



Human Resource Management Practices and Entrepreneurial Performance of Small and Medium-Sized Enterprises (SMEs) In Ondo State, Nigeria

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Abstract

Original Research Article

This study examines the relationship between Human Resource Management (HRM) practices and entrepreneurial performance of Small and Medium-sized Enterprises (SMEs) in Ondo State, Nigeria. SMEs play a vital role in employment generation, innovation, and economic diversification; however, their performance is often constrained by weak managerial systems, particularly in human resource practices. The study adopts a descriptive and explanatory survey design, targeting 1,470 registered SMEs across selected Local Government Areas. Using Yamane Taro’s (1967) formula, a sample size of 315 respondents was determined. Data were collected through structured questionnaires and analyzed using descriptive statistics, correlation, and multiple regression techniques with SPSS version 26. Findings reveal that recruitment and selection practices significantly influence entrepreneurial performance, with key indicators such as skill acquisition ($t = 3.463, p < 0.01$), job-role alignment ($t = 3.447, p < 0.01$), and effective hiring systems ($t = 4.462, p < 0.01$) contributing positively. The model was statistically significant ($F = 82.16, p < 0.001$) with $R^2 = 0.451$, indicating that 45.1% of variation in SME performance is explained by recruitment practices. Similarly, training and development practices demonstrated a strong positive effect on SME growth and productivity, accounting for 52% of performance variation ($R^2 = 0.520; F = 53.470, p < 0.001$). Structured training systems ($t = 4.458, p < 0.01$) and productivity improvement initiatives ($t = 4.246, p < 0.01$) emerged as critical drivers. The study concludes that effective HRM practices significantly enhance SME performance. It recommends the adoption of merit-based recruitment systems and continuous employee development to strengthen competitiveness and ensure sustainable business growth.

Keywords: Human Resource Management, Entrepreneurial Performance, SMEs, Recruitment and Selection, Training and Development.

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1.0 INTRODUCTION

Small and Medium-sized Enterprises (SMEs) play a central role in the economic structure of developing countries, particularly Nigeria,

where they contribute to employment creation, poverty reduction, innovation, and industrial growth. In Ondo State, SMEs provide livelihoods for a large proportion of the



population and stimulate local economic activities. Their relevance has increased in the context of Nigeria's efforts to diversify its economy away from oil dependence and promote non-oil sectors as sustainable sources of growth (Adebayo & Ojo, 2022; SMEDAN, 2021).

Despite their importance, many SMEs face persistent challenges that limit their performance and long-term survival. Among these challenges, the management of human resources stands out as a critical internal factor influencing business success. Human Resource Management (HRM) practices such as recruitment and selection, training and development, performance appraisal, compensation, and employee engagement are essential for attracting, developing, and retaining competent employees. In SMEs, where human capital is often the most valuable asset, the quality of HRM practices significantly shapes outcomes such as productivity, innovation, competitiveness, and sustainability (Armstrong, 2020; Herbane, 2018; Umar & Danladi, 2023).

Traditionally, many SMEs in Nigeria operate with informal management systems. Employment decisions are frequently based on personal relationships, family ties, or subjective judgment rather than structured procedures. While such approaches may offer flexibility, they often result in poor recruitment choices, inadequate training, weak performance monitoring, and inconsistent reward systems (Ogunyomi & Bruning, 2020). In a rapidly changing business environment characterized by globalization, technological advancement, and economic instability, such informal practices are increasingly inadequate (Akinwale, 2023). Evidence from empirical studies indicates that SMEs that adopt structured HRM systems tend to perform better. Effective recruitment and selection processes help ensure that employees possess the skills required for specific roles, while training and development enhance their capacity to respond to technological and market changes. In addition, fair compensation and performance appraisal systems improve motivation and reduce employee turnover, contributing to organizational stability and growth (Prasanna et al., 2019; Soto-Acosta et al., 2018; Ariyo & Olanrewaju, 2021).

In Ondo State, however, the adoption of formal HRM practices remains uneven. Many SME owners lack the managerial expertise or awareness needed to implement modern HRM strategies effectively. Consequently, issues such as high employee turnover, inadequate skill development, weak supervision, and limited performance evaluation persist. These challenges reduce productivity and constrain business growth (Adebisi & Lawal, 2023). Furthermore, broader economic pressures including inflation, high operating costs, and exchange rate instability limit the ability of SMEs to invest in structured HRM systems (Idowu & Osotimehin, 2022).

Entrepreneurial performance in this study extends beyond financial outcomes to include innovation, efficiency, adaptability, and long-term growth. It reflects how well SMEs utilize their human resources to achieve competitive advantage. Weak HRM practices such as insufficient training, poor employee engagement, and ineffective appraisal systems have been linked to reduced productivity and limited innovation. In contrast, well-designed HRM systems enhance employee commitment, encourage creativity, and improve responsiveness to changing business conditions (Olumide & Ajayi, 2024). Efforts have been made by government agencies and financial institutions to strengthen SME capacity in Nigeria. Organizations such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the Bank of Industry (BOI) have introduced training and support programmes aimed at improving managerial and entrepreneurial skills. However, many SMEs in Ondo State do not fully utilize these opportunities due to limited awareness, financial constraints, or resistance to formal management systems (SMEDAN, 2021; Idowu & Osotimehin, 2022). This gap suggests the need for more context-specific research on how HRM practices influence SME performance. Another concern is the limited availability of empirical studies focused on SMEs at the state level. Much of the existing literature in Nigeria concentrates on large organizations or national-level analyses, which may not reflect the realities of small businesses operating in specific local contexts.

