

# Human Resource Development Practices in Small-Medium sized Enterprises: Analysis of Performance and Challenges

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**Abstract - Human resource development (HRD) plays a vital role in strengthening organizational performance among small and medium-sized enterprises (SMEs), particularly in developing economies where resources and formal systems are often limited. The research examines the performance and challenges of HRD practices among SMEs in Surigao del Sur, Philippines, focusing on talent sourcing, learning and development, rewards and recognition, performance management, and employee welfare and wellness programs. A quantitative descriptive research design was utilized, with data gathered from SME owners, managers, and human resource personnel through a validated questionnaire. Descriptive statistical analysis was applied to assess HRD performance levels and identify operational challenges. Findings reveal moderate overall performance across HRD dimensions, with strengths observed in structured hiring practices and alignment of training initiatives with organizational goals. Persistent challenges were identified in compensation fairness, formal learning systems, allocation of performance management resources, and the integration of employee wellness programs, which emerged as the most critical concern. The research contributes localized empirical evidence on HRD implementation within SMEs and proposes a strategic intervention framework aimed at enhancing workforce development, organizational sustainability, and competitive advantage.**

**Keywords: Employee Welfare; Human Resource Development; Organizational Performance; Philippines; SMEs**

## I. INTRODUCTION

Small and medium-sized enterprises play a significant role in economic growth, employment generation, and local development, particularly in developing countries such as the Philippines. Despite their contributions to the economy, many SMEs operate with limited resources and lack formal human resource systems. Human Resource Development is essential in strengthening organizational performance by enhancing employees' knowledge, skills, and capabilities through practices such as talent sourcing, learning and development, rewards and recognition, performance management, and employee welfare programs. However, SMEs often face challenges in implementing structured HRD initiatives due to financial and operational constraints. In this context, this study examines the performance and challenges of HRD practices among SMEs in Surigao del Sur, Philippines, to provide insights that may support workforce development and improve organizational sustainability.

## II. OBJECTIVES OF THE STUDY

This study aims to examine the profile of the respondents in terms of their educational attainment, employment status, and number of years in business operation. It also seeks to determine the level of performance of small and medium-sized enterprises (SMEs) across key human resource development areas, namely strategic talent sourcing, learning and development, rewards and recognition, performance management, and employee welfare and wellness programs. In addition, the study intends to assess the level of challenges encountered by SMEs in these same areas of human resource practices. Based on the results and findings of the study, an appropriate intervention program will be proposed to address identified gaps and improve organizational performance and human resource development practices.

## III. THEORETICAL FRAMEWORK

This study is anchored on several theories that explain the importance of developing human resources to improve organizational performance. The Human Capital Theory introduced by Gary Becker emphasizes that investing in employees' education, skills, and competencies enhances productivity and overall organizational success, which is particularly important for small and medium-sized enterprises (SMEs) where workforce capability directly influences business sustainability. Complementing this perspective is the Resource-Based View of the Firm developed by Jay Barney, which highlights that organizations gain competitive advantage by effectively utilizing internal resources, especially human capital, through strategic human resource development practices such as recruitment, training, performance management, and employee welfare programs. In addition, the Social Exchange Theory proposed by Peter Blau explains that positive employer-employee relationships built through rewards, recognition, and supportive work environments encourage commitment, job satisfaction, and higher productivity. These perspectives are further supported by motivation theory, which suggests that employees perform better when their needs and aspirations are addressed, as motivated individuals are more likely to contribute effectively to organizational goals. Together, these theories provide the foundation for examining how human resource development practices influence employee engagement, productivity, and overall performance among SMEs.

#### IV. METHODS

This study employed a quantitative descriptive research design to assess the performance and challenges encountered by small and medium-sized enterprises (SMEs) in key areas of human resource development, including strategic talent sourcing, learning and development, rewards and recognition, performance management, and employee welfare and wellness programs. The quantitative approach enabled the systematic collection and analysis of numerical data to identify patterns and trends in existing HR practices without manipulating the variables. Data were gathered using an adapted Likert-scale questionnaire based on the study of Deligianni and Galanaki (2023), which was modified to suit the HR practices and challenges relevant to SMEs. The instrument underwent pilot testing and a three-stage validation process involving one industry expert and two academic experts to ensure reliability, clarity, and validity.

The respondents consisted of SME owners, managers, or HR managers from Tandag and Bislig Cities, Surigao del Sur, Philippines, who were directly involved in planning and implementing HR development practices. Data collection began with securing permission from school authorities and local government units before the distribution of questionnaires through face-to-face administration. Respondents were given adequate time to complete the instrument, after which the responses were collected, organized, analyzed, and interpreted. Ethical considerations were strictly observed, including voluntary participation, informed consent, confidentiality of information, and the use of data solely for academic purposes.

essential skills, continuous learning and advanced degrees enhance leadership capabilities and innovation. Additionally, businesses are well-distributed across 1–15 years of operation, with the highest presence in the 6–10 years range, indicating stability. However, the decline in businesses beyond 11 years suggests challenges in long-term sustainability, which aligns with Kotler and Keller’s (2021) view that continuous strategic planning and financial resilience are crucial for business longevity. These findings emphasize the importance of balancing job security with workforce adaptability, investing in professional development, and implementing long-term strategies for organizational growth.

