

Research on Human Resource Management Strategy of Small and Medium Enterprises in Post-Corona era

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Abstract. In 2019, a virus called Covid-19 has swept across the world, causing a vital catastrophe to the companies and enterprises, especially small and medium-sized enterprises (SMEs) that are slightly weaker in risk defense. In the post-pandemic era, the normalization of Covid-19 is becoming a future trend, so finding new ways for companies to survive has become the focus of many scholars. Based on previous research, this paper summarizes the shortcomings and achievements of human resource management (HRM) research of SMEs and discusses the new questions such as innovation of incentive policies, building a talent sharing platform, and positively intervening in the psychological state of leaders and employees in the coming post-pandemic era. At the same time, this review paper also combines the research results of management psychology to discuss its role in the human resource management of SMEs.

Keywords: Post-pandemic period, Small and medium-sized enterprises (SMEs), human resource management (HRM), management psychology, employee performance appraisal (PA).

1. Introduction

At the end of 2019, a sudden pandemic had disrupted the regulation of people's daily life. While the coronavirus threatens our health, it also brings challenges to the survival of enterprises. Enterprises should make timely adjustments according to the changes in regular prevention of Covid-19, further improve the human resources management system, and make sure the system is functioning properly under the normalization of this pandemic. Among all kinds of enterprises, the most serious losses during this period are witnessed in small and medium-sized enterprises (SMEs). Since the beginning of this century, the important role of SMEs in China has been increasingly mentioned. Therefore, it is imperative to complete the recovery and management of SMEs in the post-pandemic period. Though the road to success for SMEs depends on many factors, human resource management is one of the most important factors which cannot be ignored. At present, scholars in academia have the following views on the human resource management of SMEs [1-3]:

(1) Viewing the goal of human resource management, the management model of SMEs can be roughly divided into three types: commitment type, control type, and hybrid type. (2) Based on Chinese cultural background, the leadership styles of Chinese SMEs can be divided into three types: transaction leadership, transformation leadership and paternalistic leadership. (3) The HRM system in corporations has the characteristics of uniqueness, consistency and consensus. In addition, SMEs also have their unique colors, which are flexible and standardized. (4) The HRM of SMEs is still constrained by the traditional concept. Getting rid of operational and administrative functions of the old concept and establishing a modern professional management system is the current goal of its revolution.

Based on the above characteristics, this paper summarized the relevant research on the main difficulties of HRM in SMEs and further discussed the impact brought by COVID-19 on SMEs, following with some effective solutions. With the coming of the Technological Revolution and Globalization, how should SMEs solve the newly emerged business problems? In the face of panic caused by Covid-19, how should they maintain stability? How to institutionalize the psychological relationship between employees and leaders under the conditions of normalization of Covid-19 in the long run? The contingency theory believes that there is no fixed management mode in the world, and there is no such mode that is applicable to all enterprises. The management methods of enterprises

must match their own conditions and their surrounding political and economical environment [4]. Therefore, when studying the above phenomena and problems, we should explore solutions from a new perspective. Applied Management Psychology takes “people” in the organization as a specific research object and focuses on the systematic study of people (employees) who share management goals, so as to maximize their enthusiasm and creativity in work and life. This research will be based on the corporate human resource management during the pandemic and the practical application of management psychology in the internal and external stability maintenance of SMEs. Furthermore, the internal short-term and long-term application approaches of management psychology have also been taken into account.

2. Main body

2.1. Overview of Human Resource Management Research in Small and Medium-sized Enterprises

Since the Reform and Opening, China has gradually taken SMEs into concern and has already gotten rid of the Low-cost era, same as the other countries. Therefore, the “cost-driven” SMEs which are at the low end of the global industrial chain are becoming more and more difficult to develop their industry, especially in the face of the new trend of “Re-industrialization”. In the 21st century, more and more studies have shown that HRM plays an increasingly important role in the process of formulating new strategies for the development of SMEs. Combined with the characteristics of the new era, many experts have conducted their own research on solving the management dilemma and put forward many views and ideas for the main links of HRM.

