

HRM in SMEs – training needs

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Table of contents

| | |
|---|----|
| Definitions..... | 3 |
| State of HRM in SMEs..... | 5 |
| What SMEs need? – trainings topics..... | 7 |
| Bibliography..... | 10 |

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The aim of this document is to point out the most important and useful areas of HRM trainings in SMEs.

Definitions

HRM:

Human Resource Management is the function that covers management of people who work in the organization. It deals with issues related to people such as recruitment, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, training and staff reduction. HRM is also a strategic and comprehensive approach to people and companies culture management, that helps to heighten effectiveness, accomplishment organization's objectives and add value to companies performance. As classical definitions of HRM state:

Michael Armstrong summarized, *HRM is a strategic approach to the acquisition, motivation, development and management of the organization's human resources. It is devoted to shaping an appropriate corporate culture, and introducing programs which reflect and support the core values of the enterprise and ensure its success* (Armstrong 2006).

Edward L. Gubman observed in the "Journal of Business Strategy", *the basic mission of human resources will always be to acquire, develop, and retain talent; align the workforce with the business; and be an excellent contributor to the business. Those three challenges will never change* (Gubman 1996).

Irving Burstiner commented in "The Small Business Handbook": *Hiring the right people – and training them well – can often mean the difference between scratching out the barest of livelihoods and steady business growth.... Personnel problems do not discriminate between small and big business. You find them in all businesses, regardless of size* (Burstiner 1988).

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SME:

| Enterprise category | Headcount | Turnover | or | Balance sheet total |
|---------------------|-----------|----------------|----|---------------------|
| medium-sized | < 250 | ≤ € 50 million | | ≤ € 43 million |
| small | < 50 | ≤ € 10 million | | ≤ € 10 million |
| micro | < 10 | ≤ € 2 million | | ≤ € 2 million |

According to European Commission definition enterprises qualifying as micro, small and medium-sized (SMEs) fulfil the criteria summarized in the table below.

In addition to the staff headcount level, an enterprise qualifies as an SME if it meets either the turnover level or the balance sheet limit, but not necessarily both. In most economies, smaller enterprises are great in number and in many sectors SMEs are responsible for driving innovation and competition. As Günter Verheugen, Member of the European Commission, responsible for enterprise and industry stated: *Micro, small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment.*

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State of HRM in SMEs

Every SME is a separate, specific case, has its own history and experience with people who build it and worked in it. Because of it, in an ideal situation, every one of SMEs should be examined separately and its HRM needs should be identified individually. There are although some common features shared by majority of those companies.

Characteristic trait of small and especially micro companies is a strong position of the owner/founder and low level of HRM formalization. Usually the owner personally manages the firm, arbitrary deciding about powers delegation and creation of positions. As a result, it happens more often in SMEs, than in bigger companies, to have only slight distinction between roles in the company including management positions. It allows more free movement of employees from one position to the other, delegating new or additional tasks and generally more flexibility, which can be an advantage especially in the time of sudden crisis. The drawback is disorientation and frustration of employees, tired by changes and never certain of their situation, which may lead to lowering effectiveness of their performance and boost the employees rotation.

Constant changes in technologies and new appearing competencies areas push contemporary enterprises leaders toward delegating authority to lower levels of management structure. This process tends to take place first rather in medium companies than in the smaller ones. Delegation of authority is implemented with highest care for costs reduction, and only incidentally accompanied by development of new managers skills and knowledge (Andersen 2003). The new employees can base in their new position mainly on the experience of people with longer experience in the company. This may lead to repeating the mistakes of predecessors and spending too much time on what could be learned by participating in a few professional trainings. This approach to training human resources management often results in lower quality and effectiveness of work, which becomes significant problem in many SMEs. Sometimes those building-up problems become a sign for enterprises owners to change they approach toward HRM. People management issues *manifest themselves to management as problems that must be solved; a manager or entrepreneur may not be aware of structural or strategic change but will be aware of the problems caused by these issues. In other words, SME owners and managers will not act on underlying constructs – they will act on the problems that they perceive, and they are likely to only perceive acute problems* (Tocher, Rutherford 2009).

According to the UK research conducted in 2008 by SSDA, which included over 1000 small and medium companies, HRM in those companies concentrates on recent, emerging issues and is organized ad hoc. It happens often that managers responsible for HRM, share their duty with other tasks, which results in treating HRM as a matter of lesser significance, taken care of sporadically, often only to satisfy the law (Johnson, Devins 2008). It is far less often seen, for a SME, to have a clearly defined HRM strategy and systematically implemented people management. Only in third part of SMEs managers responsible for HRM take part in creating company's strategy; one of six companies has personnel management strategy. Of course it influences personnel management planning: only 26% Polish SME's have employment schedule, 16% plans employees professional development (Kamińska, 2006).

The above numbers show marginalization of HRM issues in SMEs. This approach can in time lead SMEs into trouble, especially in changing environment of globalized markets. The answer lies in defining key needed employees competencies and developing them with trainings. Development of

competencies helps people to cope with new situation and sudden crisis. We speak here about all types of trainings: those needed for the position currently held by an employee and those they will need when promoted or move to another position. It is important for training to cover both enterprises and employees needs. Individual competencies development strategies should be prepared in cooperation with employees, to identify both their strengths and weaknesses as well as expectations and aspirations. Professional training has to be useful and really help the employee in the crucial areas of his or her work. A good training not only allows to gain knowledge and develop professional skills but also helps to better understand goals and vision of the enterprise and changes enterprise may be undergoing. When identifying companies training requirements, it is important to diversify trainings for various groups of members of organization: new ones, back-office, management and the owners. Many SME's managers do not value external trainings, as they view them as irrelevant or theoretical rather than practical. Many SMEs try to resolve this problem by organizing internal trainings or promoting informal learning.

