

WEST HUNGARIAN UNIVERSITY
ARM OF ECONOMICS
SZÉCHENYI ISTVÁN FARMING AND ORGANIZATION SCIENCE
DOCTORAL SCHOOL

ON BALANCE THE MAN

The value of human in view of the training practice of
companies

DOCTORAL (PH.D) THE THESES OF A TREATISE

Wrote it:

Gósi Zsuzsanna

Consultant:

Dr. Chaudhuri Sujit CSc

Sopron

2009.

Doctoral school: Széchelyi István farming and organization science

Leader: Prof. Dr. Székely Csaba DSc

Program: Undertaking economy and management program

Leader: Prof. Dr. Székely Csaba DSc, university professor

Consultant: Dr. Chaudhuri Sujit CSc

.....

consultant's supporting signature

Precedents and aims of research

The role and use of knowledge in economy, the intellectual capital, intellectual resources and human resource as value has become a popular issue of many disciplines. This issue covers a number of fields, such as resource-based view of business competitiveness, knowledge management and the study of organization learning. A number of studies dealing with this issue have been published since the beginning of the 1990s. Nowadays fast-growing world makes it impossible for businesses to avoid adapting to actual changes. To be able to do so, companies must rely on the development of human resources in their decision procedure since their ability to adapt strongly depends on them.

The research aim was not to study processes in the whole economy. Its main aim is to present methods to define the value of human resource in case of companies and enterprises. I considered it important to emphasize that there are several methods and opportunities to present the value of human resource although they are not regularly used in every day's life. I have made a detailed empiric research on the development of human resource, more precisely on the topic of in-company training. I have focused on this field mainly driven by personal curiosity and interest. For almost 20 years, I have been working as an economist in different fields of education which made me think of the question whether it is possible to measure and to evaluate the efficiency of trainings. Moreover, it is an accepted fact that we do not assume something important unless we measure it. My intention was to present various methods which are of crucial importance concerning the development of human resource for companies. Hence companies, which consider the special value of human resource significant, have their employees trained and trained further. These days, we are facing a constantly changing world; hence the ability of every company in the economy to adapt to changes is strengthened by efforts made to train their human resource. In my empiric research, I have studied to what extent companies in Hungary support and organize in-company trainings, the types of trainings they offered in the market of in-company trainings, whether their companies' practice in training is conscientious, which groups are involved in trainings and in what ways. I also examined whether trainings supported by companies overlap the qualifications and lack of qualifications of Hungarian employees. The part of research is to reveal opportunities lying in in-company trainings and to direct attention at the human factor.

I consider it important for company managers not to focus first on their cost need but on opportunities which would make employees become more and more loyal to the company with the help of such trainings, making it possible for them to gain competitive advantage. The loyalty of employees towards the company and their work ethic are important factors of business competitiveness.

It was also the aim for leaders of organizations to see mirror when considering the aspects of training. Moreover, choosing the aspects of training clearly helps enterprises running in the field of education to be able to react properly to the organization's needs. It is the particular interest of company managers to support efficient trainings. My final aim is to discuss the conditions of efficient trainings on the basis of 'management and organization studies' and results of my research.

The of research and the applied methods

My research consists of two parts. The first part is the search, purchase, overview and study of specialized literature. The secondary research consisted of the study of literature published in foreign languages and in Hungarian, mainly doing research in libraries, on the Internet and participating at conferences. As it seems from the dissertation, a number of Hungarian and foreign experts deal with the definition of the value of human resource, employees and leaders. Furthermore, plenty of studies are published on the importance of life long learning. The evaluation can be done in two different theoretical ways. On the one hand, it is possible to define this value with the help of traditional accounting and financial reports. On the other hand, management literature, in complex evaluation of business models, explicitly defines the value of employees, organizational knowledge and several fields related to them.

The second main part of my research is the primary research based on questionnaires. The anonym questionnaire was accessible on the Internet from 2008 on the website of DGS Global Research. This research made it possible to present the training practice of 181 companies. The questionnaire was filled in by almost 250 organizations but not all of the questionnaires were possible to fully evaluate. Moreover, I personally interviewed several big companies asking them similar questions to those on the Internet. In these cases I combined the questionnaire survey with structured interviews. Then, with the help the research done on

the Internet, I analyzed the hypotheses formulated after studying the literature and on the basis of interviews made upon other publications.

