

THE SMALL WORLD OF MANAGING HUMAN RESOURCES IN A SMALL BUSINESS

*Ion VERBONCU*¹
*Luise ZEININGER*²
*Mircea MIHAI*³

ABSTRACT

The backbone of every economy is made of small businesses. Often overlooked by both administration and politics, small businesses have to exist, develop and maintain providing for shareholders and stakeholders, by learning quickly and adapting fast. Training and consultancy are, in this respect, best managerial tools, for a small business to grow and prosper, in a sustainable, organic way. These type of businesses' owners and very often managers are enthusiastic fast learners, used to deal with change, only very often not ready to make full use of the lessons learnt. Our paper aims to unveil a part of this small businesses world, looking at the impact of training and consultancy on them and their staff. After a brief introduction on the literature review for both training and consultancy, we continue the exposure of this particular environment, human resources in small businesses, through an empiric study, aiming to look into how several aspects of training and consultancy and there used by small businesses' owners or top management, to help improve both the degree of use and the outcome of using such managerial instruments. The study was realised on a number of Romanian small businesses, and the paper presents its outcome, discuss the results, draws conclusions and allows for further detailed work.

KEYWORDS: *human resources, management consultancy, training, management*

JEL CLASSIFICATION: *M10, M12, M19, M53*

1. INTRODUCTION

The world of doing business through a small enterprise has its own rules. Decisions are to be made in a split of a second and their impact is highly visible in the entire organisation. In one too many cases the person in charge has to decide in unfamiliar matters in a short time with the pressure of not knowing the impact not only on itself but on the company as a whole. What would one do when has to do something and doesn't know how to do it? Would learn. What would one do when one would not know what and how to learn? Would ask someone. In the grown-up's world learning is a matter of training and asking someone is a matter of consultancy. Training and consultancy- two powerful means at one's arm lengths, even when it is a small business arm. Both consultancy and training are some of the known methods to improve the organisational performance and both consultancy and training went to such changes over the last 2 decades that brings them closer also to small businesses. If the answer to the question "how do we manage?" is given by the content of the managerial subsystem- managerial tools and methodologies – the answer to: "do we know how

¹ The Bucharest University of Economic Studies, Romania, iverboncu@yahoo.com

² The Bucharest University of Economic Studies, Romania, luise.zeininger@gmail.com

³ The Bucharest University of Economic Studies, Romania, mircea.mihai@exelo.ro

to manage?" can only be given by managers who know, master and utilise these methodological elements (Verboncu & Mihai, 2016). Our paper aims to unveil the ways on how and if training and consultancy, as parts of a strategic human resources approach, are used by small businesses, by looking for definitions at first and presenting, afterwards, the results of a inquiry on the topics ran over local SME's.

2. MANAGING SMALL BUSINESS HUMAN RESOURCES

Managing human resources is no easy task in any type of business, but doing it for a small business adds even more pressure. People doing that are very often the owners or the main shareholders. Hereinafter will explore the role and influence of both training and consultancy, as managerial tools, in approaching this issue.

2.1 Training and consultancy- quick overview

The attempt to make best use of the human resources existing in an organisation, with the intention of employing and managing people in different ways so that they will work more efficiently and effectively is a core concern for every small business. Examples of people approaches to change include job enrichment and 'multi-skilling', i.e. training people to perform more than one task, in order to improve motivation and increase flexibility, and the introduction of new styles of leadership intended to facilitate the management of staff through techniques such as consultancy, coaching and empowerment. Great minds think alike; as some authors (Vasconcelos, 2008; Irimie et al., 2015) underpinned, in order to have employees able to effectively involve and support successful marketing efforts focused on satisfying the customers of the organization and building profitable sustainable relationships with them, the management has to sell more than just a job description but also job security, training and continuous development.