When speaking about development of competencies in SME's we should make a clear distinction between micro, small and medium enterprises. The tendency is clear: the bigger the company, the more often competencies development needs are evaluated and fulfilled. Still more than half of SMEs employees never attend any training, apart of those required by legal regulations or essential to work in accounting or with IT systems. In the countries of Central and Eastern Europe, quite high position on the list of trainings attended is also held by those teaching how to apply for EU grants.

Only some SME managers decide to develop soft skills related to critical thinking, problem solving and interpersonal cooperation, because they are said to be difficult to measure and bridging benefits only with time. That is true: effective motivating, rewarding policy or team building are actions that bring results within months or even years. Because of it, interpersonal and HR competencies are often disregarded by SME managers and owners. That is a big mistake because companies human relations with people inside and outside of it have a crucial significance for enterprises performance.

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What SMEs need? – trainings topics

The research conducted in 2009 by WYG International to identify reasons for low interest of SMEs in HRM-related trainings, showed various reasons to this situation. Besides the answers saying simply: “we don’t train employees”, the most frequent were: difficulties with leaving workplace, costs of travelling, lack of interesting and practical trainings topics. Research conducted in various European countries from UK to Poland and Turkey show that majority of SMEs do not implement any kind of competencies development, except in-workplace learning. The situation touches even those firms where owners recognise needs for employees development and which have people ready and able to learn. *Few managers think of skills as being important for success and growth or as helping them to deal with problems and issues but because of lack of money do not use education and learning offer* (Harazinova, Balaz 2006). One of the most often given reasons for not attending trainings was lack of money, which is interesting, because usually the same people given an opportunity to participate in free training, still were not interested in them. Reading those answers gives an impression that SME’s owners do not really know modern training possibilities or methods and base their opinions on past experiences or general impressions. The other thing is, that lacking deep research on SMEs HRM training needs, business courses consultants, often can offer them only HRM trainings designed for bigger companies and not very useful in their everyday work. What are then HRM trainings topics that would truly answer the needs of SMEs? Among the HRM fields most often mentioned by small and medium enterprises researchers we will find a mix of practical skills and classical interpersonal competencies (Lakshman 2011; Dominguez, Varajão, Morgado, Oliveira, Sousa 2010; Grossman 2007; Kamińska 2006; Winterton 2002). Below you will find a list of proposed HRM areas to be included in SME trainings. Each of those areas can become an inspiration for various webquests.

1. Communication techniques: communication process, communication barriers, motivating by feedback, ability to transmit information to others both in spoken and written form persuasively and cogently, comprehension and understanding skills, emotional aspects of contacts with other people, persuasion techniques.
2. Negotiations: how to conduct them, key components of negotiating effectively, preparing for negotiations, internal and external negotiations, individual and collective advantage. How to manage difficult negotiations and negotiators?
3. Leadership: styles of leadership, how to find and create leaders. Defining leadership style most appropriate for the organization and shifting toward it.
4. Job description as a method of setting goals, responsibilities and localization in companies structure. Preparing job description from job analysis and written description to periodical reviewing and use as a basis for the employee development plan.
5. Employees careers planning: what is the difference between organization-centred and employee centred career planning (inc. employees skills and competencies management)? Planning careers in different life stages, horizontal transfers, monitoring trainings requirements, succession planning.
6. Employees performance management, including: short/long period individual and team evaluation methods (inc. 360 degree feedback). Ways and meaning of motivation and how it differs

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from valuation (rewarding systems). How to deal with poor employees performance?

7. Team building essentials: teams types, setting team goals, establishing clear defined roles, channels of communication, resolving conflicts and building positive attitude (team spirit). Gaining maximum added-value from team working. How to assess both teams and team-members?

8. Conflict Management: potential conflicts monitoring, identifying conflict sides, conflict management styles, mediations, conflict as an organization renewal opportunity. How to work out a compromise and is it always the best solution?

9. Key clients management: identifying key clients, building individualized, constant communication with customers. Collaboration – how to make customer believe you are at the same side of the table? How to make your client advertise you to the others?

10. Stress management: causes of stress, stress type identification, prevention and reducing methods. What is burnout and how to avoid it?

11. Time management: prioritizing, planning and setting routines, resources allocation and delegation of tasks, cutting bad habits regarding work organization, balancing work and private live, time management tools.

12. Decision taking: problem analysis, decision process (gathering information, identifying alternatives, judging tools, determining the best alternative, putting the decision into action, evaluation), decision making methods.

13. Change management: preparation, assessment and change planning, change implementation, post-change evaluation. Change communication, involving people in change process and resistance reduction. Internal and external initiated changes.

14. Innovation: how to integrate organization strategy with innovation. How to implement innovative solutions within company? How to be more innovation-conscious? Risk as a part of innovation.

15. Creative thinking: analytical and intuitive/creative thinking, creative thinking methodology, creativity blocks, bringing out employees creativity.

16. Strategic thinking: building vision for the future, envisaging upcoming options and probable consequences, selecting general courses of action above the day-to-day tasks, in-process strategy evaluation, realistic and having clear milestones strategy.

17. Building and moderating organizations culture. Discovering organizations culture. Types and elements of culture (artefacts, norms and values, basic assumptions). How to change companies culture?

18. Knowledge management basics: identifying useful knowledge sources (employees, experts, business partners, written sources etc.), best practices collection and preservation, information sharing schemes.

19. Personal development: setting own goals, personal drive and effectiveness, improving self-awareness and knowledge (strengths and weaknesses), quality of work and life, life-long learning. How to evaluate own performance and learn from experience?

20. Professional and ethical behaviour. Making the best of the professional skills, technical capabilities, and knowledge. What is professional behaviour? What are ethics and how they affects business?

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