Main conclusions and results of the research

Hypotheses

Hypothesis I: In-company trainings will be efficient and result in improving performance in case companies promote intensive and skill-oriented trainings.

Hypothesis II: Company managers will only appreciate in-company trainings if advantages of such trainings can be clearly measured and these data appear in the accounting, human resource control and evaluation system.

Hypothesis III: When choosing training companies the main conditions will be the measurable aspects, namely their cost need, payment conditions and the accreditation of the training company.

I would like to present the summary of the main conclusions of the dissertation by comparing my prior assumptions, the hypotheses and the results of the research. I have classified my prior assumptions into five groups. After presenting these groups, I am going to evaluate the formulated hypotheses. My aim is to direct attention to the development of human resource and present the current features of in-company trainings on the basis of available data.

1) General tendencies in the field of human resource and development

1.a) Human resource as an input is not taken into account by Hungarian companies. Only a minority of companies has human resource department and human resource strategy. My research partially justifies this statement. This statement is partly justified by my survey. My hypothesis was that companies which fill in a questionnaire on human resource management,

have human resource department or at least one HR specialist. The survey shows the contrary, a quarter of the respondents have neither HR department, nor HR specialist. Moreover, half of the companies have no HR strategy out of which 50% have the intention to implement it in the future.

1/b) The size of a company and the consciousness of human resources development are strongly related. The amount of money, both the total amount and per capita, spent on training increases with the size of the company. The results only partially justify my hypothesis. It is a fact that the amount of money spent on training increases with the size of the company although this amount decreases per capita.

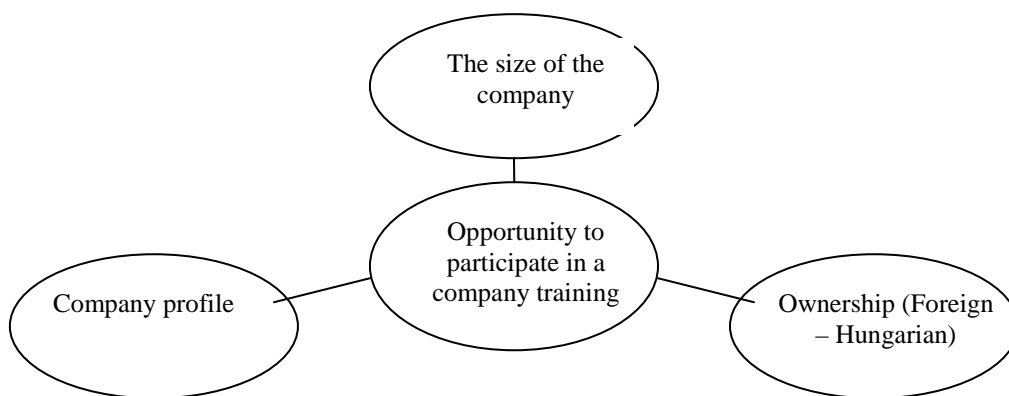
Statistic data previously showed that on the one hand, the sum of money spent on training increases with the size of the company, on the other hand, more and more companies promote trainings. Figures show that the sum of money spent on training increases with the size of the company. However, smaller companies usually spend more per capita on trainings. Therefore, their training costs are relatively high compared to their income. Hence, their cost of labour force is higher per unit. On average, companies employing 1-10 people, 11 to 50, 51 to 250 and more than 250 spend 105 182 HUF, 91 048 HUF, 49 843 HUF, 27 999 HUF respectively on their training. This decrease can be naturally explained by the growing number of employees which affects the efficiency of the organization of trainings since more employees can participate in one training at one occasion in a classroom.

