Flexible Human Resource Management Strategy in Small and Medium Enterprises (SMEs) under COVID-19: A Case Study from China

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Abstract

Human resource management is the core of modern enterprise management. In the face of major emergencies, human resource management needs to make timely adjustments to keep the enterprise running stably. Based on the existing studies, this paper takes Company A as a case to elaborate on the problems that need to be paid attention to and solved when enterprises adopt the flexible management strategy of human resources under the COVID-19 environment. Case studies show that under the background of COVID-19, SMEs can carry out flexible management of human resources from four aspects: the flexibility of human resource planning, flexible staffing, classification of the salary system, and flexible working time. The article is hoped to serve as a resource for SMEs to manage human resources in the event of serious emergencies and to help SMEs improve efficiency and relieve operational pressure.

Keywords: flexible management strategy of human resources, Small and Medium Enterprises (SMEs), COVID-19.

Introduction

Major emergencies will have a significant impact on the production and operation activities of enterprises. In the development process of human society, major emergencies occur from time to time. Most public emergencies involve social disputes, public morality, natural disasters, environmental protection, safety in production, government governance, and other fields (Wu, Liu, Wu, & Tsai 2020). Major emergencies are diverse, intensive, and decentralized, and have great impact and destructive influence. Some emergencies have caused serious harm to the safety of people's lives and property and hindered the development of the social economy (Wu & Shan, 2021). In the face of major public emergencies, enterprises need to respond immediately and adjust their management strategies in time to cope with the unpredictable impact.

At the end of 2019, COVID-19 suddenly broke out and quickly swept the world. As big as those emergencies such as the Spanish flu pandemics and the great depression, the pandemic of covid-19 has caused the medical crisis and economic crisis (Susskind & Vines, 2020). The World Health Organization has declared that the world is facing a pandemic caused by a novel coronavirus called COVID-19, which will spread exponentially. In this case, all countries are urged to implement a comprehensive blockade to slow the spread of the virus. As a major public emergency, COVID-19 has attracted worldwide attention due to its high complexity,
destructive power, and its sustained impact on the social economy. Many socio-economic impacts of COVID-19 have accelerated the trend of existence, worsening as everyone knows of inequality, such as gender inequality existing in the division of labor, and the gap between the rich and the poor (Jackson, 2021). The negative economic impact of COVID-19 has been accompanied by increased risks in the social sphere: declining population incomes, rising unemployment, reduced demand for labor and employment, and increased poverty (Novikova, Khandii & Shamileva, 2021). The United Nations Trade and Development Agency (UNCTAD) has warned that global economic growth will fall below two percent by 2020, which could eventually knock $1 trillion off the global economy.

COVID-19 has forced many companies to shut down, causing hitherto unknown trade interruptions in most of the world's economic activity sectors. Although the global supply chain has been affected by the total blockade, they are most strongly affected by the measures taken to prevent the spread of the virus due to the special characteristics of SMEs (Rodrigues, Franco, Sousa & Silva, 2021). A study of micro, small, and medium-sized enterprises operating in Pakistan shows many companies are facing a variety of issues such as financial (67.93%), supply chain disruption (47.83%), decrease in demand (44.02%), reduction in sales and profit (38.04%, 41.85% respectively) due to the COVID-19 outbreak, and lockdowns (Shafi, Liu & Ren, 2020). Under the influence of the COVID-19, SMEs are facing more and more difficulties in raising funds. Many factors at different levels reduce the expectation of financial service providers for financing SMEs (Song, Yang & Tao, 2020). The unstable and unpredictable environmental problems force SMEs to rethink their business strategy and change their management model (Gregurec, Furjan & Tomičić-Pupek, 2021).

The management of human resources should make suitable changes to major events in addition to ensuring the stable development of companies. To satisfy the needs of prevention and control of COVID-19, several countries and regions have taken measures such as school suspension, company suspension, home isolation, and traffic restrictions. These measures have played an important role in the prevention and control of COVID-19, but they pose a severe challenge to enterprise human resource management.

