy and practice here are inextricably linked in much of the writing on the subject, although the reader must be careful to distinguish the 'analytical' from the 'normative' dimensions. The term 'Human Resource' refers to the people in an organization. Thus, when managers engage in HR activities as part of their jobs, they seek to facilitate the contribution people make to achieve an organization's strategies and plans. The importance of human resource efforts comes from the realization that people are the common element in every organization and that they create the strategies and innovations for which organizations are known.

1.1.2. The Purpose Of HRM

It can be said that the HRM of an organization established to produce a product or provide a service typically includes individuals with a wide variety of knowledge, skills, and abilities who are expected to perform job activities in a manner that contributes to the attainment of organizational goals.

1.1.3. The Objectives of Human Resource Management

Human resource objectives not only need to reflect the intention of top management, but they also must balance challenges from the organization, the HR function, society, and the people who are affected. The objectives are;

- a) Organizational objective: To recognize that HR department exist to contribute to organizational effectiveness. Even when a formal human resource department is created to help managers, the managers remain responsible for employee performance. The HR department exist to help managers achieve the objectives of the organizations.

- b) Functional objective: To maintain the department's contribution at a level appropriate to the organization's needs. Resources are wasted when human resource management is more or less sophisticated than the organization demands.
- c) Societal objective: To be ethically and socially responsive to the needs and challenges of society while minimizing the negative impact of such demands on the organization.
- d) Personal objective: To assist employees in achieving their personal goals, at least in so far as those goals enhance the individual's contribution to the organization.

1.1.4. Human Resource Management Functions

People who are engaged in the management of human resources develop and work through an integrated HRM system. Five functional areas are associated with effective HRM: staffing, human resource development, compensation and benefits, safety and health, and labor relations. These functional areas mirror the human resource certification examination format.

Staffing

Is the process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve the organization's objectives.

Staffing involves job analysis, human resource planning, recruitment and selection.

Job analysis is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization. It impacts virtually every aspect of HRM including planning, recruitment, and selection.

Human resource planning is the process of comparing human resource requirements with their availability and determining whether the firm has a shortage or excess of personnel. The data provided set the stage for recruitment or other HR actions.

Recruitment is the process of attracting qualified individuals and encouraging them to

apply for work with the organization.

Selection is the process through which the organization chooses, from a group of applicants, those individuals best suited both for open position and for the company.

Human Resource Development

Is a major HRM function that consists not only of training and development but also of individual career planning and development activities, organization development, and performance appraisal, an activity that emphasizes training and development needs.

Training is designed to provide learners with the knowledge and skills needed for their present jobs.

Development involves learning that goes beyond today's job; it has more than long-term focus.

Career planning is an ongoing process whereby an individuals sets career goals and identifies the means to achieve them.

Career development is a formal approach used by the organization to ensure that people with the proper qualifications ands experiences are available when needed.

Organizational development is the planned process of improving an organization by developing its structures, systems, and process to improve effectiveness and achieving desired goals. OD applies to an entire system, such as a company or a plant. In this sector we discuss a number of interventions that serve to improve a firm's performance.

Performance appraisal is a formal system of review and evaluation of individual or team task performance. It affords the opportunity to capitalize on their strengths and overcome identified deficiencies, thereby helping them to become more satisfied and productive employees.

Compensation and Benefits

Compensation includes the total of all rewards provided employees in return for their services.

The reward may be one or a combination of the following:

Pay: The money that a person receives for performing a job.

Benefits: Additional financial rewards, other than base pay, including paid vacations, sick leave, holidays, and medical insurance.

Non financial rewards: Non monetary rewards, such as enjoyment of the work performed or a satisfactory workplace environment that provides flexibility.

Safety and Health

Involves protecting employees from injuries caused by work-related accidents. Health refers to the employees' freedom from physical or emotional illness. These aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization.

Employee and Labor Relations

A business firm is required by law to recognize a union and bargain with it in good faith if the firm's employees want the union to represent them. But most firms today would like to have a union-free environment. When a labor union represent a firm's employees, the human resource activity is often referred to as industrial relations, which handles the job of collective bargaining.

1.2. Objective of the Study

It is well known that employees play an important role in any business, and are key to the success of any business. Human resource management (HRM), is an essential part of any business operation. In general, HRM practices can vary with the size of the company, and can be quite different between large and small businesses. The success of a small business, in particular, can

depend heavily on its human resource management.

Small and medium sized businesses are an important business segment in the T.R.N.C., constituting about 99% of all businesses in the T.R.N.C. (Tümer, 2002). The purpose of this study is to examine the profiles and understand the HRM practices of small and medium sized businesses in the T.R.N.C. The HRM practices are examined in the following areas;

Recruitment and selection

Orientation

The study explored the following aspect of HRM practices in small businesses;

- Employee performance
- Training.
- the extent to which the owner-manager operated formal HRM policies and procedures.

Near East University



Faculty of Economics and Administrative Science

Department of Business Administration

MAN400

**“Human Resource Management in Small and Medium Sized
Enterprises”**

Submitted By: Niyazi Altuğ Seçkiner

Submitted To: Dr. Şerife Zihni Eyüpoğlu

Date: February 2005

Acknowledgement

In the preparation of this study, I want to thank the instructor of Human Resource Management, Dr. Şerife Zihni Eyüpoğlu because of her contributions of my project, and I also thank Assist. Professor Dr. Okan Şafaklı and Assist. Professor Dr. Erdal Güray for helping me about the subject of 'Human Resource Management and Small-Medium Sized Enterprises'.

ABSTRACT

Until recently human resource management was no play much role in achieving goals and successful of plans. However, now it is changed and Human Resource Management play very important role in helping organizations goals and to be more competitive advantage.

The purpose of this study is established to produce a product or provide a service typically includes individuals with a wide variety of knowledge, skills, abilities who are expected to perform job activities in a manner that contributes to the attainment of organizational goals.

LIST OF TABLES

| | | |
|------------|------------------------------------------------------------------------|----|
| Table:4.1 | Number of business for the sectors..... | 12 |
| Table:4.2 | Number of business for establishment date..... | 13 |
| Table:4.3 | Number of business for the nationality of the owners of companies..... | 14 |
| Table:4.4 | Employee replacements..... | 15 |
| Table:4.5 | Employee Skills..... | 15 |
| Table:4.6 | Following particular procedures..... | 16 |
| Table:4.7 | Procedures differs according to the type of position..... | 16 |
| Table:4.8 | Important factors for selecting new employee..... | 17 |
| Table:4.9 | Factors differs according to the type and position of the job..... | 17 |
| Table:4.10 | Using of job description..... | 18 |
| Table:4.11 | Selection interview..... | 18 |
| Table:4.12 | Kind of interview..... | 19 |
| Table:4.13 | Interview differ according to the job and position..... | 19 |
| Table:4.14 | Using tactics by selecting employee..... | 20 |
| Table:4.15 | Orientation program..... | 20 |
| Table:4.16 | Measuring employee performance..... | 21 |
| Table:4.17 | Measuring employee performance periodical..... | 21 |
| Table:4.18 | Customers feedback..... | 22 |
| Table:4.19 | Employees training..... | 22 |
| Table:4.20 | Kinds of training..... | 23 |
| Table:4.21 | Giving training periodical..... | 23 |
| Table:4.22 | Training changes according to the job and position..... | 24 |

