

BARRIERS TO EMPLOYEE DEVELOPMENT IN SMALL ENTERPRISES IN POLAND AND FINLAND – A COMPARATIVE STUDY

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Abstract: The purpose of the study is to identify barriers to employee development in small enterprises. The findings suggest that both Poland and Finland face similar difficulties in employee development, as confirmed by results of other studies published in professional literature. Of the most important barriers to employee development reported, high cost of development and time constraints are represented in similar proportion. It may be interesting to note that, for Polish entrepreneurs, the most important barrier to employee development is the employee as such. They often subscribe to the view that employees are reluctant to change or lack the potential or skills for effective development. Some respondents also emphasise their concern for unethical behaviour on the part of employees.

Keywords: employee development, barriers to employee development, small enterprise, Poland, Finland.

1 Introduction

Human resource development is a topic of importance, both for employees¹ and for the enterprise as a whole (according to Dalziel, there is a positive correlation between the available training alternatives and employee retention in the SME sector²).

Employee development has been an area of extensive research for many years, but the main focus has been placed on the study of large enterprises. Many researchers insist that small and medium enterprises offer no employee development activities whatsoever. Regardless of the validity of the above statement, the SME segment remains under-represented in research, thus opening up new prospects for valuable analyses. It seems that the most interesting aspect of the SME approach to employee development is the identification and the study of those factors that pose the most important barriers to employee development in this segment.

This paper presents an attempt at identifying typical barriers to employee development in small enterprises, based on in-depth literature studies and empirical research. The author presents the results of empirical research conducted in Poland (2013) and Finland (2015), using questionnaire surveys addressed to employers (211 survey forms in Poland, Lower Silesia region, and 154 in Finland) operating in the SME sector (between 1-49 employees). Finland was selected for comparison as one of the leaders of innovation, and the author expected to identify some of the best practices in the area of employee development, to be used as benchmarks by Polish enterprises willing to follow them.

It must be noted that the research sample cannot be considered representative, and, as such, offers no potential for generalisation. However, the author took care to ensure a comparable representation of the most important factors, such as the number of employees, company age, the size (population) of the company home town (HQ), and the dominant line of business. Basic characteristics of companies included in the research sample are presented in Table 1. It may be interesting to note that the marked majority of small companies in Poland were relatively young, with only a few reporting more than 30 years of operation history. This finding was in strong contrast to results obtained from Finnish companies, where long-established enterprises (upwards of 30 years of operation) constituted as much as 12.9% of the sample.

Table 1 Basic characteristics of companies included in the research sample.

(a) Number of Employees	Poland	Finland
1-9	49,3%	57,8%
10-19	22,8%	17,5%
20-29	9,0%	7,1%
30-39	7,6%	4,5%
40-49	11,4%	7,1%
No data	0%	5,8%
Total	100%	100%
(b) Company age	Poland	Finland
up to 10 years	61,6%	35,1%
11 do 20	26,5%	29,2%
21-30	10,0%	16,2%
31-40	0%	4,5%
41-50	0%	4,5%
Over 50 years	0%	3,9%
No data	1,9%	6,5%
Total	100%	100%
(c) Local population (city, town or place of registered offices)	Poland	Finland
Rural (with population up to 10 thousand)	8,5%	29,9%
Small town (10 - 50 thousand)	50,2%	31,2%
Town (50 - 250 thousand)	4,3%	22,1%
City (over 250 thousand)	34,6%	11,0%
No data	2,4%	5,8%
Total	100%	100%
(d) Dominant line of business	Poland	Finland
Trade	31,3%	16,2%
Production	16,1%	16,2%
Services	52,6%	54,5%
Other	0%	13,0%
Total	100%	100%

Source: own study based on empirical findings.

Employee development, for our purposes, should be interpreted as a configuration of intentional activities designed to develop knowledge, skills, values, attitudes, motivations and abilities of employees as well their physical and psychological condition, with the objective of improving human resource productivity, effectiveness and market value³.

2 Barriers to development of employees in small enterprises⁴, in the light of literature studies

The SME sector represent a distinct environment for employee development, since barriers to employee improvement in small companies are a consequence of both their internal structure and their external setting (micro- and macro-environment).

Based on literature studies, the author identified several groups of potential barriers to employee development in small companies. These were further segmented into two main categories: internal factors (related to the company and its specificity of operation), and external determinants (outside company influence). Since the former category was found to be overpopulated, the author introduced three sub-categories of internal determinants, namely those related to: employees, the employer, and the organisation.

