A Synthesis

Strengthening Human Resource Management System of SMEs for Facilitating Successful Trade and Investment in APEC

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BACKGROUND

The economic integration through trade and investment liberalisation in the Asia-Pacific Economic Cooperation (APEC) region presents tremendous opportunities for enterprises to become players in global supply chains or partners of foreign direct investment (FDI).The APEC Human Resources Development Working Group - Capacity Building Network (HRDWG-CBN) has been implementing various projects in order to prepare enterprises to be effective players in this environment. In the project entitled "Intellectual Property Rights (IPR) Strategies for Emerging Enterprises – Capacity Building for Successful Entry to Global Supply Chain," the importance of human capital was identified as one of the elements in recognizing, utilizing and protecting intellectual assets. The analysis and findings of the IPR project pointed to the strengthening of human resource management (HRM) as a key success factor for the protection and enhancement of the intellectual value of enterprises.

Effective HRM has always been high in the agenda of large multinational companies which invest time, energy and resources in ensuring that they continually attract, develop, motivate and retain the talent they need to support their continued growth and expansion. Small and medium enterprises (SMEs), however, do not have such resources at their disposal. Yet, SMEs constitute over 90% of enterprises in the APEC region. Despite their number, less than 10% of SMEs survive beyond the founder's lifetime. This low survival rate is often attributed to the inadequate HRM systems. Few SMEs have internal HRM systems and structures to cope with various challenges of liberalisation. Strengthening their HRM systems is important to ensure a motivated, high-performing workforce that will, in turn, help the SMEs gain their partners' trust when they enter the global supply chains. On the other hand, ineffective HRM can be viewed by the business partners as a possible source of enterprise vulnerability. Strengthening the human resource management systems of SMEs will thus directly contribute to the facilitation of trade and investment in the region.

With this background, the project entitled "Strengthening Human Resource Management System of SMEs for Facilitating Successful Trade and Investment in APEC" was implemented for a year, starting in December 2011, under the auspices of the APEC HRDWG-CBN. It aimed to build the management capacity of SMEs through effective HRM to enhance their competitiveness in the global market. It had the following key objectives:

1. To identify issues confronting SMEs in attracting, motivating, developing and retaining their people.
2. To identify common elements and differences of good HRM practices among APEC members.
3. To develop a framework and a prototype capacity building programme with case studies for HRM in SMEs.

Under the project, a total of 10 case studies were prepared involving eight APEC economies. The cases illustrated real life issues and problems, and showcased successful HRM practices as well as commonalities and differences of HRM issues in various APEC economies. A prototype capacity building programme was designed and a pilot seminar was conducted in September 2012 in Seoul, Korea to test the effectiveness of the cases as learning materials and the methods of delivering them.

This synthesis paper summarizes the findings from the process of implementing the project, including developing and teaching the cases by the resource persons as well as sharing their knowledge and experiences with stakeholders.

Moving forward, this paper identifies other APEC activities that would enhance the contribution of effective human resource management in improving the performance of SMEs.

FRAMEWORK FOR STRATEGIC HRM

A basic framework for Strategic Human Resource Management (S-HRM) was developed based on discussions during the initial meeting of the resource persons, analysis of the issues identified in the cases written for the project, and further refined with exchanges of ideas during the Pilot Seminar/Workshop held on 23 - 26 September 2012 in Seoul, Korea. The purpose of the S-HRM Framework is to guide SMEs, especially those entering the global supply chain, on the steps to take in order to upgrade their HRM systems for long-term growth and profits.

The S-HRM framework identifies both the process as well as the critical elements impacting on the performance of SMEs. More specifically, the framework involves: 1) identifying opportunities and challenges of economic liberalisation for the enterprise; 2) leveraging the enterprise's own human resources, by clearly establishing its strategy and utilising their human resources effectively; 3) tapping innovation and technology for competitive advantage, and 4) shaping its organisational culture by introducing various management systems and practices in order that the values the management holds (which are a source of the SME's competitive advantage), would be shared and implemented effectively throughout the organisation. It is important that in each of these steps, the leader should articulate or clarify his or her unique vision, values and orientation in initiating and driving each of the steps in the framework (Figure 1).

Figure 1: Strategic Human Resource Management Framework (S-HRM)
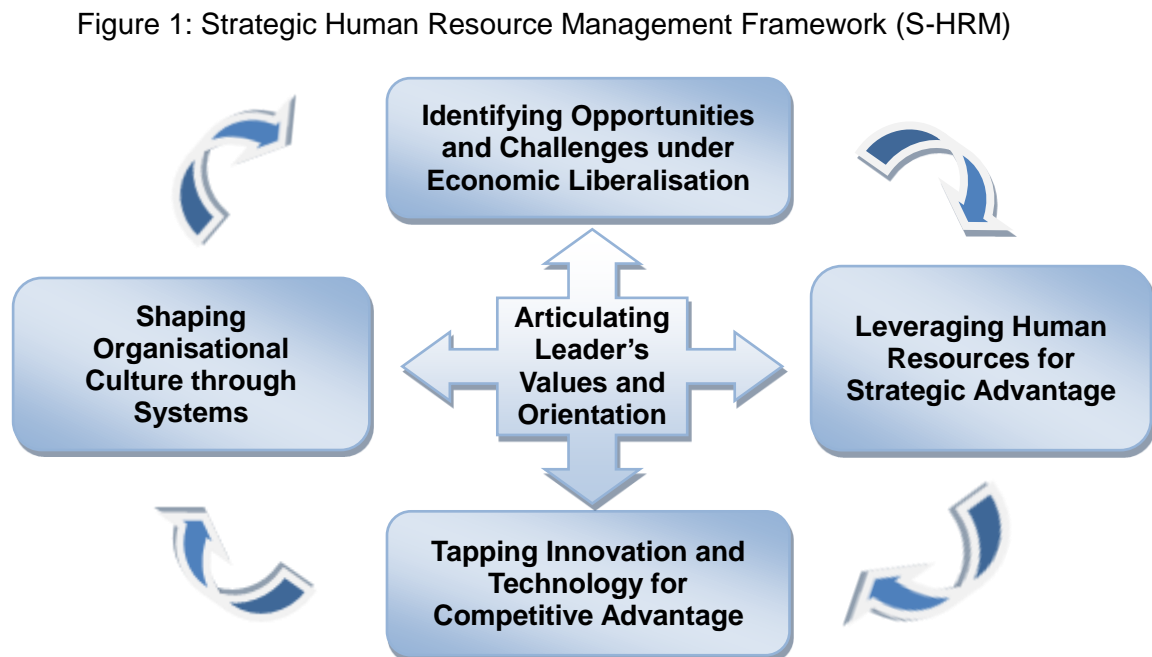
1. Identifying Opportunities and Challenges of Economic Liberalisation

The liberalisation of the economy presents great opportunities for growth and expansion, if the enterprise sees and grabs them, making the best out of the situation. On the other hand, some enterprises see greater threats as a result of liberalisation because of imminent competition. Some companies, once they overcome difficulties posed by stringent international market requirements, will become stronger and be ahead of the competition. The leader and his senior management team will have to clearly identify opportunities and challenges as the first step towards grabbing the opportunities and turning the situations around.

