

# An Analysis on Human Resource Management in Australia Small and Medium Enterprises

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**Abstract**— While it is widely known that human resource management (HRM) is vital to competitive success, discussion has rarely included small and medium-sized enterprises (SMEs) let alone SMEs in Australia. This neglect is surprising given that SMES play an important role in the development of every economy especially in Australia's economy. With the globalization of the world economy, knowledge, and information technology expanding, the survival and development of small and medium enterprises are facing more competition pressure.

This has made the investment in human resources a necessity in such a way that helps small and medium enterprises be able to resist the challenges they face in the hostile environment they operate in.

If managed effectively and efficiently, human resources management can play a critical role in achieving the objectives and goals of any and all enterprises. This paper analyzes the many different issues faced by human resource management in Australia's small and medium enterprises such as recruitment, performances, succession planning, Time Management, Skill Management, Training and at the same time provides countermeasures which would contribute to the lasting succession and progress of small and medium enterprises.

**Keywords**— Australia, small and medium enterprises, human resource management, challenges and countermeasures.

## I. INTRODUCTION

Human resource management is the most vital factor for any enterprise as it determines the survival and development of enterprises. Human resources are important in any business, whether small or medium-sized, because a well-developed and well-managed human resource management mechanism can create good opportunities for the company. Human resource management includes seven aspects: human resource planning, job analysis, recruitment, performance management, compensation management, training and development, and employee relationship management. Modern enterprises have paid a significant amount of attention to the development of human resources. Although the Australian companies have achieved some human resource management, compared with

other major countries such as China and the United States there is still a gap such as poor staff quality, low management level, and outdated management philosophies. Australian SMEs try to replicate and apply some theories of human resource management without the necessary analysis and resources, thus leading to human resource management issues. Therefore, if the Australian SMEs want to have a place in the world competition, it must fully recognize the importance of human resource management for survival and continuous development.

The unique flexibility and innovation of SMEs contributes to the Australian national economy as it plays the important role to business development and job creation. It has become the main force in Australia's economic development and has a very crucial position in the Australian national economy.

SMEs in Australia account for 97% of Australian companies, accounting for one-third of Australia's GDP, and employ a total of 4.7 million people (Australian Government, 'The engine room of the Australian economy: Small businesses drive growth and jobs') [1]. SMEs' fluid mechanisms are playing an irreplaceable and critical role in expanding employment, stimulating the market, improving people's living standards, stabilizing the economy, and Australia's economic growth. Moreover, with the economic globalization and the further development of science and technology in the 21st century, the role of SMEs in a countries economic life will only become more and more important. It can be said that the fate of SMEs is closely related to Australia's social and economic development. SMEs in the Australian national economy occupy a pivotal position. So far, Australia's SME business registration accounts for 97% of the total number of registered companies. SMEs account for 90% of all goods exports, service exporters account for more than 60%, accounting for about 75% of employment opportunities.

SMEs have become an important force in Australia's national economic and social development.

In addition, compared with major OECD countries, Australia's micro and small enterprises (less than 50 employees) are particularly rich, accounting for 98% of all Australian companies and 41% of total employment. The formation of small and medium-sized enterprises in the Australian economy is in a reasonable position and is

conducive to solving the employment problem. Therefore, it should be said that SMEs have become the mainstay of employment; expanding employment and increasing the income of ordinary people have an irreplaceable role.

If Australian SMEs are to meet market needs, they need to identify their HR issues and implement the right HR management practices. Therefore, it is of great practical significance to improve the human resources management ideas and methods in Australian SMEs.

## II. LITERATURE REVIEW

The research and development of international human resource management shows that only a small number of SMEs study the nature and extent of human resource management in Australia [2]. The challenge of human resources management in SMEs in Australia stems from the small size of the company and the need for professional HR professionals. Human resource management research for SMEs is a “formal” and “informal” debate. On the one hand, it is argued that SMEs are characterized by informal human resource management practice [3], and small companies are taking advantage of workplace innovation. Others believe that the informal approach to human resource management is more suitable for small companies, because this flexibility helps them cope with environmental uncertainties [4]. However informal human resource management practices are the result of the lack of foresight and resources of small companies. One explanation for the differences in firm size in human resource management practices is the issue of human resource management. The lack of understanding is due to the informal nature of small business planning, the difficulty of developing a strategic approach to human resource management has increased in terms of business strategy and human resource management. On the other hand, it has been argued that human resource management is more complex than expected in human resource management practices in SMEs [5].

After more than half a century of development, the human resources management of SMEs has gradually increased. Human resource management is a function within the organization, with a focus on recruitment, management, and guidance for the organization's staff. Basically, the goal of human resource management is to maximize organizational productivity by optimizing the effectiveness of employees. The ultimate goal of human resources management is to improve effectiveness and organizational capabilities, which means the company's ability to use existing resources to achieve its goals in the best possible way.

