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# Human Resource Development in a Small Company

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The small business sector is often overlooked in human resource development researches, despite representing a large portion of the total economy. Very few studies exist on the subject of human resources development needs analysis in small organisations. Development plans remain mostly unwritten, which can lead to the impression that development is not being implemented or planned and is therefore not valid. This paper presents case study of the existing human resource development system in a small company PAN-JAN d.o.o. The research included 80% of all employees, which is 20 out of 25. The research examined the correlation between the additional education and better business performance, analysis of variance on age and number of courses and discriminant analysis on age, years of service, levels of education and legally required education and training programmes. In discussion are proposed changes or improvements, as well as a human resource development model.

**Keywords:** human resource development, planning, training activities, business performance, small company

## 1 Introduction

Today, human resource development is one of the major key for successful company as well as for employee satisfaction. It is a distinctive function within companies. Without development of knowledge as a unique resource there is no progress. Many researchers are defining employee knowledge as part of human capital (Birashav, Rangnekar and Dalpati, 2010; Longo and Mura, 2011; Destre, Garbona and Sollogoub, 2008,) although human capital also includes skills and abilities of individuals – employee competencies (Hsu, 2008). Kesti (2012) explains that human resource development may contribute better business performance through improved employee competencies.

Brian L. Delahaye (2000) defines four stages of human resource development: investigation, design, implementation and evaluation. Investigation stage identifies the individual development needs. Development needs investigation identify the gap between what is currently happening and what should be occurring. Qin and Mu (2012) claim, that human resource needs are therefore in correlation with employee's work heterogeneity (job positions, job responsibilities, organizational size, organizational nature and industry). Define work heterogeneity is one of the major task of human resource

management and is bottom line of human resource development. Design stage is focusing on content to be learnt and the learner. There are used three variables: the learning strategies, the learning outcomes and the learners. None of them is useful if there is lack of employees' learning motivation. Tsai, Yen, Huang and Huang (2007) claim, that two criterions – the relationship with colleagues and the relationship with the family significantly influenced on employees' learning motivation, which can be increased by cognitive restructuring (Figueira and Duarte, 2011). Third stage, implementation involves three major operations: managing and coordinating the program, utilising micro skills and conducting the learning strategies. Managing and coordinating the program involves to notify all learners of their attendance, arrange the training room, check all equipment, etc. Micro skills include techniques as questioning, responding and constructing appropriate learning objectives. Conducting the learning strategies involve structured and unstructured strategies of the discussion. The last stage, evaluation, is about assessment of learning. DeLuca and Searle (2009) defined evaluation as the partnering of evaluator(s) and members to engage in joint collaborative programme evaluation. Evaluation stage is defining ways of assessing learning. All four stages can be used in large, medium or small companies although most studies are focusing on

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human resource development in large companies (Chen and Huang, 2009; Žnidaršič and Jereb, 2011; Kelemina, 2009), but just few of them about human resource development in small companies.

The organisational structure for a small business is often adapted to competencies and interests of key individuals. It is structurally less complex, easier to coordinate and monitor, with one person performing multiple functions. Small systems with few employees very rarely need a human resource clerk, for the manager carries out multiple tasks, including human resource recruitment (Uyar and Deniz, 2012). It can be said that small organisations undertake development activities in response to needs and specific situations, as well as based on personal observations and opinions of managers or even employees, while the development that is the result of the organisation's strategy is more characteristic of larger organisations. Human resource development is linked to the owner and can also be influenced by family (Kopriva and Bernik, 2009) and colleagues. The owner, who is also the manager, often identifies with the organisation. This person is expected to simultaneously perform the tasks of an executive director, human resource and financial manager, marketing manager, salesman and accountant.

The actual form and content of education programmes in small businesses can be expected to be less general, more goal-oriented and with a high practical value. As stated by Merkač Skok (2005), small organisations typically implement legally required educational programmes (health and safety at work). Due to the small number of employees, small organisations mostly participate in externally run education programmes, for the internal education would not prove justifiable.

## 2 Methodology

The empirical part of this paper is based on a research employing a questionnaire. The first set of questions in the questionnaire was designed to provide general information on the respondents: gender, age, years of service, level of professional education, participation in vocational education and training in the years 2009 and 2010. In the second part of the questionnaire, consisting of 16 statements and 2 questions, the respondents were asked to express their opinions. The statements have been grouped into the following three topics: education and training, work performance evaluation, rewards and promotion.

Respondents completed the questionnaire by specifying their level of agreement with the given statements, using the five-level Likert scale ranging from 1 for »I strongly disagree« to 5 for »I strongly agree«. The acquired data was analysed and presented in the form of graphs and tables using MS Office Excel 2003. Hypotheses testing was performed with SPSS.

