Employee Development in Small and Medium Enterprises in the Light of Demographic Evolution

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Abstract


Trends in the job market taking worker knowledge, abilities and skills into account show that the demand for qualified, experienced workers has been rising and that the trend will continue into the future. Accordingly, companies must put a life-long learning and development strategy in place so that even older employees (55+), the proportion of whom has been rising in organizations and in the marketplace, may maintain their positions in the job market for as long as possible. This paper aims to assess how small and medium enterprises in the Czech Republic reflect current demographic developments in terms of age management support and employee development. The data was obtained from small and medium enterprises in the Czech Republic (n = 432). The results show that age management is not an official primary focus of small and medium enterprises; but they naturally act in line with age management practices nevertheless. Any efficient solution to demographic development in the enterprises studied here, however, must be based upon an overall change of attitude coming from both entrepreneurs and company leadership focusing on young employees, as well as older employees themselves, where their ability to pass on their experience to younger coworkers is stressed. To maintain economic prosperity, continuous development is important for both categories.

Keywords: development, SME, age management, competencies, knowledge continuity, Czech Republic, organizations, survey

INTRODUCTION

Strategies which take employee age into consideration are a matter of substantial interest for all companies. But this is even more true for small and medium enterprises (hereinafter SMEs), which also face other problems related to recruiting and maintenance of qualified workforce (European Commission, 2009). The main task of company management is to determine the direction of employee development within the organization along with the specific developmental direction of the entire enterprise. This will be reflected in the setup of personnel strategy and policy, which reflect demographic development. The European Commission (2009) states that around the year 2050, seniors will make up 33% of population, in line with predictions made by the Czech Statistical Office (2014) for the Czech Republic. The proper setup of company strategy subsequently helps apply specific tools and procedures leading to the development of both individuals and enterprises as a whole. Although demographic trends vary in individual EU Member States, the issue is society-wide. It must be noted that the average human lifespan has been lengthening and based upon this fact it may be said that older employees (55+) may be considered a key element for future work productivity in both EU policy and that of the Member States. The competency of these workers must be continuously
developed in all types of enterprises in accord with the research of Lišková, Tomšík (2013) and Zacher (2013). Based upon European Commission (2009) research, the situation is more complicated for SMEs because continuous training and qualification is relatively problematic for their younger employees, let alone older employees. Given the fact that SMEs represent 99.8% of all enterprises in Europe (SME Union, Czech Republic, 2014, European Commission, 2009) and that the situation is identical in the Czech Republic (SME Union, Czech Republic, 2014), it is important to place a primary focus on the situation in this company segment. One of the key issues currently faced by SMEs – and one which will become even more pressing in the future – revolves around the aging of company employees, the retirement of enterprise owners, ensuring the continuity of knowledge, i.e., the transfer of key knowledge to successors. It thus becomes a matter of making adjustments for changes in age structure and reacting to the decreased number of people of productive age, as well as putting the focus on employee development for employees in all age categories. This study focuses on SMEs, because these companies are challenged by the problems noted above more than are large organizations and their issues are already apparent during the initial stages of HR recruitment, concretely in attracting and maintaining qualified workers.

The objective is thus to assess how small and medium enterprises in the Czech Republic reflect current demographic trends in terms of supporting Age Management and employee development. Other objectives include a test of dependency between selected qualitative characteristics and proposed measures to be taken by SMEs in the area of employee development which take into account demographic changes.

The first chapter focuses on the theoretical background, offering a discussion of individual research results from both the CR and abroad. The second chapter treats the methodological procedure used to obtain the results. The third portion discusses the results obtained and discusses proposed measures to be taken. The final sections of the paper – Conclusion and Summary – show how the study meets its objectives, indicate limits and benefits and, last but not least, point to further research.

Theoretical Background of the Thesis

Age management is an approach to HR management applicable to all types of companies, including SMEs. It takes into account age, ageing and individual life cycles, as well as the creation of a favourable environment for employees in all age categories, allowing them to use their skills and satisfying their needs (Silverstein, 2008). Over recent years, demographic changes have significantly impacted the age distribution of employees in organizations (Urbanová, Vnoučková, 2014; Smrčka, Arltová, 2012). It may be sent in general that the workforce has become more varied, giving rise to significant new challenges for HR management and company leadership (Hertel et al., 2013).