TABLE OF CONTENT

| | |
|----------------------|-----|
| Acknowledgement..... | i |
| Abstract..... | ii |
| List of Tables..... | iii |

CHAPTER 1

INTRODUCTION

| | |
|--------------------------------------------------------|---|
| 1.1. Human Resource Management..... | 1 |
| 1.1.1. Why Human Resource Management?..... | 1 |
| 1.1.2. The Purpose of Human Resource Management..... | 2 |
| 1.1.3. The Objective of Human Resource Management..... | 2 |
| 1.1.4. Human Resource Management Funtions..... | 3 |
| 1.2 Objective Of The Study..... | 5 |

CHAPTER 2

| | |
|-----------------------------------------------------------------------------------|---|
| 2.1. Small and Medium Sized Enterprises..... | 7 |
| 2.1.1. What Is Small And Medium Size Enterprises (SME)?..... | 7 |
| 2.1.2. SMEs in the TRNC..... | 8 |
| 2.1.2.1 The Competitive Power And Economic Importance Of SMEs In the TRNC..... | 8 |
| 2.2 HRM and SMEs..... | 9 |

CHAPTER 3

| | |
|---------------------------|----|
| RESEARCH METHODOLOGY..... | 11 |
|---------------------------|----|

CHAPTER 4

| | |
|-------------------------------------------------------------------------|----|
| HRM PRACTICES AND SMALL MEDIUM SIZED ENTERPRISES IN THE T.R.N.C..... | 12 |
|-------------------------------------------------------------------------|----|

CHAPTER 5

| | |
|-------------------------------------|----|
| CONCLUSION AND RECOMMENDATIONS..... | 25 |
|-------------------------------------|----|

| | |
|-----------------|----|
| REFERENCES..... | 27 |
|-----------------|----|

| | |
|---------------|----|
| APPENDIX..... | 29 |
|---------------|----|

I. INTRODUCTION

1.1. Human Resource Management

1.1.1. Why Human Resource Management?

Human resource management (HRM) is the utilization of individuals to achieve organizational objectives. Consequently, managers at every level must concern themselves requires effective HRM. Individuals dealing with human resource matters face a multitude of challenges, ranging from a constantly changing workforce to ever-present government regulations, a major technology revolution, and the effects and its aftermath. Furthermore, global competition has forced both large and small organizations to be more conscious of costs and productivity. Because of the critical nature of human resources issues, these matters must receive major attention from upper management. Management has been defined as the process of getting , results with and through the efforts of people. Regardless of the working environment or the technical specialties involved, most managers spend a major part of their time working with others and getting results through the efforts of others. In much of the growing body of international literature in the field, there is a recognition that human resource management differs, in certain fundamentals respects from the earlier themes of personnel management and, in its organization, from personnel departments.

Above all, it is viewed as being linked closely to the emergent strategies, especially of large organizations, both public as well as private. It also involves all managerial personnel (and especially general managers). It regards people as the most important single asset of the organization. It seeks to enhance not only company performance but also individual and societal well-being. But within human resource management, there are two main standards of thinking. The first (often referred to as the 'hard' variant of HRM) focuses on the links with

strategy and the role of HRM in furthering the competitive advantages of the firm. The second (typically labeled 'soft' HRM) builds on human relations, traditions and stresses the importance of the subject as a means of furthering employee satisfaction and a range of related 'humanistic' objectives that are achievable from the insights of systematic studies within HRM. The two levels of philosophy and practice here are inextricably linked in much of the writing on the subject, although the reader must be careful to distinguish the 'analytical' from the 'normative' dimensions. The term 'Human Resource' refers to the people in an organization. Thus, when managers engage in HR activities as part of their jobs, they seek to facilitate the contribution people make to achieve an organization's strategies and plans. The importance of human resource efforts comes from the realization that people are the common element in every organization and that they create the strategies and innovations for which organizations are known.

1.1.2. The Purpose Of HRM

It can be said that the HRM of an organization established to produce a product or provide a service typically includes individuals with a wide variety of knowledge, skills, and abilities who are expected to perform job activities in a manner that contributes to the attainment of organizational goals.

1.1.3. The Objectives of Human Resource Management

Human resource objectives not only need to reflect the intention of top management, but they also must balance challenges from the organization, the HR function, society, and the people who are affected. The objectives are;

- a) Organizational objective: To recognize that HR department exist to contribute to organizational effectiveness. Even when a formal human resource department is created to help managers, the managers remain responsible for employee performance. The HR department exist to help managers achieve the objectives of the organizations.

- b) Functional objective: To maintain the department's contribution at a level appropriate to the organization's needs. Resources are wasted when human resource management is more or less sophisticated the organization demands.
- c) Societal objective: To be ethically and socially responsive to the needs and challenges of society while minimizing the negative impact of such demands on the organization.
- d) Personal objective: To assist employees in achieving their personal goals, at least in so far as those goals enhance the individual's contribution to the organization.

1.1.4. Human Resource Management Functions

People who are engaged in the management of human resources develop and work through an integrated HRM system. Five functional areas are associated with effective HRM: staffing, human resource development, compensation and benefits, safety and health, and labor relations. these functional areas mirror the human resource certification examination format.

Staffing

Is the process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve the organization's objectives.

Staffing involves job analysis, human resource planning, recruitment and selection.

Job analysis is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization. It impacts virtually every aspects of HRM including planning, recruitment, and selection.

Human resource planning is the process of comparing human resource requirements with their availability and determining whether the firm has a shortage or excess of personnel. The data provided set the stage for recruitment or other HR actions.

Recruitment is the process of attracting qualified individuals and encouraging them to

apply for work with the organization.

Selection is the process through which the organization chooses, from a group of applicants, those individuals best suited both for open position and for the company.

Human Resource Development

Is a major HRM function that consists not only of training and development but also of individual career planning and development activities, organization development, and performance appraisal, an activity that emphasizes training and development needs.

Training is designed to provide learners with the knowledge and skills needed for their present jobs.

Development involves learning that goes beyond today's job; it has more than long-term focus.

Career planning is an ongoing process whereby an individuals sets career goals and identifies the means to achieve them.

Career development is a formal approach used by the organization to ensure that people with the proper qualifications ands experiences are available when needed.

Organizational development is the planned process of improving an organization by developing its structures, systems, and process to improve effectiveness and achieving desired goals. OD applies to an entire system, such as a company or a plant. In this sector we discuss a number of interventions that serve to improve a firm's performance.

Performance appraisal is a formal system of review and evaluation of individual or team task performance. It affords the opportunity to capitalize on their strengths and overcome identified deficiencies, thereby helping them to become more satisfied and productive employees.

Compensation and Benefits

Compensation includes the total of all rewards provided employees in return for their services.

The reward may be one or a combination of the following:

Pay: The money that a person receives for performing a job.

Benefits: Additional financial rewards, other than base pay, including paid vacations, sick leave, holidays, and medical insurance.

Non financial rewards: Non monetary rewards, such as enjoyment of the work performed or a satisfactory workplace environment that provides flexibility.

Safety and Health

Involves protecting employees from injuries caused by work-related accidents. Health refers to the employees' freedom from physical or emotional illness. These aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization.

Employee and Labor Relations

A business firm is required by law to recognize a union and bargain with it in good faith if the firm's employees want the union to represent them. But most firms today would like to have a union-free environment. When a labor union represent a firm's employees, the human resource activity is often referred to as industrial relations, which handles the job of collective bargaining.