1.c) The profile of a company correlates the sum of money spent on training. This statement is clearly justified concerning the training costs in different sectors. They are low in the building sector while they are high in the electronic and chemical production industry. These results justify my expectations; it is the sector's profile that decides the need for continuous development. The electronic industry is definitely undergoing the significant innovation which requires employees to be constantly trained and chemical production industry requires constant research and development too. According to the Central Statistical Office (KSH), 75% of financial economic services promote trainings the most. According to my research, there are 18 companies running in this sector. Although, it is not them who spend the most in human resource training, we can conclude that each of them promoted the training of their employees.

1.d) The ownership (Hungarian, foreign, state) influence the amount of money spent on training. By grouping the types of ownership this way, we can distinguish the amount of money spent of training as the followings. State-run companies, exclusively Hungarian owned companies, exclusively foreign-owned companied spend 1 802 600 HUF, 4 136 879 HUF, 13 569 102 HUF respectively on human resource trainings. Training costs of Hungarian owned companies' are significantly lower than those of foreign-owned companies'.

Based on the conclusions drawn so far on the companies included in my research, we can define an employee's opportunities to participate in training. An employee has better chances if the company he works for is relatively big, foreign-owned and runs in the field of financial and economic services.

Factors influencing in-company trainings (based on companies included in my research)



2.) Types and ratio of training

2.a) Companies have not yet recognized the importance of life-long learning in the interest of successful and effective management. Companies train only a small part, less than 50% of their employees. My hypothesis is partially justified in my research since hardly more than 30% of employers ensure training for more than 50% of heir employees. Only 14% of companies train maximum 5% of their employees. As I calculated it, on average, 33,28% of employees working for companies included in my survey are trained.

2.b) Companies and organizations prefer vocational and skill-based trainings instead of school system training. These trainings ensure the majority of competence-based and company specific training. Organizations prefer promoting vocational and manager training courses. The ratio of so-called 'OKJ' and school system trainings is relatively low given the fact that in order to fulfill a position one has to have the required qualifications. Moreover, in Hungary companies tend to hire overqualified employees and they do not consider decreasing this deficiency to be an important part of their job. It worths mentioning that nowadays, especially in the school system training, the importance of competence –based training is often discussed but it has not been realized yet. Therefore, companies tend to compensate the lack of competences. There is a contrast between the longer duration of OKJ trainings and school system trainings and the need of employers for shorter trainings. School system trainings are often substituted by postgraduate and MA courses which are often promoted by bigger companies for senior employees. I was also interested to find out from what types of trainings company managers expect an increase in performance. Analyzing my questionnaires I came to the conclusion that they prove the fact that school system trainings are not in demand of companies. Concerning the increase in performance, skill developing trainings and management development trainings seem to be the most effective.

2.c) Language training is very significant in the business sector given the Hungarian employees' lack of foreign language knowledge. The survey also included questions aiming to analyze multi-skill trainings and as a part of it, the need for language training. (multi-skill training refers to the intentional training of future employees to be able to fulfill more positions). Language, IT and management related (tax, duty, accounting) trainings are the most wanted. The research therefore clearly shows tendencies concerning the whole society, its lack of foreign language knowledge. Concerning foreign language knowledge, in the past 15 years, fresh graduates have all been required to have a language exam. Those who graduated earlier than that lack foreign language knowledge which now must be compensated within the framework of the company.

2.d) Qualification also influences trainings. Department managers and professionals are in the focus of in-company trainings. Regarding qualification, professionals more tend to participate in trainings. My hypothesis seems to be justified since professionals working in manager positions participate more in trainings. However, opportunities of training vary a lot according to the scope of activities. 40% of blue-collar workers and 80% of white-collar workers participate in trainings. Analyzing the distribution of training costs, we can conclude that 22,42% of costs is spent on the training of blue-collar workers 56,17% on white-collar

