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# Management of Human Resource in Small and Medium-Sized Enterprises: Case Study

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Additional information is available at the end of the chapter

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## Abstract

Strategic management is a current direction of management types. It is applied in all types of businesses, including small and medium-sized enterprises. However, the use of its principles is limited in SMEs. The limits are caused by the size of these enterprises related to greater focus on operational management. For SMEs, cumulating of functions is also typical; oral communication is more common than written, etc. Despite those limitations, implementation of strategic principles in the management of SMEs is able to increase their competitiveness, reduce costs, improve decision-making, facilitate the introduction of employee motivation, shorten delivery times, provide better customer care, etc. The paper discusses whether and to what extent SMEs implement the principles of strategic management and whether its use is effective. The basic principle of strategic management is the formulation and selection of a strategy. Most of the SMEs in the sample formulated a strategy. However, a written strategy was designed mostly by enterprises with more than 25 employees; enterprises with fewer employees designed a written strategy only exceptionally. Classified by the type of activity, a strategy is seen less frequently in wood-work enterprises. On the other hand, enterprises operating in trade and services, including transport, designed a strategy, or even a written strategy, the most often. Quality and stabilisation were the most monitored characteristics, regardless of the number of employees or business type. Profit was the least monitored strategy in the sample. Positive effects after the introduction of strategic management principles were rated as significant by 27% of the subjects analysed and by 36% as moderate, and 38% of enterprises had no positive effects. The most striking positive effect, after the introduction of strategic management principles, was achieved by 44% in decision-making and costs. The smallest number of enterprises, only 8%, had a positive effect of the introduction of strategic management principles in the area of internal communication. The results show that the introduction of strategic management has a positive impact on small and medium enterprises, and it is highly desirable that its principles were introduced into these entities.

**Keywords:** management, enterprise, SME, strategy, stability, development, profit

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## 1. Introduction

Development of small and medium-sized enterprises reduces unemployment rates. This group of companies more quickly and more readily responds to demand changes [1]. Disadvantages in comparison to large enterprises are represented by situations when insufficient use of capacities leads to increased manufacturing costs, which may be seen as a barrier to further development including management development [2] or, in extreme cases, as the cause of the company wind up. Another disadvantage is represented by prevailing orientation of small and medium-sized enterprises to local markets and limited ability to enter international markets. Another frequent problem is represented by insufficient funds for research, development, orientation and further education of employees and the facilitators and barriers to workplace learning [3].

As asserted by Srpová [4], SME management has a number of specifics. In a small company with a low staff and managerial staff numbers, many functions are cumulated in a few employees. Small enterprises are also characterised by prevalence of oral overwritten internal communication [5].

SMEs target at effective governance leading to competitive edge. For an enterprise to successfully stand up to its challenges, compliance between company goals and human resource management is desirable [6]. In a hierarchically managed company, people mainly do what they are evaluated by. That is why performance indicator setting is so important as a measurable target in compliance with corporate strategic objectives [7]. Achievement of strategic objectives is conditioned by the ability of company managers to choose the right direction of investment in human resources and assess return of such an investment on the basis of cost analysis, gains and expected risks like in other areas of corporate governance [8].

Today, quality of their human capital is one of the key factors of success for more and more SMEs [9]. In the past human work could be assessed by methods exactly specifying individual performance or operations, such as work standardisation [10]. At present the demand for human work and its quality is much higher, and in addition human capital quality is understood in a much broader context [11]. With the increasing proportion of services in economy, the work is more and more often based on mental abilities and skills of the worker which cannot be measured and assessed with indicators like standard quantity and quality [12]. Therefore the benchmarks today must correspond to the current requirements for human resource management and evaluation [13].

The area of human resource management includes all activities focused on increase of professional competences of employees, their lifelong education, high-standard internal communications within the company, harmonisation of professional and private life and implementation of tools against all kinds of discrimination [10]. This also includes an active approach of the company to employment of disabled employees, activities against all kinds of social exclusion, etc. Human resource management, like other processes implemented in SMEs, has its specifics making it different from processes applied in large corporations. Bateman [14] states:

- Their markets are usually much more local and compact.
- They operate in many small areas with significant dependence on the local environment. Most employees come from the area as well as most customers.

- They are free to invest in activities directly connected with the local environment and targeting the given local conditions.
- Their planning horizon is shorter, and advantages of investment show early in obtaining of more orders. SME stability then retrospectively strongly affects their commercial success and is beneficial for the local area (taxes, employment, etc.).
- SMEs find it harder to seek ways towards unifying and sharing information.
- Reports on their activities are disseminated with merciless impact.
- Sponsoring is often detached from corporate strategy.
- SME administration is relatively noncomplex, allowing for quicker and not so cost-intensive introduction of changes.

Results of research dealing with processes implemented in SME with an emphasis on the human resource management process have shown that only 37.09% of businesses out of the total research population (188 companies) have a human resource management strategy, with just 5.96% having the strategy in written form. The same research has also shown that the order of preference of individual processes on the part of SMEs (evaluated by managers or manager-authorized respondents) differs from the generally declared statements and knowledge. In the context of relevance of the examined processes, the human resource management area is ranked sixth (in the opinion of managers of the addressed companies).

These point to the fact that human resource management is not yet understood by company managers as one of the key factors of business success, even though authors of theoretical publications [15, 16] and managers in general speak about HR management as a crucial factor. Human capital is accumulated knowledge and skills existing within the company and representing employee capital [17]. Human capital can be measured by employee acquisition and maintenance (employee fluctuation), costs of employee training and development and ability to innovate. Management of human and intellectual capital is more than just attracting and attaining employees. It also means giving the employees a chance to develop as that will increase the corporate knowledge base, both for the individuals and for the company as a whole [18]. Good working conditions and a good reputation help the company to be attractive and maintain and develop its human capital further [19].

Another outcome of the present research is the extent to which the HR management process works in SMEs. **Table 1** shows that according to the company managers' opinion, this process works at 69.09%, which makes it rank fifth among the other corporate processes. So much for HR management as a whole, the following chapters will focus on selected aspects of HR management, in particular:

External communications. External communications in the context of strategic decision-making are highly relevant for increased performance of SMEs and optimisation of their governance. Effective communication link setting is important not only for harmonisation of all work activities but also for encouraging performance, work conduct, employee loyalty and motivation [20].

