

The Life Cycle of an SME and Human Resources Strategies and Policies Adopted by the Entrepreneur

Anca Ștefănescu *

Abstract

Researchers have demonstrated that there is interdependence between the phases of an SME's lifecycle and the behavior of entrepreneurs - managers. Thus, the economic performance of the SME not only attests to the entrepreneurs' ability to act and make decisions, but also their ability to underlie, elaborate, implement and control - assess global strategies and human resources appropriate to the turbulent environment in which these economic entities operate on the market.

Keywords: lifecycle, SME, global strategy, human resources strategies, human resources policies

JEL Classification: M10, M12, M13, M50

1. Introduction

The article presents the interdependence between the life cycle of an SME and the entrepreneurial behavior of entrepreneurs - managers. Depending on certain factors, they will take strategic, tactical and current decisions to enable the SME to survive, grow, maintain or recover on the market. Also, over time, entrepreneurs - managers will understand the need for rigorous planning, address the strategic business, and adopt the most appropriate global and human resources strategies that would enable them to operate in profitable terms, thereby obtaining economic performance in a changing environment.

2. Interdependence between the life cycle of an SME, the entrepreneurial-managerial approach and the strategies and policies of human resources

Specialists' researches [Nicolescu, Nicolescu, (2008)] have highlighted that there is a strong link between the life cycle of an SME and the entrepreneurial-managerial approach.

According to the specialists, the life cycle of an SME consists of the following phases: launch (establishment), development (growth), maturity, decline and liquidation. [Fig. no. 1]

* Anca Ștefănescu is Lecturer PhD. at Romanian-American University, Bucharest. E-mail address: cruceruanca@yahoo.com

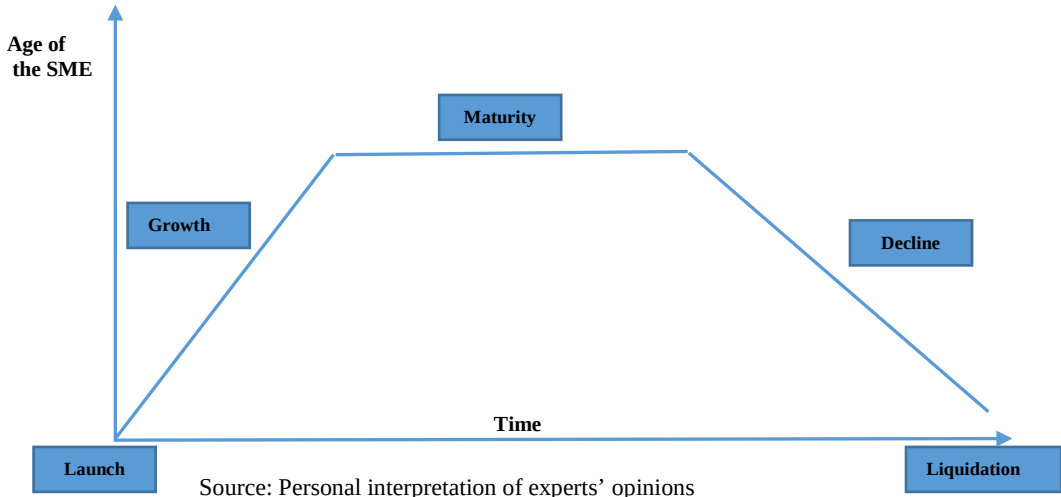
Depending on the life cycle of the SME, the entrepreneur will have a certain entrepreneurial behavior that is influenced by management knowledge, general knowledge, knowledge of business specificity, experience, personality, the ability to accept uncertainty, the willingness to take risks, to meet their own needs, the desire to fulfill the established objectives and the mission.

At the same time, this entrepreneurial behavior will be complemented with other variables influencing the entrepreneurial activities: "the nature of the organisation, the size of the company, the culture and professional characteristics of the persons involved, the culture of the organisation, the characteristics and degree of stakeholder involvement, the characteristics and functionality of the economic system, the national market and the area involved, the market access" [Nicolescu, Nicolescu, (2008)], all of which influence the managerial and decision-making capacity of the entrepreneur.

Most of the time, in the **launch phase (setting up)**:

- the entrepreneur does not have a lot of specialized knowledge (sometimes he does not have such knowledge at all);
- the entrepreneur does not perform adequate foresight activity, wishes to attract as many customers as possible, to obtain profit from the sale of the products or the provision of services;
- from an organizational point of view, the organizational chart is a very simple one, the entrepreneur being the central element, and the other employees being directly connected to it, with no hierarchical levels or organizational subdivisions;
- it is perceived the absence of formal documents, except for the job descriptions, which are not correctly drawn up;
- the organizational relations are hierarchical-functional, then the communication is very easy, creating a very simple information system, with very low risks of information deficiencies;
- because of this form of organisation, but also because of the lack of confidence in its employees and the fear of failure, the entrepreneur will feel the need to over-control employees and delegate very little;
- from the training point of view, the entrepreneur will not use a full incentive system, being more interested in employing people to help him achieve his goals and occupy fictionally designed posts;
- at this stage, the entrepreneur applies a global survival strategy and, with regard to human resources, will address specific recruitment strategies - selection-hiring-job integration and job design;
- in order to support the implementation of these human resources strategies, the entrepreneur will apply as specific policies, the personnel insurance policy and the reward-motivation policy.