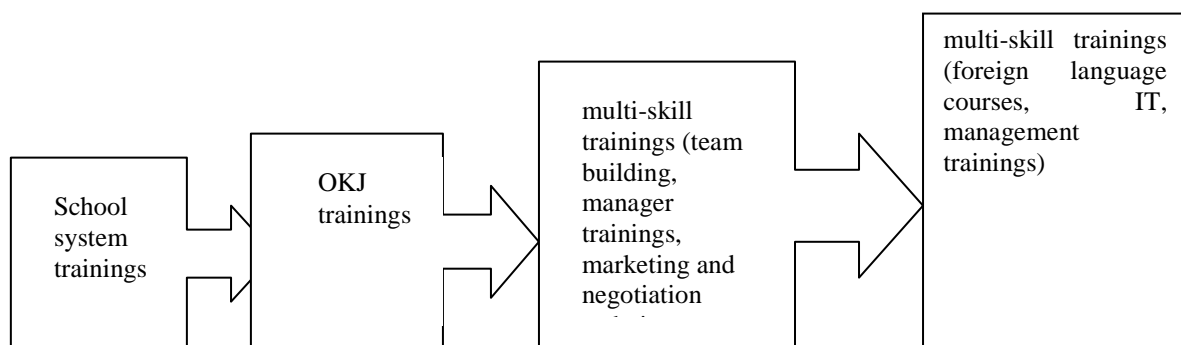
workers and 22,41% on managers. I have also analyzed the ratio of workers of all these fields participating in trainings compared to the total number of workers in the fields respectively, and we can conclude that the minority of blue-collar workers participates in training. Naturally this ratio is the other way around in the case of managers, the majority of them participate in trainings.

I have also analyzed the ratio of workers participating in training according to their qualification.

- 61% of companies which hire skilled workers promote their training for the average sum of 71 914 HUF per capita
- 67% of companies which hire workers who completed secondary education promote their training for the average sum of 148 677 HUF per capita
- 82% of companied hiring professionals promote their training for the average sum of 302 844 HUF per capita

On the basis of training ratio and training types we can draw a diagram showing which types of trainings are preferred by companied, which are considered to have the most effect on increasing performance for the whole company.

School system trainings – OKJ trainings – multi-skill trainings (team building, manager trainings, marketing and negotiation technique – multi-skill trainings (foreign language courses, IT, management trainings)



3. Resource of training costs

3.a) Companies finance training costs mainly from state subsidies for vocational trainings.

The hypothesis proved to be false since besides state subsidies, companies spend significant amount of their own budget on trainings. Most of the training costs, 55,26% is financed from their budget, while 27,68% from the state allowances, which is a quite high ratio. During the past years, according to the studies, more and more companies recognize that it is beneficial for them to spend certain percentage of (state subsidies) defined by the law on training of their own employees. According to the figures of the Ministry of Social Affairs and Labour, between 2000 and 2006, the number of workers training from state subsidies has quadrupled. Although, it seems that companies still spend twice of the amount of state subsidies from their own budget. A possible reason can be that there are strict regulations of the spending of this subsidy. I would like to highlight that only companies which order trainings from accredited training institutions can set off education fees. Most of the respondents remarked that in the future, they indent to use mainly the state subsidies besides Hungarian and EU tenders.

4. Evaluation of trainings

4.a) Companies do not evaluate the economic benefit of their trainings. One of the most crucial issues of human resource management is the evaluation of human resource, especially the expression of the value of human resource in money. Value of trainings is similarly difficult to define. They are usually evaluated with the help of questionnaires and by the managers. More complex methods, such as control groups, defining the efficiency are exclusively used by big companies and only by a restricted group of companies. As regards my research, I have analyzed the evaluation of trainings, whether companies evaluate the training they support financially. 37,89% of the respondents evaluate trainings, 31,58% do not, and significant 30,53% do not evaluate it but plan to do so in the future. Unfortunately, it means that most of the companies are simply not aware of whether a training was beneficial at all, either for the individuals or for the company. It was also a question in my research whether the effect of trainings can be measured at all. 47% of the responders stated that they

cannot be measured, and 13% claimed that they can be measured but the result cannot be quantified. According to 40% it can be measured and can be quantified. This ratio is natural among the current conditions of accounting since according to the laws and the difficulties in accounting, most of the companies are hardly able to precisely define the training costs, not to mention the benefits of training.