Types of processes	1—most important 9—least important	Rank of preferences
Production process and services	1.80	1
Business activity and sales	2.25	2
Financial management	3.01	3
Quality management	3.08	4
Marketing	4.41	5
Human resource management	4.48	6
Internal communications	5.28	7
Social responsibility	6.04	8
Communication with the public, media	6.26	9

**Table 1.** Order of preference of individual processes in the opinion of respondents (own survey).

Social responsibility. Corporate social responsibility (CSR) is a policy every company can incorporate in its business activity voluntarily. This is a policy formerly reserved for big companies, but now it is expanding to the SME area as well. Its basic strategy may consider moral and ethical aspects in excess of standard business and managerial activities. This means consideration of sustainable development, environment-friendliness, employee and stakeholder relation fostering and transparent business conduct. In the area of human resource management, this tightly corresponds to employee education and career development, motivation, stabilisation and fluctuation.

Employee motivation and stabilisation. Employment with a SME has its advantages in comparison to being an employee of a big company. These include a personal approach to employees and their motivation. Employee motivation has recently been increasingly supported by more demanding work requiring more time, flexibility and independence. SMEs usually do not offer career development, promotion, or a secured job, which on the other hand worsens the employee relationship to their company. That is why correct employee motivation is a vital part of managerial work. Good employment relationships, involvement of employees in the governance process, acceptance of their proposals for improvement of corporate processes and quality of their work, whether in the form of continuous or radical innovation, may contribute to employee loyalty and stabilisation and reduction of voluntary fluctuations.

## 2. Main focus of the chapter

### 2.1. Evaluation of external communication process functioning in SMEs

The process of external communications in SMEs focuses on communication with suppliers and customers. This chapter, however, deals with the third component of external communication,

i.e. PR or communication with media (for the sake of simplicity, further text uses the summary term external communication for this purpose) and channels used in this type of communication (oral, written and electronic). And last but not least, the authors also asked about the importance of external communications for managers of the studied companies in the South Bohemia region in the course of the years 2013 and 2014.

In the context of this query, the managers were given a chance to evaluate functioning of the external communication process on a scale from 0% (nonexistence of the external communication process) to 100% (faultless functioning of the process). Mean evaluation by SME managers involved in this research reached 52% for the process of external communication. This also supports the fact that SMEs never implement all components of external communication listed in theory, which is an area for improvement within SMEs. In the studied population of respondents, 19% of managers assessed this process as unsatisfactory (0–20%), 12% as below average (21–40%), 22% as average (41–60%) and 47% as satisfactory to excellent (61–100%). More than half of the studied companies assessed their process of external communication as unsatisfactory, below average or average. This result is supported by the fact often mentioned in professional literature that SMEs suffer from lack of resources, both financial and human, with the required level of experience. In this case, the authors are allowed to conclude that SMEs often lack finance and employees with the required qualifications and experience for positive procurement and use of information from the external and the internal environment of the company, by means of project preset formal communication networks. On the other hand, the research results show that about a half of all SMEs (48%) are able to implement external communication from in-house resources on an excellent or at least satisfactory level (Figure 1).

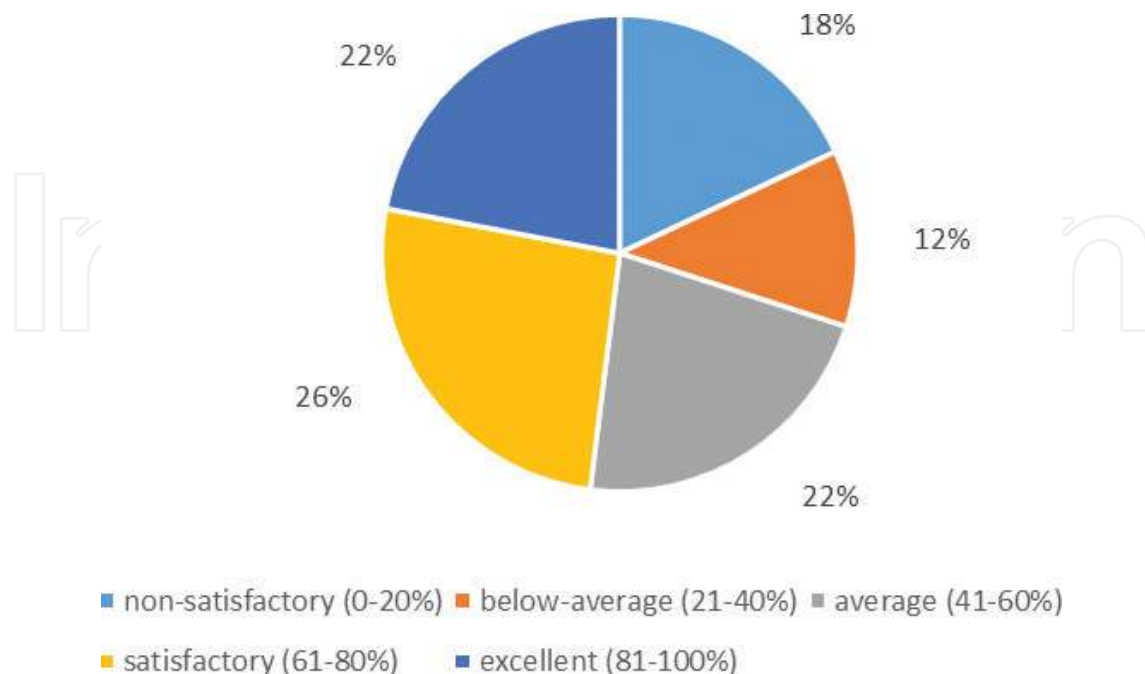


Figure 1. Evaluation of external media communication process in SMEs (own survey).

Classification of the inquired companies by size revealed that managers of small enterprises were least satisfied with their external communication process. The lowest level of satisfaction should in theory be expected from managers of micro-companies with the assumption of the lowest resources for this type of external communication. The results show rather the opposite, as shown by **Table 2** and **Figure 2**, where this process is assessed as excellent by the highest percentage (27%) of micro-company managers and only 19% of managers of medium-sized enterprises, where the size classification was expected to reveal the best prerequisites for existence of all necessary resources for high-standard external communication. Small enterprises assessed this process as excellent in 23% of cases. This process was assessed as unsatisfactory or below average by an identical 30% of managers of micro- and medium-sized enterprises and 31% of managers of small enterprises.

