University of Economics, Prague

Master's Thesis

2013   Elisabeth Lange

University of Economics, Prague

Faculty of Business Administration

Master´s Field: International management

Title of the Master's Thesis:

Analysis of Human Resource Management Practices in Small and Micro Enterprises in the Czech Republic

Author: Elisabeth Lange

Supervisor: doc. PhDr. Daniela Pauknerová, Ph.D.

Declaration of Authenticity

I hereby declare that the Master's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, August 31, 2013   Signature

Title of the Master's Thesis:

Analysis of Human Resource Management Practices in Small and Micro Enterprises in the Czech Republic

Abstract:

This thesis analyses human resource management (HRM) practices in small and micro enterprises in the Czech Republic with the goal of developing recommendations for improvement of their HRM practices. The theoretical part provides background knowledge about small and micro enterprises in the Czech Republic, HRM in general and specifics of HRM in SMEs. It is followed by an elaboration on the three foci of this thesis: recruiting, training and development and retaining of qualified and experienced employees. Based on this theoretical fundament quantitative and qualitative research has been conducted in cooperation with *Perfectia* with the purpose of understanding the following: the HR function, what are the most challenging and time-consuming HR tasks for small and micro enterprises, how do they recruit, train & develop and retain employees and how important is HRM to small and micro enterprises. The hypothesis that most small and micro enterprises do not have formulated HR strategies (and if so aligned them with their business strategy) has been confirmed. The analysis and synthesis of the results from both the theoretical and empirical part are the basis, on which five key recommendations have been developed.

Key words:

Acknowledgements

Table of content

6

List of figures

List of abbreviations

AC	Assessment center
CZ	Czech Republic
CZK	Czech koruna
EC	European Commission
EIB	European Investment Bank
EIF	European Investment Fund
EU	European Union
EUR	Euro
FTE	Full-time equivalent employee
GDP	Gross domestic product
HR	Human resource
HRM	Human resource management
SBA	Small Business Act
SME	Small and medium-sized enterprises
SHRM	Strategic Human Resource Management

1 Introduction

Human resource management (HRM) in small and micro enterprises in the Czech Republic is a crucial topic to be analyzed because of its importance for the economy, for enterprises and people, because of the ongoing *war for talent* and because of insufficient research in this field in the past.

Why are small and micro enterprises so important for the economy and the people living and working in the Czech Republic? Small and micro enterprises employ more than 50% of the working population, compose 99,1%[1] of the total number of enterprises in the Czech Republic and contribute with 29 bn. EUR[1] to the GDP, which constitutes 35,6% of total value added (European Commission 2012: 1).

After the term *war for talent* was first coined in 1997 by Steven Hankin and described by Michaels et al. in their homonymous book, both researchers as well as business people across the globe agree upon the existence of *war for talent* and face an increasingly competitive landscape for recruiting and retaining talents today (Williams 2000: 1).

In general human resources are essential for the success of an enterprise and are often the source of a competitive advantage[2], because they have the "capability to convert the other resources (money, machine, methods and material) into output (product/service). The competitor can imitate other resources like technology and capital but the human resources are unique." (Tiwari, Saxena 2012: 670). Especially for small enterprises "human resources play a vital role in developing and sustaining their competitive advantages" and at the same time they "encounter serious human resource problems" (Brand 2002: 2). This observation has also been made by Tomáš Rajniak, who works as a business mentor for small and micro business at *Perfectia*[3]. This thesis is written in cooperation with *Perfectia* in order to assess the HR challenges faced by small and micro business in the Czech Republic and generate recommendations that can be used by *Perfectia* and small and micro enterprises and thus create value and have practical impact.

Researchers have long been focusing on human resource management in large enterprises. Since the middle of the nineties the academic discussion about HRM in SMEs has intensified and research gaps have been identified and have started to be filled in step-by-step. However, there has not been much distinction between small, medium and micro enterprises, despite significant differences in the reality of human resource management of 5 or 250[4] people. Therefore the aim of this thesis is to dig one level further down and analyze specifically small and micro enterprises. HRM practices are constantly evolving and developing further among others driven by technical progress. Thus, the need to combine state of the art HRM practices and its applicability to small and micro enterprises is self-evident.

---

[1] Estimate for 2011 from the Structural Business Statistics Database (Eurostat)
[2] The competitive advantage concept was developed by Porter in 1985.
[3] A detailed profile of *Perfectia* can be found in chapter 3.3
[4] Definition of SME as defined by EU and CZ (European Commission 2003: 6; Ayyagari et. al 2007: 33)

1.1 Research objectives and questions

The aim of this research is to enhance the discussion of HRM practices in small and micro companies in the Czech Republic and to develop recommendations how human resources can be better managed in small and micro companies in the Czech Republic. This shall be achieved through the synthesis of theoretical concepts with quantitative and qualitative research. Both the theoretical and empirical part focus on the following research questions:

- What is the role of the HR function in small and micro businesses (who performs the HR tasks, how are HR responsibles trained, how important is the HR role for the companies)?
- Do small and micro enterprises in the Czech Republic formulate HR strategies and if yes, are they aligned with their overall business strategy?
- Do they record their HR practices in written form or do rely on unwritten or adhoc best practices?
- How important is HRM for small and micro enterprises in the Czech Republic?
- Which HR tasks are most challenging for small and micro businesses? And which tasks are most time-consuming for them?
- How do the recruit, train & develop and retain their employees?

The objective of the next part of the thesis is providing recommendations how small and micro enterprises in the Czech Republic could tackle these challenges and how *Perfectia* could help its customers to fight these challenges.

1.2 Research methodology and model

The methods used in order to answer the research questions and reach the objective of giving recommendations will be threefold. The first part of my thesis is based on literature research including journals, books, newspaper articles, studies, reports e.g. by the *European Union* and the *Boston Consulting Group*. Based on this knowledge a questionnaire has been developed, which has been sent out and distributed to small and micro enterprises (both online and paper-based). In addition to this quantitative part a qualitative interview with *Perfectia* business mentor Tomáš Rajniak has been conducted in order to deeply understand the HR challenges faced by small and micro enterprises.

As demonstrated in *Figure 1*, the empirical part has been based on the theoretical fundament, which in combination enables a profound analysis of the qualitative and quantitative results of the study. This deep analysis and synthesis of literature research with qualitative and quantitative results is the foundation of the recommendations for *Perfectia* and small and micro enterprises in the Czech Republic.

Figure 1 – Research model
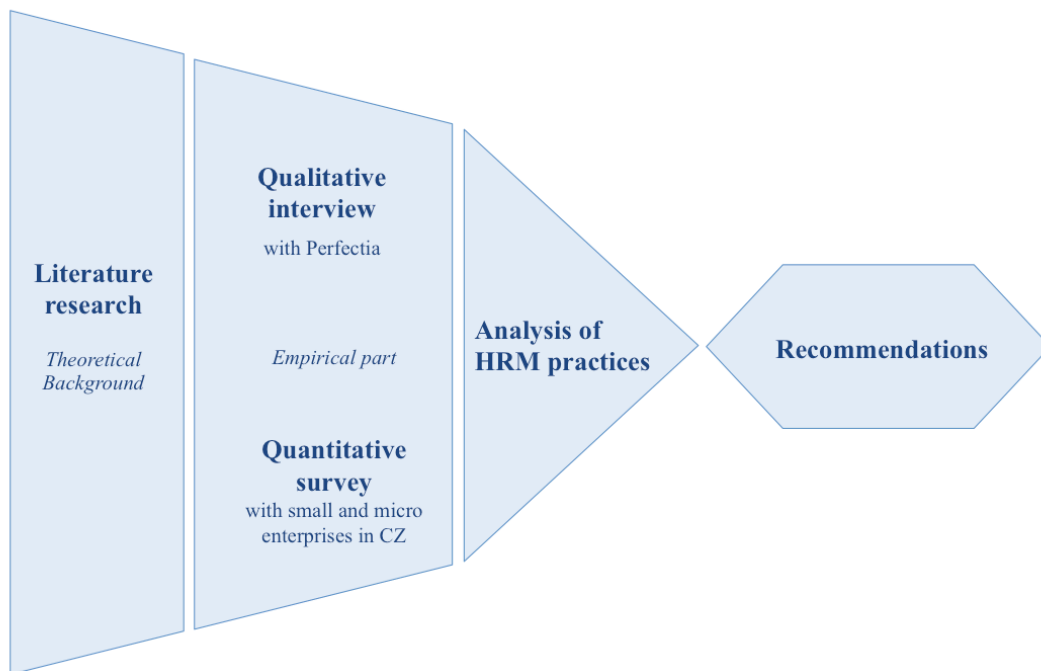
(Created by Lange)

1.3 Structure of the thesis

In the beginning of the thesis key terms are being defined in order to guarantee the same understanding. For the same reason the landscape of small and micro enterprises in the Czech Republic is depicted with a focus on its significance for the Czech economy and the sectors that they are most active in.

The core of the theoretical part is thorough research about the origins of HRM, its purpose, main characteristics, most important concepts, the emergence of strategic human resource management (SHRM), the HR function in organizations, the impact of HRM on enterprise's performance, trends in HRM and this part is rounded off with a critical view of HRM. The reason why HRM is first introduced in general and subsequently with a specific focus on HRM in SMEs is the fact that comprehensive research on HRM has been conducted in the past decades, but the field of HRM in SMEs is still evolving and lacking sufficient literature. Besides a concise general literature review, a more detailed literature review is integrated into the theoretical part referring to the respective chapters.

Due to the breadth of HRM three HR challenges were selected, based on its impact and relevance for small and micro enterprises. These three challenges – recruiting, training and development and retaining, are elaborated upon in the next three chapters with a focus on practical solutions, which are the foundation for the later developed recommendations.

The third part starts with an introduction to *Perfectia* and the surveyed enterprises and is followed by the presentation and evaluation of the results of the quantitative and qualitative study.

The forth part, connects insights and results from the previous parts and based on that five recommendations with a focus on practical applicability are formulated.

Throughout the study demand for further research has been identified and suggestions for further research a provided in the fifth part.

The conclusion summarizes the main findings, reveals the contributions of the thesis to research and answers the initially stated research questions.

1.4   Literature review

While literature is being reviewed throughout the theoretical part corresponding to each chapter, the aim of this chapter is to highlight the most important literature. A central piece of literature of this thesis is *the* HRM book by Michael Armstrong (2006). The reason why it qualifies for being key literature is his approach of combining theoretical background knowledge with state of the art practices, which matches the approach of this thesis.

The academic discussion about human resource management in SMEs has mostly started in the 1990ies. This was mainly initiated by Hornsby and Kuratko (1990), who published a comprehensive literature review and identified critical issues to be researched more in detail. More than ten years later not much has changed, because Anderson (2003: 1) observes that "the increasing attention on human resource management (HRM) in small and medium enterprises (SMEs) is a comparatively recent phenomenon. HR-researchers have largely ignored SMEs". Today we can observe an increasing number of publications on HRM in SMEs, however, a distinction between SMEs and small and micro enterprises is rarely to be found. In addition most articles examine a specific country or industry, but large international studies or frameworks applicable across boarders are rare. A trend can be observed that most literature in the field of HRM has its origins in the USA and especially in Great Britain, where the CIPD[5] largely contributed to HRM research. Literature from the Czech Republic is mostly in Czech language and thus not available to the international research community.

1.5   Scope and limitations

This thesis is clearly focused on human resource management in small and micro enterprises in the Czech Republic. Due to limited literature on small and micro enterprises it partially relies on research about SMEs. Another limitation of literature research was given by language. Despite my advanced Czech knowledge it is not sufficient for evaluating academic literature. Therefore the thesis mainly relies on English speaking literature.

The empirical part was limited in several ways. First, the quantitative study is based on a sample of 33 enterprises, representing various business sectors and company sizes. However, with a small sample size, caution must be applied, as the findings might not be transferable to all small and micro enterprises. Most of the surveyed enterprises are located in Prague, which

---

[5] The Chartered Institute of Personnel and Development (CIPD) is the world's largest Chartered HR and development professional body with a tradition of 100 years (http://www.cipd.co.uk/cipd-hr-profession/about-us/default.aspx)

limits the transferability especially with regard to recruiting as this may be even more challenging in less populated regions.

Considering the breadth of human resource management the current research was limited by focusing on three main challenges: recruiting, training and development and retaining.

2   Theoretical part

2.1   Small and micro enterprises

With the purpose of creating the same understanding of key terms and concepts used in this thesis they shall first be defined and elaborated upon.

2.1.1   Small and micro enterprises defined

The most commonly used definition of small and micro enterprises is provided by the *European Union*, which defines them together with medium enterprises according to the number of employees, turnover or balance sheet total as displayed in Figure 2.

Figure 2 – Definition of SME

Company category	Employees	Turnover	or	Balance sheet total
Micro	< 10	≤ € 2 m		≤ € 2 m
Small	< 50	≤ € 10 m		≤ € 10 m
Medium	< 250	≤ € 50 m		≤ € 43 m

(Source: European Commission 2003: 6)

In the Czech Republic the definition provided by the *European Commission* is widely used for several reasons. One reason is the general supremacy of *European Union* law over national law of member states (European Commission 2008: 7), but the main reason is the extensive cooperation between the EU and member states in supporting micro, small and medium-sized enterprises. As stated in the *Commission's* Directive 2003/361/EC the aim of a unified definition "by the Commission, the Member States, the European Investment Bank (EIB) and the European Investment Fund (EIF) would improve the consistency and effectiveness of policies targeting SMEs" (European Commission 2003: 1; Ministerstvo průmyslu a obchodu, 2009). The most significant policy is the Small Business Act (SBA), which is the "EU's flagship policy initiative to support small and medium-sized enterprises (SMEs)" (European Commission 2012: 1).

For several reasons from here onwards the distinguishing criterion for small and micro enterprises will be the number of employees: it allows a clear distinction, in the context of human resource management the number of employees is the most important criterion out of the three applied by the *European Union* and when conducting research, enterprises are more

likely to disclose information about their number of employees rather than about their turnover or balance sheet total.

Defining small and medium sized enterprises not only from the quantitative side with numbers of employees, but from the qualitative side will provide us with valuable insights relevant for managing human resources in small and micro enterprises. Nooteboom (1994) identified three core characteristics of small enterprises – personality, independence and small scale – and Brand & Bax (2002) derive a set of features from there. The behavior of small and micro enterprises is determined by the personal influence of one or a few persons (e.g. owner) and thus driven by personal motivation and goals as has been observed by Duberley & Walley (1995), Wagar (1998), Bacon et al. (1998), Baron & Kreps (1999), Koch & De Kok (1999) and Brand & Bax (2002: 5). Due to the enterprises independence and maneuverability the personal goals of the owner can actually be pursued (Baron & Kreps 1999; Brand & Bax 2002: 5). This is connected with the next characteristic of SMEs: flexibility. Flexibility has been attributed to SMEs by Storey (1994) and Levy & Powell (1998) and can be differentiated between external and internal flexibility (Brand & Bax 2002: 5). External flexibility refers to an organization's ability to influence its environment. SME's capabilities to influence its environment are clearly limited. But Koch & De Kok (1999) pointed out that thanks to their core characteristics they can "change their environment by changing their strategic niche" (Brand & Bax 2002: 5). Their internal flexibility, which is the capability to adapt the organization itself (Ansoff 1965), is obviously more significant. The smaller amount of bureaucracy faced by SMEs connected to their core characteristics is believed to enable them to react flexibly to changing conditions (Levy & Powell 1998; Brand & Bax 2002: 5). However, so far research has not provided satisfying empirical proof regarding the flexibility of SMEs. Brand & Bax (2002) emphasize that "it is the personal attitude of the small business owner that determines whether the flexibility potential that is definitely present in every small firm gets used."

2.1.2   Enterprise, business, company and organization defined

The commonly used abbreviation *SME* includes the word enterprise. But what is the difference to a business, a company or a firm, an organization and why are we using the term enterprise?

An *enterprise* can be a business or company and it is an "entrepreneurial activity, especially when accompanied by initiative and resourcefulness" (Business Dictionary: 2013). So it is a broader term than *business*, which is "an organization or economic system where goods and services are exchanged for one another or for money" and it "requires […] enough customers to whom its outputs can be sold on a consistent basis in order to make profit. Businesses can be privately owned, not-for-profit or state-owned" (Business Dictionary 2013). The term *company* is more specific than business and defined from a more legal viewpoint. A company is "organized to carry on a business. Types of companies include sole proprietorship,

partnership, limited liability, corporation, and public limited company" (Business Dictionary 2013).

Organizations are defined as "a social unit of people that is structured and managed to meet a need or to pursue collective goals. All organizations have a management structure that determines relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out different tasks" (Business Dictionary 2013). Organizations have particular purposes, such as a business or a government department (Oxford Dictionary 2013). Organization is a broad term including governmental and non-government, for profit and non-for profit organizations. The focus of this thesis will be on non-governmental for profit organizations. The term *organization* is the broadest of all previously defined and is generally used in academic publications and theoretical concepts, as it comprises all types of analyzed institutions. Therefore it will be used in the theoretical background. Otherwise the term *enterprise* will be applied in this thesis due to the practical approach of this thesis and the inclusive meaning of the term enterprise, embedding both the term business and company.

2.1.3   Small and micro enterprise landscape in the Czech Republic

Micro and small enterprises play a major role in the SME landscape and in the Czech economy constituting 99,1% of enterprises, out of which 95,4% are micro enterprises. These numbers show us that micro enterprises clearly dominate the SME landscape. Together, small and micro enterprises, contribute 29 billion € to the GDP, which constitutes 35.6%. Providing more than 50% of employees in the private sector with work, small and micro businesses play an important role in society, followed by medium-sized enterprises who employ another 20%, which is a total of more than 2.3 million people (European Commission 2012: 1). As the numbers show, the impact of small and medium-sized enterprises as a driving force for the economy, for employment, the social climate and technological advancement is significant and thus shapes the economy and society (Ipodnikatel 2011).

Figure 3 – SMEs in the Czech Republic – number, employment and GDP

	♯ of Enterprises			Employment			Value added to GDP		
	Czech Republic		*EU 27*	Czech Republic		*EU 27*	Czech Republic	EU 27	
	Number	Share	*Share*	Number	Share	*Share*	Bn.€	Share	*Share*
Micro	889.707	95,4%	*92,2%*	1.055.675	30,9%	*29.6%*	16	19,9%	21,2%
Small	34.591	3,7%	*6,5%*	659.681	19,3%	*20.6%*	13	15,7%	18,5%
Small & Micro	**924.298**	**99,1%**	***98,7%***	**659.681**	**50,2%**	***50.2%***	**29**	**35,6%**	**39,7%**
Medium-sized	6.642	0,7%	*1,1%*	673.286	19,7%	*17.2%*	17	20,3%	18,4%
SMEs	930.94	99,9%	*98,8%*	2.388.642	69,9%	*67.4%*	46	55,9%	58,1%
Large	1.379	0,1%	*0,2%*	1.026.940	30,1%	*32.6%*	36	44,1%	41,9%
Total	**932.319**	**100,0%**	***100,0%***	**3.415.582**	**100,0%**	***100,0%***	**82**	**100,0%**	**100,0%**

(Adapted from: European Commission 2012: 1)

When analyzing the activity of small and micro enterprises in the Czech Republic, we have to rely on data for SMEs because there is no breakdown available for small and microenterprises. The latest available data by the *Czech Statistical Office* dates back to 2011. The figure below clearly shows that the largest sectors, measured by the four given indicators, in the Czech Republic are industry, wholesale and retail and other services.

Figure 4 – SMEs in the Czech Republic - Sectors

	Indicator							
	Active entities (#)	(%)	Staff headcount (ths. of persons) %		Performance (mil. CZK)	(%)	Book value added (mil. CZK)	(%)
Agriculture, forestry, fishing	1,461	0.1	69	3.7	101,924	2.5	29,850	2.2
Industry	173,292	16.2	598	32.2	1,514,756	37.3	407,968	30.4
Construction	162,099	15.2	199	10.7	528,206	13.0	129,186	9.6
Wholesale and retail trade	227,184	21.3	367	19.8	563,952	13.9	247,370	18.4
Transportation and storage	37,721	3.5	99	5.3	254,283	6.3	65,704	4.9
Accommodation and food service activities	55,918	5.2	97	5.2	101,696	2.5	34,770	2.6
Information and communication	34,818	3.3	53	2.9	142,260	3.5	57,512	4.3
Financial and insurance activities	25,601	2.4	18	1.0	42,321	1.0	29,641	2.2
Other services	348,760	32.7	356	19.2	815,398	20.1	340,296	25.4
Total	**1,066,784**	100.0	**1,856**	100.0	**4,064,795**	100.0	**1,342,297**	100.0

(adapted from Ministry of Industry and Trade, Czech Statistical Office 2012)

2.2 Human resource management (HRM)

2.2.1 Origins and definitions of HRM

Tracing the origins of HRM we need to research into two directions: the academic evolution and discussion of HRM and the business reality of managing human resources, which self-evidently have influenced each other. The business reality has determined academic research and the results of academic research have affected HRM practices.

Marciano (1995) delineated the "Origins and development of human resource management" in his homonymous article in the academic debate and identified three groups of definitions. The first one was originally coined by Drucker (1954), reinforced by Bakke (1959), Beer et al. (1984), Lewin (1991) and others who view employees as valuable assets and not as costs

factors in need to be reduced. HRM is seen as a "broad general managers' function which deals with the proper management – understanding, maintenance, development, utilization, and integration – of individuals in the work place" (Marciano 1995: 226).

The second group of definitions – represented by Henneman et al. (1980), Peterson and Tracy (1979), Robbins (1978), Strauss and Sayles (1980) and others – identified by Marciano interprete HRM as a new synonym for personnel management and believe into "the existence of set of best or acceptable practices for making effective use of workers and attempts to detail these" (Marciano 1995: 226).

The definition of the third group has its roots in the managerialist/unitarist revival in Britain during the Thatcher period. Academic with workerist/pluralist points of view believe that "HRM is essentially a sophisticated form of union avoidance, and a camouflaged method of managerial control" (Marciano 1995: 226).

After decades of discussion, diverging opinions and evolution of HRM theory and practice we can nowadays observe more congruence among academics defining HRM. Armstrong (2006), the author *the* human resource management handbook defines human resource management (HRM) as „a strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives" (Armstrong 2006: 3). Albu & Morosan-Danila (2009: 134) add a reciprocal dimension by defining HRM as "a process of bringing people and organizations together so that the goals of each other are met."

