

What makes small beautiful? Learning and development in small firms

This article investigates the process of workplace learning in small firms in a Hungarian context building on human capital approach. The exploratory study focuses upon two small firm-specific factors having a crucial impact on workplace learning, namely the role of the owner/manager and the role of networks in small firms' learning. Building upon 11 semi-structured qualitative interviews with owners/managers of small businesses, the study addresses three main research questions: (1) What specificities of workplace learning in small firms can be identified? (2) What role does the owner/manager play in shaping the learning environment in small businesses? (3) How can the owner/manager's networking activities contribute to effective learning in small businesses? The results suggest that, although often not addressed as learning, small business owners very consciously develop and manage the learning process and environment in their firms.

Keywords: small firms, workplace learning, qualitative research

Introduction

In the past 20 years human resource development (HRD) has been one of the most focused-on, complex and researched areas of HRM (Hamlin and Stewart 2011; Nolan and Garavan 2016; Short and Gray 2018). This attention is partly due to the recognition that the source of efficiency and a sustainable, competitive edge in knowledge-based economies lies in the training and development of people. Traditionally, HRD literature examines the issue of learning and development in the case of large corporations, with the vast majority being multinationals. As Iles and Yolles (2004) point out: research efforts are oriented towards atypical (large) organizations, rather than archetypal small ones. In their systematic literature review, Nolan and Garavan (2015) contrast two findings. On the one hand, HRD in small and medium-sized enterprises (SMEs) has received significant attention at the policy level and in the popular press. On the other, empirical research remains modest, and the existing literature is fragmented and of mixed quality. Furthermore, Short and Gray (2018) found that despite the economic importance of small firms, the research of HRD activities in small firms has been virtually neglected.

Harney and Nolan (2014) make a distinction between comparative research (putting emphasis on comparisons between large company practices) and differentiating (alternative) studies, which strive to understand existing practices. Our contribution is built on the second assumption: small businesses are not simply scaled-down versions of large firms, so we cannot simply assume that the HRD concepts and theories associated with large organisations are necessarily applicable to small businesses (Westhead and Storey 1996).

The urge for understanding the patterns of SMEs' HRD practice stems from the corporate stakeholders and policymakers for two reasons. First, SMEs are important actors in our economies: based on the data published by the Eurostat¹ two thirds (66.8 %) of the EU's non-financial business economy workforce was employed in an SME in 2015. Moreover, their share of value added within the non-financial business economy was around one fifth (20.9 %). Second, SMEs are increasingly considered as a solution to enhancing economic performance by increasing innovation, competition, flexibility, new industries, employment growth and job generation (Rouditsera and McKeown 2015).

In Europe, SMEs are defined as having less than 250 persons employed and having an annual turnover of up to EUR 50 million, or a balance sheet total of no more

¹ <https://ec.europa.eu/eurostat/web/structural-business-statistics/data/main-tables>

than EUR 43 million (Eurostat 2014). The term SME, however, covers a very heterogeneous population of economic actors that cannot be grasped purely by using the dimension of size. Apart from other factors influencing the characteristics of SMEs, there is remarkable difference between the categories of ‘small’ (employing 10-49 people) and ‘medium (with 50 to 249 employees) in terms of the degree to which the organisation is structured, its’ capabilities, resources, internal division of labour, etc. As in the SME-discourse relatively little attention is devoted to this distinction, our study focuses on small companies with 10-49 persons employed in order to gain significant knowledge regarding this category of enterprises. In view of the lack of empirical research in the field of small firms’ HRD (even in the Central-European transition economies), this article highlights and elaborates the process of workplace learning in small businesses. Its theoretical contribution focuses on specific factors in small firms’ human capital accumulation and development practices. ~~in terms of the role of the owner/manager and the role of networks.~~ In doing so, an exploratory research project will be presented to contribute to the growing, but as Short and Gray (2018) underline, still underdeveloped body of empirical research. Both empirical studies and theoretical contributions indicate that owners/employers are the primary agents fostering learning in SMEs (Kitching 2008, Fatoki 2011, Rabie et al 2016), therefore special attention is devoted to their role in skill development processes, especially to their networking activities as active participation in external and internal networks provides efficient opportunities for pooling resources.

