

## **Impact of Human Resources Management on Entrepreneurship Development**

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**Abstract:** The decisive role played by Human Resources Management (HRM) in the emergence and sustenance of entrepreneurship development in an organisation cannot be misplaced as it ensures optimum deployment and development of personnel towards the actualization of set organisational objectives. Using a primary data sourced through a well-structured and self-administered questionnaires served to sixty HR managers and supervisors, and analyzed with descriptive statistics and Pearson product moment correlation coefficient, this study investigates the role of (HRM) in entrepreneurship development. The tested hypotheses revealed a correlation coefficient of 0.44 which indicate the existence of a moderate positive relationship between Human Resources Management (HRM) and entrepreneurship development. This indicates that HRM can facilitate entrepreneurship development in an organization. Hence HR managers must seek as much as possible measures that will ensure that their human resource are adequately compensated, rewarded and motivated to enhance their performance which will translate to improved performance that will influence the overall performance of the organisation.

**Keywords:** management; human resources; entrepreneurship; development

**JEL Classification:** O15

### **1. Introduction**

In every modern organisation, the primary focus of Human Resource Management (HRM) practice are people-oriented activities, since the ever-changing, competitive demands of the marketplace have compelled a re-orientation and paradigm shift of HRM practice. Human Resources (HR) may be conceived as the knowledge, skills, creative abilities, talents and aptitudes obtained in the population or the totality of all inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees. HRM is an integral part of management and is concerned with the management of an organization Human Resources with the prime objective of forging and maintaining better human relations in the organization toward the realization of its set goals.

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Similarly, HRM is concerned with getting the best possible results through people in the organisation. It is an integral but distinctive part of management, concerned with people at work and their relationships within the enterprise. Kenter (2003) opined that HR tasks cover an ample variety of activities requiring very different skill sets from compensation and benefit administration (highly quantitative) to employee relations (highly qualitative). As a consequence, there are legitimate questions about whether these tasks need to be together on organizational plans in light of new realities and technologies. Granovetter (1995) opined that a business setting that guarantee minimum profits is not a sufficient condition for organizational survival, instead the composition of the social structure within which individuals and groups try to construct it

Similarly, entrepreneurship has been identified as the process of creating new thing of value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence. (Hisrich, 2005) This process enables the business in creating value by identifying market opportunities and creating unique combinations of resources to pursue those opportunities (Jacobson, 1997). These submissions connotes that for organisations to survive various challenging business thorns, there is a compelling need to annex the human resources in nurturing the emergence and sustenance of entrepreneurship in the organisation in order to attain meaningful business results.

Yaundt (2000) observed that HRM practices do not directly affect organizational performance but help build intellectual capital, which in turn leads to increased organizational value creation. Thus, in order to enjoy this lofty ends of entrepreneurship, every organisation human capital must be planned, organized, oriented, selected, trained, developed, appraised and adequately compensated in best way that will result in the emergence and development of the right core competencies and organizational capabilities which serve as the basis of creating value. Hence, Organizations need design its human capital in manners that will make it a virile source of competitive advantage (Lawler, 2009).

From the foregoing discussion, this study seeks to investigate the influence of HRM practices on entrepreneurship development in the Nigerian business setting with a view to compare the findings with the global business practices. The remaining aspects of the study include a brief literature review, research methods, result and discussion, conclusion and recommendations.

## **2. Literature Review**

The concept of HRM was viewed by Schermerhorn (2001) as the process of attracting, developing, and maintaining a talented and energetic workforce to

support organizational mission, objectives, and strategies while Audretsch and Thurik (2000) argue that effective HRM practices are becoming increasingly important in the new “knowledge-based” economy, as companies face the double challenge of the need for more highly trained employees coupled with a shortage of qualified labour. These challenges, coupled with the trend toward smaller firms in general, reinforce the need for effective HRM practices in the small firm.

