



Human Resources Practices of Selected SME'S in Los Banos Laguna: A Basis for a Proposed Human Resources Management Development Plan

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ABSTRACT

In today's dynamic business environment, effective human resource (HR) practices are essential for the sustainability and growth of small and medium enterprises (SMEs). This study examines the human resource practices of selected SMEs in Los Baños, Laguna, focusing on key areas such as promotion, compensation, and training and development. With SMEs playing a crucial role in local economic development, this research aims to assess their HR strategies and identify areas for improvement to enhance workforce satisfaction and organizational efficiency. Utilizing a quantitative survey methodology, data was gathered to evaluate employee perceptions of HR practices. Findings indicate that promotion practices are highly rated, with employees perceiving fairness and transparency in career advancement opportunities. Clear promotion criteria and leadership development programs contribute to motivation and retention. However, continuous improvements in policy communication are recommended to strengthen engagement. In contrast, compensation practices received a moderate rating, highlighting concerns regarding salary competitiveness and health benefits. While bonuses and paid leave were valued, gaps in financial and non-financial incentives underscore the need for SMEs to align compensation structures with industry standards. Addressing these issues can improve job satisfaction, reduce turnover, and enhance employee commitment. Meanwhile, training and development practices were highly rated, emphasizing their role in equipping employees with relevant skills. Respondents appreciated structured learning programs, teamwork opportunities, and knowledge-sharing initiatives. Expanding leadership training and cross-functional skill development can further prepare employees for career advancement and organizational growth. Based on these findings, a Human Resources Management Development Plan is proposed to enhance HR practices within SMEs. Strengthening promotion policies, improving compensation packages, and expanding training programs will contribute to a more competitive and motivated workforce. This study provides insights that can guide SME owners and HR practitioners in implementing strategic HR initiatives, fostering long-term business sustainability and employee satisfaction.

Keywords: Human Resource Practices, Employee Promotion, Compensation and Benefits, Training and Development, SMEs

1. Introduction

In today's competitive business environment, the importance of effective human resource (HR) practices in small and medium enterprises (SMEs) cannot be overstated. As SMEs continue to drive economic growth and provide employment opportunities, ensuring the efficient management of human capital is crucial for business sustainability and workforce productivity. This is particularly significant in Los Baños, Laguna, where SMEs contribute significantly to the local economy. Within these enterprises, HR practices such as promotion, compensation, and training and development play a vital role in shaping employee satisfaction, retention, and overall organizational success.

Despite the recognition of HR's role in business growth, many SMEs face challenges in implementing structured and competitive HR policies that align with industry standards. A study by Goe and Martey (2020) emphasized that leadership development and well-defined HR policies are essential in reducing employee turnover and enhancing job satisfaction. When HR practices are not properly implemented, SMEs risk losing skilled employees, experiencing operational inefficiencies, and facing difficulties in maintaining a motivated workforce. This gap is particularly pronounced in SMEs where resources for HR management may be limited, leading to inconsistencies in employee development and retention strategies. Within the context of human resource management in SMEs, it is essential to assess existing HR practices to identify strengths, weaknesses, and areas for improvement. Employees are the backbone of any organization, and their motivation, engagement, and professional growth directly impact business performance and competitiveness. Without a structured HR system, SMEs may struggle to adapt to market changes, maintain employee satisfaction, and achieve long-term sustainability.

Specifically, in Los Baños, Laguna, where SMEs operate in a highly competitive landscape, there is a growing need to enhance HR strategies to foster business growth and employee well-being. The study "Human Resource Practices of Selected SMEs in Los Baños, Laguna: A Basis for a Proposed Human Resources Management Development Plan" aims to evaluate the HR practices of selected SMEs, focusing on key areas such as

promotion policies, compensation structures, and training programs. The findings of this research will serve as the foundation for a proposed HR management development plan, designed to address critical HR challenges and provide actionable recommendations for improvement.