Subsequent sections introduce the theoretical background and previous research results of the characteristics of the human capital approach in general and workplace learning in particular in case of small businesses. We place an emphasis on factors influencing learning. After an outline of the research methodology, the findings of the study will be presented and discussed, and in the conclusions, we will underline the specific and differentiated roles of the owner/manager in learning (teacher/facilitator). We and reveal the conscious usage of learning practices (formal/informal, external/internal), and disclose that small firms use their networks, both external and internal, in learning in a planned and deliberately managed way. We close with some limitations and further research directions.

Theoretical background: Human capital accumulation and workplace learning in small firms

Quite a large body of the literature highlights that the competitiveness of SMEs greatly

depends on their absorptive capacity. In their seminal work, Cohen and Levinthal (1990:128) define ‘absorptive capacity’ as the ‘*ability to recognise the value of new information, assimilate it and apply it to commercial ends*’. In that sense absorptive capacity is considered as the organisations’ ability to acquire external knowledge and to integrate it with already existing internal knowledge. The absorptive capacity is incorporated in the knowledge, skills and competencies (KSC) of organisation members. It also includes those structural characteristics that support and facilitate the effective knowledge acquisition and transfer. Absorptive capacity represents the knowledge assets that are possessed by the company. These assets are referred as ‘intellectual capital’ in the literature and play a dominant role in the development of the absorptive capacity (Cedefop 2012).

Intellectual capital is an intangible asset that involves various areas of operational, and yet, there is still some conceptual confusion around the term (Garavan et al 2001). A common element of the various definitions (Edvinsson and Malone 1997, Stewart 1997, Svejby 1997, Roos et al 1998, O’Donell and O’Regan 2000) is that they group intellectual capital including the KSC embodied by the organisation’s members, with the structural relations both internal and external to the organisation. In that sense three basic elements constitute intellectual capital: (1) human; (2) structural; and (3) relational capital (Cedefop 2012).

Human capital is defined by the OECD as ‘*the knowledge, skills competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being*’ (Keeley 2007: 29). Human capital refers to the quality of workforce contributing to organisational outputs, both through its accumulated stock and through the dynamic changes in its quantity and quality. Human capital in an organisation comprises such elements, as KSC, craft and social competencies, leadership skills, motivation and all efforts that are made for developing it (e.g. trainings and other formal and informal learning activities) (Cedefop 2012, Garavan et al 2001).

Structural capital covers all structural aspects of the organisation that support and stimulate innovation and learning, such as organisational culture, values and philosophy, organisational communication, the physical infrastructure that enables the storage and sharing of information and knowledge (data bases, IT infrastructures, etc.), the structural characteristics of the organisation, and intellectual assets (Roos et al 1998, Edvinsson and Malone 1997, Maddocks and Beaney 2002).

Relational capital refers to the connections to all stakeholders outside the

organisation, such as clients, suppliers, competitors, academic institutions, representatives of the business community, etc. Relational capital is defined as all market relationships, power relationships and cooperation between firms, institutions and people (Capello and Faggian 2005).

In our understanding, the accumulation of intellectual capital is of utmost importance in the case of SMEs, as recent developments in the global economy increase the need for abilities to adapt to the turbulent changes. This notion echoes the argument that human capital is one of the key assets in the competitiveness of firms (Prahalad and Hamel 1990), especially as SMEs possess relatively scarce financial and physical resources compared to their larger counterparts. Human capital resides in individuals, but at an organisational level its development is due to various types of learning processes. In this contribution, therefore, we intend to investigate those processes at the firm level, examining what practices the Hungarian SME owners follow in order to develop their workforce in various forms of workplace learning.

Human capital accumulation and development is an especially important issue, if one considers that the rise of the learning economy demands continuous learning and investment in skill development both at the individual and organisational level, in adjusting to the expanded 'knowledge turnover' (Lundvall 2004). In the learning economy the significance of traditional learning modes is decreasing, while participative, interaction-based contextual learning has gained greater importance. This is due to innovation and technological progress taking place outside the firms or even industries in the form of cooperation between networked actors with diverse skills and capabilities (Levén et al 2014). For that reason, special attention will be devoted to the relational capital accumulation practices of the SME owners, as well.