2. Leveraging Human Resources for Strategic Advantage

When an enterprise clearly identifies opportunities and challenges, it needs to develop strategies that will give it a unique competitive advantage and position it to capture the opportunities and address any future challenges in the global market. As it develops competitive strategies, the enterprise needs to understand and exploit the strengths of the current human resource complement, and at the same time tries to address any shortcomings of its human resources and its management practices. This is all about building internal capability for competitive advantage, which can be achieved by ensuring that the enterprise has the right number of people with the right skills and motivation for the right jobs. Such capability can be achieved through the recruitment, selection, development and motivation of the needed talent. The HRM policies and practices instituted by the enterprise create this capability.

The process of aligning HRM policies and practices with the enterprise's strategies is in most cases an iterative process. Changes in the current systems and practices may bring about unexpected results. When this happens, the leader and his management team have the responsibility to ensure that an alignment is achieved as they modify the systems and practices.

3. Tapping Innovation and Technology for Competitive Advantage

To be able to compete and survive in the liberalised economic environment, it is imperative that the enterprise continuously innovates and advances its technology ahead of the competition. The innovation in this context is not only in the product and service it provides, but also in its HRM practices. HRM must support and encourage innovation and technological advancement in varying ways, depending on the situation. The leadership team usually paves the way and creates the environment for innovative ideas and technologies to be adopted and implemented.

4. Shaping Organisational Culture through Systems

Organisational culture can be a powerful driver of sustained competitive advantage for SMEs if it is aligned with their strategy. HRM systems can, and should be designed to shape an organisational culture that is aligned with the enterprise's overall strategy. Hence, the leadership team, with effective use of HRM, should be able to create an organisational culture so that members of the organisation would act accordingly without conscious efforts. Various HRM systems and practices are used to inculcate values among the members so that the organisational culture would be created and enforced.

5.   Articulating Leaders' Values and Orientation

The leader's vision, values, and orientation permeate all of the steps described in the S-HRM Framework. They drive the company's openness to opportunities and challenges, its capability to innovate and adopt technological advances, its willingness to leverage its human resources for competitive advantage, and its readiness to transform its culture and HRM and management systems for continued growth and expansion.

Studies on successful entrepreneurial companies indicate a connection between the leader's entrepreneurial orientation and the company's performance. Entrepreneurial orientation has variously been defined to include autonomy, a willingness to innovate and take risks, a tendency to be aggressive toward competitors and to be proactive with regard to marketplace opportunities (Lumpkin and Des, 1966).

The cases written for this project have leaders and their leadership team exhibit in varying degrees some of the characteristics described above.

CASES DEVELOPED

Types and Uses

Ten cases were developed under this project. The cases present real-life management situations and the various strategic issues and challenges faced by the entrepreneurs and managers of SMEs. While a number of case types exist, the project focused on "good practice" illustration cases and "issue-based" or "decision-making" cases. The project team decided that the former type would be most useful in understanding the "know-what," while the latter would be more appropriate for learning the "know-how." The cases were written to serve as teaching materials for discussion in a capacity building programme on "Strengthening Human Resources Management in SMEs for Economic Liberalisation". The cases developed and shown here have illustrations of issues; some include successful management practices, and others have decision making aspects. They can be used independently, or with other cases, to draw lessons, depending on the needs of the target audience. Table 1 presents a summary of the 10 cases and their focus in the context of the S-HRM framework.

Table 1: HRM Cases, By Type and Area of Focus

Economy	Case Titles	Opportunities (O) and Challenges (C)of Economic Liberalisation a)	Leveraging HR for Strategic Advantages	Innovation and Technology	Shaping Organisational Culture through Systems	Case Type Decision Making case or Illustration case for Discussion
Canada	Datamineware	**C**	◎	◎	◎	**Decision**
Indonesia	Dharma Siaga	**C**	◎	△	◎	**Illustration**
Indonesia	Wisnu Karya Purtra Internat'l	**O**	◎	△	◎	**Illustration**
Japan	Edo-kiriko Hanashyo	**O**	◎	◎	△	**Decision**
Japan	Kowa Tech	**O**	△	◎	◎	**Decision**
Korea	Dong Yang Machinery Industrial	**O**	◎	◎	◎	**Illustration**
New Zealand	2Touch	**O**	◎	◎	◎	**Decision**
Chinese Taipei	Pasadena International	**O**	◎	◎	◎	**Decision**
Thailand	Global Precision Engineering	**C**	△	◎	△	**Illustration**
Viet Nam	Viet-Software International	**O**	◎	◎	◎	**Illustration**

Note a) O indicates that the management sees opportunities open to them as a result of liberalisation, while C indicates the liberalisation presents bigger challenges for them to overcome.
Note b) ◎ indicates primary focus, △ indicates secondary focus.

Profiles and Highlights of the Cases

Since the definition of SMEs in each of the APEC economies varies widely, the project decided to use a very simple guideline for the case subject, i.e., the number of employees should not be more than 300. The 10 cases represent various industries such as information technology, automobile-related products manufacturing, finance, food service, wood products as well as lifestyle and gift items. The sizes and histories of the small businesses range widely, from a nine-member family corporation with a 65-year history to a fast growing six-year old company with 200 employees. (See Exhibit 1 for profiles of the SMEs).

The enterprises developed strategies, based on their own assessment of the opportunities and challenges they faced in the light of economic liberalisation. Some viewed economic liberalisation as great opportunities and tried to take advantage of them, while others view them as a source of greater challenges to be overcome with the

right business strategy. In either case, the SME leaders took a proactive approach to the situations that confronted their businesses. (See Exhibit 2 for opportunities and challenges.)