Storey (2007) observed that the concept of HRM is controversial giving it four different meanings; the first is that HRM is often used synonymously with personnel management i.e. HRM and personnel management are the same thing; the second is that HRM techniques are integrated and more co-ordinated approach. Thirdly, HRM is usually used to signal a more business-oriented and business integrated approach to the managing of people since it undertakes several activities such as manpower planning, recruitment, selection, placement, Induction, training, development, performance appraisal, remuneration, staffing, discipline, social security, Collective bargaining, etc.

In the last two decades, empirical works have focused on the link between the practice of HRM and organizational performance, evident in improved employee commitment, lower levels of absenteeism and turnover, higher levels of skills and higher productivity which enhanced quality and efficiency (Golding, 2010). This area of work is sometimes referred to as strategic HRM or SHRM (Paauwe, 2009). Within SHRM three strands of work can be observed: best practice, best fit and the Resource Based View (RBV). The notion of best practice - sometimes called high commitment HRM - proposes that the adoption of certain best practices in HRM will result in better organizational performance. Perhaps the most popular work in this area is that of Pfeffer (1994) who argued that there were seven best practices for achieving competitive advantage through people and 'building profits by putting people first'. These practices included: providing employment security, selective hiring, extensive training, sharing information, self-managed teams, and high pay based on company performance and the reduction of status differentials.

Ivancevich (2001) opined that prior to the industrial revolution, most people worked either close to or in their homes. However, mass production technologies changed this style and people began to travel to work locations or factories. Today, with increased computer technology, there is a move for many to work from anywhere; people are no longer necessarily anchored to one place due to the technology erosion especially the internet. While Mathis and Jackson (2003) explained Human Resource Information System as an integrated system providing information used in HR decision making by improving the efficiency with which data on employees and HR activities are compiled and ensure prompt accessibility to data that enables HR planning and managerial decisions making to be based to a greater degree on information rather than relying on managerial perceptions or intuitions.

The arrival and continuous progression of technology in modern society is not a mirage and to understand the role technology plays on today's HRM since it is no longer enough for HR manager to maintain is important (Lengnick-Hall & Lengnick-Hall, 2003). The HR field has evolved over time and is currently under more analysis as well as more accountable than ever with little room for mistakes, which can be overwhelming costly. HRs these days and in the near future have a greater importance in the strategic business partnership with the organization, and for this challenge to be won, there is an increasing need for technology to be inserted on its daily operations and on its decision-making considerations.

According to Puccio et al (2007) the inclusion of technology will not come as a one-off process or a miracle pill instead, it is a result of a deliberate activities set in motion to develop the knowledge base of employees through an effective and efficient HRM department that encourages and promote creative thinking, expertise and innovation in the methods and procedure of performing assigned task in an organisation. Such process often yields the production of an intrapreneur or entrepreneur to the outside world. A review of this creative problem-solving training in the workplace indicates that training in creative problem-solving enhances organizational performance.

Hisrich (2005) view entrepreneurship as the process of creating something new with value by devoting the necessary time, and effort, assuring the accompanying financial, psychic, and social risk and receiving the resulting rewards of monetary and personal satisfaction and independence". The entrepreneurship literature can be classified into two perspectives; supply-side perspective and the demand-side perspective. While the supply-side perspective focuses on the availability of suitable individuals to occupy entrepreneurial roles; the demand-side, focuses on the number and nature of the entrepreneurial roles that need to be filled. The demand-side perspective suggests a number of ways to examine the context of organizational founding, such as the generation of new ventures by organizational hierarchies (Freeman 1986), the activity of the professions (Wholey et al 1993), the policy of nation-states (Dobbin & Doud 1997), the development of markets (White 1981, King & Levine 1993), and the advent of technological change (Shane 1996).

To compliment this concept, the National Directorate of Employment, Nigeria (NDE, 1989) defined entrepreneurship as the art, which involves recognizing a business opportunity, mobilizing resources and persisting to exploit that opportunity. According to Nafziger (2006), the entrepreneur can be viewed in at least four ways: (1) as the coordinator of other production resources – land, and capital; (2) as the decision maker under uncertainty; (3) as the innovator; and (4) as the gap filler and input completer. According to him, an entrepreneur (an individual or groups of individuals) has the rare capability of making up for market deficiencies or filling gaps. Bamberger and Meshoulam (2000) assert that high performance human resource practices consist of three main parts: (1) people flow,

including selective staffing, training (such as more extensive, general skills training), employee mobility (for example, broad career paths, promotion within the firm) and guarantee of job security; (2) appraisal and rewards, including performance appraisal (specifically long-term, results-orientated appraisal), compensation and other benefits, such as extensive, open-ended rewards; (3) employment relations, including job design (such as broad job descriptions, flexible job assignments) and encouragement of participation.

