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## QUALITY OF WORK LIFE OF EMPLOYEES IN SMES: DOES SMALL BUSINESS ENCOURAGE SKILL DEVELOPMENT?

**Abstract:** *Small and Medium-sized Enterprises (SMEs) have an important role in economy development especially in the field of new jobs creation. Regardless of the size SMEs need to have wide range of employees with specific knowledge and qualifications. Quality of their work life depends on many factors especially on those related to their skill development and career progression. The purpose of this paper is to examine SMEs environment for skill development of employees with special focus on those who have key roles in the business. Unlike large companies that have formal strategies for employee's education and trainings, SMEs usually do not have enough capacities and finances to provide formal trainings for their employees. Thus, by networking and cooperating with external parties they could join resources and knowledge, and try to eliminate or mitigate these problems. This paper aims to show methods for improvement of skill developments in SMEs by involving employees in process of Open innovation (OI) and Value networks.*

**Keywords:** *Small and Medium Enterprises (SMEs), skill development, work life quality, networking*

### 1. INTRODUCTION

Small businesses, especially ones that operate in developing countries, are facing the problem of insufficient resources, finances and capacities. Due to these limitations SMEs are often observed as unattractive kind of companies for employees who are experts in specific field. On the other hand SMEs need to employ wide range of people with specific knowledge and qualifications. So, there is a challenge for company to find ways to attract and keep employees with required skills and knowledge.

Large organizations have formal organization structures with clearly defined roles and responsibilities for each employee. Also, their strategies and procedures are oriented to continual education and development of their employees especially those who work on key positions.

When it comes to SMEs a situation is a quite different. Due to lack of hierarchy and work space systematization some employees do not have a clear view about their role in the organization. In most cases it means “doing a

little of everything” which results in “knowing a little of everything”. This approach should have positive implications in the beginning when employees need to be informed with all company's processes and activities. In the later stage “doing a little of everything” slows down the process of specialization and increasing knowledge in some specific area. This applies particularly to the employees whose engagement is the key to successful business.

Key employees in most cases have formal and informal educational background, significant experience from specific field and high expectations for their career progression [1]. Key employee is a “person of trust” and no matter on firm size, his or her presence is recommended and priceless for owner.

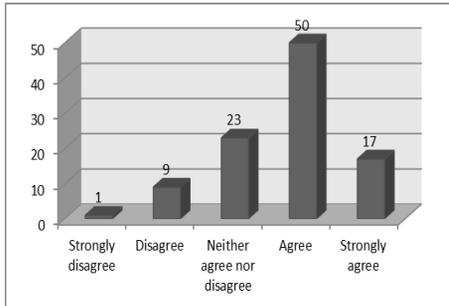
In developed countries, SMEs are considered to be the main engine of economic growth, but in less developed countries they can also have significant socio-economic effects especially when it comes to employment. In recent years concept of networking has been supported by SMEs in order to expand their own competencies and achieve better business results.

**2. SKILL DEVELOPMENT IN SMEs:  
BARRIERS AND POSSIBILITIES**

SMEs are facing with many problems, especially those that operate in developing countries. Lack of finance, resources, limitation in size and number of employees can cause many barriers to sustainable growth and development. Regardless these limitations SMEs represent a significant source of employment. The aim of this paper is to examine possibilities for employee development in SMEs and to make recommendations for their work life improvements.

Research done by Moraca et. al (2014) showed current state of the SMEs in Autonomous Province of Vojvodina, Republic of Serbia [2]. Overall number of the companies that participated in the research was 102. The main objective was to investigate segments and conditions of SMEs business activities and to provide suggestion for improving their business performances.

One element of the research was training issue where respondents using a Likert scale (from 1 to 5) to assess level of providing formal and informal training activities by company (Figure 1).



