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Integrating human resource management strategies to optimize production and operations in SMEs

Abstract. The purpose of this research is to design a human resources performance management system in order to improve the productivity of small and medium-sized enterprises (SMEs). For this purpose, a questioner has been designed to distribute among the experts of the active SMEs companies in Iraq. Based on the collected data, the statistical analysis was done. The statistical population of the study was 266 managers and experts active in the field of SMEs, of which 142 were chosen through multi-stage sample approach. Research tools for evaluating individual, group and organizational operation variables and enhancing the total efficacy are researcher-made questionnaires which were measured by using content validity and reliability determined through internal consistency within Cronbach's alpha method.

The findings of the research show that the variable of collective management with a maximum t-value 3.92 and Cronbach's alpha 0.93 had a greater impact on developing economic status than other variables. Furthermore, the result of the research indicated that according to the fit indices of the model, the proposed model is the most appropriate one (up to 62%) for establishing the human resources management model in order to improve the productivity of SMEs.

Keywords: Small and Medium-Sized Enterprises; SME; Productivity; Group Performance Management; Information Technology; Motivation; Educational; Human Resource Management; HRM

JEL Classifications: E24; E41; E64; I18; J28; J31

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1. Introduction and Brief Literature Review

Human resource management (HRM) in SMEs has become one of the most important concerns of these companies in our country, while there is little expertise in this sector. Therefore, in line with the human resources consultant in the SME Company, the responsibility of the human resources management unit is defined in addition to the human resources specialists at the levels of executive management and the board of directors (Supriadi et al., 2024; Aldouri, 2023). Thus, in the leading world companies, human resources management is one of the key duties of CEOs, and also a member of the board of directors, who is generally the chairman of the board of directors, is a mentor to guide the capital forces of the organization for the long term.

Aldouri & Kumbhalkar (2023) investigated the effect of the performance management system on the performance of food and agriculture employees. The results showed that the employees feel that there is a great need for a performance management system in the agricultural organization (Aldouri, 2024). This system requires the participation of the employees. Also, Sedyastuti et al. (2021) conclude that the understanding of the performance management practices is very important in all organizations; this motivates them to achieve the goals set by the organization.

Transparency should be encouraged should be done regularly, job design should be done in order to match the competence of the employees in the appropriate job, strengthen the morale of the employees by concluding longer contracts, create a career growth path for the employees and orient the new employees to the management of the organization's performance.

Ying (2004) conducted the studies with the aim of designing the optimal model of performance management for government organizations. In this research, two qualitative and quantitative approaches have been used in a combined manner. The results of this research indicate that there are persons related to the performance management model, which is defined in four dimensions of process, content, fields and improvement and development of performance at three levels of managers, employees and organization.

Human resources are the most important capital that SMEs have at their disposal at the present time, and the manager's ability to use human resources is one of the success factors of SMEs (Khan et al., 2024). SMEs often face transitory problems that one of them is the factors related to human resources activities. The lack of correct and systematic use of human resources causes waste of energy and power, reducing competitive advantage and reducing the power of competition in domestic and foreign markets. Most of the research in the field of human resources has been done in large and established businesses, and SMEs have often been neglected by researchers and need more research. In this research, the challenges of HRM in SMEs and the factors of HRM effective in the productivity of SMEs have been investigated through the literature review.

2. Research Methodology

Human resource management in small and medium-sized companies should be based on the following four principles:

1. People (manpower) and even the entrepreneur himself are the most important assets of an organization. Machines can be bought with money at the time of need, but manpower and skills cannot be easily procured. Effective management of human resources is the key to the success of small and medium-sized companies and also the key to the success of the entrepreneurs.
2. If personnel policies and procedures are not in continuous relation with the performance and goals of the organization, it is impossible to achieve success. The macro goals of the organization must be broken down into the role of each unit and each person so that we can truly say that everyone is moving in line with the organization's goal. To advance this principle, what goal have you set for yourself as successful businessmen? What goal have you set for your units? How do you encourage individuals and units to work together to achieve this goal?
3. The culture and values of the company, the organizational atmosphere and the behavior of managers, which are caused by the culture of the organization, have a great impact on the company's goals. As a small and medium-sized company entrepreneur, what kind of culture do you want in your organization and unit and what kind of culture are you looking to build? What values do you want to install in the organization? You must write down the values you want and get signatures from the human resources, you must also observe them at all times and remain fully committed to them. A good manager is a role model for employees in complying with organizational values and behavior. Organizational culture is created by managers with their behavior, and therefore, if bad and destructive behavior is observed in the organization, one of the reasons will be the manager himself. Human resource management means stability in culture.
4. Finally, a system. Formulation and implementation of strategy In order for your approach to employees to be free from personal judgment and truly based on principles, you must have defined the correct job description for people, the method of recruitment and interview should be such that you hire the right people in the organization from the beginning, performance evaluation Implement based on employee value, not your own judgment, and have a fair system in place to increase employee productivity and motivation.