1.2. Objective of the Study

It is well known that employees play an important role in any business, and are key to the success of any business. Human resource management (HRM), is an essential part of any business operation. In general, HRM practices can vary with the size of the company, and can be quite different between large and small businesses. The success of a small business, in particular, can

depend heavily on its human resource management.

Small and medium sized businesses are an important business segment in the T.R.N.C., constituting about 99% of all businesses in the T.R.N.C. (Tümer, 2002). The purpose of this study is to examine the profiles and understand the HRM practices of small and medium sized businesses in the T.R.N.C. The HRM practices are examined in the following areas;

Recruitment and selection

Orientation

The study explored the following aspect of HRM practices in small businesses;

- Employee performance
- Training.
- the extent to which the owner-manager operated formal HRM policies and procedures.

CHAPTER 2

2.1. Small and Medium Sized Enterprises

2.1.1 What Is Small And Medium Size Enterprises (SME)?

There is not a single definition of Small and Medium Enterprises (SME) that can be used in every country due to their different economic characteristics. As the place of biggest economic integration EU defines SMEs as enterprises which: have fewer than 250 employees, and have either, an annual turnover not exceeding ECU 40 million, or annual balance-sheet total not exceeding ECU 27 million. They should also conform to the criterion of independence requiring no more than 25 % of the capital or voting rights held by one or more enterprises, which are not themselves SMEs. However, the European commission has issued new definitions of micro enterprises and small and medium sized enterprises aimed at boosting the competitiveness of Europe's small business. In this respect, a proper definition of which enterprises are SMEs will make it easier to identify their needs and to develop efficient policies to compensate for the specific problems linked to their small size. The changes to the thresholds focus on the maximum turnover and balance sheet totals in each category. For micro enterprises, companies with a maximum of ten employees, the previously undefined amounts in each case are set at two million euro. Small enterprises with less than 50 employees will see the ceiling for turnover raised from seven to ten million euro, while total balance sheet goes from five million to ten million also. Medium sized enterprises will now be defined as companies with less than 250 workers whose turnover is under 50 million euro, and whose balance sheet is not excess of 43million euro, up from 40 million euro and 27 million euro respectively. In order to provide a smooth transitional period at EU and national level, the new definitions will be formally introduced on 1 January 2005.

SMEs carry importance almost in all aspects of the economy summarized as reducing unemployment, providing regional socio-economics balances, being instrumental in distributing the business activities throughout the state, providing grounds for creativity, innovation, research and development, contributing to the well being of the larger industries by producing parts and accessories, avoiding monopolies and adding to the dynamism and contributing to the welfare of the state and also helping effective distribution of wealth. However, the extent of this importance positively depends on the competitive power of SMEs at local and overseas market.

2.1.2. SMEs in the TRNC

2.1.2.1 The Competitive Power And Economic Importance Of SMEs In the TRNC

The TRNC, with its small the few population have a typical island economy. As the other small island economies, the country lacks the necessary sources of production (land, labor, capital, energy). Limited resources and lack of demand due to the small number of population negatively influences the efficiency and diversification of production. Consequently, this increases the extent of import consisting of both final and intermediate products demanded. Similarly the TRNC business serve to the local markets and lacks competitiveness due to diseconomies of scale. All these avoid growth of the business in TRNC and hence almost all the enterprises in the TRNC are SMEs. Another factor limiting the growth of the local business is the high country risk, which is mainly the results of economic and political embargoes, Cyprus issue, and the international non-recognition to the TRNC. The enterprises, under these conditions demand high protection, and there is indeed 50-60 % protection to the local industries.

The high level of production leads to high prices in many commodities. Naturally, high prices have negative effects on the various sectors of the economy. Being aware of these economic realities the service sectors (especially tourism), which do not carry scale problem, have been identified as the locomotive of the TRNC economy since 1986. According to the remarks mentioned above, basic shortcomings related to competitive power of SMEs in the TRNC can be identified as follows:

- High tax related (10% in the South Cyprus, 28% in the TRNC)
- High input costs
- High credit cost (5-6% in the South Cyprus, 44% in the TRNC)
- Higher fuel cost
- Lack of competition policy
- Restriction of international trade due to embargoes
- Inadequate agency law
- High country risk creating unfavorable investment climate
- Unable to benefit from the EU resources
- Ineffective incentive or support by the state
- Lack of modern equipment, machinery and adequate technologies
- Lack of competitive quality, price and cost
- Lack of direct flight to the TRNC

2.2 HRM and SMEs

To be successful in today's global market, a small firm has to have a highly motivated, skilled and satisfied workforce that can produce quality goods or services at low costs (Holt, 1993). But

unfortunately there has been little research conducted into HRM practices of small and medium sized businesses. The research has often be conducted in large companies (Wagar, 1998; Storey, 1992).

According to Julien (1998), and McEvoy (1984), the studies conducted on U.S. firms have HRM practices, indicating that recruitment and training are two of the three most important management problems facing small businesses.

Research indicates that there is a positive relationship between HRM practices and organizational performance (Becker and Gerhart, 1996). In a survey conducted by Delaney and Huselid (1996), a positive associations between HRM practices such as training and staffing selectivity and perceptual firm performance measures.

There have also been studies conducted on relating adoption of HRM practices to company size (Deshpande and Golhar, 1994). Damodar and Golhar (1994) conducted a study to compare HRM practices in large and small manufacturing firms, and they indicated that the practices are similar and attribute the similarity in recent times to the possibility that small manufacturing firms may have realized the importance of sound HRM practices.

III. RESEARCH METHODOLOGY

The sampling procedure used involved a convenient sampling method due to the limited time available to conduct the study and due to the relevancy of many organization to take part in the study. A sample of 30 organizations in the T.R.N.C. took part in the study.

The criterion for selecting an organization for the study was that the organization should be a small or medium sized organization. The interviewees were either the owner-managers, or in cases where it was not possible to interview the owner-manager, the best person in the organization who was in a position to answer the questions used for the interview. All interviews were done face-to-face with the respondents and each interview on the respective company premises.

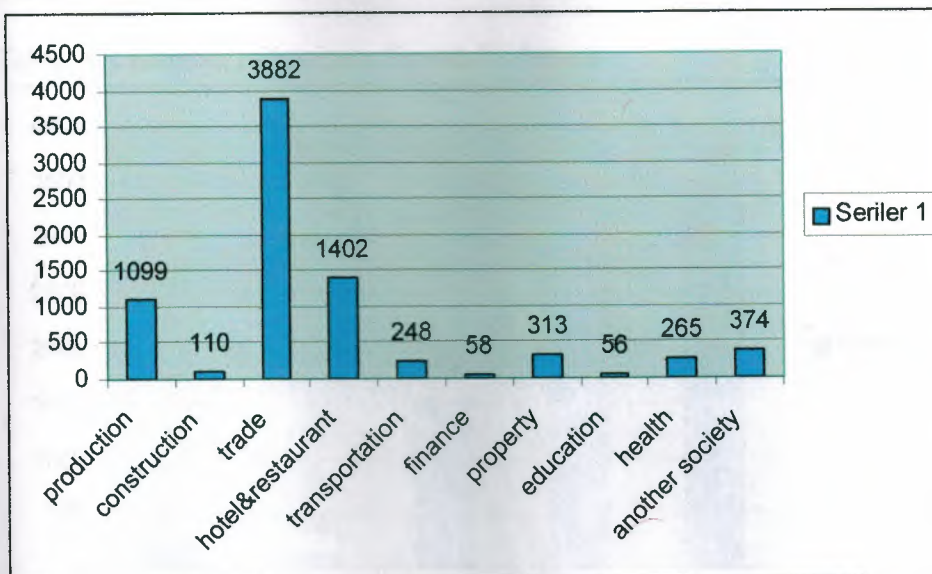
With the idea that a face-to-face interview would provide more information, the structure of the survey instrument used was open-ended questionnaire with prompts. The interviewees were orally asked 20 survey questions. For some of the questions, a list of choices were offered to the interviewee at the relevant time. The responses were recorded on the survey form by the interviewer. The questionnaire had questions regarding the organization's recruitment, selection, orientation, performance appraisal, and training methods.