This lack of localized evidence makes it difficult to design targeted policies and interventions that address the unique HRM challenges faced by SMEs in Ondo State (Olumide & Ajayi, 2024).

Against this background, this study examines the relationship between HRM practices and entrepreneurial performance among SMEs in Ondo State, Nigeria. It focuses specifically on recruitment and selection, as well as training and development, as key determinants of business outcomes. The study seeks to assess how these HRM variables influence productivity, growth, and competitiveness within the SME sector. In sum, this research explores how effective management of human resources can enhance the performance and sustainability of SMEs in Ondo State. By providing empirical insights, it aims to support SME operators in improving their management practices and inform policy measures designed to strengthen the sector and promote sustainable economic development.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

Human Resource Management (HRM) Practices

Human Resource Management (HRM) practices refer to the structured set of policies and activities through which organizations manage people to achieve improved performance and organizational goals. These practices are concerned with attracting, developing, motivating, and retaining employees whose skills and efforts contribute to business success. In small and medium-sized enterprises (SMEs), HRM practices are particularly important because human capital often represents the most critical resource for survival and growth, especially in developing economies such as Nigeria (Armstrong & Taylor, 2023).

Key HRM practices include recruitment and selection, training and development, performance appraisal, compensation and reward systems, employee relations, and workplace safety. Through recruitment and selection, SMEs ensure that individuals with the right competencies are employed. Training and

development enhance employees' knowledge and skills, enabling them to adapt to changing market demands and improve service delivery (Ogunyemi & Fakayode, 2022). Performance appraisal systems help business owners evaluate employee output and make decisions on promotion, rewards, or corrective actions. Compensation and reward structures significantly influence employee motivation and commitment. When employees perceive fairness in wages and incentives, they tend to demonstrate higher productivity, reduced turnover, and stronger loyalty to the organization (Olatunji & Ojo, 2021). Employee relations also play a crucial role in sustaining a healthy work environment. Effective communication, participatory management, and proper grievance handling foster trust and cooperation between employees and management, which ultimately strengthens organizational stability (Adebanjo & Olorunfemi, 2023).

In SMEs, particularly in Ondo State, these practices are often informal due to limited resources, yet they remain essential for enhancing efficiency and competitiveness. HRM practices contribute to innovation, improved customer service, and operational effectiveness by ensuring that employees are well-managed and aligned with business objectives. They also support entrepreneurial performance by encouraging adaptability, creativity, and continuous learning in response to dynamic business environments (Ezenwa & Okonkwo, 2023). Overall, HRM practices are not merely administrative functions but strategic tools that enhance productivity, strengthen workforce capability, and support sustainable growth of SMEs. When effectively implemented, they improve employee performance and ensure long-term business survival and competitiveness.

Recruitment and Selection

Recruitment and selection are core human resource management practices that determine how organizations attract and appoint employees. Recruitment involves identifying and attracting suitable candidates, while selection focuses on assessing and choosing the most qualified applicants for available roles

based on competence, experience and behavioural fit. In SMEs, particularly in Ondo State, these practices are crucial due to limited resources and the need for efficient workforce deployment in competitive markets (Akinwale & Olatunji, 2021). Many SMEs still rely on informal hiring such as referrals, but evidence shows that structured recruitment improves productivity and reduces turnover (Adedayo & Fajobi, 2022). Recent studies indicate a shift toward digital sourcing methods such as social media recruitment and competency-based interviews across Nigerian SMEs (Oluwafemi & Balogun, 2023). Effective selection enhances innovation, customer service and strategic alignment, enabling SMEs to compete more effectively in dynamic business environments (Nwankwo & Adebayo, 2024). Overall, recruitment and selection remain foundational for entrepreneurial performance as they determine workforce quality, productivity and long-term sustainability of SMEs. In Ondo State SMEs, adopting transparent, merit-based recruitment systems supported by basic HR planning and digital tools strengthens organizational efficiency, reduces hiring risks and improves growth prospects in an increasingly competitive economy (Adedayo & Fajobi, 2022; Oluwafemi & Balogun, 2023). This ultimately supports sustainable entrepreneurial success and improved market positioning of SMEs in Nigeria over time and growth trajectory.

Training and Development

Training and development constitute key components of human resource management in small and medium-sized enterprises (SMEs), as they enhance employee capability and organizational performance. Training refers to structured efforts aimed at improving employees' job-related knowledge, technical skills, and operational efficiency for immediate task performance. Development focuses on long-term capacity building that prepares workers for higher responsibilities, innovation, and adaptability within dynamic business environments. In SMEs in Ondo State, limited resources and absence of formal HR structures make continuous training critical for sustaining

productivity and competitiveness (Ogunyemi & Adedeji, 2021). Empirical studies show that firms investing in staff development achieve improved service delivery, innovation, and business growth (Adeyemi & Olawale, 2022; Eromosele & Akinyemi, 2023). Common approaches such as on-the-job training, mentoring, and digital learning platforms are increasingly adopted by SMEs due to cost-effectiveness and flexibility. However, many SMEs still face constraints such as inadequate funding, lack of expertise, and reliance on informal learning methods (Nwachukwu & Adefemi, 2024). Despite these challenges, training and development remain vital for improving productivity, fostering innovation, and enhancing long-term entrepreneurial sustainability. Therefore, SMEs in Ondo State are encouraged to adopt structured and continuous learning strategies to strengthen workforce capacity and enhance overall business performance sustainably.