The first subcategory comprises of factors related to employees. The general characteristics of the youngest generation of employees entering the labour market seem to offer favourable conditions for development activities. However, the findings suggest that persons employed in small companies – including those representing the Y generation – lack the initiative for self-development and tend to display demanding attitudes towards

¹ J. Fitzenz, *Retowność inwestycji vs kapitał ludzki*, Oficyna Ekonomiczna, Kraków 2001, p. 130.

² P. Dalziel, 2010, *Leveraging Training Skills Development in SMEs: An Analysis of Canterbury Region, New Zealand*, Local Economic and Employment Development (LEED), <http://www.oecd.org/dataoecd/7/39/45538500.pdf> (20.02.2015).

³ Poczowski A., *Zarządzanie zasobami ludzkimi: strategie, procesy, metody*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2008, p.274.

⁴ See also: Rak E., 2014, *Rozwój pracowników w małych przedsiębiorstwach – przegląd barier z perspektywy przedsiębiorcy i pracownika*, pp. 133-144. [in:] *Zarządzanie zasobami ludzkimi w teorii i praktyce*, Zeszyty Naukowe Wyższej Szkoły Bankowej we Wrocławiu 2014, 8 (46).

employers, perceiving development as the employer's duty towards the worker⁵. In addition, they seem unwilling to invest their time and financial resources in pro-development activities and are disposed to display immoral behaviour towards their employer⁶. The latter observation is of particular importance in the context of human capital theory⁷, with its emphasis on the active involvement of the recipient in development processes, expressed by their willingness to explore their own potential, to make suggestions for improvement, to show interest and dedication in training and improvement. Thus, it must be emphasised with force that not every employee is willing to make the effort of improving and refining their knowledge and vocational skills. In effect, pro-development activities should be addressed to those of the employees who show promise for development and display positive attitudes towards the task at hand.

The second subcategory of barriers to employee development groups factors directly related to the employer. In this respect, the most frequently reported barriers were those resulting from the employer's lack of skill or knowledge in many areas^{8,9,10}. Similarly to the previous subcategory, immoral behaviour was also found to play a major role here, with reports of such practices as the excessive use (or even misuse/abuse) of the flexible forms of employment and direct reduction of HR investment spending¹¹.

The remaining group of internal barriers to employee development identified in the course of research was subcategorised as organisational. These include factors directly related to the operating specificity of small companies. In this context, limitations to employee development may result from: company size, the lack of financial resources, or the lack of dedicated HR specialists^{12,13}, low potential for advancement, uncertainty of employment¹⁴. Another important factor here is the fear of losing employees to competition. Lastly, small enterprises are also the least likely to adopt modern ICT solutions¹⁵ designed to improve and facilitate the employee development activities.

Employee development is also strongly affected by companies' immediate and global environment. Low wages (for the majority of SME employees, wages are well below the national average) seem to be the most detrimental factor here. Another important

determinant is the low competitive position compared to larger enterprises, forcing SMEs to drastically reduce their operating cost – and employee development fund is usually the most immediate target for reduction. In their operating relations with stronger contactors, the SMEs are often the most obvious target for exploitation practices, to the effect of reducing their financial liquidity and, consequently, denying them the potential needed for employee development.

Table 2 Gross domestic R&D expenditure for 2011, in % of the GDP.

EU 27	Poland	European leader in R&D spending
1.94	0.77	3.78 Finland

Source: own research based on: OECD, *Gross domestic expenditure on R & D*, SCIENCE AND TECHNOLOGY: KEY TABLES FROM OECD, no. 1, 2013.

The *gross domestic research and development expenditure* seems to be an important determinant in the context of this study. In 2011, the EU average R&D spending was estimated at the level of 1.94% of GDP (cf. Tab. 2). For Poland, this index was drastically low (at 0.77% of GDP), particularly in comparison to Finland as the European leader in R&D spending (3.78% of the GDP).

Another strongly differentiating factor with respect to employee development in Poland and Finland is the supply of qualified workforce. Labour market structure is a major determinant of HR activities. Short supply of qualified personnel forces companies to increase their wages and training investment, and to seek employees from external markets¹⁶. According to Eurostat reports, Poland is characterised by a fairly high supply of personnel with university education (23% compared to the EU average of 25.9%), but still quite subpar to the leading position of Finland as the EU leader in 2010 (cf. Tab. 3).

Table 3 Persons aged 25-64 with university education (in %) in 2010.

EU 27	Poland	European leader
25.9	23	38.1 Finland

Source: own research based on: Eurostat, <http://appsso.eurostat.ec.europa.eu>, OECD: *Education at a Glance*, OECD Indicators, OECD Publishing, 2012, p. 36.