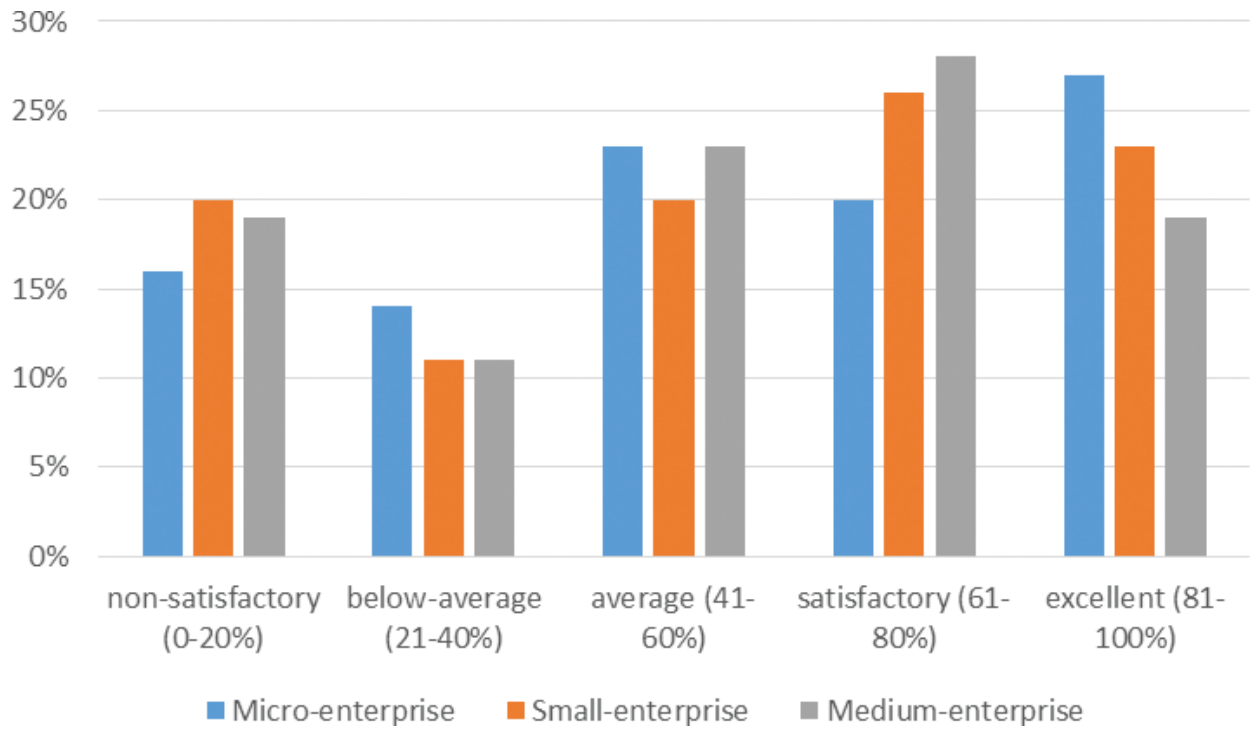
## 2.2. Channels used for external communication of SMEs in the South Bohemia region

External communication takes oral, written as well as electronic form. Taking the process of external communication as a whole, this chapter will show the use of the individual channels for fulfilment of this task. Managers are asked to specify the percentage of the use of the selected channel type (oral, written, electronic) for external communication. These results were further grouped into the below percentage intervals (**Figure 3**).

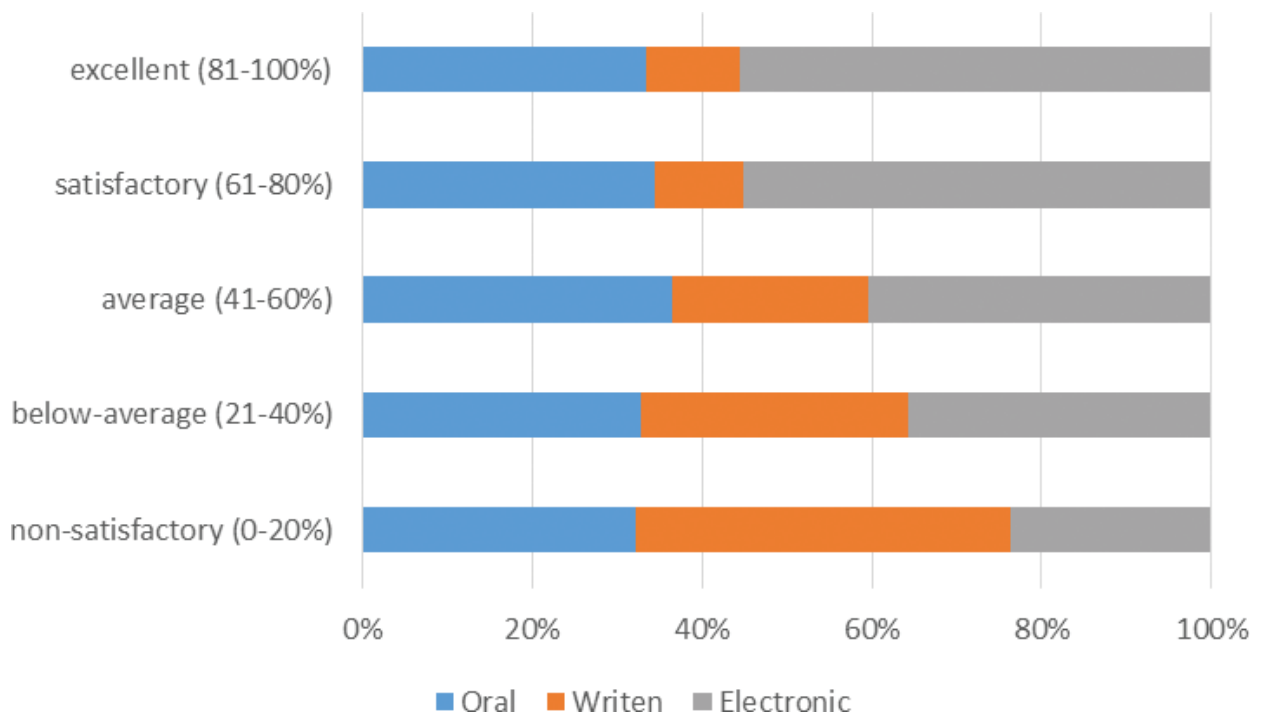
Across the inquired population, the interval of 0–20% usage was reported for written communication, used within this scope by 62% of companies, 45% of companies used oral communication within this interval (0–20% usage) and 33% used electronic communication within this scope. Maximum usage (81–100%) of the individual channels for external communication was only reported by 3% of the inquired companies in the case of oral communication, 5% in the case of electronic communication and 1% in the case of written communication. All available channels were reported to be used for external communication, which is also confirmed by the results

Types of processes	Evaluation of the functioning (%)	Rank
Production process and services	87.99	1
Quality management	81.39	2
Business activity and sales	80.60	3
Financial management	79.07	4
Human resource management	69.09	5
Internal communications	65.25	6
Social responsibility	61.82	7
Marketing	61.32	8
Communication with the public, media	52.18	9

**Table 2.** Evaluation of how individual processes work in the opinion of respondents (own survey).



**Figure 2.** Evaluation of external communication process by enterprise size (own survey).



**Figure 3.** Percentage of the use of individual channels for external communication by small and medium-sized enterprises (own survey).