Talent management has always been a key process in the development of enterprise, but the weakness of SMEs in this aspect is obvious. Only a better talent management system can lay the foundation for the development of SMEs. The popularization of the digital economy and artificial intelligence in the field of management is inevitable, and how SMEs without high technical support can gain a foothold in the new era has become a focus of discussion. Management psychology is a discipline that studies the psychological phenomenon and behavior of people in organizations and has many important intersections with HRM. In recent years, more and more scholars are also turning their attention to research in this field. Applying management psychology to HRM can explore a new perspective for the management mode, so as to open a new path for SMEs.

2.1.1 Talent Management

The talent market is the basic way for SMEs to seek development, and the degree of competition in the talent market determines how easy it is for them to acquire and retain talents. However, due to the defects of SMEs’ characteristics, they are often inferior in talent recruitment because of the lack of capital and reputation. Therefore, the choice of a talent management model for SMEs has a significant impact. According to western management theory, Shuming Zhao first put forward the topic of personalized management of so-called “complex people”: it is imperative to reform the traditional human resources management for the “80s and 90s” generation, while this group of employees has their unique personalities. In academics, scholars have discussed the issue of turnover from the young employees’ subjective well-being, incentive mechanism, work stress, job performance, and behavior, etc. have been discussed [5]. The individualized and flexible management of young staffs are also heated topics [5]. In response to the problem of talent shortage, weak leadership, and obstacle functions of the corresponding departments in SMEs, several pieces of research have also been carried out in the past two decades, focusing mainly on the following aspects: relocating the role of HRM, improving recruitment methods, establishing training plans, conducting targeted training and timely feedback on training results, strengthening performance management training, enhancing the operability of evaluation and setting reasonable performance goal [2].

2.1.2 Digital Economy

Since the last century, the traditional processes of recruitment, selection, compensation, leadership and incentive systems are facing new challenges with the development of an intelligent and digital economy. Shuming Zhao pointed out that enterprises in this epoch need new business models and are required to improve digital competitiveness, including carrying out production changes, consumption changes, and coordinated changes in organizational capabilities [5]. At the same time, the digital economy promotes management changes in the internal structure of organizations and the employment model of enterprises. Enterprises and organizations are expected to shift from pyramid-style centralized management to flattened, networked, virtual, and platform-based management [6]. The rapid development of the Internet has subverted the traditional way of information exchange -- people now rely more on the transmission of the Internet, and the user portrait of big data has also changed the business pattern and the traditional HR model. Compared with large enterprises which are rich in resources, saturated with talents, and have a certain foundation in scientific and economic strength, SMEs have natural disadvantages: insufficient intelligent control in production, lack of intelligent platforms in management, and complexity in performance appraisal and incentive mechanisms. In this regard, relevant research on the topic of the digital economy have focused on leadership and its behavior, employee behavior intervention in a flattened organization, and the increased strength of small and medium-sized human resource management systems through internet technology [6]. From the perspective of HRM, the development of artificial intelligence along with technological development means strategic and multi-dimensional changes in organizational governance and human-centered incentives. For SMEs, the leverage of big data is the only way to innovate management methods, and it is also a more cost-effective and realistic measurement than the intelligent transformation of the entire industry chain. The Internet can automatically screen and match suitable job applicants according to job requirements (recruitment stage), provide personalized training programs (training stage), and use big data to refer to on- and offline performance and its assessment (performance and assessment) (Li Peihui).

2.1.3 Management Psychology

The study of HR and staff management in western countries started from an early age and is closely related to subjects such as psychology, economics, philosophy, and other fields. The science of management also shows that among all kinds of production factors, human resources are the most special ones, which possess high dynamic and regenerative. Since the beginning of this century, the management concept of “people-oriented” has prevailed all around the world, and nowadays business management is becoming more and more individualized.