A training method definition as a "method of achieving, through certain specific knowledge transfer processes, specific abilities" (Nicolescu & Verboncu, 2011) is more explicitly defined as "a systemic process of achieving new knowledge, abilities and skills needed in order to more efficiently get done the tasks of a specific job" (Paus, 2006).

Managerial consultancy viewed by Prof. Plesoianu as an important actor of change was defined by the International Organisation of Standardisation in the final draft of ISO 16114 as a "set of multidisciplinary activities of intellectual work, within the field of management activities, which aim to create value or promote changes, by providing advice or solutions, by taking actions or by producing deliverables" (ISO 16114, 2011).

2.2 Key figures regarding Romanina SME's use of training and consultancy

The 2014 edition of the Romanian SME's White Charter revealed some interesting figures about the local business environment related to the use of consultancy services. Furthermore, by going back, over the figures presented in the last 5 years, one could "remark the followings:

- The frequency of using consultants had a descendent trend during the first four years of the range analyzed;
- during the five years under review was noticed a 2.4 times reduction of the weight of firms using external consultants"(Nicolescu, 2013).

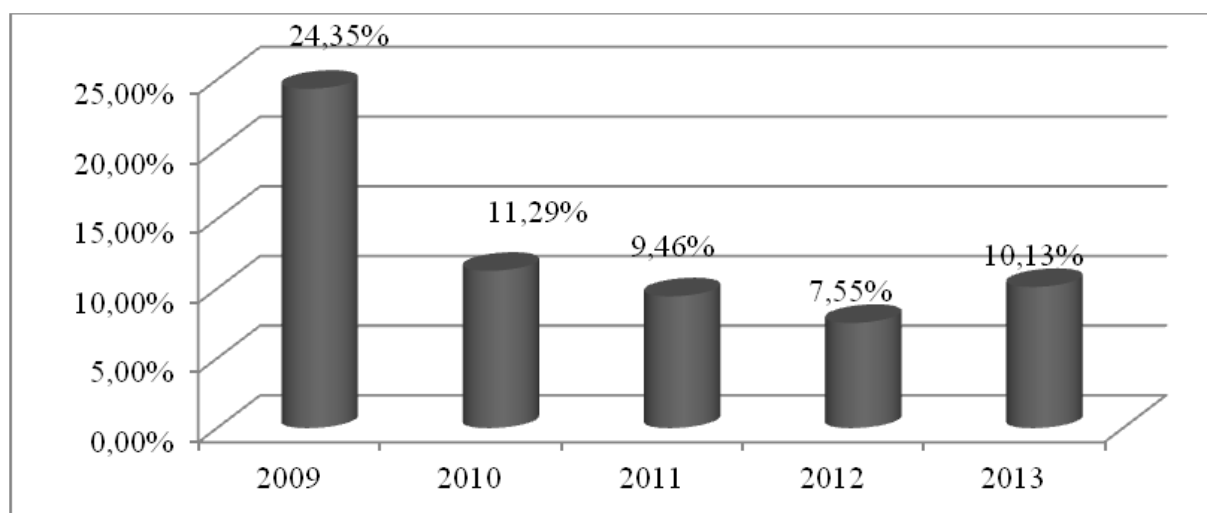


Figure 1. Dynamics of using consultancy services by SMEs during period 2009-2013

Source: Nicolescu (2013) p. 371

The same author looked also at the average number of working days/employee dedicated to training by Romanian SMEs during period 2009-2013, and the findings revealed some key figures, presented in the Table 1, below:

Table 1. Dynamics of average working days per employee allocated to training within SMEs in Romania during period 2009-2013 in %

Average number of working days, as dedicated to training within SMEs	2009	2010	2011	2012	2013
None	35.25	60.88	62.52	70.7	83.13
1-5 days	36.61	24.88	23.46	21.35	12.35
6-10 days	15.87	7.2	7.87	4.34	3.61
More than 10 days	12.27	7.04	6.16	3.61	0.92

Source: Nicolescu (2013) p. 372

A brief look, makes very clear, the fact that in each of the years of the considered time-frame the number of the companies not allocating any day of training for their employees has dramatically increased ending up to be, at the end of the period by 2.5 times from 35.25% in 2009 to 83.13% in 2013.