Workplace learning

In this section, we provide a definition of workplace learning and a short overview of the most important concepts in the workplace literature, which informed our study of workplace learning in small firms. Workplace learning is the development processes of all individual and collective skills taking place at the workplace level with the aim of the workforce performing better in their tasks (Kitching 2008) and, beyond that, it is to enhance individuals' competencies both as employees and as citizens (Boud and Garrick 2001). There is a clear distinction between formal and informal learning. Formal learning in the workplace takes place through planned learning activities, such as formal training

programmes in a prescribed learning framework with the guidance of a designated teacher or trainer (Manuti et al. 2015). Informal learning is connected to work-related actions and experiential learning (Elkjaer and Wahlgren 2005; Kolb 1984), as it is integrated in daily routines and carried out during working hours, based on the individual's or the group's own experiences or the exchange of information among participants. However, formal and informal learning are connected. Colley, Hodkinson, and Malcolm (2002, 5) stated *'that there are few, if any, learning situations where either informal or formal elements are completely absent'*. Different types of learning can also be distinguished by the intentions of the learners (Manuti et al. 2015). Incidental learning happens when learning is unintentional and/or unplanned (Marsick and Watkins 2001). In such cases learning is *'a subset of informal learning and it is usually the 'by-product' of such activities such as carrying out a novel task or interacting with colleagues'* (Coetzer, Kock, and Wallo 2017, 3). In contrast, deliberate or intentional learning takes place when learning has a definitive aim (Lapr   and Nembhard 2017).

SMEs are often characterized by informality, short-term outlook, and being reactive due to a high level of uncertainty (Saru 2007). This prevents them from adopting the systemic and strategic view, as well as the terminology promoted by theories of organizational learning suited for large companies. Studies also suggest that small businesses have a strong preference toward informal learning processes (Grey and Mabey 2005; Nolan and Garavan 2016) and are significantly less likely to provide their employees with access to formal learning opportunities than large businesses (Devins, Johnson, and Sutherland 2004; Kotey and Folker 2007; Lewis and Coetzer 2009; Kyndt and Baert 2013; Whapshott and Mallett 2016). Therefore, we argue that the concept of workplace learning provides a fruitful framework for analysing learning in small businesses, as it calls attention to the informal or even incidental forms of learning, as well as a combination of these with formal teaching and guiding activities (Elkjaer and Wahlgren 2005). Furthermore, the *'de-differentiation between work and learning, learning and production, community and enterprise'* (Boud and Garrick 2001, 4) inherent to the concept of workplace learning might support a deeper insight into the world of small firms where boundaries between work and everyday life are blurred. This article focuses upon the different characteristics of workplace learning in small firms, with the aim of revealing the possibilities and guidance for informal and incidental learning provided by small workplaces.

Factors that negatively affect learning in SMEs such as a scarcity of resources, a

lack of skills and expertise necessary for fostering learning, the high importance of informal practices, short-termism, etc., are often over-emphasized in the literature (Anderson and Boocock 2002; Coetzer, Kock, and Wallo 2017) and serve to indicate that SMEs are underdeveloped (Harney and Nolan 2014). However, the normative use of the analytical terms aimed at capturing the particularities of large organisations are inadequate in improving an understanding of the real learning practices taking place at the workplace level in small businesses. Learning in small firms is more complex, with possible positive outcomes (Panagiotakopoulos 2011) requiring new ways of analysis.

As the literature suggests, learning in small firms is influenced by several internal and external factors (Lange, Ottens and Taylor 2000; Macpherson and Holt 2007; Kitching 2007; Khosla and Sharma 2014; Nolan and Garavan 2016). Coetzer, Kock, and Wallo (2017) identified four broader issues that emerged in the articles dealing with learning in small businesses: distinctive characteristics of the organisation; the external environment; the role of the owners/managers; and how to create optimal conditions supporting informal learning. The authors conclude that factors influencing learning in small businesses can be categorized into three main aspects: job characteristics, e.g. the kind of work individual employees engage in; relational characteristics, e.g. the embeddedness of learning into social interactions and context; and organizational characteristics that cover a wide range of issues from the organizational structure through to the available resources and the owners' and managers' competencies and attitudes towards learning (Coetzer, Kock, and Wallo 2017).