Entrepreneurial Performance

Entrepreneurial performance represents a key construct for assessing the success and sustainability of small and medium-sized enterprises (SMEs), reflecting how effectively entrepreneurs mobilize resources to achieve financial and non-financial objectives (Dess & Robinson, 2021). It goes beyond profitability to include growth in market share, innovation outcomes, customer satisfaction, employee commitment, and long-term resilience in competitive environments. In SMEs, performance is shaped by managerial competence, strategic decision-making, and organizational culture (Brinckmann, Grichnik, & Kapsa, 2019). Due to limited capital and unstable markets, entrepreneurs must optimize scarce resources while responding rapidly to environmental changes. Consequently, performance is multidimensional, combining financial indicators such as revenue growth, return on investment, and profit margins with non-financial measures including adaptability, innovation capability, and customer loyalty (Baron & Hmieleski, 2022). Human resource management practices play a decisive role in enhancing entrepreneurial performance.

Recruitment quality, employee training, motivation, and performance appraisal systems strengthen workforce capability and operational efficiency, thereby improving product quality and service delivery (Udechukwu & Akintola, 2023). Similarly, leadership style influences performance outcomes; transformational and ethical leadership foster employee engagement, shared vision, and productivity (Agyapong et al., 2022).

Innovation orientation is also critical as SMEs that encourage creativity and strategic flexibility tend to achieve superior performance and sustainability (Liu, Chen, & Li, 2022). In Nigeria particularly in Ondo State entrepreneurial performance serves as a key indicator of how effectively SMEs convert human and organizational resources into sustainable economic value under conditions of uncertainty. Overall entrepreneurial performance integrates financial results innovation human capital development and customer satisfaction making it essential for enterprise survival employment generation and regional economic development. Continuous improvement in skills technology adoption and institutional support further strengthens SME competitiveness and ensures sustained entrepreneurial performance in dynamic and uncertain markets within developing economies like Nigeria over time and across sectors and industries globally respectively.

Human Resource Management and SME Growth

Human Resource Management (HRM) is widely recognized as a key driver of business performance, particularly in Small and Medium Enterprises (SMEs) where resource constraints and competitive pressures are high. HRM encompasses activities such as recruitment, training and development, performance appraisal, and employee engagement, all aimed at optimizing workforce capabilities to achieve organizational goals (Armstrong & Taylor, 2023). In SMEs, the strategic application of HRM practices has been shown to influence growth, innovation, and operational efficiency, forming a bridge between human capital and

entrepreneurial performance (Obisi, 2022). Effective HRM practices in SMEs promote employee commitment, motivation, and productivity, which are crucial for sustaining competitive advantage in dynamic markets. For instance, providing structured training programs enhances employees' skills and adaptability, enabling SMEs to respond more effectively to market changes and technological advancements (Eze & Aluko, 2023). Similarly, transparent performance appraisal and reward systems encourage goal alignment between employees and organizational objectives, fostering a culture of accountability and high performance (Olawuyi & Bakare, 2022).

In the context of Ondo State, SMEs that strategically deploy HRM practices such as merit-based recruitment, career development initiatives, and participatory decision-making tend to achieve better entrepreneurial outcomes, including increased revenue, market share, and customer satisfaction (Adegbite & Nakajima, 2021). The human capital perspective posits that well-managed employees act as innovators and problem solvers, directly influencing the growth trajectory of SMEs. By investing in employee development and maintaining an inclusive work environment, SME owners can cultivate organizational resilience and sustain long-term growth even in volatile business environments (Uche & Oladele, 2022).

Moreover, HRM in SMEs goes beyond administrative functions; it shapes organizational culture, drives ethical business practices, and enhances stakeholder confidence. For example, employees are more likely to emulate leadership behaviors, including ethical decision-making, when HRM systems reinforce these values through clear policies, mentorship programs, and continuous engagement (Den Hartog, 2023). Such integration of HRM with strategic management not only improves operational efficiency but also contributes to innovation, entrepreneurial performance, and sustainable competitiveness. In summary, HRM serves as a pivotal mechanism for SME growth in Ondo State by developing human capital, fostering organizational culture, and aligning employee performance with business objectives. The evidence suggests that SMEs that prioritize

robust HRM practices are better positioned to achieve entrepreneurial success, resilience, and long-term sustainability in increasingly competitive markets.

HRM Practices as Drivers of Entrepreneurial Performance

Human Resource Management (HRM) practices have increasingly been recognised as a central force in shaping how small and medium-scale enterprises operate and sustain their growth. Within today's competitive business environment, SMEs depend not only on financial capital or technology but also on how effectively their human resources are managed. HRM practices such as fair recruitment systems, employee engagement, skills development, performance evaluation, and leadership conduct play a critical role in influencing employee attitudes and, by extension, entrepreneurial outcomes (Ogunyomi & Bruning, 2020).

