



**Strategic HRM Challenges and Opportunities in SMEs: A Study of  
Resource-Constrained Enterprises in Manipur**

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**ABSTRACT**

Small and Medium Enterprises (SMEs) play a critical role in employment generation, regional development, and economic resilience, particularly in developing and peripheral regions such as Manipur. Despite their significance, SMEs often operate under severe resource constraints that limit the adoption of formal and strategic human resource management (HRM) practices. In such contexts, human resources are frequently managed in an informal, owner-centric, and reactive manner, which undermines the long-term potential of enterprises to innovate, grow, and remain competitive. Strategic Human Resource Management (SHRM), which aligns HR practices with organizational goals and competitive strategy, offers a promising pathway for SMEs to overcome these limitations. However, the implementation of SHRM in resource-constrained environments remains fraught with structural, financial, institutional, and socio-cultural challenges.

The present study aims to examine the key challenges and emerging opportunities associated with the adoption of Strategic HRM practices in SMEs operating in Manipur. Drawing on empirical evidence from manufacturing, service, and trading SMEs, the study explores how constraints such as limited financial capacity, skill shortages, infrastructural deficits, and informality in management practices affect HR strategy formulation and execution. At the same time, the research identifies context-specific opportunities, including flexible organizational structures, close employer–employee relationships, indigenous knowledge systems, and government support mechanisms that can facilitate the gradual institutionalization of SHRM practices.

**KEY WORDS:** Strategic Human Resource Management; SMEs; HR Challenges; Resource Constraints; Manipur; Emerging Economies; Human Capital; Informal HR Practices; Regional Development

**INTRODUCTION**

Small and Medium Enterprises (SMEs) constitute the backbone of most developing economies, contributing significantly to employment generation, income distribution, and regional development. In India, SMEs—classified under the Micro, Small and Medium Enterprises (MSME) framework—play a pivotal role in industrial output and inclusive growth. This role becomes even more pronounced in geographically peripheral and economically underdeveloped regions such as Manipur, where large-scale industrial presence is limited and entrepreneurial activity is predominantly small-scale, localized, and resource-



constrained. In such regions, SMEs are not merely economic units but also social institutions that sustain livelihoods, preserve indigenous skills, and promote regional stability.

Despite their importance, SMEs in Manipur operate in a challenging environment characterized by limited access to capital, inadequate infrastructure, restricted market reach, skill shortages, and institutional bottlenecks. These constraints significantly influence managerial practices, particularly in the domain of human resource management (HRM). Unlike large corporations that possess dedicated HR departments and formalized systems, SMEs often rely on informal, ad hoc, and owner-driven HR practices. Recruitment is frequently based on personal networks, training is largely on-the-job, performance evaluation is subjective, and compensation decisions are influenced more by affordability than by strategic considerations. While such practices may support short-term survival, they often hinder long-term growth, employee development, and organizational competitiveness.

In recent years, the concept of Strategic Human Resource Management (SHRM) has gained prominence as a means of aligning HR practices with organizational goals to achieve sustainable competitive advantage. SHRM emphasizes the integration of recruitment, training, performance management, compensation, and employee engagement into a coherent framework that supports business strategy. For SMEs, especially those operating under resource constraints, SHRM offers a way to leverage human capital as a strategic asset rather than a cost center. However, the translation of SHRM principles into practice within SMEs remains uneven and context-dependent.

In the context of Manipur, the adoption of SHRM is shaped by unique regional characteristics. The state's economy is largely driven by small-scale manufacturing, handloom and handicrafts, agro-based enterprises, retail trade, and emerging service sectors such as IT-enabled services and tourism. Many SMEs are family-owned or community-based, with deep social embeddedness. While this embeddedness fosters trust and loyalty, it also reinforces informality and resistance to formal management systems. Moreover, prolonged infrastructural deficits, limited industrial exposure, and intermittent socio-political disturbances have further constrained the professionalization of HR practices.

At the same time, these very conditions create distinctive opportunities for SHRM innovation. SMEs in Manipur typically operate with flat organizational structures, close interpersonal relationships, and flexible work arrangements. Such features can facilitate employee involvement, rapid decision-making, and contextual learning—key ingredients for strategic HRM when appropriately harnessed. Additionally, increasing government focus on MSME development, skill enhancement programs, digitalization initiatives, and entrepreneurship promotion provides an enabling policy environment for strengthening HR capabilities in SMEs.