IV. HRM PRACTICES AND SMALL MEDIUM SIZED ENTERPRISES IN THE TRNC

The tables below (Table 4.1, 4.2, and 4.3) represent the position of SME in the TRNC

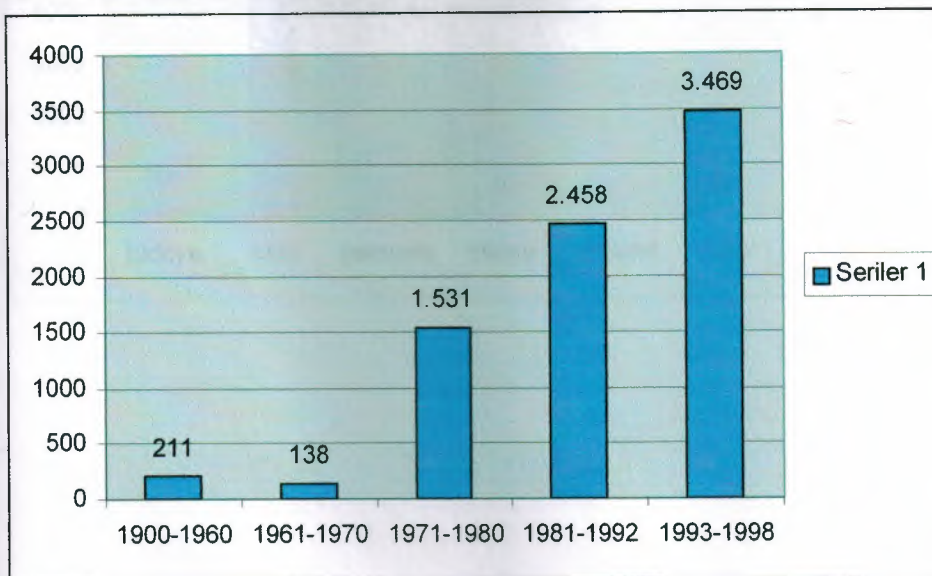
1- Number of business for the sectors, 1998

Table: 4.1 Number of business for the sectors



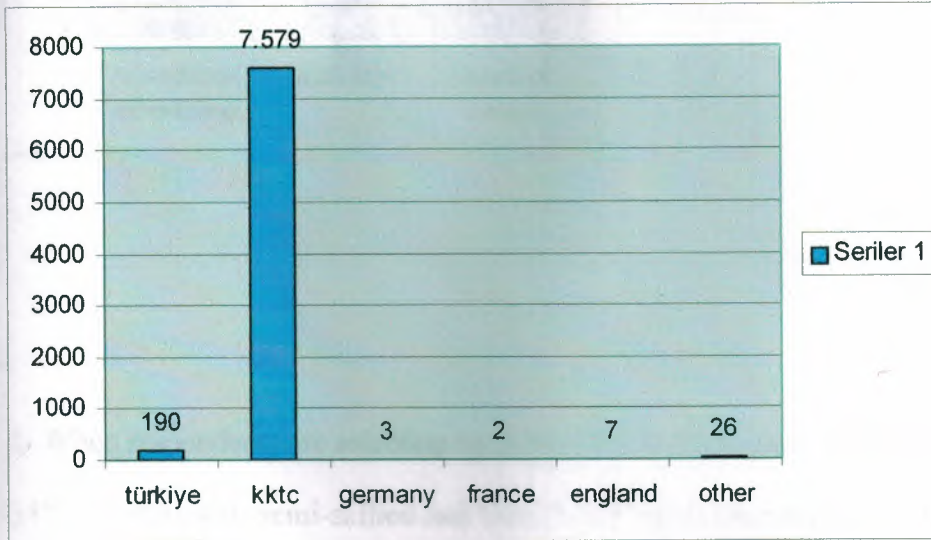
2- Number of business for establishment date, 1998

Table: 4.2 Number of business for establishment



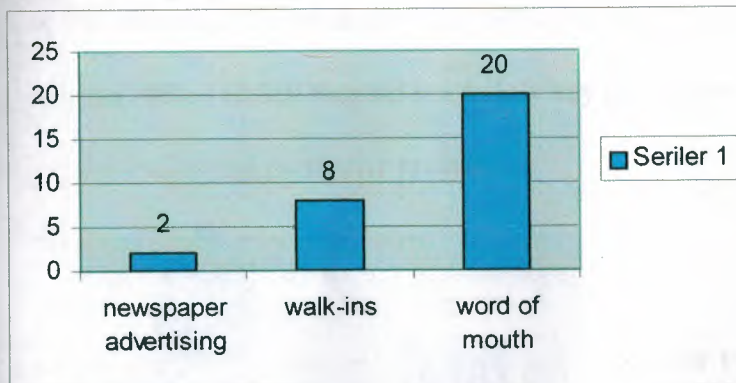
3- Number of the business for the nationality of the owners of companies, 1998

Table: 4.3 Number of the business for the nationality of the owners of companies



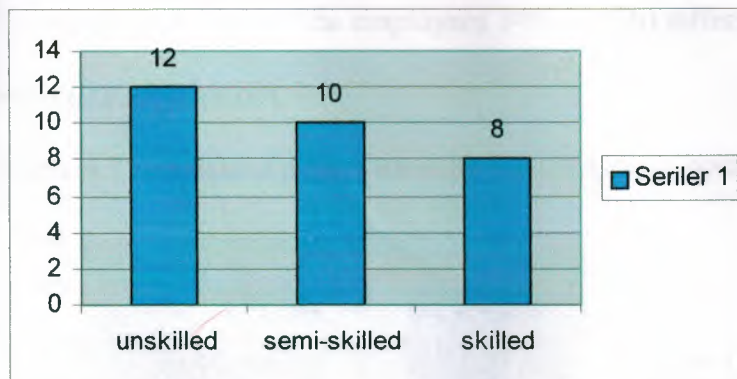
1-In the study conducted, 7% (2/30) of the respondents used newspaper advertising as their main method of recruitment, 27% (8/30) used walk-ins, and 66% (20/30) used word of mouth.

Table:4.4 Employee replacements



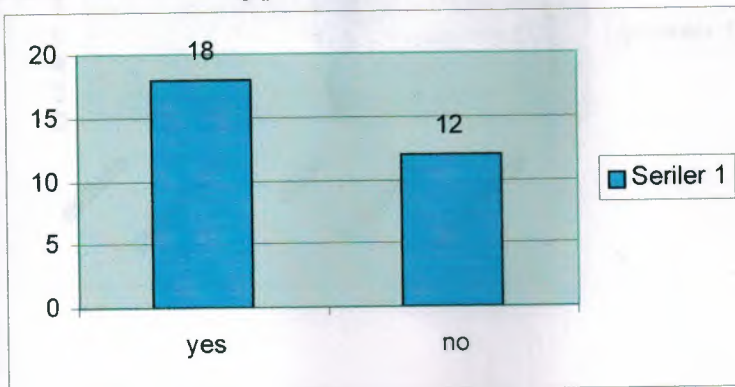
2- When respondents are selecting methods 40% (12/30) wants their employees unskilled, 34% (10/30) wants semi-skilled and %26 (8/30) wants their employees to be skilled.