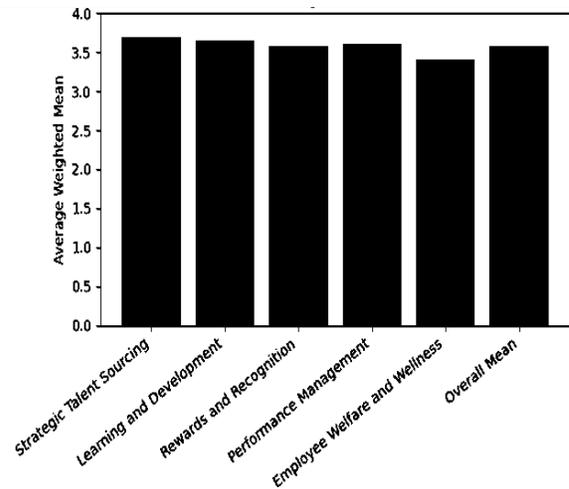


Fig. 2. Level of Performance of SMEs

#### V. RESULTS AND DISCUSSION

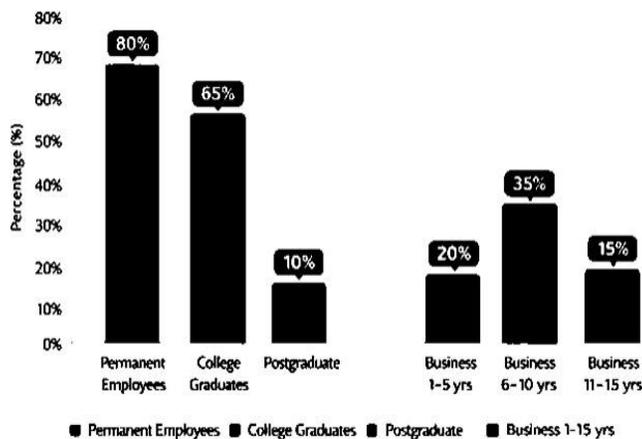


Fig. 1. Profile of the Respondents

Figure 1 reveals that most employees hold permanent positions, emphasizing job stability but potentially limiting workforce flexibility. According to Dessler (2020), stable employment enhances retention and job satisfaction but may reduce adaptability to market changes. The workforce is predominantly composed of college graduates, with minimal postgraduate representation, suggesting a strong educational foundation but limited higher education attainment. Noe (2022) highlights that while undergraduate education provides

The results indicate that SMEs demonstrate a moderate level of performance across the key areas of human resource development, with an overall mean of 3.58. Among the dimensions, Strategic Talent Sourcing (3.69) obtained the highest mean, suggesting that SMEs moderately align their recruitment strategies with organizational goals and implement structured sourcing practices. Learning and Development (3.64) and Performance Management (3.60) also showed moderate performance, indicating that while SMEs recognize the importance of employee development and effective performance evaluation, these initiatives may not yet be fully optimized. Similarly, Rewards and Recognition (3.57) reflect moderate efforts to motivate employees through compensation and incentives. However, Employee Welfare and Wellness Programs (3.41) received the lowest mean, with some indicators rated as low performance, implying limited support systems such as preventive healthcare services and employee assistance programs. Overall, the findings suggest that while SMEs have established HR practices, there remains a need for further strengthening and investment in these areas to enhance employee well-being and organizational performance.