Although most of the cases illustrate recruiting, developing, motivating and retaining necessary talents as the main HRM issues, the means of addressing the issues varied depending on the situation. Since SMEs are normally not the preferred employment choice for high achievers, creative approaches have been employed by some of the SMEs to attract them. Many offered training opportunities or even lowered the entry level qualifications. Establishing a "brand" not only in a product market, but also in the recruitment market was also effective.

More effective training methods and schemes as well as varieties of performance evaluation systems were also highlighted in the cases. (See Exhibit 3 for HRM Issues). As the SMEs entered into more competitive environments, more formal performance based evaluation systems were adopted. Since the entrepreneurs or leaders of the organisations had a major influence on the strategy and management practices of the SMEs, they also revealed their personal values. (See Exhibit 4 for Profiles of Leaders.)

Presented below are brief abstracts of the cases developed under the project.

DATAMINEWARE (Canada)

Datamineware (name and situations disguised) was in the information technology industry in North America. It developed and updated software for existing information system in manufacturing companies, incorporating various new elements and functionalities in the existing software. The speed with which Datamineware updated software for customers' changing needs was considered its competitive advantage. The entrepreneur, John Denning, who was knowledgeable of customer requirements, was capable of orchestrating the development process with the help of software developers. Competent software developers were in demand almost anywhere in the world, thus they tended to be mobile in pursuit of different and challenging experiences.

As the business expanded, John decided to have a Chief Information Officer (CIO) to oversee the development process. John, together with the new CIO, introduced a number of changes, including a formal performance evaluation system and new software development language so that the schedules would be followed. Timely delivery became a primary concern, sacrificing the ability to respond to customer complaints. Although the changes were made to address immediate issues, those changes in work procedure and evaluation appeared to create new problems for the company.

Dharma Siaga (Indonesia)

Dharma Siaga was a small cooperative, trying to serve its members composed primarily of owners of micro-businesses serving foreign tourists. Because of the liberalisation of the economy, including the service sector, the banking industry had become increasingly competitive. The management of Dharma Siaga believed that the only way for them to survive and grow was to serve the existing customers better and increase their transactions with the cooperative by catering to their varied needs. To achieve this

goal, Dharma Siaga needed to strengthen their marketing staff who would deal directly with the customers. In the past, Dharma had difficulty in attracting people to work for them, since the youth did not favor SMEs like Dharma as sources of employment.

Dharma Siaga shifted their recruitment requirements to attract those with lower educational qualifications and offered training programmes to get them interested to work for Dharma. The cooperative also instituted performance based evaluation system, rather than traditional seniority based system, and provided high performing employees an opportunity to obtain higher education.

Wisnu Karya Putra International (WKPI - Indonesia)

The case on WKPI, a producer/exporter of wood products and furniture in Bali, illustrates how the company entered the international supply chain. New stringent international requirements for environment protection and sustainability required exporters to follow strict standards throughout the supply chain. While WKPI was able to secure the government certification, it was necessary to ensure that other parties in its supply chain, including material suppliers, followed the standards and prepared the necessary documentation. It required discipline to follow such standards, especially because instituting discipline in a traditionally "laid-back" Balinese culture required creativity.

Wayan Diana, entrepreneur, used his network in the government and international NGOs to help educate the other players in the industry through participation in the incubation centre programme that helped disseminate know-hows on following international requirements.

EdokirikoHanashyo (Japan)

EdokirikoHanashyo was a small family-owned company manufacturing traditional cut glass products (Edo Kiriko). The company had been in existence over three generations. The second generation owner undertook initiatives to transform the company from being an OEM manufacturer to having its own brand and unique designs and process. The company established its reputation as the source of quality traditional Japanese craft products often given as gifts to state guests.

The founder's son and third generation owner, Takayuki, understood that it would be his role to expand sales channels overseas for growth and for the sake of future generations. However, he was concerned about the lack of skilled craftsmen needed to serve an expanded market. He also realized the constraints and limitations of Hanashyo as a small, family-owned enterprise in developing and retaining the right number of craftsmen with the right skills. He started to consider how much and how fast their business could be expanded and what would be the priority issues in term of their HRM to support the company's growth and expansion.

KOWA TECH (Japan)

When Yuji Oguri, the second generation owner, took over Kowa from his father, the company was a subcontractor of large automakers for their specialty vehicle requirements. The company was also in deep financial trouble and was burdened with an old and highly paid workforce. Yuji instituted various changes, including changing the company name to Kowa Tech, to signify his emphasis on technology. After painstaking efforts to convince the older workforce (over 70 years old) to retire, he started to recruit younger engineers with college degrees. Initially it was not easy for Kowa Tech to attract young graduates. Through the help of engineering school professors, Yuji eventually got younger graduates to work for him, promising challenging and creative work which a company of Kowa Tech's size was in a better position to offer. Yuji also instituted more professional management systems, including clear cost accounting and exploration of new markets.

The major turning point for the company came when they were requested to produce the first domestically developed amphibious vehicle. Despite all odds and objections by the engineers, Yuji decided to take on the challenge. Using his university and other connections, he was able to solicit collaborators, who not only provided technical support, but also made computer simulation facilities available to him. After two years of experiments and clearing cumbersome legal requirements, Kowa Tech was able to successfully develop the first amphibious vehicle in Japan. During the development process, Yuji introduced leadership development and team building programmes, through which people from different sections of the company started to work effectively. Sharing of vision and performance measures also contributed to higher motivation of the staff.

Having fully internalised the production technologies of amphibious vehicles with its 5th unit, Yuji was considering an option to go international and/or develop new amphibious motor cycles in the near future.

Dong Yang Machinery Industrial Co., Ltd (Korea)

The case highlights various support programmes intended to strengthen SMEs to be stable employers, which were offered by the government sponsored programme through HRD Korea. The owner of Dong Yang had managed to provide continuous employment to their employees even during the severe economic conditions, by sharing work among them. As a result of this gesture, employee loyalty to Dong Yang was enhanced. To further strengthen its management capability, Dong Yang sought the support of HRD Korea which provided consultancy services in productivity improvement, building a learning organisation and structured on-the-job training.

Productivity and performance, as well as employees' morale, went up substantially, making the company an even more profitable and stable employer. Dong Yang's achievement as a model employer was highly publicized, raising awareness among other SMEs of the potential benefits of HRD Korea's services.