As the core of human resource research, the attention to the psychological state of “people” started from the first industrial revolution. At the beginning of large machine production, many dilemmas faced by managers such as work panic and depression promoted the birth of the original concept of “industrial psychology”, that is, managers comprehensively supervise workers’ productivity, control production plans, and improve factory efficiency. This management model was also defined as the “economic man” hypothesis and the mechanical management model in the late 19th and early 20th centuries. In the 1930s, based on the Hawthorne factory lighting experiment, social psychologist Mayo found that paying more attention to the social needs of workers can better improve their productivity of employees. So the “social man” hypothesis was born. Under the guidance of this theory, managers began to adopt a moderately humanized human resource management model, and began to pay attention to the relationship between employees, colleagues, and the organization, which reflected the rise of the dominant position of employees in the organization. This theory has led to the creation of some well-known motivation theories. This included the “Hierarchy of Needs Theory” proposed by American psychologist Maslow, that is, after the most basic needs of food, clothing, housing, belonging and love are satisfied, people have self-actualization needs, which promotes people’s self-realization. The hypothesis of a “self-actualizing person” made scholars in the 1960s and 1970s begin to study workers’ behavior, needs, and motivation from the perspective of sociology

and psychology. For example, Adams’ fairness theory and Vroom’s expectation theory are the prototypes of early incentive theories. Incentive theories believed that based on scientific psychological behavior analysis, employees can be managed more effectively, and their satisfaction and productivity can be improved as well. In addition to research about employees, leadership behavior has also begun to attract attention, and many classic leadership theories have been proposed, including trait theory, behavior theory, and contingency theory. Since then, researchers have gradually realized that instead of separating employees and managers, they should identify the role of human resources in different companies and how this identity plays a role in special times such as an epidemic. Human resource management should go through a process of transformation from passive to active and should guide employees to give “autonomous” feedback to the enterprise. Thus, the “complex man” hypothesis was born and has been used to this day [5, 7].

To sum up, the main contributions of management psychology in the field of human resources research throughout the history are reflected in the “human nature hypothesis” in different periods, resulting in the change of corresponding human resource management model, from mechanization, mechanization, moderately humanized, highly humanized to autonomous. Today, management psychology is commonly practiced in four aspects: individual difference management, motivation management, team management and organizational management, and is being widely used and studied around the world [8].

2.2. The impact of Covid-19 on HRM of SMEs

In the trend of globalization in which the national and global economy is developing rapidly, the outbreak of the pandemic in 2019 has severely hit the external living environment of domestic and foreign companies in every country, especially for small and medium-sized enterprises. The comprehensive quarantine policy brought about by Covid-19 caused not only big brands with large offline chains such as Haidilao hot pot to close their stores one after another, but also let many small and medium-sized retail stores close down due to the loss of customers. The global economic downturn has led to widespread shutdowns of businesses, a sharp rise in unemployment, a drop in consumption levels, and more. The national urban unemployment rates from 2019 to 2021 are as follows.

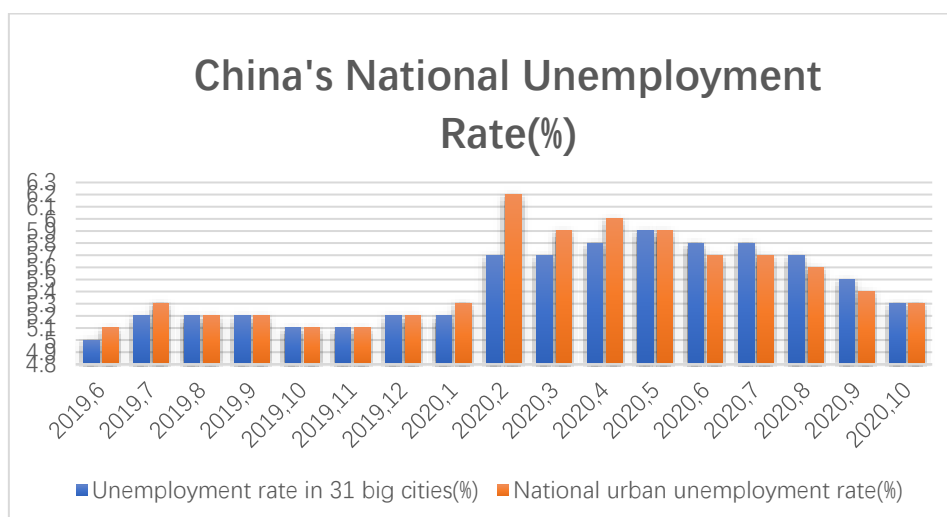


Figure 1. China’s National urban unemployment rate between June 2019 and October 2020.
 National Bureau of Statistics of China

As can be seen from the chart, the annual average unemployment rate in 2019 was lower than 5% but indicates a sharp rise in 2020, peaking at about 6%. The contributors to these data include unemployed people whose companies were bankrupted, people whose employment has been delayed due to the pandemic, and the economic contraction caused by the virus. Layoffs and salary cuts have become a means for companies to protect themselves -- Tencent, Disney, and Hyatt Hotels have laid

off staff one after another. Not only China, but Germany has also ushered in a wave of layoffs. This wave spared all walks of life and caused the social environment to become chaotic for a split second.