Tam and Grey (2016) suggest that as a firm grows its resources and capabilities develop, and so the practice of workplace learning also advances in terms of structure and delivery. In other words, the dynamics of the organisational life cycle (inception, high-growth and maturity) will affect the practice and structure of workplace learning. They conclude that *„the most common practices in SMEs fall into the individual level of workplace learning, regardless of which life-cycle stage the firm is at”* (Tam and Grey 2016: 683). In their analysis of the learning capabilities of small firms during their efforts to enter international markets, Anderson and Boocock (2002) differentiated between individual learning, and the external organisational environment and internal organisational contexts affecting the various forms of learning in SMEs.

The majority of the factors influencing learning that these classifications attempt to identify are, however, only partially specific to small businesses, as many of them are also present in large companies. In our view, there are two major factors touched upon by

the previously mentioned authors that deeply influence the practice of workplace learning in small businesses. Hence, we are focusing our analysis on these two decisive factors. The first is the proximity of the owner/manager, as his or her personality, prior experiences, skills and competencies and attitudes towards business in general and learning in particular play a decisive role in shaping the learning framework in small firms. The second factor concerns the social and economic networks small businesses are engaged in.

The owners/managers of a small firm have a crucial role in shaping the workplace conditions that, in turn, influence learning possibilities. Workplaces can be defined as 'expansive' or 'restrictive' learning environments according to the quantity and quality of learning opportunities they offer to employees (Fuller and Unwin 2003; 2004). We call a learning environment 'expansive' if employees have higher levels of autonomy and responsibility. Thus, employees are actively involved in decision-making and problem-solving processes, they are allowed to share knowledge and job-specific skills, and they are encouraged to develop communities of practice, receiving symbolic and/or material rewards for their engagement (Manuti et al. 2015). On the other hand, restrictive learning environments are characterized by limited work tasks, the exclusion from decision-making, an individual management of knowledge and job-specific skills, and by isolation and individualism. The impact of such restrictive learning conditions is generally predictable and a low trust-based employment relationship (Fuller and Unwin 2003). The owner/manager is able to develop the learning opportunities and real-life practices of an SME due to his/her capacity to create formal work organisation structures and processes that support knowledge creation and sharing, learning and growth (Macpherson and Holt 2007). The owner/manager can develop and maintain favourable working conditions, containing relevant incentives, a motivating work environment, and establish a positive cultural context where knowledge and learning are of great value (Sadler-Smith, Spicer, and Chaston 2001).

The judgment of the owner/manager's role in fostering workplace learning is ambiguous in the literature. Some studies emphasize its positive role in creating such a 'learning framework' that includes the development of a supportive learning culture, an appropriate work organisation or a stimulating incentive system (Coetzer, Kock, and Wallo 2017). In some other contributions, however, the owners/manager appears as a constraint for effective workplace learning, insofar as he assigns low priority to learning or his skills and competencies are insufficient for managing learning processes (Anderson

and Boocock 2002; Manuti et al. 2015). As Kitching (2008, 103) highlights, these assumptions mainly follow the logic of *'the normative models of human resource management derived from studies of larger companies.'* As he states, workplace learning is definitely not the 'cheap' substitute of external trainings that employers must provide as they lack the necessary resources. On the contrary, SME owners/managers participate consciously in workplace learning, either as training-providers or enablers of learning. This is due to the fact that they are the most familiar with the specific context of the firm, along with the skill requirements, so they can exert control over the relevance of learning outcomes defining both job skills and standards of employee performance (Kitching 2007). Summing up, one way or another, the owner/manager plays a decisive role in the evolution of workplace learning in small enterprises and visibly influences small firms' learning practices. In our paper we try to understand how the owners/managers contribute to the establishment of a learning framework in small enterprises.