In the years after the financial crisis in 2008, studies revealed "that the intensity of consultancy and training activities in SMEs showed a strong negative trend, primarily due to the period of downturn/recession (...) but as well due to negative attitudes of some entrepreneurs who do not realize the importance and necessity of getting consultancy/ training for them and for their subordinate staff" (Nicolescu, 2013).

3. TRAINING AND CONSULTANCY AND THEIR IMPACT ON SMALL BUSINESSES

3.1 Methodology

The research, part of a larger empiric study, conducted by authors, used as main methodology the inquiry. The authors designed and documented a questionnaire that was applied to the target group:

top managers working in SME's. The sample, comprising of 80 companies, was constructed to allow representative coverage of employing organisations in terms of size and industries. The organisational size bands used were 1-9 employees, 10-50 employees and over 50 but not more than 100 employees. Since previous studies have revealed that small organisations that are sub-divisions of larger entities are likely to be subject to policies developed elsewhere our sample included solely independent private companies.

The questionnaire was developed by authors and had several sections, aiming to inquire on general management aspects, risk management, human resources, strategies, management styles and others. Partial results have been presented in other papers and more are in various stages of work in progress. From the about 60 answers only 50 were complete and therefore considered for a full critical analysis.

3.2 Findings- critical analysis and discussions

A first observation of quantitative nature is regarding the structure of the group of respondents: half are both owners/main shareholders and also managers of the company, thus doubling the impact power of their answers. A second observation also qualitative is that 95% of the respondents are acting top managers.

When asked whether they've used, in the last two years, management consultancy services, the results were astonishing: a large majority 68% answered they've never used, in that period, consultancy services. Similarly surprising was the outcome of asking whether they've used external training providers. Again the large majority, in this case 74%, answered they've never used external training providers - for themselves or their staff, in the last two years. Following the lead of the research about the average of working days allocated for training per employees, our research found that about 58% answered in the range from 1 to 3 working days/employee. The results are presented in Figure 2 below:

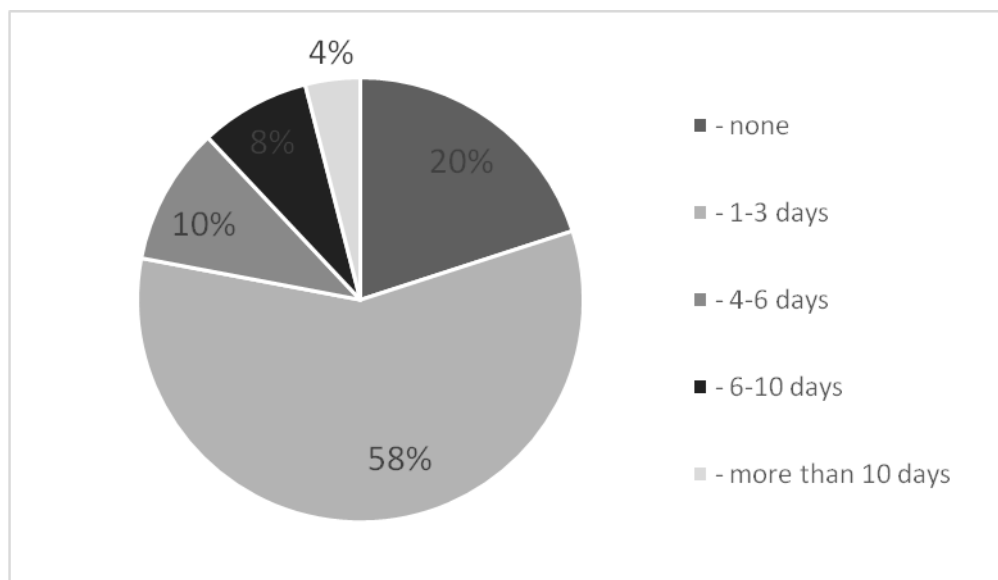


Figure 2. Number of working days allocated for training per employee

Source: authors

Some questions aimed to more qualitative answers looking for more specific answers. Therefore when asked whether they used, in the last 2 years, specialized services consultancy for documentation, implementation and maintenance of ISO management systems we've collected 50 yeses- since all companies were holding one or more ISO certifications. A slightly different