However, few studies have been carried out on the companies’ human resource management, on how SMEs manage human resources under the COVID-19 context. Compared with large enterprises, SMEs have smaller scale, limited resources, poor infrastructure, weak ability to resist market risks, and more difficulties in human resources management. Under the continuous influence of global COVID-19, how to develop human resource management effectively and flexibly has become an urgent problem for SMEs, and it has an important impact on the stable operation of enterprises.

In this case, the flexible human resource management strategy is an excellent choice for SMEs. It is not only the requirement of an objective environment but also the requirement of survival and development for SMEs to adopt a flexible human resource management strategy. Researchers and managers must make a detailed study on the strategy of human resource flexibility management in SMEs under the background of COVID-19. However, little research is being done on the management of human resources, particularly in small and medium-sized enterprises. To sum up, this study puts forward (and then tries to answer) the following questions:

a) How SMEs can play their full role in managing human resources? / How can SMEs make human resources management flexible?

b) How does "flexibility" can enhance employee work enthusiasm?

The significance of the research on the human resource management of SMEs in the context of COVID-19 lies primarily in its ability to build wealth and solve jobs issues. SMEs are a focus of the world economic structure, and they have made important contributions to promoting social and economic development and solving employment problems in many countries and regions (El-Gohary, Edwards & Huang, 2013). In China, SMEs create more than
50% of China's GDP and provide more than 85% of jobs. SMEs have become an important force in the development of China's national economy, which plays an important role in promoting the sustainable development of China's economy and solving the employment problem.

**Literature Review**

Human resources are important resources in enterprises or organizations, and flexible use of human resources is not only one of the goals of enterprise management, but also a method to promote human resource management to be people-oriented. Many companies need advanced human resources skills and behaviors and appropriate human resources management functions. Human resource flexibility is necessary for these conditions to be met. Human resource flexibility (HRF) was first proposed by Professor Atkinson in 1984. It is used to describe the implementation and application of human resource management practice (HRMP) in enterprises. Milliman et al. (1991) defined HRF as the ability of enterprises to quickly and effectively adapt to environmental changes by adjusting HRMP. Enterprises maintain high human resource efficiency, quickly and effectively adapt to the changing new environment with low cost, and maintain their market competitiveness.

Combined with Stancher’s (1995) research on strategic flexibility, Wright and Snell (1998) explained the meanings of resource flexibility and coordination flexibility in three contexts: employee skills, employee behavior, and human resource practice. They interpreted human resource efficiency as the extent to which the reserve of human resource skills and behaviors can provide enterprises with the freedom to choose and seek alternative strategic solutions in a competitive environment. The HRF also affected the extent to which necessary human resource management practices can be quickly identified, developed, and implemented to maximize the intrinsic flexibility of human resources. They suggested that HRF is a particularly valuable enterprise capability. However, some scholars, believed that this definition is too broad and devoid of connotation. Bhattacharya et al. (2005) pointed out that the current strategic human resource management theory holds that human resource flexibility is a dynamic ability for enterprises to quickly respond to the changing economic environment and create value.

Table 1: Definition of HRF by some scholars

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atkinson, 1984</td>
<td>HRF was used to describe the implementation and application of human resource management practice (HRMP) in enterprises.</td>
</tr>
<tr>
<td>Milliman et al., 1991</td>
<td>HRF was the ability of enterprises to quickly and effectively adapt to environmental changes by adjusting HRMP.</td>
</tr>
<tr>
<td>Wright and Snell, 1998</td>
<td>HRF was a particularly valuable enterprise capability</td>
</tr>
<tr>
<td>Bhattacharya et al., 2005</td>
<td>HRF was a dynamic ability for enterprises to quickly respond to the changing economic environment and create value</td>
</tr>
<tr>
<td>Tracey et al., 2008</td>
<td>For enterprises operating in a dynamic environment, HRF was expected to be the source of competitive advantage and have a positive impact on enterprise performance and effectiveness, because HRF provided two important characteristics for enterprises to obtain human capital: employees who “can do” and employees who “will do”</td>
</tr>
<tr>
<td>Way et al., 2015</td>
<td>Whether an enterprise competes in a dynamic environment or a stable environment, the flexibility of human resources is the key determinant of an enterprise's ability to adapt to and respond to changes in market demand.</td>
</tr>
</tbody>
</table>