2Touch (New Zealand)

The case presents the dilemma of Pablo Garcia, a New Zealand entrepreneur, who had to take the lead in two sister organisations in New Zealand, plus one division in Australia. The case illustrates the challenges he faced from the early days back in 1998, when he envisioned the development of a product to assist the interactive learning and teaching process. Since 2Touch adopted a "push" marketing strategy, which required the company to determine unrecognised needs of the customer and offered products which addressed such needs, the company had to develop a culture of creativity and innovation. With an R&D team of diverse backgrounds and culture, 2Touch was able to exploit their employees' intrinsic motivation to be creative. The company added a new "goal metrics" performance evaluation system, where employees' own goals were measured against company goals.

While 2Touch had been successful so far, the management was considering expanding its business outside New Zealand and Australia. Pablo was wondering if the same approaches would work in a different environment, as he moved towards realising the possibilities for international expansion.

Pasadena International Group (Chinese Taipei)

Mr Shiu Jeng-Ji was the founder of an OEM of consumer electronic products, with operations overseas. He established Pasadena International Group by providing its customers unique value in its products and customer service that differentiated the company from its competitors. Pasadena had become a well known bakery and restaurant for the past ten years. This case illustrates the key role that human resource management plays in determining the survival, effectiveness and competitiveness of SMEs like Pasadena in the foodservice business in Chinese Taipei.

The case further highlights how effective HRM practices support SME business goals and objectives in the foodservice sector including attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs well (training), rewarding employees (compensation), and creating a positive work environment (good employee relations). It also provides an example of how an SME like Pasadena links corporate social responsibility to its brand.

Pasadena has established a clear and trustworthy image to their customer, starting from the introduction of some concepts and products which promoted the importance of environmental protection up to the company's community involvement.

Global Precision Engineering (Thailand)

In line with the government policy to develop the local mould and die industry, Global Precision Engineering (GPE) was established under the Thai-German Institute's industry incubation project. GPE upgraded its capabilities to manufacture mould for auto and other industries. However, being a small company, it faced difficulties in attracting, training and retaining most of its workforce. In order to address the issue of employee retention, GPE started to recruit employees with lower educational level qualification, offered monthly salary rather than daily wages and showed clear career paths using

industry standard qualifications. In addition, it introduced the bonus system to reflect the workers' performance. All of these new measures were made with an overall thrust to treat the workforce as family members.

While GPE effectively used various support mechanisms under the Mould and Die Cluster of Thailand, including the use of a common facility, machine time sharing and joint training, more creative efforts may have to be introduced.

VietSoftware International Inc. (Viet Nam)

VietSoftware International Inc. (VSII) operated as a software outsourcing service provider with offshore dedicated centers for clients in Europe, Japan and the United States. The human resource (HR) challenge that it continued to face included the high staff turnover rate, strong competition for qualified and talented staff, qualification of software developers, and the need to introduce an advanced HR system that worked in the Vietnamese context. Lack of professional interpersonal and communication skills of the staff resulted in lower work productivity.

The constraints also deterred VSII from scaling up to compete with other companies that were strong at information technology or business process outsourcing (ITO/BPO). In addition, HR constraints in the Vietnamese labor market, especially in the software industry, were serious hurdles that VSII had to overcome in order to improve its competitiveness and productivity, and its ability to meet the increasingly sophisticated needs of international customers. They also slowed down the integration of VSII into the global supply chain and its efforts to increase revenue.

PILOT SEMINAR

After the cases had been written, a 2-day pilot seminar programme entitled "Strategic Human Resource Management for SME: Winning in the Global Economy" was organized, using the S-HRM framework. The seminar was held on 24-25 September 2012 in Seoul, Korea with a total of 27 participants, including 12 APEC resource persons. The local participants included SME owners, representatives of large companies with SMEs in their supply chain, SME management development institutions and government agencies. The seminar was delivered with all the case authors presenting their cases under the guidance of Professor Buenaventura Canto and Ms Etsu Inaba.

The purpose, process and benefits of the pilot seminar were as follows:

Learning Goals & Objectives

In line with APEC's goals, the pilot seminar was designed to provide a number of competencies or learning outcomes among the participants. At the close of the seminar, it was expected that the participants would be able to:

1. Identify and understand the strategic importance of HRM systems and practices to organisational performance, growth and expansion in global markets.
2. Appreciate common issues and different approaches to addressing HRM issues in SMEs.
3. Identify key success factors for developing appropriate and innovative HRM systems and practices that will facilitate SMEs' participation in the global supply chain.
4. Apply the lessons learned to their own settings.

Seminar Programme & Methodologies

The pilot seminar was designed using the basic framework developed for the project consisting of the following components: 1) identifying opportunities and challenges of economic liberalisation for the company, 2) leveraging human resources, by clearly establishing a unique competitive business strategy and utilising human resources effectively, 3) introducing innovation and technology to advance competitive strength further, and 4) shaping organisational culture by introducing various management systems and practices. The seminar took the participants on a journey through the various areas of knowledge and skills of human resource management in SMEs in "building block" fashion, albeit very rapidly, given the time constraints the group had to work with (See Exhibit 5).

Due to the fact that only a few of the participants understood English, cases were presented on the seminar day, with the assumption that only a few of them would be able to read them ahead of the seminar. Thus the case discussion was somewhat limited in terms of time. All 10 cases developed for the project were presented by the case authors, with time allocated for discussion in small groups as well as by the entire class.

Feedback from Participants and Resource Persons

The participants reported that they learned lessons from the diversity of SME cases with real-life issues presented by resource persons from different APEC economies. They realised that the HRM approaches taken by SMEs in each economy were different, based on the level of development of the economy, size of the economy, as well as cultural factors. It became clearer to them how important the alignment was between the strategies of SMEs and their HRM practices in order to promote the SMEs' growth and sustainability. However, some participants pointed out that more in-depth discussion on implications and implementation of the changes in HRM in each case could have yielded more insights. They also wanted to know the solutions to the wide range of HRM challenges presented, besides thinking of alternative approaches.

The case-based methodology of delivering the seminar was well-received by the participants. They enjoyed being involved in interactive discussions despite the language barrier.

Participating resource persons recommended that the programme should be replicated in other economies with other issues and challenges facing SMEs in the APEC region. They also hoped to have the cases disseminated to other potential users, particularly to business administration or business management schools in APEC member economies.

It was also suggested that issues of the project should be taught in a broader framework; that is, the strategic use and management of intellectual assets with a focus on HRM. Unique, value-adding programmes on HRM for SMEs could be developed by integrating the outputs of past APEC case writing projects.