The results of successful human resource management are reflected in improved profits, increased productivity, increased market share, increased customer and employee satisfaction, and increased reputation and influence of SMEs. Australia's SMEs have made great strides, and this development depends on many factors, and human resource management is one of them. It is not difficult to find that SMEs' human resources development sets their own unique methods and has some common advantages.

## III. PROBLEMS OF HUMAN RESOURCES MANAGEMENT IN SMEs

In the development of SMEs, the issue of human resource management is the main reason for restricting development. If the problem of human resource management is neglected, the development of the enterprise will be a problem. Although Australian SMEs operate flexibly and respond quickly to the market, they are easily adaptable to diversified needs, but there are still some shortcomings.

### A. Lack of human resources planning

SMEs lack strategic human resource planning. Although some companies have corporate development plans, there is no human resources management strategy. At present, there are only some company regulations, such as the salary system, staffing, promotion and other daily work plans, and do not necessarily follow the business development. Human resources planning requires the development of strategies, including the development of management personnel selection, training, appointments, rewards, etc., comprehensive, systematic, and especially career planning. SMEs generally have short-term behaviors, especially in the area of human resource management, lacking creative thinking and development strategies. Managers believe that the main goal of the company is to survive and develop the business, rather than to formulate specific plans for enterprise development. The lack of human resources planning for SMEs is becoming increasingly complex. With the rapid changes in the economic situation, SMEs tend to pay more attention to short-term economic benefits and ignore the long-term development strategy of enterprises. Managers who perform human resources functions will find that they have invested a lot of energy and funds in human resources development, but they are not active. Therefore, the development of human resources in enterprises is in a state of in-activeness, which can slow down the development of enterprise.

### B. SMEs face serious staff turnover

SMEs often have problems with financing, welfare, development and management, leading to brain drain. Because most of the SME families practice “nepotism” many people enter the company through interpersonal relationships rather than personal abilities, and assume management positions. This makes it difficult for the excellent employees in the general position to obtain a deserving promotion, which can then lead to a large loss of talent.

The lack of proper welfare systems makes it difficult to meet employee needs, which can result in the loss of very good employees. In terms of stimulating human resources, a considerable number of SME incentive mechanisms are not perfect. The combination of material incentives and moral motivation has not been established, and long-term career planning has not yet been established.

According to a survey conducted by the Australian Bureau of Statistics in 2015, Australian SMEs suffer from “brain drain” due to poor welfare structure. Nearly one-fifth (18%) of SMEs in SMEs leave their jobs each year. Small businesses with fewer than 50 employees employ more than 12.4 million

people in Australia. The study found that about 40,000 SME employees change jobs each year, claiming that their main reason for leaving is due to the company's lack of good benefits. Although these employers are confused by the employee benefits they can provide, 63% of small business owners report that they don't know how to find the best cost-effective solution for their employees. More than one-fifth of the owners (22%) said they did not provide any benefits at all. If it involves benefits, the most common is the pension plan, with 77% of SMEs providing 25 to 49 employees, and 72% of companies providing 5 to 25 employees. Smaller SMEs are the least likely to provide severe illness coverage (only 14%). If there is indeed a provision for employee benefits, the most common is a pension plan, with 77% of SMEs employing 25 to 49 employees and 72% employing 5 to 25 employees. Other benefits include a tax-free bicycle program (provided by 20% of small businesses) and critical illness coverage insurance, with 14% of small businesses employing up to 25 staff.

Small businesses are reported to be "brain drained" because talented employees are transferred to competitor companies and they offer more attractive benefits.

#### *C. Unreasonable recruitment and training system*

Smaller SMEs mean lower wages for employees, relatively fewer recruitment channels for employees, and relatively limited expenditures, making it difficult for recruiters.

At present, many SMEs are only concerned with the recruitment process; there is no specific method, especially the lack of theoretical guidance for selection, basically relying on the past experience of the examiner rather than his ability and achievements. In the recruitment process, companies mainly consider applicant qualifications, degrees, experience and qualifications, ignoring the overall hierarchy of internal staff. Australian SME managers still face many problems in training and development. The manager of the enterprise does not understand the value and significance of the development of employee training, and cannot improve the overall strength of the enterprise and the success rate of the enterprise. In terms of investment training, many SMEs are reluctant to do so because the time and funding required for training and development is lacking in most SMEs. Because most SMEs do not invest in proper training and development, they are more willing to train in their own way. Without proper supervision, the training of employees is far from enough, which leads to unfavorable results for the company.