In more practical terms HRM is defined as the "process of hiring and developing employees so that they become more valuable to the organization" and includes "conducting job analyses, planning personnel needs, recruiting the right people for the job, orienting and training, managing wages and salaries, providing benefits and incentives, evaluating performance, resolving disputes, and communicating with all employees at all levels." (Business Dictionary 2013). Taking both definitions into account they provide us with a more complete definition, including the strategic character as well as the actual activities of managing human resources. These activities have been depicted by Armstrong in the following figure and provide a good overview and demonstrate the activities' relation to each other.

Figure 5 – Human resource management
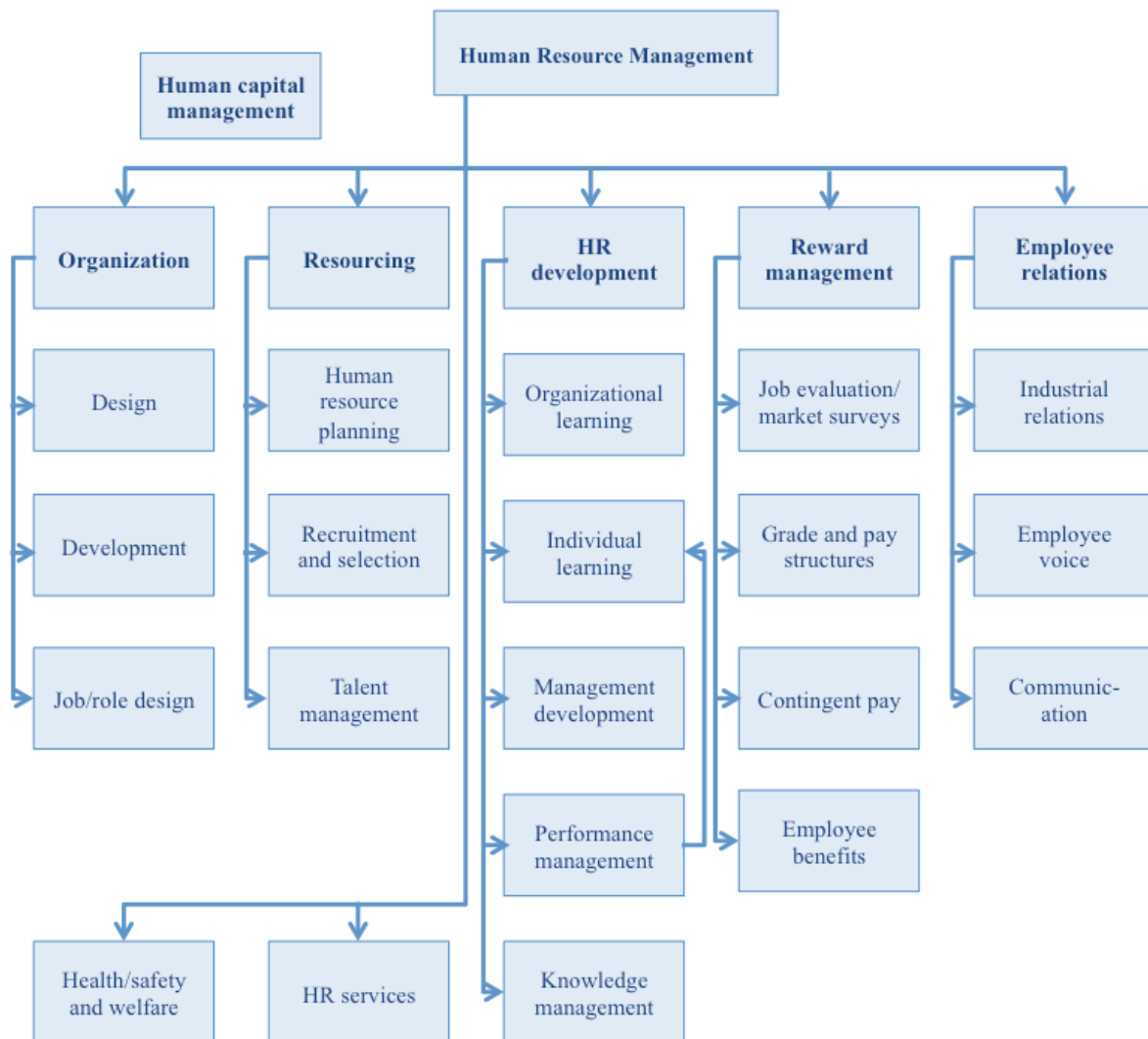
(Source: Armstrong 2006: 5)

Today, the term personnel management has been widely replaced with human resource management (HRM) or human resources (HR) and the relationship between different aspects of people management can be summarized in Armstrong's following figure.

Figure 6 – Human resource management differentiated

People management
"The policies and practices which govern how people are managed and developed in organizations."

Human resource management
"A strategic and coherent approach to the management of an organization's most value assets – the people working there who individually and collectively contribute to the achievement of its objectives."

Human capital management
„An approach to obtaining, analyzing and reporting on data which informs the direction of value-adding people management strategic investment and operational decisions at corporate level and at the level of front line management."

Personnel management
"Personnel management is concerned with obtaining, organizing and motivating the human resources required by the enterprise."

(Source: Armstrong 2006: 2)

2.2.2   The purpose of HRM

The general aim of human resource management is to guarantee the ability of an enterprise to successfully act through its people. We can distinguish the purpose of HRM further by summarizing the following objectives (Armstrong 2006: 8):

Organizational effectiveness can be increased through the application of the correct HRM practices. The significant impact of HRM on the performance of enterprises has been proven be researchers in many studies and will be more elaborated in detail in chapter 2.2.7. Organizational effectiveness can be especially increased through policies in areas as knowledge management, talent management and by generally creating a good working atmosphere (Armstrong 2006: 8).

Human capital management – Managing the human capital of an enterprise involves managing the people on whom the enterprises success depends.
Thus human capital is the prime asset (Armstrong 2006: 8). Bontis et al. defined human capital as:

„Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that give the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization." (Bontis et al. 1999: 394).

Human capital management and human resource management are closely connected and very similar, but human capital management differs from HRM in concentrating more on using metrics, e.g. HR measurements and people performance with the aim of "providing guidance on people management strategy and practice (Armstrong 2006: 8).

Knowledge management – has been defined straight forward by Davenport (1994: 95) as "the process of capturing, distributing, and effectively using knowledge." Duhon coined a widely used and more elaborate definition in 1998:

"Knowledge management is a discipline that promotes an integrated approach to identifying, capturing, evaluating, retrieving, and sharing all of an enterprise's information assets. These assets may include databases, documents, policies, procedures, and previously un-captured expertise and experience in individual workers."

The connection between HRM and knowledge management is that HRM "aims to support the development of firm-specific knowledge and skills that are the result of organizational learning processes" (Armstrong 2006: 8) and knowledge is forwarded through the people of an organization. Therefore HRM has to ensure that firm-specific knowledge will be forwarded among employees and is maintained within an enterprise, especially when employees decide to leave the enterprise.

Reward management – the aim of reward management is improving the performance of the organization on individual and team level and it "is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization" (Armstrong 2007: 1). By designing, implementing and maintaining reward processes HRM aims to improve commitment, motivation and job engagement and thus the organization's performance (Armstrong 2006: 8, Armstrong 2007: 1).

Employee relations – Managing employee relations has the aim to establish a positive, harmonious and productive working climate between management and employees (Armstrong 2006: 8), which is essential for the success of an organization.

2.2.3 HRM characteristics

The characteristics of HRM are manifold and have evolved over many years of research from pioneers to commentator and have been summarized by Armstrong (2006) as the following:

The diversity of HRM – refers to the fact that the characteristics of HRM are not universal due to the plurality of models and various different practices in organizations across the world.

A distinction between soft and hard versions of HRM can be observed in literature and was pointed out by Storey (1989). The soft version originates from the human-relations school and emphasizes communication, motivation and leadership and sees human resources as a source of competitive advantage (Storey 1989: 8). The need for gaining "commitment - the `hearts and minds`– of employees through involvement, communication and other methods of developing a high-commitment, high-trust organization" is emphasized by soft approaches (Armstrong 2006: 12). Hard versions approach the management of human resources in a rational, quantitative, calculative and business-strategic way (Storey 1989: 8). Hard HRM has been described as a process stressing "the close integration of human resource policies with business strategy which regards employees as a resource to be managed in the same rational way as any other resource being exploited for maximum return" (Legge 1998: 20).

This distinction between hard and soft has been discovered as not always corresponding with reality. A study carried out by Truss et al. came to the conclusion that "even if the rhetoric of HRM is `soft`, the reality is almost always `hard`, with the interests of the organization prevailing over those of the individual" (Truss 1999: 70). Furthermore they observed a combination of both hard and soft approaches, unique in each organization depending on internal and external environment, its culture, strategy and structure and determining the organization's HRM (Truss 1999: 70). Thus we can conclude that HRM contains both hard and soft characteristics and a clear distinction is not feasible (Armstrong 2006:12).

The strategic nature of HRM – Armstrong (2006: 13) sees the strategic nature of HRM as the most important characteristic. In order for HRM to be strategically integrated it has to "flow from top management's vision and leadership, and [it] requires the full commitment of people" (Armstrong 2006: 13). We can distinguish three different logics connecting HRM and strategy. The integration of HRM into an organizations strategic plan should be a key policy goal and HRM should be integrated all the way to the decision-making of line managers is described first by Guest and later by Armstrong (Guest 1989: 42, Armstrong 2006: 13). Another option is the integration of HRM policies with one another and with general business planning as proposed by Sisson (1990: 1) and Armstrong (2006: 13). The third and most sophisticated approach proposes that HRM policy formulation should take place at strategic level and Storey argues, "that a characteristic of HRM is its internally coherent approach" (Storey 1989: 55).

The commitment-oriented nature of HRM – commitment in human resource management is one of the characteristics that has been discussed and criticized in the beginning of HRM

debate. On one side Walton (1985) stresses the importance of commitment and mutuality in the shape of "mutual goals, mutual influence, mutual respect, mutual rewards, and mutual responsibility. […] yield[ing] both better economics performance and greater human development". On the other side Fowler points out that the human resource management is executed by the employer and asked whether an employee is actually able to commit, when he is not the one to make important decisions such as closing the company or laying off employees (Fowler 1987: 3).

People as "human capital" – The concept that people should be treated as human capital, meaning as assets rather than as a cost factor, was originally developed by Beer et al. (1984). As stated in the introduction human resources are meanwhile widely recognized as a source of competitive advantage (Legge 1995, Armstrong 2006: 14). This is also described by the following quotation by Armstrong and Baron (2002):

> "People and their collective skills, abilities and experience, coupled with their ability to deploy these in the interests of the employing organization, are now recognized as making a significant contribution to organizational success and as constituting a significant source of competitive advantage."

Unitary philosophy – This philosophy is the premises, that employers and employees share the same interests. In contrary, exists the realistic pluralist approach which assumes that each organization comprises of interest groups, whose interests may differ (Armstrong 2006: 14).

Individualistic – The individualistic characteristic of HRM refers to the "importance of maintaining links between the organization and individual employees" rather than working with group or representative systems (Armstrong 2006: 14).

HRM as a management-driven activity – It lies within the logic of the name that HRM is seen as a management-driven activity, "that is developed, owned and delivered by management as a whole to promote the interests of the organization" (Armstrong 2006: 14). The reason for HRM being a management activity is explained by Purcell with the concentration of power in the management, the "intuitive appeal to managers, and more importantly, a response to the turbulence of product and financial markets" (Purcell 1993, Armstrong 2006: 14)). However, Sisson (1999) proposes that HRM no longer belongs to specialist managers only and in 2003 Purcell recognized the importance of line managers committedly managing human resources (Purcell 2003, Armstrong 2006: 15).

Focus on business values – HRM is strongly linked with business values, because of its role being concerned with the overall interests of organizations and its members. Therefore HRM is important for the strategy and culture of an organization, "which flow from top management's vision and leadership, and which require people who will be committed to the strategy" (Armstrong 2006: 15).

2.2.4 HRM concepts

The two most important HRM concepts are the *matching model* being the first explicit HRM concept and the Harvard *framework* that influenced both HRM theory and practice (Armstrong 2006: 5-8).

As the name suggests the *matching model*, which was developed at the Michigan school in 1984, states that the HR structure and the organizational structure should match the organizational strategy (Armstrong 2006: 5, Fombrun et al. 1984). Fombrun (1984) stresses the "tight" fit between HRM system, organizational structure and organizational strategy, of which the latter one determines the HRM systems and the organization's structure. Developing a suitable HR system that characterizes the HRM strategies and supports the implementation of business strategies is the main aim of the matching model (Budhwar & Aryee 2008: 10).

The *matching model* being the first and most important HRM concept, has a practical proposal for managers, which is the evaluation of whether there is a fit between the organizations overall business strategy and its HRM strategy. It is an aim of this thesis to find out through the conducted quantitative research, whether small and micro enterprises have an HRM strategy at all and in case they do, whether they match it with their business strategy.

The *Harvard framework* was developed by previously quoted Beer et al. (1984), a group of Harvard University scholars, whom Armstrong labeled "the founding fathers of HRM" (Armstrong 2006: 6). The framework is based on the believe that problems of personnel management can be overcome if general managers have a clear picture of how they want their employees to be and how they want them to be developed by the enterprise (Budhwar & Aryee 2008: 11). In practical terms this relates to knowing what are the right types of employees for your organization and providing suitable trainings in order to develop them in such a way that they are beneficial for realizing the goals of the enterprise. Therefore, the quantitative research of this thesis examines how enterprises recruit and what they offer in order to develop their employees.

In the context of diversity of HRM we looked at *hard* and *soft* approaches to HRM. The *matching model* and the *Harvard framework* represent this diversity of HRM with the *matching model* being a *hard* approach and the *Harvard framework* approaching HRM from a *soft* side. The human aspect of HRM is stressed in the *Harvard framework* and it stresses the employer-employee relations. Furthermore the framework accentuates the diverse stakeholders of an organization and the relations between their interests and the goals of the management (Budhwar & Aryee 2008: 11).

As depicted in Figure 7 the *Harvard framework* consists of four policy choices, which aim to achieve commitment, competence, congruence, and cost effectiveness and well-being for the individual, the organization and society in the long-term.

Figure 7 – Harvard framework
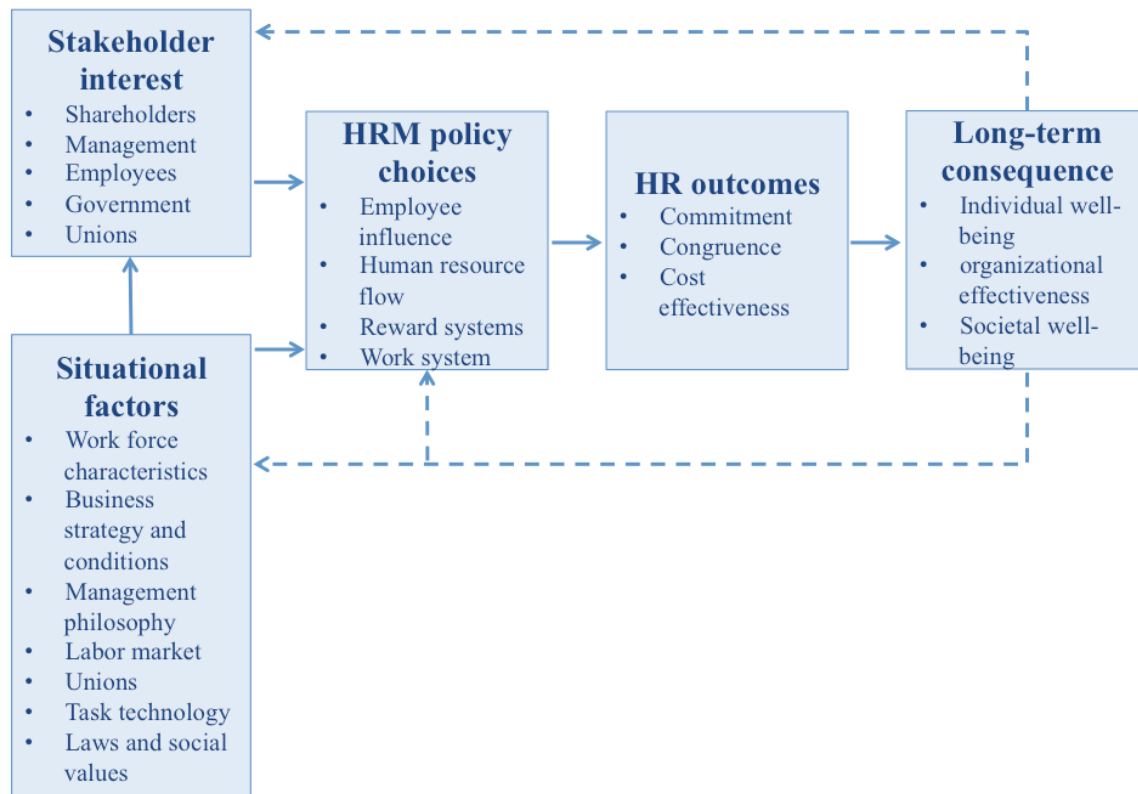
(Source: Armstrong 2006: 7; Beer et al. 1984)

Build upon the *Harvard framework* academics started emphasizing contextual factors. Hendry et al. denoted that there are numerous different ways leading to the same outcome and that HRM should not be seen as one particular activity. They see the main reason for that in the "existence of linkages between the outer environmental context (socio-economic, technological, politico-legal and competitive) and inner organizational context (culture, structure, leadership, task-technology and business output). These linkages directly contribute to forming the content of an organization's HRM" (Budhwar & Aryee 2008: 12). The implication for practical research is the question "What are the linkages between organizational contingencies (such as size, nature, positioning of HR and HR strategies) and HRM strategies?" (Budhwar & Aryee 2008: 13). One of the aims of this research is to investigat through the conducted quantitative research whether these linkages exist or are absent in small and micro firms in the Czech Republic.

2.2.5   The emergence of SHRM

Delery & Doherty (1996) described the emergence of strategic human resource in the following way:

"During the last decade there has been a dramatic shift in the field of human resource (HR) management. This shift has broadened the focus of HR research from the micro analytic

25

research that dominated the field in the past to a more macro or strategic perspective. The strategic perspective of HR, which has been labeled strategic human resource management (SHRM)." (Delery & Doty 1996: 802)

From the above elaborated HRM concepts and developments of academic HRM discussions the study of strategic human resource management has emerged and gained importance. As this field of research is still in a developing stage academics do not agree yet about an acceptable definition. Budhwar & Aryee broadly define SHRM as being "about systematically linking people with the organization; more specifically, it is about the integration of HRM strategies into corporate strategies." (Budhwar & Aryee 2008: 6). They further emphasize that SHRM is about "the integration of HR with the business and its environment" (Budhwar & Aryee 2008: 6). Several scholars give credence to the benefits of integrating HRM and business strategy. Holbeche (1999) and Schuler & Jackson (1989) believe HRM to be more effective, to increasing organizational performance and leading to more success of the enterprise. Barney (1991), Delery & Doty (1996) and Huselid et al. (1997) conclude that linking HRM with the business strategy helps creating a competitive advantage as it can create unique and unimitable HRM. Stroh and Caligiuri (1998) believe that a precondition for that are forward-thinking and future-oriented HR departments and "HR strategies should operate consistently as an integral part of the overall business plan" (Budhwar & Aryee 2008: 7).

Budhwar & Aryee (2008) summarized the benefits of integrating HRM and business strategy, which have been named and researched by a number of academics. The integrations of HRM is believed to: "providing a broader range of solutions for solving complex organizational problems; assuring the successful implementation of corporate strategy; contributing a vital ingredient in achieving and maintaining effective organizational performance; ensuring that all human, technical and financial resources are given equal and due consideration in setting goals and assessing implementation capabilities; limiting the subordination and neglect of HR issues to strategic considerations; providing long-term focus to HRM; and helping a firm to achieve competitive advantage." (Budhwar & Aryee 2008: 8).

Criteria how to evaluate the degree of strategic integration of HRM are provided by Budhwar & Aryee (2008). One of them is the question, whether organizations have written down their HRM practices or whether they manage people rather ad hoc. This is another question to be analyzed by the quantitative study.

This academic debate of strategic human resource management and the integration of human resource strategies into business and corporate strategies is mostly based on research findings about large organizations. This can be explainable with my hypothesis that the majority of small and micro enterprises has not developed HRM strategies and thus the debate of integrating it into business and corporate strategy is not applicable in the case of small and micro enterprises. The quantitative study will test this hypothesis and fill this gap in the academic debate.

2.2.6   HR function in an organization

The main concern of HR functions is managing and developing an organization's people through the generation and implementation of HR strategies and policies. The activities of the HR function involve: "organization development, human resource planning, talent management, knowledge management, recruitment and selection, learning and development, reward management, employee relations, health and safety, welfare, HR administration, fulfillment of statutory requirements, equal opportunity and diversity issues, and any other matters related to the employment relationship." (Armstrong 2006: 53)

Comprehensive research has been conducted in large organizations analyzing how much time the HR functions spend on specific activities. The IRS survey of HR roles and responsibilities for instance "found that HR functions were spending 20 per cent of their time on strategic activities, 40 per cent on administration, 30 per cent on providing a consultancy service, and 10 per cent on other activities." (Armstrong 2006: 53).

Analyzing small and micro enterprises, I hypothesize that people responsible for HR functions in small and medium enterprises spend there time differently, exercising various tasks especially with regard to strategic activities. In the quantitative study we will examine whether small and micro enterprises dispose of strategies at all and we will analyze in detail which HR activities consume most of the HR function's time.

Armstrong (2006) names the basic aim of HR functions as to "ensure that the organization develops HR strategies, policies and practices that cater effectively for everything concerning the employment and development of people and the relationships that exist between management and the workforce" (Armstrong 2006: 54). This description of the HR function assumes that they actually develop HR strategies. It is an assumption that needs to be confirmed in the case of small and micro business. While it is likely that large organizations have HR strategies, I presume that the number of small and micro enterprises possessing HR strategies is minimal.