Furthermore, the results of this study will serve as a basis for enhancing HR policies and strategies within SMEs, ensuring that businesses not only comply with best practices but also create an environment where employees can thrive, contribute, and grow professionally. By strengthening HR practices, SMEs in Los Baños can build a more resilient workforce, enhance operational efficiency, and ultimately contribute to economic progress and community development.

2. Theoretical Background

Organizational Development Theory (ODT) provides a structured approach for enhancing business performance through a continuous cycle of diagnosis, planning, implementation, and evaluation. ODT emphasizes the importance of adaptability and structured change in fostering an agile and resilient workforce. According to Khan et al. (2020), ODT principles have been successfully applied in Small and Medium Enterprises (SMEs) to improve problem-solving capabilities and employee engagement. By implementing systematic HR strategies aligned with ODT, SMEs can develop a sustainable and high-performing workforce that aligns with their business goals.

Moreover, Nguyen and Nguyen (2021) highlight the role of goal-oriented training and leadership development in improving job satisfaction and employee competence. When SMEs integrate these development strategies into their HR practices, they enhance both individual and organizational growth. Therefore, applying ODT principles in SMEs helps create a structured and strategic approach to HR management, ensuring that businesses remain competitive and employees are continuously developed.

Human Capital Theory (HCT) asserts that employee knowledge, skills, and experience are essential drivers of organizational success. According to Yusuf et al. (2021), investing in human capital through training, career development, and structured HR policies significantly enhances employee productivity and business sustainability. This is particularly important for SMEs in Los Baños, Laguna, where businesses must leverage human capital to remain competitive.

Furthermore, Bashir et al. (2022) emphasize that SMEs require targeted skill development programs to keep pace with the changing business landscape. When SMEs prioritize employee training, leadership development, and competitive compensation strategies, they foster a highly skilled and motivated workforce. This, in turn, enhances employee retention, job satisfaction, and overall organizational performance.

By applying Organizational Development Theory and Human Capital Theory, this study explores how SMEs in Los Baños, Laguna can optimize their HR practices to address employee development, retention, and overall business growth. These theories provide the foundation for assessing current HR strategies and formulating a Human Resources Management Development Plan tailored to the needs of SMEs, ensuring long-term success and sustainability.

3. Research Objectives

The primary objective of this study is to assess the Human Resource (HR) practices of selected Small and Medium Enterprises (SMEs) in Los Baños, Laguna as a basis for a proposed Human Resources Management Development Plan. Specifically, the study aims to evaluate the HR practices of SMEs in terms of promotion, compensation, and training and development, identifying their effectiveness in enhancing employee performance and business operations. Additionally, the research seeks to analyze how these HR practices contribute to employee motivation, retention, and overall organizational productivity. Furthermore, the study will examine existing challenges and gaps in HR management that may hinder the growth and sustainability of SMEs. Lastly, the findings will serve as the foundation for proposing a Human Resources Management Development Plan, tailored to enhance HR strategies and workforce management within these enterprises.

4. Data and Methods

This study employed a quantitative research design to assess the human resource practices of selected Small and Medium Enterprises (SMEs) in Los Baños, Laguna. Out of approximately 4,000 SMEs in the area, a total of six (6) SMEs were randomly selected, with 100 respondents, including HR personnel, managers, and business owners. Data was collected using a structured survey questionnaire, consisting of thirty-six (36) questions utilizing a 4-point Likert scale, where four (4) indicated "Strongly Agree" and one (1) indicated "Strongly Disagree." The survey aimed to evaluate various aspects of HR practices, including recruitment and selection, training and development, compensation and benefits, employee relations, and performance management. Statistical methods such as frequency distribution, mean, standard deviation, and chi-square tests were employed to analyze and interpret the quantitative data gathered from the respondents.

5. Results

Table 1 summarizes the mean results for the extent level of respondents' perception of the employee promotion policies implemented by selected SMEs in Los Baños, Laguna.