The central premise of this study is that Strategic HRM in resource-constrained SMEs should not be viewed solely through the lens of deficiency, but rather as a dynamic process shaped by contextual challenges and localized opportunities. While financial limitations and skill gaps pose significant obstacles, SMEs possess adaptive capacities that can support the gradual institutionalization of strategic HR practices. Understanding this balance between



constraints and opportunities is crucial for designing HR strategies that are realistic, culturally appropriate, and sustainable.

Existing literature on SHRM has predominantly focused on large organizations and firms operating in developed economies. Studies on SMEs, particularly in emerging and peripheral regions, remain limited. Even fewer studies examine the lived realities of HR management in resource-constrained environments such as Manipur. As a result, policy prescriptions and managerial frameworks often lack contextual relevance, leading to poor adoption and limited impact. This study seeks to address this gap by providing empirical insights into the challenges and opportunities associated with SHRM in SMEs in Manipur.

Specifically, the study explores how SMEs perceive and manage human resources in the face of constraints, the extent to which strategic HR practices are adopted (formally or informally), and the opportunities available for strengthening HRM despite limited resources. By focusing on Manipur, the study contributes a regional perspective to the broader discourse on SHRM and SME development, emphasizing the importance of context-sensitive management approaches.

In an era where competitiveness increasingly depends on knowledge, skills, and adaptability, SMEs can no longer afford to treat HRM as a purely administrative function. Even in resource-scarce settings, strategic attention to human resources can enhance organizational resilience, employee commitment, and long-term viability. This paper therefore positions SHRM as both a challenge and an opportunity for SMEs in Manipur, offering insights that are relevant not only for scholars but also for practitioners and policymakers engaged in regional economic development.

### **AIMS AND OBJECTIVES OF THE STUDY**

The primary aim of the present study is to critically examine the challenges and opportunities associated with the adoption of Strategic Human Resource Management (SHRM) practices in resource-constrained Small and Medium Enterprises (SMEs) operating in Manipur. The study seeks to move beyond generalized assumptions about SME HRM by capturing the contextual realities, managerial perceptions, and adaptive strategies that shape human resource practices in a geographically peripheral and economically constrained region.

In most SMEs in Manipur, HRM has traditionally been viewed as an administrative or support function rather than a strategic driver of organizational performance. This perception is largely influenced by financial limitations, informality in organizational structures, lack of professional HR expertise, and an overriding focus on short-term survival. However, growing competitive pressures, changing workforce expectations, and policy-driven emphasis on skill development have begun to alter this perspective. The present study aims to explore this transition and assess whether SMEs are gradually embracing strategic approaches to managing human resources.

A key aim of the study is to identify and analyze the structural, financial, institutional, and socio-cultural challenges that hinder the effective implementation of SHRM in SMEs in Manipur. These challenges may include limited access to skilled labor, absence of formal HR policies, inadequate training infrastructure, low managerial awareness of SHRM concepts,



and contextual constraints such as market instability and infrastructural deficits. Understanding these challenges is essential for designing HR frameworks that are both realistic and contextually appropriate.

At the same time, the study aims to explore emerging opportunities for SHRM adoption within SMEs despite resource constraints. Such opportunities may arise from flexible organizational structures, close employer–employee relationships, indigenous knowledge systems, adaptability of the workforce, and increasing support from government and development agencies. By identifying these opportunities, the study seeks to demonstrate that SHRM is not the exclusive domain of large corporations, but can be meaningfully adapted to small-scale enterprises operating in constrained environments.

While many SMEs may not have formal HR strategies, they may still engage in practices that align human resources with business objectives, such as selective hiring, informal performance feedback, skill-based task allocation, and employee retention efforts. The study aims to capture these practices and evaluate their strategic orientation.

The study also aims to contribute to the existing academic literature on SHRM in SMEs, particularly in the context of emerging and under-researched regions like North-East India. By providing empirical evidence from Manipur, the research seeks to fill a significant geographical and contextual gap in SHRM scholarship.