(Sources: The author arranged according to the literature)
The concept of the HRF strategy is currently not unified and clear. But based on the existing research (Chang et al., 2013; Tracey et al., 2008; Way et al., 2015), HR flexibility is defined as the capabilities of the company, representing the extent to which the human resources and HR practices of the company allow the company to respond readily and effectively to competitive changes in output and pressure and to pursue strategic actions in response to competitive changes.

HRF management is fundamentally a human-oriented human resource management model. The focus of HRF is to cultivate employees' ability and thinking habits to adapt to the working environment, which is conducive to the development of innovation ability (Chadwick, 2010). In essence, the flexible strategy of human resources is a kind of humanized or flexible management method. It adopts flexible measures instead of relying on fixed organizations and stable rules and regulations. It is based on the study of people's psychology and behavior rules and uses nonmandatory methods to produce an internal persuasion in people's minds, to turn organizational will into people's conscious behavior.

According to Blyton (1996), HRF can be divided into four dimensions: task or functional flexibility, numerical flexibility, temporary or working-time flexibility, and wage of financial flexibility. Task or functional flexibility refers to giving employees greater autonomy and making their work or tasks rotatable or adaptable; numerical flexibility means that enterprises can actively adjust the amount of labor input to meet business changes or employees' own needs; temporary or working time flexibility means that enterprises can adjust working hours flexibly; the wage of financial flexibility refers to changing the traditional fixed pay model and establishing a diversified pay system based on individual performance and profit-sharing. HRF management can improve the level of human resource management in modern enterprises, meet the individual needs of employees, improve employee relationship management, stimulate the initiative, enthusiasm, and creativity of employees, and create more value for modern enterprises.

(Sources: The author arranged according to the literature)

**Figure 1:** The four dimensions of HRF
For SMEs, the flexible management of human resources in the COVID-19 context is crucially significant. As the core of enterprise management, human resource management should have a flexible ability to deal with all kinds of unexpected events. If the organization has a flexible response and adaptability to the environment and develops systematic management practices it will gain a competitive advantage in a dynamic and intense environment (Do, Yeh & Madsen, 2016).

Research Methodology

Method
This study adopts a single case study design to analyze the HRF management measures taken by a small garment manufacturing organization in China during the epidemic period. The case study method can include a single case or multiple cases. The single case study method is an appropriate design for key, unusual, common, enlightening, or vertical cases (Yin, 2018). The case study method can be used together with other methods, and data can be collected in a variety of ways. There are six types of data sources in the case study method: literature, archival records, interviews, direct observations, participant observations, and physical objects.

The case study method is widely used in various disciplines and fields of social sciences such as law, medicine, psychology, and so on. The case study method can be used to study complex phenomena, establish and test theories (Tasci et al., 2020). It is a valuable tool to answer complex and real-world questions (Tetnowski, 2015). By investigating some cases, it may provide early guidance for our next research. That is to say, the case study can exist as both an exploratory study, a descriptive study, and an explanatory study. Cases come from social life. The problems they study and solve are real problems. Therefore, they give readers a strong sense of reality. This is unsurpassed by other methods of research. The case study method has a certain degree of flexibility, which is not provided by grounded theory or phenomenology, and other qualitative methods (Hyett, 2014).