2.2.7   HRM impact on the performance of enterprises

Growing consensus among human resource professionals and researchers about the economically significant and direct influence of properly designed HRM policies on organization's performance can be observed (Huselid 1995: 636). This correlation has been proven by Huselid's comprehensive study of almost one thousand enterprises. The results of the study demonstrated the "economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance" (Huselid 1995: 635). Huselid has been followed by a large number of research teams across the globe in different industries and organizations, who examined the influence of HRM practices on different parts of corporate performance. The extensive literature review by Tiwari & Saxena (2012) compiled and analyzed these

studies. Elaborating on them would go beyond the scope of this thesis, but summarized in the following figure I would like to demonstrate the variety of factors that are influenced by HRM and thus have a positive or negative effect on an organization's performance.. Based on the evaluation by Tiwari & Saxena (2012) I assessed how HRM practices influence the organization's performance regarding those factors. This overview is by not meant to be exhaustive, but its purpose is to demonstrate the variety of factors that can be positively or negatively influenced by HRM

Figure 8 – HRM influence on organizational performance

Negative ──────────────→ Positive

Research team	Factor influenced by HRM	Influence on performance
Tzafrir et al. (2004)	Employee-Employer Relationship	(positive)
Vanhala & Ahteela (2011)	Trust	(positive)
Bailey (1993)	Effective utilization of employees	(positive)
Tsaura and Lin (2004)	Service Quality	(neutral/half)
Maheshwari et al. (2005) Shahnawaz & Juyal (2006) Chew & Chan (2008)	Employee's organizational commitment	(slightly positive)
Rondeau & Wager (2001)	Organizational Performance	(mostly positive)
Chand & Katou (2007) Joseph & Dai (2009) Nayaab et al. (2011)	Organizational Performance	(positive)
Huselid (1995)	Financial Performance	(positive)
Hyde et al. (2008)	Financial Performance – profitability	(slightly negative)
Ngo et al. (2008)	Financial performance, operational performance, and employee relations climate	(positive)
Cullyet et al. (1999) Boselie & Wiele (2002)	Employees Productivity	(mostly positive)
Arthur 1994, Wallace 1995	Employees Productivity	(neutral/half)
Soomro et al. (2011)	Employees Productivity	(positive)
Tripathy & Tripathy (2008)	Effective Management of Employees	(mostly positive)
Panayotopoulou & Papalexandris (2004)	Growth and Innovations	(positive)
Li et al. (2005)	Technology innovation and performance	(positive) / (negative)*

* in the case of material motivation and outcome control

(Source: Graphic created by Lange based on literature review by Tiwari & Saxena 2012: 680-685)

The figure clearly shows that HRM influences a large variety of factors that are connected to

an organization's performance. The large majority of those factors are influenced positively by HRM practices, self-evidently under the premises of being implemented correctly. Tiwari & Saxena point out the importance of taking into account internal as well as external factors when implementing HRM practices as they differ from organization to organization and country to country (Tiwari & Saxena 2012: 692).

This figure supports in compliance with many researchers the conclusion that HRM practices, that match the organization's needs and have been adjusted to internal and external factors positively influence an enterprise's /organization's performance.

2.2.8 Trends in HRM

A literature review of trends in HRM lets me identify the following trends, which were named by a number of academics:

Growing importance of the role of HR managers
The management of human resources is directly influenced and pressured by the enterprise's external environment (Ogunyomi et al. 2011:22) and the job of HR managers is becoming more challenging and important and thus a need for multi skill development arises (Albu & Morosan-Danila 2009: 134).
Robert C. Myrtle (2009) has summarized the external factors that have an impact on human resource management the following way:

Figure 9 – HRM and external factors

Political
- Increased demands for transparency in government and organizations
- Narrowing of gaps in national power between developed and developing nations
- Increase in the power of non-state actors (businesses, organizations such as the World Bank)

Technological
- Pace of technological innovation is increasing
- "Digitization" of lifestyles and work life
- Social, economic and cultural connectivity.

Human Resource Management

Economic
- Increased government involvement in economic growth
- Increasing gap between rich and poor individuals
- Rapidly increasing national debt to GDP ratios
- Growth and increasing instability of sovereign wealth funds
- Increase in state capitalism

Social
- International and internal migrations
- Increased interconnectivity of people, organizations and societies
- Changing family structure
- Increasing power of women
- Aging population
- Population growth
- Increasing social freedom
- Accelerated pace of life
- Urbanization

(Created by Lange based on Myrtle 2009: 8-9)

These dynamic developments of the external environment lead to a number of challenges and determine the trends in HRM. Albu & Morosan-Danila (2009) emphasize that HR professionals need to become strategic partners and that "HR must be a business driven function with a thorough understanding of the organization's big picture and be able to influence key decisions and policies (Albu & Morosan-Danila 2009: 134).

Diversity of workforce – Diversity management

Diversity management gains importance for HR managers because of the increasingly diversified workforce regarding: "age, ethnicity, ancestry, gender, physical abilities/qualities, race, sexual orientation, educational background, geographic location, income, marital status, military experience, religious beliefs, parental status, and work experience" (Albu & Morosan-Danila 2009: 135). Diversity of workforce is a challenge and can be a strategic asset at the same time "if an organization is able to capitalize on this melting pot of diverse talents" (Albu & Morosan-Danila 2009: 136). Managing a diverse workforce is especially challenging for small and micro enterprises, because employees of a similar background can not be grouped and managed together as in large enterprises, but each diverse employee may need a personalized solution.

Increased flexibility – decreased loyalty

Related to developments of the external environment such as globalization, international migration, technological advancements, international mobility etc. employees become more flexible in changing their jobs and their loyalty towards enterprises has decreased. Human resource managers face the challenge and opportunity of employees not staying in their job for a whole work life. This development requires a lot of flexibility from HR managers and the need for training new employees rises as well as the need to create a desirable and motivating work environment in order to keep employee turnover and loss of knowledge at a minimum (Albu & Morosan-Danila 2009: 136; Myrtle 2009).

Ogunyomi et al. (2011) have observed the trend that organizations will increasingly outsource or hire external or part-time staff for non-core activities in order to be more lean (Ogunyomi et al. 2011: 22). Due to the importance of outsourcing HR activities, using shared services and management consultants for small and micro companies these three trends will be further elaborated upon.

Outsourcing HR activities

A general trend of outsourcing can be observed in the business environment and HR services are increasingly outsourced. Every task that does not contribute to the primary function of an organization can be outsourced. The following HR tasks are often being outsourced: "training, recruitment, executive search, occupational health and safety services, employee welfare and counseling activities, childcare, payroll administration and legal advisory services" (Armstrong 2006: 61).

Armstrong names three cases for outsourcing HR tasks (Armstrong 2006: 61):
- **1. Cost saving** – HR costs can be reduced because the services are cheaper and the size of the function can be cut back.
- **2. Concentration of HR effort** – members of the function are not diverted from the key tasks that add value.
- **3. Obtaining expertise** – know-how and experience that are unavailable in the organization can be purchased.

While the advantages of outsourcing theses HR tasks seem obvious, Armstrong (2006) warns against outsourcing core activities due to a short-term advantage. He points out that firms need to define their core activities and those being justified for outsourcing (Armstrong 2006: 61).

Using shared services

Shared HR means that a number of parties uses the same shared services. The types of shared services are determined by the user and provider and are usually administrative HR tasks. They may include: payroll changes, relocation services, recruitment administration, administration of benefits, pension administration, training support, employee welfare support, absence monitoring among others (Armstrong 2006: 34).

Shared service can be used and provided in different forms: internet, telephone customer help line, a consultancy pool of advisers, or "centres of excellence" with expertise in such areas as resourcing, employee relations, reward or training (Armstrong 2006: 34).

A positive side effect of increasingly outsourced HR services as researched by Reilly (2000) that HR will become more accessible, professional and consumer-driven:

- **Improved quality of HR services** in terms of using better processes, delivery to specification, time and budget, incorporation of good practice, the achievement of greater consistency and accuracy;
- **Increased organizational flexibility** – a common service will support customers during business change;
- **Change from operational to strategic HR role** – sharing services allows more professionalism and can "act as a catalyst for change… anticipating problems and making things happen" (Hutchinson and Wood, 1995; Armstrong 2006: 64).

Besides a number of advantages – cost savings, improved HR quality, more efficient resourcing and improved customer service – there are also some disadvantages: "loss of face-to-face contact, de-skilling administrative jobs and, potentially, remoteness from the users." (Armstrong 2006: 64). When enterprises consider using shared services they carefully need to assess and weigh the advantages and disadvantages. They also need to analyse the status quo, their strengths and weaknesses and own capabilities. Based on such an analysis they can make profound decisions which HR services to be kept within the company and which to be outsourced and thus shared.

Using management consultants

Specialized management consultants on HR provide services in recruitment, executive search and training as well as introducing new systems or procedures, organizational structures and many more. When deciding about hiring management consultants for HR services an enterprises needs to define its needs and assess the value the consultants would add. If they add value due to their expertise, objectivity and resources that the company does not posses it is justified to hire them. When this decision is made the objectives clearly need to be defined. Proposals of competing and independent consultants have to be compared and the preferred consultants will be chosen based on their proposal and references (Armstrong 2006: 65).

The relevance of management consultants for small and micro enterprises is disputable. Especially due to their usually high rates they are often unaffordable for small and micro enterprises and their target group a rather large companies, which is the reason why their expertise is usually focused on large companies' concerns as well. In the past small and micro enterprises have restrained from seeking support and advice from management consultants due to the high compensations. So in return management consultants have targeted large companies and the majority of them has focused their expertise accordingly. Therefore the idea of business mentoring, which is the business model of *Perfectia*, becomes relevant. *Perfectia's* business mentoring approach will be explained in chapter 3.3.

2.2.9 HRM from a critical perspective

After having comprehensively elaborated origin, concepts, characteristics and trends of HRM and emphasized its growing importance, for the purpose of a more complete picture we shall now look at the criticism that has been raised about HRM.

There are two main points of criticism: 1) The opinion that HRM promises more than it can deliver and 2) the morality of HRM.

Voices criticizing the unfulfilled promises of HRM have stated that labeling HRM as a theory would raise expectations about its ability to describe and predict (Noon 1992; Armstrong 2006: 15). Along that line Guest (1991) calls HRM an "optimistic but ambiguous concept; it's all hype and hope" (Armstrong 2006: 16). More constructive criticism is exercised by Mabey et al. (1998) stating that in order for HRM to come into practice it has to be strategically integrated, developed coherently, gain commitment, determination and competence (Armstrong 2006: 16). This statement agrees with the emerging SHRM concept explained in chapter 2.2.5. Slightly more optimistic criticism is expressed by Caldwell (2004) who is convinced that HRM "is an unfinished project informed by a self-fulfilling vision of what it *should* be" (Armstrong 2006: 16). In fact, theory often depicts the ideal case not reflecting reality and organizations aiming at certain best practices constantly have to work on reaching those ideal ways of doing business.

The second group of critics questions the morality of HRM and accuses it of being "manipulative if not immoral" (Armstrong 2006: 16). The fact that HRM emphasized the need for commitment is criticized by Willmott (1993) as "control by compliance" and by Keenoy (1990) as a "wolf in sheep's clothing", preaching "mutuality but the reality is that behind the rhetoric it exploits workers" (Armstrong 2006: 17).

In defense of HRM, Armstrong (2006: 17) explains that, in a world of intense competition and limited resources, it is inescapable that employees are used as a means to an end. "However, it could be argued that if organizations exist to achieve ends, which they obviously do, and if those ends can only be achieved through people, which is clearly the case, the concern of managements for commitment and performance from those people is not unnatural and is not attributable to the concept of HRM – it existed in the good old days of personnel management before HRM was invented. What matters is how managements treat people as ends and what managements provide in return." (Armstrong 2006: 17).

Interestingly enough, the HRM criticism is offered mainly from a theoretical perspective, while a practical study of more than 1000 workers by conducted by Guest and Conway (1996), showed "that a higher number of HR practices were associated with higher ratings of fairness, trust and management's delivery of their promises" (Armstrong 2006: 17). Furthermore the results show that workers who experienced HR activities were more satisfied with their jobs, felt more security and were significantly more motivated (Armstrong 2006: 17).

Having revealed the criticism of HRM and its counterarguments we can conclude that those critical points are outbalanced by the positive effects of HRM for enterprises and its employees.

2.3 Specifics of HRM in small and micro enterprises

This chapter summarizes research findings so far about the specifics of managing human resources in small and medium sized enterprises. As highlighted before managing human resources in large organizations can be substantially different from managing them in SMEs or in small and micro enterprises. Due to a lack of research about HRM in small and micro enterprises and a lack of distinction between SMEs and small and micro enterprises, this chapter will be limited to discussing HRM and the HR function in SMEs only.

2.3.1 Importance of HRM for SMEs

While human resources are of key importance any organization and are a possible source of a competitive advance, they are of special importance for SMEs. Several academics - McEvoy, 1984; Hess, 1987; Hornsby and Kuratko, 1990; Huang and Brown, 1999; Dorst and van Meteren, 1999 – found out that HRM is a top priority for SMEs. Anderson (2003) on the other hand has observed managers of SMEs perceiving HRM as "unresponsive or not tailorised enough to their needs, and considered [it] too costly an activity to carry for a small organisation." (Anderson 2003: 2). In the qualitative part of this thesis we will see how important HRM is to SMEs in the Czech Republic. Even without their complete attention and awareness for the essential role HR play for a successful business the following logic is easily understood and very obvious: every single HR decision is extremely important due to the small scale of SMEs, where every employee "represents a substantive part of the SME's workforce (Brand & Bax 2002: 3; Bacon 1996).

2.3.2 HR function in SMEs

The HR function has a different scope and various characteristics in small, medium and large enterprises always related to its size. The size of an enterprise influences the decision whether it makes sense to hire a full-time HR professional. Liebermann (2009: 2) demonstrates in the following graphic that it is worth considering to employ a full-time HR professional from having between 140 and 200 FTE. For a number of less than 140 FTE she recommends to hire an HR person for a certain number of hours or days per week again corresponding to the size and starting at a size of 10-20 FTE (Liebermann 2009: 2).

Figure 10 – Relation between # of FTE and HR professional in days per week
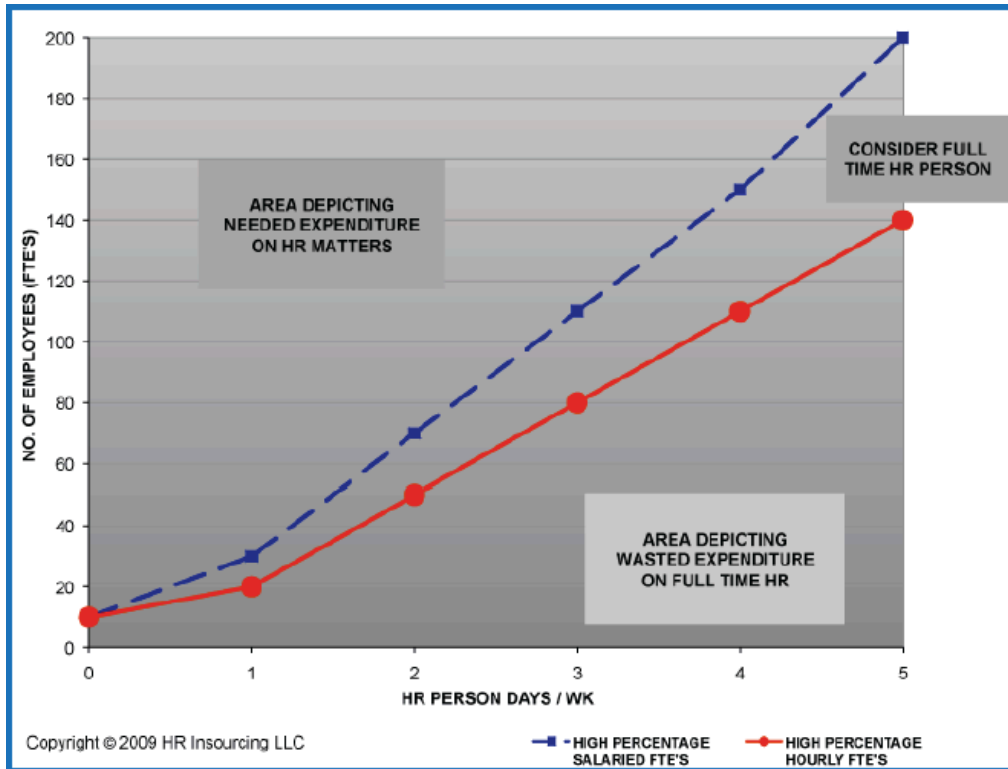
(Source: Liebermann 2009: 2)

This leads us to the reality of managing human resources in small and especially micro enterprises, which is mostly performed by owners or general managers, who are included in "recruiting, interviewing, selection and training of personnel" (Ceranic & Popovic 2009: 73). Due to the fact that HRM is only one of their many tasks, they often face a lack of time, expertise and budget to care about HRM as much as they would like to (Fox 2013: 97; ADP 2010: 10). When HR executives from SMEs were asked whether they had enough people, knowledge and time for tackling the challenges of HRM a majority found lack of time to be the biggest obstacle (ADP 2010: 21). These findings are very important to bear in mind when finding solutions and giving recommendations for small and micro enterprises in managing human resources.

2.3.3 HRM practices and strategy

Alike the increasing importance credited to strategic integration of HRM into business strategy in the academic debate (chapter 2.2.5), in the context of HRM in SMEs researchers also stress the importance of integrating HR strategies into an enterprise's business strategy. HRM as part of SME's strategy in order to maintain a competitive advantage is emphasized for example by Ceranic & Popovic (2009: 72) and by Brand & Bax (2002: 3), but the question is whether this conforms with reality. Other researchers have found HRM practices of SMEs to be less strategic and varying strongly compared with large organizations. Tsai describes HRM practices in SMEs to "be informal, less sophisticated and use fewer forms of HR practices" (Tsai 2010: 1693) and "Ram, Edwards, Gilman and Arrowsmith (2001: 846) state

that employment relations in small firms are 'based mainly on unwritten customs and the tacit understandings that arise out of the interaction of the parties at work'." (Tsai 2010: 1693). Whether small and micro enterprises have written HRM practices and/or HR strategies shall be investigated in the quantitative and qualitative study to find out whether this academic debate about the importance of strategic HRM concurs to reality.

2.3.4 HRM practices and trends in SMEs

A thorough analysis of literature about the HRM practices in SMEs shows that academics do not agree on the most relevant practices and a broad diversity of practices can be observed. This diversity results from several factors including the size of enterprises, industry and due to legal and cultural particularities they can be specific for each country (Brand & Bax 2002: 7). The relevance of country specifics underlines the necessity of analyzing HRM in small and micro enterprises in the Czech Republic. This is exactly what researchers in other countries or regions of the world have been interested in. Therefore we can find articles about *HRD in small businesses in the US* (Fox 2013) or one about *HR and people management in Singapore's SMEs* (Miller 2010) and about *HRM in Taiwanese high-tech SMEs* (Tsai 2010). But so far there is a lack of literature about HRM in SMEs in the Czech Republic in English language. Neither can we observe the existence of universally applicable theoretical frameworks or concepts on HRM in SMEs.

However, we can already observe certain practices being applied for frequently in SMEs than in larger enterprises. Julien (1998) has reviewed 104 studies with regard to HRM in SMEs to find out which HRM practices are commonly used in SMEs (Julien 1998; Bax & Brand 2002: 7). He observed that in contrast to large enterprises SMEs rely more often on internal referrals, references and particularly on job try-outs for recruiting and that they generally train and develop their employees less than large enterprises do. The frequent use of job try-outs is also stressed by Brand and Bax as they "are inexpensive and very well suited to evaluate the actual fit of a person with the (implicit) demands of the job." (Brand & Bax 2002: 8). The quantitative study will show us which recruitment tools small and micro enterprises employ most and how extensively small and micro enterprises train their employees.

As mentioned previously HR responsible employees in SMEs are often constrained by time, budget and expertise. Therefore a trend towards more automation of standard HR processes (payroll, time and attendance management) and outsourcing of tasks such as recruiting and training and development can be observed, which allows them to focus more on strategic topics (ADP 2010: 6). Ceranic & Popovic (2009: 73) also see an advantage in engaging "independent enterprises for certain activities of human resources management such as: recruiting and testing of candidates, training, development, calculation of salaries, etc., [as a] possible way for solving tasks relating to human resource management in SMEs."
Along with the advantages of outsourcing it also brings risks and challenges. Liebermann (2009: 2) reminds that despite the general outsourcing trend it "is inadvisable to outsource the company jewels", which include HR. However, Klaas (2203) explains that despite risks and challenges outsourcing HR activities to a Personal Employer Organization (PEO) can be a

source of a competitive advantage. If a company manages to build a profound relationship with a PEO that can be so special that it will be difficult to imitate this relationship, it can become a competitive advantage (Klaas 2003: 57).

In summary, HR responsibles in SMEs are limited by time, budget and expertise. The importance of HRM for SMEs is evident and increasingly understood by SME owners and managers. Researchers and practitioners have not yet identified best practices for HRM in SMEs, but a trend towards automation and outsourcing of certain HRM tasks can be observed. Further qualitative and quantitative research is necessary in order to develop solutions to these important challenges of small and micro enterprises.

2.4   HRM challenges in focus

This thesis focuses, both in the theoretical part and especially in the practical part, on three major challenges in the field of human resource management: 1. recruiting, 2. training & development, and 3. retaining employees. The decision for these three foci is based on both quantitative and qualitative, on theoretical and practical research.