In the context of SMEs in Ondo State, HRM practices function as strategic tools that help business owners build committed teams, strengthen internal processes, and respond effectively to competition. Ethical leadership, in particular, stands out as an important HRM-related construct that shapes entrepreneurial performance. Ethical leadership refers to a pattern of behaviour where leaders act in line with moral values, treat employees fairly, communicate transparently, and promote responsible conduct among their followers (Igbaekemen & Eromosele, 2023). Leaders with strong ethical standards set the tone for workplace interactions, influence organisational culture, and create an environment where employees feel respected and motivated to contribute meaningfully to business success. For many SMEs, leadership behaviour directly influences how employees perceive their work and how willing they are to put in extra effort. When leaders uphold fairness, accountability, and honesty, employees tend to exhibit stronger commitment, creativity, and loyalty factors that are essential for entrepreneurial innovation and growth (Adeoye & Kolawole, 2022). Ethical leadership also helps reduce workplace conflicts, improves communication, and strengthens trust

between owners and workers. These outcomes are particularly important in smaller businesses where interpersonal relationships often define overall performance.

Moreover, ethical leadership can serve as a stabilising mechanism for SMEs dealing with challenges such as irregular cash flow, high labour turnover, and intense market competition. When leaders act responsibly and involve employees in decision-making, it becomes easier to build collective resilience and adapt to changing business conditions (Adetunji & Oladapo, 2021). Such leadership behaviour encourages employees to stay aligned with the enterprise's goals, reduces resistance to change, and enhances the business's ability to explore new opportunities. However, for ethical leadership to significantly improve entrepreneurial performance, it must go beyond personal values and become an integral part of the SME's management structure. This requires clear workplace policies, defined codes of conduct, continuous staff training, and consistent enforcement of ethical standards. Without institutional support, ethical leadership may become inconsistent, especially in periods of financial pressure or organisational uncertainty (Ojo & Ibidunni, 2022).

Overall, HRM practices especially when anchored on ethical leadership offer SMEs in Ondo State a pathway to strengthen employee relations, enhance strategic focus, and drive sustainable entrepreneurial performance. As many recent studies affirm, enterprises that prioritize people-centred management practices often perform better, innovate faster, and navigate competitive pressures more effectively than those that overlook the human element of entrepreneurship (Olaore & Fakunle, 2024).

2.2 Theoretical Review

Stakeholder Theory

Stakeholder Theory, originally advanced by Freeman (1984), emphasizes that organizations are accountable not only to owners but also to a wide range of stakeholders such as employees, customers, suppliers, government agencies, and the surrounding community. In the context of

SMEs in Ondo State, this theory is particularly relevant because these enterprises operate within close-knit business environments where relationships significantly influence survival and growth. From an HRM perspective, effective practices such as fair recruitment, employee development, and equitable reward systems enhance trust and strengthen relationships with internal stakeholders (employees) and external stakeholders (customers and suppliers). When SME owners adopt inclusive HRM practices, employees tend to show higher commitment, which translates into improved service delivery and entrepreneurial performance. Recent studies affirm that stakeholder-focused HRM practices enhance organizational legitimacy and long-term sustainability in emerging economies (Adeosun & Salawu, 2021; Okeke & Nwafor, 2023). Therefore, applying stakeholder theory to SMEs in Ondo State explains how balanced attention to employee welfare and external relations contributes to business growth and competitiveness.

Human Capital Theory

Human Capital Theory, developed by Becker (1964), argues that investment in education, skills, training, and experience enhances the productivity and value of employees. In SMEs, where resources are often limited, the quality of human capital becomes a major determinant of performance and survival. Within the framework of this study, HRM practices such as training and development, recruitment of skilled personnel, and continuous capacity building are critical investments that improve entrepreneurial outcomes. SMEs in Ondo State that prioritize employee training are more likely to experience innovation, efficiency, and improved customer satisfaction. Empirical evidence in developing economies shows that firms with higher investment in human capital tend to outperform those with weak HR development systems (Olaniyan & Ojo, 2020; Ibrahim & Bello, 2022). Thus, Human Capital Theory provides a strong explanation for how HRM practices translate into enhanced entrepreneurial performance through improved employee competence and productivity.

Resource-Based View (RBV) Theory

The Resource-Based View (RBV), popularized by Barney (1991), posits that organizational resources that are valuable, rare, inimitable, and non-substitutable (VRIN) are key sources of competitive advantage. Human resources are considered one of the most strategic assets in achieving sustained business performance. In SMEs, especially in Ondo State, HRM practices determine how effectively human resources are developed and utilized. Practices such as selective recruitment, employee motivation, performance appraisal, and skill development contribute to building a workforce that is difficult for competitors to replicate. When SMEs manage their human resources effectively, they are better positioned to innovate and respond to market changes. Recent research supports the argument that HRM systems significantly enhance SME competitiveness through improved organizational capabilities and entrepreneurial agility (Eze & Chukwu, 2023; Adeyemi & Akinyele, 2024). Therefore, RBV theory explains how strategic HRM practices contribute to sustained entrepreneurial performance.

Social Exchange Theory

Social Exchange Theory, developed by Blau (1964), explains relationships in terms of reciprocal exchange of benefits between employers and employees. In HRM contexts, when organizations treat employees fairly through good wages, supportive supervision, and development opportunities, employees feel obliged to reciprocate with higher commitment and performance. In SMEs in Ondo State, where close interpersonal relationships often exist between owners and employees, social exchange processes strongly influence workplace behaviour. Fair HRM practices foster trust, reduce turnover, and encourage discretionary effort among employees, which enhances entrepreneurial outcomes such as profitability and business growth. Studies have shown that perceived organizational support and fair HR practices positively influence employee performance and organizational success in SMEs (Akinyemi & Fashola, 2021; Olatunji et al.,

2023). Hence, Social Exchange Theory provides a useful explanation of how relational HRM practices drive entrepreneurial performance through employee commitment and reciprocity.