### **Objectives of the Study**

- ❖ To examine the existing human resource management practices adopted by SMEs in Manipur.
- ❖ To identify key challenges faced by resource-constrained SMEs in implementing Strategic HRM practices.
- ❖ To explore opportunities and enabling factors that support the adoption of SHRM in SMEs.
- ❖ To analyze managerial perceptions regarding the strategic role of human resources in SME performance.
- ❖ To assess the relationship between resource constraints and the nature of HR practices in SMEs.
- ❖ To provide context-specific insights and recommendations for strengthening SHRM in SMEs in Manipur.

### **REVIEW OF LITERATURE**

The review of literature provides a comprehensive overview of theoretical perspectives, empirical findings, and contextual studies related to Strategic Human Resource Management, SMEs, and resource-constrained environments. The review is structured to build a conceptual foundation for understanding HRM challenges and opportunities in SMEs, with particular emphasis on emerging economies and regional contexts similar to Manipur.

### **Conceptual Foundations of Strategic Human Resource Management**

Strategic Human Resource Management emerged as a response to the limitations of traditional personnel management, which focused primarily on administrative efficiency and compliance. SHRM emphasizes the alignment of HR practices with organizational strategy to



achieve long-term competitive advantage. According to Wright and McMahan, SHRM involves planned HR deployments and activities intended to enable an organization to achieve its goals.

The Resource-Based View (RBV) provides a strong theoretical foundation for SHRM by arguing that sustainable competitive advantage arises from resources that are valuable, rare, inimitable, and non-substitutable. Human capital, when effectively managed, meets these criteria and becomes a source of strategic advantage. In SMEs, where access to physical and financial resources is limited, the strategic importance of human resources becomes even more pronounced.

Human Capital Theory further supports the strategic role of HRM by emphasizing investment in education, training, and skill development as drivers of productivity and organizational performance. Studies suggest that firms that invest in employee development are better positioned to adapt to environmental changes and innovation demands.

The Ability–Motivation–Opportunity (AMO) framework offers a practical lens for understanding how HR practices influence employee performance. According to this framework, employees perform effectively when they possess the necessary abilities, are motivated to apply them, and are provided opportunities to contribute. SHRM practices such as training, performance-based rewards, and participative decision-making directly influence these dimensions.

### **HRM Practices in SMEs**

Extensive literature highlights that HRM practices in SMEs differ significantly from those in large organizations. SMEs typically exhibit informality, centralized decision-making, and limited specialization in HR functions. Recruitment is often based on personal networks, training is informal, and performance appraisal lacks standardized criteria.

Research indicates that while such practices may reduce administrative costs, they can also limit organizational learning and employee development. However, some studies argue that informality can foster flexibility, trust, and rapid decision-making, which may be advantageous in uncertain environments.

In the Indian context, studies on SMEs reveal wide variation in HR practices depending on sector, region, and ownership structure. SMEs in metropolitan areas tend to adopt more formal HR systems compared to those in peripheral regions. Research on North-Eastern states remain sparse, highlighting a significant gap in the literature.

### **Resource Constraints and HRM Challenges**

Resource constraints are a defining feature of SMEs. Financial limitations restrict the ability to hire HR professionals, invest in training, or implement advanced HR systems. Skill shortages and high employee turnover further complicate HR management.

Several studies emphasize that SMEs often perceive HR investments as costs rather than strategic investments, particularly in unstable economic environments. This perception leads to underinvestment in employee development and limited strategic planning.



In regions like Manipur, additional constraints such as infrastructural deficits, limited industrial exposure, and socio-political uncertainties exacerbate HR challenges. These contextual factors shape managerial priorities and influence the adoption of SHRM practices.

### **Opportunities for SHRM in Resource-Constrained SMEs**

Despite constraints, literature suggests that SMEs possess unique opportunities for implementing SHRM. Flat organizational structures facilitate communication and employee involvement. Close interpersonal relationships enhance trust and commitment. SMEs can also leverage local knowledge and indigenous skills to build context-specific HR strategies.

Government initiatives focusing on MSME development, skill enhancement, and entrepreneurship provide institutional support for improving HR capabilities. Digital tools and flexible work arrangements further expand opportunities for strategic HRM adoption.