As mentioned in the introduction the *war for talent* has begun and qualified people become scarcer. This is why *recruiting* becomes more difficult and *training and developing* more important as one of several tools for *retaining* key employees.
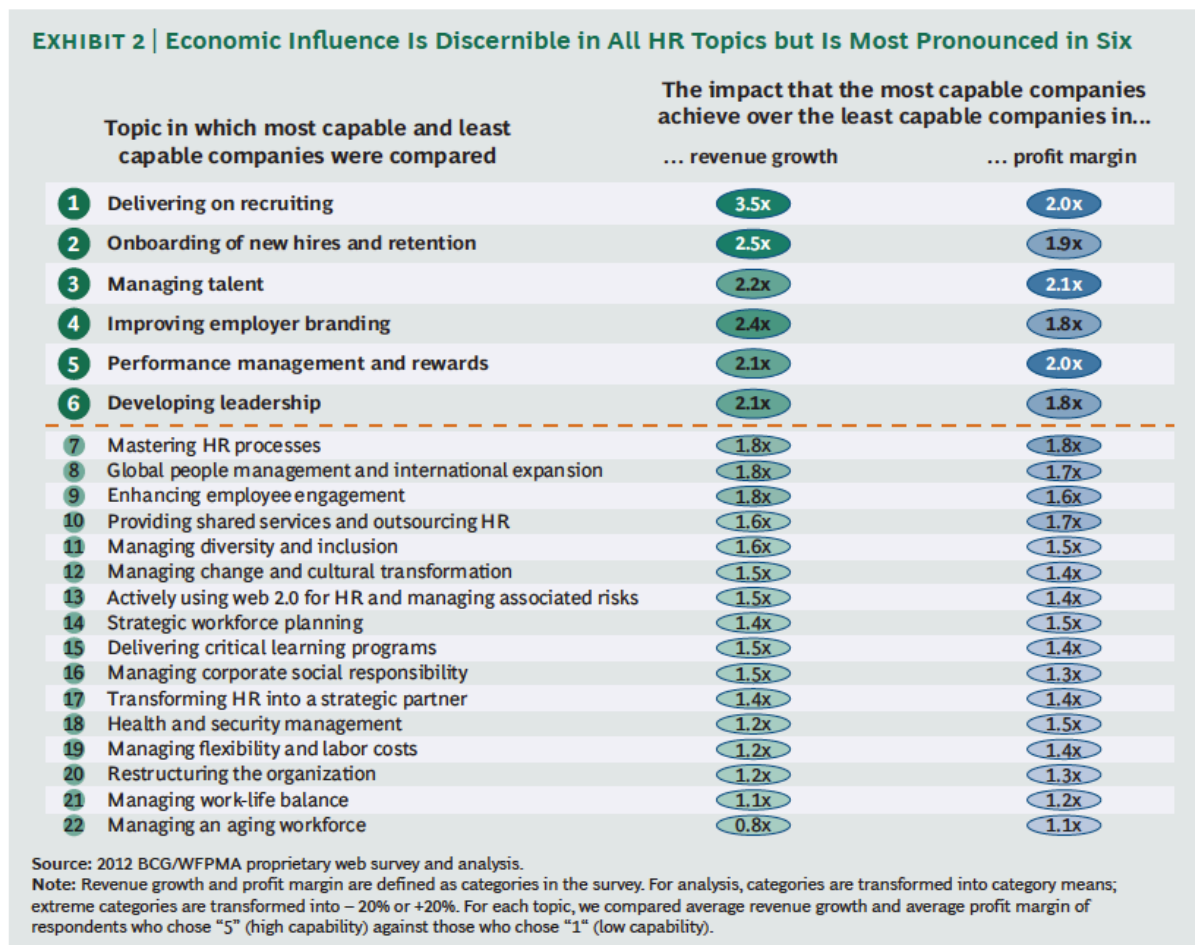
These three foci are strongly interrelated. For example when an employer invests into the training and development of its people it certainly helps to attract and retain people and simultaneously better returns from employees are expected. These returns can "be improvements in performance, productivity, flexibility and the capacity to innovate that should result from enlarging the skill base and increasing levels of knowledge and competence." (Armstrong 2006: 35).

The more efficiently organizations are able to retain, the less they need to recruit and this saves costs significantly. *Right Management*, a talent and career management consulting firm estimated the costs of recruiting to three times the salary of an employee (including recruitment, severance, lost productivity, and lost opportunities) (Yazinski 2009). Employee turnover is a costly challenge for all types of organizations and almost 70% of organizations report a negative financial impact of turnover due to "cost of recruiting, hiring, and training a replacement employee and the overtime work of current employees that's required until the organization can fill the vacant position" (Yazinski 2009). Yet, for small and micro enterprises employee turnover is even tougher, because of several reasons. The lost employee may be the only employee in that enterprise with certain knowledge and skills. Losing a key person may have a negative effect on the enterprise's culture. Due to the small scale of the enterprise the pool of employees who can replace or takeover his work for the time being until a new candidate is found, is also smaller. Furthermore, the enterprise is likely to have fewer resources to replace the lost employee (Allen 2008: 5).

Another reason for choosing the three foci is their correlation to financial performance. In chapter 2.2.7 we looked at the impact of HRM on an organizations performance from a macro

perspective. A study conducted by the *Boston Consulting Group* and the *World Federation of People Management Associations (WFPMA)* analyzed the relationship between people management capabilities and financial performance. Having surveyed 4,288 HR and non-HR managers, the study found out which HR topics have the most pronounced influence on revenue growth and profit margin. As one can see from the graphic below the chosen foci are related to number 1, 2, 3, 5 and 6 out of the six most pronounced HR topics. Topic number 4 – employer branding - is clearly a very influential factor as well and often one of the disadvantages small and micro companies face when recruiting.

Figure 11 – Economic influence on HR topics

EXHIBIT 2 | Economic Influence Is Discernible in All HR Topics but Is Most Pronounced in Six

Topic in which most capable and least capable companies were compared	The impact that the most capable companies achieve over the least capable companies in...	
	... revenue growth	... profit margin
1 Delivering on recruiting	3.5x	2.0x
2 Onboarding of new hires and retention	2.5x	1.9x
3 Managing talent	2.2x	2.1x
4 Improving employer branding	2.4x	1.8x
5 Performance management and rewards	2.1x	2.0x
6 Developing leadership	2.1x	1.8x
7 Mastering HR processes	1.8x	1.8x
8 Global people management and international expansion	1.8x	1.7x
9 Enhancing employee engagement	1.8x	1.6x
10 Providing shared services and outsourcing HR	1.6x	1.7x
11 Managing diversity and inclusion	1.6x	1.5x
12 Managing change and cultural transformation	1.5x	1.4x
13 Actively using web 2.0 for HR and managing associated risks	1.5x	1.4x
14 Strategic workforce planning	1.4x	1.5x
15 Delivering critical learning programs	1.5x	1.4x
16 Managing corporate social responsibility	1.5x	1.3x
17 Transforming HR into a strategic partner	1.4x	1.4x
18 Health and security management	1.2x	1.5x
19 Managing flexibility and labor costs	1.2x	1.4x
20 Restructuring the organization	1.2x	1.3x
21 Managing work-life balance	1.1x	1.2x
22 Managing an aging workforce	0.8x	1.1x

Source: 2012 BCG/WFPMA proprietary web survey and analysis.
Note: Revenue growth and profit margin are defined as categories in the survey. For analysis, categories are transformed into category means; extreme categories are transformed into – 20% or +20%. For each topic, we compared average revenue growth and average profit margin of respondents who chose "5" (high capability) against those who chose "1" (low capability).

(Source: Boston Consulting Group World Federation of People Management Associations 2012: 5)

A qualitative interview with *Perfectia* mentor Tomáš Rajniak confirmed that the three topics are very challenging and relevant for small and micro enterprises.

Based on these qualitative and quantitative insights from academic and practical research the decision was made to analyze recruiting, training and development and retaining in small and micro enterprises. The next chapter elaborates these three foci and provides us with a general background.

2.4.1 Recruiting and selecting

The general goal of recruiting is to hire the required quantity and quality of people at minimal costs in order to satisfy the HR needs of the organization (Armstrong 2006: 409). This process consists of three steps, which are the content of the next three chapters: requirement definition, attraction of candidates and selection of candidates.

2.4.1.1 *Requirement definition*

The categories and quantity of required people is based on a human resource plan and should be specified in the recruitment program. Additionally, demand for people can arise because of replacements or new jobs that need to be filled. Demand for new jobs has to be checked and justified as well as the specified type and level of employee.

Role profiles and person specifications are two types of documents, where detailed requirements regarding competence, skill, education and experience for each position are described. They are used as a base for advertisements, for recruitment consultants and HR agencies as well to assess applicants.

Role profiles should define the general purpose of the role, to whom the role has to report to and what results should be delivered. When role profiles are used for recruiting they also include information on the terms and conditions (e.g. pay, benefits, hours of works), training and development opportunities and special requirements.

Person specifications are based on roles profiles. They are also known as job, recruitment or personnel specification and define the experience, education, training and qualifications. In detail this means (Armstrong 2006: 411):

- **Qualifications and training** – the professional, technical or academic qualifications required, or the training that the candidate should have undertaken;
- **Experience** – in particular, categories of work or organizations; the types of achievements and activities that would be likely to predict success;
- **Specific demands** – where the role holder will be expected to achieve in specified areas, eg develop new markets, improve sales, or introduce new systems;
- **Organizational fit** – the corporate culture (e.g. formal or informal) and the need for candidates to be able to work within it;
- **Special requirements** – travelling, unsocial hours, mobility, etc;
- **Meeting candidate expectations** – the extent to which the organization can meet candidates' expectations in terms of career opportunities, training, security etc.

Upon agreement of the requirements, they need to be analyzed in a structured way and Armstrong (2006) suggests three ways of defining the most important requirements under key headings of qualifications, training, experience and competencies.

The first way with the longest history is the **seven-point plan**:
1. **Physical make-up** – health, physique, appearance, bearing and speech;
2. **Attainments** – education, qualifications, experience;
3. **General intelligence** – fundamental intellectual capacity;

4. **Special aptitudes** – mechanical, manual dexterity, facility in the use of words or figures;
5. **Interests** – intellectual, practical, constructional, physically active, social, artistic;
6. **Disposition** – acceptability, influence over others, steadiness, dependability, self-reliance;
7. **Circumstances** – domestic circumstances, occupations of family.

A simpler way is **fivefold grading system,** which stresses more the dynamic side of the candidate's career. The fivefold grading system contains:
1. **Impact on others** – physical make-up, appearance, speech and manner;
2. **Acquired qualifications** – education, vocational training, work experience;
3. **Innate abilities** – natural quickness of comprehension and aptitude for learning;
4. **Motivation** – the kinds of goals set by the individual, his or her consistency and determination in following them up, and success in achieving them;
5. **Adjustment** – emotional stability, ability to stand up to stress and ability to get on with people.

The third and in recent years most popular way is the **competency-based approach**, which uses the competencies defined for a position as a basis for the selection process (Armstrong 2006: 413). What characterizes the competency-based approach is that it is "person-based rather than job-based. The starting point is thus not an analysis of jobs but an analysis of people and what attributes account for their effective and superior performance." (Taylor 2008: 157).

But what are competencies? They can be defined "as the personal attributes, skills and knowledge that are critical to being an effective, successful performer in a given job" (Saskatchewan Crop Insurance Corporation 2013: 2). The competency-based approach has a number of benefits and advantages. It helps to identify and isolate key characteristics as a framework for selection, and both employer and future employee can understand and agree upon (Roberts 1997: 74). Furthermore it serves to identify the appropriate selection technique, as for example assessment centers or psychological testing and "it provides the information required to conduct a structured interview in which questions can focus on particular competency areas to establish the extent to which candidates meet the specification as set out in competency terms" (Armstrong 2006: 414). Further advantages are increased accuracy of predictions about suitability, facilitation of a closer match between the person's attributes and the demands of the job and it can reinforce a broad range of recruitment techniques from application forms, interviews, tests and assessment centers (Wood and Payne 1998).

The competency-based framework can include definitions of technical or work-based competencies, referring to job expectations. Also it can define behavioral competencies, "which refer to the personal characteristics and behavior required for successful performance in such areas as interpersonal skills, leadership, personal drive, communication skills, team membership and analytical ability." (Armstrong 2006: 414).

The following criteria should be met when using competencies for recruitment and selection purposes: It should examine areas in which applicants have proven their competency in working or academic life, e.g. leadership, teamwork, initiative. Competencies can be tested in

a "targeted behavioral event interview in which, for example, if team management is a key competence area, candidates can be asked to give examples of how they have successfully built a team and got it into action." (Armstrong 2006: 414).

2.4.1.2 Attraction of candidates

After having defined the requirements for a certain position the next step in the recruitment and selection process is to attract candidates. It is about identification, evaluation and usage of the best sources of applicants.

If an organization faces difficulties in attracting applicants (or retaining employees), it can be helpful to analyze the strength and weaknesses from the employment point of view. This should include for example reputation of the organization, benefits for employees, working conditions, job security, learning and career development perspectives as well as the physical location of the employer, which all need to be compared to competitors. An analysis of strength and weaknesses helps to find out what makes the organization attractive as an employer (what it needs to work on as well) and advertisements for jobs, brochures as well as interviews can be based on those strengths (Armstrong 2006: 415).

When sourcing new employees, internal candidates should be the first ones to be considered. Sourcing internally is a promise towards an organization's employees that they have the opportunity to grow and develop themselves within the organization. At the same time it is beneficial when internal candidates still need to apply within the organization and compete with external candidates, because this competition increases the chances for the best candidate to be chosen. Armstrong (2006: 15) names the main sources for finding candidates as advertising, internet and outsourcing to agencies or consultants. Whether this is true for small and micro enterprises shall be found out through the quantitative research. He does not mention sources like personal network (tips from friends, former colleagues etc.), which I assume to play an important role in sourcing candidates. As criteria for choosing the right candidate Armstrong (2006: 416) names: cost, speed and likelihood of providing good candidates. A good measurement to evaluate the costs of different sources is to use the cost per reply ratio.

When preparing an advertisement, having the job description and person specification, it is important to think about where appropriate candidates may come from in terms of previous companies, jobs or educational institutions and also regarding regions. Organizations should consider what will attract and what will turn off candidates, to anticipate any objections by candidates. Hiring advertising agencies can be beneficial because they can design eye-catching headlines, attractive layouts and advise on "visual impact by the use of illustrations and special typographical features" and place the advertisements correctly (Armstrong 2006: 416).

Online or e-recruitment is becoming increasing popular. It makes use of recruitment sites as for example:

- **Company websites**
- **Social media website**s: LinkedIn, Facebook etc.

- **Media websites**: may simply contain a copy of an advertisement appearing in the press, or may include an external description of the vacancy and the company and provide a link to the company's website
- **Job websites**: usually operated by specialized firms and can contain over 100,000 vacancies with 6 or 7 million 'hits' a month. Companies pay to have their jobs listed on the sites, which are not usually linked to agencies, e.g. jobs.cz, prace.cz etc.
- **Agency sites**: run by established recruitment agencies. Candidates register online but may be expected to discuss their details in person before their details are forwarded to a prospective employer.
(Armstrong 2006: 422).

The online-recruitment process comprises several steps: candidate attraction, selection, tracking, selecting, offering or rejecting jobs (Armstrong 2006: 420). The main reason for the rising popularity of online-recruitment is most probably the cost-savings connected with it. Capelli (2001) estimates that "it costs only about one-twentieth as much to hire someone online, if that is the only method used, as it does to hire the same person through traditional methods" (Armstrong 2006: 421). Another advantage of online-recruiting is that enterprises can provide candidates with much more information, which they can easily and constantly update. Online-recruitment does not only consist of candidates search, but it can also include self-assessments, online screening and psychometric testing online, which can be standardized and easily scored (Armstrong 2006: 421).

Outsourcing recruitment is an option worth considering. While it is a costly option it may save time and lead to choosing the right candidate. It can be outsourced to agencies or recruitment consultants and the degree of outsourcing may vary from preparing a shortlist of suitable candidates to completing the whole recruitment process. When outsourcing recruitment to agencies and consultants it is essential to clearly communicate what an organization is looking for in a candidate in order to reduce risk and money spend on unsuitable candidates. The advantage of outsourcing to HR agencies is their expertise and efficiency, but they are quite expensive charging fees of 15% or more of the candidate's salary. The advantage of outsourcing to recruitment consultants is that they have expertise and reduce workload for their customer. Their jobs reach from advertising, interviewing to providing a short list. Recruitment consultant's feels are similarly, but slightly higher than the ones of private agencies (Armstrong 2006: 423).

Another source for attracting candidates can be educational institutions, which are a relevant source especially for large companies offering graduate trainee programs and also for management consulting companies. In the case of small and micro enterprises this may be a less useful source. Often small and micro enterprises cannot compete with large organizations in attracting candidates and they may not have the means to train inexperienced graduates with the necessary skills for the respective job.

2.4.1.3 Selection of candidates

Application forms are standardized and structured ways to gather basic information about candidates and create a first short-list. According to Pioro and Baum (2005) to create more

effective application forms it is important to decided about the selection criteria, ask clear, relevant and non-discriminating questions, offering various answering options and guidance in completing the form to not narrow down the pool of applicants upfront and to develop an effective and consistent sifting process (Armstrong 2006: 425). **Sifting processes** are ways to filter the pool of applicants for eligible candidates. This should be done once a decent number of replies has been received. Armstrong (2006: 425) describes the most important steps in sifting process:

- Listing applications on a control sheet, including name, date the application was received and the actions taken (reject, hold, interview, short list, offer)
- Sending a standard acknowledgement letter to each applicant unless an instant decision can be made to interview or reject.
- Comparing applications with the key criteria defined in the job specification and sorting them immediately into three categories: possible, marginal and unsuitable.
- Reviewing the possibilities again to create a short-list for interviews. The short-list should ideally contain between four and eight candidates in order to give a choice to the responsible person and not overflow him/her with too many candidates.
- Designing an interviewing program and inviting candidates for interviews, assessment centers and tests

The three main methods for selecting candidates are interviews, assessment centers and tests, which will be elaborated upon in the following part.

Interviews are the most common form of selection and there are different types. Interviews can be conducted in person/ face-to-face, via phone and nowadays Skype or other video conference tools are being used. **Interviews** can be either individual ones with only one interviewee and interviewer. It "provides the best opportunity for the establishment of close contact – rapport – between the interviewer and the candidate. If only one interviewer is used, there is more scope for a biased or superficial decision, and this is one reason for using a second interviewer or an interviewing panel." (Armstrong 2006: 430). **Interviewing panels** means that two or more people conduct the interview together, for example the HR responsible of a company together with the candidate's future boss. The advantage is that interviewers can discuss the candidates together, two people can be more objective and biases can thus be reduced (Armstrong 2006: 430).

Assessment centers (AC) enable a more comprehensive evaluation of candidates and their behavior. They usually have the following feature: ACs employ exercises which simulate important tasks or situations of the respective job. These exercises can be group exercises or one-to-one role plays. The aim is to forecast how the candidate will behave on the job. In addition to that interviews are a standard procedure. Candidates' performance during ACs is measured in different dimensions referring to the previously defined competencies necessary for this job. Usually more candidates are involved in ACs as it enables interviewers to see the candidates in interaction. Similarly to interviewing panels more than one assessor attend ACs with the aim of increasing objectivity and reducing biases. Assessors are usually professionally trained. "Assessment centres provide good opportunities for indicating the

extent to which candidates match the culture of the organization. This will be established by observation of their behaviour in different but typical situations, and by the range of the tests and structured interviews that are part of the proceedings." (Armstrong 2006: 431). At the same time ACs constitute a chance for the candidate to familiarize themselves with the organizations culture and values and test their fit into the organization.

Job-try-out or working one or two days as a test is another selection method, not mentioned by Armstrong, but very relevant for small and micro enterprises as it immediately demonstrates the competences and personal fit of the candidates.

The choice of selection methods thus depends on the size of the company (its financial and HR means) as well as the position candidates are being recruited for. Cook (1993) describes the combination of application forms, interviews and references as the classic trio. Several studies have proven that interviews are not an efficient way to predict success in work and "that assessment centers, psychometric tests, biodata and structured interviews are more accurate methods of selection" (Armstrong 2006: 432).

HRM aims at improving recruitment and selection processes by making better matches between the candidate, the organization and the requirements for the particular job. In order to achieve a more sophisticated approach it is necessary to really care for the specification of the behavioral and competence characteristics needed for the respective position. A broader range of methods should be implemented in order to find the right candidates matching the specified requirements. Due to the limited value of interviews, they should be supplemented with other selection methods (Armstrong 2006: 432).

2.4.2 Training and development

"Training and development is the field which is concerned with organizational activity aimed at bettering the performance of individuals and groups in organizational settings" (Harrison 2005: 5). Both, training and development, are part of the concept Human Resource Development, which are coordinated activities aiming to achieve behavioral change and better organizational performance (Montana & Charnov 2000: 225). As learning is directly linked with training and development it deserves to be defined first.

Learning is "a continuous process that not only enhances existing capabilities but also leads to the development of the skills, knowledge and attitudes that prepare people for enlarged or higher-level responsibilities in the future." (Armstrong 2006: 560).

Development is an "unfolding process that enables people to progress from a present state of understanding and capability to a future state in which higher-level skills, knowledge and competencies are required. It takes the form of learning activities that prepare people to exercise wider or increased responsibilities." (Armstrong 2006: 570).

The main difference between learning and **training**, is that learning is more in the hands of the individual while training refers more to the organization. Training refers to a situation in an organization when it is decided in advance what are the skills and knowledge to be enhanced (Armstrong 2006: 560).

2.4.2.1 *Training*

"Training is the use of systematic and planned instruction activities to promote learning. The approach can be summarized in the phrase 'learner-based training'. It involves the use of formal processes to impart knowledge and help people to acquire the skills necessary for them to perform their jobs satisfactorily." (Armstrong 2006: 575).

When is it appropriate to utilize training as a way of learning for employees? Training is useful when employees lack certain skills that are best developed by formal instruction rather than learning by doing. When new skills are quickly needed by a group of people - and cannot be acquired on their own - training is useful.

When trainings are planned for employees the transferability of training has to be taken into account, because as Reynolds (2004) pointed out: 'The transfer of expertise by outside experts is risky since their design is often removed from the context in which work is created.' This risky situation can also occur when employees are trained internally, because the situation in which they are learning something may be different from when they are supposed to apply their new skills. Therefore training has to be as close to reality as possible, relevant and transferable (Armstrong 2006: 576).

The more systematic trainings are, the more applicable and transferable they are. Systematic trainings should meet the defined needs by being specifically designed, planned and carried out. A simple four-step model helps to design systematic trainings:

1. Identification of training needs.
2. Decision what type of training is required to satisfy these identified needs
3. Chose trained and experienced trainers to carry out the training.
4. Follow-up and evaluation of the training to ensure its effectiveness.

(Armstrong 2006: 577)

Different training programs can aim at developing manual skills, IT skills, interpersonal skills (e.g. leadership, teambuilding, group dynamics), personal skills (e.g. assertiveness, coaching, communicating, time management) and can have the form of a management training, team leader training or training in organizational procedures or practices (e.g. induction, health and safety, performance management, equal opportunity or managing diversity policy and practice) (Armstrong 2006: 578).

In summary, trainings are most effective when they are systematic, transferable, realistic, focused on analysis of skills and when the training purpose and desired outcome are clearly defined. Different training techniques, ranging from lectures, discussions, case studies, simulations to group exercises, have to be chosen matching the goal of the course and the participants and usually a mix of different techniques is most successful (Armstrong 2006: 578).

2.4.2.2 Development

Employee development can have many different forms from formal to informal, on-the-job methods to off-the-job.