2.3 Empirical Review

Adeyemi and Olawale (2022) investigated employee development and SME performance in Southwest Nigeria using a quantitative descriptive survey design. The study covered SMEs in Ondo and Osun States, with a sample of 250 respondents selected through stratified random sampling. Data were collected using structured questionnaires and analyzed using multiple regression techniques. The findings revealed that employee development and training have a statistically significant positive effect on SME performance, particularly in terms of productivity and business expansion. The study further established that SMEs that consistently invest in employee capacity building tend to perform better than those that neglect training. The researchers therefore recommended that SME owners should institutionalize continuous training programmes to enhance workforce competence and competitiveness.

Similarly, Eromosele and Akinyemi (2023) explored training practices and innovation outcomes among small businesses in Southwest Nigeria. The study adopted a mixed-method research design, combining both quantitative and qualitative approaches. A total of 200 SMEs were selected using purposive and simple random sampling techniques. Data were collected through questionnaires and semi-structured interviews, while Structural Equation Modelling (SEM) and thematic analysis were used for data analysis. The study found that structured training practices significantly improve innovation capacity and adaptability in SMEs. It also revealed that firms with well-developed learning systems are more likely to introduce new products and improve service delivery. The authors recommended that SMEs should adopt continuous learning frameworks supported by both government and private sector initiatives to strengthen innovation performance.

Ogunleye and Sanni (2021) focused on recruitment and selection practices and SME performance in Ondo State. The study employed a cross-sectional survey design with a sample of 180 SMEs selected through systematic sampling. Data were gathered using standardized questionnaires and analyzed using correlation and regression techniques. The findings indicated that effective recruitment and selection processes have a strong positive relationship with SME performance. SMEs that adopted structured and merit-based hiring practices experienced higher productivity levels and lower employee turnover compared to those that relied on informal recruitment methods. The study recommended that SME operators should adopt more formalized recruitment systems that prioritize competence and skill fit.

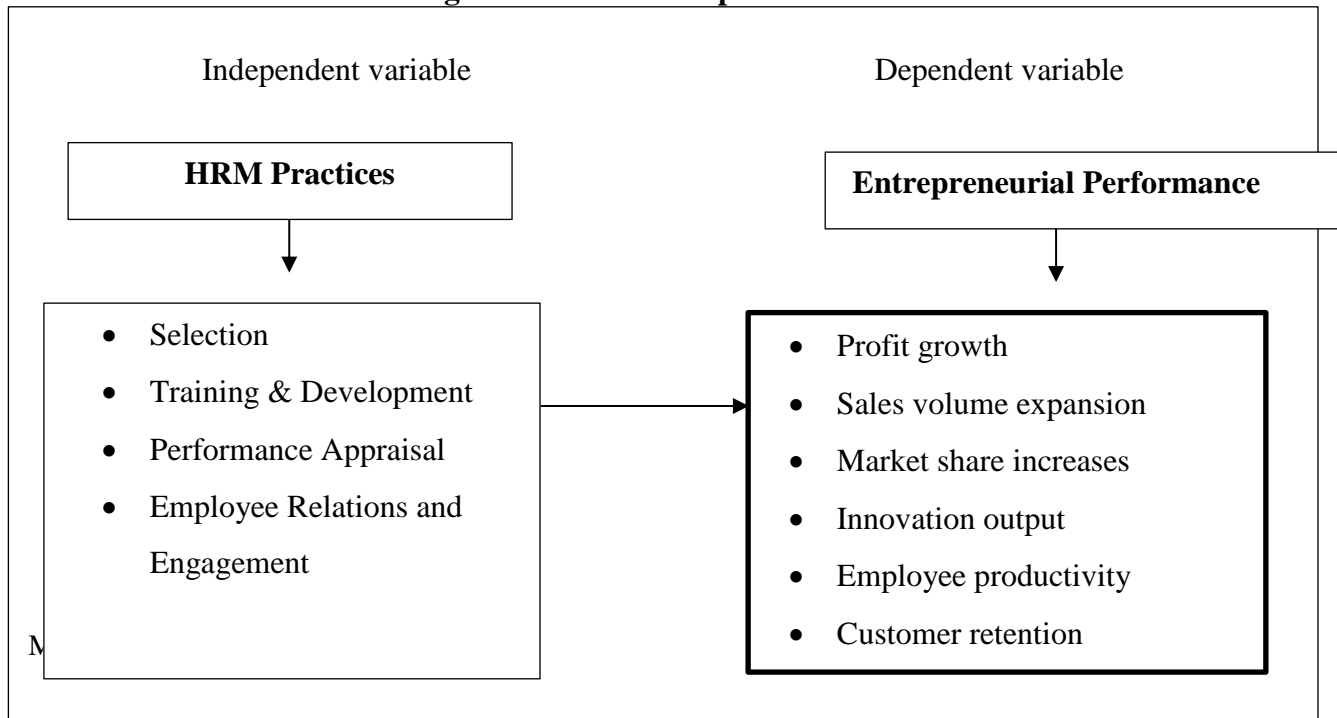
In another study, Bello and Yusuf (2019) examined compensation management and organizational performance among SMEs in Southwestern Nigeria using a descriptive survey design. A total of 220 respondents were selected using simple random sampling techniques from selected SMEs in Ondo and Lagos States. Data were collected through questionnaires and analyzed using multiple regression analysis. The study revealed that fair and competitive compensation systems significantly enhance employee motivation, retention, and overall organizational performance. It further showed that SMEs with structured reward systems are more likely to achieve higher productivity and profitability. The authors recommended the adoption of performance-based compensation structures to improve employee motivation and organizational efficiency.

