

# **Promoting Knowledge Transfer to Czech SMEs: The Role of Human Resource Development in Increasing Absorptive Capacity.**

David Pollard

Leeds Metropolitan University  
Headingley Campus, Leeds LS6 3QL, UK

Phone: +44 113 812 6580

Fax: +44 113 812 6500

E-Mail: [D.J.Pollard@Leedsmet.ac.uk](mailto:D.J.Pollard@Leedsmet.ac.uk)

and

Jená Švarcová

Tomas Bata University in Zlín,  
Mostní 5139, 760 01 Zlín, Czech Republic

Phone: +420 576 032 092;

Fax: +420 576 032 262

E-mail: [svarcova@fame.utb.cz](mailto:svarcova@fame.utb.cz)

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## **Abstract**

The development of a viable and vibrant small- and medium-size enterprise (SME) sector has been widely recognized as vital for sustaining the process of economic transformation in east and central Europe (ECE). Owing to the high rate of change in competitive dynamics within transformation economies, SMEs seek to develop new knowledge themselves, or more likely, transfer, adapt and implement new knowledge obtained from outside sources in order to increase their competitiveness. The effectiveness of identifying and transferring new knowledge and best practice depends to an extent on the level of absorptive capacity of the organization, which, it can be argued, is strongly related to its inherent level of human resource development (HRD).

This paper reports the initial results of a research project carried out in the Czech Republic in which priorities for HRD in SMEs as perceived by management and other staff are investigated, so as to enable managers to identify, transfer, assess and implement new knowledge gained through access to external sources more effectively. The study identifies significant differences in HRD priorities identified by management and the preferences of employees and potential employees in the form of undergraduate business students. The conclusions indicate that firms should consider the importance of their own and their employees' motivational factors in managing knowledge transfer mechanisms and processes.

## **Introduction**

The development of a viable and vibrant SME sector has been widely regarded as important for the sustaining of economic change and organizational competitiveness in ECE transformation economies (see, for example, Pollard & Šimberová, 2002). Most relevant research has, however, concentrated on economic and political factors affecting SMEs (Szamosi et al, 2004) whereas human resource issues and the development of human capital in post-socialist organizations has received comparatively less attention.

White & Linden (2002) noted that organizations must change quickly, commensurate with the pace of market reforms if they are to survive. The ability of SMEs in post-socialist economies to upgrade their knowledge assets to enhance productivity and competitiveness has also been recognized as important for sustainable competitiveness (Letiche, 1998). Yet, as several commentators report, the transfer of new knowledge and technology to SMEs can be problematic, examples being the lack of absorptive capacity (Zahra & George, 2002; Cohen & Levinthal, 1990), the individualism of the owner-manager (Woodward, 2001) and cultural barriers including a not-invented-here perspective and a lack of motivation to learn (Osterloh & Frey, 2000). The sharing of knowledge, including best practices, between organizations is also mediated by barriers such as the fear of loss of intellectual property, a fear of appropriation of knowledge which may benefit a competitor and a lack of fair exchange and trust between organizations (Ungan, 2004).

The present paper is concerned primarily with HRD processes which are strongly associated with the concepts of knowledge transfer and absorptive capacity since, even if other barriers to knowledge transfer are minimized, the firm is still faced with the need to identify, evaluate and implement new knowledge. Furthermore, this new knowledge may have to be adapted to suit the

recipient's mode of business (Ungan, 2004). Advancing the level of absorptive capacity within the firm depends on the nature and rate of HRD processes and associated human resource management (HRM) factors such as recruitment and motivation.

The remainder of this paper is structured as follows. Following a review of the relevant literature and the Czech business context, the scope and contents of the project are described, together with the mechanisms utilized in involving SMEs in the process. The results of workshops involving senior managers and surveys of SME employees and local Czech business students are analyzed. A discussion section follows which includes implications for SME managers and future research plans are outlined.

### **The Importance of Organizational Knowledge**

Although knowledge has always been of importance to organizations, it is only within the past fifteen years that it has been considered within management discourse as a key intangible asset (Teece, 1998; Stewart, 1997; Sveiby, 1997; Nonaka & Takeuchi, 1995); and that knowledge constitutes one of their most strategically important resources (Nahapiet & Ghoshal, 1998; Grant, 1996). Proponents of the knowledge-based view of the firm assert that of all its resources, an organization's knowledge base has the greatest ability to serve as a source of sustainable competitive advantage (Argote & Ingram, 2000; Teece, 1998; Grant, 1996; Quinn, 1992; Nonaka, 1991; 1994). An increasing awareness of the strategic importance of organizational knowledge resources together with the ability of firms to benefit from this knowledge has provided a catalyst for investigations into their effective management (Argote et al, 2003; Grover & Davenport, 2001; Tsoukas & Vladimirou, 2001).