Sampling

Criteria for Case Selection
Hangzhou is one of the most economically developed regions in China. It is the largest garment wholesale market in eastern China, gathering many garment production and sales enterprises. At the same time, Hangzhou is also the region with the largest urban floating population in China. During the period of COVID-19, SMEs in Hangzhou are facing enormous pressure of prevention and control. This study selected company A located in Hangzhou Economic Development Zone as a case. There were three selection criteria: firstly, there was no infection or production accident in COVID-19. Secondly, the company was able to provide rich data for research. Thirdly, it has a certain scale and stable business operation. Finally, after screening and active communication, the principal of company A agreed to participate in the study after fully understanding the purpose of the study, and provided the archives, data, and other materials needed by the study.

The Case
In 2003, company A was founded in Hangzhou, China. It is a modern underwear enterprise integrating design, processing, and trade. The products of the company include bra, underwear, body-shaping underwear, pajamas, thermal underwear, and other series, the products were sold in several countries and regions. Company A covers an area of more than 18,000 square meters, with more than 400 sets of production equipment. The company has more than 500 employees,
technical and management talents account for 20% of the total number of people, and has hired several senior technical experts for the design and development of new products. After the outbreak of COVID-19, the company ensured the stable operation of the company through effective planning and reasonable allocation of human resources, as well as coordination and communication from various parties. By the beginning of March 2020, the return rate of the company’s employees has reached 85%, the production plan has reached 100%, and the production capacity has recovered 100%.

After the COVID-19 outbreak, Company A immediately took the following measures to cope with the unpredictable impact:

First, respond quickly and stop production decisively. In the face of the sudden COVID-19, to do a good job of epidemic prevention and ensure the safety of workers, Company A immediately sounded the epidemic prevention alarm and quickly established an epidemic prevention working group composed of the general manager, security officer, front-line business supervisor, personnel and administrative supervisor, and technical supervisor. After the discussion of the epidemic prevention working group, the decision was made to suspend production or business, and the workers were required to be quarantined at home, and the health information of the workers was collected by the Ding Talk.

Second, to ensure the stable operation of the company, the epidemic prevention team required technical personnel, management personnel to be prepared for telecommuting from home. The employees who can support telecommuting were required to actively confirm the telecommuting work content, evaluation standards, and other detailed rules of each post. For the employees, whose work content or post functions could not be realized online, the HR supervisor and the department head have communicated well in advance to arrange leave, secondment, or post-transfer. For employees with family difficulties, the company gave them more flexible work autonomy to meet their demands of balancing work and life.

Third, in terms of salary, Company A adopts a market-based and performance-oriented assessment system to stimulate employees' work enthusiasm and extensively listen to their opinions and suggestions to formulate a new salary plan.

Fourth, to alleviate psychological abnormalities that may occur to employees during home isolation, the Epidemic Prevention Working Group timely releases information on epidemic prevention and control progress through WeChat group and QQ group and conducts epidemic prevention knowledge training for employees by Tencent classroom.
Fifth, before returning to work, to eliminate employees' safety concerns, Company A actively publicized the salary treatment, industrial injury identification policy, and epidemic prevention guarantee plan for returning to work, to reduce employees' negative emotions and concerns about returning to work. According to the severity of the epidemic situation, the prevention and control situation, and the traffic situation in the place where the employees are located, the personnel department has planned for returning to work in advance.

Sixth, after the epidemic situation was alleviated, company A conducted personal protection training, work protection training, and new pneumonia-related knowledge training for the employees who had returned to work normally, to ensure the safety and health of employees and strictly implement the epidemic prevention and control work. Keep communication with employees who have not returned to their posts, understand their physical condition and psychological fluctuation, and actively coordinate with them to return to their posts as soon as possible.

Seventh, to restore the production capacity as soon as possible, the personnel department has carried out a talent inventory of the existing employees, broken the department boundaries, carried out cross-department secondary development of human resources, and transferred multi-skilled workers from the maintenance, logistics, quality inspection, and other departments to the production line to work or part-time, to make up for the shortage of production line operators and alleviate the pressure of shortage of manpower through the recruitment of temporary workers.

To specifically analyze the human resource management measures adopted by company A during COVID-19, understand the evaluation and opinions of the company's employees on these measures. After communicating with the general manager's office of company A, the researcher conducted a questionnaire survey on some employees of the company by the WeChat group within the company.