Through the research, we tested following hypothesis:

**H1:** Employees believe that additional education and training activities have a positive correlation to better business performance.

**H2:** Older employees with more years of service attend more courses as younger employees with fewer years of service.

**H3:** Older workers with more years of service and higher levels of education are more inclined to believe that the organisation mostly implements legally required education and training programmes than younger workers with fewer years of service and lower levels of education.

Participating in the research were 20 currently present employees in production and trading company PAN-JAN d.o.o. PAN-JAN d.o.o. is a car dealership for ŠKODA, KIA and SUZUKI. They also sell used cars and conduct vehicle roadworthiness tests. At the time of writing, the organisation also runs a petrol station, a car wash and a restaurant-bar as part of the petrol station. 20 questionnaires were distributed and all of them were returned and completed correctly, providing a 100% response rate. The research included 80% of all employees (20 out of 25 employees). Because of the small sample, the research results cannot be generalized to other small companies.

In the research thirteen (65%) of the respondents are male and seven (35%) are female. The respondents' profile by age is as follows: there are no employees under 20 years of age, 25% aged 21-30, 55% aged 31-40, 10 % aged 41-50, and 10% over 51. Representing the biggest group, 6 respondents, are employees with 15-19 years of service. 5 respondents have 10-14 years of service. There are 3 respondents with 5-9 years of service and 3 with 30 years and more. 2 respondents have 20-24 years of service.

The educational attainment profile of the respondents is as follows: the highest number of respondents (6) have completed secondary vocational training, followed by those who have completed general and technical secondary education or higher education, with 5 respondents each. 2 respondents have completed higher professional education.

## 3 Results

Data on internal education or training activities in the years 2009 and 2010 show that in 2009, 9 respondents did not participate in internal education or training. The same 9 respondents also failed to participate in education and training in 2010. Overall, between years 2009 and 2010, there was a slight increase in participation in internal education.

Data on the constancy of external education or training in the years 2009 and 2010 reveal that the company is providing further education. If in 2009 employees did not participate in education or training programmes, they compensated for that in the following year. The respondents' opinions on education and training provided by the organisation have also been analysed. The statement 'Additional education and training result in better task performance' holds the highest mean value (4.45 on scale 1 to 5). Also obtaining a high mean value (4.25) was the statement 'Effectiveness of education and training is reflected in better company performance'. Respondents gave the lowest rating (mean value 3) to the statement 'I am sufficiently qualified for the work I perform and do not need additional training'. It can be concluded that the respondents

believe that education and training activities are needed and reasonable.

The questionnaire also contained two open-ended questions. The first question was: What additional education and training would you wish to receive? Only 6 respondents expressed a wish for additional education and training. Respondents would wish to further their education and training in the following fields: foreign languages, management, marketing, employee relations, insurance, computer skills, and new technologies.

The second open-ended question in the opinion section of the questionnaire was: Should the employer make any changes with regard to education? 9 respondents stated their opinion. The necessary changes regarding additional education provided by the employer suggested by the respondents are mostly the amount of education activities and the participation of all workers in education activities.

Next is the analysis of the respondents' opinion on work performance evaluation in the organisation. The respondents believe that they 'Know the goals and standards relevant to their position', with the mean value of 4.2. They also agree with the item 'I am familiar with what is expected of me'. The mean value is 4.15. The results show that the respondents believe they are well acquainted with their work scope and with what is expected of them. They believe in the efficient evaluation of their superiors to a slightly lesser extent.

Lastly, promotion and reward systems in the organisation have been analysed. The respondents show a lack of satisfaction with advancement opportunities, for the statement 'The company offers many promotion opportunities' obtained the mean value of 2.85. They believe that, with promotion, the required level of education (mean value 3.3) has a slight advantage over practical experience (mean value 3.15). The highest mean value in this set of questions was obtained by the statement 'I prefer financial rewards to non-financial' (4.1). It can be concluded that the respondents are not overly satisfied with rewards and promotion opportunities offered by the organisation. The organisation's size can be seen as an obstacle to promotion opportunities, with each employee occupying a specific position. Promotion is only possible if a vacancy is created. However, in such a small family business, positions are already very systematically filled.

### 3.1 Hypotheses testing

**Hypothesis 1:** Employees believe that additional education and training activities have a positive correlation to better business performance.

Education and training activities have been analysed using the Pearson correlation, which is correlation coefficient ( $r$ ) between the opinion that additional education and training result in better task performance and that the effectiveness of education and training is reflected in the increased business performance is  $r=0.632$ . The level of statistical significance (sig.) 0.003 is significantly lower than 0.05, which suggests that the correlation is statistically relevant. The employees believe there is a correlation between additional education and training and better business performance. It can be con-

cluded that additional education and training correlate with the organisation's performance and H1 is confirmed.