March (1991) argued that firms should balance the exploitation of existing knowledge with an exploration for new knowledge as both activities are valuable. In addition, rapid changes in the contemporary business environment, especially in post-socialist economies, means that few organizations are now self-sufficient in evolving new knowledge and should exploit external sources through various inter-organizational arrangements (Darr et al, 1995; Powell et al, 1996), both formal and informal. Gulati (1995) demonstrated that informal arrangements are precursors to the formation of formal ties with a consequent increase in knowledge transfer effectiveness. Knowledge transfer has therefore become an important process for firms (Argote et al, 2003) as has absorptive capacity, the ability of an organization to identify, evaluate and integrate new knowledge (Cohen & Levinthal, 1990).

### **The Knowledge Transfer Process**

Knowledge transfer has been defined as a process by which the knowledge of one actor is obtained by another (Albino et al, 1999) as a process through which one entity is affected by the experience of another (Argote & Ingram, 2000). Similarly Clark and Geppert (2002) define knowledge transfer as a process ‘whereby information, ideas and practices move between two business systems’ (Clark & Geppert 2002: 264). Although taken from different perspectives, a key unifying feature of these definitions is that knowledge transfer is a process rather than an event, a view which is strongly supported by Szulanski (2000). Researchers have portrayed the knowledge transfer process knowledge transfer process in various ways. Lane & Lubatkin (1998) view it as consisting of three events, valuation, assimilation and application. Most others view it as linking a source of knowledge to its eventual implementation by a recipient (see, for example, Argote and Ingram, 2000; Bresman et al, 1999; Szulanski, 1996).

The successful transfer of knowledge to a recipient depends on several factors such as previous experience, values, trust, motivation, organizational structures, norms and beliefs and the ability to take advantage of the supply and receipt of new knowledge (Joshi & Sarker, 2006; Albino et al, 2004; Cohen & Levinthal, 1990), differences between the source and recipient organization (Hillebrand & Biemans, 2003; Argote & Ophir, 2000; De Long & Fahey, 2000) and the balance of power in the relationship (Rogers, 1995). The efficacy of knowledge transfer also depends on the type, complexity and level of embeddedness of knowledge and its representation (Cummings & Teng 2003; Dyer et al, 1998) plus the relationships between source and recipient such as the existence of networks and ties (see, for example Hansen, 1999; Kogut & Zander, 1995). The inclusion of management and employee perspectives is as vital as the transfer of knowledge (Englehard and Simmons, 2002). The dynamics of the business environment is another important factor in knowledge transfer. For example, rapidly changing entrepreneurial learning and innovation environments especially related to economic, political and technological change affects the knowledge transfer process (Kim & Nelson, 2000).

### **Absorptive Capacity and Knowledge Integration**

Gilbert & Cordey-Hayes (1996) emphasize the importance of not only the source and recipient organizations in knowledge transfer but also the acquisition, communication, application, acceptance and assimilation of knowledge. Additionally, Simonin (1999: 601) states that ‘learning is limited by the degree of experience of the knowledge seeker’ a view supported by

Mowery et al (1996). Cohen and Levinthal (1990) identified such problems in organizations benefiting from inward technology transfer and suggested that in order to effectively import new knowledge firms should possess an adequate level of prior knowledge. They conceptualized the ability to acquire integrate and utilize new knowledge as the 'absorptive capacity' of an organization. Cohen & Levinthal (1990) also recognized that absorptive capacity is a cumulative process because successive transfers of knowledge add to the existing knowledge base.

Cohen and Levinthal's work was extended by Zahra and George (2002) to include four different but complimentary dimensions of absorption capacity. Acquisition is the firm's ability to recognize, value, and acquire external knowledge that is crucial for its future operations (Lane & Lubatkin, 1998; Zahra & George, 2002). Assimilation refers to the firm's ability to absorb external knowledge through routines and processes. Transformation is necessary to prepare the new knowledge in such a form that it can be easily integrated with current knowledge (Zahra & George, 2002) and exploitation is full integration and application of the new knowledge to enhance the competitiveness of the firm. Zahra & George (2002) suggest that the acquisition and assimilation of knowledge were seen as potential while transformation and exploitation of knowledge represent realized absorptive capacity. Absorptive capacity can also be developed as a result of training and education (Rothwell & Dodgson, 1997) and educational levels have been found to be positively linked to levels of internal development practices associated with high absorptive capacity (Storey, 1994; Gray, 1998; Harding, 2003).

An increase in both absorptive capacity and organizational knowledge may be achieved through the provision of educational institutions; or through knowledge gained through engagement in various types of network activity (see for example Inkpen & Tsang, 2005; Uzzi & Lancaster, 2003; Powell et al, 1996; Darr et al, 1995); or more formal inter-organizational forms such as strategic alliances and joint ventures (see for example Chen, 2003; Simonin, 1999b, Inkpen, 1998; Glaister & Buckley, 1996; Huber, 1991; Parkhe, 1991).