Lessons Learned from the Seminar

The APEC resource persons, with their different areas of expertise and geographic origins, contributed much to the rich variety of perspectives and ideas in the seminar discussions.

The interactive mode of delivery of the programme was very effective, particularly for the experienced entrepreneurs and executives. The orientation at the beginning of the programme was effective in bringing out this result. Pairing or grouping of some cases made the sessions more interesting to the participants, as they could compare and contrast the situations.

The 2-day format of the seminar was adequate for an introduction to the topic, which was to elicit the interest and appreciation of entrepreneurs and SME owner-managers of the importance of S-HRM. However, more in-depth, follow-up programmes should be offered to equip the participants with actual methods and measures that they could implement in their own organisations.

OBSERVATIONS AND INSIGHTS

The following observations and insights on strategic human resources management by SMEs were drawn from analyses, presentations and discussions of the cases by participants and resource persons during the pilot seminar and workshop held in Seoul, Korea, as well as from subsequent discussions among resource persons.

A .Commonalities

The issues of how fast and how much to grow and how to staff the growth are common to SMEs. The SMEs also recognised the need to shift from an informal to more formal HRM systems and practices at a certain stage of SME development. This shift is accelerated when the SMEs enter the global value chain and have to deal with global suppliers or customers.

In general, SMEs faced limitations in attracting talented people. Their limited resources thus require them to be creative in recruiting, training/developing, compensating and retaining good people.

Alignment of Strategy and HRM Practices

The discussions underscored the importance of developing a clear strategic focus among SMEs which should be the basis for developing an appropriate HRM system that is supportive of the enterprise strategy. Thus, HRM systems and practices should be evaluated on the basis of how well they align with the enterprise strategy. As SMEs make changes in strategy or in HRM systems, the alignment between the strategy and HRM needs to be monitored and maintained.

A shift in strategy may entail a change from a largely *ad hoc* to a more systematic HR system. There appears to be a turning point for enterprises to transition from a "leadership" to a "managership" mode wherein more systematic and structured HR systems are needed to replace informal and *ad hoc* HR practices. SMEs must however be aware that in changing HR system and practices, negative repercussions and effects should be anticipated and corrected to fit the needs of the organisation.

Tapping Outside Resources Effectively

One issue that often plagues SMEs is their lack of financial and other resources. Successful enterprises selectively utilise to their advantage outside resources, either those provided by the governments, international NGOs or through the networks of people. Collaboration with other enterprises, NGOs and universities through an established network of people enables SMEs to take on big challenges which they by themselves may not be able to handle.Governments can play a major role in linking and bridging different stakeholders.

Creating a Sense of Pride in People

In many of the cases, the valued talents' decision to join and remain with an SME is influenced by more than just monetary and employee benefits considerations. A big factor in their decision is their sense of pride in being part of a company or enterprise which has distinguished itself through, among others, the quality of the products and services it offers, the leadership that propels its growth, and the high regard it has earned from other industry players or stakeholders. Overcoming big challenges creates among the employees a sense of pride in the organisation. Taking on such a big challenge requires a leader's decision to go against all odds.

In order to attract talents to SMEs, entrepreneurs should develop and articulate their values and visions to their employees. Sharing a dream and striving for it together appears to be an important factor in attracting talent to SMEs, just like in large businesses and organisations.

Establishing a brand name is also one way of attracting good people to the company; hence, the company brand is not only intended for the customers or market but also for the company's employees. Likewise, activities done as corporate social responsibility (CSR) initiatives can serve as means to consolidate SME efforts in giving pride to the organisation.

Opportunities to Develop Capabilities

Some SMEs attract potentially capable talents by adopting a scheme that would provide professional or career capacity development opportunities to their employees. Encouraging employees to upgrade their skills, providing opportunities for in-house training within work hours and recognising the results appear to be effective ways for retaining talent.

B. Differences

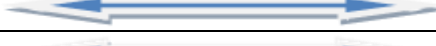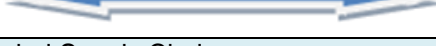From the cases and the discussions, a few areas of differences were noted. The lessons learned from the project conducted under APEC may be effective inputs to developing management capacity to work in a liberalised environment.

Values and expectations of the entrepreneurs and employees, as well as those of the customers, may be different from place to place or situation to situation, and learning about these differences and making necessary adjustments are important. To cite an example, to address high turn-over of employees, an alternative to, or in addition to, an effort to retaining talents, measures such as accelerating/shortening skill development, and developing a system for seamless knowledge transfer as well as measures for protecting important know-hows were considered as important.

C. Factors in establishing HRM Systems and Practices

The following were identified as some of the major factors in determining strategies as well as HRM systems and practices (Table 2):

Table 2: Influencing Factors

Stage of enterprise development			
Start-up	Growth	Decline	Revitalize
Characteristics of the industry			
Traditional/slow changing			New/fast changing
Social culture or organisational culture			
Collective			Individualistic
Non-litigious			Litigious
Enterprise Ownership			
Family	Closely held		Publicly owned
Brand Ownership			
OEM			Own brand
Technology - Nature &Ownership			
Leader owns			Professional owns
Simple/Easy to Acquire or Imitate			Complex/Difficult to Acquire or Imitate
Degree of Integration into Global Supply Chain			
Independent			Part of long chain

FRAMEWORK FOR IMPLEMENTATION OF S-HRM

While the project was not intended to provide the equivalent of findings from empirical research, the cases developed and the lessons obtained from the discussions among the resource persons and seminar participants revealed valuable insights on the important factors that need to be taken into account, when S-HRM systems are to be implemented in SMEs competing in a liberalised global market. The following diagram attempts to capture these factors and their interrelationships as a guide to SMEs seeking to implement S-HRM to enhance their competitiveness and chances of success.