More recently, Nwachukwu and Okeke (2024) examined digital HRM practices and SME performance in Nigeria using a quantitative research design. The study sampled 300 respondents using stratified random sampling, and data were collected through both online and physical questionnaires. Regression and correlation analyses were used to interpret the data. The findings showed that the adoption of digital HRM tools—such as e-recruitment systems, online performance appraisal platforms, and HR analytics—significantly improves SME operational efficiency and

decision-making processes. The study also found that SMEs that adopt digital HR systems experience faster growth and improved competitiveness. The researchers recommended

that SME owners should invest in digital literacy and HR technology adoption to enhance organizational effectiveness.

Diagrammed for Conceptual Framework



Source: Author’s Design, 2025

Figure 2.1: Conceptual Framework on Human Resource Management Practices and Entrepreneurial Performance

The conceptual framework illustrates the relationship between Human Resource Management (HRM) practices and entrepreneurial performance in SMEs in Ondo State. It explains how recruitment and selection, training and development, performance appraisal, and compensation systems function as strategic internal resources that shape firm outcomes. Entrepreneurial performance is measured through growth, profitability, and innovation. The framework is anchored on the Resource-Based View (RBV), which argues that firms achieve sustained competitive advantage when they effectively deploy valuable, rare, inimitable, and well-organized resources, including human capital. Within this context,

HRM practices are not merely administrative functions but strategic capabilities that enhance employee competence, motivation, and productivity, thereby improving SME performance.

Empirical studies in Nigeria support this linkage, showing that effective recruitment improves productivity (Odunayo, 2021), training enhances growth (Oladejo et al., 2023), and appraisal systems boost motivation and output (Emmanuel & Paul, 2023). The framework also acknowledges mediating factors such as employee commitment and entrepreneurial orientation, which strengthen the HRM–performance relationship. Overall, it provides a coherent analytical structure for examining how

internal HRM systems drive entrepreneurial success in SMEs.

3.0 Methodology

This study employed a descriptive and explanatory survey research design, which is suitable for collecting quantitative data to describe the current status of variables and examine relationships among them. The survey method was considered appropriate due to its effectiveness in gathering data from a relatively large population, thereby enhancing the generalizability of findings. The study focused on Small and Medium Enterprises (SMEs) in Ondo State, Nigeria, a region characterized by diverse entrepreneurial activities in trade, agriculture, manufacturing, and services. Ondo State presents a dynamic and competitive business environment, making it an appropriate setting to investigate the impact of Human Resource Management (HRM) practices on entrepreneurial performance of SMEs. The selection of SMEs in Ondo State provided a relevant and strategic context for understanding how recruitment, training, performance appraisal, and employee engagement influence profitability, innovation, productivity, and growth within the Nigerian SME sector.

The target population comprised approximately 1,470 registered Small and Medium Enterprises (SMEs) across selected Local Government Areas (LGAs) in Ondo State, namely Akure South, Owo, Ondo West, Ikare-Akoko, and Okitipupa. The study included owners, managers, and key employees of these SMEs drawn from sectors such as trading, manufacturing, agro-processing, and services. This diverse inclusion enabled a comprehensive assessment of HRM practices

across different organizational levels and business types. Using Yamane's (1967) formula, a sample size of 315 respondents was determined as adequate for statistical validity at a 5 percent margin of error. A multi-stage sampling technique was adopted: purposive sampling was used to select LGAs with a high concentration of SMEs, simple random sampling was used to select SMEs within each LGA, while purposive sampling was again used to select knowledgeable respondents within each enterprise, including owners, managers, and senior employees. This approach ensured both representativeness and informed responses. A structured questionnaire, validated by experts in Human Resource Management and Entrepreneurship studies and pilot-tested for reliability, was used to collect data. The instrument contained closed-ended, five-point Likert-scale items measuring HRM practices, including recruitment and selection, training and development, performance appraisal, and employee engagement, alongside entrepreneurial performance indicators such as profitability, sales growth, market share, innovation, productivity, and customer retention. The instrument recorded a Cronbach's alpha reliability coefficient of 0.82, indicating strong internal consistency. Data analysis involved descriptive statistics (frequencies, percentages, means, and standard deviations) to summarize respondents' demographic characteristics and general trends, while correlation and multiple regression analysis were used to determine the relationship and influence of HRM practices on entrepreneurial performance. The 0.05 level of significance guided interpretation of results, with all analyses conducted using SPSS version 26. This ensured both analytical rigor and reliable generalization of findings.