### **Best Practice Transfer and the Knowledge Transfer Process**

A satisfactory definition of best practice has proved elusive (Ungan, 2004) Commentators such as Jarrar & Zairi (2000) suggest that best practice is a relative term and that it is highly contextual. They quote the American Productivity and Quality Centre in suggesting that best practice is

assessed through the production of superior results and are judged as superior within industries and externally (Jarrar & Zairi (2000).

The process of transferring best practice between firms is dependent on a company being able to identify good practice and subsequently adopt and implement this practice. This process is inextricably linked with the both the knowledge transfer process and the concept of absorptive capacity discussed above. Best practice has to be identified and assessed in the context of the recipient's business processes (Zairi & Ahmed, 1999) before selecting relevant aspects of practice, adopting and disseminating the knowledge prior to its implementation and incorporation in existing structures and routines of the recipient firm. Finally, the evaluation of the process as a whole and its relevant stages is necessary if the company to develop its knowledge, both of managing the transfer processes associated with new knowledge and its ability to identify and assess subsequent examples of good practice. This process model of best practice transfer is illustrated in fig 1.

Insert fig. 1 about here

### **Knowledge Transfer and HRD**

While a universally acceptable definition of HRD has not been forthcoming (Brooks & Nafukho (2006), Swanson & Holton (2001, p4) define it as 'a process for developing and unleashing human expertise through organization development and personnel training and development for the purposes of improving performance'. Similarly, Garavan et al (2001) suggest that HRD is primarily concerned with capabilities, psychological contracts and the learning organization/organizational learning. This latter view is supported by Sparkes & Miyake (2000) who, building on the work of Lall (1994), argue that HRD is crucial in building a capacity to absorb and utilize new knowledge and this is closely associated with learning (Bell & Hill, 1978). Sparkes & Miyake argue that HRD is a crucial factor in the knowledge transfer process but that few empirical studies exist to 'identify the appropriate emphases in HRD practice'. (Sparkes & Miyake 2000: 599).

HRD is perceived to be important by employers and employees alike. Prickett (1998) in his study of recent university graduates found that in excess of 90% expect their employer to help with their development. Spangenberg et al (1999) argue that employers seek to develop the competencies of their employees in order to enable them to respond rapidly and flexibly to the

needs of the organization. HRD is also strongly related to human capital theory which asserts that people possess skills, experience and knowledge that are of economic value to firms. These attributes can be found in both tangible and intangible contexts, not only directly contributing to the firm's product, but also engaging in more tacit activities such as problem solving and the exercise of judgment. The building of a capability of absorbing and exploiting new knowledge is very clearly related to the concept of absorptive capacity, considered earlier. This suggests that the development of the level of absorptive capacity is necessary to take advantage of knowledge opportunities in the future, but depends on the quality of relevant HRD processes.

Alongside organizational knowledge, some commentators have argued that HRD is strongly related to the competitive advantage of the firm (see, for example, Tayeb 1995; Leonard-Barton, 1992) and that it is strongly associated with human resource management (HRM) in terms of selection, recruitment, training and education and motivation. Pate et al (2000) assert that involvement in HRD is enhanced through programmes associated with life-long learning and career development and that the quality of HRD assists in increasing the motivation of employees to participate in knowledge transfer processes which Osterloh & Frey (2000) argue is a key factor in knowledge transfer success.

Osterloh & Frey (2000) contend that, whilst extrinsic aspects of employee motivation are important, intrinsic motivation is also a key factor, for example workplace satisfaction and career prospects are important. The behavioral view of the organization emphasizes the importance of intrinsic motivation and link it with employees' psychological contracts (Morrison & Robinson, 1997) and with the organization's strategic goals. While intrinsic motivation is often seen as positive (Osterloh & Frey, 2000), such motivation is not always effectively linked to strategic performance, for example employees may not engage in important process effectively because of a lack of interest or even hostility to new knowledge. Management approaches should therefore be to motivate employees in a coordinated and goal-related way, comparing the costs and benefits of motivating employees both intrinsically and extrinsically. A lack of motivation in knowledge transfer may result in procrastination, passivity, feigned acceptance or outright rejection by employees (Katz & Allen, 1982).

Many problems associated with the source and recipient context arise through the involvement of people in the process. Several authors have identified the impact of staff attitudes on the knowledge process (e.g., Michailova & Husted 2003; Husted &

Michailova, 2002; DeLong & Fahey, 2000; Davenport & Prusak, 1998). Issues such as the lack of time to devote to knowledge transfer, resistance to knowledge sharing, not giving due priority to the transfer of tacit knowledge or problems associated with differing experience or educational levels, communication skills or lack of network contacts, etc, can all have a detrimental effect on motivation and staff attitudes to the knowledge transfer process. These problems can be found in both the source and recipient organizations (Lang et al, 2000).