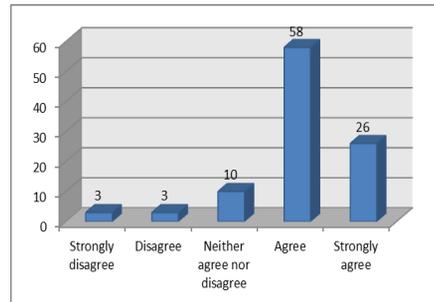
**Figure 1. Employee's attitude towards organizations of trainings by company**

Figure one indicates that majority of the respondents work at companies that organize some kind of trainings (67%). Almost 23% of respondents are indecisive when it comes to question about trainings. The main reason for such kind of answer should be lack of formal trainings in companies. SMEs are more oriented to on-job trainings than formal ones. Thus, sometimes employees are not sure about concept of training implementation because

they cannot make difference between on-job training and ongoing business activities.

About 10% of respondents agree that their companies don't organize any training activity. Employees in those companies don't have any possibility to increase their knowledge and skills in specific field.

Lack of strategies and activities in the field of employee's education not necessary influence their attitude to quality of work life and work conditions in general.



**Figure 2. Employee's attitude towards work conditions in company**

The majority of respondents agree that their companies provide good work conditions for them (almost 85%) no matter on fact that strategies for formal trainings and informal education do not exist.

Working on well-paid position without overtime work, in most cases, is enough for employee's satisfaction with company's work conditions. This fact describes lack of wilness of employees to increase their knowledge and skills. On the other hand rests of respondents are not satisfied with current work conditions and in many cases those are people which presence is priceless for the company [3].

SMEs are specific category of enterprises, and skill development is facing with many challenges. Upgrading existing skills or acquiring new ones is a challenge for the owner or a general manager because of insufficient resources and low level of motivation of employees [4].

Employees represent a significant part of each company's strategy where special focus is put on their development, education and improving their work life quality. It is not rare that owners of SMEs take full credits for achieved success and company's development. Schlosser state that in many cases key

employees are ones who have the most important role in achieving good business results. He defined key employees as most effective ones that they get job done and their work is has most contribution success of venture [1]. Results from previous section showed that it is not necessary to provide possibility for skill development for all employees but only for those who are progressive and proactive. Thus, in the following text we will observe and analyze only category of employees whose activities are significant for achieving good business results.

Key employees usually do not want to run own businesses. Stress management and responsibility are the main reasons why key employees are not ready to run their own businesses and become entrepreneurs. They are satisfied with their position as key employees but over time it is obviously that they will need some promotion and moving forward [1]. Financial reward, praises by owner are not enough for people who are high ambiguous.

Many authors agree that a highly skilled workforce is crucial for improvement of competitiveness and continual development. Many SME's representatives think that regular formal trainings are not the best choice for employee's development. They are more willing to participate on informal kind of trainings (training on the job). In that way SMEs gain more benefits because of larger difference between cost and benefit [3].

The most present barriers in skill development at SMEs are awareness, finance, provision and access [3].

Employees that are involved in process of development skills are able to achieve better results in shorter time and with a less money. Godfrey states that better educated workers are more flexible and oriented towards innovation, retraining and relocation [5].

One more barrier is Government attitude for attending formal trainings in SMEs. Even in case that government defines strategies and acts for formal trainings, small business is seeking for educated employees. Lange and et.al define this phenomena as a "purchasing a final products". Instead of invest in training programs to educate employees for some specific knowledge or expertise, small businesses hire talented individuals for full time or only for particular part of job.

SMEs owners are more interested in

organization training on job and in the most cases that means new employees learn from older ones. As formal trainings are not so advantageous options for SMEs it is necessary to develop environment for their growth and development beyond internal capacities.

In the modern literature networking is presented as concept for improvement of business results, better internationalization and increasing tangible and intangible knowledge within the network.

### 3. NETWORKING AS A TOOL FOR WORKLIFE IMPROVEMENT

According to research done by a major of North American bank (Anon), sustainable and fast-growing SMEs are part of formal and informal value networks. Existing of external relationships with stakeholders is an important strategy for small business development [6].