A high share of older employees may represent a contribution for SME productivity since, on average, older employees are more experienced, more loyal and their level of conscientiousness and work ethic is higher. However, knowledge must be continuously developed (Lišková, Tomšík, 2013; Zacher, 2013). Currently, in a highly competitive environment, the development of employee competencies (knowledge, abilities and skills) represents an important area for all SMEs. This becomes even more important to enterprises that support Age Management. This is attributable to the fact that increasing age of employees is often related to lesser levels of technical knowledge, creativity, innovation potential, flexibility, openness to new knowledge and skills, and physical and psychological resilience (Ng, Law, 2014; Boockmann, Zwick, 2004), which must be developed by appropriate on-the-job or off-the-job methods.

Older employees may compensate for their reduced ability to meet the job criteria, e.g., if working with information and communications technology (hereafter ICT) by applying their experience in organizational processes which will also be reflected in the economic success of companies (Luo, 2012; Vetráková et al., 2013).

To summarize, older employees are usually labelled more stable and more loyal to the company, support company interests and objectives and mostly do not care so much about their own ambitions or career. The older workers’ relationship with their profession and how they perform their job may vary from excess workload to burnout, loss of confidence in their own abilities and the loss of a sense of meaning in their work. Results of some research has pointed to increased motivation on the part of older employees, while other research has demonstrated that motivation decreases with age and shown distrust of further education related to low self-esteem. Work motivation and adaptation to change at work are very individual matters and personal factors play a significant role. This particularly boils down to self-evaluation and trust in one’s own competencies or expectations concerning one’s future life path (Cimbálníková et al., 2012).

Studies by psychologists and doctors indicate that cognitive abilities such as performance and speed in resolving new tasks, speed of perception and cognitive abilities tend to worsen with age. In contrast, other skills, such as fluent expression, improve with the accumulation of practical experience and remain highly functional. These skills and abilities also depend upon accumulated knowledge and the scope of the individual’s vocabulary (Skirbekk, 2008). Employee competencies may be developed using appropriate educational methods.
It must be noted that individual economic sectors monitor another level of knowledge and experience. Research by Berg (1994) indicates that production in the processing industry is often characterized by a high number of workers whose work is more physically demanding compared to the service sector where employee knowledge, abilities and skills are key, as indicated by Mohrenweiser, Zwick (2009), Lallemand, Ryce (2009) and Bertschek, Mayer (2009) further state that older employees are less able to deal with specific demands related to ICT use which is an inseparable part of the everyday work of most people and which may lead to their reduced work productivity in SMEs which impose high demands for this technology. Contrary to this finding is research by Göbel, Zwick (2012) which indicates that young worker productivity in the industrial sector is lower versus older workers and those of productive age. Here, it is clear that acquiring sufficient knowledge, experience and skills is necessary to function in a particular position. Young workers can obtain these from older and more experienced workers, thereby ensuring the continuity of knowledge. In the tertiary sector, the continuous development of workers is a priority regardless of their age. Their performance is based upon the level of their competency and ability to continuously develop. In the primary sector, especially in agriculture, there has been a long-term problem with the number of qualified workers and employee age structure (Národní Vzdělávací Fond, 2014). The use of Age Management in the SME business sector is analysed and evaluated in Results and Discussion.

MATERIALS AND METHODS

The primary data analysed has been obtained by means of a quantitative survey using a questionnaire technique of data collection in organizations in the Czech Republic operating in all economic sectors (according to the CZ-NACE). The selection of organizations was intentional, the survey focused on SME only. The sample group consisted of 432 SME organizations.

Only one respondent per business was contacted (for example a line manager; company owner; or a person holding a position in the middle or higher management of the organization).

By 30th June 2014 total 432 SME participated in the questionnaire survey:

- Based on economic sector: 23.6% from the primary, 20.1% from the secondary and 56.3% from the tertiary sectors.
- Based on the size of the business according to the number of employees: 67.6% of small, 32.4% of mid-sized.
- Based on the ownership: 87.5% Czech entities, 12.5% with major foreign participation.

The number of 55+ employees working in the SMEs observed is as follows (Tab. I).