2.2.1 Management Issues of SMEs

During the quarantine and online working period, the stable internal environment of each company also becomes chaotic. In this crucial stage when the relationship between employees and employees, leaders and employees, customers and enterprises cannot communicate apparently, what is fatal to the economic activities of enterprises is the lack of smooth information. Due to the complexity and variety of the online working environment, it led to not only low work efficiency of employees, but also made the work process imperfect and the communication between departments unclear. Though staff who work at home can freely allocate time, they cannot guarantee the progress of their work; when dealing with specific tasks such as docking with customers, emergency meetings, and crisis PR, online procedures are prone to opaque processes. The inability of departments to coordinate with each other, and the flaws to detect and feedback questions in time will affect the development of the entire enterprise [9]. This also affects the process of staff training and performance appraisal. In the situation of pandemic normalization, the working method online has changed dramatically compared with the offline mode, which makes it impossible for enterprises to accurately measure the specific contribution of employees, and the original performance evaluation system has also lost its effectiveness and rationality. It's the same in staff training, whether it is for the new employees, pandemic prevention as well as corporate culture training, online methods will bring to practice. However, the disadvantages of online sessions are also obvious: it is impossible to put oneself into the interaction. Moreover, the training content and methods are limited, leading to difficulty in evaluating the performance of post-training [9]. These are common questions among no matter big corporations with a complex employee structure or SMEs with a slight shortage in human resources. Even with a small number of employees, SMEs still lack a dedicated human resource management department and a scientific management system, resulting in an inability to form internal unity, and the inability of in time respond. This makes it particularly critical to seek management breakthroughs in the post-pandemic period shortly.

2.2.2 Psychological Problems for Employees and Leaders

The impact of Covid-19 on staff's mental condition cannot be ignored. Global cases of severe depression and anxiety disorder increased by 28% and 26% respectively. A study showed that, in 2020, the countries which were hardest hit by the outbreak indicated the largest increases in the number of people who suffer from psychological problems. Many of these people are unemployed and jobless because of large-scale of bankruptcy and unemployment, and their panic has evolved into serious mental illness; while employees who have reserved their places need to deal with different crises in the enterprise and at the same time do several jobs to fill up for vacancies in other positions. These kinds of work conditions not only aggravate their workload but also intensify their psychological pressure on them while constantly worrying about whether they will get fired. Such dual pressures (mentally and physically) will result in low work efficiency, a decline in corporate cohesion, and reduced confidence and expectations of employees of their companies. At the same time, the leadership and its mental condition are of equal importance. [The President of Sohu, Chaoyang Zhang, once took a two-year treatment due to severe depression in the US.] It can be seen that the psychological pressure of being a business leader is far more serious than that of other workers in an organization. It is obvious that the leadership of SMEs often has a simpler structure than that of big companies, and there are also few groups of people with deciding power such as the board of directors and general meeting of shareholders. Therefore, when the company is facing a crisis, there is often only a very small group of people who should face and take the pressure. In recent years, international attention to mental illness has gradually increased, reaching its peak during the pandemic and quarantine period. When employees and leaders are facing the dual pressures that come from both career and life, they should seek effective solutions and develop a more professional system to manage this new kind of challenge.