4.b) Company managers (of human resource management department) are aware of which trainings are important for them. Evaluation of trainings also show what effects they have on performance. Hardly more than 8% of respondents reported decrease in performance, half of which reported significant and minor decrease in performance. It only covers a minority of respondents and it is natural that performance in work decreases during the training. Most of the companies have experienced minor increase in performance, 16% reported significant increase, and 15% has not experienced change in performance. There is a contradiction that trainings are evidently evaluated orally or with qualitative methods and there are no methods or systems developed for it. Literature often mentions in relation to in-company trainings that employees do not promote trainings because employees would be absent from working hours therefore it results in decrease in performance. This research proves just the opposite, hence training boost performance on long term.

Let us see to which types of trainings companies contribute increase in performance. It clearly seems that skill developing trainings boost performance the most. Besides, manager development trainings and vocational trainings, except for OKJ trainings positively influence performance. However, school system trainings are the less efficient; they are mostly criticized of being not practical enough.

Hypothesis I & II

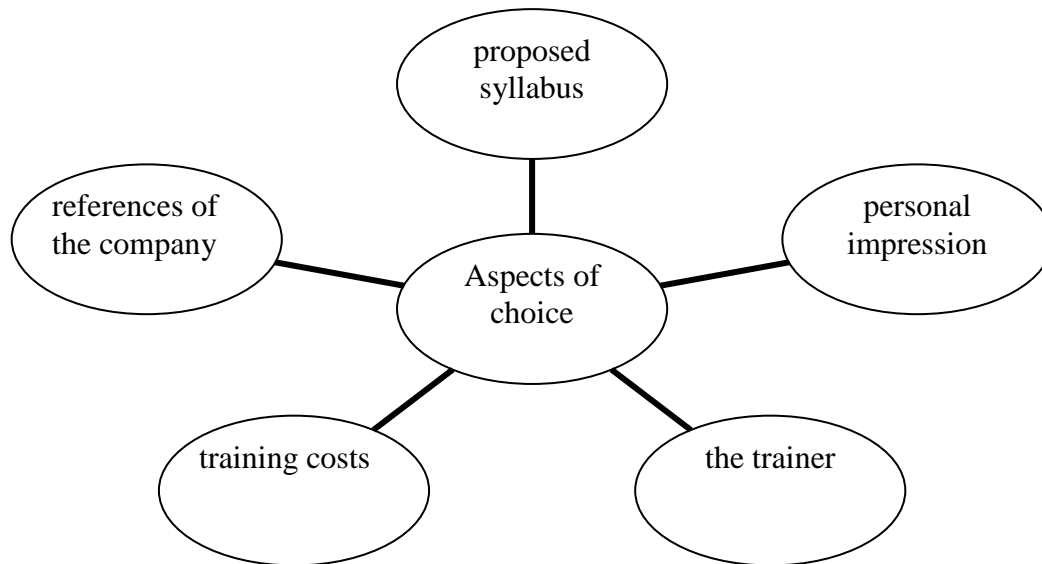
Hypothesis I: In-company trainings will be efficient and increase performance if companies promote skill-based trainings.

Hypothesis II: Company managers will only appreciate in-company trainings if their advantages can be clearly measured. Measured data would appear in the accounting system, human resource control system and in the company evaluation system. Hypothesis I proved to be justified based on my research. The research proved that companies are for skill-based trainings. Among the scope of trainings, skill-based trainings are dominant and companies consider multi-skills trainings to be the most effective. Considering the efficiency of trainings,

skill-based trainings are the most effective according to the respondents. Hypothesis II also seems to be justified. The internet-based research proved that the majority (47%) of companies believe that trainings cannot be evaluated. 13% of respondents think that trainings can be evaluated but the results cannot be quantified. But we can conclude that companies claiming that trainings cannot be evaluated said that trainings are unsuccessful because of the lack of planning. We can therefore draw the conclusion that companies who conscientiously and systematically train their employees evaluate them conscientiously (in numerical or other ways). Personal interviews made it evident that conscientious planning is related to the evaluation of trainings and companies that evaluate their trainings are able to define the need and importance of trainings in the life of the company.