On-the job development methods include:

- **Orientation for new employees**: can be formal, for example as a half or day program organized and sponsored by the employer. It can be less formal, e.g. manager spends a short time with every employee to introduce him/her. Or very informal in case of absence of any orientation program, which means that the new employee needs to develop him/herself.
- **Apprenticeship training**: is a program often used in trade offering an opportunity to a person to learn under the supervision of an experienced tradesperson while getting less than the normal wage.
- **Internships, residencies, assistantships, clerkships, and fellowships**: are paid opportunities to gain work experience in a supervised educational environment.
- **On-the-job-rotation** – the aim of rotating employees is to give them a broader understanding of the organization and it is a widely used tool for developing employees.
- **Coaching** – Subordinates are being coached by managers. It can be formal (performance appraisal) or informal (exchange of ideas over lunch).
- **Departmental staff meetings** – can be a powerful tool to develop employees when executed in an appropriate way. Employees can present the status of their activities and projects, which enhances presentation skills, informs employees about other projects and creates pressure to deliver.
- **Company**-sponsored courses – the purpose of these on-site courses taught by internal or external experts and sponsored by the company, is to bring managers together and create a common learning experience.

On-the job development methods include:

- **Off-site seminars:** the purpose of off-site seminars may be: learning, communicating with peers in the same industry or profession and it can be a reward for good performance.
- **Tuition assistance or reimbursement programs** – companies support courses related to the employee's job by aiding tuition fees.
  (Montana & Charnov 2000: 226-227).

Different development programs stress the importance of personal development planning and planned learning from experience. Another way for developing employees is the concept of action learning. A balanced approach is the best way to maximize the effectiveness of development (Armstrong 2006: 571).

Personal development planning is a plan for individuals, proposed and implemented by themselves, including what they intend to learn and what actions are necessary. While the

individual owns the responsibility for the program they are guided, encouraged and supported by the organization and their managers. Personal development planning usually contains four steps:

1. **Analyzing** the current situation and need for development;
2. **Setting goals** (e.g. improved performance in the job, skills, more knowledge, horizontal or vertical movement within the organization etc.);
3. **Preparation of an action plan**: steps what has to be done and how (e.g. learning objectives, activities, responsibilities and timing)
4. **Implementation**

(Armstrong 2006: 571)

Planned experience or "experiential" learning can take place by planning a sequence of experience that meets a learning specification for acquiring knowledge and skills that will prepare people to take on increased responsibilities in the same or different functions and occupations" (Armstrong 2006: 572). Programs are developed including what individuals are required to learn for each job or department where they stay for learning during this experiential phase. There should be a person to oversee the program and ensure that the individual is getting the proposed experience. A list of questions to check upon progress is a good tool to stimulate people and it is essential to follow up each step of the planned experience (Armstrong 2006: 572).

Action learning, a method developed by Revans (1971), is a way to develop employees by exposing them to real problems. In this situation they have to analyze it, formulate recommendations and implement them. This concept is based on the idea that people learn best by doing something rather than by being taught. To describe his concept, Revans (1989) introduced this formula: L (learning) = P (programmed learning) + Q (questioning, insight) (Armstrong 2006: 573).

Action learning programs typically consist of a group of four or five managers, who learn and help each other by solving a problem together. An external consultant often attends their sessions to advise them. Such a program can stretch over several months and usually consists of weekly meetings. This group has "to manage the project like any other project, deciding on objectives, planning resources, initiating action and monitoring progress. But all the time, with the help of their adviser, they are learning about the management processes involved as they actually happen" (Armstrong 2006: 574).

2.4.3   Retaining employees

Retaining key employees is in the interest of every organization and as pointed out in chapter 2.2.8 about HRM trends is becoming an increasingly challenging task due to decreasing employer loyalty, increasing flexibility of employees and overall demographic and labor market trends.

In order to use the appropriate retention methods it is essential to understand the reason why employees leave an organization and they can be manifold. Interestingly, "88% of employees leave their jobs for reasons other than pay: However, 70% of managers think employees leave mainly for pay-related reasons" (Branham cited in Yazinski 2009). Branham, a researcher and strategic retention consultant has identified seven main reasons why employees leave an organization:

1. Employees feel the job or workplace is not what they expected.
2. There is a mismatch between the job and person.
3. There is too little coaching and feedback.
4. There are too few growth and advancement opportunities.
5. Employees feel devalued and unrecognized.
6. Employees feel stress from overwork and have a work/life imbalance.
7. There is a loss of trust and confidence in senior leaders.

(Yazinski 2009)

To tackle these problems the following methods can help to retain employees and prevent them from leaving the enterprise.

Training – as explained in the previous chapter – is an effective tool, because it gives employees the feeling of being valued since the employer invests into them. At the same time employees are more capable of fulfilling what is required of them and employers can reach their goals more easily (Yazinski 2009).

Mentoring – is a structured tool to develop strong relationships within an organization and thus fosters retention and growth. Mentoring means that a more experienced employee is couple with a less experienced in a similar area and the goal is to give goal oriented feedback, to develop certain competencies and to design career paths together (Yazinski 2009).

Creating a positive culture – a strong company culture based on values such as teamwork, honestly and respect, can be an advantage to retain and also to attract employees (Yazinski 2009).

Compensation and benefits as appreciation – in order to show appreciation employers should offer for example "competitive salaries, profit sharing, bonus programs, pension and health plans, paid time off, and tuition reimbursement" (Yazinski 2009).

Encourage referrals and recruit from within – hiring people who have been referred by someone from within the organization has the advantage that the person referring can realistically describe the job and the enterprise where the person will be working. Therefore, the likelihood that the hired employee will work in a job and environment where he/she fits and will stay is higher. Hiring from within is also a good way to retain employees, because both employee and employer know their fit into the organization (Yazinski 2009). Also, when

employees know that people are hired from within it is promise to them that they can grow within the organization.

Feedback and coaching – giving feedback and coaching employees are important to align the goals of the enterprise with the efforts of employees. Especially in the beginning, but throughout any employment phase formal and informal feedback should be provided (Yazinski 2009).

Growth opportunities – for employees the opportunity to grow is very important. Organizations should offer opportunities as described in the previous chapter, because employees are more likely to stay in a company investing into their development (Yazinski 2009).

Making employees feel valued – when employees feel valued and receive recognition for their work they deliver better results, take more responsibility and are more likely to stay with the organization. Rewards have an enormous motivational effect, especially when they are given as soon as the employee has achieved something. Feeling valued is not only connected to money, but a simple thank you or a free lunch can have a strong effect. In order to chose the best rewards for an organization it is good to directly ask for them in the form of meetings or surveys (Yazinski 2009).

Improving work-life-balance and lowering stress – improving work-life-balance and lowering stress-level of employees by matching working conditions to the employee's needs are very important for retaining people and often benefitting the employer due to higher productivity. Ways of improving work-life-balance are for example compressed work weeks, flextime, part-time as well as encouraging employees "to set work/life goals, such as spending more time with their children, communicates that you really do want them to have a life outside of work" (Yazinski 2009).

3   Practical part

This chapter introduces the analyzed companies as well as *Perfectia*. The empirical results are being presented and evaluated based on the knowledge gained from the theoretical part.

3.1   Profile of analyzed companies

Figure 12 – Size of enterprises and year of foundation
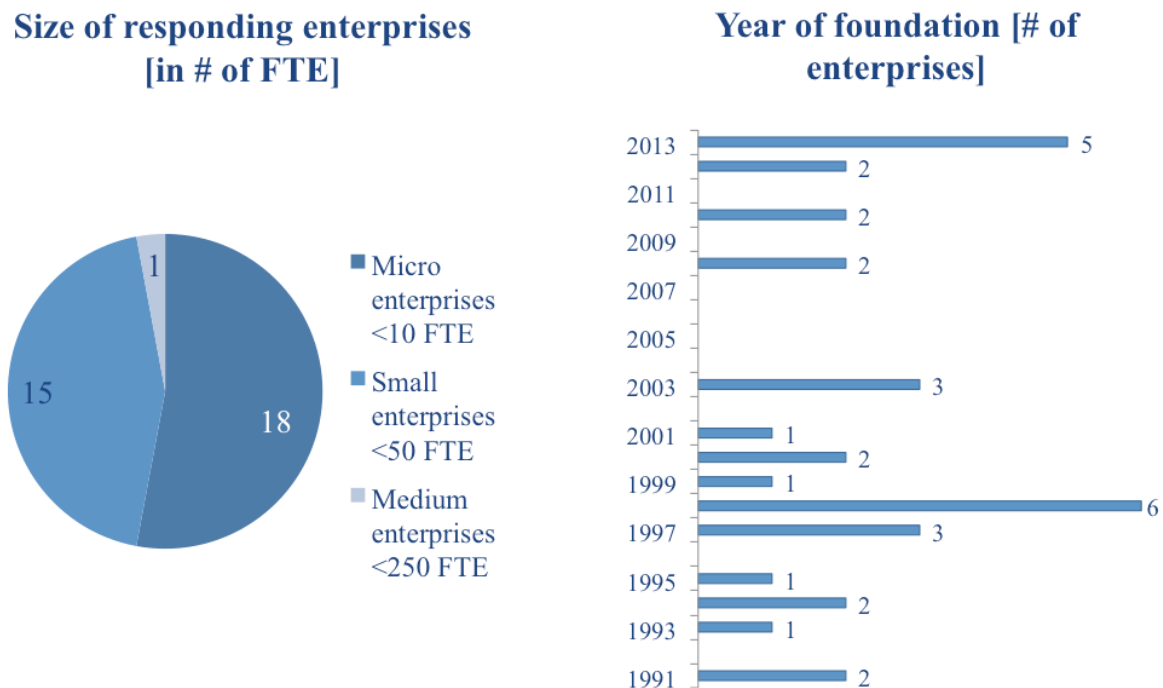
(Created by Lange based on results of the questionnaire, see chapter 8.1)

Altogether 34 enterprises replied to the questionnaire, out of which 33 answers are complete and relevant for this study (one enterprise is too large in terms of FTE and thus fits into the category of medium enterprise). In the following data analysis we will explore the answers of 18 micro and 15 small enterprises, which were founded between 1991 and 2013. The responding enterprises do business in a broad range of industries from services, retail and construction to manufacturing[6].

3.2   Profile of *Perfectia*

Perfectia offers Business Mentoring to small and micro enterprises in the Czech Republic. They were founded in 2011 and recently opened their second office in Prague.

---

[6] In detail: Manufacturer of furniture; sports equipment shop; climbing school; engineering; legal advice; logistics services; advertising; law; tax advice; hairdresser; hotel; gas boilers installation; gastro; sport, snowboard, skate shoes retail; consulting; water and landscape engineering; mechanical engineering; flooring wholesale + construction, logistics, electricity for large projects, IT, model aircraft business, construction, catering, wholesale and trade.

Perfectia is not a regular consulting company. It introduces a wholly new approach to consulting services, based on deep knowledge of the needs and difficulties of small and micro sized enterprises and their owners and managers. They use their own effective methodology that respects time and capabilities of the owners and executives and allows them to quickly implement desired changes without the need to hire expensive consultants or study extensive theories. *Perfectia's* method is based on five pillars: strategy, finance, processes, sales and people. The pillar strategy should be highlighted here due to its relevance for the subsequent analysis and recommendations. *Perfectia* helps its customers when the employees are not able to say where the enterprise is heading, when the customers do not have a clear market focus and unique selling point, when products and services are just average and when the enterprise is developing more slowly than competitors.

The very key finding that I learned from *Perfectia* is that small and micro enterprises are typically good at their core competency, but lack behind in most other areas of entrepreneurship. As one might guess, the number one problem is sales & marketing. However, it was very surprising to how often has the area of human resources has been emerging in the discussions.

Small and micro enterprises have often trouble finding the right employees. If in place, human resource management is commonly inconsistent and entrepreneurs lack the appropriate qualifications. This results among others in problems such as: high turnover of human resources, wrong people in key positions, lacking motivation of employees, difficulties in delegating tasks and responsibilities, lack of knowledge how to design motivating compensation structures, and altogether in lower productivity of the enterprise (Perfectia 2013).

The methods for solving these problems of small and medium enterprises will be elaborated upon in chapter 3.4, which highlights the main findings of a qualitative interview with *Perfectia* business mentor Tomáš Rajniak.


3.3   Quantitative research - Analysis of HRM in small and micro enterprises in the Czech Republic

This chapter is focused on the evaluation of the quantitative study. While all results are graphically illustrated, key findings will be highlighted, analyzed and explained in more detail.

3.3.1 The HR function in small and micro enterprises in the Czech Republic

The first step in analyzing HRM in small and micro enterprises in the Czech Republic is to scrutinize the HR function and find out who is responsible for HR in the surveyed enterprises. As demonstrated in Figure 13, in 24 out of 33 surveyed small and micro enterprises the owner takes responsibility for managing human resources. Usually a secretary and/or accountant supports him/her[7]. As to be expected and proven by a closer look at the data, those enterprises that have a HR manager are small, and not micro enterprises (in this survey: 15, 22, 27 and 27 FTE).

Figure 13 – HR responsible person
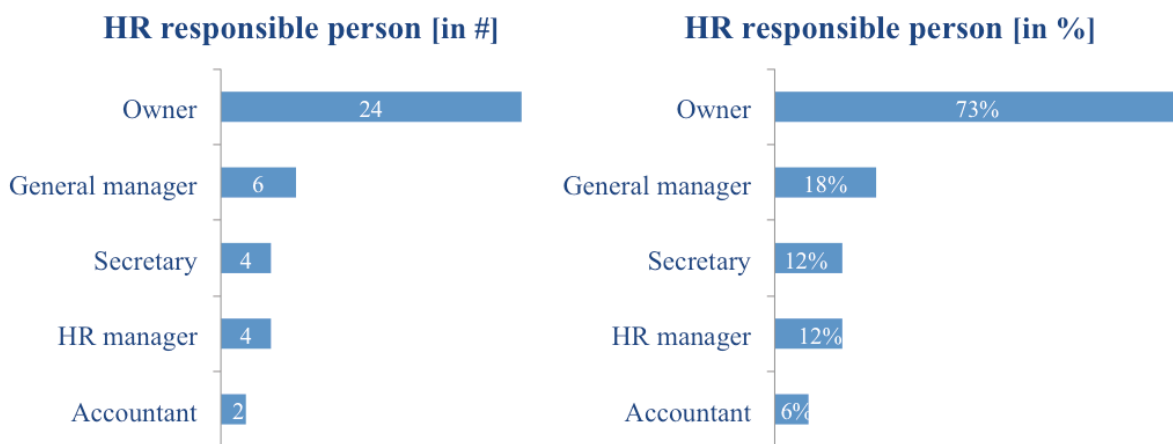
(Created by Lange based on results of the questionnaire, see chapter 8.1)

Based on the results of the previous question it seems logical that only 6% of HR responsibles have higher education with a focus on HR. A majority of 67% has gained experience with managing HR during their present and 27% during their previous employment. Interestingly, employees who have attended trainings with a focus on HR have majorly participated in trainings within the enterprise rather than external trainings. This fact is surprising, because one would assume that the analyzed enterprises are too small to offer such trainings internally. This assumption is supported by a closer look into the numbers, because those enterprises offering HR trainings internally are the larger ones.

---

[7] Multiple responses were possible

Qualification of HR responsible person

(Created by Lange based on results of the questionnaire, see chapter 8.1)

3.3.2   HR strategy and business strategy

In chapter 2.2.5 and 2.3 we discussed the trend towards strategic human resource management and that several scholars emphasize the importance of linking an organization's HR strategy with its business strategy. Within the survey the enterprises were asked whether they have a HR strategy and if so whether it is aligned with their overall business strategy. As hypothesized, the majority of small and micro enterprises does not dispose of a HR strategy: 85% of responding enterprises do not have a HR strategy. Those enterprises that do have an HR strategy are mostly the larger ones (FTE: 44, 38, 27, 22 and 5). Based on this small sample we cannot draw conclusion between the industry of those five enterprises and the fact that they have an HR strategy.

Academics would be pleased so see that as they suggest (chapter 2.2.5) the majority of enterprises have aligned their HR strategy with their business strategy (4 out of 5).

Figure 15 – Enterprises with HR strategy and alignment with business strategy

Number of enterprises with HR strategy, and alignment with business strategy
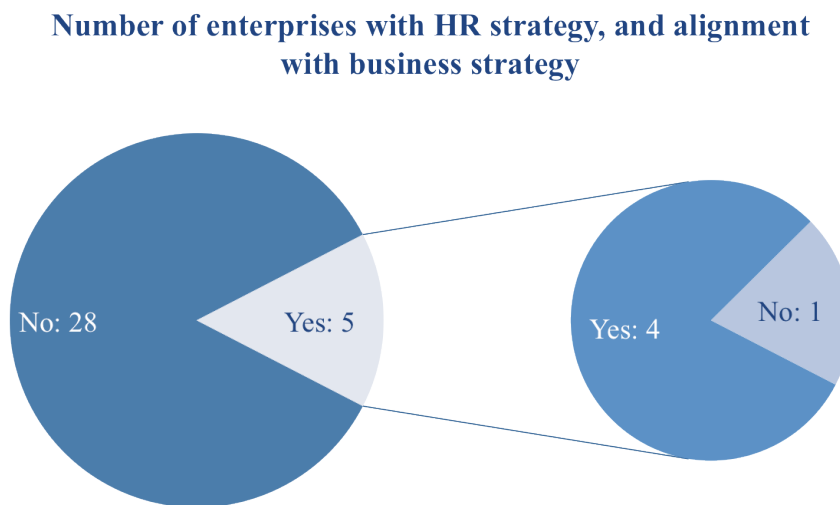
(Created by Lange based on results of the questionnaire, see chapter 8.1)

Similar to the low number of small and micro enterprises disposing a HR strategy, only a small number has recorded their HR practices in written form: 6 enterprises (18%) have written HR practices compared to 27 (82%) that practice human resource management more adhoc and based on unwritten best practices. These results confirm what Tsai's observations from 2010 as quoted in chapter 2.3.

Figure 16 – Enterprises with written or adhoc HR practices

Number of enterprises with written or unwritten/adhoc HR practices

■ unwritten/adhoc
■ written
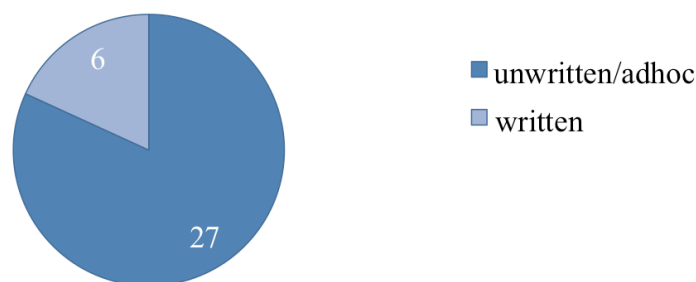
(Created by Lange based on results of the questionnaire, see chapter 8.1)

3.3.3   Analysis of HR practices in small and micro enterprises in the Czech Republic

The core of this study is the analysis of how challenging and how time-consuming certain HR tasks are for small and micro enterprises in the Czech Republic. The surveyed enterprises have indicated how challenging and problematic these HR tasks are for them from "very challenging" to "not challenging". In order to interpret the results comprehensively, it is

necessary to look at the "very challenging" as well as "very challenging" and "challenging" summed up. The top three HR tasks perceived as very challenging are recruiting (52%), retaining (43%) and managing-work-life balance (38%). These results confirm the high relevance of the two out of the three chosen research foci of this thesis. Training and development is not perceived as one of the most challenging HR tasks with only 26% marking it as very challenging.

The figure below shows the analyzed HR tasks in descending order from "very challenging + challenging". In this case recruiting (71%) remains the most challenging task, but is followed by improving working conditions (64%) and motivation (63%). The next tasks (managing work-life balance, administrative HR tasks, adapting to new laws and regulations and training & development) are perceived as similarly challenging, around 54-55%. Interestingly, in the accumulated illustration retaining does not score as high as when only looking at "very challenging" only. At this point it is important to note, that job description is relatively less perceived to be very challenging (24%) or "very challenging + challenging" (37%).