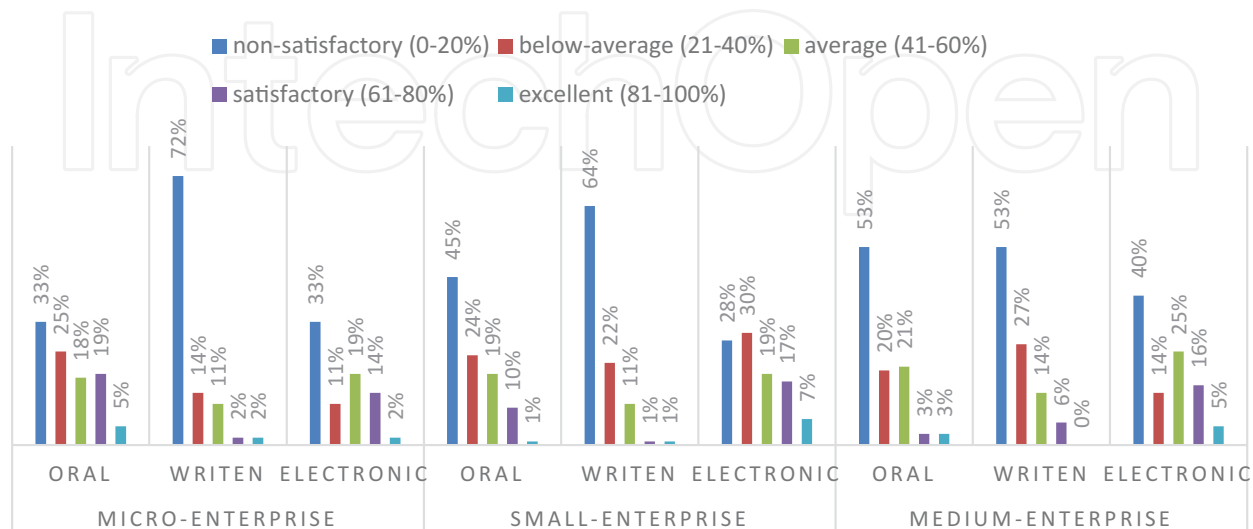
shown in **Figure 4**, with just a small percentage of companies using just one of the channels for their external communication and even here the percentage of usage was between 81 and 100%. An extreme case of usage of just a single communication channel for external communication was not reported by any of the inquired companies. On average for the whole population of respondents, oral communication is used in 36%, written in 26% and electronic in 38%.

In classification of the companies by size, usage of individual channels for external communication showed a similar pattern. All communication channels were reported to be used by the companies mostly within the interval of 0–20%. Just small enterprises mentioned the use of electronic communication within the scope of 21–40% in the largest group of respondents (30%), and 28% of companies reported the interval of 0–20%. This category included one example when none of the inquired medium-sized companies used written communication for its corporate external communications within the scope of 81–100%.

Most companies therefore use all types of communication most often within the scope of 0–20%, but none of these companies mentioned 0 with any communication type.

The above text presents results for the individual SME sizes. The authors focused on a couple of basic questions to characterise the relationship of SMEs to external media communication. Functioning of this process was evaluated by individual company sizes in a very similar manner, with micro-companies evaluating the process functioning with 52%, small companies with 53% and medium-sized companies with 53%.

The individual communication methods are used as follows by the individual SME size groups. Micro-companies use for their external media communication oral communication in 48% of cases, written communication in 18% and electronic communication in 34%. Small companies use oral communication in 37%, written communication in 21% and electronic communication in 42%, and medium-sized companies used oral communication in 38%, written communication in 25% and electronic communication in 37%. Oral communication is mainly used by micro- and medium-sized companies, while small companies mostly use an electronic form of communication.



**Figure 4.** Percentage of the use of individual channels for external communication by small and medium-sized enterprises by company size (own survey).

In terms of a conclusion, SMEs, regardless of their size, mainly use oral and electronic communication, value functioning of external media communication with 47–57%, and rank this process in the relevance hierarchy seventh to eighth of nine, above intracompany information processes and corporate social responsibility. CSR ranks lowest for most SMEs.

There is a big area of improvement for SMEs in the field of external media communication, and for the reason of limited resources, these companies should choose a single technique for every group of external recipients they want to address or inform or even influence with truthful information and use the chosen technique for long term. It is recommended as most beneficial for these companies to join their economic and human resources and experience and proceed jointly in this area according to their connection by one of the logical links (field of activity, geographic region, etc.).

Comparing our results with results of similar inquiries 10 or 15 years ago, a huge step forward can be seen in SMEs in this field. But despite that further improvement of this process by SMEs is still needed, as a way towards increasing their competitive edge on the market.

### **2.3. Corporate social responsibility and small and medium-sized enterprises**

CSR increasingly becomes part of corporate practices of SMEs as a way of sustainable development.

Obstacles to progress, declared by SMEs [14], correspond to obstacles to development of corporate social responsibility. Identification with these activities and their practicing causes concern in SME representatives. The declared obstacles to involvement of SMEs in CSR activities are as follows:

- Increased cost concern
- Lack of time and human resources
- Lack of internal motivation
- Bureaucracy concern
- Lack of knowledge of CSR activities and how to get involved in them and become beneficial to the society

However, the authors of the present essay point out that effective and successful engagement in CSR brings benefit to companies. A company that is ready to invest in CSR will be interested in the effect of its investment in these activities, the effect of the investment on its image, goodwill, perception of its engagement by its customers and employees, reactions of other stakeholders, whether employee loyalty has increased due to it and whether responsible conduct increases sales and number of orders.

Practicing of corporate social responsibility in the area of human resources inside and outside the company shows how this policy manifests itself in the internal and the external dimension:

Social engagement of employees is less visible but not less important. Helping employees develop their skills and increase their motivation may enhance their innovation activity and creative approach to work.

The inquiry in the South Bohemia region further revealed areas of corporate responsibility in which the inquired companies were engaged. The respondents speaking for their companies reported most activities within the corporate social responsibility scope in the areas of donations, voluntary work and sponsorship in 62.70%. Further CSR engagement included minimisation of negative impact on the environment: in 43.32%. 13.20% of companies are engaged in super-standard employment policy, and 20.79% report engagement in other further unspecified activities, and 17.16% reported no CSR engagement. The research further revealed that engagement in CSR in the areas of human resources and employment policy was on a low level in SMEs, with percentage of engagement in these activities reaching only up to 13.20% of the companies (**Table 3**).

The question is whether SME managers include all activities in their social and employment policies. ISO 26000 lays down that the organisation should be interested in facilitation of educational courses, vocational training and lifelong education of its employees as these activities substantially contribute to assertion of interests of the organisation as such.