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Relative frequencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–5%</td>
<td>35.0</td>
</tr>
<tr>
<td>6–10%</td>
<td>20.1</td>
</tr>
<tr>
<td>11–15%</td>
<td>11.1</td>
</tr>
<tr>
<td>16–20%</td>
<td>11.8</td>
</tr>
<tr>
<td>21–30%</td>
<td>9.7</td>
</tr>
<tr>
<td>31–40%</td>
<td>4.2</td>
</tr>
<tr>
<td>41–50%</td>
<td>3.7</td>
</tr>
<tr>
<td>51 and more</td>
<td>4.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: own survey

To evaluate the outcomes of the survey methods of descriptive statistics (absolute and relative frequency, testing of dependency between set qualitative characteristics and power dependency tests) have been applied. The Pearson's Chi-square test and Cramer's V have been applied. If the p-value calculated by means of the $\chi^2$ test (Pearson Chi-Square) was lower than the selected level of significance $\alpha = 0.05$, null hypothesis was rejected.

The analysis was carried out using the Microsoft Excel 2013 statistical software SPSS 21.

The other methods such as analysis, synthesis, induction and deduction were used. The theoretical background was based on analysis of secondary sources, studying the scientific papers and literature about Age Management, Employee development and surveys in area of SME.

RESULTS

As part of research into SMEs in 2014 it was determined that only 26.2% of SMEs have adopted an Age Management strategy and address the age structure of their employees in a targeted manner. The service sector focuses on this area the most, especially due to the fact that knowledge, abilities and skills of individual employees are key in this sector. They become key for the organization and before they leave for retirement it must be ensured that their knowledge remains within the organization. Knowledge may, in an appropriate manner (via apprenticeships, shadowing, etc.), be transferred to younger co-workers. These methods are valued the most in SMEs. A detailed look at the dependence between economic sector and Age Management is shown in Tab.II.

Another reason why Age Management gets the most support in the tertiary sector is that population ageing is a hot issue discussed relatively frequently in the sector. The situation is rather unsatisfactory for SMEs operating within the primary and secondary sector due to the demographic development of the population, i.e., ageing of the workforce. The most pressing issue consists of passing on leadership in industrial SMEs, something also testified to by research carried out in the EU by the European...
Commission (2009). It states that the intensity and timing of demographic changes and the subsequent necessity for generational shifts differs in individual Member States, but notes that the issue must be addressed because all states face the threat that the active population will not be adequate to demand. No overall statistical dependence was shown between economic sector and whether demographic development is taken into account using Age Management (p-value = 0.102).

It must be noted that Age Management should not be disregarded by companies, particularly SMEs, as something time consuming and costly. To the contrary, based upon the research carried out, to implement Age Management is not financially demanding and, furthermore, there is best practice experience from EU countries which have focused on this issue for years (e.g., Scandinavian countries). It may also be stated that by monitoring employee age development and using a targeted strategy concerning the development of both older and younger employees, SMEs can provide an adequate knowledge base – the younger will learn from the older, will acquire knowledge with the help of their older co-workers and will develop their strengths, thereby bringing added value to the company.

The research shows that at SMEs approached which support Age Management, a relatively high number of employees in the 55+ category is employed. In the group of SMEs with up to 50 employees, 26.7% companies focus on Age Management; in the 50 to 249 category the figure is 25.0%. In small enterprises, most frequently 6% to 10% of 55+ people are employed. For the 15 small enterprises contacted, more than 51% of employees were of pre-retirement or retirement age. Agriculture may serve as a typical example, since it is not attractive to young people either in terms of wages and career or in terms of development opportunities. With regard to the fact that the research shows that each SME observed includes at least one employee in the 55+ category, addressing this issue may be beneficial for SMEs. The numbers of 55+ employees are indicated in Tab. III.

The research shows that the number of 55+ employees depends upon organization size, i.e., whether small enterprises with up to 50 employees are concerned or medium enterprises with 51 to 249 employees (p-value = 0.044, Cramer’s V = 0.183, low dependency). The lower the number of employees employed by SMEs, the more 55+ employees they are likely to have. A strategy which reflects the demographic development of the population of the Czech Republic may thus be recommended to all small and medium enterprises. Tab. IV represents the dependency between the economic sector and the number of 55+ employees.