Fig. no. 1 Life cycle of an SME



Once the SME has demonstrated its viability on the market, it has the possibility to ensure its sustainability and achieves an appreciable level of income and profit, the entrepreneur faces the situation either to withdraw completely or partially from the business, or to try to expand.

Thus, in the second phase of an SME's life cycle, the **development phases (growth)**:

- special attention is paid to strategic planning;
- there are organizational subdivisions related to the object of activity, several levels of hierarchy are created, a multitude of organizational connections are found and the necessity of documents for formalization of the organizational structure is understood;
- communication is essential, the information system becomes more complex, and the possibility of informational deficiencies is encountered;
- -it is understood the importance of delegation, the need to engage competent people, emphasis is placed on motivating human resources;
- control is no longer excessive, but only within normal limits;
- the entrepreneur already has some experience in the field, has gained specialized knowledge and personal needs are better aligned with the needs of the SME;
- at this stage, not only is it configured, but also the components of the management system develop;
- globally, there will be the option for a complete strategy (concentration or diversification);
- regarding human resources, the entrepreneur will choose the strategies for designing posts, recruitment-selection-hiring-integration and post-implementation procedures;

- policies related to these strategies aim at providing staff, rewarding-motivating employees and their development.

In the third phase, the one of **maturity**:

- the management system will undergo a modernization, by adapting to the effects of the rapid expansion of the SME;
- the foresight activity will need to be professionally addressed, and the emphasis is on quality;
- there will be recruited competent managers and specialists to ensure the performance of the SME;
- globally, the entrepreneur will choose a stability strategy (consolidation or penetration);
- in terms of human resources, the option will be for designing job strategies, recruitment-selection-hiring-integration and post-implementation procedures;
- specific policies are diversified, such as: staffing, rewarding employee motivation and development, organizational change and performance management.

In the fourth phase, **the decline**:

- the SME is subjected to drastic organizational changes; it may be necessary for strategic reorientation, opting for an exit strategy;
- the management system will need to be adapted to the new internal and external conditions and, as far as employees are concerned, it is desired to maintain them within the SME (the most urgently needed);
- the global strategy aims at redressing the SME's activity through different strategic options (reengineering, restructuring, joint venture, etc.);
- the specific human resources strategies outlining this stage aim at redesigning posts and implementing procedures;
- specific policies refer to providing staff within the SME, rewarding motivation and organizational change.

If all the efforts of the SME to recover failed, then it becomes incapacitated to pay and can no longer pay its debts, declaring bankruptcy, the next step being to **dissolve or liquidate**.

Those expressed above are found in the table, as follows:

Tab. no. 1 Life cycle of an SME and human resources strategies and policies

Phase of the life cycle of an SME	The global strategy adopted by the entrepreneur	The human resources strategy adopted by the entrepreneur	The human resources policy adopted by the entrepreneur
Launch	Survival	Recruitment- selection-employment-integration on the post	Staffing policy
		Designing posts	Reward-motivation policy
Development (Growth)	Concentrating/ Diversifying (complete strategy)	Recruitment- selection-employment-integration on the post	Staffing policy
		Designing posts	Reward-motivation policy
		Implementing procedures	Development of employees
Maturity	Consolidating/ Penetrating (stability strategy)	Recruitment- selection-employment-integration on the post	Staffing policy
		Designing posts	Reward-motivation policy
		Implementing procedures	Development of employees
			Organizational change
			Performance management
Decline	Recovering	Job redesign	Staffing policy
		Implementing procedures	Reward-motivation policy
			Organizational change

3. Case Study – S.C. Constructii S.R.L.

S.C. Constructii S.R.L. is a limited liability company, which was established in 2017 and has as object of activity "Electrical installation" (NACE Code - 4321)

The company's name is fictional, as only in this context, the administrator agreed to supply the data and information necessary for this case study.

The company has only one associate, which also manages the resources of the company. The company has no employee.

The market in which it operates is dynamic, with fierce competition, with a very small market share.

In order to carry out the activity, it either contracts works that do not require employees or subcontracts the work that has been taken over.

The company's manager may perform electrical installation activities because he has such skills. Also the manager has knowledge in project management and very little knowledge about company management. He has

extensive experience in electrical engineering, working in this field since graduating from the university.

The profile of this entrepreneur: male, 35 years of age, experience in the field 10 years, and what prompted him to open his own business was, on the one hand, the need for an additional income, and on the other hand, the desire to be his own boss.

At this time, according to the lifecycle of an SME, the company is still in the launch phase.

Customers are provided either through the knowledge network or by promoting "mouth to mouth".

Prices for the services provided are not high, with a modest turnover.