Figure 17 – Challenge scale of HR tasks

Challenge scale of HR tasks [in %]
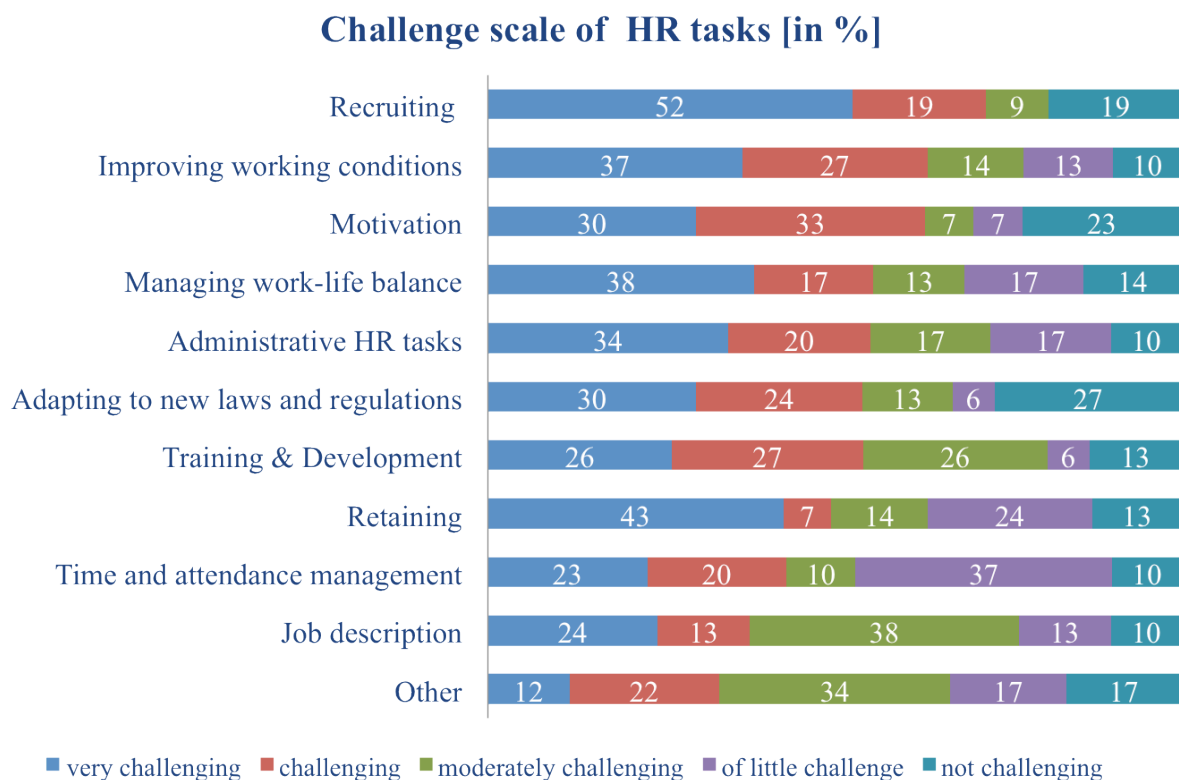
(Created by Lange based on results of the questionnaire, see chapter 8.1)

Being asked for other challenging tasks besides the above listed, the respondents named the following:

Other challenges: "Finding a HR assistant; finding capable employees who will work for low wages; strategy to recruit students from schools, who attend practical work and training grants; absence of HR; permanent absence of a team; motivation of the owner;
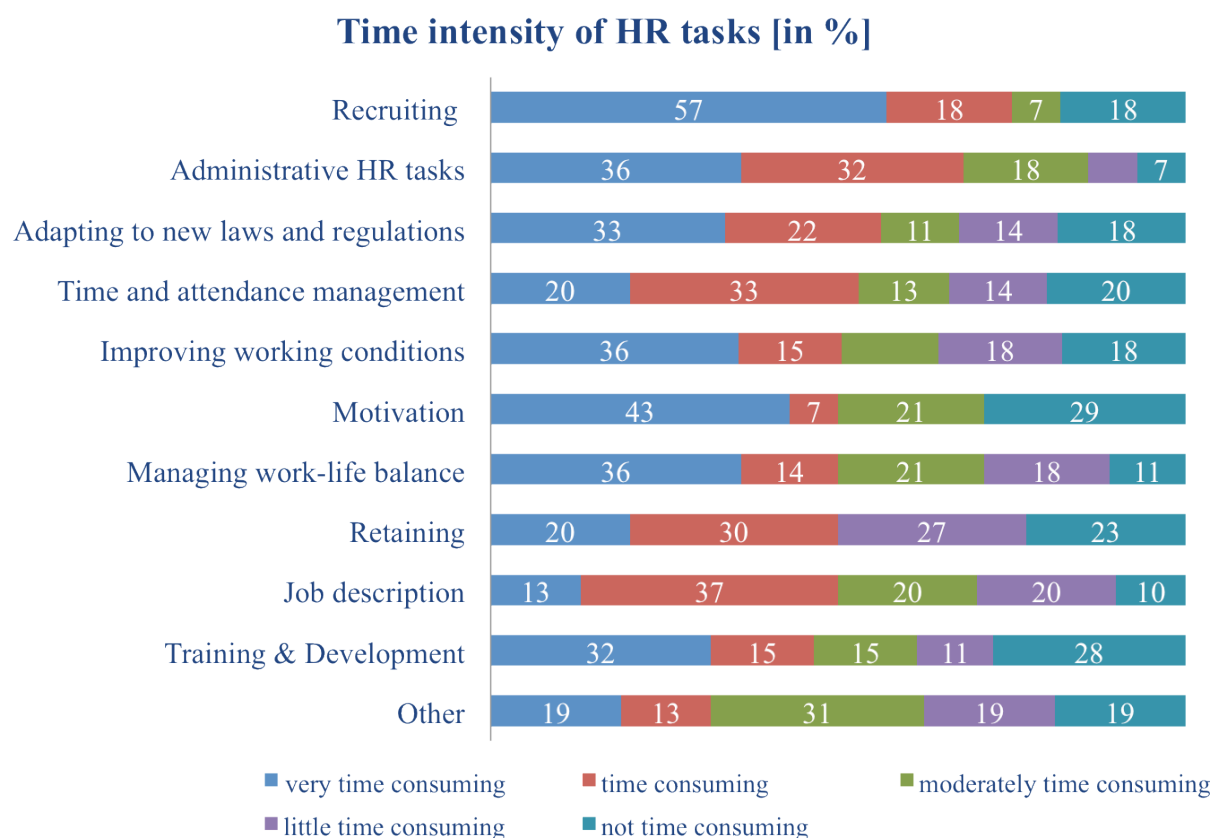
employee's agreement with the company's growth; no one who performs HR; development of current employees and their motivation."

A number of the named "other challenges" refer to recruiting problems or the non-existence of HR in their enterprise.

It is surprising that 38% indicated "managing of work-life balance of employees" as very challenging and another 17% as challenging, because this is known to be a typical problem for large companies (ADP Employer Services 2010: 16).

The results of the question how time consuming small and micro enterprises perceive the named HR tasks, show that the top three "very time consuming" tasks are: recruiting (57%), motivation (43 %) and managing work life- balance (36%). These results are actually similar to how challenging these tasks are. When cumulating "very time consuming" and "time consuming" recruiting (75%) remains the most time consuming task for most HR responsible people. We can see that it is followed by more everyday tasks that strongly consume the time of HR responsible people in small and micro enterprises in the Czech Republic (administrative tasks 68%, adapting to new laws and regulations 55% and time and attendance management 53%). Training & development is perceived comparatively low regarding time consumption (47%) as it is not directly executed by HR, but instead externally or by other colleagues (see Figure 18). Again it is important to notice that job description (47%) is not perceived as a very time consuming task compared to the other tasks.

Figure 18 – Time intensity of HR tasks

Time intensity of HR tasks [in %]

Recruiting: 57, 18, 7, 18
Administrative HR tasks: 36, 32, 18, 7
Adapting to new laws and regulations: 33, 22, 11, 14, 18
Time and attendance management: 20, 33, 13, 14, 20
Improving working conditions: 36, 15, 18, 18
Motivation: 43, 7, 21, 29
Managing work-life balance: 36, 14, 21, 18, 11
Retaining: 20, 30, 27, 23
Job description: 13, 37, 20, 20, 10
Training & Development: 32, 15, 15, 11, 28
Other: 19, 13, 31, 19, 19

■ very time consuming   ■ time consuming   ■ moderately time consuming
■ little time consuming   ■ not time consuming

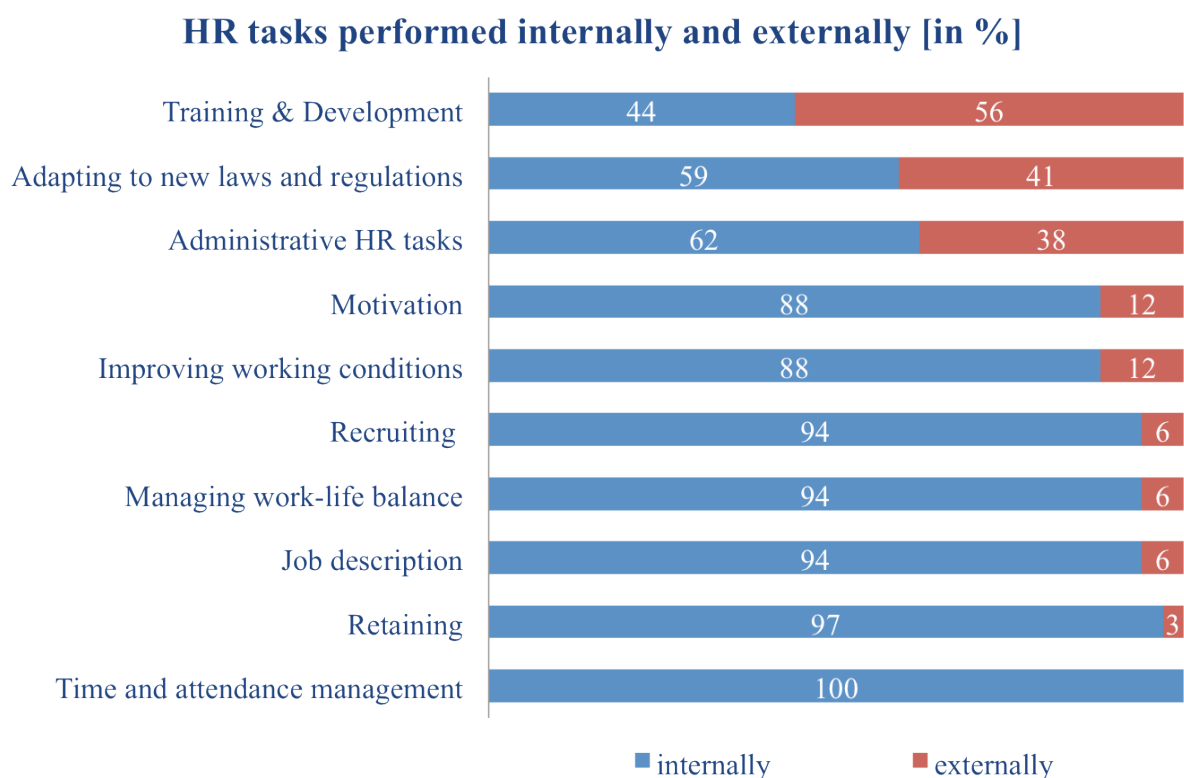(Created by Lange based on results of the questionnaire, see chapter 8.1)

In conclusion, we can record that recruiting is perceived as the most challenging and time intense HR task by the majority of respondents.

The answers to the question which tasks are performed internally and which externally deliver fairly predictable results, nonetheless they are important to be confirmed and taken into account. Time-management is naturally a task to be performed internally. Similarly retaining, managing work-life balance, improving working conditions and motivation are rather to be performed internally, because those are directly linked with everyday work and satisfaction at the workplace.

The fact that recruiting and job description (which recruiting is based upon) are mainly performed internally bears potential for both small and micro enterprises as well as for *Perfectia.* Since small and micro enterprises perceive recruiting as very challenging and very time consuming it is a task that they could seek external assistance for.

Figure 19 – HR tasks performed internally and externally

HR tasks performed internally and externally [in %]

Task	internally	externally
Training & Development	44	56
Adapting to new laws and regulations	59	41
Administrative HR tasks	62	38
Motivation	88	12
Improving working conditions	88	12
Recruiting	94	6
Managing work-life balance	94	6
Job description	94	6
Retaining	97	3
Time and attendance management	100	

(Created by Lange based on results of the questionnaire, see chapter 8.1)

3.3.4 Recruiting in small and micro enterprises in the Czech Republic

In order to find out why recruiting is such a challenging and time consuming task for small and micro enterprises and in order to find solutions it is necessary to find out where they recruit from and how they select candidates.

The results of the survey clash with theory, because Armstrong does not mention external referrals as a source of recruiting (chapter 2.4.1.1), which is the most important one for small

and micro enterprises according to the survey. The second most important source for recruiting is internal referrals, which is also named by Julien (1998) as a key source for recruiting for SMEs. The increasing importance of online-recruiting as mentioned in chapter 2.4.1.1 is also reflected in the results of this study with 15% of responding enterprises using job websites (jobs.cz, prace.cz, etc.) and another 6% use social media (Linkedin, Facebook etc.). Yet, it is worth considering in order to make even more use of online recruiting due to the extreme cost-savings. HR agencies are only used by 8%, which can probably be explained by the high costs these agencies charge (see chapter 2.4.1.1). The reason for only 6% using advertisements is probably that this recruiting source is increasingly being replaced by online recruitment. However, advertisement as a recruiting source should not be neglected because as all other sources its relevance depends on the desired target group. The Czech Republic has a comparatively high internet penetration with 73%[8] (Internetworldstats 2012), yet older target groups may still make use of traditional job search via advertisement.

Figure 20 – Sources of recruiting

Sources of recruiting

(Created by Lange based on results of the questionnaire, see chapter 8.1)

The personal interview is clearly the most preferred method to select candidates among the respondents. This is not surprising as it is a classical, simple and at first sight inexpensive method. Considering though that it is not the best method to find the right people it can eventually lead to high costs connected to turnover. The percentage of enterprises using assessment centers to select candidates is very low at 4%. Reasons for that could be lack of knowledge of how to conduct an assessment center or lack of understanding the benefits (e.g. comprehensive evaluation of required competencies, higher objectivity, mutual getting to know each other, etc.). Work on trial basis or job-try-outs are only used by 9%, which is astonishing because of two reasons: firstly researchers stress frequent use of job-tryouts by

---

[8] June 2012

SMEs and secondly the sample of respondents included enterprises such as hair-dressers and restaurants, where one would assume job-tryouts to be a regular selection method.
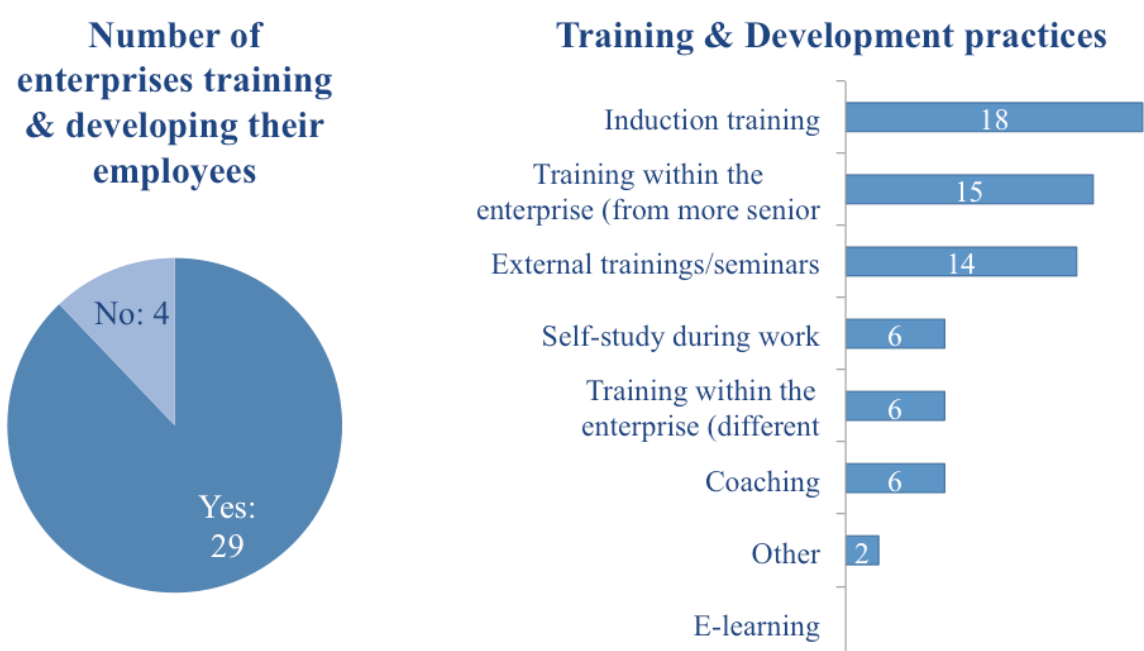
Figure 21 – Selection of candidates

Selection of candidates
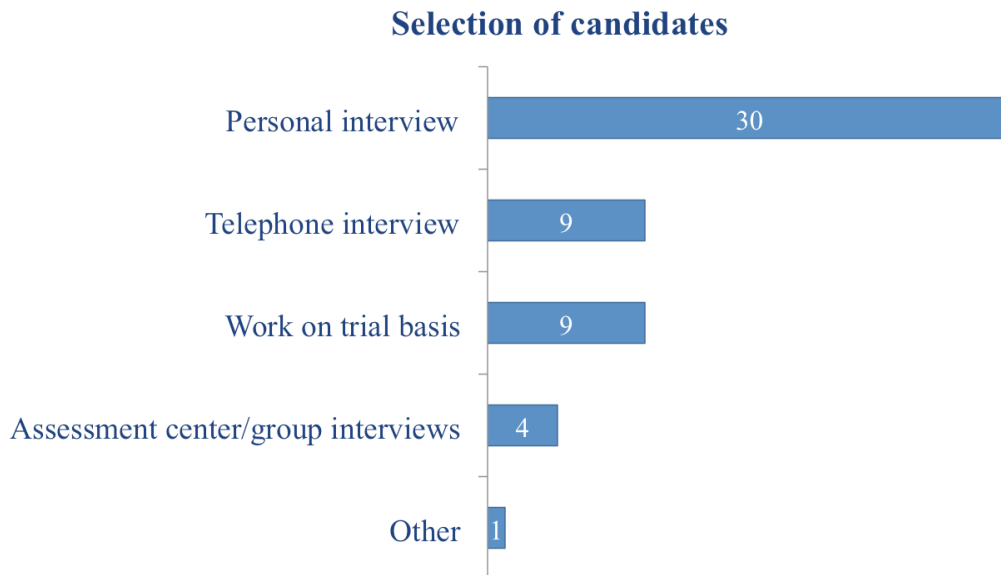
(Created by Lange based on results of the questionnaire, see chapter 8.1)

3.3.5 Training and developing employees in small and micro enterprises in the Czech Republic

The number of enterprises indicating to train and develop their employees is satisfyingly high with 88%. It leads to the presumption that most recruited candidates do not come with the full set of skills needed. Therefore, naturally the most common training method is induction training used by more than of the enterprises, because every employee needs initial training, which is specific for the respective organization. It is followed by training within the enterprise and learning from more senior colleagues. Both these ways of training conform to the idea of the *Harvard framework* that an organization should train its employees in such a way that they are most beneficial for it. The number of enterprises using external trainings and seminars is pretty high as well with 14, which is probably connected with the limited time and capabilities of small and micro enterprises. In order to release more time of people who train within the company the potential of external trainings could be exploited more. The reason why only 6 enterprises train their employees within the enterprise in a different department is likely to be connected to size and the fact that most small and micro enterprises do not have several departments. The result that no one of the respondents trains their employees online or at the computer was surprising as it is a cost efficient method that does not consume time of other colleagues, but at the same time it may not be suitable for the needed skills.

Figure 22 – Training & developing employees

Number of enterprises training & developing their employees

No: 4

Yes: 29

Training & Development practices

Practice	Value
Induction training	18
Training within the enterprise (from more senior	15
External trainings/seminars	14
Self-study during work	6
Training within the enterprise (different	6
Coaching	6
Other	2
E-learning	

(Created by Lange based on results of the questionnaire, see chapter 8.1)

3.3.6 Retaining employees in small and micro enterprises in the Czech Republic

The number of enterprises who work on retaining their key employees is even higher with 90%. This sheds light on the question whether owners/managers/HR responsible care for HRM. As outlined in chapter 2.3 academics have diverging opinions with regard to this question, but the fact that 88% work on training & developing their employees and 90% on retaining their key people clearly shows that owners/managers/HR responsible of small and micro enterprises have understood the importance of their employees. The only question is, whether they are able to use the most effective retaining methods. The results of the survey raise doubt about that, because as mentioned in chapter 2.4.3 while 70% of managers think employees leave for pay-related issues, in fact 88% of employees leaving an organization for reasons other than pay. The respondents of the survey seem to be just as mistaken, because in our survey 55% attempt to retain employees by offering higher salaries/benefits. However, it might be that higher salaries/benefits are just part of the respondent's initiative to keep employees, because multiple responses were possible in the survey. Besides pay, the two most common retaining practices applied by 52% of responding enterprises are creating/maintaining a positive company culture and offering personal growth opportunities. These two practices are very important and effective for retaining employees as explained in chapter 2.4.3. Especially a positive unique company culture, mainly enforced by the owner/manager[9] of a small or micro enterprise can be source of a competitive advantage as it is difficult to imitate. Personal growth opportunities (52%) are named slightly more often than professional growth opportunities (40%), which can be explained with the fact that in a small

---

[9] The importance of the owner/manager as a person for small and medium enterprises is highlighted in chapter 2.1.1.

enterprise employees have many chances to grow due to high responsibilities and need for self-initiative etc. As expected, job rotation is not a frequently applied retaining practice due to small size of the respondents and limited opportunities to rotate.

Figure 23 – Retaining employees
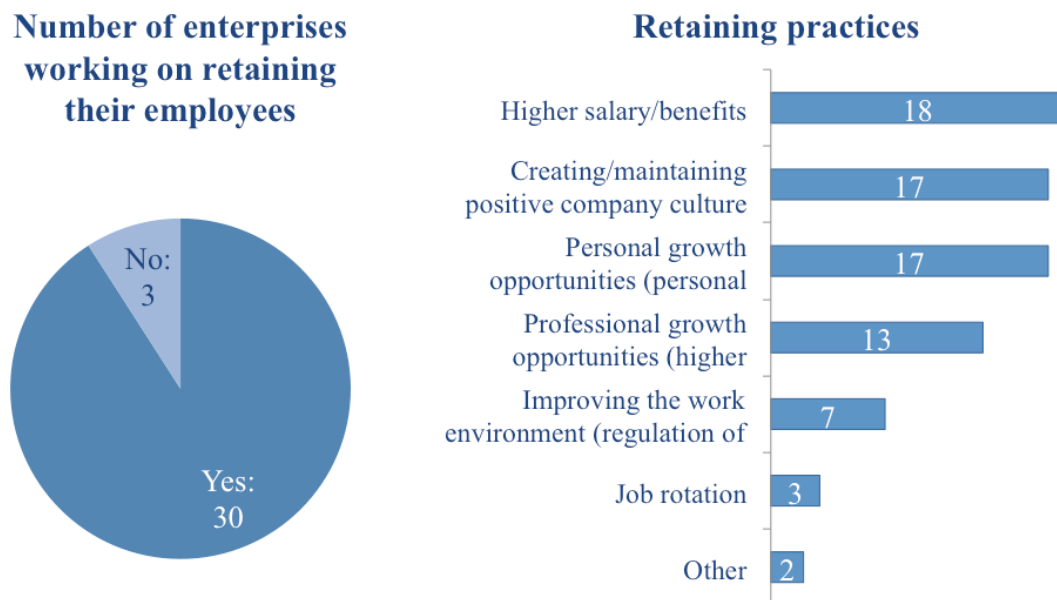
(Created by Lange based on results of the questionnaire, see chapter 8.1)

3.3.7 Possible solutions as perceived by responding enterprises

After having analyzed and understood what are the most challenging and time-consuming HRM practices for small and micro enterprises in the Czech Republic, we shall now examine what the owners/managers/HR responsibles see as possible solutions to tackle these issues. Automation of HR processes is named by 52% of all respondents and thus the most liked possible solution. Automating existing HR processes could mainly help small and micro enterprises with administrative tasks (payroll), time and attendance management and also partially with recruiting (application forms). These tasks are listed among the most time-intense tasks. However, automation is not a solution for the most challenging tasks being recruiting (interviews, assessment centers etc.), retaining, improving working conditions, managing work-life balance and motivation. In order to tackle these tasks delegation from the owner/manager to other managers is a suitable solution. Hiring more temporary or permanent HR staff was only mentioned by around 10% of the enterprises, presumably because of lack of financial resources and lack of sufficient tasks for a full-time HR person. Therefore cooperation with HR agencies, outsourcing and sharing services with other enterprises becomes an attractive alternative.