**Hypothesis 2:** Older employees with more years of service attend more courses as younger employees with fewer years of service.

Table 1: Analysis of variance results for total number of education activities in relation to age and combined years of service

Total number of education activities					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	34.267	5	6.853	1.487	.256
Within Groups	64.533	14	4.610		
<b>Total</b>	<b>98.800</b>	<b>19</b>			

Table 2: Analysis of variance results for total number of education activities in relation to age and total years of service

Total number of education activities					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	12.555	3	4.185	.776	.524
Within Groups	86.245	16	5.390		
<b>Total</b>	<b>98.800</b>	<b>19</b>			

Analysis of variance has been performed – a research on the total number of education and training activities in correlation with age and years of service, as shown in Tables 1 and 2. The value yielded by the ANOVA test is greater than 0.05, meaning there are no statistically significant differences between groups differing in years of service and age. It can be concluded that older employees with more years of service attend more courses than younger employees with fewer years of service and H2 is confirmed.

**Hypothesis 3:** Older workers with more years of service and higher levels of education are more inclined to believe that the organisation mostly implements legally required education and training programmes than younger workers with fewer years of service and lower levels of education.

**Discriminant analysis** has been performed, as shown in Table 3. The analysis included the first set of questions, providing employees' opinions on quality and effect of education and training.

When interpreting the results, we must take into consideration that:

1. the first group consists of younger workers with fewer years of service and a lower level of education,
2. the second group consists of older workers with more years of service and a higher level of education.

As shown in Table 3, a positive coefficient indicates a higher level of agreement among the second group, while a negative coefficient indicates a higher level of agreement in the first group.

Table 3: Employees' opinion on the effect and quality of education and training

Standardized Canonical Discriminant Function Coefficients	Function
	1
My wishes are being considered in education and training plans.	-.242
Additional education and training result in better task performance.	1.788
The effectiveness of education and training is reflected in better company performance.	-1.197
I am sufficiently qualified for the work I perform and do not need additional training.	1.066
The company provides sufficient education and training.	-.431
The company mostly implements legally required education and training.	.180

A positive coefficient of 0.180 regarding the statement that the organisation mostly implements legally required education and training programmes indicates that older workers with more years of service and higher levels of education agree with that statement to a greater degree than younger workers with fewer years of service and lower levels of education. We concluded that, compared to the younger workers with fewer years of service and lower levels of education, older workers with more years of service and a higher level of education believe that the organisation mostly implements legally required education and training and H3 is confirmed.

### 4 Discussion

Human resource development model, as shown by Figure 1, is adapted to the needs of PAN-JAN d.o.o.. Implementing the model would help the company predict future personnel needs, manage the existing personnel and improve employee satisfaction. The model is adapted to small family businesses, where certain human resource processes are not being implemented.

The objective of human resource planning is to provide the company with the required number of suitably qualified people within a given time. A human resource needs plan is developed taking into consideration the planned number