3 Barriers to employee development – results of empirical studies

Figure 1 illustrates the scale of HR activities undertaken in Polish and Finnish companies under study. Contrary to the author's expectations, Poland was found to not only keep its pace with Finland as the most innovative of the EU Member States, but even surpass it by a small margin. Based on the average responses from the entrepreneurs, Polish companies were more involved in HR activities (average score of 2.73) than their Finnish counterparts (average score of 2.61). However, it must be remembered that the above scores represent the highly subjective views of the respondent base.

Responses from Polish and Finnish entrepreneurs follow a similar distribution trend, with Finns decidedly more willing to admit to the fact no employee development activities are undertaken (28.6% of responses, compared to 19.9% for Poland). The Poles, on the other hand, were more willing to extend the scale of their HR activities to cover a wide spectrum of development (11.4% of the responses, compared to 7.1% for Finland).

Figure 1 Employee development in companies under study – the scale of employee development activities.

⁵ M. Matusiak, *Zarządzanie Zasobami Ludzkimi w Małych i Średnich Przedsiębiorstwach*, [in:] Kryńska E. (ed.), *Kapitał Ludzki w Małych i Średnich Przedsiębiorstwach – Przystosowania do Technologii Informatycznych*. Wyniki Badań Empirycznych, Studia i Materiały, Vol. II, Wydawnictwo IPiSS, Warszawa 2007, pp. 104 - 105.

⁶ Lichtarski J. (2006), *Kontrowersyjne etycznie i prawnie zjawiska towarzyszące polskiej przedsiębiorczości* pp. 47-52, [in:] J. Lichtarski (ed.), *Przedsiębiorczość*, Seria: *Przedsiębiorczość i Zarządzanie*, Vol. VII, No. 3, Społeczna Wyższa Szkoła Przedsiębiorczości i Zarządzania w Łodzi, Łódź 2006.

⁷ Armstrong M., *Zarządzanie zasobami ludzkimi*, Oficyna a Wolters Kluwer business, Kraków 2007, p. 485.

⁸ *Innowacje dla przyszłości – od konkurencyjności przedsiębiorstwa do rozwoju regionu kujawsko-pomorskiego*, Regionalne Centrum Integracji Europejskiej we Włocławku, Włocławek 2007, <http://rcie.pl> (12.01.2012), p. 47;

⁹ E-mail surveys were conducted on a representative sample of 716 out of 16825 entrepreneurs participating in a project sponsored by the Government of Australia and designed to stimulate the involvement of the SME segment in training activities. The program involved distribution of training vouchers for Australian entrepreneurs employing up to 20 persons, B. Webster, E.A. Walker, A. Brown, 2005, *Australian small business participation in training activities*, Education + Training, 47(8/9), p. 554, <http://www.emeraldinsight.com/doi/pdfplus/10.1108/00400910510633107> (24.02.2015).

¹⁰ Kamińska B., *Polityka szkoleniowa małych i średnich firm w kontekście współpracy w środowisku wielokulturowym*, [in:] F. Byłok, L. Cichobajński (eds.), *Problemy zarządzania zasobami ludzkimi w dobie globalizacji*, Wyd. Politechniki Częstochowskiej, Częstochowa 2009, pp. 123-130.

¹¹ Research conducted on a sample of 193 SME representatives of the Silesia region of Poland, in the years 1999/2000, J. Strużyna, *Doskonalenie jakości zarządzania zasobami ludzkimi w małych firmach*, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2002, p. 176.

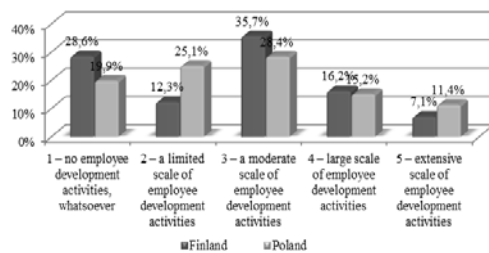
¹² Studies show that one of the more pronounced reasons is the manager's (entrepreneur's) fear of losing control over their managerial duties, cited after: Thassanabanjong K., Miller P., Marchant T., 2009, *Training in Thai SMEs*, Journal of Small Business and Enterprise Development, 16(4), p. 682, <http://www.emeraldinsight.com/doi/abs/10.1108/14626000911000992> (6.02.2015).

¹³ *Ibid.*, p. 685.

¹⁴ J. Stredwick, *Zarządzanie pracownikami w małej firmie*, Wydawnictwo Helion, Gliwice 2005, p. 15.

¹⁵ *PARP: Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce*, Warszawa 2011, <http://www.parp.gov.pl/files/74/81/469/12554.pdf>, (30.05.2012).