Figure 2: Emerging Framework for the Implementation of S-HRM by SMEs in APEC
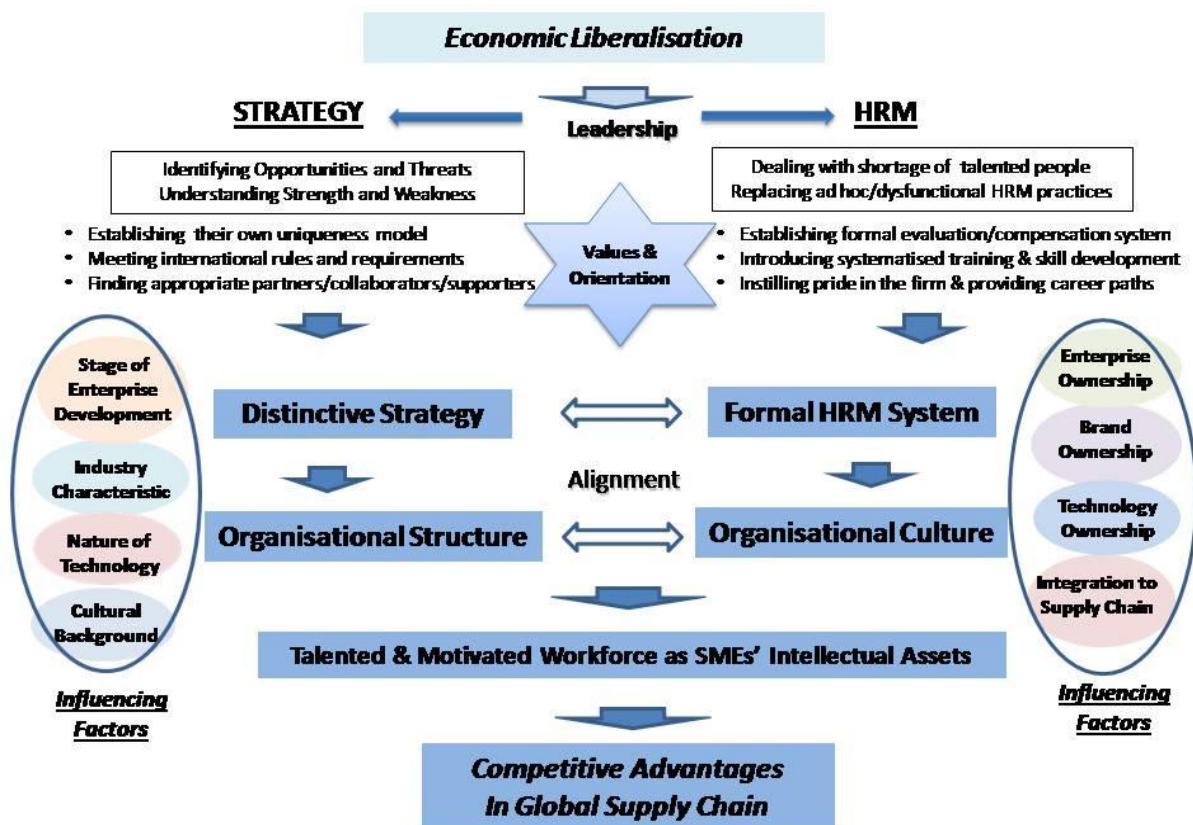
THE WAY FORWARD

Based on the experience of implementing the Strategic HRM for SMEs project, which drew on the resources, knowledge base and diversity within APEC, the resource persons involved recommend the following future actions for consideration by APEC and its members:

Hold a Continuing Series of Capacity Building Seminars Using the Outputs of APEC HRD-CBN Projects

APEC Human Resources Development Working Group – Capacity Building Network (HRD-CBN) has carried out a number of projects in the past, accumulating rich sources of capacity building materials. In particular, the more recent projects such as "Corporate Social Responsibility (CSR) throughout the Supply Chain," and "Strategic Intellectual Asset Management (SIAM)" had SME management as its target. Using such accumulated resources, combined with the S-HRM project outputs, a variety of capacity building programmes can be developed, based on the needs of individual APEC economies. New seminar designs can also be developed and replicated in a number of member economies.

In order to carry out replication of the programme and dissemination of the case teaching materials effectively, the APEC community should support these efforts. The capacity building programme may be replicated in cooperation with the SME Working Group within APEC as well as with other organisations outside APEC, such as government agencies, NGOs and private organisations/groups, and educational institutions engaged in SME capacity building and development.

Develop a More In-Depth HRM Training Programme Focusing on Skills Development

There should also be an effort to develop more in-depth, skill development-oriented training programmes for SMEs to prepare them to enter the global supply chain. In terms of S-HRM, for example, knowledge of different performance evaluation criteria used and their effects on different cultural settings would enable entrepreneurs to apply appropriate measures in their own setting, with fuller understanding of risks and benefits.

Strengthening HRM System of SMEs

Exhibit 1: Profiles of SMEs Studied

Economy	Name of Enterprise	Industry Sector	Market Served	Outside Linkage & Network	Workforce Size/ Sales	Ownership	Years in Operation
Canada	Data-mineware	Information Technology Software development	Canada, USA and global	Software developers global network	20 employees with 8 Software developers from outside Canada, Annual sales: C$35 million	Single Proprietor	Est. 2003 9 years
Indonesia	Dharma Siaga	Financial Industry Micro financing for cooperative members	Local micro business (some are exporters), increasing competition of foreign banks	Ministry of Cooperatives and SMEs to provide revolving funds.	22 employees Total Revenue of US$130 million with gross margin of US$10.6 million	Cooperative	Est. 2004 8 years
Indonesia	Wisnu Karya Purtra International	Manufacturing and exporting of wooden handicrafts & furniture products	Middle East, European Union, Australia, USA	Central & local governments programs for Timber & Wood Suppliers	30 regular plus a few part-time employees Annual sales US$2.52 million	Stock Company	Est. 1995 17 years
Japan	Edokiriko Hanashyo	Lifestyle industry and gift items, traditional crafts of cut glass (cups, dishes and lamps)	Local plus offshore thru online sales, potential to enter high-end Asian market thru stores in Singapore & Hong Kong	Exhibition at Musee des Arts Decoratifs in Paris, & ran a booth at International Contemporary Furniture Fair, Selected gifts for state guests.	9 people: 4 Family members & 5 non-family employees Annual sales over US$1.25 million	Family Owned; 3rdGeneration	Est. 1946 65 years
Japan	Kowa Tech	Manufacturing of specialty vehicles (fire engines, ambulances, amphibious vehicles)	Domestic, subcontractor for large automakers like Mitsubishi, Isuzu, etc. Future plans for overseas expansion	University Professors in shipbuilding field	50 regular employees with 20 to 25 temporary Annual sales of US$10 million	Privately held stock co, 2ndGeneration	Est. 1966 46 years
Korea	Dong-yang Machinery Industrial	Manufacturing of heavy industrial machinery	Sub-contractor of global companies (e.g. Daewoo, Hyundai)	Government support thru HRD Korea, partner contractor of Daewoo	110 employees Annual sales of US$50 million	Stock Company	Est. 1987 25 years
New Zealand	2Touch	Informational technology: Interactive whiteboards for educational use.	New Zealand and Australia, with future plan for expansion	Entrepreneurs' network (breakfast meetings), University Professors, leading to Smart Technology, Canada.	14 members for 2Touch/ Manzana Annual sales of US$1.7 million each in New Zealand & Australia	Partnership	Est. 2007 5 years
Chinese Taipei	Pasadena International	Food service industry; chain of fine dining; French, Italian, Japanese & US cuisines	Local market, serving local and foreign residents and tourists	Brought in world renowned Michelin star chefs.	Total of 250 employees 5 international cuisine restaurants and 6 bakeries	Individual Proprietor	Est. 2000 12 years
Thailand	Global Precision Engineering	Mould and die manufacturing for automobile and other industries	Local Industry, import substitution, and increasing competition from China	Mould and Die Cluster of Thailand, Thai-German Institute	17 workers Annual sales of 22 million Baht (US$730,000)	Proprietor	Est. 2004 8 years
Viet Nam	VietSoftware International	Information Technology-Software outsourcing service	Local (foreign companies) and Europe, Japan & US, off-shore	Part of global supply chain	200 workers in 2011; Annual sales US$1.8 million	Stock Company	Est. 2006 6 Years