Next, we turn to the second factor influencing workplace learning in small firms, namely the social and economic networks as part of the accumulation of relational capital. Anderson and Boocock (2002) emphasize the importance of the external organizational environment – including networking activities – in supporting learning in SMEs. Partly due to scarce resources, gaining explicit knowledge for SMEs is more challenging and counterbalanced by the acquisition of knowledge in informal networks. Thus, being in networks is an increasingly indispensable form of entrepreneurship. The significance of the network for SMEs was first investigated in terms of business performance and business development. Chell and Baines' (2000) pointed out that networking activity correlates negatively to business plateau or decline. As opposed to institutionalized forms of learning, SMEs gain a significant amount of knowledge mainly through local networking within business networks, since learning in SMEs is typically intuitive and episodic. Anderson and Boocock (2002) argue that acquiring knowledge is led by an opportunistic approach, and it strongly involves the customers and those involved in the value chain in their learning processes. The emergence of networks is based on the relationship between the owners/managers of small businesses, so it is exceedingly random in nature, and it is difficult to separate the social and business relationships.

With regard to the survival and development of small firms, the ability to function in the network of various interest groups is of particular importance. Besides relationships with business people, friendships and family relationships also occur in networks. These relationships provide opportunities for learning, but also for educating the members of

the network, thereby creating business opportunities for the company. Being in networks provides an opportunity for scanning the environment, but it is also the context of learning (Gibb 1997), i.e. knowledge is created in networks through the mechanism of social learning (Saunders, Gray, and Goregaokar 2014). Knowledge acquired through interaction with external actors can be disseminated across the whole enterprise through subsequent interaction between co-workers (Smallbone, Supri, and Baldock 2000; Kitching 2007). Saunders, Gray, and Goregaokar (2014) emphasize that networks promoting development and learning are informal and active connections, which are not formalized. Based on their empirical study of SMEs from Hong-Kong, Tam and Grey (2016:27) conclude that inter-organisational learning is significantly popular (apart from individual learning) in SMEs across life-cycle stages, but especially important in the high-growth stage, because it *“fills the organisation with more market intelligence, discovery and innovation, which is important at their stage due to competition”*.

Disseminating knowledge deriving from networks allows room for manoeuvre for the SME owner/manager as Higgins et al. (2013) draw our attention to the power-laden and political nature of social learning in SMEs. By controlling external network relationships, the owner/manager has the interpretive power for defining reality for his/her employees and how to integrate new knowledge into the everyday practice of the firm. Thus, it is worth noting that workplace learning built upon external knowledge from networks is inherently political in nature since it provides opportunities for the owner/manager to transform episodic power into systemic power through the interpretation and institutionalization of new ideas (Higgins et al. 2013). Thus, the article aims to discover the learning opportunities created by the utilisation of networks in small firms.

In the following, we present the results of a qualitative research project carried out among Hungarian small firm owners. The qualitative interview method chosen in this study reflects also on the remark that the quantitative research methods which previously dominated the field of HRD are inappropriate for researching learning in small companies (Short and Gray 2018). The regional scope of the research is itself important, insofar as very little empirical research has been done in the Central-European transition economies about the HRD practices of SMEs (Gittens and Fink 2015; Marzec et al. 2009; Pollard and Svarcova 2009; Psychogios et al. 2016; Ritchbell, Szerb, and Vitai 2010; Zientara 2009). Garavan and Carbery (2012) suggest a relationship between societal culture and HRD practices, and there is some evidence that informal learning in the workplace varies between national cultures (Kim and McLean, 2014). Taking this cultural dimension

perspective, Hungarian national culture (the high individualism, the high masculinity, high uncertainty avoidance and low power distance) might influence the learning processes in SMEs.

The aim of the research is to gain insight into the process of workplace learning in small businesses and how it is influenced by the above discussed small firm-specific factors, namely the role of the owner/manager and the role of networks in small firms' learning. Thus, the research questions are the following: (1) What are characteristics of workplace learning in small firms? (2) What is the role of the owner/manager in constructing the learning environment in small businesses? (3) How can the owner/manager's networking activities contribute to effective learning in small businesses?

