Functionality and Importance of Processes of Small and Medium-sized Enterprises

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Abstract: The process management is an important part for enterprises, therefore, it is very promoted and referred in the business management. Essential part of the process management is the human resource management process, therefore, this paper focuses on this important area. The aim of this paper is to analyse the process management in small and medium-sized enterprises in the South Bohemian Region of the Czech Republic. The paper is focused on basic characteristics of sample of enterprises, further functionality and importance of processes in microenterprises, small enterprises and medium-sized enterprises. Followed by a focus on Human resource management process, its functionality and importance according to the categorisation the same enterprises. Data were collected by using a questionnaire and interviews with representatives (owners and managers) of enterprises in the South Bohemian Region during 2013, with the support of the GAJU 039/2013/S grant project, entitled: „Human Resource Management of Small and Medium-Sized Enterprises.“

Key words: Processes · Human Resource Management · Functionality · Importance · Small and Medium-Sized Enterprises

JEL Classification: O15 · J24 · L2

1 Introduction

Every company wants to improve the way it does business, to produce goods and services more efficiently, and to increase profits. Nonprofit organizations are also concerned with efficiency, productivity, and with achieving the goals they set for themselves. Every manager understands that achieving these goals is part of his or her job. Business process management (or BPM) is what they call these activities that companies perform in order to improve and adapt processes that will help improve the way they do business (Harmon, 2010). Business processes are the production lines of the new economy. When they fail us, our products and services fail our customers, and our business fails its owners. The more businesses change, the more they must concern themselves with their stakeholder relationships and manage their processes so that technologies and organization designs have a common business purpose (Burton, 2001). Since the key process that is specific to processes is the derived support that supports key processes, support processes are more general in nature. These provide the conditions for the functioning of the other processes. They ensure that the organisation is able to provide products and services necessary for the security of their functionality. Managing processes determine and ensure the development and management of organisational performance and create the conditions for the functioning of the other processes that ensure the integrity and functioning of the organisation. These are the processes of strategic and operational-tactical importance, which ensure that the organization will create and prove quality products and services. Part of the monitoring and adjusting processes is the information system that must not be static and must be supportive.

Human resource management can be defined, according to Armstrong (2006), as a strategic and logically thought attitude towards managing the most precious commodity an organisation has – its employees – who individually and collectively contribute to achieving company goals. According to Graham & Bennett (1992), the goal of managing human resources is to achieve the highest possible benefit from the work, skills and capacity of company employees (its human resources) and, at the same time, to ensure that employees gain material and psychological rewards for their work. Human resource management includes anything and everything associated with the management of employment relations in the firm. We do not associate human resource management solely with a high-commitment model of labour management or with any particular ideology or style of management. High-commitment strategies do exist, but we are also concerned with the many cases in which management is pursuing performance goals through lower levels of attachment or is seeking to manage a complex, segmented workforce through variable levels of committment (Boxal, 1996, Purcell, 1996).
The impact of human resource management policies and practices on firm performance is an important topic in the fields of human resource management, industrial relations and industrial and organisational psychology (Boudreau, 1991, Jones & Wright, 1992, Kleiner, 1990).

2 Methods

Primary data were obtained through a questionnaire and interviews of 300 representatives (owners and managers) of small and medium-sized enterprises in the South Bohemian Region of the Czech Republic. The survey which took place in 2013 focused on the characteristics of the surveyed enterprises and their human resource management strategies, evaluation of individual processes according to their importance and the functionality of the usage of the importance. The function of the human resource management utilised in each company was specific as a level of the indicators in human resources management. For clarity of information, this paper is focused on the fundamental characteristics of enterprises, namely the distribution by the number of employees. The enterprises are categorised according to the number of employees:

- micro enterprises (1 – 9 employees),
- small enterprises (10 – 49 employees),
- medium enterprises (50 – 249 enterprises).

The following is focus on the evaluation of Process Management, specifically the importance and function of key processes throughout the sample of businesses, and a further analysis of this area, focused on the categorisation of companies according to micro enterprises, small enterprises and medium enterprises. The list of key processes is evaluated as follows:

- Marketing,
- Production and providing services,
- Financial management,
- Human resource management,
- Quality management,
- Information transfer processes,
- Corporate social responsibility,
- Communication with the public.

The survey is focus on process of Human resource management, selected to most frequently used areas:

- Planning of employees,
- Recruitment,
- Development and education,
- Remuneration for employees,
- Employee evaluation,
- Communication with employees,
- Satisfaction of employees,
- Corporate culture.

The aim of this paper is to analyse the process management in small and medium-sized enterprises in the South Bohemian Region of the Czech Republic with focus on basic characteristics of sample of enterprises, further functionality and importance of processes in microenterprises, small enterprises and medium-sized enterprises. Followed by a focus on Human resource management process, its functionality and importance according to the categorisation the same enterprises.