Table:4.5 Employee Skills



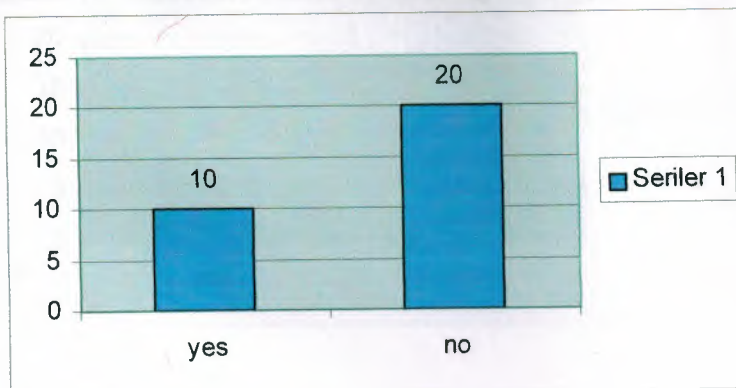
3- In the selecting of new employees 60% (18/30) of respondents fallows particular procedure, 40% (12/30) they do not fallow any procedure.

Table:4.6 Following particular procedures



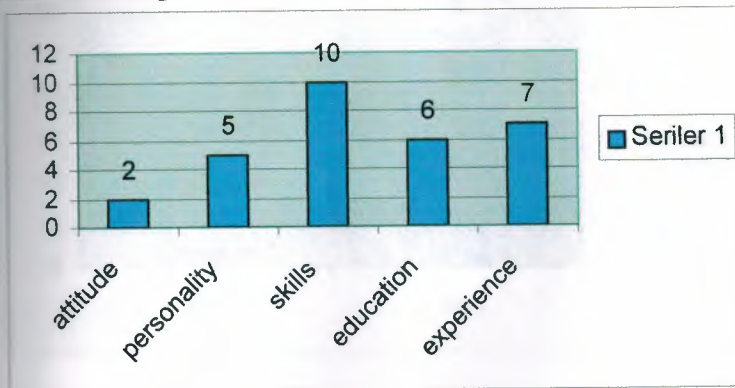
4- For the procedure of the employees 34% (10/30) differs according and type of position but 66% (20/30) does not.

Table:4.7 Procedures differs according to the type of position



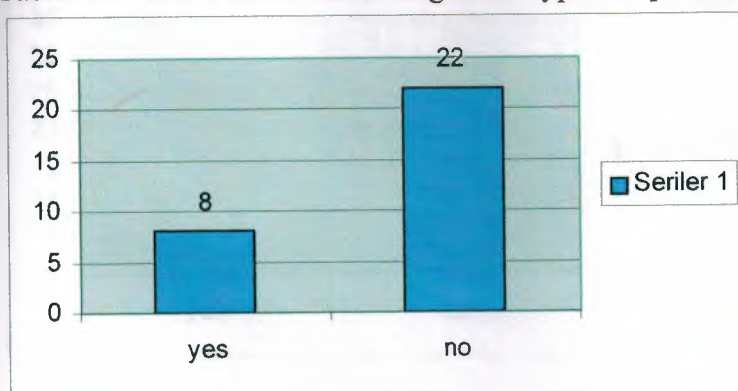
5- Respondents also take care some important factors. 7% (2/30) for attitude, 16% (5/30) for personality, 34%(10/30) cares skills of employees, 20%(6/30) education and 23% (7/30) pay attention to the experience.

Table:4.8 Important factors for selecting new employee



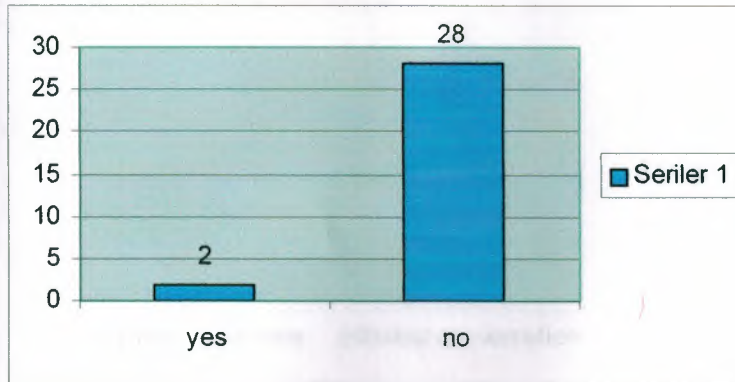
6- 26% (8/30) respondents said that factors are differs, however 74%(22/30) thought that is does not differs.

Table:4.9 Factors differs according to the type and position of the job



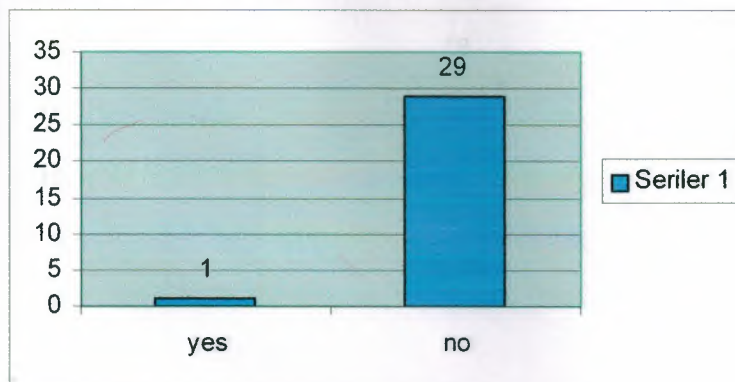
7- Some respondents use job description. 67% (2/30) are using but 43% (28/30) not using.

Table:4.10 Using of job description



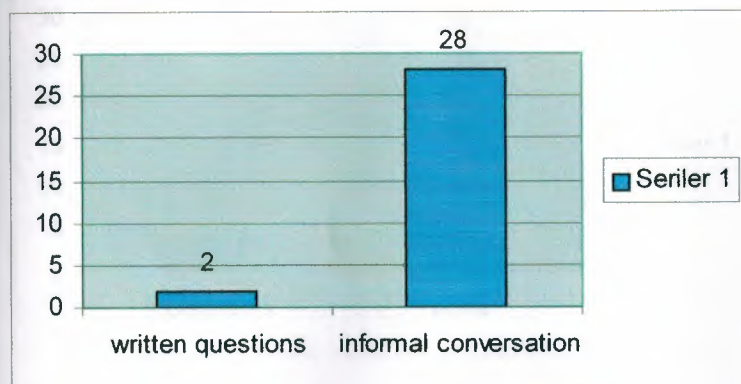
8- Some respondents are using a selecting interview. 4% (1/30) of them using otherwise 96% (29/30) of them are not using.