What this means for SMEs [21] is that they are not likely to implement corporate social responsibility policies as their rate of return is slow. Social and environmental responsibility is vital, though, for financial performance in relation to its impact strengthening. Most companies should take introduction of the corporate social responsibility concept as an investment and not as a cost. There is a general assumption that consumers will appreciate responsible conduct and will prefer suppliers behaving responsibly. In reality consumers rather prefer suppliers behaving responsibly in relation to not the society but the consumers alone, though.

## 2.4. Employee stabilisation

This chapter presents results of selected factors affecting employee stabilisation.

A questionnaire inquiry was used to find out whether companies follow the indicator of the number of employees that left your company in 2012, which should be measured to calculate fluctuation rate. Out of the analysed sample, 66.8% respondents answered that they followed this indicator, 26.1% of them did not follow it, and 7.1% did not answer this question. The results within the defined company size categories based on the reported staff numbers are shown in **Table 4**.

Engagement of companies in CSR activities	Engagement of companies (%)
Donations, volunteer work, sponsorship	62.70
Minimisation of environmental impact of business	43.23
Super-standard employment policy	13.20
Other activities	20.79
No CSR activities	17.16

**Table 3.** Engagement of companies in individual CSR activities in per cent (own survey).

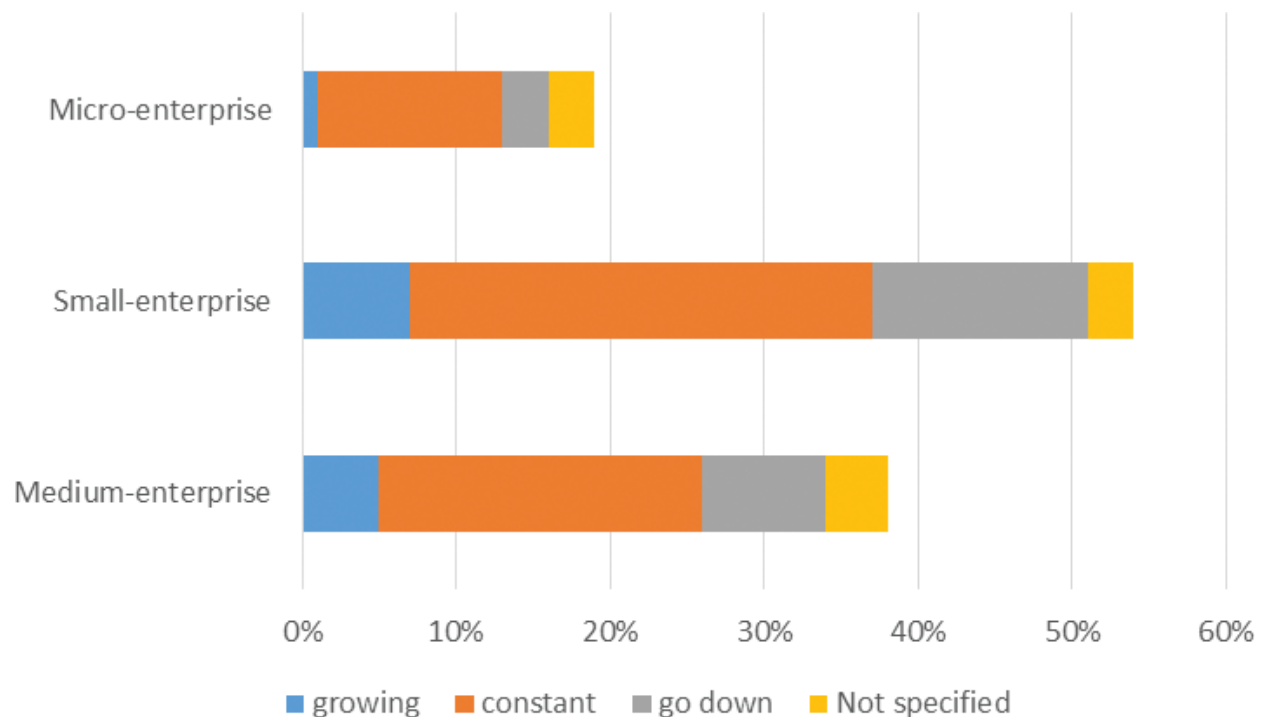
Size of enterprises	Indicator is monitored	Indicator is not monitored	Not specified
Micro-enterprises (%)	43.9	40.3	15.8
Small enterprises (%)	70.5	24.8	4.7
Medium-sized enterprises (%)	75.3	19.1	5.6

**Table 4.** Indicator: number of employees that left your company in 2012 (own survey).

**Table 4** shows that this indicator was most often followed by medium-sized companies (75.3%), followed by small enterprises (70.5%), with micro-companies ranking lowest, with a relatively balanced proportion of answers (while 43.9% of respondents reported that they did monitor this indicator; 40.3% of respondents did not follow it).

In addition to the actual monitoring of the number of employees that left your company in 2012 and its value, further questions concerned the long-term trend of this indicator development and satisfaction with the informative value of this indicator. Although some respondents answered that they did not monitor the number of employees that left your company in 2012, they subsequently specified the actual number, trend or satisfaction with the indicator value. **Figure 5** shows a summary of all answers to the question concerning the long-term trend of development of the indicator of the number of employees that left your company in 2012, given by 70.5% of the analysed companies.

The most frequently reported trend was a constant situation, and this applied to all company size categories based on staff numbers (as for the percentage the constant trend was



**Figure 5.** Long-term trend of the number of employees that left your company in 2012 indicator (own survey).

mentioned in 55.3% of all provided answers regardless of the company size). Another reported trend was decreasing (22.1% of all companies). The growing trend percentage increased with the company size based on staff number, amounting to 3.5% in the case of micro-companies, 11.1% in the case of small enterprises and 15.5% in the case of the medium-sized enterprise category based on staff numbers. Satisfaction with the value of the indicator differed and was connected with the reported long-term trend of the indicator: the value of the number of employees that left your company in 2012 indicator was satisfactory or completely satisfactory in the case of 88.6% of answers who reported constant long-term development of this indicator, while exactly 50% of respondents reporting a growing trend of this indicator were dissatisfied or absolutely dissatisfied with the value of this indicator. **Table 5** shows results reflecting relative frequencies of answers concerning the trend related to the discussed indicator and satisfaction with its value. These results were correlated where the respondents answered both questions.

## 2.5. Fluctuation rate

The fluctuation rate could only be calculated where the respondents filled out both data needed for the fluctuation calculation formula.