The company does not have a business plan, the activity being carried out according to what happens every day.

Accounting services are outsourced, the accountant being the only person delegated to solve all financial and accounting problems.

He does not need a human resources specialist at the moment because he has no employee.

From an organizational point of view, the company does not have an organizational chart, organisation and functioning regulations, nor job descriptions.

The information system is very simple. The manager communicates with the accountant, but also with potential customers and suppliers. Sometimes there may be communication problems, which may lead to exceeding delivery times.

The administrator is the one who carries out the activities specific to the production functions (according to the object of activity, this function will be transformed in the provision of services), commercial (supply of raw materials and materials, promotion of the image of the company, relations with clients). With the development of activities in addition to the financial accounting function, the staffing function will be outsourced but partially (since a large part of the activities of this function can be done by the administrator - eg: recruitment and selection, human resource planning, motivation etc.).

Currently, the company pursues a survival strategy, even if there is no document to prove this.

At the same time, even if the company has no employees, because it had to hire an accountant, we could say that it was considering a recruitment-selection-employment strategy and two specific human resources policies - staffing and rewarding - motivation.

4. Conclusion

In conclusion, it can be noticed that the interdependence between the life cycle of an SME, the entrepreneurial-managerial approach and the strategies and policies of human resources are found in practice, which proves once again that

the results of the specialists' researches are correct and that they can be used by entrepreneurs with confidence. However, it is true that, depending on certain particularities, this theoretical information may undergo minor changes, but with the development of the SME they will be rectified.

References

- Alba, Mark, Diez, Luis, Olmos, Esther and Rodriguez, Raul, (2005), "Global Performance Management for Small and Medium-Sized Enterprises (GPM – SME)". In *GPM – SME – FP6 – 005857 project, included in CRAFT Programme* (https://link.springer.com/content/pdf/10.1007/0-387-29360-4_32.pdf).
- Cassell, Catherine, Nadin, Sara, Gray, Melanie and Clegg, Chris, (2002), "Exploring Human Resource Management Practices in Small and Medium Sized Enterprises". *Personell Review*. Vol. 31. Issue 6. Pp. 671 – 692 (<https://doi.org/10.1108/00483480210445962>).
- Fatmagul, Cetinel, Meted, Yolal and Murat, Emeksiz, (2008), "Human Resources Management in Small- and Medium-Sized Hotels in Turkey". In *Journal of Human Resources in Hospitality & Tourism*, vol. 8, Taylor & Francis Group (<https://doi.org/10.1080/15332840802274437>).
- Ghassemieh, Golbou, Thach, Elizabeth and Gilinsky, Armand Jr., (2005), "Does My Business Need a Human Resources Function? A Decision – Making Model for Small nad Medium – Sized Firms". *New England Journal of Entrepreneurship*. Vol. 8. No. 1. Pp. 25 – 35 (<http://digitalcommons.sacredheart.edu/cgi/viewcontent.cgi?article=1157&context=neje>).
- Kok, J.M.P., Uhlaner, L.M. and Thurik, A.R., (2002), "Strategic Study B200103. Human Resource Management whitin small and medium – sized firms. Facts and explanations". *Business and Policy Research (report of the research programme SMEs and Entrepreneurship)*. ISBN 90-371-0850-4, pp. 1 – 34 (https://www.researchgate.net/profile/Jan_Kok/publication/5012512_Human_Resource_Management_within_small_and_medium-sized_firms/links/00463524bcce9acfa000000/Human-Resource-Management-within-small-and-medium-sized-firms.pdf).
- Manolescu, Aurel, Lefter, Viorel and Deaconu, Alecxandrina, (2007), "*Managementul resurselor umane*", Editura Economică, pp. 147 – 173, ISBN 978-973-709-290-8.
- Muogbo, U.S., (2013), "The Impact of Strategic Human Resource Management on Small and Medium Sized Enterprises (A Study of some Selected Paint Manufacturing Firms in Anambra State Nigeria). *Global Journal of Management nad Business Studies*. Vol. 3. No. 3, pp. 323 – 340 (<https://pdfs.semanticscholar.org/37e4/24b14170daf51474c1badfeab5a9e0755935.pdf>).
- Niculescu, Ovidiu and Nicolescu, Ciprian, (2008), "*Intreprenoriatul și managementul întreprinderilor mici și mijlocii. Concepte, abordări, studii de caz*", Editura Economică, pp. 194 – 212, 251 - 279, ISBN 978-973-709-420-9.
- Papulova, Emilia and Papulova, Zuzana, (2006), "Competitive Strategy and Competitive Advantages of Small nad Midsized Manufacturing Enterprises in Slovakia". *E – Leader*. Slovakia (<http://www.g-casa.com/download/Papulova-Competitive Strategy.pdf>).
- Singh, Manjari and Vohra, Neharika, (2005), "Strategic Human Resource Management in Small Enterprises". *Sage Journals (The Journal of Entrepreneurship)* (<http://journals.sagepub.com/doi/abs/10.1177/097135570401400104>) .