Table:4.11 Selection interview



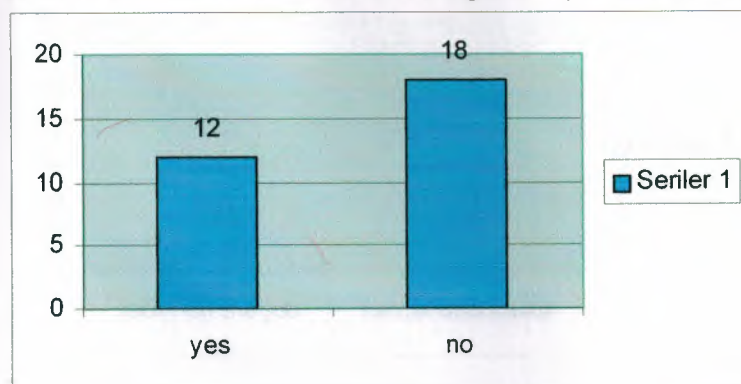
9- Respondents prepalnned some questions to the employees. 67% (2/30) are written and 43% (28/30) are informal conversation.

Table:4.12 Kind of interview



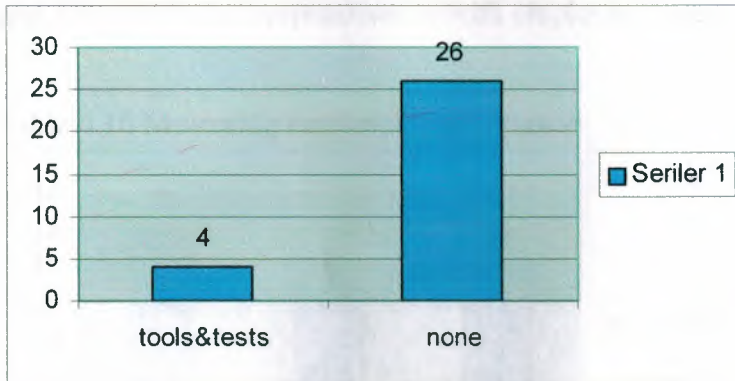
10-In some ways theese interviews differ according to the job and position. 40% (12/30) agree with this but 60% (18/30) they do not agree.

Table:4.13 Interview differ according to the job and position



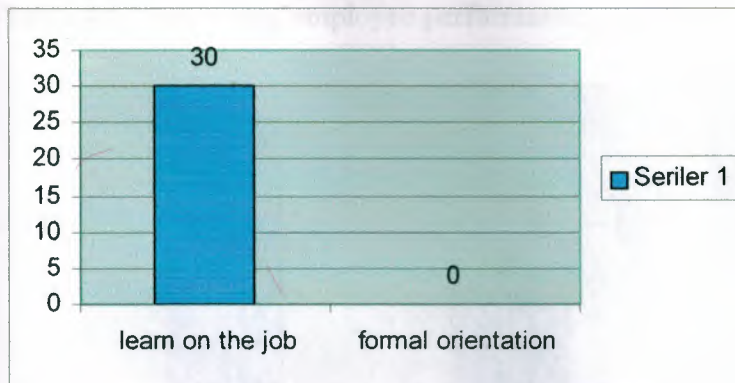
11- In the selection part some tactics are used by the respondents. 14%(4/30) they are using tools/tests tactic. Also 86% (26/30) they use none of these tactics.

Table:4.14 Using tactics by selecting employee



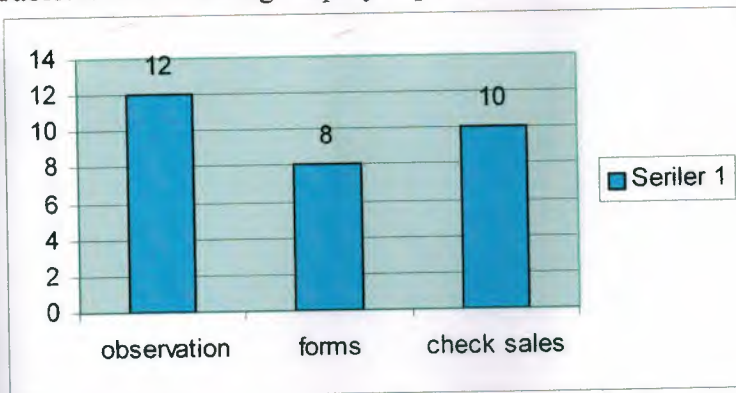
12- When it comes to selection part, 100% (30/30) used a learn on the job program whereas none of them used formal orientation.

Table:4.15 Orientation program



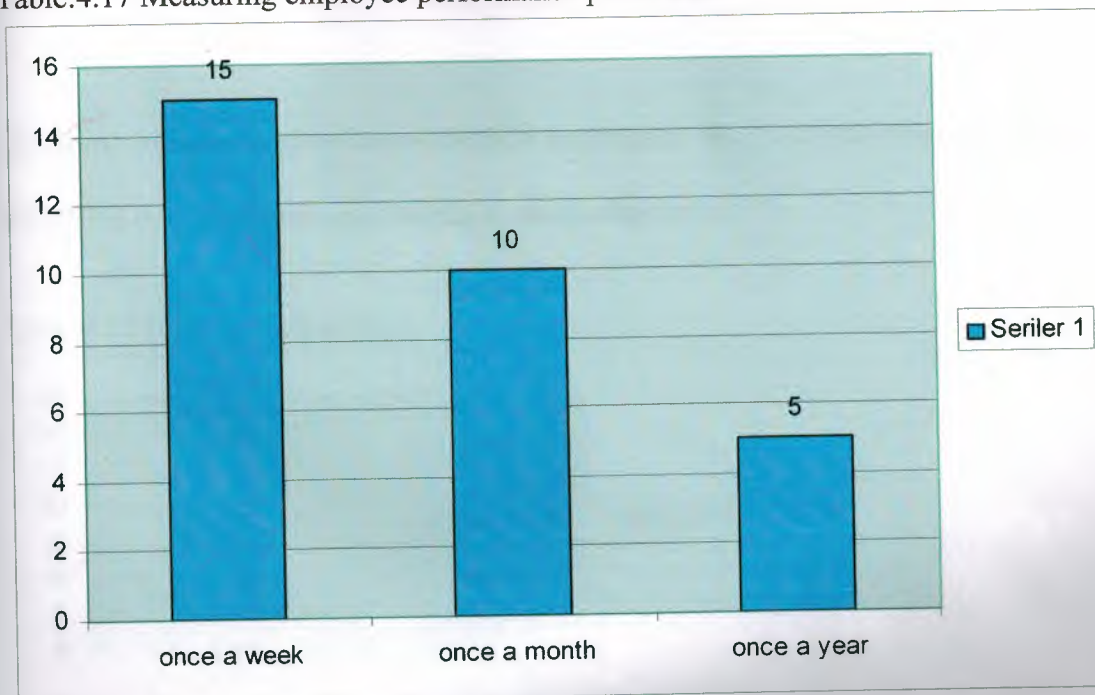
13- In Employee Performance (PA) respondents need to measure employee performance. 40% (12/30) of them measures employee observation, 26% (8/30) measures employee froms and 34% (10/30) of respondents check employees sales.