### **Empirical Studies and Research Gaps**

Empirical studies consistently report a positive relationship between SHRM practices and organizational outcomes such as productivity, innovation, and employee retention. However, most studies focus on large firms or SMEs in developed regions.

There is a notable lack of empirical research on SHRM challenges and opportunities in resource-constrained SMEs in emerging regions like Manipur. Existing studies often overlook contextual variables and assume uniform applicability of HR models. This study seeks to address these gaps by providing region-specific insights.

## **RESEARCH METHODOLOGY**

### **Research Design**

The study adopts a **descriptive and analytical research design** to examine SHRM challenges and opportunities in SMEs in Manipur. The descriptive component captures existing HR practices and managerial perceptions, while the analytical component examines relationships between resource constraints and HR strategies.

### **Research Approach**

A **quantitative research approach**, supported by qualitative insights, is employed. Quantitative data provide measurable evidence of HR practices and challenges, while qualitative observations enhance contextual understanding.

### **Population and Sample**

The population of the study comprises SMEs operating in Manipur, as defined under the MSME Act of India. SMEs from manufacturing, service, and trading sectors are included to ensure sectoral diversity.

**Table 1: Sample Composition**

<b>Category</b>	<b>Number of Respondents</b>
SME Owners / Proprietors	90
Managers / Supervisors	70
Employees	140
<b>Total</b>	<b>300</b>

A purposive and stratified sampling technique is used to select enterprises and respondents.



### **Data Sources**

Primary data are collected using a structured questionnaire administered to owners, managers, and employees. Secondary data are obtained from academic journals, MSME reports, government publications, and policy documents related to Manipur.

### **Research Instrument**

The questionnaire includes sections on:

- Organizational profile
- HRM practices
- SHRM challenges
- Opportunities and enabling factors

Responses are measured using a five-point Likert scale.

**Table 2: Measurement Constructs**

<b>Construct</b>	<b>Number of Items</b>
Recruitment & Selection	6
Training & Development	7
Performance Management	6
Employee Engagement	6
Resource Constraints	8

### **Reliability and Validity**

Reliability is assessed using Cronbach's Alpha, with values exceeding acceptable thresholds. Content validity is ensured through expert review and pilot testing.

### **Statistical Tools**

Data are analyzed using:

- Descriptive statistics
- Correlation analysis
- Regression analysis

These tools enable systematic examination of HR challenges and opportunities.

## **RESULTS AND INTERPRETATION**

This section presents the empirical findings of the study based on data collected from 300 respondents comprising SME owners, managers, and employees across manufacturing, service, and trading sectors in Manipur. The results are organized to reflect the objectives of the study and to provide a clear understanding of the prevailing Strategic Human Resource Management (SHRM) challenges and opportunities in resource-constrained SMEs.

### **Profile of Respondent SMEs**

The respondent SMEs varied in size, sector, and years of operation. Most enterprises were small in scale, employing fewer than 50 workers, and were primarily family-owned or proprietor-led businesses. This structural characteristic significantly influenced HR practices and decision-making processes.

**Table 1: Sector-wise Distribution of SMEs**

Sector	Number of SMEs	Percentage
Manufacturing	110	36.7
Services	120	40.0
Trading	70	23.3
<b>Total</b>	<b>300</b>	<b>100</b>

The dominance of service and manufacturing SMEs reflects Manipur’s evolving economic structure, where small enterprises play a crucial role in employment generation and regional development.

**Existing HRM Practices in SMEs**

Descriptive analysis reveals that HRM practices in Manipur SMEs are largely informal and owner-driven. Recruitment is mostly conducted through personal networks, referrals, and local community contacts rather than formal advertisements or competency-based selection methods.

**Table 2: Nature of Recruitment and Selection Practices**

Practice	Mean Score
Recruitment through personal networks	4.21
Formal job descriptions	2.34
Skill-based selection tests	2.11
Emphasis on local familiarity	4.05

The high mean scores for informal recruitment indicate strong reliance on social capital, while low scores for formal HR mechanisms highlight structural weaknesses in SHRM adoption.

**Training and Development Practices**

Training and development activities are predominantly informal and on-the-job. Formal training programs are limited due to financial constraints and lack of institutional support.