3 Research results

The questionnaire was completed by 300 enterprises from South Bohemia in the Czech Republic. Figure 1 shows that the largest component of the companies by employee number is that of small businesses employing 10 to 49 (52.33%), followed by medium-sized enterprises with the level of the operator of 50 to 249 (29.33%) and the micro enterprises employing 1 – 9 (29.33%).
The survey also focused on the evaluation processes in enterprises. Owners and managers of a sample of enterprises presented the importance and functionality of the various processes in enterprises. Owners and managers of enterprises from South Bohemia in the Czech Republic reviewed the various processes in order of importance, at levels of 1 to 9 (integers), with a list that reviewed processes for each undertaking separately. Evaluation of importance by an enterprise as level 1 means the most important process in the company, while the value of 9 is equal to the least important process, selected from a list of 9 evaluated processes. In practice, this meant that the owners and managers of businesses chronologically compiled the importance of consecutive processes. Each process has its specific value, i.e. No two processes are located on the same level of importance.

Figure 2 shows that the most important process for the entire sample of businesses is the Production and providing services (level 2.24 – 2.56), followed by the process of Trade and sale (2.4 – 2.84). The least important processes are Communication with the public (6.87 – 7.93) and Corporate social responsibility (6.34 – 7.19).

After the importance of processes, the functionality of these processes followed, whereby business leaders evaluated the level at which these companies operate in the area. The level scale ranges from 0 – 100%, where 0% means a malfunction of the process and amounts to 100% error-free functioning of the process.

The results in figure 3 show differences between the individual processes. The representatives of small and medium-sized enterprises agree that the highest level of functionality of the process is Production and providing services (86.22
– 88.79%; also selected as the most important process), than follows Quality management (78.92 – 82.43%; selected as the third most important process) and Trading and sale (80.73 – 81.58%; selected as the second most important process).

**Figure 3** The functionality of processes in enterprises

![Process Functionality Chart]

Source: Own processing

The survey is also focused on the evaluation of human resource management. Owners and managers various areas in order of importance, at levels of 1 to 8 (integers), with a list that reviewed area for each undertaking separately. Evaluation of importance by an enterprise as level 1 means the most important area in process of human resource management in the company, while the value of 8 is equal to the least important area, selected from a list of 8 evaluated areas. In practice, this meant that the owners and managers of businesses chronologically compiled the importance of consecutive areas. Each area has its specific value, i.e. No two areas are located on the same level of importance. The figure 4 shows that the area Communication with employees (3.19 – 3.66) is the best evaluated in the process of human resource management, followed by the areas Satisfaction of employees (3.24 – 3.66) and Remuneration for employees (3.55 – 4.24).

**Figure 4** The evaluation of individual areas of Human resource management process

![Evaluation Chart]

Source: Own processing

Subsequently the surveyed managers and owners reported on the level, that these companies operate in the listed areas. Level Scale ranged from 0-100%, where 0% meant a malfunction in the field and equaled 100% error-free areas.
of Human resource management process. In comparison with all investigated areas, the area of communication is in the second position behind remuneration. Figure 5 shows that all areas of small and medium-sized enterprises according to owners and managers are on the level of 59.93-83.45%, which is a pleasant result for small enterprises and medium-sized enterprises, this fact points to the possibility of improving all areas of Human resource management, especially for micro enterprises.

**Figure 5** The functionality of individual areas of Human resource management process

![Diagram showing the functionality of individual areas of Human resource management process](image)

Source: Own processing

### 4 Conclusions

Through questionnaire survey focused on process management, respondents to questions 300 representatives (managers and owners) of micro, small and medium-sized enterprises from South Bohemian region. The companies were categorised according to the number of employees. The sample of enterprises is represented by 58 micro enterprises, 152 small enterprises and 90 medium-sized enterprises.

The basic activity of the company is production which means a connection of production factors in order to obtain certain performance (Chang, 2006). The results show that representatives (owners and managers) of micro, small and medium-sized enterprises consider the process of production and providing services as the most important process in companies. At the same time, this process has the best functionality. Large shortcomings are found out in the evaluation in the process of communication with the public. At the same time, this process has the worst functionality. This process is associated with the process of marketing, whose importance and functionality is very low for companies. Communication with the public and marketing are also necessary for function and competitiveness of the company, it is a reason, why it was suggested to increase monitoring of these processes.

Human resource management is a strategic and coherent approach to the management of an organization’s most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives (Armstrong, 2006), therefore the next part of this paper is focused on individual areas process of Human resource management. Effective communication is an essential part of a smoothly running business organization. Managers consider the communication with employees as the best evaluated area in the Human resource management process. This area is located at the second position in the context of the functional areas in the Human resource management process. In the first place is located an area of Remuneration for employees. Worst rated area of Human resource management process called Planning of employees, while the planning of employees is necessary for companies because this area has provided enough capable and prospective employees, who help deliver objectives of company. This is associated with area of Recruitment, which has the worst functionality in this process.
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References


