

## HRM outcomes and firm performance: An Analysis of manufacturing SMES in Japan

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### Abstract

Human Resources are the most critical resource for any organization to achieve their long term goals as well as their short term objectives. Therefore, effective and efficient utilization of this resource is of paramount importance for any organization irrespective of their size. Research has, time and again, shown that people management does indeed impact company performance, even in small businesses. However it is argued that, in Japan, Small and Medium- sized Enterprises (SMEs) are putting little attention to this vital function of Human Resource Management (HRM) when compared with their counterparts of big businesses. Therefore, the objective of this paper is to examine whether there is any link between HRM practices and business performance in SMEs. Specifically, this study attempts to examine the impact of HRM practices on firm performance shedding some lights on the process through which these impacts are taking place. A structured questionnaire was developed and sent to 336 SMEs in Aichi Prefecture and 144 firms responded to the questionnaire resulting in 32% usable response rate. Based on the data analysis it was found that there is strong positive relationship between HRM outcomes and firm performance.

**Keywords:** Human Resource Management, HRM outcomes, Operational performance, Financial performance