Methodology

We chose a qualitative research strategy because we wanted to investigate in depth the nature and extent of learning practices in small firms and understand the relationship between owners/managers perceptions and learning practices, and the wider context (Kitching 2008). It was expected that the interviews would provide the research team with a chance to probe and gain a deeper understanding of the process of workplace learning in small firms, here, an amalgamation of specific, hypothetical and leading questions were used to further explore the responses as proposed by Keats (2000, 35) and Warwick (1984, 7).

A purposive sample selection strategy (Silverman 2008) was followed. During a previous representative large-scale quantitative study (Kása, Radácsi, and Csákné Filep 2017)² focussing generally on the management practices of SMEs, we asked respondents if they would be willing to participate in a qualitative phase, as well. In the recent qualitative phase of the research project, we contacted the willing participants with 10-50 employees from the central region of Hungary and informed them of the details of our study. Finally, we involved 11 small firms with different industrial backgrounds, taking into consideration access issues as well. We supposed that enterprises of this size did not have formal HRD processes (Hill and Stewart 2000) and that the mainstream conceptual framework of HRD developed for big companies is less meaningful in describing HRD-

² The previous quantitative study involved 385 Hungary-based SMEs with 3-250 employees covering all industries. 40% (154) of the sample was in size range 10-15, 46% (71) of them were willing to participate in the qualitative study and 47% (34) of them from the central region of the country. (Kása, Radácsi, and Csákné Filep 2017)

related phenomena (Harney and Nolan 2014). At this stage of the research, we used multiple-industry design and did not restrict the sample to one particular line of industry because of the explorative purpose of the study (Keith et al. 2016). The main features of the sample are summarized in Table 1.

Table 1: Main features of the sample

Data were collected through 1-2.5 hours of semi-structured interviews (Kvale 2007) with the owners of the selected firms, at the firm's site when possible. Interviews were selected as the method of data collection as it would enable frank, anonymous and face-to-face exploration of issues with the interviewees (Warwick 1984). As Marshall and Rossman (1999) have argued, through qualitative interviews the researcher has the opportunity to observe the respondent's reactions and also his/her environment, which may provide added dimensions to data gathering. Interviewing the owner of the firm is a frequently used research strategy in studies investigating HRD processes in SMEs (see Beaver and Lashley 1998; Coetzer and Perry 2008; Keogh, Mulvie, and Cooper 2005; Kerr and McDougall 1999; Marzec et al. 2009; Panagiotakopoulos 2011; Perry et al. 2010). In this paper, we presumed that the owner had a crucial role in forming HRD practices and, due to the small size, he or she was able to give a valid account of it.

The list of open-ended questions was developed in order to explore all HR connected activities and the related aims, attitudes, and philosophies of owners/managers. The reason behind this was that we did not want to force them to structure their activities and philosophies based on an official HR model (and refer to them using professional terms of HR). Instead, we wanted to find out what they thought about it and what they did to motivate, encourage and develop their colleagues, as well as what the relationships were among their concepts, aims and activities.

Among others, Kitching (2008) found that employers adopt different, very often narrower, views of training and learning than researchers. We found the same: during the interviews, it required considerable effort to encourage employers to discuss workplace learning practices as many, initially, did not volunteer them, possibly because they were not considered as learning, but a taken-for-granted feature of workplace practice. The interview protocol contained the following main questions: What were the critical events that shaped the firm's life? What are the main considerations when recruiting, selecting, rewarding and promoting employees? How do employees learn and develop in the firm, and how are they supported in learning and development by firm or the owner/manager?

How does the owner/manager learn? What are the most important values and norms in the firm?

Interviews were recorded and transcribed word-for-word. During the interviews, we strived to ensure informed consent (Kvale 2007), that is, to acquaint respondents with the research purpose, what the data will be used for and the potential risks of participation. Concerning potential risks, the confidential treatment of data has a crucial role. Therefore, interview quotations were anonymized: we refer to the companies as Company 1,2...11, and removed every detail from the text which might reveal the identity of the company.

In the data analysis process, we followed a realistic approach (Silverman 2008) as we supposed that the owners accounts drew a potentially valid picture about the reality of the HRD practices applied in the investigated firms. This realistic approach, when the researcher is ‘mining’ in the interview for objective real data or subjective authentic meanings (Kvale 2007) is in consonance with the theoretical background of the paper. Although interviews were made with the owners, the units of analysis were the HRD practices in the given firms, not the owners as persons. However, we took into consideration that the owners’ attitudes and presumptions towards learning might have relevance in shaping HRD practices in the firm.