Motivation and costs may impede the knowledge source if the recipient does not possess adequate resources (Reagans & McEvily, 2003) or they may lack the motivation to access or to internalise knowledge (Joshi & Sarker, 2006). They also discuss receipt worthiness, that is, will sources bother to transfer knowledge if they feel that the recipient does not have the requisite absorptive capacity, due to the cost and time involved on the part of the source? Source credibility and capability are other motivational factors affecting the recipient. Other, more recent studies have assessed the capability of managers to assess the potential of new knowledge and to manage its implementation, sometimes in a hostile climate of change management.

### **Knowledge transfer and SMEs**

The organizational knowledge transfer literature is predominately concerned with studies set in multinational enterprises (MNEs) (Napier, 2006 Nonaka & Takeuchi, 1995; Szulanski, 1996; Hall 1992), comparatively little attention having been paid to these activities in SMEs (Chen et al, 2006; Atherton, 2003) and with comparatively little consideration of variations in organizational size or context (Gharadi & Nicolini, 2000). The knowledge-based experiences of MNEs may be inappropriate and irrelevant to practices in small businesses, for example. Comparatively little attention has been paid neither to knowledge transfer processes concerning SMEs, nor to SMEs in transition or emerging economies (Napier, 2006).

SMEs differ from larger organizations, not just in relation to fewer resources but in terms of personal and cultural motivations of owner-managers and their need for a wide range of skills in managing informal relationships (Iles & Yolles, 2002). They further contend that SMEs need external learning and knowledge intermediaries and brokers to support their development through

the provision of new knowledge; accordingly, they have to engage in inter-organizational knowledge transfer. Chen et al (2004) similarly claim that SMEs depend on knowledge transfer from external sources because of their relative lack of knowledge-creating resources. It follows that SMEs require the necessary motivation and the appropriate levels of absorptive capacity to take advantage of new knowledge. A major constraint in acquiring external knowledge is that SME managers may not recognise the potential of new knowledge in terms of its content, source or the manner by which knowledge is communicated.

The general business environment may be a source of new relevant knowledge such as changes in economic, political and social trends. More often, it is the task environment which is related to competitors, suppliers and customers that provides a rich source of new knowledge (Chen et al, 2006) but is also associated with higher levels of uncertainty as to the relevance and exploitability of such knowledge.

### **Knowledge transfer and transformation economies**

The transition to a market-related economy is a process fundamentally dependent on knowledge transfer, affecting a wide range of new knowledge, including state and organizational governance, legislation, education the development of social systems and so on. Many organizations, particularly in the private sector, have had to face challenges of reconstruction and of meeting new and advanced levels of competition. Economic transition often drives rapid change in organizations but change in people's attitudes is often slower, this sometimes forms a considerable barrier to knowledge transfer and affects the development of absorption capacity, levels of which can be relatively low, another legacy of the previous economic system. Several studies have shown that western management techniques, for instance, have been implanted in post-socialist firms without consideration of local relevance. Knowledge transfer therefore takes place in a developing industrial context as illustrated below.

Insert fig. 2 about here

Knowledge transfer and absorptive capacity development has been achieved through various means including institutional policies promoting inter-organizational co-operation, the involvement of educational establishments and consultancy firms; in addition to the activities of inwardly investing multinational enterprises (MNEs) and inter-firm collaboration. However, the

specific needs of the recipient organizations and their management have not always been effectively considered by knowledge providers and recipients.

### **The Czech Republic**

The Czech Republic still carries a legacy of its socialist past but the country is changing more or less successfully to a free market. Transformation at the microeconomic level has been more difficult. The transformation of ownership through privatization was specific to the Czech Republic and occurred in two waves at least. In 1992-1993 the first wave of voucher privatization occurred, as did the division of the former Czechoslovakia into two separate countries, the Czech Republic and the Slovak Republic. Both countries developed separately but in close cooperation, especially on the labour market.

The Czech Republic currently has high levels of employment in traditional manufacturing sectors, including engineering. However, the structure of the economy has become more diversified: manufacturing forms 13 % of the registered businesses and there are 920 enterprises with more than 250 employees there; agriculture forms 5 % of registered businesses, but there are only 45 enterprises with more than 250 employees. Construction forms 11% of registered business and there are 75 enterprises with more than 250 employees. The wholesale and retail trade forms 28% of registered businesses and there are 150 enterprises with more than 250 employees (Czech Statistical Office, 2005)

The service sector is growing rapidly as is the case with many other ECE transformation economies but its share on the gross domestic product is not as high as might be wished. The growth in hotels and restaurants was 1.7 % in the 3<sup>rd</sup> quarter of 2006. Post and telecommunication growth was only 0.3 %; sales in computer and related activities were 10.8 % at the same period (Czech Statistical Office, 2006). In the long term, the fastest growth of the sales was recorded in the recruitment on the labour market and provision of personnel (24.6 %). Czech employment rates continue to increase overall, perhaps pointing to labour shortages in some areas of employment in the next few years. The number of people engaged in running their own business is also increasing after declining in 2003/4.