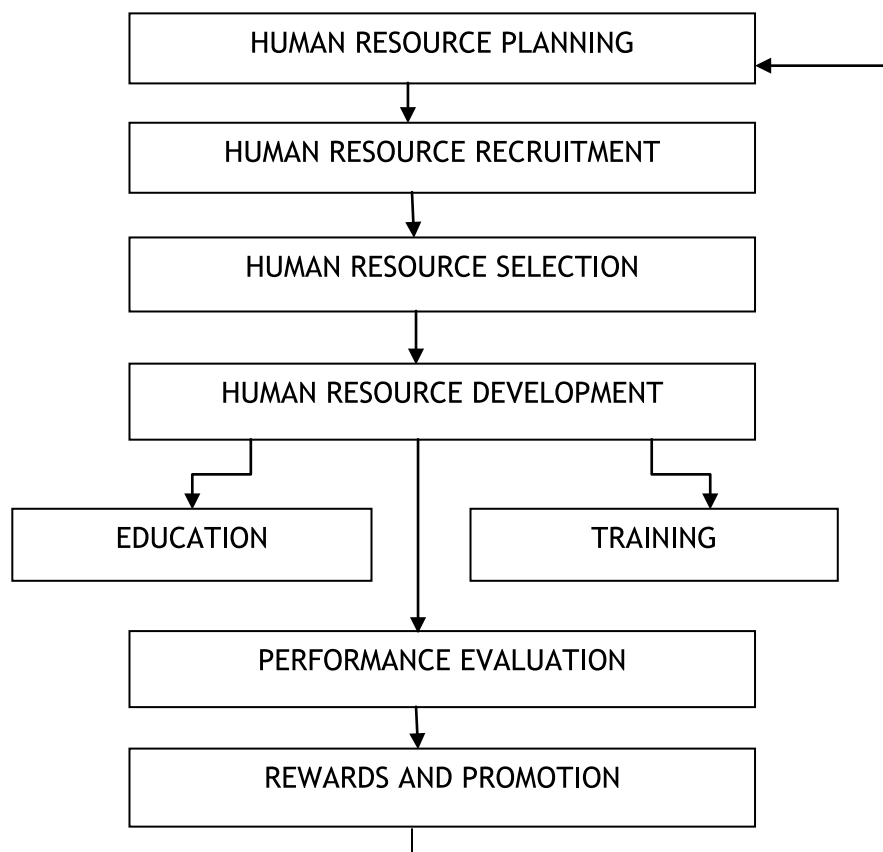


Figure 1: Human resource development model for PAN-JAN d.o.o.

of employees the company wishes to recruit and the human resource supply in the labour market. Managers must decide which vacant positions must be filled, plan tasks and assignments for this position and determine the qualifications of the employees that would be suitable for the job. If the supply of qualified human resources is not sufficient, the organisation must turn to external sources for human resource acquisition.

Human resource selection is a two-way process of selecting a candidate that best meets position requirements. The company is looking for a worker that possesses all the necessary, as much of the desired and none of the undesired qualities. All unsuitable candidates are sent a note by the company and are no longer considered. Suitable candidates are invited for an interview. The organisation must make sure that the chosen candidate still seeks employment. The candidate must then undergo a medical examination and, having acquired a medical report, may enter into an employment contract with the organisation.

In addition to education and training, human resource development also encompasses the development of employee competencies, motivation, stimulation, counselling, development of employee potential and advantages, mentoring programmes to help employees perform their tasks, etc. Within an organisation, further education and training for all employees is of utmost importance.

An organisation undertakes employee performance evaluation in order to achieve better performance and efficiency as well as to improve and test new work processes. In this article we propose monthly employee performance appraisals, with a more in-depth evaluation carried out once a year. Performance evaluation criteria may include: workload, quality of work, attitude to work, co-workers and clients, creativity, problem solving and the achievement of results.

Performance must be evaluated and also justly rewarded. Rewards can be financial or non-financial and must take into account the individual's interests. Promotion is a long-term aspect of rewarding performance. Promotion can be vertical, diagonal or horizontal. In a small organisation, each position is strategically filled, which can present an obstacle to career advancement. In case of promotion, human resource planning needs to be re-designed and the process continued.

Questionnaire data analysis in this case study indicates that employees, given their small number, participate in education and training activities to the greatest extent possible. Employee performance represents a company's capital, which is why it is important to ensure its continuous improvement. Based on the findings, we suggest that the company collects data on the employees' performance through special interviews between the manager and other employees, in order to jointly evaluate past events and determine what should change in the future. The system would include the analysis of achievements during a specific period and a comparison to planned goals for that period, new ideas and paths to goal realisation and a programme for improving the work process and for making better use of working time. Employee activity would be monitored monthly, using specific evaluation techniques, with a more in-depth evaluation carried out once a year. The company must invest in the development of its employees as

well as human resource management. Promotion opportunities are mostly hindered by the small size of the organisation, with each employee occupying a specific position. Promotion is only possible when a vacancy is created. However, in such a small family business, positions are already very carefully planned. Employees mostly expect financial rewards. The company should introduce more communication tools for better communication between the management and employees. In this paper, we recommend periodic meetings several times a year, themed meetings, surveys, ideas exchange ... Regular annual interviews are becoming increasingly popular, but this methodology may prove too extensive and demanding for a small family business such as PAN-JAN d.o.o..

Research on human resource development in PAN-JAN d.o.o. and the specific elements of human resource development indicates that the company provides education and training, but does not enable further employee development. The workers are not satisfied with the performance evaluation. They believe it is not being carried out, for they rarely receive additional financial rewards for their work. The results also show that the employees are not satisfied with the opportunities for advancement, which is expected in such small company. Human resource development in selected company is therefore different from a human resource development in larger companies. That does not mean that such small companies must not try to improve their human resource processes, although there are not many opportunities for workplace advancement. In small companies, and according to our research results, one of the major parts of human resource development is participate in education and training activities. It leads to personal and professional development of human resources. The activities should be evaluated and results rewarded. This is important particularly in small companies, where the motivation for education and training is one of the most important human resource processes.

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