#### *A. Lack of cohesive corporate culture*

Corporate culture is the driving force and source of sustainable development for any company. Corporate culture refers to the common values, attitudes, standards and beliefs of the characteristics of the organization and defining its nature. Corporate culture is tied to the goals of an organization, corporate strategy, structure and labor methods, customers and investors. Therefore, it is an important part of the ultimate success or failure of any business. There are many problems in the development of corporate culture in SMEs in Australia. Many SME leaders believe that even if they don't have a corporate culture, they can still make money. They believe that because company is small, it does not require corporate culture,

and has no meaning for the company's development but if employees have no sense of loyalty to the company then they will not hesitate to leave which will then cause the company to under perform because there are no employees to handle certain responsibilities.

#### **IV. SUGGESTIONS AND COUNTERMEASURES TO HRM UB SMEs**

In this ever-changing market environment, if Australian SMEs are to achieve and sustain new development, they must recognize the importance of SME human resource management and understand the current status and problems of human resource management.

##### *A. Develop an active human resources plan*

Human resources planning is "a process of determining the organization's human resource requirements and a plan to meet those requirements."

The HR program predicts the organization and future human resource management needs by analyzing the organization's current human resources, the external labor market, and the organization's future HR environment. For enterprises, especially small and medium-sized enterprises, human resource planning must be based on business principles in order to achieve business objectives. According to the long-term development situation, enterprises should plan to strictly implement human resources from the overall aspect. According to its overall strategic development plan and long-term business plan, the overall planning of human resources is to analyze the social and legal environmental impacts of human resources, to study market trends, to master the direction of scientific and technological innovation, and to determine the manpower needs, through targeted development planning. The management of the company can adjust the changes accordingly to avoid the rigid human resources of the enterprise that may hinder the strategic transformation of the enterprise development.

##### *B. Establish a management mechanism for employment training*

The type of employees in an enterprise is directly related to the fate of the enterprise. Therefore, recruitment is an important part of the development of the enterprise. It can recruit and establish an open, fair and impartial external recruitment system. The quality and capabilities of human resources are obtained through continuous investment in the company's employees. Enterprises can choose different professional training mechanisms according to different conditions, such as technical seminars to improve the overall quality of employees. Employee training is a productive investment that requires companies to invest according to a predetermined schedule. The training process is a blend of online learning, on-the-job learning and traditional face-to-face learning that allows learners to learn and train correctly. New entrepreneurs should also receive on-the-job training from direct managers who can provide feedback, support and guidance.

### *C. Establish a "people-oriented" management philosophy*

People-oriented is the starting point of modern human resource management and goals. Efforts should be made to develop talents, make rational use of human resources and effectively manage personnel work, and tap the potential of talents so that manpower can play a greater role. It is necessary to respect the interests of employees and change "control" to "respect". Enterprises should pay attention to the diversified needs of employees, and create a relaxed professional atmosphere for employees so that companies can retain and attract more talents to join.

### *D. Establish an effective incentive mechanism*

Companies should link performance management to compensation management. An effective compensation management system is needed to give employees' initiative, creativity, and realization of their life value. Enterprises must establish a compensation system with a distribution system as the core. We must adhere to the principle of equal responsibility and equal rights, taking into account responsibilities, risks and wages.

In order to prevent brain drain, companies must improve the moral quality of employees and maximize the needs of employees and their personal development. It should encourage employees to participate in business management so that they may see themselves as employers and have the opportunity to demonstrate their talents and achieve more. In this way, enterprises will win more vitality and vitality in the market competition.

### *E. Strengthening corporate culture*

Strengthening corporate culture and code of conduct that all employees follow in certain social and economic conditions. Corporate culture is the shared value of all employees and it is considered to have strong cohesiveness. Its essence is a people-oriented culture that stimulates and mobilizes the enthusiasm and creativity of employees' ideas and models. The aim of corporate culture is to recognize the collective hopes of employees and businesses, to build dependencies, and ultimately to employees who pursue and love their own businesses. Through cultural management, the company's service goals, values, and business philosophy are transferred to the company's employees to make up the system. The key to the construction of SME culture is to overcome the owner's awareness, establish a good relationship of mutual trust and mutual respect, and enable employees to give more support to the company's goals. Practice has shown the highest level of human resource management is cultural management.

## CONCLUSION

If Australian SMEs want to gain a certain advantage in the international market competition, they must fully realize the importance of human resource management and regard it as the most valuable resource and partner for enterprise development. Human resource management is a long-term business development related to the development, and sustainable improvement of SMEs. SMEs should analyze the human

resources system and adapt the corresponding human resource management measures. SMEs should also improve the level of human resource management and cultivate talents, while ensuring that each employee's own advantages are fully recognized and the advantages of the company are utilized.

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