The labour market for the Zlin region reflects the statistical average for the whole state. Problem regions are Northern Moravia (Ostrava) and Northern Bohemia (Most) which both have a legacy of declining heavy industry (the rates of unemployment were 20% in some periods). In 2007 the

situation is improving through an increase of new foreign investments (for instance Hyundai commences production in Nošovice, near Ostrava during 2008).

Inset fig 3 about here

### **The Project**

The project evolved from an initiative to assist firms to share best practices through the medium of television. Although the project did not succeed (primarily due to a lack of funding, it evoked interest from managers in various sectors of industry and commerce. The initiative was subsequently incorporated into a project carried out by staff at the Tomas Bata University in Zlin during 2005 and 2006. Managers who had expressed an interest in the original project were contacted with a view to participation; ten of these managers agreed to be involved, subsequently formed a non profit-making organization for the purposes of best practice transfer. The members include Zbyněk Frolík - owner and general manager of Linet (production of hospital beds, 2 million CZK turnover per year), Miroslav Hofman owner and general manager of 2N Telekomunikace (3 million CZK per year) - both firms are in the Czech TOP 100 firms - Ivan Pilný - founder and former CEO of Microsoft CZ, now IT consultant firm owner; Ondřej Landa - CEO Inveta Group (consultant firm), Růžena Petříková CEO in DTO Ostrava consultant firm and professor at Technical University Ostrava and Jená Švarcová - owner of publishing company and part-time academic. A total of eighty firms were also subsequently contacted for survey purposes, their names being mainly selected from participants in a 'Firm of the Year' competition, organised for SMEs by the journal 'Hospodářské Noviny'.

The project was operated by the Tomas Bata University together with partner organizations; financed by the European Social Fund (ESF) and by the state budget of the Czech Republic. The antecedents of the university lie in the founding of a faculty of technology in 1960 as a college for the Svit factory (formerly the Bata shoe factory), the college being part of the Technical University of Bratislava. In 1963 the college became a part of the Brno University of Technology. The Tomas Bata University (TBU) was established in November, 2000 and offers a wide range of degree programmes, including food technology, enterprise management and economics, language studies, IT, multimedia and advertising and others. The name of the university was chosen in honour of Tomas Bata, founder of the Bata shoe factory and the modern industrial district of Zlin.

The aim of this project is to identify and disseminate innovative approaches and methods in Human and Resource Development (HRD) within Czech SMEs, to help create a learning environment and therefore enhance absorptive capacity and knowledge transfer capabilities. The first part of the project focused on research concerning the needs of enterprises and their employees in terms of HRD and the present paper reports on the initial research results.

### **Methodology**

The primary research involved firms from both the manufacturing and service sectors. A series of workshops was organized, involving the senior management mentioned above. The first outcome of the discussions – using a brain-storming approach, was the compilation of list of fifty most important areas that contribute to competitiveness and market success and which should receive priority in terms of HRD within Czech companies. This list was subsequently shortened to thirty factors in consultation between the managers and the research team. This list was divided into five separate categories which reflected the contribution of HRD in terms of the relative benefit to the development employee careers or benefit to the employer – see table 3 below. Subsequently, a questionnaire-based survey was conducted utilizing randomly chosen employees of eighty local SMEs across the manufacturing and service sectors during one month in 2006. The average age of the respondents was 27 years; half of the respondents were women and all the respondents had completed high school education. In order to compare the results with opinions of university students who will shortly be entering industry and commerce the research team carried out parallel research within the Faculty of Management and Economics in Zlin, selecting respondents at random among the faculty's 2400 students. These two research programmes were organized at the same time and within the same general conditions to eliminate possible distortions. The average age of the respondents was 20 years

Both groups of respondents (employees and full time students) were offered the list of 30 topics and they were asked a question: choose 10 topics you consider to be most important for personal development? The questionnaire was designed for simplicity considering the difficulty of selecting and prioritizing from a list of thirty topics. The topics were later divided into five groups depending on the relative impact on the firm and the employee. There is an inherent non-trivial risk of subjectivity in making this classification but provides consistency across the measurements.

## Results

Table 1 below contains the employees' view of necessary skills and perspectives that contribute to career success.