5. Expectations from the training company

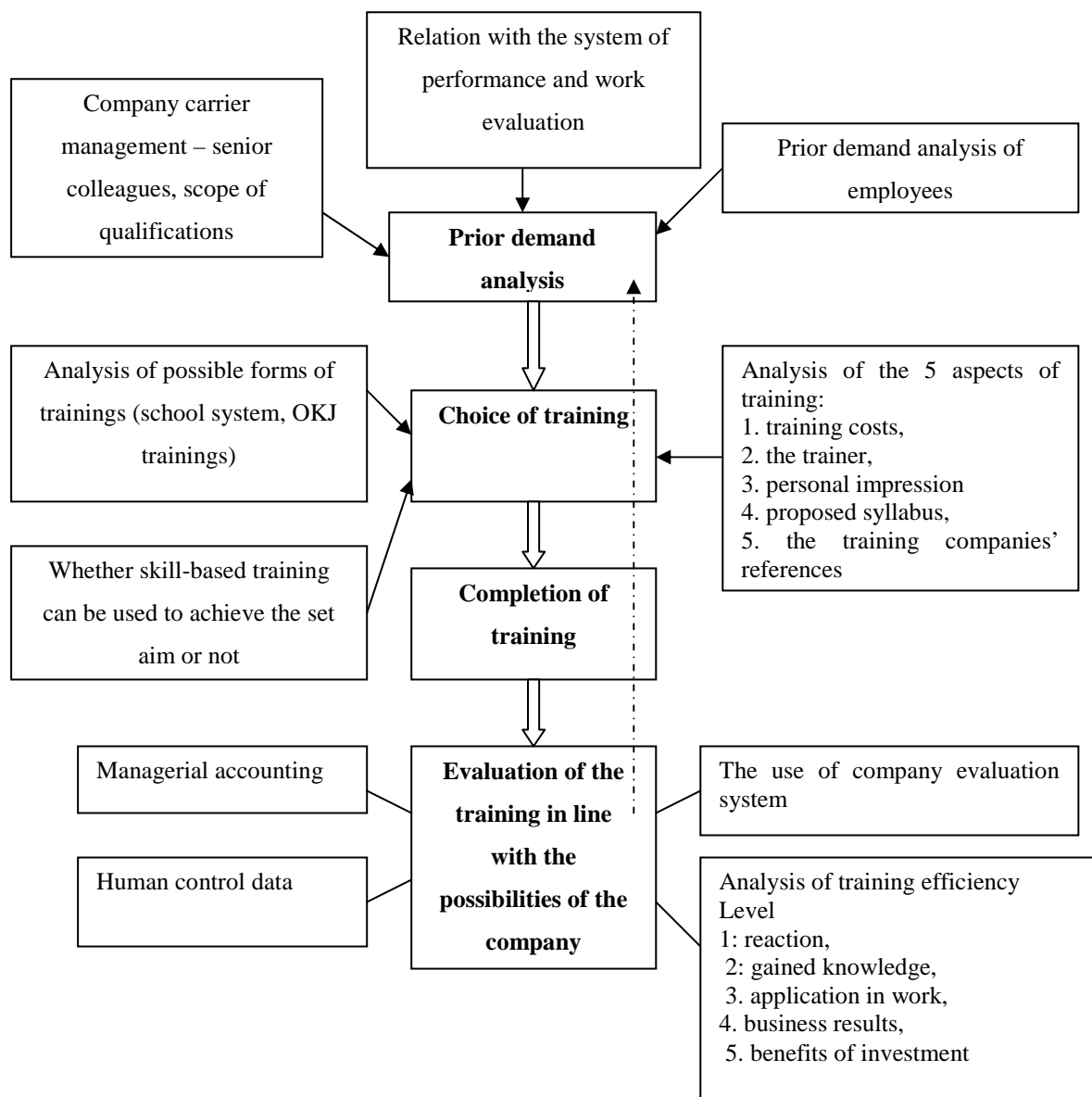
5.a) Companies take into account mainly two aspects when choosing the training companies. These aspects are the training costs and the accreditation of the training company. My hypothesis was that nowadays, considering the lack of financial resources, companies consider the training costs at the first place. In my research companies responded with 4,24 which proves the first hypothesis. However, the second hypothesis did not turn out to be true since companies responded only with 3,79 on the importance of the training company, which cannot be evaluated high compared to other data. Considering other aspects of choosing the training companies, we can see that references of training companies count more than their accreditation. The model below shows 5 aspects which companies believed to be important, when choosing training companies.