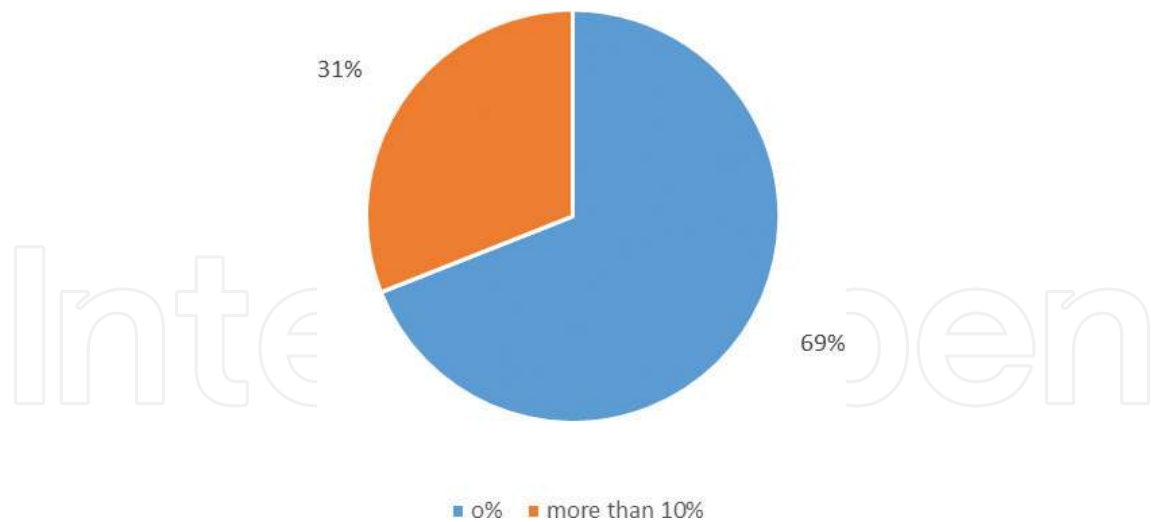
Most companies (39.9%) fell within the interval of fluctuation rate higher than 10%. The second biggest group included companies with calculated zero employee fluctuation (23.0% of the companies). This category was tightly followed by companies with calculated fluctuation rate falling within the defined interval of 5.01–10%, whose percentage was 22.4%.

The companies were then again classified by staff number to micro-companies, small and medium-sized enterprises with the fluctuation rate values again sorted by the predefined intervals. The results of this classification are shown in **Figure 6** (micro-companies), **Figure 7** (small enterprises) and **Figure 8** (medium-sized enterprises).

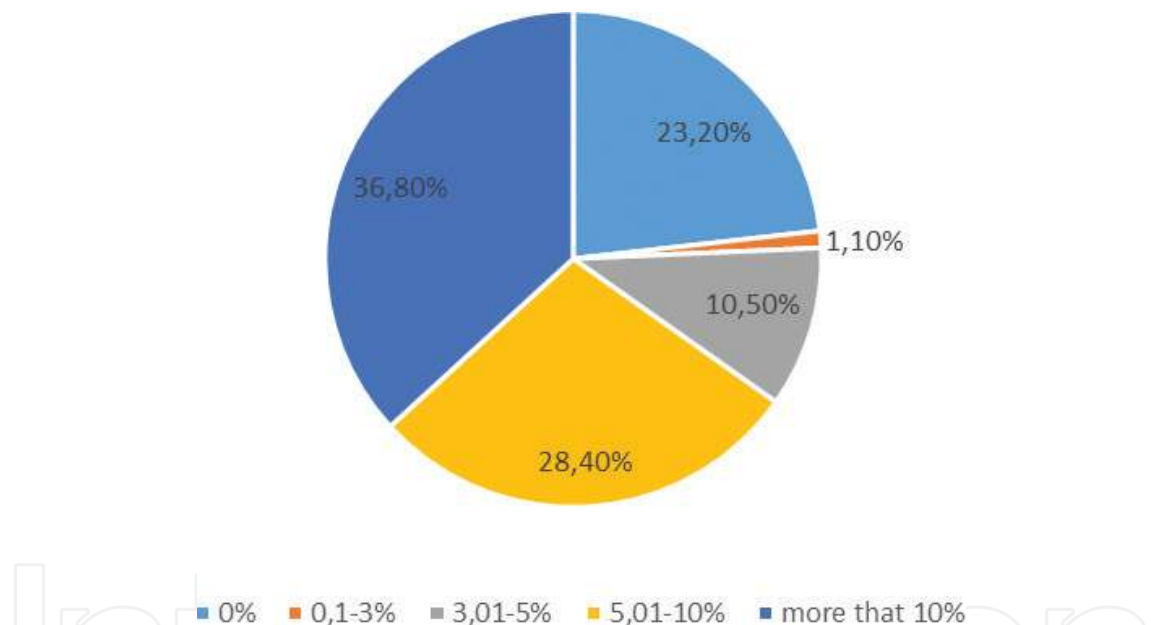
The calculated fluctuation rates in micro-companies based on their reported data only covered the two marginal categories, i.e. the interval with fluctuation rates exceeding 10% (represented by more than two-thirds of all inquired micro-companies) and the interval with zero fluctuation rate (met by nearly one-third of the micro-companies).

Satisfaction indicator	Long-term trend indicator satisfaction (%)		
	Increasing	Constant	Decreasing
Completely satisfied	16.7	26.3	46.7
Satisfied	33.3	62.3	37.8
Dissatisfied	45.8	7.9	13.3
Completely dissatisfied	4.2	0.0	0.0
Unknown	0.0	3.5	2.2

**Table 5.** Satisfaction with indicator value: number of employees that left your company in 2012 indicator and its long-term trend (own survey).