*Table 1 Top ten HRD topics identified by the employees group for career success*

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1. Self-management, asking where I am, where I want to go.
2. Personal time management.
3. Keep improving.
4. Planning.
5. Make decisions from the point of view of the future, not the past.
6. Self-motivation.
7. Building personal relationships.
8. How to motivate other people.
9. Successful negotiation.
10. Understanding the viewpoints of other people

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The research reveals an emphasis on the part of employees on soft skills rather than the more traditional hard skills. This contrasted with the view of senior managers who identified more hard skills as being important for the competitive well-being of the company, including logistical and manufacturing skills. The different expectations of the employees and the need for further learning from the point of view of employers and employees might pose problems in facilitating further organizational learning and can threaten the results of learning process unless these differences can be managed.

The results obtained from the student-based study showed some interesting differences in terms of priorities for personal development; however there was still an emphasis on soft skills.

*Table 2 Top ten HRD factors identified by the student group*

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1. Continuous improvement.
2. Enhance your firm's reputation.
3. Forecasting the future.
4. Planning.
5. "Sell" your good results; measure your success.
6. Do not make mistakes.
7. Build your personal relationships.
8. Self-management, asking where I am, where I want to go.
9. Successful presentation.
10. Make decisions from the point of view of the future, not the past.

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A central aim of the primary research was to identify the potential contribution of training in specific topics to the development of the individual employee and the potential contribution of the firm. The thirty factors identified earlier in consultation with employers were divided into five groups and classified using a scale of 1–5.

*Table 3 Division of HRD topics into groups*

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1 – Contribution only for an employee (3 % of topics);
2 – More contribution for an employee, less for his firm (13% of topics);
3 – Contributions of the training are equal for an employee and his firm (20 % of topics);
4 – More contribution for the firm, less for an employee (27 % of topics);
5 – Contributions only for the firm (37 % of topics).

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Most of the 30 offered training topics identify prospective contribution for the firm and partly for the employee. This division of topics reflects the efforts of the managers to support the aims of the firm rather than considering the private motivations of employees. On the other hand there may be instances where the employee gains so little that he or she may not be sufficiently motivated to learn best practices and use them in day to day working.

The employee group was similarly required to examine their career-based priorities in the same five category context. The results are shown below in table 4

*Table 4 Average employee portfolio of chosen HRD topics*

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7 % of topics develop their personal knowledge;
16 % of topics develop their personal knowledge more and make less contribution to the development of the firm;
25 % of topics develop both the individual and the firm knowledge equally;
28 % of topics develop the firm knowledge more than the individuals' knowledge;
24 % of topics develop only the firm knowledge.

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Comparing these results with the division of the topics in Table 3, it can be seen that employees largely preferred the topics from the groups 1, 2, 3 and 4. The number of the chosen topics from the group 5 was rather low (cf. 38 % of offered topics to 24 % of chosen topics). These data indicate a mis-match between the expectations of employers and the preferences of employees.

The results of the employee group can be contrasted with those of the student group (see table 5)

*Table 5 Average student portfolio of chosen HRD topics*

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4 % of topics develop their personal knowledge;
16 % of topics develop more their personal knowledge and less contribute the development of the firm (they were not offered more);
22 % of topics develop both the individual and the firm knowledge;
29 % of topics develop the firm knowledge and less the individual knowledge;
29 % of topics develop the firm knowledge without any contribution to the individual knowledge development.

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The results of this part of research show the preferences of employees to be those that they perceive as assisting their own personal development. They seem to accept the needs of the development of the knowledge of the firm on scales 3 and 4, but their willingness to develop the

knowledge capacity of their firm in the harder skills such as logistics, quality, lean production etc. on scale 5 is rather low. They were offered development which covered 11 topics (38 %) with the highest contribution for their firm, but they would only choose them voluntarily as a part of their training portfolio in 24% of cases. The results of the student group are similar but their stated willingness to learn and train the topics important for their potential employer is a little higher (29 %).

## **Discussion**

The importance of developing higher levels of absorptive capacity seems important for Czech SMEs in order to remain competitive in a fast changing business context which includes rapid economic, political and technological change. At both the macro and micro levels, effective HRD provision is a key factor in the development of absorptive capacity, the importance of developing human capital is key to growth and the competitiveness of the SME sector, itself a vital part of sustaining the transformation process.

While the provision of HRD programmes by firms is important, the results of the present study indicate that preferences for development differ between management perspectives and both employees and potential employees (students). While managers suggest that a range of hard skills should be developed, both the employee and student groups seem to prefer engaging in the development of their softer skills.