Based on the model above, we can state that Hypothesis III did not prove to be true. The hypothesis was that companies take into account aspects which can be measured and quantified. On the contrary, the so-called ‘so factors’ are more important, these are the personal opinion and the trainer. This model showing the aspects of choice is the novelty of the present research. It is especially advisable for training companies to know and use this model hence it can help their work to be aware of companies’ expectations. The model can also be used by companies training their employees because when choosing the training companies, they must be aware of the fact that besides training syllabus and training costs, the trainer is important from the of view of the efficiency of trainings. Therefore when choosing the training company we must be aware of the personal competences of the trainer so that we can provide humane training for employees which increase performance.

Flow-chart of in-company trainings

The aim of the thesis is to show company managers how to organize in-company trainings and which types of trainings worth to choose. In the chart below I will summarize the aspects described by the literature and the results of my research. I would like to highlight two important aspects of the success of trainings; they are the prior demand analysis and subsequent evaluation.



New results of research

On the basis of my formulated hypothesis, I consider it important to highlight the following results:

1. Human resource management literature and experts in the field of research of education most of in-company trainings are skill-based trainings. Surveys done in Hungary show that,

besides skill-based trainings, the number of foreign language courses is significant. During the processing of questionnaires I have prepared the diagram presenting the types of trainings promoted by companies. The chart shows the high ratio of skill-based trainings and foreign languages courses. It proves us that on the one hand, in order to achieve set aims skill-based trainings are efficient. On the other hand the lack of foreign language knowledge of an average Hungarian employee is compensated with in-company trainings by the employer. It is evident that skill-based trainings help to achieve set performance targets. It is therefore important to draw attention to the fact that in the field of in-company trainings, the traditional trainings done in classrooms are not efficient. Hence, it is advisable for companies to choose the type of trainings that are in line with their aims.

2. The five-factor model on choosing training companies was also made during the processing of research data. It shows today's practice of choosing training companies. This model can be used by companies in practice which increases its importance. In case they plan the scope of their training with the help of it, they can reach bigger ratio in the market financed by companies. This model enables company managers and human resource experts when it comes to planning the development of human resource of a company.

3. As a conclusion, I have drawn up a model which shows aspects to be taken into consideration in the interest of the success of trainings. At this point we must mention the demand analysis prior to the training, namely, it can only be efficient if the company needs it. Respondents believed the lack of previous demand analysis to be the reason for unsuccessful trainings. That is why it is important to make conscientious and systematical measures before the training. After that, with the help of the 5-factor model, the type of training and the training company can be chosen. And afterwards it is essential to evaluate the trainings.

4. This research showed us for the first time how evaluation of trainings is considered in the field of in-company trainings. It is a negative result that evaluation of trainings is considered to be important by only few companies. Therefore, I would like to call the attention of a wide range of company managers to take the importance of the evaluation of trainings into account, especially because companies evaluating their trainings are aware of their positive effects on them. Successful trainings can only be organized on the basis of the above criteria.

Conclusions and suggestions

From my choice of topic one can assume that new results can be achieved in the field of in-company trainings and the evaluation of trainings.

One of the most important results of my research is that it fully overviews the literature of evaluation of human resource in Hungarian and in English and presents methods on how such a special resource can be evaluated. The main outcome of my Ph. D. dissertation is that I presented the training practice of Hungarian companies with empiric surveying and by analyzing it, I could draw conclusions on the training methods, factors influencing them and the attitude on evaluation of trainings, on the basis of companies included in my research. On the basis of the Ph. D. dissertation I consider the following conclusions to be important and recommend them to the reader:

1. Management literature makes it evident the human resource is one of the key factors of the success of a company. In-company trainings have positive affect on employees' satisfaction therefore it would of crucial importance to synchronize in-company trainings with incentive systems and performance evaluation. On the basis of the research it can be justified by the fact that companies that train their employees, report on the employees' increasing performance and employees become more loyal to them.
2. We can distinguish trainings of blue-collar workers, white-collar workers and that of managers. As time passes, it makes differences bigger in qualification of groups of employees. Therefore government leaders should take into consideration that in-company trainings increase the gap of qualifications among the adults. Hence government should finance the low-qualified layer of society from the state budget, with tax allowances or with subsidies.
3. A training can only be really efficient if it is chosen conscientiously and systematically on the long term, in-company trainings can be successful if they are evaluated afterwards which helps to decide the type of trainings later. Evaluation of trainings can be done in very different ways. Small companies are also advised to use methods for evaluation, especially questionnaires. Middle and big companies should use methods the results of which can be quantified, for instance, the managerial accounting and human control data.

The research was made to present the current situation of the evaluation of human resource. The research, in details, deals with the value of human resource, the methods of evaluation

human resource, the place of human resource in balance and in the evaluation system of companies. Other important issues were the analysis of trainings, forms of in-company trainings and evaluation of in-company trainings. On the basis of these, we can conclude that evaluation of human resource is presented in many different ways by foreign language and Hungarian literature but their everyday application is problematic and runs into difficulties. Hungarian accounting regulations make it possible to report these data but these data are not obligatory to be reported hence only few companies use them. The aim is to make such methods spread hence every company treat human resource conscientiously. As regards the training market we can see that companies already finance trainings but we can see only few companies organizing them conscientiously and systematically. Moreover, only few companies evaluate their trainings and they will not do so until decision makers in companies will not be aware of the necessity of continuous training and development.

The register of the publications being attached to the topic

- **Czakó Norbert – Gósi Zsuzsanna:**
Development and training trends the training benchmarking based on a survey
Labour review 2008/4 90-101 p.
ISSN : 0541-3559

Gósi Zsuzsanna: The first-class sportsman, than it had them in the sport organisation's property statement
VI. national sport science congress (Eger 2007 Octobers 28-30) publisher: Hungarian sport science company, Budapest 2008 – I. volume 182-187
ISBN: 978-963-87701-1-0

Gósi Zsuzsanna: On balance the man
Corvinus University, company economy department – workshop studies series – 2007 Decembers (43 rib-roasts study on an electronic road available)
ISSN : 1419-6956

Gósi Zsuzsanna: The definition of the value of the trainings
Knowledge and competitiveness Pannon with an eye (conference publication) – Pannon University Publisher – 2006 II. volume 158-163 page
ISBN: 963 9696 03 X
- **Gósi Zsuzsanna:** Goals determine men's actions
Review of Sport Science 2004/4 47-49 old.
ISSN : 1586-5428
- **Gósi Zsuzsanna:** The connection between the development of human resource and innovation
microCAD2003 conference publication 2003 March – Miskolc – Challenges in the economy 31-37 page
ISBN 963 661 547 0
- **Gósi Zsuzsanna:** The Value of Education
PhD listeners' fourth conference – conference publication 2003 Augusts 333-339 p.
ISBN: 963 661 585 3

Dr Gyökér Irén – **Gósi Zsuzsanna:**
The assessment of human resources and the training
Accountancy - Tax - Audit 2002/3 sz. 128-132 page
ISSN : 1419-6956
- **Gósi Zsuzsanna:** The Evaluation of Company Training
PhD listeners' third conference Miskolc – conference publication 2001 Augusts, 337 – 443 old
ISBN: 963 661 480 6

- Dr Gyökér Irén - **Gósi Zsuzsanna**: The assessment of the human resources, the value living of the training MicroCAD 2001 – international scientific conference - Miskolc–conference publication – Management section, 49-55
ISBN: 963 661 457 1

Was over on a conference lectures

- **Gósi Zsuzsanna**: Corporate trainings
Innovation, competitiveness, closing up on a conference sound lecture, Sopron 2008
November 4
The study under editing

Gósi Zsuzsanna: Cafeteria and recreation?
An economy and quality of life were over on a conference lecture, Pécs 2008 Octobers
9-10
The study under an appearance
- **Gósi Zsuzsanna**: Human resource the necessity of a development at the innovative companies conference from the significance of the innovation BME innovation management department 2003