In the first phase of the data analysis, we followed a collaborative, holistic coding process regarding the exploratory nature of the study (Saldaña 2013). Holistic coding is a preparatory approach before a detailed coding process, in order to grasp the basic themes in the data (Saldaña 2013). Thus, we extracted all related interview texts to the broad category of knowledge and learning, including required types of knowledge, related HRD practices and the influence of contextual factors. A double coding protocol was followed, that is, each interview was coded by at least two persons from the research group in order to support validity of the coding process. The first phase was followed by research focus group discussions (Baptista Nunes et al. 2006) with the entire research team aiming at building a common understanding of the results in light of the literature review and refining the coding process (Saldaña 2013) accordingly. As a result, in the second phase, texts related to the category of knowledge and learning were re-structured around the following sub-codes: formal/informal learning methods, the combination of formal and informal learning, networks role in learning, the role of owner/manager in learning. The second coding process was also followed by group discussion in order to support the interpretation of the meaning of the coded material and to identify patterns in the small firms’ learning processes. Research group discussion and the process of double coding

were deployed in order to raise intersubjective or communicative validity, that is, to test the validity of knowledge in a dialogue or a discourse (Kvale 1995).

Results

What are characteristics of workplace learning in small firms?

Considering formal learning practices, we identified three main patterns. First, some of the companies employing skilled men and women must have compulsory trainings: it means that in order to get the permission to practice, they have to attend official training courses and take an exam. Those trainings are supported and financed by the company – although the owners suggest that the real, practically relevant knowledge is acquired after the official trainings, on the job.

‘Yeah, it is a lot of money to train a worker. And still, you have to practice with him.

I practice with them, I personally teach them even more than necessary. A good employee – it is a huge investment, a great value, you have to appreciate it.’ (C3)

In some cases, the owner takes a much bigger responsibility for the development of the ‘profession’ than their actual business needs and makes serious efforts to reorganize the vocational or professional education or trainings of their neighbourhood. The owners claim that it is about the future of the profession and the community. Some of the companies are willing to support the bachelor or master studies of the young employees. It is connected on the one hand to the intensive workforce shortage experienced in some professions or in some part of the country (they struggle to find experienced and at the same time motivated employees). On the other hand it is connected to the general opinion of the owners that the attitude and motivation of the employee have a priority over the professional knowledge or experience.

Providing support for the young employee to receive a formal degree is not necessarily a business need (or method of external knowledge acquisition) but very often a tool to motivate and keep the employee.

Second, knowledge- intensive firms in particular are financing a wide range of professional trainings and conference participation, professional fair attendance of employees, based on their needs and interests, usually offering a yearly personal study budget. Connected to these learning possibilities, C7 very consciously builds an internal information and knowledge-sharing platform, where they systematically share the knowledge.

'This all started because they wanted to learn and develop, they wanted to go trainings, they wanted to see the point in other works, because we use different technologies for different partners... We have a colleague who was enthusiastic about it and was a little bit of a teacher, so he undertook to organise a workshop every month or so, with 5-7 lectures delivered by the colleagues. They basically share what they recently read about, learnt from a conference they participated in or introduce their project. We have very good feedback - we started it three years ago. We usually include something different: for example, the son of our colleagues is a first- class chess player, so we invited him to speak about how he develops himself and of course, we all played simultaneously with him, and we all lost.' (C7)

In this organisation these formal trainings, together with the practice of individual and group-level information exchange help not only the competitiveness and innovativeness of the company, but also the retention of employees (and again, are very consciously used). Those conferences and fairs are also possibilities to connect to professional networks.