Since most SMEs have not encountered Age Management yet, SMEs that support Age Management were asked about the benefits they perceive the strategy brings (Fig. 1). SMEs see the ability to maintain key employees as the most beneficial positive of Age Management, helping them to react to current demographic trends (enterprise representatives were able to select several answers). Improved performance of the organization, acquisition of talented employees (something SMEs have been struggling with...
over the long-term), improved motivation and performance by existing employees and improved organizational climate received a balanced number of responses and their benefits are therefore also balanced from the point of view of SMEs. The Age Management strategy touches least on improved crisis management.

The research tested dependencies between qualitative characteristics to determine whether positive SME reactions to the strategy were related to economic sector. Dependency was

1: Benefits from following the demographic evolution in Age Management

Source: own elaborate

V: Contingency table – dependence between number of employees in category 55+ and support of competencies development

<table>
<thead>
<tr>
<th>Category</th>
<th>Support of competencies development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>0–5%</td>
<td>124</td>
<td>13</td>
</tr>
<tr>
<td>6–10%</td>
<td>72</td>
<td>6</td>
</tr>
<tr>
<td>11–15%</td>
<td>44</td>
<td>0</td>
</tr>
<tr>
<td>16–20%</td>
<td>41</td>
<td>5</td>
</tr>
<tr>
<td>21–30%</td>
<td>36</td>
<td>2</td>
</tr>
<tr>
<td>31–40%</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>41–50%</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>51 and more</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>363</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: own survey
demonstrated for 3 benefits: acquisition of talented employees (p-value = 0.041, Cramer's V = 0.032, low dependency), helping build employee brand (p-value = 0.126, Cramer's V = 0.126, low dependency) and, last but not least, whether the SME acquired a competitive advantage (p-value = 0.004, Cramer's V = 0.162, low dependency).

In the area of employee development and increasing employee competencies, SME representatives agreed they prefer to employ older, more experienced employees who help their younger co-workers with their development. Most frequently, older workers function as mentors to their younger co-workers, pass on their knowledge and experience and it is up to the younger workers whether they are willing to learn from the experience of their older co-workers. Within SMEs, enterprise development and economic success chiefly depend upon the development of the abilities, knowledge and skills of their owners and managers. Managerial positions should not be transferred before the successor possesses sufficient competencies to take such a position over and is able to react to the changeable external and internal conditions. Tab. V summarizes the number of employees in the 55+ category taking support for employee development into account.

No statistical dependency (p-value = 0.488) was demonstrated between support of employee development in organizations employing both young and older employees (55+) and economic sector (primary, secondary, tertiary).

Based upon these results, we may sum up by saying that SMEs in the Czech Republic are largely created by family businesses headed by older people in senior positions. In the future, there will be a need for a proper Age Management setup which will help react to the impact made by demographic trends in the CR which entail population ageing, as well as the transfer of knowledge from company owners to their successors and setting up appropriate employee development programs to allow them to continuously react to the needs of the company and the labour market. The other variables like generation gap, quality of education and so on influence this area of interest too. It is to be taken into account that perspectives and opinions of managers and owners of the company on the topic may differ. The current Age Management trends analysed here, along with employee development and knowledge continuity, help in building the employer brand and make SMEs more attractive to potential employees.

**DISCUSSION AND RECOMMENDATION FOR SME**

CSO (2014) research shows that there will be a lack of young employable people in the CR the numbers of those in the older group will grow (Urbancová, Vnoučková, 2014). Not all organizations, and SMEs are no exceptions, realise that employing older people has its advantages (Čadil et al., 2011; Fojtů, 2011). Based upon research by Fojtů (2011) the employment of people over 50 years of age is 10% lower in the Czech Republic than in Finland, one of the countries applying Age Management (Cimbálníková et al., 2012). In future, however, it is necessary for SMEs to focus on the support of occupational health, ergonomics and changes to work hours by making more frequent use of flexitime.