Table 1. Summary of Mean Results

Level of Implemented in Employee Promotion	Weighted Mean	Standard Deviation	Verbal Interpretation
Promotion Opportunities	3.64	0.51	High level of Implemented
Criteria for Promotion	3.67	0.47	High level of Implemented
Transparency of Promotion Process	3.56	0.55	High level of Implemented
Opportunity for Higher-Level Position	3.64	0.50	High level of Implemented

Legend: 5.00 – 4:501 Advanced Level of Implementation, 4:49 – 3:50 Highly h level of Implementation, 3:49 – 2.50 Medium level of Implementation, 2:49 – 1.50 Low level of Implementation, 1.49 – 1.00 No Implementation at all

Table 1 shows the respondents' perceptions of Employee Promotion within selected SMEs in Los Baños, Laguna. The overall mean of 3.64 and standard deviation of 0.51 indicates that the respondents perceive Promotion Opportunities as being "Highly implemented." Meanwhile, it is indicated that the respondents are only "Highly implemented" in terms of "Criteria for Promotion" as evident level with the mean level of 3.67 and standard deviation 0.47. This suggests that timely promotions reflecting employee performance are one of the most recognized HR practices in these SMEs, with a mean of 3.77 and a standard deviation of 0.57, interpreted as "Highly Implemented."

In fact, employee promotion is a critical element of HR that directly influences employee motivation and retention. Well-defined promotion opportunities contribute significantly to employee satisfaction and long-term organizational commitment. The findings of the study emphasize that SMEs can enhance employee engagement by providing clear, fair, and performance-based promotion systems. Furthermore, aligning promotion practices with organizational goals ensures that businesses retain top talent and drive overall business success.

The study also highlights the importance of addressing challenges related to the promotion process. Despite the recognition of promotional opportunities, aspects such as transparency and fairness in promotion decisions were rated lower, indicating areas that require improvement. This aligns with research by Sheaffer et al. (2018), which stresses the need for clear and transparent promotion practices to foster employee trust and reduce turnover.

Table 2 shows the extent level of respondents to the compensation and benefits by selected SMEs in Los Baños, Laguna.

Table 2. Summary of Mean Results

Level of Implemented in Compensation and Benefits	Weighted Mean	Standard Deviation	Verbal Interpretation
Salary Competitiveness	3.47	0.57	Moderate level of Implemented
Availability of Health Benefits	3.36	0.65	Moderate level of Implemented
Bonus or Incentive Systems	3.57	0.50	High level of Implemented
Feedback Mechanism with Compensation	3.47	0.56	Moderate level of Implemented

Legend: 5.00 – 4:501 Advanced Level of Implementation, 4:49 – 3:50 Highly h level of Implementation, 3:49 – 2.50 Medium level of Implementation, 2:49 – 1.50 Low level of Implementation, 1.49 – 1.00 No Implementation at all

Table 2 presents the respondents' perceptions of Human Resource practices in SMEs, focusing on Salary Competitiveness, Availability of Health Benefits, Bonus or Incentive Systems, and Feedback Mechanism with Compensation. The overall mean of 3.47 and standard deviation of 0.57 indicates a moderate satisfaction with the compensation package. Among the factors, the confidence in rewarding high performance through bonuses and incentives received the highest mean of 3.57 and standard deviation of 0.50, while satisfaction with the overall compensation package ranked lower. In terms of health benefits, satisfaction with the costs of health insurance plans was the highest-rated aspect, with a mean of 3.36 and standard deviation of 0.65. The bonus or incentive system was viewed positively, with a mean of 3.57 and standard deviation of 0.50 for its contribution to employee satisfaction. Regarding feedback mechanisms, satisfaction with paid time off policies was rated the highest at 3.47 and standard deviation of 0.56. These results suggest that while salary and health benefits are moderately effective, improvements in aligning compensation with employee needs can enhance employee satisfaction and retention.