2.3. New Strategies of Human Resource Management for SMEs in the Post-pandemic period

The impact of Covid-19 on enterprise has triggered discussions among countless experts and scholars, and the government has also attached great importance to it. In the context of the normalization of Covid-19, how to solve the listed problems and open up a path of survival and further development for the small and medium-sized enterprises is the core of relevant research at this stage. In the 9th China Human Resource Management Forum held in February 2022, experts and scholars from different fields conducted a wide range of discussions on the direction and model of HR reform in the post-pandemic era. The forum stated that with the vigorous development of the digital economy, the external environment of the organization is constantly changing, and human resource management presents a series of new phenomena such as “remote office”, “shared employees” and “job reshaping”, which is different from the current situation. It coincides with the operation mode of enterprises working remotely from home under the current quarantine situation [6]. Regarding the organization and management issues during the pandemic, the views put forward by scholars can be summarized as follows:

(1) Strengthen the psychological intervention of employees' behavior in distance working

Management psychology emphasizes the self-awareness and individual development of employees and conducts customized management for different employees, so as to improve their independent innovation ability and sense of belonging to their enterprise. Small and medium-sized enterprises have a simple staff structure, so it is easier to assign jobs that are suitable for each employee's personality and characteristic; at the same time, it is possible to speed up the transformation from “traditional hierarchical type” to “platform co-governance type” (Shuming Zhao, 2019). The reform of platform-based and grid-based management is easier to promote in the online working environment. SMEs can delegate part of the management power and autonomy to employees, which is commonly known as “flexible management”. By enhancing the psychological belonging of employees to ease their panic during the crisis period of the pandemic, and promote their ability to innovate independently. Psychological problems of employees and leaders can also be alleviated through psychological intervention. The main method is to build a mental health platform and enrich work content (independent innovation), in order to transfer boring routines into innovative content, therefore ensuring the spirit of the whole company maintain positive and innovative.

(2) Incentive policies to enhance the psychological capital of employees

“Psychological capital” refers to the positive psychological state of an individual during their growth and work. It is a core psychological trait that surpasses human capital and social capital and is a psychological resource that promotes personal growth and performance improvement. Individuals stimulate their inner potential and gain a competitive advantage through satisfying their psychological capital. The incentive policy is a comprehensive synthesis of respect, trust, concern, and reward for members of the organization, which is divided into material incentives and non-material incentives. For employees who have not been led off, enterprises must fully formulate an appropriate incentive policy and combine the two in implementation to better stabilize the internal environment of the company, and ensure the work efficiency of employees during online work. Recently, Xiaomi released a new round of equity incentive policies, granting about 174.9 million RMB shares to 4,931 employees, which is said to be its largest equity incentive. Although SMEs cannot directly grant equity to employees, in addition to the most basic compensation incentives and goal incentives, other policies such as image incentives, emotional incentives and confidence incentives can be carried out. In this special period, the construction of corporate spirit and culture should be emphasized to expand the function of positive psychological capital, to resist the effect negative external environment [10].

(3) Enhance the ability of the organization to respond to major emergencies

The research in management psychology shows that, in organizational management, group decision-making has a negative influence on decentralization of responsibility and group ignorance. At the same time, there is also a positive impact on the group, which can be summarized as the social facilitation psychology of employees in the group and the intensity of work tasks. In recent years, studies have pointed out that a high-intensity human resource management system can not only

effectively improve the organizational capacity of SMEs but also the innovation performance of employees. On the one hand, employees will give back the sense of support brought by the high-strength HR management system by improving their organizational commitment; on the other hand, this management system is established through fair, unified, and credible policy and concept. Thus, a high degree of mutual trust between employees and the organization will be established, and employees can gradually form an identity with the organization's goals in the process of completing organizational tasks [3]. Based on the general requirements of decentralization management, the high-intensity management mode of the enterprise has an important positive effect on the construction of the psychological bridge between employees and the organization, especially in the face of such a strong impact as the new crown epidemic, it can improve work efficiency and stabilize the internal and external order of an enterprise.

3. Conclusion

It is universally acknowledged that the Covid-19 has caused an indelible catastrophe to the national and even global economy, and has become an external driving force for the reform and innovation of human resources in enterprises. In the post-pandemic era when the virus is normalized, the difficulties faced by SMEs need to be solved urgently. Managers and enterprises should think in multiple dimensions and take various measures to continuously change the HRM strategy in accordance with the further trend of Covid-19. At the same time, it is undeniable that there are still many research gaps in this field, and there's still great room for discussion in the practical application of management psychology of HRM. How to establish a sound and effective online employee psychological state detection platform, how to directly measure the efficiency and work contribution of employees in the online working period, and how to evaluate corporate employee performance in a distance environment are all worthy of further research.

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