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Exhibit 2: Opportunities and Challenges Facing SMEs and Their Strategic Focus

Economy	SME	Opportunities	Challenges	Strategic Focus and issues
Canada	Data-mineware	Speed and frequency of updating software	Software developers' high turnover and lost software programming code due to insufficient documentation	Fast and frequent updates of software, incorporating newest production data, using internationally mobile software developers
Indonesia	Dharma Siaga	Close relations with members	Recruiting and retaining good marketers.	To compete with large, more efficient banks, having closer contacts and deeper understanding of customer needs through marketing officers is considered important
Indonesia	Wisnu Karya Putra International	One of a few SVLK-certified (to meet international standards) wood product manufacturer/exporter. Instituted discipline in its workforce	International rules and standards apply throughout supply chain. Discipline needed throughout the supply chain.	Meeting international rules and standards for timber production became a comparative advantage. Using incubation center and other networks, ensuring the discipline to other raw material suppliers.
Japan	Edo-kiriko Hanashyo	Unique patterns and products attracted attention of domestic and international customers	Training of craftsmen takes >5 years, retention of recruit is difficult. Core technology not yet transferred.	Shifted from OEM to direct selling, establishing own brand and product design. Innovated on process for higher quality cut. Need to transfer technology from 2nd generation owner to the next.
Japan	Kowa Tech	The first amphibious vehicle internally developed. Possible expansion to overseas or other products	Preparing human resources and leadership for overseas expansion or new product lines	Shifting from subcontracting to large automakers to serve public sector to more varied private sector demand through enhanced engineering and design capabilities. Attempting to install more performance oriented HRM system.
Korea	Dong-yang Machinery Industrial	With government sponsored programmes, upgrading systems are being done.	Continuing to improve management systems	After weathering economic recession without cutting people, Dongyang improved its HR systems, including structured OJT, using government support programme
New Zealand	2Touch	Expansion to international market, possibly starting with UK	To see if the current systems of independent and informal structure can be extended outside of NZ & Australia	Innovation based on addressing user's unrecognized needs with "push marketing", 2Touch tries to maximize creativity of employees. Whether the system will work in overseas operation needs to be considered.
Chinese Taipei	Pasadena International	Acceptance and appreciation of fine dining of international variety	For the growth of business, expand to other lines or geographically?	Introduced novel cuisines with fine-dining service plus a set of vision for the group, bringing in world renowned Michelin star chefs, testing various HR schemes to develop and retain chefs.
Thailand	Global Precision Engineering	Government policy to promote local production of mould and die, with technical support	Cheaper imports under liberalisation, maintaining trained personnel	Utilizing government schemes, acquire design and manufacturing technology, making best use of facilities of industry cluster. Retention of trained employees remains to be a major issue.
Viet Nam	Viet-Software International	Reputation as a reliable outsourcing software service, with established customers	Limited supply of programmers with right skills	Established a reputation of reliable off-shore service provider, trying to move up the higher end of supply chain, through capable people working in family atmosphere with professional capabilities.

Strengthening HRM System of SMEs

Exhibit 3: HRM Issues/Challenges and HRM Systems/Policies/Practices

SME	HRM Issues/Challenges	HRM Strategies / Systems / Policies / Practices	HRM Theories and Topic
Datamineware (Canada)	High turn-over of software developers Independent work style with little structure Discipline to encode the programme Protecting intellectual assets	Instituting formal organisational structure with Chief Information Officer and changing work process to closely monitor development speed and team-based development. Changing performance evaluation from informal and *ad hoc* to formal and regular evaluation based on quality of work with results published openly.	• Change management & organisational culture • Agile development theory • Effect of organisational structure and reporting system • Performance evaluation • Intellectual Technology Infrastructure Library (ITIL) for customer service management
Dharma Siaga (Indonesia)	Attracting and developing marketers who can exploit customers' needs ahead of competition	Lowering education requirement for recruits and offering selling skill training programmes to attract potential candidates. Introducing productivity and performance based pay and possible scholarship for education.	• Productivity and performance based evaluation • Customer survey for service quality • Relationship based marketing
Wisnu Karya Purtra International (Indonesia)	Requirement to follow international rules and standards throughout supply chain	Taking initiative to acquire certification, and sending employees to government-organized training programmes. Instituting discipline through performance based evaluation. Helping others in the supply chain through incubator programme.	• Government or international NGO sponsored certification • Performance-based evaluation • Instilling discipline with punishment and rewards
Edokiriko Hanashyo (Japan)	Retaining and developing craftsmen, facilitating technology transfers of specialized skills	Shortening development period by instituting training system Design meetings to foster innovation and design capacity Informal family-orientated approach to evaluation Training school for the public to honing teaching skills of craftsmanship	• Prioritizing work • Formalizing pay and benefit schemes • Career management and technology transfer • Succession for family owned corporation
Kowa Tech (Japan)	Inheriting high average age workforce with high manpower costs	Shifting to technology oriented company, with younger, higher educated manpower complement; challenging to develop entirely new product and technologies. Technical school to enhance skills during work time.	• Management by Objective (MBO), performance evaluation • Cycle of Success • Management and Leadership Cycles
Dongyang Machinery Industrial (Korea)	Increasing employment through growth and productivity. Improving technical capability of workforce	Instituting structured training and fact-based productivity improvement activities, assisted by the government sponsored schemes	• Structured on-the-job training (S-OJT) • Learning organisation • Input-process-output framework
2Touch (New Zealand)	Recruiting people for R&D and innovation	Clear vision to do "meaningful work with a purpose" Diversity of members, Use of Goal Metrics system based on new initiatives Maintaining redundant engineers for future activities.	• Goal metrics system (evaluation) • Management of Innovation • Push marketing based on offering un-recognised needs
Pasadena International (Chinese Taipei)	Recruiting and developing creative chefs	Treating interns like chefs Extensive and varied training programmes, teamwork, new recipe contests. Participating in chef competition with big rewards.	• Use of internship programme • Talent management • Employer branding
Global Precision Engineering (Thailand)	Recruiting, developing and retaining employees to SMEs (negative image)	Use of industrial cluster and government supported training. Introduction of worker's standard to show career paths	• Joint training in the industry cluster and incubation center • Industry-wide worker standards
Viet-Software International (Viet Nama)	High turnover, lack of qualified software developers with professional & communication skills	Introducing HR development model, which requires local adjustment. Recruiting those with lower qualification or those with experience of failure, complemented with OJT and coaching, family-like culture.	• Agile development • Capability Maturity Model Integration 3 (CMMI-3) • Team, community-linked HRM