As Englehard & Simmons (2002) argue the inclusion of both management and employee perspectives in knowledge development is as vital to organizations as is the effective transfer of knowledge. The results of this study demonstrate the likely nature of differences between the two, in particular in terms of hard skills. In order to promote effective knowledge transfer, management should take action to deal with such differences, emphasizing the importance of both areas for the future competitive well-being of the firm. This means dealing with motivation on a comprehensive basis, relating to the goals of the organization. Aspects of intrinsic motivation, for example leading to career progression or increased levels of job satisfaction could be used as a spur to acquire more hard skills

The emphasis on soft skills by employees and the students seems to be an interesting departure from the traditional emphasis on hard skills in education and training. As Bedward et al (2003) note, business students in the Faculty of Management of Warsaw University were engaging in

subjects such as probability calculus, logic and philosophy until the late 1990s. The results of the study tend to show that there has been significant swing away from hard skills, but these are still important in achieving the goals of the firm. The research also shows that the University students are less egocentric in the first topics; they prefer the enterprise management point of view to self-development of the employees. On the other hand they too undervalue the topics of the lean production, maintenance, quality and logistics, which is consistent with the employees' results.

The outcome of this research has provided insights into the needs of both employers and employees for further development which should inform firms' training programmes and also those external providers of firm-based training. The results of the research suggest that the motivation of the employees towards accepting the aims of development of knowledge of their firm are important as well as their own aims.

### **Conclusions**

The development of human capital of the firm has been as been identified by several commentators as a crucial factor in enhancing corporate competitiveness; the outcome of the cooperation with senior managers drawn from Czech successful enterprises tends to confirm this. The research with employees affirmed that such training is possible and the employees accepted most of the offered topics as contributing both the firm knowledge development and their individual development.

The research focused on the barriers on the recipient's part; especially the potential lack of motivation and the lack of absorptive capacity. The results confirmed that the motivation of employees is conditioned by the possibility of potential contribution of the training for their individual development. This, in turn, suggests that in order to promote the development of hard skills, management should take an integrated approach to motivation, while recognizing the importance of employees' personal goals. People and their knowledge and competencies constitute significant assets of every enterprise. These people need the right knowledge, skills and motivation to work efficiently in order to achieve the goals of the organization. It is therefore important that management ensure that HRD is making a difference in terms of organizational performance.

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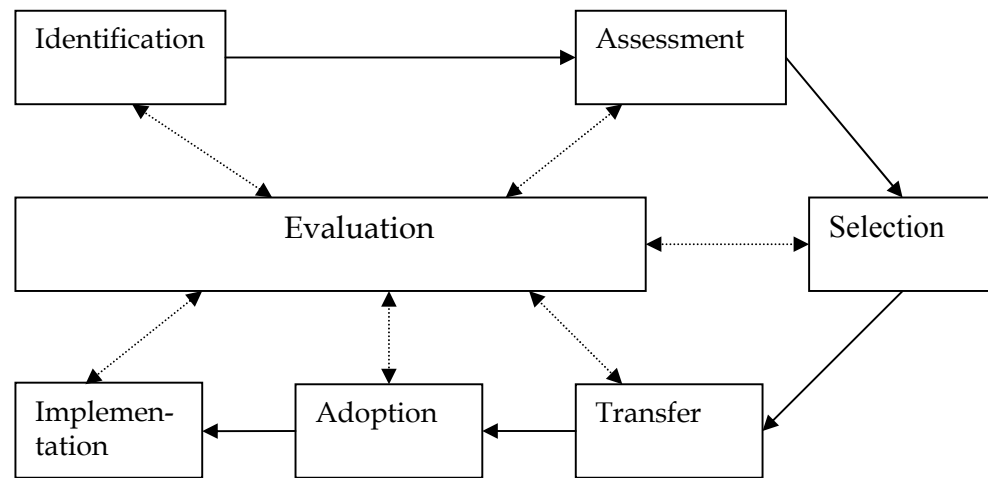