A few set of studies focus on the impact of HRM practices upon innovation and creativity which is the main thrust of entrepreneurship. Soutaris (2002) examines the relationship between HRM and innovation in Greece. The study reported that both human capital investment and the incentives provided for contributions toward innovation were of major importance with respect to firm innovativeness. Similarly, Laursen and Foss (2003) propose the new HRM practice which advised that teamwork, delegation and performance related payment will have a greater impact on innovation when used together though such relationship might vary with the industry knowledge intensiveness.

### **3. Research Hypotheses**

The following are the hypotheses deduced for this research work.

H<sub>1</sub>: That Human Resources Management does not improve entrepreneurship skill acquisition.

H<sub>2</sub>: That human Resources Management cannot facilitate entrepreneurship development.

#### **3.1. Methodology**

This study was carried out in Abeokuta, the capital of Ogun State southwest, Nigeria. This town is dominated by Yoruba's who are one of the major ethnic groups in Nigeria. Abeokuta is characterized by two climatic seasons which are dry season between November and March and the rainy season between April and October. The primary data used for this study were collected through a structured questionnaire administered to Human Resources managers and supervisors randomly selected from the industrial area. Information obtained includes respondent gender, years of experience in service etc. The respondents were also stratified along academic qualification and their levels. The data collected were analyzed using the descriptive statistics while the hypothesis formulated was tested with the Pearson product moment correlation in order to determine the nature and extent of the relationship between human resources management and entrepreneurship development in Nigeria.

#### 4. Result and Discussion

From the data obtained, 51 (85%) of respondents are male while 9 (15%) are females. This indicates that most of the respondents are male. Also, 45 (75%) of the respondents are married, 12 (20%) are single, while 3 (5%) are divorced. Equally, 56 (93.3%) of the respondent do believe that recruitment process and procedure can determine volume of sale and turnover, though 4(10%) differ. Similarly, 52 (86.6%) of the respondents opined that appraisal system can influence the actual performance of workers in an organization, while 8 (13.4) believed contrary. About 58 (96.6%) of the respondents believed adequate welfare policy can positively influence workers while 2 (3.4%) believes it may not. While 50 (83.3%) of the respondents believe encouraging staff development will motivate staff, while 10(16.6%) believes does not.

#### 5. Test of Hypothesis

**Table 1. Human Resources Management Improves Entrepreneurship**

	Mean	Std	Correlation	P.val
HRM	3.05	1.150		
HRM improves Entrepreneurship Development	4.61	1.595	0.44	0.00

This table above shows that 52(86.6%) of the respondents opined that appraisal system can influence the actual performance of workers in an organization, while 8 (13.4%) believed contrary. Similarly, 58 (96.6%) believe adequate welfare policy can positively influence workers while 2(3.4%) believes it may not, while 50 (83.3%) of the respondents believe encouraging staff development will motivate staff, while 10(16.6%) believes does not.

**Table 2. Human Resources Management Facilitates Entrepreneurship Development**

	Mean	Std	Correlation	P.val
HRM	3.05	1.150		
HRM facilitates Entrepreneurship Development	4.78	2.147	0.059	0.00

*Source: Field Survey, 2011*

The table above shows the relationship mean and standard deviation of relationship between Human Resources Management and HRM facilitates entrepreneurship development. The correlation is 0.059 (5.9%) and the probability value is 0.00

## **6. Findings**

The empirical review results generated is related to Storey (2007) concluded that the concept of human resources management is a controversial one, giving it four meanings as follows. The first meaning he gave is that, it is sometimes used synonymously with personnel management; simply he is saying human resources management and personnel management is the same thing. Second meaning is that personnel management techniques are being used in an integrated and more co-ordinate way. Thirdly, it is sometimes used to signal a more business oriented and business integrated approach to the managing of people.