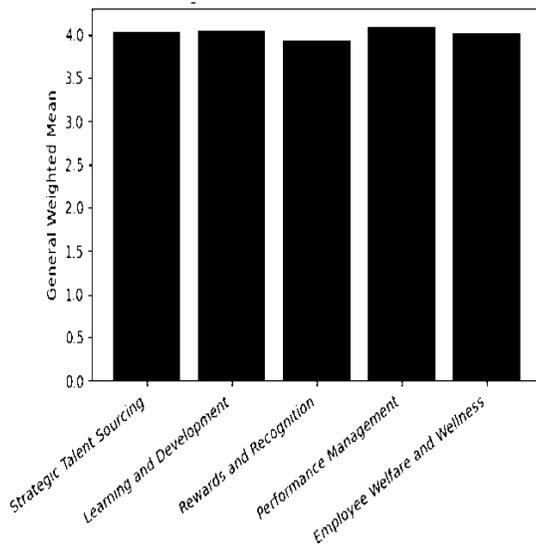


Fig. 3. Challenges Encountered in HRD Practices

Figure 3 indicate that small and medium-sized enterprises (SMEs) experience moderate challenges across most human resource development (HRD) practices, with general weighted means ranging from 3.94 to 4.09. Among the five areas, performance management (4.09) registered the highest level of challenge, suggesting that SMEs find it relatively difficult to implement effective systems that involve employee participation, collaborative improvement planning, and adequate managerial support. Learning and development (4.05) and strategic talent sourcing (4.03) also reflected moderately challenging conditions, indicating limitations in maintaining structured recruitment systems and continuously updating employee training strategies to meet evolving business needs. Meanwhile, employee welfare and wellness programs (4.02) remain challenging, particularly in aligning wellness strategies with organizational goals and ensuring consistent program implementation. Rewards and recognition (3.94) recorded the lowest mean but still falls within the moderately challenging category, implying that SMEs face constraints in offering comprehensive compensation packages and career advancement opportunities. Overall, the findings suggest that while SMEs recognize the importance of HRD practices, financial constraints, limited human resource infrastructure, and managerial capacity may hinder their full implementation.

## VI. FINDINGS

The results show that SMEs have moderate implementation of human resource development (HRD) practices while also facing moderate challenges in sustaining them. Most employees hold permanent positions and possess college-level education, indicating workforce stability and adequate skills. However, HRD areas such as strategic talent sourcing, learning and development, rewards and recognition, and performance management are only moderately performed, while employee welfare and wellness programs show the lowest level of implementation. At the same time, SMEs experience moderate challenges in managing these practices, mainly due to limited resources, financial constraints, and developing HR systems,

indicating the need for stronger investment in employee development and support programs. The Proposed Intervention SHINE Framework: Strategic Human Resource Intervention for Nurturing Employees

Objective:

The SHINE Framework is designed to enhance human resource development in SMEs by focusing on key areas such as recruitment, employee development, performance management, and welfare programs. By implementing structured HR strategies, the framework helps attract and retain skilled employees, promote continuous learning, improve performance through goal-setting and feedback, and support employee well-being. These integrated interventions aim to boost workforce productivity, engagement, and organizational sustainability, providing SMEs with a practical roadmap for long-term growth and competitive advantage.

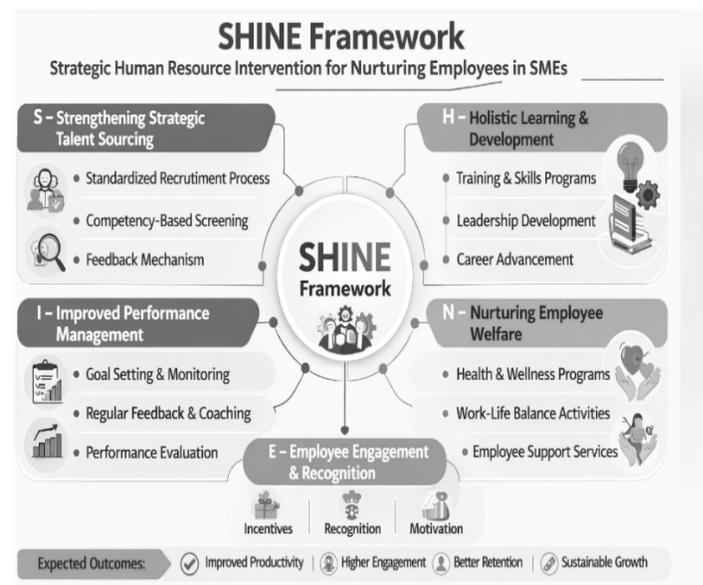


Fig. 4. Intervention Framework

## VII. CONCLUSION

In conclusion, the study shows that small and medium-sized enterprises (SMEs) maintain a moderate level of human resource development practices while also encountering moderate challenges in their implementation. Although SMEs demonstrate efforts in areas such as strategic talent sourcing, learning and development, rewards and recognition, and performance management, limitations remain particularly in employee welfare and wellness programs and in strengthening HR systems. These challenges may be influenced by financial constraints, limited HR infrastructure, and managerial capacity. Therefore, SMEs need to enhance their commitment to human resource development by investing in employee training, improving welfare programs, and strengthening HR strategies to support workforce productivity, employee well-being, and long-term organizational sustainability.

## VIII.RECOMMENDATIONS

It is recommended that business owners, managers, and human resource practitioners strengthen human resource strategies by standardizing recruitment processes, improving compensation and rewards systems, and aligning employee wellness programs with organizational goals. Providing adequate resources for training, performance management, and industry collaboration can further enhance workforce productivity and engagement. Employees and job seekers are also encouraged to actively pursue professional development opportunities and consider organizations that prioritize career growth and employee well-being. Meanwhile, future researchers may further explore HR challenges in SMEs, particularly in areas such as employee wellness, performance management, and HR best practices, to contribute to improving workforce development and organizational sustainability.

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