Possible solutions for HR challenges as by perceived by respondents

Figure 24 – Possible solutions for HR challenges
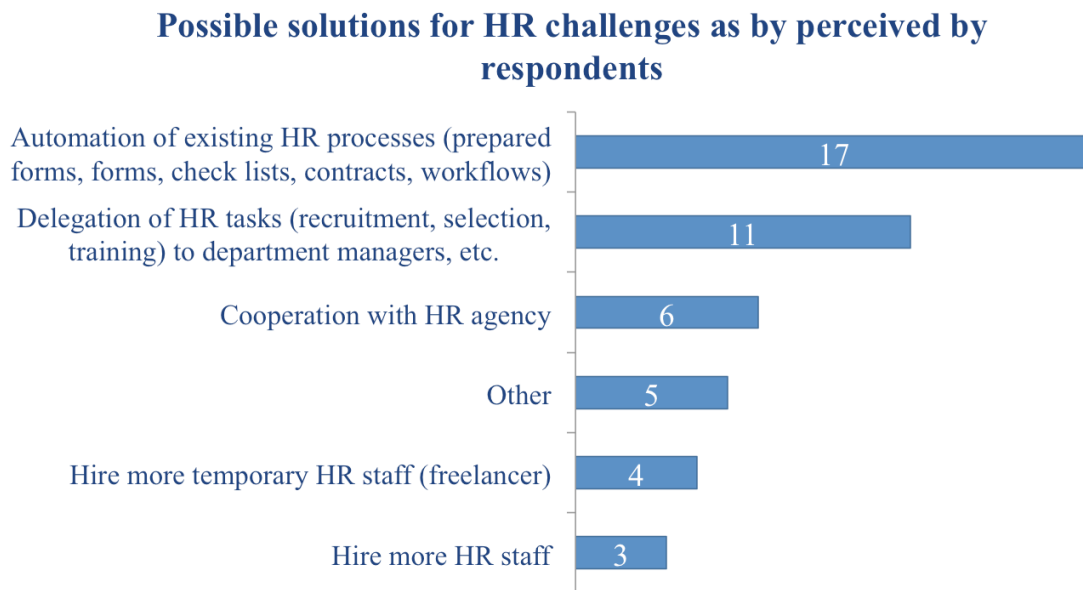
(Created by Lange based on results of the questionnaire, see chapter 8.1)

3.4 Qualitative research – Analysis of HRM in small and micro enterprises the Czech Republic

In order to understand the HR challenges of small and micro enterprises and the way they recruit, retain and train & develop their employees more deeply and discuss possible solutions I have conducted a qualitative interview with *Perfectia* business mentor Tomáš Rajniak.

3.4.1 The three main challenges for small and micro enterprises in the Czech Republic

Tomáš Rajniak sees the main HR challenge for his customers in the absence of HR, which results in three main problems:

1. **Recruiting**: Choosing the right candidate and comparing candidates is seen as a major challenge for many customers. Also many of them struggle to integrate the new employees into the team and company and they struggle in designing a plan how the employee should develop. Rajniak sees the problem already starting before hiring, because small and micro enterprises are not aware of what the right candidate would be like, who would be suitable for the company and the activities that the company needs. When they hire, they often do not hire the right person and adjust the activities for the person that they have hired rather than finding the suitable person in the very beginning. Interestingly, this observation does not overlap with the quantitative results, because job descriptions is perceived as the least challenging and not very time consuming tasks out of all analyzed ones (see chapter 3.4.3). However, this insight from the interview is very valuable, because small and micro enterprises may not be aware that their recruiting problems are based on poor job descriptions.

2. **Caring for current employees** – Rajniak has observed that many small and micro firms do not realize that "If my employees are better, my company is better and more successful", which is the idea of employees as a source of competitive advantage (see. chapter 1; 2.2.2 and 2.2.5). They do not care enough about their current employees and invest too mediocre in training and developing them and as a result of not caring enough they face difficulties in retaining their employees.

3. **HR processes** – Another difficulty many small and micro enterprises face is the definition of HR needs (what activities are needed to be done), defining the ideal candidate (including professional and personal characteristics as well as experience). For many customers this challenge seems to be too sophisticated and time-consuming.

Rajniak sees the following possible solutions to tackle these problems:
1. Finding someone (internally or externally) who cares about HR
2. This person needs to have responsibility within the enterprise and set goals
3. Some solutions are: clear job descriptions for new candidates, developing and training current employees and preparing HR processes

When comparing how important HRM is for small and micro enterprises to tasks that they perform (sales, finance etc.) Rajniak has observed that they often do not perceive HRM as important. However, during their cooperation with *Perfectia* they begin to realize how important it is and will be fore their future success to recruit and retain key people.

3.4.2 Recruiting, retaining and training & development in small and micro enterprises

Rajniak' observation that when his customers want to recruit people they "usually ask their friends or just wait for a candidate to appear. They barely use job.cz or similar pages. They are generally not very proactive." This overlaps with the results from the quantitative study (see chapter: 3.3.4). Once an enterprise has realized how important it is to find the right employee and it then needs to improve the recruiting process.

The major approach way how small and micro enterprises train and develop their people, as observed by Rajniak, is shadowing. While this can be a very useful method to train employees in enterprise-specific ways of working in the beginning, after some time employees have learned from or shadowed their superiors and have reached the same level, which makes it difficult to develop any further. This is the point when external trainings and seminars are needed.

In regard to retaining, Rajniak has observed that his customers usually do not actively work on retaining as they have not realized their employee's importance for the enterprises success. Based on his experience Rajniak has developed numerous good methods for his customers in order to retain their qualified and experienced employees: programs to keep managers, for example with the option to become co-owner (see chapter 2.4.3) which gives them more motivation and drive; offering them more benefits (e.g. quarterly or semi-annually salary on top of their monthly salary, because employees will not leave the company if they expect an

additional salary in the future); and forming the vision of the enterprise together with the employees and thus giving them a voice.

3.4.3   HRM strategy in small and micro enterprises in the Czech Republic

When being asked whether his customers have HR strategies or written HR practices, Rajniak points out that it does not make sense for them. He believes that they need a direction, but not a long document. His observation conforms with the results from the quantitative study, but not with academics' opinion (chapter 2.3).

3.4.4   HRM trends in small and micro enterprises in the Czech Republic

As a trend in HRM in small and micro enterprises Rajniak sees that they increasingly seek external support (e.g. HR agents) in order to balance their weakness of not having somebody taking care of HR (e.g. they increasingly outsource recruiting and training & development). The quantitative results confirm that many small and medium enterprises train and develop their employees externally (56%), however currently 94% claim to recruit internally. Generally he has observed that owners of small and micro enterprises understand that they need someone to help them with their business, because during the life of an entrepreneur they often lose their motivation along with getting older, so they need to find key employees and build them up to become their successors.

The easiest and most popular solution, in Rajniak's opinion, for his customers is to help them with job descriptions, prepare documents and checklists for recruiting, training & development and to help them to comparing candidates.

In short, small and medium enterprises often face absence of HR and thus external support is increasingly necessary and requested in order to recruit and retain employees who give the enterprises a competitive edge. Once they have realized how important their employees are, simple solutions (e.g. job design, profit sharing) can have a strong positive effect.

4 Recommendations

The aim of this chapter is to synthesize the theoretical background with the results from the analysis and generate practical recommendations, applicable by small and micro enterprises themselves as well as by *Perfectia* in order to improve the management of human resources in small and micro enterprises.

4.1.1 Recommendation 1: Target group and HR function

As the research results have demonstrated that in the majority of the cases small and micro business owners/general managers perform the HR function and knowing from the theoretical research that organizations usually start having a full-time HR manager from FTE number higher than 140, *Perfectia* should continue to focus on close collaboration with the owners/general managers of small and micro enterprises. Small enterprises with more than 15-20 FTE should consider, in case they do not have it already, to establish an HR function within their organization, which will be filled with a part-time employee for one or two days a week.

As described by Brand & Bax and others (chapter 2.1.1.) personal motivation and goals of the owner/general manager determine the enterprise's behavior. Armstrong stressed the commitment-oriented nature of HRM and HRM being a management-driven activity (chapter 2.2.3), which corresponds to Rajniak's observation: it is necessary to find a committed person, with drive and support of the management to fill the HR function. *Perfectia* needs to continue following this principle.

When preparing solutions for their customers *Perfectia's* business mentors need to be aware of the educational background and typical characteristics of the owner/general manager of small and micro enterprises. The majority of owners/general managers does not have formal education in the field of HR, but they have developed their skills on the job (either current or previous job). Therefore their skills may differ greatly and when preparing solutions for them *Perfectia* should do an initial analysis with each owner/general manager in order to find out which skills or knowledge they actually need to develop.

Recommendation 1 in short:
- Focus on owners/general managers or if existent HR manager
- Ensure they are committed and supported by owner/management
- Know their educational background to match solutions

4.1.2 Recommendation 2: HR strategy & practices

A clear discrepancy between theory and reality can be observed regarding the existence of HR strategies in small and micro business. While the importance of the strategic dimension of HRM has been emphasized in the academic discourse (chapter 2.2.5), the survey

demonstrated that the majority of small and micro enterprises does not have an HR strategy. Furthermore Rajniak believes that small and micro enterprises need a direction, but no(t) lengthy documents that are not(e) being read.

Since *Perfectia* supports its clients with strategy formulation in the sense that everybody should know where the company is heading (chapter 3.3), it is recommendable to also define short, easily comprehendible and applicable HR strategies that are matched with the enterprises business strategy (chapter 2.2.4; 2.2.5 and 2.3.3). For Example an IT company decides to grow internally and search for customers in Germany their future HR strategy should define to recruit preferable German speaking IT specialists. When assisting customers in generating their HR strategies, *Perfectia* should not just follow the matching model and match it to the business strategy, but also utilize the *Harvard framework*. The *Harvard framework* can assist as a concept to consider contextual factors such as stakeholder interest, situational factors etc. (chapter 2.2.4).

The survey results indicate a low level of written HR practices. This is a weak point that small and micro enterprises should continuously work on and *Perfectia* can assist them in that. Recorded HR practices guarantee more consistency, more rational behind HR decision and they prevent HR knowledge and enterprise specific best practices to be lost in the case of employee turnover. This rationale of knowledge management is one of the purposes of HRM (chapter 2.2.2).

Recommendation 2 in short:
- Encourage and assist customers in formulating short and clear HR strategies aligned with the enterprises business strategy
- Consider contextual factors when developing HR strategies
- Encourage and assist customers in recording their HR practices in written form in order to guarantee consistency and knowledge management

4.1.3   Recommendation 3: Recruitment

As the results of the survey have shown, recruitment is clearly the most challenging and most time-consuming task for small and micro enterprises and thus bears potential for *Perfectia* to support its customers and have a strong impact on their future success.

The importance of clear job descriptions and requirements for each position are emphasized by both academics (chapter 2.4.1) and Rajniak. *Perfectia* should continue assisting its customers in that. It is recommendable to apply either the *fivefold grading system* or superiorly the *competency-based approach* as explained in detail in chapter 2.4.1.1.

When customers choose how to attract candidates, they should (or with the help of *Perfectia*) use the cost per reply ratio. This will enable them to decrease costs and in addition boost the efficiency in attracting candidates.   Small and micro enterprises should continue implementing both external and internal referrals (simultaneously a positive influence on retaining), as hiring referred people increases the probability of making the right match and decreasing the risk of turnover. On top of that it is a low-cost method to attract candidates.

Another low-cost method that small and micro enterprises should utilize more than they currently do is online-recruiting. Online recruiting combines two advantages for the owners/general managers (time and budget constraint), through automation it is timesaving and the costs are lower than for other methods.

In addition the two above mentioned issues are solved by increasing the usage of standardized application forms and online tools such as *Linkedin* when selecting candidates. *Perfectia* can aid its customers by preparing application forms and teaching them how to use all advantages of *Linkedin*. Furthermore it is important that small and micro enterprises use the criteria that they have decided upon when defining the requirements for the selection of candidates. Both these steps save time and increase the comparability of candidates.

As pointed out in chapter 2.4.1.3 and by Rajniak (chapter 3.4.2) the utilization of assessment centers generates better results than interviews. They enable higher objectivity and the chance of assessing various facets of candidates and thus finding suitable candidates. The same accounts for job-tryouts, which are both recommended by academics (chapter 2.4.1.3) and Rajniak (chapter 3.4.2). Depending on the type of job as defined in the job description small and micro enterprises have to decide whether to employ assessment centers or job-tryouts (or both). Assessment centers are more suitable when interpersonal skills (e.g. sales person) are required and job-tryouts are more useful when e.g. technical skills (e.g. carpenter) have to be assessed.

In general, being supported by *Perfectia* and automating processes will release valuable time for owners/general managers and increase efficiency.

Recommendation 3 in short:
- Assist customers and teach them how to clearly define positions and job requirements (with the help of the *fivefold grading system* or the *competency-based approach)*
- Select the best channels to attract candidates by using the cost per reply ratio
- Encourage increased use of internal and external references and online-recruiting
- Apply criteria as defined in requirements to compare and select candidates
- Encourage and assist customers in using more assessment centers and/or job tryouts

4.1.4   Recommendation 4: Training and development

When training and developing employees small and micro enterprises should and most probably do, follow the simple principle as mentioned in the *Harvard framework* (chapter 2.2.4): train employees exactly the way it is most beneficial for the enterprise. But in order to prevent an enterprise from stagnating with the existing skills and knowledge it is essential to apply external trainings and not just shadow more senior colleagues.

Trainings and especially external trainings should be systematic and planned in order to ensure transferability of newly acquired skills and knowledge to actually improve the performance. This can be achieved through the application of the *fours-step model* (explained in detail in chapter 2.4.3). In order to achieve best learning results it is recommendable to balance different training methods (chapter 2.4.3).

Recommendation 4 in short:
- Train and develop employees matching the needs of the enterprise
- Train employees externally to increase the knowledge of the enterprise as a whole
- Design systematic and planned trainings with varied methods

4.1.5   Recommendation 5: Retaining

The fundament for retaining is good recruiting, because when suitable candidates who match the enterprise are selected it is considerably easier to retain them.

In order to prevent employees from leaving an enterprise in the future it is necessary to understand why other employees have left. *Perfectia* can support its customers in analyzing the reasons for leaving and based on that develop plans on how to retain employees in the future.

The results of the survey have shown that a majority of owners/general managers is in the misbelief that salary is a good tool to retrain employees, whereas research has proven that in most cases salaries are not the reasons why employees leave an enterprise. *Perfectia* needs to communicate this to its customers and jointly find out what are the actual reasons why employees may leave the respective company. Based on that, *Perfectia* can develop concepts with its customers of how to retain employees. While these concepts will be very individual, a number of generally effective retaining tools are: profound recruiting, training, mentoring, creating a positive culture (many small and micro enterprise work on this already), compensation and benefits to show appreciation, referrals and recruiting from within, improving work-life-balance and generally making employees feel valued (chapter 2.4.3).

As many small and micro enterprises already focus on creating a positive culture and providing personal growth opportunities (chapter 3.3.6) they should be encouraged to continue with it. Small and micro enterprises should also work on offering more professional growth opportunities for their employees, because it will increase their loyalty and also enable the enterprise to grow as a whole.

Recommendation 5 in short:
- Profound recruiting as the foundation for retaining
- Communicate to customers that salary is not the main reason why employees leave
- Focus on and analyze reasons why former employees may have left
- Based on that develop plan to retain employees
- Encourage professional growth as an opportunity for the enterprise to grow

5   Suggestions for further research

The breadth of the topic HRM in small and micro enterprises in the Czech Republic and the fact that little research that has been done so far, does not allow to cover all areas of interest and practical relevance related to this topic. Therefore I would like to suggest the main directions for further research on HRM in small and micro enterprises in the Czech Republic.

Bearing in mind the limitations of a master's thesis and the consequently relatively small sample of the quantitative study, it will be of research interest for academics and valuable for practitioners to examine HRM practices in small and micro sized enterprises in the Czech Republic based on a larger sample. A larger sample will establish proof of similarities of managing human resources for example in certain industries or in relation to particular sizes of enterprises. Distinguishing even further between small and micro enterprises will be beneficial, because as we have seen from the results of the survey already, the reality of managing human resources is very different in an enterprise with 5 employees than in one with 50.

Further research needs to be done to investigate deeply how important HRM is for small and micro businesses, because this study came to diverging results from the qualitative and quantitative part.

As the results of the quantitative study have demonstrated major challenges for small and micro enterprises are improving work-life balance, motivation and working conditions it will be very meaningful for practitioners to analyze the challenges in a qualitative study and develop solutions according to those results.

The third and possibly most important research topic, since today theory and reality are far apart, will be a long-term study scrutinizing how much it actually helps enterprises to match their HR strategy with their business strategy.

6   Conclusion

The thesis was designed to analyze HRM practices in small and micro enterprises in the Czech Republic and to develop recommendations for improving their management of human resources and thus being equipped to fight and win the *war for talent*.

The relevance of this thesis is clearly supported by having demonstrated the importance of small and micro enterprises for the Czech Republic as well the growing importance of HRM and the special significance of HRM for small and micro enterprises.

Tracing the origins of HRM, highlighting its purpose, characterizing it, describing the main concepts, identifying trends and viewing it from a critical perspective has provided the fundament for the empirical research. The most significant results that arose from this theoretical study are the emergence of strategic human resource management and the fact that the majority of academics agree on the necessity to link HR strategies with business or corporate strategies. This necessity is emphasized both in general and with a specific focus on SMEs, which leads to the key question whether small and micro enterprises formulate HR strategies and if so, whether they align them with their business strategies. The hypothesis, that most small and micro businesses do not formulate HR strategies has been confirmed. A severe discrepancy between academic's position and business reality has been identified. However, from a theoretical perspective it is important and beneficial to develop HR strategies. Under the condition of being precise and concise the formulation of HR strategies and their alignment with business strategies is recommendable. The necessity of taking into account contextual factors and the fast changing environment has been demonstrated.

What was identified for the formulation of HR strategies is echoed in the results for the management of human resources. The majority of small and micro enterprises manages human resources based on unwritten practices. In order to guarantee consistency and keep the knowledge of best practices within an enterprise it is recommendable to formulate HR practices in written form.

Returning to the first research question about the HR function in small and micro enterprises, this study confirmed that in general human resource management is performed by the owner or general manager, who have no formal HR education in the majority of cases. In their position they are mainly limited by time and budget, more than in large enterprises. These results need to be taken into consideration by *Perfectia* when developing solutions. With regard to the aim of investigating how important HRM is for small and micro enterprises in the Czech Republic, a distinct answer cannot be presented as quantitative and qualitative results diverge. Further research, especially in qualitative form, is required in order to assess how much importance is credited to HRM by small and micro enterprises.

The question which HR task is most challenging and time consuming for small and micro enterprises can clearly be answered as the majority indicated recruiting in the questionnaire. Bearing in mind the importance of recruiting with regard to *war for talent*, competitive advantage and its influence on the financial performance the significance of recruiting is evident. These conclusions underline the demand for external assistance of small and micro enterprises in the field of recruiting and the potential for *Perfectia* to provide the recommended solutions.

The investigation of the most challenging and time-consuming tasks has revealed that administrative tasks, improving work-life balance, motivation and working conditions are challenging for small and micro enterprises. Thus further research is essential in order to find solutions for the improvement of those relevant questions bearing in mind the limited time and budget that is available.

The study has further investigated how small and micro enterprises recruit, train & develop and retain their employees. Synthesizing these findings with theoretical knowledge has enabled me to develop practical recommendations. These recommendations are directed to *Perfectia* and small and micro enterprises alike.

In conclusion, the thesis based on theoretical research, examined the management of human resources in small and micro enterprises in the Czech Republic, both quantitatively and qualitatively. Merging these findings enables the formulation of recommendations for specific HRM challenges and has identified demand for further research and solutions. Thus the research serves as a base for future studies and contributes to the still evolving research field of HRM in small and micro enterprises. The empirical results of this thesis provide a new understanding of HRM in small and micro enterprises and offer practical solutions of how to manage human resources under the conditions given by the specific characteristics of small and micro enterprises.

7 Sources

Albu, O. & Morosan-Danila, L., 2009. *Current Trends in HRM*, The Annals of The "Ştefan cel Mare" University of Suceava. Fascicle of The Faculty of Economics and Public Administration, 9 (2), pp. 134-139.

Allen, D. G., 2008. *Retaining Talent - A Guide to Analyzing And Managing employee turnover*, SHRM Foundation. Available at: http://www.shrm.org/about/foundation/research/documents/retaining%20talent-%20final.pdf

Andersen, T., 2003. *HRM in SMEs – first findings on structure and practices*. University of Southern Denmark, Odense.

Ansoff, H. I., 1965. *Corporate strategy*, New York.

Armstrong, M., & Baron, A., 2002. *Strategic HRM – The Key To Improved Business Performance*, London.

Armstrong, M., 2006. *A Handbook of Human Resource Management Practice.* 10th ed., London.

Armstrong, M. & Murlis, H., 2006. *A Handbook of Renumeration Strategy and Practice*. 5th ed., Cornwall.

Ayyagari, M., Beck, T. & Demirguc-Kunt, A., 2007. *Small and Medium Enterprises Across the Globe*. Small Business Economics, 29(4), pp. 415-434. Available at: http://www.springerlink.com/index/10.1007/s11187-006-9002-5.

Bacon, N., Ackers, P., Storey J. & Coates D., 1996. *It's a Small World: Managing Human Resources in Small Businesses*. The International Journal of Human Resource Management, 7(1), pp. 82-100.

Bercu, A., 1999. *The Impact of Human Resource Management Practices on SMEs Performance in Romania*.

Bontis N., Dragonetti, N. C., Jacobsen, K. & Roos, G., 1999. *The knowledge toolbox: a review of the tools available to measure and manage intangible resources.* European Management Journal, 17(4), pp 391-402.

Boston Consulting Group & World Federation of People Management Associations (WFPMA). 2012. *From Capability to Profitability Realizing the Value of People Management*. Available at:

http://www.ihrim.org/Pubonline/Wire/Sept12/BCG_From_Capability_to_Profitability_Jul_20 12.pdf

Brand, M.J. & Bax, E.H., 2002. *Strategic HRM for SMEs: Implications for Firms and Policy*. Eduacation + Training Jounal, 44(8), pp. 451-463.