Implementing effective HR practices in SMEs does not always come without challenges. These challenges include aligning training programs with long-term company goals, managing training costs, ensuring trainers' qualifications, and fostering collaboration among employees. (Zhang, 2022) also found that SMEs often face difficulties in providing adequate budgets for training, ensuring trainers' expertise, and creating opportunities for knowledge transfer. These issues can hinder the full potential of training and development programs, highlighting the need for continuous improvement in HR strategies.

Table 3 shows the extent level of respondents to the training and development policies executed by selected SMES in Los Baños, Laguna.

Table 3. Summary of Mean Results

Level of Implemented in Training and Development	Weighted Mean	Standard Deviation	Verbal Interpretation
Alignment to Company Goals	3.67	0.49	High level of Implemented
Training Cost	3.60	0.57	High level of Implemented
Qualifications of trainers	3.69	0.50	High level of Implemented
Collaboration and Knowledge Transfer	3.62	0.51	High level of Implemented

Legend: 5.00 – 4:501 Advanced Level of Implementation, 4:49 – 3:50 Highly h level of Implementation, 3:49 – 2.50 Medium level of Implementation, 2:49 – 1.50 Low level of Implementation, 1.49 – 1.00 No Implementation at all

Table 3 shows the respondents' perceptions of various aspects of Human Resource practices in SMEs in Los Baños, Laguna, with an overall mean of 3.67, indicating that HR practices are perceived as "highly effective." Among the aspects, the alignment of skills and knowledge gained from training with company goals received the highest mean of 3.67 and standard deviation of 0.49, emphasizing the importance of organizational alignment. In terms of Training Cost, employees rated the support for training funds and regular assessments with the highest mean of 3.60 and standard deviation of 0.57. Regarding the Qualification of Trainers, trainers' communication skills were highly rated with a mean of 3.69 and standard deviation of 0.50. For Collaboration and Knowledge Transfer, access to platforms for sharing best practices received the highest rating with a mean of 3.62 and standard deviation of 0.51. These findings highlight the effectiveness of HR practices in aligning training with company goals, managing costs, ensuring qualified trainers, and fostering collaboration and knowledge, suggesting that strengthening these areas could further enhance employee satisfaction and organizational performance.

Implementing effective HR practices in SMEs does not always come without challenges. These challenges include aligning training programs with long term company goals, managing training costs, ensuring trainers' qualifications, and fostering collaboration among employees. (Hyasat, et. al., 2022) also found that SMEs often face difficulties in providing adequate budgets for training, ensuring trainers' expertise, and creating opportunities for knowledge transfer. These issues can hinder the full potential of training and development programs, highlighting the need for continuous improvement in HR strategies.

6. Conclusions

Based on the findings presented in the results, the researchers conclude the following:

1. Promotion practices were rated highly by the respondents, highlighting the perceived fairness and transparency in career advancement opportunities within these organizations. Employees appreciated the clear promotion criteria, timely information, and opportunities for leadership roles. These findings suggest that SMEs are making deliberate efforts to foster employee growth and maintain organizational loyalty by providing a promotion system that aligns with their strategic goals. However, continuous refinement and communication about promotion policies will further enhance employee satisfaction and engagement.
2. Compensation practices received a moderate rating, indicating that while some aspects, such as bonuses and paid time off, are appreciated, there are significant gaps in salary competitiveness and health benefits. This moderate level of satisfaction underscores the need for SMEs to reassess their compensation structures to ensure alignment with industry standards. Competitive salaries and comprehensive health benefits are critical to retaining skilled employees and boosting their overall job satisfaction. Addressing these concerns can lead to increased employee loyalty, reduced turnover rates, and a more committed workforce.
3. Training and development practices were rated highly, reflecting the effectiveness of these programs in equipping employees with skills relevant to organizational objectives. Respondents valued the qualifications of trainers, collaborative learning environments, and opportunities for teamwork and knowledge sharing. These programs not only contribute to employee satisfaction but also align with the long-term strategic goals of the SMEs. A continued focus on training, particularly in leadership and cross-functional skills, will ensure that employees are prepared to take on future roles within the organization.

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