qualitative approach was to ask whether they've used various types of services and provide some examples allowing multiple answers- as presented in Figure 3:

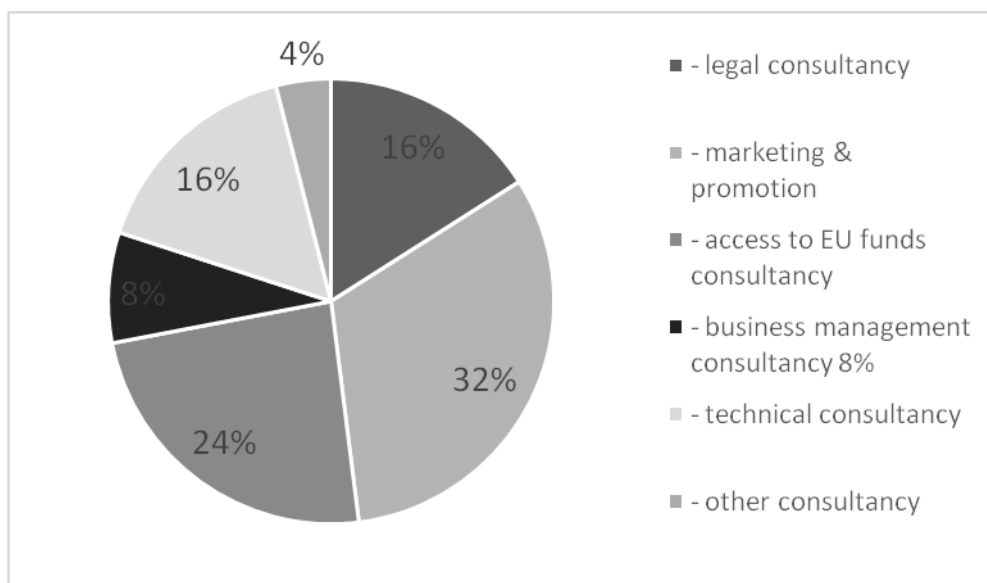


Figure 3. The use of management consultancy services

Source: authors

Based on these findings a second observation impose itself: the concept of consultancy is quite loose and bears no weight unless specifically pointed out. At first 68% of our respondents did not recognised, genuinely, that they've used consultancy services, despite the fact that when asked specific question they all admitted they do. Also it was interesting to observe that despite the fact that the respondents had difficulties in recognising consultancy Figure 3 paints a clearer picture on what types of services are assimilated with consultancy and Figure 4 shows that managers of small businesses are quite confident consultancy is useful:

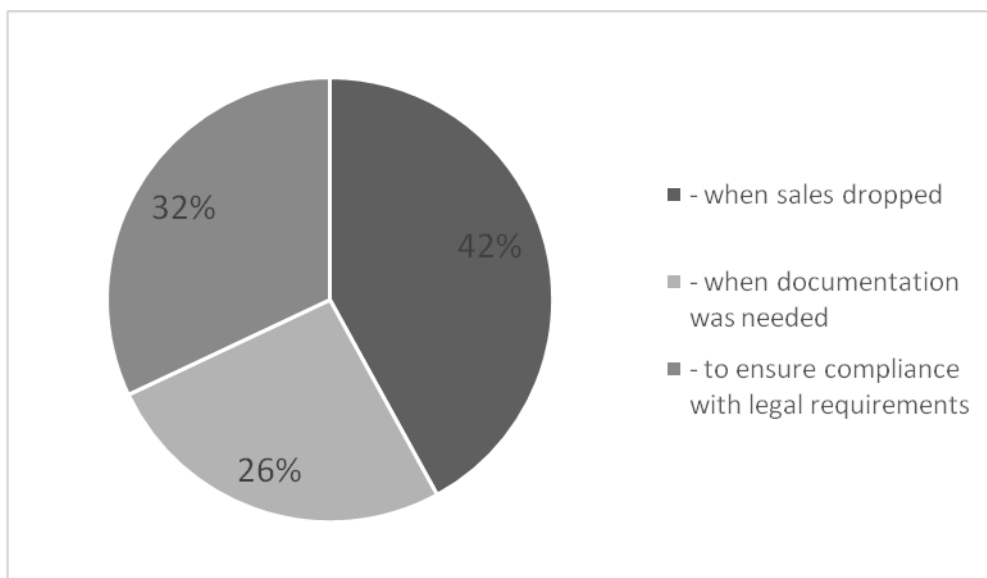


Figure 4. Circumstances when consultancy was used

Source: authors

When sales are dropping the whole business is in jeopardy and it comes as no surprise that very fast the management looks for ways and means to improve the situation. The 42% of consultancy services used when sales dropped are mostly marketing & promotion, but Figure 4 reveals an overall feeling that consultancy, under various forms, is recognised as a solution.

Similarly, on training the answers to our qualitative question about types of training provided revealed a wide range- see below Figure 5:

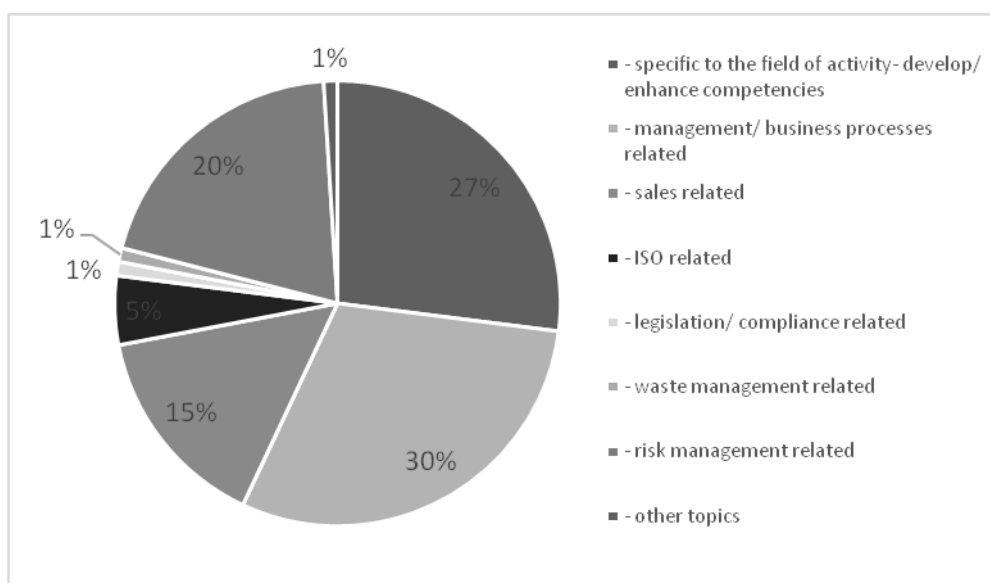


Figure 5. Types of external training provided

Source: authors

It is interesting to notice that, the qualitative split of training topics, shows that the highest percentages belong to general management and business processes topics, 30%, as well as to specific competency development (27%). With 20%, the risk management related topics overtook sales (15%) and proved, once again, the visible rising interest in assessing risk and opportunities as part of day-to-day business routine.