Strengthening HRM System of SMEs

Exhibit 4: Profile of Leaders/Entrepreneurs

SME	Founder/ Leader	Characteristics	Past experience	Expressed Values/Philosophy	Technical Experience
Datamineware (Canada)	John Denning (disguised)	John did not like evaluating people. He liked to treat his employees as friends. Allowed independent and loose control.	Has an extensive knowledge and experience in software development and user needs.	Speed is the primary concern for SMEs to be competitive.	Knowledge of customer needs with IT application.
Dharma Siaga (Indonesia)	I GedeSuriadnyana	He learned from his competition and improved his own services. Managed the bank as a team.	Worked in a large bank as marketer. Graduate of Management, Marketing.	To be a reliable partner in providing capital through excellent service.	Experienced marketer, believed in network of people and service excellence.
Wisnu Karya Purtra Internat'l (Indonesia)	Wayan Diana	Through export business, he was sensitive to the international requirements and standards imposed by the market. Had deep understanding of Balinese culture and human behavior, which may be counter to discipline required.	Master's degree holder in accounting, strong belief in HRM.	Being the first enterprise that provides one stop services for customer satisfaction	Clear understanding of the market requirement.
Edokiriko Hanashyo (Japan)	Ryuichi Kumakura & Takayuki	Wanted to establish own brand to be independent of wholesalers. Enjoyed direct link to customers. Open-minded to share and teach skills to any employee who wish to learn and allowed others to use his own special tools.	Worked for his father as one of the craftsmen.	"Looking into the World." To make Hanashyo "small but amazing" company.	Ryuichi innovated process and developed new designs. Takayuki needed to improve his craftsmanship.
Kowa Tech (Japan)	Yuji Oguri, 2nd Generation owner	He believed that "what was important for an SME manager was to be in high spirit always. Few people extended help to an SME; therefore, the managers of SMEs were always under enormous pressure to fight for various concerns and often tended to be skeptical about others' intentions."	Graduate degree in marine engineering. Worked as management consultant. Saw his father through ups and downs in his business.	Strive to contribute to society with global view, using technology & creativity to address social needs. Everyone in company to overcome challenges and share the same spirit.	Familiar with the company operation from a young age, but no technical expertise. Exposure to basic management knowledge in early professional career.
Dongyang Machinery Industrial (Korea)	Tae Hun Lee	Maintained employees by work-sharing scheme even during the severe economic downturn, gained employees' trust.	N.A.	Honesty, Loyalty, family-centered (teamwork), professionalism & creativity	Hands-on manufacturer
2Touch (New Zealand)	Pablo Garcia	Member of enthusiastic entrepreneur group. With international exposure & comfortable with multi-cultural, informal setting.	Experience in various IT related business start-ups.	To develop technologies that had the potential to enhance learning.	IT related knowledge and managing multicultural team
Pasadena International (Chinese Taipei)	Shiu Jeng-Ji	Offered value added rather than cost advantage Believed in 3 Principles and Core values of Truth, Goodness, and Beauty.	Entrepreneur in manufacturing (consumer electronics). Worked in China and Malaysia;	Truth, Goodness and Beauty Environment and corporate responsibility	Not in food preparation, but with experience in management.
Global Precision Eng.(Thailand)	PrapanSodatip	Had always wanted to run his own business.	Management training at incubation project.	N.A.	Learning through government support.
Viet-Software International (Viet Nam)	Le Xuan Hai, & his team	A team with international experience and software development careers in large multinational corporations.	Highly educated, with work experience in IT related industries.	To become a world-class software outsourcing service provider, through most cost effective manner.	Solid grounding in business and understanding of customer needs.

N.A. means not available.

Exhibit 5: APEC Pilot Seminar Programme on "Strategic Human Resource Management for SME Winning in the Global Economy"

Day 1

Introduction & Orientation

Opening Session – Presentation: HRD through Government Sponsored Programmes on Strengthening HRM (Case: Dongyang Machinery Co. Ltd)

PART 1 - CHALLENGES AND OPPORTUNITIES FOR SME PRESENTED BY THE LIBERALISATION OF ECONOMIES

Case Presentation: **WisnuKarya Putra International: Challenges and Opportunities in Implementing SVLK**

Case Presentation: **Dharma Siaga**

Case Presentation: **Global Precision Engineering Co., Ltd**

PART 2 – LEVERAGING HUMAN ASSETS FOR STRATEGIC ADVANTAGE

Case Presentation and Discussion: **EdokirikoHanashyo**

Case Presentation and Discussion: **Pasadena International Group**

Wrap-up & Assignment for Day 2

Day 2

Review-Preview

PART 3 – LEADING INNOVATION AND GROWTH

Case Presentation and Discussion: **2Touch**

Case Presentation: **KOWA TECH**

Discussion of the two cases

PART 4 – SHAPING WORK CULTURE THROUGH SYSTEMS

Case Presentation: **VietSoftware International Inc.**

Case Presentation: **DATAMINEWARE**

Discussion of the two cases

Wrap-up of Seminar