Criteria for questionnaire object selection
According to the list of employees provided by the company's personnel department, we selected the respondents of the questionnaire, who came from various departments of the company. The selected personnel have served in the company for more than one year. They have a better understanding of the internal situation and management system of the organization. The purpose of setting this standard is to get real feedback from the participants. The specific sample is as follows.

Table 2: Questionnaire object sampling

<table>
<thead>
<tr>
<th>Designation &amp; Department</th>
<th>Quantity</th>
<th>Length of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff, Administrative Department</td>
<td>2</td>
<td>More than one year</td>
</tr>
<tr>
<td>Workshop Director, Production Department</td>
<td>2</td>
<td>More than one year</td>
</tr>
<tr>
<td>Team Leader, Production Department</td>
<td>2</td>
<td>More than one year</td>
</tr>
<tr>
<td>Sewing Worker, Production Department</td>
<td>2</td>
<td>More than one year</td>
</tr>
<tr>
<td>Designer, Design Department</td>
<td>2</td>
<td>More than one year</td>
</tr>
<tr>
<td>Draftsman, Design Department</td>
<td>2</td>
<td>More than one year</td>
</tr>
<tr>
<td>Salesman, Marketing business department</td>
<td>2</td>
<td>More than one year</td>
</tr>
<tr>
<td>Accountant, Finance Department</td>
<td>1</td>
<td>More than one year</td>
</tr>
<tr>
<td>Cashier, Finance Department</td>
<td>1</td>
<td>More than one year</td>
</tr>
<tr>
<td>Materials Supervisor, Material Supply Department</td>
<td>1</td>
<td>More than one year</td>
</tr>
<tr>
<td>Purchasing Staff, Material Supply Department</td>
<td>2</td>
<td>More than one year</td>
</tr>
</tbody>
</table>
On the questionnaire star platform, 25 questionnaires were distributed and 25 questionnaires were completed effectively. 100% completion rate.

**Results**

*Salary and comprehensive benefits*

![Figure 3: Employees' satisfaction with salary level and comprehensive benefits during COVID-19](image)

For this question, 44% of the questionnaire participants chose "Satisfied", The proportions of "Very satisfied" and "Basically satisfied" were 24% respectively. Another 8% of respondents chose "Dissatisfied".

*Effective Health and Safety Management*

![Figure 4: Employees' satisfaction with health and safety management](image)

Most of the questionnaire participants affirmed the health and safety management measures taken by the company. However, 4% of the questionnaire participants were not satisfied with
these measures.

Human resource management measures adopted by the company during COVID-19

![Bar chart showing employee satisfaction with human resource management measures during COVID-19](image)

**Figure 5:** Employees' satisfaction with human resource management measures adopted by the company during COVID-19

For the company's human resource management measures during COVID-19, 52% of the participants answered "satisfaction". 32% of the questionnaire participants answered: "basically satisfied". 12% of the questionnaire participants answered "very satisfied". Of course, 4% of the questionnaire participants chose "dissatisfied".

Generally speaking, most employees who participated in the questionnaire were satisfied with and approved the salary income, health and safety management, and human resource management measures adopted by the company during the COVID-19 period. This indicates that the human resource management measures used by A company during COVID-19 were effective.

A series of human resource management measures adopted by Company A not only improve the job satisfaction and performance of employees, but also further strengthen the sense of identity and belonging of the company, ensure the stable production and operation of the company, and help the company to tide over the difficulties successfully. At the same time, it also brings us some thoughts on the flexible management strategy of human resources of SMEs under the emergency.