It was also interesting to find out that even small companies keep a budget for training and consultancy services, and despite it has a reduced weight, it's return on investment, especially when it comes to consultancy, is measured. 52% of the answers considered that they split the budget in favouring training in a ratio of 1 to 9 whereas the return on investment is definitely in favour of consultancy - 76% of the respondents indicating consultancy as the provider of higher return on investment.

The next step taken by our research aimed to look into possible correlations between training and consultancy and both management and employee satisfaction, if any.

Let us first look at the answers we got when asking what type of training, considering solely the number of days, provided the highest satisfaction in terms of employee's performance after training. the results presented in Figure 6 below indicate as winner the 1-3 days of training. The cause, as far as managers are concerned, lies mostly in the costs, but another interesting explanation for this is related to the availability of courses of this type in the market and their subject. To give just few examples: waste management specialist: 3 days, internal auditor: 3 days- meaning short courses, with no specific qualification, useful for complying with legislation and/or to fulfil tasks in an appropriate manner.

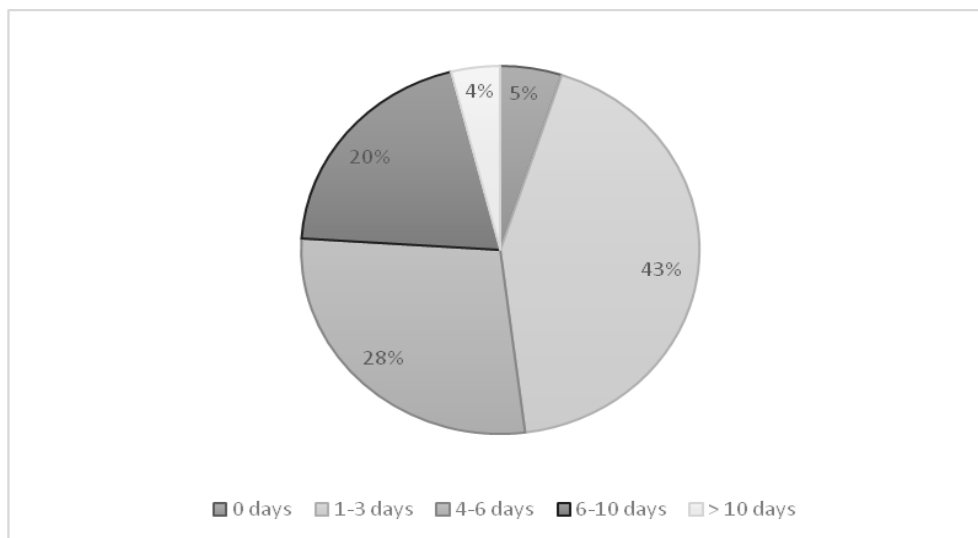


Figure 6. Correlation between management satisfaction and number of training days provided to employees

Source: authors

Looking at employee's satisfaction correlated with the number of training days provided we see (Figure 7.) that by far the highest satisfaction goes with 4-6 days of training, in other words to programs that are, most likely, to provide a qualification recognised by the National Authority for Qualifications.