Research by Fojtů (2011), Urbancová, Vnoučková (2014) and Bejkovský (2012) also points out that organizations have not entirely mastered working with older employees. Given the fact that Age Management should be primarily prioritised by SMEs due to demographic trends, adjustment to new strategic management trends is necessary. By focusing on Age Management as their key concept placing emphasis on ensuring knowledge continuity, SMEs may help build the employer brand, which will facilitate easier acquisition of well-qualified employees. Targeted employer brand building is a key contemporary trend, helping to acquire and maintain quality employees without regard to age and to reduce job turnover (Love, Singh, 2011; Mohr et al., 2011). These people will be motivated while still in the labour market to go to work for an SME which takes Age Management into account and places emphasis on employee development in all age categories. Organizations facing a decision as to whether to apply Age Management or deciding whether to invest in employee development should realise that this is a good investment which will be beneficial in future in terms of the number of qualified employees, the ensuring of knowledge continuity and preventing any lack of organizational knowledge, as well as adding to prestige in the eyes of potential employees.

SME employee development must consist of the clear determination of appropriate educational methods (e.g., mentoring, coaching, i.e., face to face methods which are appreciated most by SMEs) so that they meet the needs of the specific enterprise and its employee structure. Because SMEs are often challenged by a lack of funding, they should identify key employees and those with specific knowledge and experience who would be willing to become lecturers for their co-workers and educate them. Costs for such on-the-job training are incomparably lower than training courses run by specialised agencies that largely fail to correspond to the needs of the enterprise or its employees. Employees and organization management may communicate with particular employees about their current development needs and make adaptations to fit the company. If training takes place directly on company grounds, any issue with a training organization will be eliminated. In practice, SME employees cannot leave their job and go to training because their presence is important onsite due to the accumulation of the functions they perform. Employees wishing to organize a training session for their co-workers based upon identified
educational needs may be stimulated not only by the organization (e.g., by financial remuneration) but may also be self-motivated, since this is also part of self-development. The opportunity to pass on knowledge, best practices and improve one's own communication skills may be more motivating than monetary compensation. The introduction of these workshops/meetings/joint apprenticeships using company employees and the opportunity for continuous development may help the enterprise to have employees who take part in training targeted as part of their everyday practise, who will represent their employer positively in the external world, providing benefit for acquiring and maintaining employees. The best employee brand is best created by satisfied employees.

CONCLUSION
Currently, SMEs in the Czech Republic and Europe face problems in recruiting a qualified workforce, ensuring appropriate employee development and looking for successors for key employees – most often company owners – who retire. As the European Commission (2009) has indicated, these problems are present now and will remain so in the future. However, we must be able to react to them. Currently, development strategies, Age Management and knowledge continuity may help to achieve this. The workforce is ageing and we must adjust to the reality of the demographic development of the population. The fewer the employees employed by SMEs, the more 55+ employees they have. A statistical dependency between the number of 55+ employees and SME size was also determined (p-value = 0.044, Cramer's V = 0.183, low dependency). In addition, the results showed that the development of employee individual age categories is important. SMEs have a greater need than large companies to have properly set up employee training programs, because they usually do not have the same levels of funding available as do the larger firms. Development within SMEs may be achieved by mentoring and apprenticeship conducted by experienced 55+ employees who can teach young and inexperienced co-workers what they need to know. During mentoring, both the mentee and the mentor develop. Knowledge continuity may be ensured as part of organizational training, which is cheaper than off-site educational methods. Younger employees are currently more likely to look for employment at large companies than at SMEs and to look within a specific economic sector. In all sectors, the current, often negative, image may be adjusted and young employees attracted by appropriately setting up the training system and the opportunity for career development (via deepening specialisation or promotion to managerial positions).

The theoretical benefit of this study is to summarize and compare the results of individual research projects carried out both abroad and within the Czech Republic with a focus upon current strategic trends, such as Age Management, employee development and knowledge continuity, which help build employer brand. The paper's practical contribution consists of the presentation of current results from the area in question, one which is significant in the current competitive environment. These results may help SMEs set up their personnel strategy and policy to react to current and future demographic trends in the Czech Republic. Future research will be focused upon taking Age Management into account in SME management in Slovakia. Based upon the research results obtained in both countries, which are historically, economically and geographically very similar, a comparison will be made and joint recommendations made.

Acknowledgement
This paper was supported by Czech University of Life Sciences Prague – wide internal grant agency [No. 20141002 – Human resource branding using of the new strategic trends in organizations in the Czech Republic].

REFERENCES


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