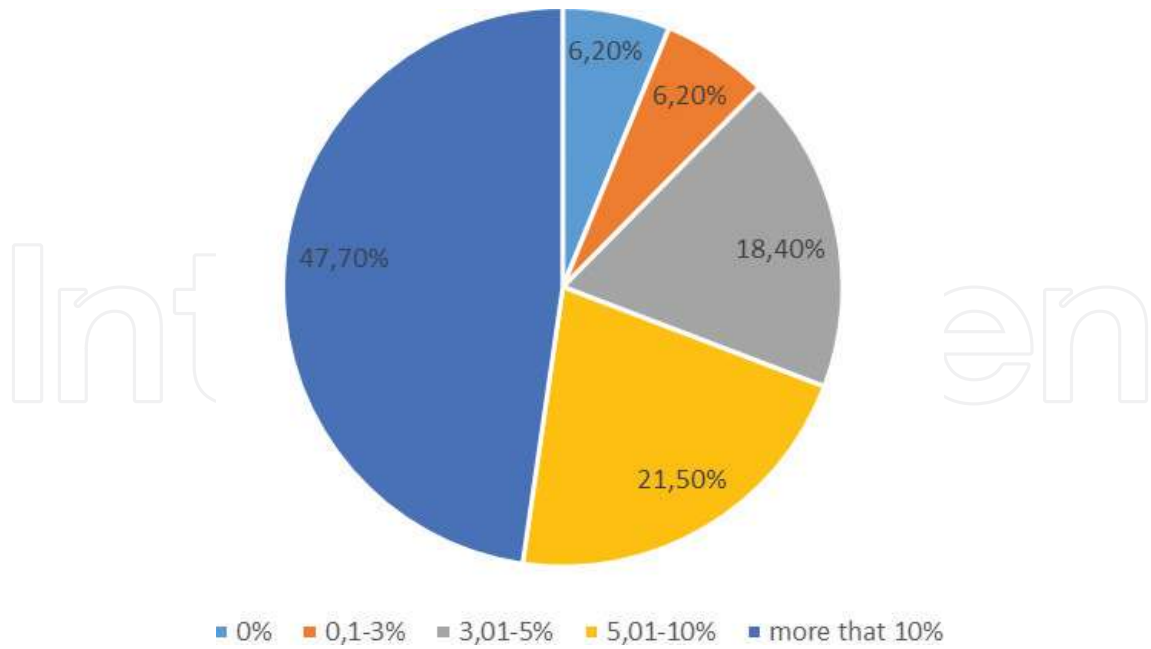
**Figure 6.** Fluctuation rate in micro-companies in classification based on staff number (own survey).



**Figure 7.** Fluctuation rate in small enterprises in classification based on staff number (own survey).

Fluctuation rates in small enterprises showed a different pattern than micro-companies when divided among the defined intervals. The strongest category in the case of small enterprises was again the category with fluctuation rates higher than 10%, but with the actual percentage much lower (36.8%) in comparison to micro-companies. The next ranking category with a similar percentage of represented companies was fluctuation rate range 5.01–10% (reached by 28.4% of the respondent companies), followed by the zero fluctuation category (23.2%).

Fluctuation rate calculation classification in the category of medium-sized enterprises based on staff number again showed the fluctuation rates over 10% as the most frequently represented



**Figure 8.** Fluctuation rate in medium-sized enterprises in classification based on staff number (own survey).

interval, covered by nearly half of all companies of this size (47.7%). The second ranking interval was fluctuation rates between 5.01 and 10% (represented by 21.5% of medium-sized companies), closely followed by companies with calculated fluctuation rates between 3.01 and 5% (18.4% of companies).

The comparison of fluctuation rate intervals in companies classified by size shown in **Table 6** reveals that the number of companies falling within the category of fluctuation rate above 10% increases in direct proportion to the company size defined by staff number (with the lowest percentage in the micro-company category and the highest in the medium-sized enterprise category). The same trend then appears in the fluctuation rate intervals of 0.1–3% and 3.01–5%. The opposite trend can be traced in the category with zero fluctuation (0%), where the number of represented companies decreases as the company size increases (with the highest number of micro-companies and the lowest number of medium-sized enterprises).

The median calculated fluctuation rate in the assessed population of companies was 8.0. The median values were then also calculated for all company size categories.

### 2.6. Employee benefits in SMEs

The benefits most frequently reported by employees of SMEs included “catering”, which in the summary of all results highly out-ranked all other mentioned categories. The “catering” benefit definition included all sorts of contributions to meals at work, including but not limited to the

The size of the enterprise according to the given number of employees				
	Micro-enterprises	Small enterprises	Medium-sized enterprises	All enterprises
Median	0	8.3	9.3	8.0

**Table 6.** Median rates of employee fluctuations in companies (own survey).

“meal vouchers” or company canteens, or all sorts of refreshments provided at workplaces or drink offer. The second ranking benefit was represented by “pension schemes”. Although some respondents mentioned other insurance types (such as life or all-risk insurance) among the provided employee benefits, pension schemes were so much more frequent that we decided to make them a separate category. Respondents further mentioned various types of bonuses which may be said to represent a material (financial) stimulator. Bonuses are generally represented here by the category called “unspecified bonuses”. Other also relatively frequently mentioned benefits included “paid leave” or “sports and culture”. Benefits falling within the “paid leave” category often included extra paid leaves (such as 1 extra week of summer holiday but also longer time periods) or contributions to holiday stays. “Sports and culture” represented a wide spectrum of benefits including various contributions to sports, relaxation or cultural events, free admission tickets to various sports facilities, tickets to cultural events, etc. Another often offered benefit was also connected with telephones. This last benefit concerned provision of a mobile phone for private purposes or contributions to the toll or its full coverage by the employer. “Education” as a category of benefit included various training courses, language courses or team-building events. These benefits were defined as subcategories (“education, other”; “Education, languages”; and “education, team building”) and were left separate. There is one more frequently mentioned benefit category, and that is represented by “discounts”, including discounted sales of in-house goods produced or services provided by the company to its employees or various other types of discounts. The “performance award” category mentioned by the respondents included various financial rewards for work done, completed projects, plan fulfilment, etc. as well as contributions for “zero sickness leave” or various performance bonuses. The “Christmas” category then represented a wide range of different benefits related in one way or another to the holiday (season): such as financial bonuses as Christmas presents, provisions of various Christmas vouchers as well as material Christmas gifts. Some respondents also mentioned jubilee benefits: such as financial vouchers or gift packs (Table 7).

Ranking	Micro-enterprises	Small enterprises	Medium-sized enterprises
1.	Catering	Catering	Catering
2.	Discounts	Pension schemes	Pension schemes
3.	Unspecified bonuses	Unspecified bonuses	Vacation
4.	Telephone use	Sports and culture	Unspecified bonuses
5.	Sports and culture	Telephone use	Education
6.	Pension schemes	Christmas contributions	Sports and culture
7.	Christmas contributions	Vacation	Bonus at anniversary
8.	Clothing	Automobile use	Insurance
9.	Vacation	Performance rewards	Performance rewards
10.	Performance rewards	Education	Telephone use
11.	Automobile use	Discounts	Discounts
12.	Insurance	Enterprise products	Automobile use

**Table 7.** Employee benefits in SME, in order of frequency (own survey).



The comparison allows for the conclusion that there were differences in the provided benefit structure among companies of different size categories, with the exception of “catering”, which was the most frequently provided benefit in all three size categories. The pension scheme category ranked second in frequency in small and medium-sized enterprises based on staff numbers, while micro-companies mentioned this benefit as sixth ranking in the order of frequency. Employee benefits related to summer holiday were accentuated in medium-sized companies and decreasing staff number correlated to decreasing frequency of mentioning this benefit. Discounts in the discussion about employee benefits were most relevant for micro-companies where the discounts category ranked second while small and medium-sized enterprises based on staff numbers ranked this discount category as low as 11th as concerns frequency of its mentioning.