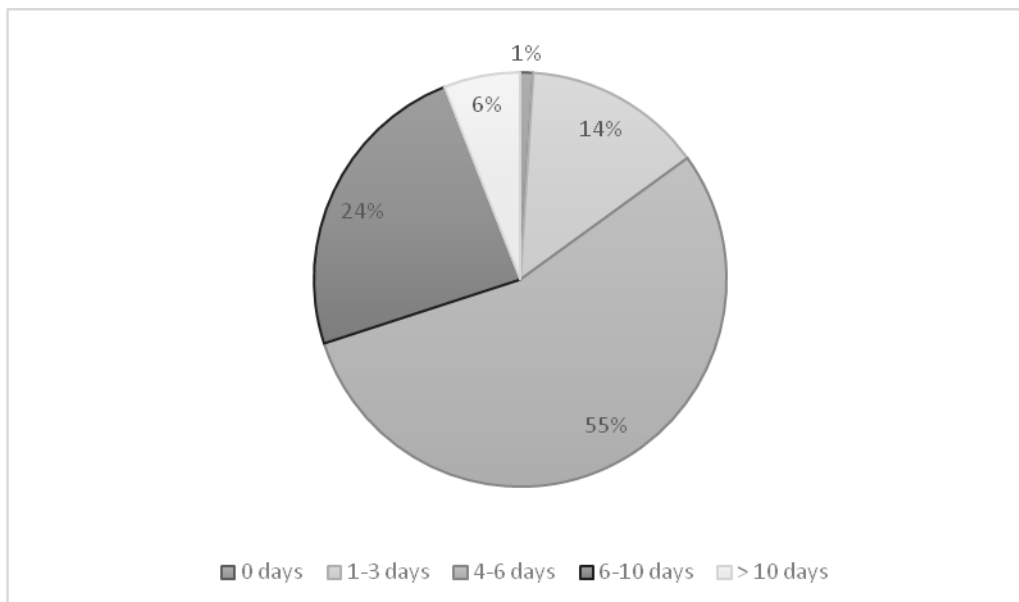


Figure 7. Correlation between employee's satisfaction and number of training days provided

Source: authors

Exploring the similar outcome but coming from consultancy we have found there are different figures with different explanations.

The management satisfaction correlated with the number of consultancy days, presented in Figure 8, below, shows highest satisfaction provided, again, just like in training's case, by the 1-3 days time frame:

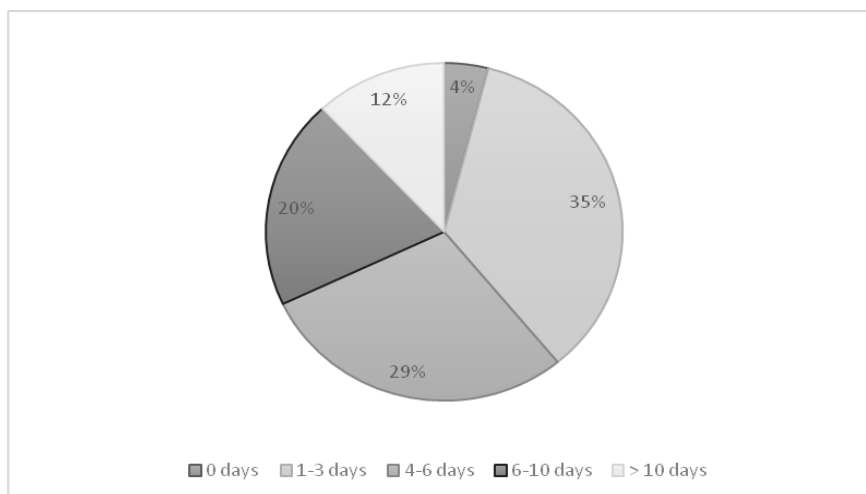


Figure 8. Correlation between management satisfaction and number of consultancy days
Source: authors

It could be, again, the result of the cost-oriented approach of most managers/owners of small businesses; it may also be the expression of the specific needs: 2 or 3 days of specific health & safety consultancy per year, 1 or 2 days of internal audit per year and so on. The result is just confirming the small businesses' managers approach to search for consultancy in very specific situations.

Keeping the symmetry, we have also interrogated the employees on their satisfaction correlated with the number of consultancy days provided. Unlike the results obtained from management and owners, but similar to the question related to training, employees selected the slot of 4-6 days as the provider of highest satisfaction, in terms of usefulness in day-to-day work routine. Results are presented in Figure 9:

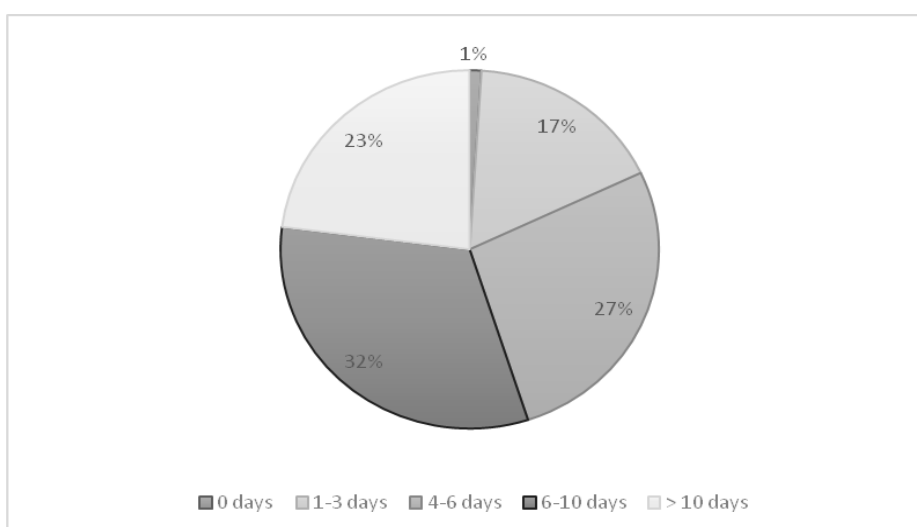


Figure 9. Correlation between employees' satisfaction and number of consultancy days
Source: authors

Who wins then? Consultancy? Training? Is it really a war between these two methods of achieving knowledge that would improve organisational performance? Are they subsequent? Independent? Organisational performance needs to be improved almost on daily basis, especially when it comes to small businesses. Improved performance is based on knowledge and it is perhaps the continuous improvement spiral that binds together consultancy and training in developing both explicit knowledge - with the help of training programmes - and tacit knowledge (Mabey et al., 2003) when using consultancy.

4. CONCLUSIONS

Small organisations have many disadvantages in pursuing a strategic human resources approach in managing people: they lack resources and management expertise. They are also less likely to be aware of the developments in the field and in their sector and are more likely to closely reflect their owner. But rather than taking the absence of large formal programmes to be a weakness of human resources management in the small businesses it may be their competitive advantage. With a flatter hierarchy communications are more direct, people work more flexibly and the impact of each employee on organisational performance is clearer.

Compared with the results of the 2008-2013 period, the results obtained for our sample, show an improvement on both number of training days and number of consultancy days, a fact that could be considered an indicator of recovery. Beyond number of days also, the satisfaction expressed by managers or small businesses owners and employees related to both consultancy and training could be an indicator of the usefulness of these managerial tools as well as an indicator of a market ready to learn or already learning from past mistakes of poor use of management and managerial skills and tools.

On the other hand the low numbers of both training days and consultancy days shown by the results, combined with the high risk appetite of SMEs and lack of long term planning and strategy, could be read as a still little adherence to the concept of evolving by absorbing knowledge from consultants and trainers, knowledge that could easily bring an upturn on their competitive advantage. Some results might be the consequence of the ineffectiveness of consultancy services on one hand and virtually no measuring of the return-on-investment for training on the other hand; or could simply be an inherent weakness of these services: both consultancy and training need time to propagate and produce measurable results – and time is one resource that SMEs lack almost by definition.

Of course, the results presented above may be read in many keys but the red thread is that small businesses are surprisingly agile and they could not be too often caught asleep while water boils around and over them; as the motto of a small business was saying "the emergencies were already shipped; the impossible is on its way; for miracles we kindly ask for 24 hours". It may have to do with the entrepreneurial skills of their leaders, people that many times, lack proper managerial skills, but have the ability to recognise the value of both training and consultancy and balance their use to the best outcome.

This paper opens the door for further research aimed to investigate the reasons behind the apparent contradiction between SMEs obvious orientation to short term consultancy and training courses and their stringent need of know-how in order to survive and prosper.

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