Fig 1 A Process Model of Best Practice Transfer

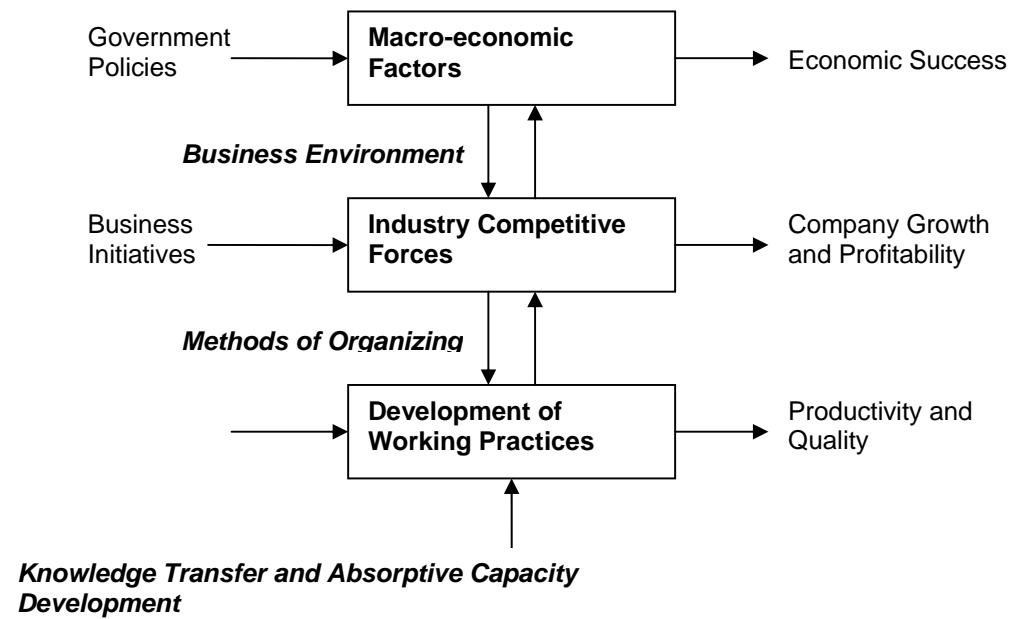


Fig. 2 Knowledge transfer in transformation economies

		2003	2004	2005	2006	2007	2008 Forecast	2009 Forecast	2010 Fo'cast
<b>Labour Force Survey</b>									
<b>Employment</b>	<i>average in thous.persons</i>	<b>4733</b>	<b>4707</b>	<b>4764</b>	<b>4828</b>	<b>4922</b>	<b>4992</b>	<b>5028</b>	<b>5041</b>
	<i>prev.year=100</i>	99,3	99,4	101,2	101,3	101,9	101,4	100,7	100,3
<b>- employees</b>	<i>average in thous.persons</i>	<b>3922</b>	<b>3914</b>	<b>4001</b>	<b>4048</b>	<b>4125</b>	<b>4183</b>	<b>4201</b>	<b>4205</b>
	<i>prev.year=100</i>	98,0	99,8	102,2	101,2	101,9	101,4	100,4	100,1
<b>- entrepreneurs and self-employed</b>	<i>average in thous.persons</i>	<b>811</b>	<b>792</b>	<b>763</b>	<b>780</b>	<b>797</b>	<b>809</b>	<b>828</b>	<b>836</b>
	<i>prev.year=100</i>	106,4	97,6	96,3	102,2	102,2	101,6	102,3	101,1
<b>Unemployment</b>	<i>average in thous.persons</i>	<b>399</b>	<b>426</b>	<b>410</b>	<b>371</b>	<b>276</b>	<b>223</b>	<b>202</b>	<b>198</b>
<b>Unemployment rate</b>	<i>average in per cent</i>	<b>7,8</b>	<b>8,3</b>	<b>7,9</b>	<b>7,1</b>	<b>5,3</b>	<b>4,3</b>	<b>3,9</b>	<b>3,8</b>
<b>Labour force</b>	<i>average in thous.persons</i>	<b>5132</b>	<b>5133</b>	<b>5174</b>	<b>5199</b>	<b>5198</b>	<b>5215</b>	<b>5230</b>	<b>5239</b>
	<i>prev.year=100</i>	99,9	100,0	100,8	100,5	100,0	100,3	100,3	100,2
<b>Productive-age (15 - 64) population</b>	<i>average in thous.persons</i>	<b>7214</b>	<b>7247</b>	<b>7270</b>	<b>7307</b>	<b>7347</b>	<b>7401</b>	<b>7402</b>	<b>7394</b>
	<i>prev.year=100</i>	100,4	100,4	100,3	100,5	100,5	100,7	100,0	99,9
<b>Employment/Pop.15-64</b>	<i>average in per cent</i>	<b>65,6</b>	<b>64,9</b>	<b>65,5</b>	<b>66,1</b>	<b>67,0</b>	<b>67,5</b>	<b>67,9</b>	<b>68,2</b>
<b>Employment rate 15-64 <sup>1)</sup></b>	<i>average in per cent</i>	<b>64,9</b>	<b>64,2</b>	<b>64,8</b>	<b>65,3</b>	<b>66,1</b>	<b>66,5</b>	<b>66,9</b>	<b>67,0</b>
<b>Labour force/Pop.15-64</b>	<i>average in per cent</i>	<b>71,1</b>	<b>70,8</b>	<b>71,2</b>	<b>71,2</b>	<b>70,8</b>	<b>70,5</b>	<b>70,7</b>	<b>70,8</b>
<b>Participation rate 15-64 <sup>2)</sup></b>	<i>average in per cent</i>	<b>70,4</b>	<b>70,1</b>	<b>70,4</b>	<b>70,3</b>	<b>69,8</b>	<b>69,5</b>	<b>69,6</b>	<b>69,7</b>

Fig 3. Czech Employment Statistics Source Ministry of Finance of the Czech Republic, available at [http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/macroeconomic\\_40989.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/macroeconomic_40989.html), last accessed 29<sup>th</sup> September 2008