4.0 RESULTS AND DISCUSSION OF FINDINGS

Table 1 Regression Analysis of Recruitment and Selection Practices on the Entrepreneurial Performance of SMEs in Ondo State

		Coefficients				
		Coefficient (B)	Std. Error	t-value	Sig. (p-value)	Tolerance
(Constant)		0.982	0.122	8.049	0.000	
Selection process attracts employees	skilled	0.142 **	0.041	3.463	0.001	0.742
Selection practices match candidates to positions	right	0.131 **	0.038	3.447	0.001	0.753
Effective recruitment & selection contribute to growth/profit		0.174 **	0.039	4.462	0.000	0.721
Selection is fair and transparent		0.118 **	0.037	3.189	0.002	0.766
Proper recruitment & selection reduces turnover		0.103 *	0.039	2.641	0.009	0.780
Selection improves entrepreneurial performance (Q6)	overall	0.152 **	0.041	3.707	0.000	0.748

Notes: *Significant at $p < 0.05$; *Significant at $p < 0.01$

Dependent Variable: Entrepreneurial Performance of SMEs

Source: Authors Computation, 2026

The regression results in Table 1 demonstrate that recruitment and selection practices exert a significant positive influence on the entrepreneurial performance of SMEs in Ondo State. Specifically, attracting skilled employees ($t = 3.463$, $p < 0.01$), ensuring appropriate job–candidate matching ($t = 3.447$, $p < 0.01$), and implementing effective recruitment systems that enhance growth and profitability ($t = 4.462$, $p < 0.01$) all contribute meaningfully to improved performance outcomes. Similarly, fairness and transparency in selection procedures ($t = 3.189$, $p < 0.01$), reduced employee turnover through proper hiring decisions ($t = 2.641$, $p < 0.05$), and overall improvement in entrepreneurial performance ($t = 3.707$, $p < 0.01$) were all statistically significant determinants. The

ANOVA result confirms the robustness of the model ($F = 82.16$, $p < 0.001$), indicating that the combined recruitment and selection variables reliably predict SME performance. The coefficient of determination ($R^2 = 0.451$) shows that 45.1% of variations in entrepreneurial performance are explained by these practices, while the adjusted R^2 of 0.441 reflects a stable model fit after accounting for explanatory variables. The Durbin–Watson statistic of 1.974 suggests the absence of autocorrelation, reinforcing the reliability of the regression estimates. Overall, the findings highlight that structured and merit-based recruitment and selection systems are central to SME success. Businesses that prioritize skill acquisition, ensure role alignment, and uphold transparency

in hiring processes tend to achieve higher productivity, profitability, and employee stability. These outcomes align with human resource management perspectives that link effective staffing practices to organizational effectiveness and competitiveness. Practically, SME operators in Ondo State are encouraged to strengthen recruitment frameworks by adopting

standardized selection procedures, emphasizing competence-based hiring, and minimizing subjective decision-making. Capacity building for HR personnel and the institutionalization of transparent hiring policies are also essential for sustaining long-term entrepreneurial growth and improving overall firm performance.

Table 2: Multiple Regression Analysis of the Influence of Training and Development Practices on the Growth and Productivity of SMEs in Ondo State
Coefficients

Independent Variable	Unstandardized Coefficient (B)	Std. Error	T-value	Sig.	Tolerance
(Constant)	1.224	0.352	3.477	0.001	–
Training Programs Organization (X ₁)	0.321	0.072	4.458	0.000 **	0.732
Employee Productivity Improvement (X ₂)	0.276	0.065	4.246	0.000 **	0.741
Contribution to Business Growth (X ₃)	0.212	0.061	3.475	0.001 **	0.754
Investment in Modern Training (X ₄)	0.165	0.057	2.895	0.004 **	0.769
Adaptation to Technology & Market Trends (X ₅)	0.198	0.062	3.194	0.002 **	0.751
Link Between Training and Performance (X ₆)	0.241	0.068	3.544	0.001 **	0.738

ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	92.387	6	15.398	53.470	0.000
Residual	85.189	293	0.291		
Total	177.576	299			

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson

0.721	0.520	0.510	0.540	1.976
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Significant at $p < 0.05$; *Significant at $p < 0.01$

Source: Author's Computation, 2026

The regression results in Table 2 examined how training and development practices affect the growth and productivity of SMEs in Ondo State using six predictors: training programme organisation, employee productivity improvement, training contribution to business growth, investment in modern training methods, adaptation to technology and market changes, and the training–performance linkage. SME growth and productivity served as the dependent variable, with data obtained from 300 SME respondents. The model showed a strong and statistically significant relationship between training practices and SME performance. The predictors jointly accounted for 52% of the variation in SME growth and productivity ($R^2 = 0.520$; Adjusted $R^2 = 0.510$), while the F-statistic ($F = 53.470$, $p < 0.001$) confirmed the overall robustness and explanatory power of the model. Individually, the organisation of training programmes (X_1) recorded the strongest influence on performance ($t = 4.458$, $p < 0.01$), indicating that structured and consistent training systems significantly enhance operational efficiency and business expansion. Employee productivity improvement (X_2) was also highly significant ($t = 4.246$, $p < 0.01$), suggesting that skills acquisition directly improves output levels. Other significant predictors included contribution of training to business growth (X_3) ($t = 3.475$, $p < 0.01$), investment in modern training techniques (X_4) ($t = 2.895$, $p < 0.01$), adaptation to technological and market shifts (X_5) ($t = 3.194$, $p < 0.01$), and the training–performance relationship (X_6) ($t = 3.544$, $p < 0.01$). All tolerance values exceeded 0.70, indicating absence of multicollinearity and stability of estimates. Overall, the findings establish that effective training and development practices significantly enhance SME productivity and growth. Structured, technology-driven, and adaptive training systems are therefore essential for improving workforce

capability and strengthening SME competitiveness in a dynamic business environment.