Table:4.16 Measuring employee performance



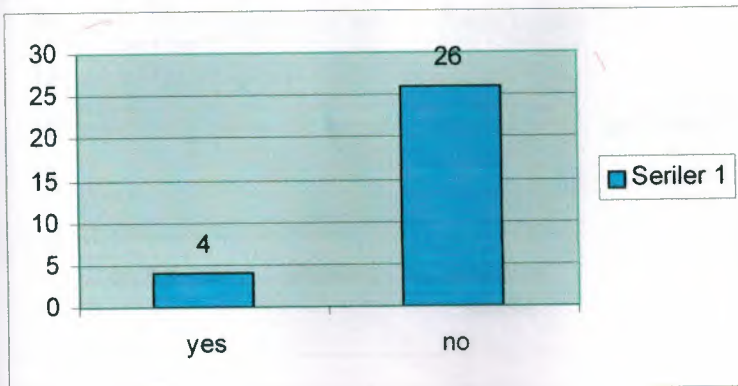
14- Respondents measure employees performance periodical. 50% (15/30) checks once a week, 34% (10/30) once a month and 26% (5/30) checks once a year.

Table:4.17 Measuring employee performance periodical



15- Sometimes respondents need feedback from customers and they use methods. 14% (4/30) they rather use methods on the other side 86% (26/30) respondents they don't want to use methods.

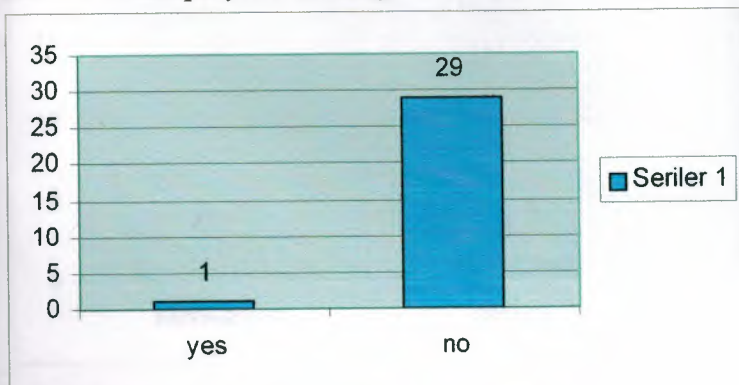
Table:4.18 Customers feedback



16- None of the organization of respondents are taking action when they see if their employee is unsatisfactory.

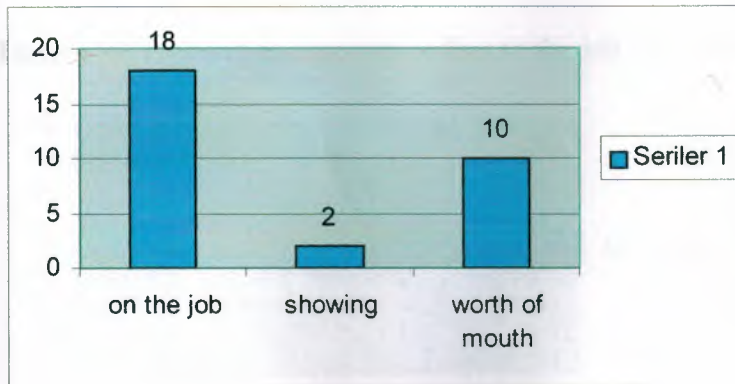
17- Some companies give training to their employees. 4% (1/30) they give training but 96(29/30) they don't give any training to their employees.

Table:4.19 Employees training



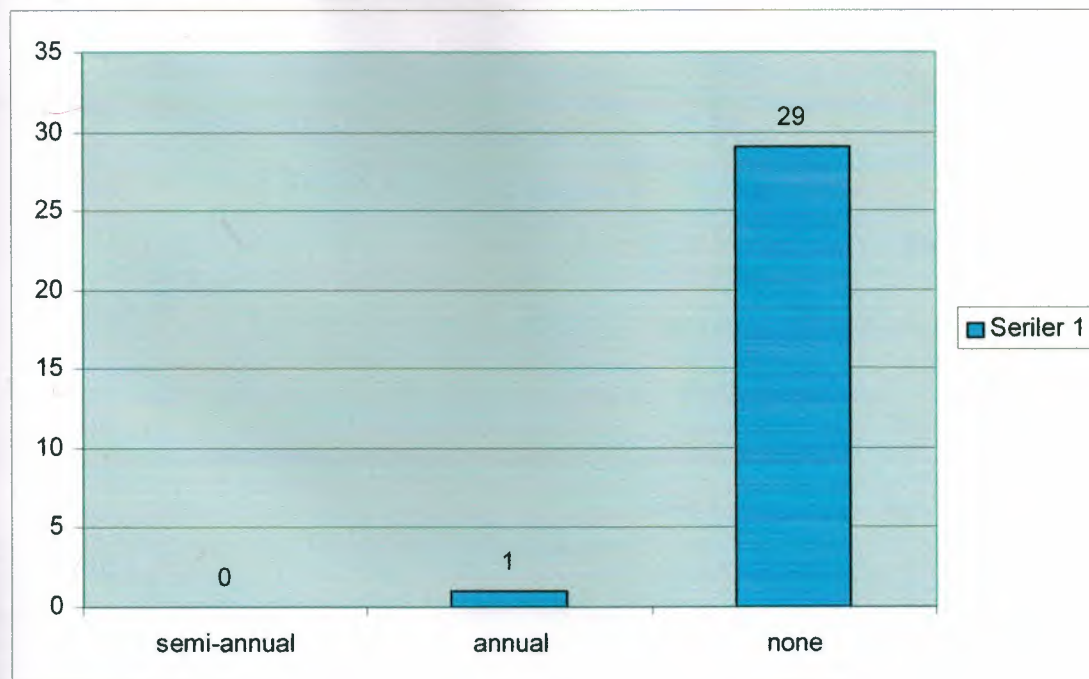
18- Thesee trainings has got some kinds. 60% (18/30) they would rather on the job, 7% (2/30) wants showing and 33 (10/30) they are using worth of mouth.

Table:4.20 Kinds of training



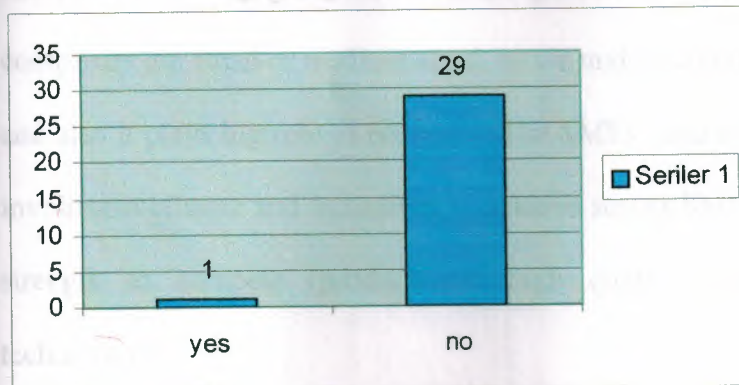
19- Respondents give job training periodickly. 4% (1/30) gives annuaily trainig, and 96% (29/30) they do not give any job training.

Table:4.21 Giving training periodical



20- This training sometimes changes according to the job and position. 4% (1/30) agree with this, however 96% (29/30) they do not agree.

Table:4.22 Training changes according to the job and position



CONCLUSION AND RECOMMENDATIONS

The importance of human resource management and its effect on organizations performance has only been organized recently. Organizations are using their human resource to gain competitive advantages over their competitors. When we think that in TRNC 98% of companies are small or medium sized, so we understand that SMEs takes very important place and also it plays big role in economy. The SMEs need to be supported by creating a positive investment climate and incentives to achieve strong SMEs with both employment power and strength to compete (productivity, high quality, low production costs, and modern technology).