The findings of the result shows the t-score at 59 degree of freedom, and while the first hypothesis correlation coefficient yield 0.44 (44%) and indicate the existence of a moderate positive relationship between variables, the second hypothesis yield a correlation efficient value of 0.05(5%) indicate the existence of a weak positive relationship between human resources management and entrepreneurship development. Both scenarios imply that the null hypothesis will be accepted. This is an indication that human resources management can facilitate entrepreneurship development in an organisation.

## **7. Conclusion**

This study examined the impact of Human Resource Management on Entrepreneur development. Entrepreneurship development was conceived as a generic process, dominated by creativity and innovation due to the fact that both concepts builds on previous knowledge and may be a combination of existing knowledge or may be able to move past barriers of existing knowledge to generate and explore new ideas and solutions. Hence, The HRM department must deploy their workers to the department where they can perform more efficiently and ensure that workers receive proper training and development through a deliberate insight on how to increase productivity and assisting with better employee assessment, selection and reduction in HR overhead cost.

## **8. Recommendation**

The following are the recommendation derived from this study: Every organisation must strategically manage its human resource for maximum performance while HR managers must try as much as possible to make sure that their human resource are adequately compensated, rewarded and motivated to enhance their performance which will translate to improvement.

Similarly, since there is a link between Entrepreneur development and Human Resource Management in the organisation, managers should take note on how to develop the human resource in the organisation. This will also enhance future performance of the organisation. Also, managers should be more concerned and ensure that human resource practice is strategic as it affects overall performance of the organisation

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## Appendix

**Table 3. Sex of Respondents**

	Frequency	Percentage	Cumulative percentage
Valid Male	51	85	85
Female	9	15	100
Total	60	100	

*Source: Field Survey 2013*

**Table 4. Marital status of Respondents**

	Frequency	Percentage	Cumulative percentage
Valid Married	45	75	75
Single	12	20	95
Divorced	3	5	100
Total	60	100	

*Source: Field Survey 2013*

**Table 5. Recruitment Process for Marketers Determines the Volume of Sales**

Group	Frequency	Percentage
Yes	56	93.3
No	4	6.6
Total	60	100

*Source: Field survey, 2013*

**Table 6. Appraisal System Can Affect Performance of Workers**

Group	Frequency	Percentage
Yes	52	86.6
No	8	13.4
Total	60	100

*Source: Field Survey, 2013*

**Table 7. Adequate Welfare Policy Can Influence Workers Positively**

Group	Frequency	Percentage
Yes	58	96.6
No	2	3.4
Total	60	100

*Source: Field Survey, 2013*

**Table 8. Encouraging Staff Development Will Motivate the Workers**

Group	Frequency	Percentage
Yes	50	83.3
No	10	16.6
Total	60	100

Source: Field Survey, 2013

**Table 9. Adequate Welfare Policy Can Influence Workers Positively**

Group	Frequency	Percentage
Yes	58	96.6
No	2	3.4
Total	60	100

Source: Field Survey, 2013

**Table 10. Appraisal System Can Affect Performance of Workers**

Group	Frequency	Percentage
Yes	52	86.6
No	8	13.4
Total	60	100

Source: Field Survey, 2013

**Table 11. Encouraging Staff Development Will Motivate the Workers**

Group	Frequency	Percentage
Yes	50	83.3
No	10	16.6
Total	60	100

Source: Field Survey, 2013

**Table 12. Human Resources Management improves entrepreneurship**

	Mean	Std	Correlation	P.val
HRM	3.05	1.150		
HRM improves Entrepreneurship Development	4.61	1.595	0.44	0.00

Source: Author Computation, 2013

**Table 13. Human Resources Management Facilitates Entrepreneurship Development**

	Mean	Std	Correlation	P.val
HRM	3.05	1.150		
HRM facilitates Entrepreneurship Development	4.78	2.147	0.059	0.00

Source: Author Computation, 2013