The research is applied in terms of purpose and descriptive-exploratory in nature, which was carried out by using SPSS software using the structural equation modeling method. Also, in order to analyze the effective factors of human resources management in the productivity of SMEs, these factors have been identified and evaluated by experts. Finally, the impact of each of these factors and their ranking on the performance of companies has been evaluated using the t-statistics test. The selected statistical population is SMEs in Iraq. Based on the statistics of Iraq's SMEs information base, the initial number of 266 managers and experts active in the field of SMEs were

selected by stratified random sampling of this research. From the opinions of the managers of these companies, 142 questionnaires have been analyzed. The content validity of the questionnaire was measured through the validity index and content validity ratio, and the opinions of management professors were also used. The collection of information related to the literature of the subject and the background of the research was done by the library method and the data was collected by the field method by distributing the questionnaire. In this research, a standardized combined questionnaire with a 5-level Likert scale was used to measure the variables.

3. Results

In order to identify the main factors of HRM in SMEs, by reviewing previous researches and experts' opinion, 5 factors were considered (see Table 1 and Table 2):

- «collective management»;
- «supportive»;
- «information technology»;
- «motivational»;
- «educational».

According to the t-value of the extracted factors, the «collective management» factor with a value of 3.98 has the largest contribution in explaining the variables. After that, the «supportive» factor with a t-value of 3.85 is placed. «Information technology», «motivational» and «educational» factors with a t-value of 3.50, 3.45, and 3.55, respectively, are located in the next positions. These five factors represent about 62% of the total variance, which indicates a high percentage of explained variance by the factors discussed above.

In order to verify the validity of the results extracted in the exploratory factor analysis phase and the fit of the measurement model related to the success factors of HRM in SMEs, the data collected from the community of small and medium-sized companies owners using software factor analysis was confirmed by LISREL.

The fitted model of these factors is shown in Figure 1. The standardized factor loadings of the statements indicate that the indicators used in the measurement tool are in a good position in terms of validity. It can be said that the measurement model of success factors of HRM in SMEs in order to measure the relationships between the constructs and indicators related to each construct is valid and acceptable, hence, it can be stated that the indicators used to measure the construct are acceptable because they are reasonable. We conclude that the results obtained from the exploratory factor analysis phase are reliable and the chosen five indicators and structures can be mentioned as the main factors of successful HRM in SMEs. The fit indices in Table 1 show the good fit of the studied model to the observed data.

Paying attention to the results obtained in Table 2, it can be concluded that the infrastructural-supportive, managerial, information technology, motivational and educational factors measure well the factors of HRM in SMEs.

Table 1:
The results of fitting the model with the goodness index

Fit index	The proposed criterion	Results
Degrees of freedom	less than 3	2.56
Level of significance	less than 0.05	0.001
Normed Fit Index	More than 0.9	0.93
Tucker-Lewis index	More than 0.9	0.91
Comparative Fit Index	More than 0.9	0.92
Incremental Fit Index	More than 0.9	0.04
Goodness of fit index	More than 0.9	0.97
Root Mean Square Residual	Less than 0.1	0.02

Source: Author's own research

Table 2:
Confirmatory factor analysis of theoretical structure

Variables	Confirmatory factor mean	T-value mean	Cronbach's alpha
Collective Management	0.81	3.92	0.93
Supportive	0.79	3.37	0.91
Information Technology	0.70	2.98	0.89
Motivational	0.86	2.55	0.91
Educational	0.75	2.01	0.88