So SMEs need human resource management directly. Human resource department makes employees to be more attractive, creating ideas, finding out positive and competitive solutions. In Europe all companies have human resource departments. Cause they know the importance of having human resource management and using this department. Later they become more and more competitive. This makes them to survive and develop themselves. In my observation i figure out some mportant points. While employee recruitment&selection, respondents just give advertising or walk-ins to fulfill the position so thats mistake they do not give and training and job description. They let their employee to learn on the job. In some conditions these can not be successful. And also selecting interview and orientation is very important while selecting employees. But because they do not have an human resourcce department they don't know what respondents have to do and they dont care so always they make mistakes and they can be competitive against other companies. On that time government has to help for the SMEs. Goverment has to put some limitations and rules. Like each company has got human resource department. And government also gives trainig or seminar

to the respondents to explain the importance of human resource department and how they can use this department to be successful and competitive.

REFERENCES

1. www.bcentral.co.uk/marketing/abroad/eufag/EU_Defn_of_Sme.asp
2. www.kobinet.org.tr/hizmetler/bilgibankasi/ekonomi/docs/Kobi_Rehberi.pdf
3. www.emu.edu.tr/smeconf/turkcepdj/ertan_oktay.pdf
4. Commission Recommendation amending Recommendation 96/280/EC of 3 April 1996 concerning the definition of small and medium-sized enterprises. OJ L 107, 30.4.1996.p.4.
5. http://europa.eu.int/comm/enterprise/consultations/sme_definition/documents/com_smes_en.pdf (4/8/2004)
6. http://europa.eu.int/comm/enterprise/enterprise_policy/mult_entr_programme/programme_2001_2005.htm#references, (25.02.2004, 00.10)
7. http://europa.eu.int/comm/enterprise/enterprise_policy/SME-package/index.htm-Thinking

small in an enlarging Europe, (21.02.2004, 03:12)

8. Mondy, R.W., Noe, R.M., (2005), Human Resource Management, 9th Edition, Pearson Education, Singapore.
9. Şafaklı, O. & Güryay, E., 'The possible Impacts Of EU Membership On The Competitiveness Of SMEs In The TRNC', Third International Symposium On Business Administration on The Future of the EU Competitive Power after the EU Enlargement, 27-28 May, T.C Canakkale Onsekiz Mart University Biga Faculty of Economics and Administrative Science & Silesian University in Opava School of Business Administration in Karvina, Biga/Çanakkale-TURKEY, 2004
10. Şafaklı, O. & Güryay, E., 'AB Üyelüğünün KKTC'deki KOBİ'lerin Finansmanına Olası Etkileri', Avrupa Birliği Sürecinde Sektörel Entegrasyon, III. Ulusal Orta Anadolu Kongresi, Gazi Üniversitesi İktisadi ve İdari Bilimler Fakültesi İşletme Bölümü ve Gazi Üniversitesi Kırşehir Meslek Yüksekokulu, 29-30 Nisan, Kırşehir, 2004
11. Şafaklı, O., 'AB Sürecinde KKTC'de KOBİ'lerin Finansman Sorunları Üzerine Bir Araştırma', I. Kobiler ve Verimlilik Kongresi, T.C İstanbul Kültür Üniversitesi – Milli Prodüktivite Merkezi & KOSGEB, 11-12 Aralık, İstanbul, 2004

APPENDIX 1

Original Study Questionnaire

Name Of Organization:

Name Of Owner:

Nature Of Business:

Number Of Employees:

Location:

Who is Responsible For The HRM:

Who was interview Conducted With:

Date Of Establishment:

Recruitment & Selection

-How do you find a replacement when an employee leaves the organization, or when extra staff is required? (newspaper advertising, walk-ins, word of mouth, ect.)

-Does the method used differ depending on the type and level of the position being filled?
(skilled, semi-skilled, unskilled)

-Do you follow any particular procedure in the selection of new employees?

-Do the procedure differ according to job and type of position?

-What factors are considered important in selecting new employees? (attitude, personality, skills, education, experience)

-Do these factors differ according to the type of job and position?

-Do you use a job description in the selection process?

-Do you use a selection interview? For all position?

-Is the interviewed preplanned with written question or is it an informal conversation style interview?

- Does the interview differ according to job and position?

-Are selection tools/test used?

Orientation

-Do you have formal orientation program or are new employee left to 'Learn-on the-job'?

Employee Performance (PA)

-How do you measure employee performance?(observation,forms,ect.)

-How often?

-Is feedback from customers used as a method of measuring employee performance?

-What action is taken if the employee seems to be unsatisfactory?

Training

-Do employees receive training?

-What kind?(on-the-job, other)

-How often?

-Does training differ according to job and position?

APPENDIX 2
Questionnaire Translated into Turkish

İşletmenin Adı:

İşletme Sahibinin Adı:

İşletmenin Türü:

İşçi Sayısı:

İşletmenin Yeri:

İnsan Kaynaklarından Sorumlu Olan Kişi:

Görüşmeyi Yaptığı kişi:

Kuruluş Tarihi:

1- Bir işçi kuruluştan ayrılırsa, yada başka işçiye ihtiyaç duyulursa nasıl bu ihtiyacı giderirsiniz?

a) gazeteye reklam vererek b) konuşarak c) arayarak

2- Bu metot diğer tür ve seviyedeki pozisyonlara da bağlı olarak kullanılabilirimi?

a) kabiliyetsiz b) kabiliyetli c) çok kabiliyetli

3- Yeni işçi seçerken kullandığınız bir prosedür var mı?

a) var b) yok

4- Bu prosedür işin şekline ve pozisyonuna göre değişirmi?

a) evet b) hayır

5- Yeni işçi seçiminizde nasıl faktörleri göz önünde bulundurursunuz?

- a) kişilik b) deneyim c) beceri d) eğitim e) davranış

6- Bu faktörler işin pozisyonuna göre değişir mi?

- a) evet b) hayır

7- Seçme yönteminde iş tanımlamasını kullanırmısınız?

- a) evet b) hayır

8- Her pozisyon için seçimlerde görüşme yaparmısınız?

- a) evet b) hayır

9- Görüşmeler önceden hazırlanmış soru-cevap şekliyle yoksa gayri resmi şekliyle olur?

- a) resmi b) gayri resmi

10- Bu görüşme işe ve göreve göre değişirmi?

- a) evet b) hayır

11- İşçi seçerken testleri yoksa araçları kullanırsınız?

- a) test/araç b) hiçbir

12- Yeni işçiler için resmi uyum programlarınız varmıdır yoksa işçiler 'işte öğrenme' yöntemiyle mi işe alınırlar?

- a) işte öğrenme b) uyum programı

13- İşçinin performansını nasıl ölçersiniz?

- a) gözlemleyerek b) formla c) satışlara bakarak

14- Ne kadar sıklıkta?

- a) haftada bir b) ayda bir c) senede bir

15- İşçilerin performanslarını ölçmede müşterilerin izlenimleri kullanırmısınız?

- a) evet b) hayır

16- Eęer işçi yetersizse ne gibi tavır alırsınız?

17- İşçilere eğitim veriyomusunuz?

a) evet b) hayır

18- Ne çeşit eğitim veriyosunuz?

a) İşte öğrenme b) göstererek c) anlatarak

19- Ne sıklıkta?

a) altı ayda bir b) senede bir c) hiçbir

20- Bu eğitim işe ve göreve göre değişir mi?

a) evet b) hayır