Budhwar, P. & Aryee, S., 2008. *An introduction to strategic human resource management. Strategic human resource management : building research-based practice*. London Chartered Institute of Personnel and Development, pp. 9-32.

Business Dictionary, 2013. Available at: http://www.businessdictionary.com/definition/human-resource-management-HRM.html

Caldwell, R., 2004. *Rhetoric, facts and self-fulfilling prophesies: exploring practitioners' perceptions of progress in implementing HRM*. Industrial Relations Journal, 35(3), pp. 196-215.

Ceranic S. & Popovic B., 2009. *Human resources management in small and medium enterprises*. Agroinform Publishing House, Belgrad, pp. 71-74. Available at: http://ageconsearch.umn.edu/bitstream/49230/2/8Human%20resources%20management.pdf

Cook, M.,1993. *Personnel Selection and Productivity*. Wiley, Chichester.

Davenport, T.H., 1994. *Managing in the New World of Process*. Public Productivity & Management, 18(2), pp.133-147. Available at: http://www.jstor.org/stable/3380643.

Delery, J. E., & Doty, D. H., 1996. *Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions*. Academy of Management Journal, 39 (4), pp. 802-835.

Duberley, J. P. & Walley, P., 1995. *Assessing the adoption of HRM by small and medium-sized manufacturing organizations*. International Journal of Human Resource Management 6 (4), pp. 891-909.

Duhon, B., 1998. *It's all in our heads*. Inform, 12(8), pp. 8-13. Available at: http://cat.inist.fr/?aModele=afficheN&cpsidt=1692790.

European Commission, 2003. *Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises*. Official Journal of the European Union, pp. 1-6. Available at: http://scholar.google.com/scholar?hl=en&btnG=Search&q=intitle:COMMISSION+RECOM

MENDATION+of+6+May+2003+concerning+the+definition+of+micro,+small+and+mediu
m-sized+enterprises#0 [Accessed July 17, 2013].

European Commission, 2008. *Declarations Annexed to the Final Act of the Intergovernmental
Conference which Adopted the Treaty of Lisbon*. Available at: http://eur-
lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:115:0335:0359:EN:PDF [Accessed
July 17, 2013].

European Commission, 2012. *SBA Fact Sheet 2012 Czech Republic*, Available at:
http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-
review/files/countries-sheets/2012/czechrepublic_en.pdf.

Fombrun, C.J., Tichy, N.M. & Devanna, M.A., 1984. *Strategic Human Resource
Management*. New York.

Fowler, A., 1987. *When chief executives discover HRM*. Personnel Management, January, p 3.

Fox, H.L., 2013. *Stratigic Human Resource Development in Small Businesses in the United
States*. Academy of Entrepeneurship Jounal, 19(1), pp. 77-119.

Gbolahan, F. R., 2012. *Impact of Human Resource Management Practices on Organizational
Performance in Nigeria: An Empirical Study of Ecobank Nigeria Plc in the Last Five Years*.
International Journal of Contemporary Business Studies, 3(10), pp. 43-63. Available at:
http://akpinsight-ijcbs.webs.com

Guest, D. E., 1987. *Human resource management and industrial relations*, Journal of
Management Studies, 14(5), pp. 503-21.

Guest, D. E.,1989. *Human resource management: its implications for industrial relations.*In:
Storey J. (ed), *New Perspectives in Human Resource Management*. Routledge, London, pp.
41-55.

Guest, D. E., 1991. *Personnel management: the end of orthodoxy.* British Journal of Industrial
Relations, 29(2), pp. 149-76.

Guest, D. E., Conway, N., Briner, R. & Dickman, M., 1996. *The State of the Psychological
Contract in Employment: Issues in people management.* Institute of Personnel and
Development, London.

Harrison R., 2005. *Learning and Development*. CIPD Publishing

Holbeche, L., 1999. *Aligning Human Resources and Business Strategy*. Oxford.

Huselid, M., 1995. *The Impact of HRM Practices on Turnover, Productivity, and Corporate Financial Performance*. Academy of Management Journal, 38(3), pp. 635-72.

Huselid, M. A., 2011. *Celebrating 50 Years: Looking Back and Looking Forward: 50 Years of Human Resource Management*. Human Resource Management, 50(3), pp. 309-312.

Hutchinson, S. & Wood, S., 1995. *Personnel and the Line: Developing the Employment Relationship*. IPD, London.

Internetworldstats 2012. *Internet penetration Czech Republic*. Available at: http://www.internetworldstats.com/europa.htm

Ipodnikatel, 2011. *Malé a střední podnikání v ČR a jeho role ve společnosti*. Available at: http://www.ipodnikatel.cz/O-podnikani-obecne/role-maleho-a-strediho-podnikani-ve-spolecnosti.html

Julien, P.-A., 1998. *The state of the art in small business and entrepreneurship*. Ashgate, Aldershot.

Klaas, B.S., 2003. *Professional Employer Organizations and Their Role in Small and Medium Enterprises: The Impact of HR Outsourcing*. Entrepreneurship Theory and Practice, 28(1), pp. 43-61. Available at: http://doi.wiley.com/10.1111/1540-8520.00031.

Keenoy, T., 1990. *HRM: a case of the wolf in sheep's clothing*. Personnel Review, 19(2), pp. 3-9.

Koch, C. L. Y. & De Kok J. M. P., 1999. *A human resource based theory of the small firm*. RIBES Nr. 9940, Rotterdam.

Liebermann, R. K., 2009. *Calibrating Human Resources to Company Size*. HR Insourcing Newsletter 1, Boston. Available at: http://www.hrinsourcing.com/pdfs/HRI-108NEWSLETTER-No1d.pdf

Legge, K.,1998. *The morality of HRM.* In: Mabey C., Skinner D. & Clark T. (eds). *Experiencing Human Resource Management*. Sage, London.

Legge, K., 1995. *Human Resource Management - Rhetorics and Realities.* Macmillan, London.

Levy, M. & Powell P., 1998. *SME flexibility and the role of information systems*. Small Business Economics 11 (2), pp. 183-196.

Mabey, C., Skinner, D. & Clark, T., 1998. *Experiencing Human Resource Management*. London.

Marciano, V. M., 1995. *The Origins and Development of Human Resource Management*. Academy of Management Journal, Best Papers Proceedings, pp. 223-227.

Michaels, E., Handfield-Jones, H. & Axelrod, B., 2001. *The war for talent*. Boston, Massachusetts..

Miller, J., 2013. *Achieving excellence: HR and people management in Singapore SMEs*. Singapore. Available at: http://www.cipd.co.uk/binaries/6185 SOP Singapore SME (WEB).pdf.

Ministry of Industry and Trade of the Czech Republic, 2012. *Small and Medium Enterprises Support Strategy 2014-2020*. Prague. Available at: http://www.mpo.cz/dokument119071.html

Ministerstvo průmyslu a obchodu, 2009. *05_01_M_Definice MSP*. Available at: http://www.businessinfo.cz/files/archiv/dokumenty/Definice-MSP-010509.pdf

Montana P. J. & Charnov B. H., 2000. *Management*. New York.

Myrtle, R, C., 2009. *Emerging trends in Human Resources Management*. University of Southern California. Available at: http://www.nacs.gov.tw/NcsiWebFileDocuments/69b9ec3510e3d7b5d8768a2cc6d2fd93.pdf

Noon, M., 1992. *HRM: a map, model or theory?* In: Blyton, P. & Turnbull, P. (eds) *Reassessing Human Resource Management*. London.

Ogunyomi, O. P., Shadare, A. O. & Chidi, O. C., 2011. *Current Trends and Future Directions of Human Resource Management Practices: A Review of Literature*. European Journal of Economics, Finance and Administrative Sciences, 29, pp. 19-26.

Oxford English Dictionary, 2013. Oxford University Press.

Perfectia, 2013. *Naše metoda*. Available at: http://perfectia.cz/

Porter, Michael E., 1985. *Competitive Advantage – Creating and Sustaining Superior Performance*. Free Press, New York.

Purcell, J., 1993. *The challenge of human resource management for industrial relations research and practice*. The International Journal of Human Resource Management, 4(3), pp.

511-527.

Reilly, P., 2000. *HR Shared Services and the Re-alignment of HR.* Institute for Employment Studies, Brighton.

Revans, R. W., 1989. *Action Learning.* London.

Reynolds, J., 2004. *Helping People Learn.* London.

Roberts, G., 1997. *Recruitment and Selection: A competency approach*. London.

Saskatchewan Crop Insurance Corporation, 2013. *Competency based approach to staffing.* Melville. Available at: http://www.saskcropinsurance.com/Default.aspx?DN=7df3877c-5b34-4fe1-ba46-1e7186af8b12

Schuler, R.S., 1989. *Strategic Human Resource Management and Industrial Relations*. Human Relations, 42(2), pp. 157-184.

Sisson, K., 1990. *Introducing the Human Resource Management Journal*. Human Resource Management Journal, 1(1), pp. 1-11.

Stroh, L. and Caligiuri, P.M., 1998. *Strategic Human Resources: A new source for competitive advantage in the global arena.* International Journal of Human Resource Management, 9, pp. 1-17.

Storey, D. J., 1994. *Understanding the small business sector*. London, Routledge.

Storey, J., 1989. *New perspectives on human resource management*. Routhledge, University of Michigan.

Taylor, S., 2008. *People Resourcing*. CIPD, London.

Tiwari, P. & Saxena, K., 2012. *Human Resource Management Practices: A Comprehensive Review*. Pakistan Business Review, pp. 669-705.

Tsai, C.-J., 2010. *HRM in SMEs: homogeneity or heterogeneity? A study of Taiwanese high-tech firms.* The International Journal of Human Resource Management, 21(10), pp.1689-1711. Available at: http://www.tandfonline.com/doi/abs/10.1080/09585192.2010.500490

Truss, C., 1999. *Soft and hard models of HRM. I*n: Gratton, L., Hailey, P. S. & Truss C., *Strategic Human Resource Management*. Oxford.

Walton, R. E., 1985. *Towards a strategy of eliciting employee commitment based on principles of mutuality*. In: Walton R. E., & Lawrence P. R. (eds). *HRM Trends and Challenges*. Harvard Business School Press, Boston.

Wagar, T. H., 1998. *Determinants of human resource management practices in small firms: Some evidence from Atlantic Canada*. Journal of Small Business Management 36(2), pp. 13-23.

Williams, M. R, 2003. *The War for Talent: Getting the Best from the Best*. Gloucester.

Willmott. H., 1993. *Strength is ignorance, slavery is freedom: managing culture in modern organizations*. Journal of Management Studies, 29(6), pp. 515-552.

Wood, R. & Payne, T., 1998. *Competency-based Recruitment and Selection*. Wiley, Chichester.

Yazinski, S. K., 2009. *Strategies for Retaining Employees and Minimizing Turnover, Scranton*. Available at: http://hr.blr.com/whitepapers/Staffing-Training/Employee-Turnover/Strategies-for-Retaining-Employees-and-Minimizing-

8   Appendix

8.1   Full questionnaire quantitative survey (original version in Czech)

Personalistika v malých firmách

Dobrý den,

v rámci zpracování diplomové práce na téma Personalistika v malých firmách, Vám zasílám dotazník k vyplnění.

Cílem této práce je analyzovat oblast personálního řízení v malých firmách.
Prosim Vás o vyplnění dotazníku. Data z dotazníku budou využity pouze pro účely této vědecké práce. Jména firem nebo osob nebudou zveřejňovány v této práci nebo v jiných zdrojích. Prosím o vyplnění tohoto dotazníku nejpozději do 10.8.2013.

Děkuji za čas věnovaný tomuto dotazníku.

Lilli Lange

Pokud máte jakékoliv dotazy, prosím, kontaktujte mě lilli.lange@web.de nebo 774-130-720

HR = Personalistika

* Required

Název společnosti
(volitelne)

Počet zaměstnanců *
na hlavní pracovní poměr

Obrat v roce 2012
(Kč)

Rok založení: *

Odvětví: *

Pozice osoby, která vyplňuje dostazník *

Jste klientem firmy Perfectia? *
(více informací: www.perfectia.cz)

○ ano

○ ne

Personalistika ve vaší firmě

Kdo se ve vaší firmě stará o HR? *

☐ vlastník

☐ generální ředitel

☐ personální ředitel

☐ účetní

☐ outsourcing

☐ sekretářka

☐ Other: [_____]

Jakou kvalifikaci má pracovník odpovědný za HR ve vašem podniku? *

☐ školení zaměřené na HR v rámci firmy

☐ externí školení zaměřené na HR

☐ zkušenosti nabrané během výkonu zaměstnání

☐ zkušenosti z předchozího zaměstnání

☐ vysokoškolské vzdělání se zaměřením na HR

☐ středoškolské vzdělání ekonomického zaměření

☐ žádné

☐ Other: [_____]

Máte k dispozici písemně zpracovanou personální strategii? *
(máte zpracovanou personální strategii v dokumentu, např. cíle HR, hodnoty ....)

○ ano

○ ne

Pokud ano, je v souladu s celkovou podnikatelskou strategií podniku?
např. chceme oslovovat trhy nebo zákazníky a potřebujeme nový typ zaměstnanců

○ ano

○ ne

Jaké jsou největší výzvy/problémy, kterým čelí HR ve vaší společnosti?
Seřaďte, prosím, od nejdůležitějšího po nejméně důležitý (1 = nejdůležitějši, 10 = nejméně důležitý)

	1	2	3	4	5	6	7	8	9	10
nábor kvalifikovaných / zkušených lidí	○	○	○	○	○	○	○	○	○	○

	1	2	3	4	5	6	7	8	9	10
motivování zaměstnanců	○	○	○	○	○	○	○	○	○	○
harmonizace práce a osobního života zaměstnanců	○	○	○	○	○	○	○	○	○	○
HR administrativní úkoly (mzdy, pojištění atd.)	○	○	○	○	○	○	○	○	○	○
udržení kvalifikovaných / zkušených lidí	○	○	○	○	○	○	○	○	○	○
kontrola dodržování vymezených cílů a docházky	○	○	○	○	○	○	○	○	○	○
zlepšování pracovních podmínek	○	○	○	○	○	○	○	○	○	○
trénink a rozvoj zaměstnanců	○	○	○	○	○	○	○	○	○	○
adaptace na nové zákony a regulace	○	○	○	○	○	○	○	○	○	○
náplň práce (identifikace pracovních činností a dovedností nezbztných)	○	○	○	○	○	○	○	○	○	○
ostatní	○	○	○	○	○	○	○	○	○	○

Ostaní HR výzvy/problémy ve vaší firmě

[   ]

Jaké HR úkoly jsou časově nejnáročnější? Které z vykonávané úkoly HR konzumovat nejvíce času.

Seřaďte, prosím, od nejdůležitějšího po nejméně důležitý (1 = nejdůležitějši, 10 = nejméně důležitý)

	1	2	3	4	5	6	7	8	9	10
nábor kvalifikovaných / zkušených lidí	○	○	○	○	○	○	○	○	○	○

motivování zaměstnanců	○	○	○	○	○	○	○	○	○	○
harmonizace práce a osobního života zaměstnanců	○	○	○	○	○	○	○	○	○	○
HR administrativní úkoly (mzdy, pojištění atd.)	○	○	○	○	○	○	○	○	○	○
udržení kvalifikovaných / zkušených lidí	○	○	○	○	○	○	○	○	○	○
kontrola dodržování vymezených cílů a docházky	○	○	○	○	○	○	○	○	○	○
zlepšování pracovních podmínek	○	○	○	○	○	○	○	○	○	○
trénink a rozvoj zaměstnanců	○	○	○	○	○	○	○	○	○	○
adaptace na nové zákony a regulace	○	○	○	○	○	○	○	○	○	○
náplň práce (identifikace pracovních činností a dovedností nezbztných)	○	○	○	○	○	○	○	○	○	○
ostatní	○	○	○	○	○	○	○	○	○	○

Které z plněných úkolů provádíte interně a které externě (outsourcing nebo externí poradci)? *

	interně	externě
nábor kvalifikovaných / zkušených lidí	○	○
motivování zaměstnanců	○	○
harmonizace práce a osobního života zaměstnanců	○	○
HR administrativní úkoly (mzdy, pojištění atd.)	○	○

udržení kvalifikovaných / zkušených lidí	○	○
kontrola dodržování vymezených cílů a docházky	○	○
zlepšování pracovních podmínek	○	○
trénink a rozvoj zaměstnanců	○	○
adaptace na nové zákony a regulace	○	○
náplň práce (identifikace pracovních činností a dovedností nezbztných)	○	○

Uveďte, prosím, která z následujících řešení, by mohla být užitečná pro vaší společnosti *

☐ automatizace stávajících HR procesů (připravené formuláře, tiskopisy, check listy, smlouvy a pracovní postupy)

☐ delegování personalistiky (nábor, výběr, zaškolení) na manažery oddělení apod.

☐ spolupráce s personální agenturou

☐ rozšíření řad HR pracovníků (nová pracovní síla)

☐ dočasné rozšíření řad HR pracovníků (freelancer)

☐ Other: [　　　　　　　　]

Jaké nástroje používáte pro nalezení vhodných kandidátů? *

☐ LinkedIn, Facebook a další sociální sítě

☐ inzertní noviny (Anonce apod.)

☐ úřady práce

☐ personální agentury

☐ interní doporučení (od pracovníků společnosti)

☐ externí doporučení (od kamaráda, dodavatele, zákazník apod.)

☐ jobs.cz, prace.cz apod.

☐ Firemní webové stránky

☐ Other: [　　　　　　　　]

Jak vybíráte vhodné kandidáty? *

☐ telefonní pohovory

☐ osobní pohovory

☐ práce na zkoušku (cca. dva dny)

☐ skupinové pohovor (assestment centre apod.)

☐ Other: [　　　　　　　　]

Pracujete na tom, jak udržet klíčové a schopné zaměstnance? *

○ ano

○ ne

Pokud ano, co dělate pro to, aby jste si takové lidi udrželi?

☐ profesní růst (možnost vyšší pozice, nábor zevnitř)

☐ osobní růst (možnost osobního rozvoje, vzdělání apod.)

☐ rotace po odděleních

☐ vyšší platové ohodnocení/benefity

☐ zlepšování pracovního prostředí (regulace tepla a chladu, kuchyň, kvalitní vybavení atd.)

☐ silná, pozitivní firemní kultura (přátelský prostředí apod.)

☐ Other: [　　　　　　　　　]

Snažíte se vzdělávat a dále rozvíjet své zaměstnance? *

○ ano

○ ne

Pokud ano, co vaše firma v tomto směru nabízí?

☐ zaškolení

☐ samostudium v pracovní době

☐ školení v rámci firmy (u seniorských kolegů)

☐ školení v rámci firmy (mimo oddělení)

☐ externí koučování

☐ externí semináře/školení

☐ počítačové školení (e-learning)

☐ Other: [　　　　　　　　　]

Máte vaše HR postupy zpracované písemně, nebo jsou spíše organizované ad-hoc a probíhají na základě nepsaných zvyků?

☐ zpracované písemně

☐ organizované ad-hoc a probíhají na základě nepsaných zvyků

Komentáře:
Uveďte prosím jiné názory.

Submit

Never submit passwords through Google Forms.

This content is neither created nor endorsed by Google.

Powered by
GOOGLE Drive

Report Abuse - Terms of Service - Additional Terms

8.2   Full interview with *Perfectia* business mentor Tomáš Rajniak

1. **What do you see as the main HR challenges of your customers?**
   a. The major problem is the absence of human resource management, which results in three main problems:
   b. **Recruiting new employees** – choosing the right candidate and comparing candidates is a major challenge for many clients. Also many clients struggle to integrate the new employees into the team and company and they struggle in designing a plan how the employee should develop. First of all is, that they do not know, how important is to be clear about the right person. Therefore, they do not spend time to think about job activities and which person is suitable for or about the activities which their companies need. So then, They hire someone who is not the right one and they usually change then the activities for them.
   c. **Caring for current employees** (training, development, retaining) – many small and micro firms do not realize that "If my employees are better, my company is better and more successful" and they don't care enough about the current employees. They need to work on retaining their key employees.
   d. **HR processes** - defining HR needs (what activities are needed to be done), defining the ideal candidate (including professional and personal

characteristics as well as experience). The challenge for many clients is to take the time and specify these things.

2. **What are your solutions to these challenges?**
   a. It's important to find someone (internally or externally) who cares about HR
   b. This person needs to have responsibility and goals
   c. Some solutions are: clear job descriptions for newcomers, developing and training current employees and preparing HR processes

3. **How important is HRM for them compared to the other tasks that they perform (e.g. how much of their time do they spent on HR work)?**
   a. HRM seems not to be a priority of our clients in the beginning and they don't think it's important. However, throughout our cooperation they start realizing how important it is for success to have key people

4. **Based on your experience, how do your customers currently mainly recruit people and what should they improve when they recruit people?**
   a. Usually they ask friends or just wait for a candidate to appear. They barely use job.cz or similar pages. They are generally not very proactive. However, they quickly realize how important is to find a right person to help them with their companies and then they need to learn how to recruit and so on.

5. **Do your customers already do something for retaining people?**
   a. No, not really because they don't really understand that key employees are important.

6. **Based on your experience, what is the best way for small and micro enterprises to retain qualified and experienced employees?**
   Program for managers how to keep them (e.g. option to become co-owner in the future => this gives them motivation, drive)
   Offering them more benefits (e.g. quarterly or semi-annually salary on top of their monthly salary, because employees won't leave the company if they expect a salary in a couple of month)
   Forming the vision of the company together with the employees and giving them a voice

7. **What do your clients do to train and develop people? What could they do better?**
   a. Usually they do shadowing, but the problem is that after some time the employees have learned what their superiors have shown them and they are on the same level. Then it's difficult to develop further.
   b. After that, external training/seminars are needed and this is what we offer our clients.

8. **Do your clients write down their HR strategy or practices? Why or why not and does it make sense to write them down?**
   a. They don't and maybe it's nonsense for them. They need a direction, but for 10 employees it's not needed to write long document.

9. **Can you observe any trends in human resource management in small and micro enterprises?**
   a. Owners of small companies understand that they need someone to help them with their company. During the life of an entrepreneur they often lose their motivation along with getting older, so they need to find key employees and build them up to become their successor
   b. Companies make more use of external help (e.g. HR agents) to balance out their weaknesses (they increasingly outsource recruiting and training & development)

10. **What is the easiest and most popular solution you offer your customers in the field of HR?**
   a. Helping them with job descriptions, preparing documents for recruiting, training & development, helping them to compare candidates, preparing checklists etc.