### 3. Solution and recommendations

The theme of human resource management in small and medium-sized enterprises is relatively complex. This is confirmed both by theories and by conclusions drawn on the basis of the present inquiry. The present publication maps selected aspects of human resource management in SMEs. The submitted conclusions and recommendations may contribute to improvement of human resource management quality in SMEs and subsequently to increase of their competitiveness.

There is a big area of improvement for SMEs in the field of external media communication, and for the reason of limited resources, these companies should choose a single technique for every group of external recipients they want to address or inform or even influence with truthful information and use the chosen technique for long term. It is recommended as most beneficial for these companies to join their economic and human resources and experience and proceed jointly in this area according to their connection by one of the logical links (field of activity, geographic region, etc.).

Involvement of corporate social responsibility in the business strategies and in this context development of strategies of human potential management and employee management becomes inevitable considering global development factors. Every company must watch not only its financial health and regulatory obligations but also wider social and economic relations. Every company should behave responsibly, whatever its field of business, inland or international domicile or size of a small, medium or large company. There is a legitimate effort to teach organisations to respect unwritten standards, whether in the form of codes of conduct or the ever more widespread “social marks”. Companies and organisations should increase their involvement in and identification with the philosophy of CSR, integrate CSR in their strategies and also actually apply it. They should declare their activities within the framework of CSR and their CSR policy.

Open dialogue of SMEs with interest groups and mainly with employees may help companies better control trends and expectations. Open dialogue helps businesses to notice opportunities by means of better understanding of expectations of the society and risk minimisation by assuring good relationships with their employees and the society in which they operate.

For a company to be able to see the advantages brought to it by CSR, its corporate social responsibility must be trusted. Its uniqueness is one of the prerequisites of its trustworthiness: the general public is attracted by an individual approach to CSR, by its difference from others; authenticity, the company management as well as employees is convinced about correctness of CSR; by its transparency, willingness of the company to provide information about itself and allow for independent assessment; and by its consistency, consistent observance of CSR principles.

The policy of education of company employees develops qualified, educated and skilled employees needed for satisfaction of present and future needs of the organisation. To achieve this it is necessary that the employees are ready and willing to be educated, understand what they need to know and do and are prepared to take up responsibility for their qualification increase by making the active use of existing education resources including assistance of their superiors. For these reasons education gains importance in companies that understand the huge value of human resources they possess. If a company is to maintain its competitiveness, it must be able to flexibly adapt to the changing conditions. An important remark in this context is that people should be aware that the area of education and development does not only include education of individuals or groups alone but also motivation of individual or groups for education, i.e. employees themselves must be prepared and willing to get educated in areas where they sense their shortcomings [22].

Small and medium-sized enterprises are considered the backbone of the national economy. In addition to employment and social cohesion, innovation as a process of continuous development is often mentioned in connection with the contribution of SMEs to the national economy. The purpose of innovation is assurance of development, competitiveness and process and manufacturing effectiveness. In practice there is a connection between research and education (or the system of education), both contributing to development of the knowledge of society [23, 24]. Knowledgeable society is able to innovate or continuously improve its procedures, which is necessary for its future.

#### **4. Future research directions**

Further research should focus on other regions of the Czech Republic, or comparable European regions, and find out differences in approaches to human resource management in SMEs.

#### **5. Conclusion**

Utilisation of human resource management principles in small and medium-sized enterprises has its limitations. This is mainly caused by the size of these enterprises and the related increased focus on assurance of their very existence. There is also the accumulation of functions in SMEs, with prevalence of informal management, preference of oral communication to written, etc.

The present publication introduces results of a research aimed at specification of factors and tools that might support decision-making of managers in the area of human resource management in small and medium-sized enterprises.

This chapter describes the current status in selected areas of human resource management focusing on the soft factors.

The main conclusions of this chapter include:

While most of the analysed SMEs do not develop strategies for human resource management at all (62%), 32% do create these strategies, and 18% even prepare them in writing. Written human resource management strategies were mainly reported by small and medium-sized companies.

The analysed small and medium-sized companies considered as their strong points internal communication, employee education and development and remuneration.

As for problem areas in human resource management in SMEs, about 20% of the respondents mentioned employee recruitment, 16% mentioned communication and some respondents also mentioned qualifications, expertise and employee development.

In the opinion of the respondents, the most important process out of the selected corporate processes included product manufacture and service provision, with 134 companies allocating the top rank to this process in the importance ranking, 96 companies ranking sales and trade first, 19 respondents mentioned quality management, 16 respondents considered as most important finance management, 15 respondents mentioned marketing, 9 human resource management, 7 corporate social responsibility and 4 companies placed in-house information systems at the top of the importance ranking.

Key human resource management areas whose monitoring was most emphasised by small and medium-sized companies were productivity of work and an effective recruitment process.

The process of communication (internal as well as external) was assessed by managers of the analysed SMEs in the South Bohemia region as less important and more poorly functioning at the same time.

Small and medium-sized companies of the studied sample, regardless of their size or orientation, mostly reported the use of oral and electronic communication.

The analysed SMEs valued functioning of external media communication with 47 to 57% and ranked this process in the relevance hierarchy seventh to eighth of nine, above intra-company information processes and corporate social responsibility. CSR ranks lowest for most SMEs.

Most representatives of the analysed small and medium-sized enterprises gave preference to cohesion (small power detachment) to respect (large power detachment), team spirit (collectivism) to individual liabilities (individualism) and investment (long-term benefit) to immediate profit (short-term benefit).

## Key terms and definitions

**Fluctuation:** Employee turnover in the company or organisation. Fluctuation rate is expressed in per cent as the ratio of terminated employment contracts to the mean staff number per unit of time.

**External communications:** By means of external communication, the institution influences its clients and assures information flows to wide surroundings of the organisation.

**Motivation:** Internal or external factor or group of factors leading to energising the organism. Motivation directs our conduct towards achievement of a certain goal.

**Social responsibility:** A policy every company can incorporate in its business activity voluntarily.

**Small and medium-sized enterprises:** A business is a small or medium-sized enterprise (SME) if: (a) its staff number is up to 250 employees; (b) its assets do not exceed the crown equivalent of € 43 million, or its turnover/income does not exceed the crown equivalent of € 50 million.

**Employee benefits:** Benefits provided by the employer to its employees in addition to wages.

**Electronic communications:** Communication between users of the Internet and other modern communication means (cell phones, pagers, etc.). There are two forms of e-communication: synchronous and asynchronous.

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