**Table 3: Training and Development Practices**

Item	Mean Score
On-the-job learning	4.18
Formal skill training	2.26
External training programs	2.01
Learning through peer interaction	3.89

Despite limited formal training, SMEs leverage experiential learning and peer knowledge sharing, indicating adaptive HR strategies within constraints.

**Performance Management and Compensation**

Performance appraisal systems are largely subjective and lack standardized criteria. Compensation decisions are influenced by affordability rather than performance metrics.

**Table 4: Performance Management Practices**

Indicator	Mean Score
Informal feedback	4.02

Written performance appraisal	2.08
Performance-linked incentives	2.43
Job security as motivation	3.76

The results suggest that while formal appraisal systems are absent, SMEs rely on relational and trust-based mechanisms to manage employee performance.

**SHRM Challenges Faced by SMEs**

Respondents identified several constraints hindering the adoption of SHRM practices.

**Table 5: Major SHRM Challenges**

<b>Challenge</b>	<b>Mean Score</b>
Financial constraints	4.46
Lack of HR expertise	4.18
Skill shortages	4.02
High employee turnover	3.79
Limited training infrastructure	4.11

Financial limitations emerged as the most critical barrier, reinforcing the characterization of SMEs as resource-constrained enterprises.

**Opportunities for Strategic HRM Adoption**

Despite challenges, respondents acknowledged several opportunities that could support SHRM implementation.

**Table 6: Opportunities for SHRM in SMEs**

<b>Opportunity</b>	<b>Mean Score</b>
Close employer–employee relations	4.32
Flexible organizational structure	4.14
Local skill availability	3.85
Government MSME support schemes	3.67
Digital HR tools	3.41

These findings suggest that SMEs in Manipur possess latent capabilities that can be strategically leveraged to strengthen HRM practices.

**Interpretation of Results**

The results indicate that SHRM practices in Manipur SMEs exist in an implicit rather than formalized form. While enterprises lack documented HR policies, many adopt people-centric practices that align human resources with business survival and adaptability. Informality, often viewed as a limitation, also functions as a source of flexibility and responsiveness in uncertain environments.

The coexistence of challenges and opportunities suggests that SHRM adoption in resource-constrained SMEs is not a binary process but a gradual evolution shaped by contextual realities.



## **DISCUSSION AND CONCLUSION**

### **Discussion**

The findings of the study highlight the complex interplay between resource constraints and strategic HRM practices in SMEs operating in Manipur. Consistent with existing literature, the study confirms that SMEs face significant financial, structural, and skill-related barriers to implementing formal SHRM systems. However, the results also challenge the assumption that resource constraints necessarily preclude strategic HR thinking.

The dominance of informal HR practices aligns with earlier studies on SMEs in developing economies, which emphasize owner-centric decision-making and relational management styles. In Manipur, socio-cultural embeddedness further reinforces these practices. Yet, these informal mechanisms contribute to trust, loyalty, and employee commitment—key components of SHRM.

The study supports the Resource-Based View by demonstrating that SMEs rely heavily on human capital as a strategic resource. Training through experiential learning, employee involvement, and relational incentives emerge as viable substitutes for formal HR investments. This finding extends SHRM theory by illustrating how strategic alignment can occur even in the absence of formal systems.

The identification of opportunities such as flexible structures and government support suggests that SMEs can gradually institutionalize SHRM practices through incremental changes. Digitalization and policy interventions offer promising avenues for overcoming traditional HR constraints.

### **Conclusion**

The study concludes that Strategic HRM in resource-constrained SMEs in Manipur is characterized by informality, adaptability, and contextual alignment rather than formalization. While financial and structural limitations hinder the adoption of conventional SHRM models, SMEs demonstrate resilience through people-centric practices that support organizational continuity and growth.

The research contributes to SHRM literature by providing empirical evidence from an under-researched region and highlighting the need for context-specific HR frameworks. For practitioners, the study underscores that strategic HRM is achievable even with limited resources when aligned with local realities. Policymakers are encouraged to integrate HR capability development into MSME support programs.

In conclusion, resource constraints should be viewed not only as challenges but also as catalysts for innovative and adaptive HR strategies, particularly in emerging regional economies like Manipur.

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