**Implications**

Flexible HRM strategy has always been regarded as an important part of corporate strategy. The flexible adaptation of human resource capabilities represents a significant advantage for future business sustainability competitiveness (Wilhelm, Moritz, Stefan & Tobias, 2014). Major events will have a direct impact on the normal production and operation activities of enterprises. For small and medium-sized enterprises, such impact is related to their survival and development. However, in a sense, COVID-19 not only brings a crisis to the operation and
management of SMEs but also brings opportunities for transformation (Klein & Todesco, 2021). COVID-19 highlights the important role of HRF management in supporting the rapid and effective adaptation of enterprises to environmental changes. SMEs can consider the HRF strategy from the following aspects.

First, there is a need to make human resource planning flexible. To better respond to the changes of the external operating environment, the enterprise's human resource management planning should be flexible, closely combined with the changes of the enterprise's operating strategy, and timely adjust and improve the human resource planning. Flexible human resource planning should accurately predict the quantity, quality, and structure of human resources needed for enterprise development. When making human resource planning, enterprises should fully consider the changes of the internal and external environment and have strategies to deal with risks. In the process of implementation, human resource planning should be revised and improved according to the changes in the internal and external environment.

Second, SMEs should adopt flexible staffing, by timely adjusting the allocation of human resources to achieve numerical flexibility. According to the changes of internal and external conditions, the quantity and types of human resources required by enterprises will also change accordingly. Therefore, the human resource management department should adjust the allocation of human resources in time, balance the demand and supply of human resources, and achieve the best match of personnel and posts. Realize the cross-department secondary development of human resources, which not only relieves the pressure of front-line production but also meets the needs of staff job development. Human resource managers should take this opportunity to deeply reflect on the defects and loopholes existing in the previous employment management mode of enterprises and strive to solve the practical problems with a new employment model.

**Figure 6:** Flexible strategy of human resource management in SMEs under major emergencies
Third, the salary system should be classified to motivate employees to improve their work performance and achieve salary flexibility. During the special period, while protecting the income rights and interests of laborers, enterprises should balance the interests of labor and labor and share the responsibilities and risks according to the specific situation of production and operation. The enterprise performance appraisal system can adopt the target management system, which designs the appraisal indexes of employees by levels and types, and the emphasis of the appraisal of employees at different levels is different. The design of the assessment system and the compensation system should be effectively linked to form a long-term incentive effect and improve the risk response ability of enterprises in major crisis events.

Fourth, there is a need for an implementation of flexible work, job rotation, flexible vacation, and other measures to achieve time flexibility. Although telecommuting has incomparable advantages over traditional office work, its disadvantages have also been exposed in the context of COVID-19, such as the blurred boundary between work and life, and the infinite amplification of working hours. These problems suggest that human resource management should adopt a flexible time management strategy. Based on basically fixed comprehensive working hours, according to the needs of work tasks and employees' own needs, human resource managers negotiate with employees to select the appropriate working hours and working hours and realize time flexibility through flexible work, rotation and rest, flexible vacation, and other measures.

Conclusion
Due to own limitations, small and medium-sized enterprises are in the aspects of capital investment and information technology adoption, and it cannot be compared with other large enterprises. However, flexible methods can be adopted in management. Flexible Management Strategy of Human Resource, is conducive to improving employees' work enthusiasm and creativity. It can also improve cohesion within the company. These are very important to the healthy and stable operation of the enterprise.

The Flexible Management Strategy of Human Resources is an important part of human resource management. In the process of global economic transformation, it can gradually replace hard management, because it can stimulate the creativity of employees, adapt to the uncertain internal and external environment, and meet the needs of the long tail of the market (Oriekho & Guo, 2016). Therefore, for SMEs, when dealing with the uncertain market environment caused by major public emergencies, such as COVID-19, the flexible management of human resources is a good choice. SMEs can carry out flexible management of human resources from four aspects: the flexibility of human resource planning, flexible staffing, classification of the salary system, flexibility working time.

Limitations of the Study and Future Direction
This is a single case study, analyzing the HRF strategy adopted by a small garment manufacturing organization in China during COVID-19. It is thus necessary to make an in-depth analysis of the flexible management of human resources in various organizations. To improve the social and economic status of the country, all private and public sector organizations need to constantly study the people-oriented flexible management of human resources.
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