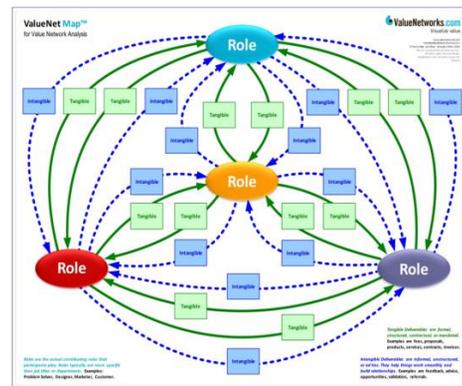


Figure 3. Value network map [7]

Networks have long been used in business and science for managing complex systems. Word network commonly refers to a group of interlinked subsystems, with some kind of coordination system. The role of the coordinator is to create knowledge and awareness and the transfer of these to members, each of which is optimally designed to perform a designated task effectively. Each sub-system is specialized, and generally draws on high levels of accumulated knowledge and expertise within its expected domain of operations [8].

Companies are constantly asked to improve performances in internal and external environment in order to get the chance to maintain or to improve their own market

positions and potential of their workers. A value network is the full range of competencies, activities and participants necessary to bring a product or service from the point of being an idea through to delivery to the final consumer while a company can be found at any of the various steps within the network [8]. Various actors can be “networked”, at any step, for training, co-creation, bargaining and/or selling to the next point of the value network.

Allee defines value network as the group of nodes (people and their roles) and relations among them. Focus of this concept is put on flows of tangible (goods, services and/or revenue) and intangible value exchanges (knowledge and benefits) [7]. Value network is upgraded concept of value chains which is primarily oriented to traditional industry (e.g. manufacturing) and tangible assets [9].

On the contrary, value network put focus on value creation in the process of sharing intangible knowledge. SMEs as part of value network gain a number of benefits [10]. As it is such a wide topic of discussion, we will focus mainly on the aspect of individual employee and his/her work life quality within the network.

All participants in the value network can benefit through achieving information, knowledge, lower costs of services and greater competitive advantage. When members of a network value system all operate in the same general geographic location, they gain the cost efficiencies of supply chain coordination, as well as the boost in competitive drive and innovation that comes from working together in close physical proximity. The ability to learn about new opportunities requires participation in networks, thus a wide range of interorganizational linkages is critical to knowledge diffusion, learning, and technology development [8].

Networks, therefore, have a greater diversity of knowledge than in a single organization, making the network structure a repository of specialized knowledge. By optimal inter-linking of network components, participants achieve a much broader, and more complex, range of functions and capabilities than the reach of individual components or subsystems. In a strict theoretical sense, the system as a whole may not be truly optimal, yet it can be effective and flexible enough to perform the task at hand, well beyond the

capabilities of its individual parts [10].

Kitching [11] stated that it is important for SMEs owners to enable employee learning rather than take an active role in training employees. Learning process provides better results when implemented within open system with large number of partners and resources [12]. Such kind of cooperation that supports development of innovative business environment defined as Open innovation.

Within Open innovation employees from different companies should work together in order to develop new product and services or to improve existing ones. In that process focus put on intangible value where employees exchange and share knowledge which results in increased productivity and better work life quality [13]

Value network have the possibility to develop their own specific mixture of competitive advantages which is created on the basis of locally-developed knowledge as a result of mutual relations, cultural heritage and local characteristics. They not only share the costs and risks of their activities but also obtain access to new markets and technologies and make use of complementary skills [12].

The networks are instruments that might help firms to voluntarily expand their own competence by means of complementary partners beyond the limitations of their own organisation and of the localities where they are settled. In this context, the process of ‘learning’ offers a dynamic perspective on the nature of networking [14].

## 5. CONCLUSION

Environmental turbulence refers to the amount of change and complexity in the environment of a company. In modern business we need to be aware of existing not only *market place* in traditional way. Networked environment provides more possibilities for increasing knowledge and experience, thus, today companies operate in virtual environment defined as market space. The current published literature has addressed many important aspects of networks, yet there is still a lack of frameworks to combine and explore these aspects together within one competitive market.

In Open innovation process problem of insufficient resources and finances could be overcome, more innovative and competitive goods and services could be developed and

launched on the market. Also, employees increase knowledge and develop their skills through continual cooperation and collaboration within network. Larger capacities, more interactions with partners from different

areas and greater access to resources result in better opportunities for skill development which leads to increased quality of work life for employees.

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