¹⁶ Z. Pawlak, *Zarządzanie zasobami ludzkimi i przedsiębiorstwem*, Wyd. Poltext, Warszawa 2011, pp.59-60.



Source: own study based on empirical findings.

The initial question used in the survey took the form of an open question to employers: "What are the most important barriers to employee development activities in your company?". Only a section of the respondents chose to provide their answer to this query, with 57 responses collected for Poland and 110 – for Finland. The responses were analysed and segmented into categories (cf. Tab. 4).

For both respondent groups, the most frequent response was the financial barriers to development (this answer was provided by 24.6% of Polish and 30.9% of Finnish entrepreneurs. Factors related to employees themselves were the next largest group of responses in Poland (29.8% of total responses) – this group included such factors as the lack of employee involvement, motivation, loyalty or personal potential for development. In striking contrast to the above, only 3.6% of Finnish entrepreneurs seemed to perceive their employees as barriers to development, but the Finns were decidedly more willing to admit to not seeing the need for employee development as such or to attribute their lack of involvement to time constraints (including the difficulties in finding replacement for employees delegated to training activities).

Table 4 Barriers to employee development in Poland and in Finland

Poland	Barriers:	Finland
24,6%	Financial constraints	30,9%
19,3%	Lack of employee involvement, motivation, initiative	3,6%
10,5%	Other factors related to employees	0,0%
15,8%	Trade specificity	0,9%
7,0%	Time constraints (including the difficulties in finding replacement for employees delegated to training activities)	20,9%
0,0%	No need for employee development	20,9%
5,3%	Excessive employee rotation	0,0%
3,5%	No barriers	0,0%
1,8%	Employee age (with dominant population of older employees)	1,8%

Source: own study based on empirical findings.

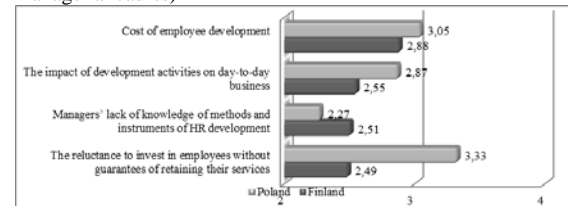
Respondents were also asked to evaluate the significance of specific preselected barriers to employee development listed under two categories: factors related to management and those related to rank-and-file employees. Each factor was evaluated on a 5-point scale, with 1 representing the opinion that a given factor is not considered a barrier at all, and 5 – to denote factors of great significance as barriers to development of employees.

Figure 2 presents barriers to employee development attributed to the managerial cadres. The respondent entrepreneurs, both Polish and Finnish, were found to subscribe to the view that steep cost was the most important barrier to employee development in their companies, although it must be noted that the decided majority of responses in this respect received evaluations between 2 (low barrier) and 3 (moderate barrier).

According to Finnish respondents, the remaining three factors (of the preselected set) posed a similar impediment to development activities (with average score of 2.5. Polish entrepreneurs, on the other hand, were more reluctant to admit to their own lack of knowledge, and they were more likely to expect unethical behaviour on the part of their employees (e.g.

employees switching jobs after having exploiting the full range of development opportunities sponsored by the company).

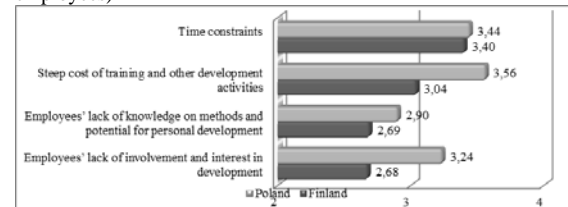
Figure 2 Barriers to employee development (attributed to managerial cadres)



Source: own study based on empirical findings.

Both respondent groups were similar in their opinion that cost and time constraints were the two most important of the employee-attributed barriers to employee development (cf. Fig. 3). In addition, Polish entrepreneurs were decidedly more in favour of the opinion that employee development is hampered by the employees' reluctance to make any effort.

Figure 3 Barriers to employee development (attributed to employees)



Source: own study based on empirical findings.

4 Conclusions

The results of empirical studies conform with the structure of the most important barriers to employee development in the SAME sector presented in professional literature, such as the steep cost of employee development and time constraints (mostly related to the difficulties in finding temporary replacement for persons delegated to training). However, the study revealed an interesting aspect worth pursuing in future research, namely that the most important barrier to employee development, in the opinion of Polish entrepreneurs, is the employees themselves. Our Polish respondents were fairly consistent in their view that employees lacked the will and the predisposition to improve. They were also more wary of the potential unethical behaviour on the part of their employees.

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