Discussion of Findings

Findings revealed that selection practices significantly and positively influence SME entrepreneurial performance in Ondo State. Firms adopting structured recruitment systems recorded improved financial outcomes, operational efficiency, and innovation capacity. These practices include job description clarity, standardized interviews, and competency-based assessment tools aligned with organizational goals. Consistent with human capital and strategic HRM perspectives, employee quality is a key driver of productivity and growth (Boxall & Purcell, 2016). Amah and Ahiauzu (2021) and Oladapo (2020) similarly note that rigorous selection enhances innovation and customer satisfaction in SMEs. Similarly, Mensah and Frimpong (2021) found Ghanaian SMEs using formal selection methods achieved higher productivity and retention rates. However, many SMEs still rely on informal recruitment due to cost constraints and limited HR expertise. Such approaches increase turnover and weaken strategic execution capacity over time. The study therefore highlights the need for structured selection systems and capacity building for SME managers in Nigeria. Strengthening human resource practices enhances competitiveness and supports sustainable enterprise development in emerging economies. Armstrong and Taylor (2020) emphasize that effective HR systems are central to organizational performance and survival. Overall, structured selection practices remain a critical determinant of SME success in Ondo State. These findings align with broader evidence that formal HRM practices enhance firm performance across developing contexts. Therefore, policy attention should focus on

improving recruitment capability within small business ecosystems. This will enable SMEs to attract skilled labour and sustain long term competitiveness. In addition, government and development agencies can support training programmes that strengthen HRM competencies among entrepreneurs and managers, thereby improving selection outcomes and overall productivity levels in the SME sector. Consequently, structured selection remains essential for building resilient and growth oriented SMEs in Nigeria's evolving economic landscape. Future research should examine sectoral differences and the moderating role of technology in recruitment processes within SMEs context.

The findings of the study indicate that training and development practices have a significant and positive influence on both the growth and productivity of Small and Medium-Sized Enterprises (SMEs) in Ondo State. SMEs that consistently invest in structured training initiatives such as technical skill acquisition, customer service improvement, financial management, and supervisory competence record higher productivity levels, improved service delivery, and stronger business expansion compared to those with minimal or irregular training exposure. This suggests that training functions as a strategic investment in human capital rather than a cost burden. The result is consistent with Human Capital Theory, which emphasizes that investments in employee knowledge and skills enhance productivity and organizational performance (Becker, 1964; Schultz, 1961). Contemporary literature further reinforces this position, showing that well-designed training systems improve employee adaptability, innovation capacity, and task efficiency, which collectively strengthen firm performance (Aguinis & Kraiger, 2021; Noe et al., 2019). In SMEs, where resource constraints are common, such capacity-building becomes even more critical for survival and competitiveness. The study also reveals that the frequency and structure of training matter significantly. SMEs that adopt continuous and planned training programmes outperform those relying on ad hoc training interventions. Structured training institutionalizes learning,

reduces operational inconsistencies, and promotes standardized work practices, thereby enhancing productivity (Armstrong & Taylor, 2020). Furthermore, managerial training plays a pivotal role in improving strategic decision-making, resource allocation, and innovation responsiveness within SMEs. Empirical evidence from similar contexts supports these findings. For instance, Arif et al. (2023) found that continuous employee development improves creativity and efficiency, while Eze and Chinedu Eze (2022) reported that targeted training enhances financial and operational performance among Nigerian SMEs. Overall, the findings affirm that sustained investment in training and development builds organizational capability, strengthens managerial effectiveness, and fosters long-term business growth.

5.0 Conclusion and Recommendations

Based on the outcomes of the study in relation to its specific objectives, it is evident that human resource management practices significantly influence the entrepreneurial performance of small and medium-scale enterprises (SMEs) in Ondo State, Nigeria. The findings show that SMEs which adopt structured and competence-based selection processes tend to attract employees with relevant skills, positive work attitudes, and innovative abilities. This contributes meaningfully to improved productivity, stronger decision-making processes, and overall business stability. In addition, training and development practices were found to play a vital role in enhancing both the growth and productivity of SMEs. Continuous staff development through formal and informal learning opportunities strengthens employees' technical know-how, managerial competence, and responsiveness to changing business conditions. As a result, enterprises that consistently invest in human capital development are better positioned to achieve higher efficiency, improved output, and sustained competitive advantage.

In light of these findings, it is also necessary to emphasize that SME performance can be further improved through deliberate practical actions. Owners and managers are encouraged to

strengthen their recruitment and selection systems by prioritising merit, competence, and relevant experience over informal or relationship-based considerations. Such an approach will ensure that only qualified and capable individuals are engaged, thereby supporting innovation and business growth. Furthermore, SMEs should place greater emphasis on continuous training and development through workshops, mentoring, on-the-job learning, and collaboration with external training providers. Government agencies and relevant stakeholders can also support this process by offering affordable training programmes and capacity-building incentives targeted at small businesses. Additionally, there is a need for SMEs to gradually shift from informal human resource practices to more strategic approaches that align workforce capabilities with organisational goals. This alignment is essential for sustaining long-term entrepreneurial performance and enhancing business resilience in a competitive environment.

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