Source: Author's own research

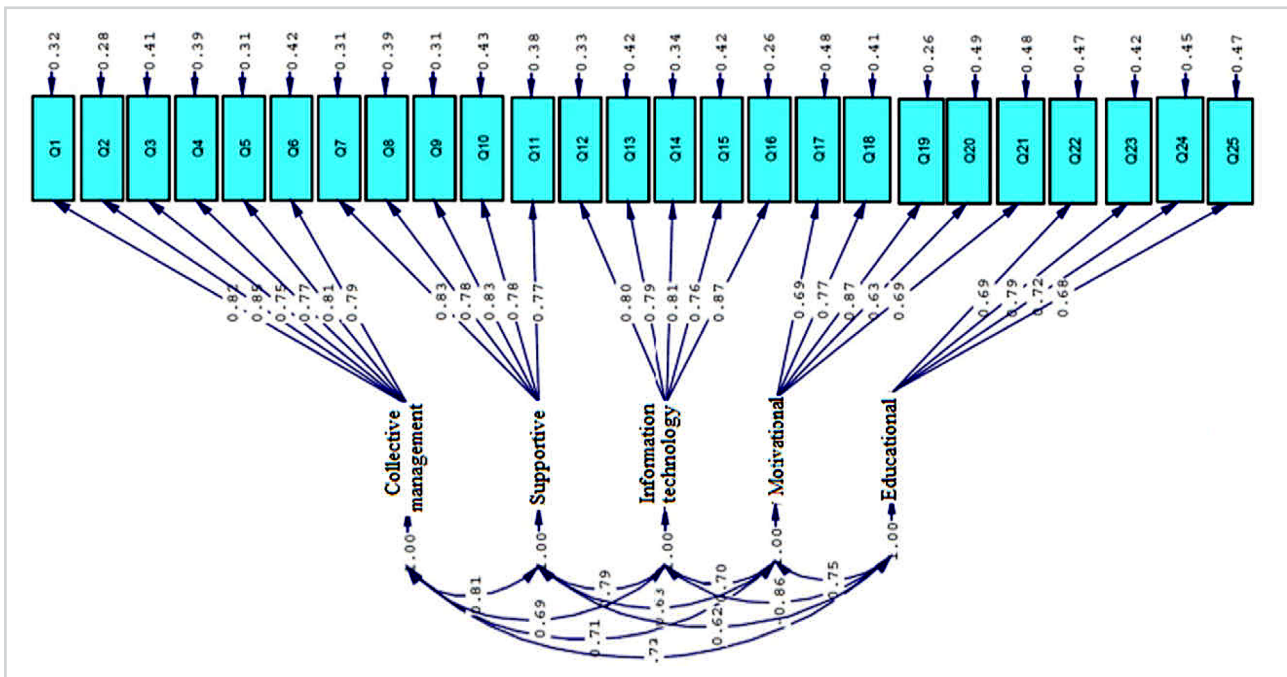


Figure 1:
Confirmatory factor analysis of HRM success factors in SMEs
Source: Author's own research

In general, as the level of knowledge of human resources of SMEs improves, we will witness the improvement of the companies' performance. The results also show that success is a matter related to people and knowledge. SMEs can significantly advance in line with their goals by managing human resources and creating motivation and a sense of success and group rewards.

4. Conclusion

Considering the important role of the success factors of HRM in SMEs, in this article, these factors were identified by reviewing the background of research and literature in the field of HRM. According to the results of the research in the designed model, it is suggested to the managers of SMEs, in order to improve the productivity of the organization as much as possible, that they should firstly identify the most important indicators that represent the individual, group and organizational performance of the employees with the consensus of the relevant experts. And while determining the weak points and strengths of the indicators, empowering of the employees in the weak indicators should be done. Considering the identification of the strengths and weaknesses of the individual, group and organizational performance of employees in the designed model, it is suggested that the management of individual, group and organizational performance should be focused on improving the weak points and improving the strengths as much as possible. According to the results and due to the greater effect of group performance on improving performance compared to individual performance, it is suggested to human resource managers to form a reward system based on group performance instead of systems based on individual work and setting the criteria for payment of rewards based on unit evaluation criteria and different sides to increase their motivation. It is also suggested to clarify responsibilities and prepare operational plans in the performance management process for the effective use of employees in transferring strategies and developing short-term and measurable goals to achieve the organization's strategic goals.

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