It is important to add that some small business owners referred to the different failures of the present schooling system (especially the vocation education system) and indirectly the unfavourable learning environment in Hungary. Some owners add that, not necessarily the professional skills (hard skills, as declarative and process skills), but some of the soft skills for the knowledge-based environment (as problem-solving, willingness to cooperate, learning attitudes, etc.) are missing:

'This is very important part for the skills and attitudes. It would be nice if the schools would open towards project management and methods like this... And how to behave or act in a culture like this.' (C7)

We found various patterns of informal learning. Among them, mentoring is a widely used method – in some cases the retired, very experienced employees support the young, in other companies the experienced employee or group of employees share knowledge, and finally, in some cases the owner himself takes the responsibility to teach or mentor each young or new employee. While in some cases it is an incidental daily action (*'They stand next to the shop manager and watch him'*, C9), in other cases it is a planned, systematically developed, complex orientation and training process (sometimes it is also a way of control the learning process of the new employee). In some cases, knowledge intensive firms in particular create internal platforms (virtual or real-life ones)

where employees can constantly or regularly share information and support each other.

What is the role of the owner/manager in constructing the learning environment in small businesses?

As mentioned earlier, owners play decisive role in fostering various learning activities at the firm level. A common pattern is when the owner acts as a teacher or mentor.

'I train them personally. After we hire them, we go around together for a month and I teach them how to sell our product. We have a structured speech about the product, emphasizing that we give some portion for free. We try to convince the potential customer to have a go and we constantly communicate. I teach them, practice with them and later check a couple of times in the following month on how he manages the partners.' (C10)

In the narratives of the owners, mentoring could be a wide range of activities ranging from 'showing them how to do it' (such as teaching very basic declarative skills) embedded in the daily routine, to systematic support and sharing complex knowledge. However, not everybody is able to be a mentor:

'Some of my old colleagues very soon have to give up work, so I always remind and suggest the youngsters to grab the knowledge. But being a mentor – it needs a personality too. I had a pensioner colleague who hated dealing with youngsters and didn't want to share his knowledge, and had some colleagues who enjoyed mentoring very much.' (C8)

The other pattern that emerged from our cases is when learning is constituted by mutual social interactions between various actors and new knowledge is being created as a result of the learning process. The learning process is based on different forms of employee participation. Knowledge is co-created as the employees are working together, solving the actual practical problems collectively, developing and innovating new products or processes. They learn from each other and share their experiences. This learning community is very consciously managed by the owners and is the core of the corporate culture:

'I don't want to be the cleverest guy in the company - I want to be the silliest one. Everyone adds to the solution, if anyone has a good idea, we always support it. This moves us further.' (C4)

'The main thing is co-creation. I think that people are creative and innovative beings, and if you let them create, they are happy. Create together in peace - in the factory and in the lab as well.' (C11)

In many cases the owners emphasize the importance of experiential learning, especially the trial and error method, and in some cases the superiority of the 'practical', experience-based knowledge over 'academic' knowledge. This pattern is much stronger in case of career-ladder climbers and self-made men (for example, an experienced engineer now managing agricultural chemical company).

'I had a friend who explained to me how to produce alga. One sentence. So, I went to the DIY store and bought a piece of timber and lamps and everything. I brought it home, put it on two stools and started alga-producing. Last year I went to the Alga-Europe conference to see all the stands of universities and official sellers – and found that they do the same, nothing better. But at the beginning I did not open a book or have a look at the internet – I didn't want to do what everybody did. I wanted to have my own solution.' (C11)

The owners emphasized the importance of an expansive learning environment, in which innovations can be encouraged, such as an honest and trustful climate, where everybody is willing to share their ideas (without the fear of making mistakes).

'There are no regular lectures, but we constantly share our experiences. If one of my colleagues learns something from a solution process, he shares it with the other two.' (C5)

In some cases the presence and importance of continuous learning have also been emphasized.

'We are always in a "learning phase". We had already built five houses with this method, and we learnt and developed a lot with each house. Still, it is not fully perfect.' (C5)

In addition, C4 spoke about freedom of speech in the company, the importance of the employee voice, especially in contrast to big companies:

'In our corporate culture everyone can share his/her opinion. For me also - it is not like in big companies that the employee enters with his opinion and leaves with the boss' opinion. Opportunity to participate and sharing knowledge is important.' (C4)

How do owners/managers utilize networks to support workplace learning in small businesses?

The external organizational environment has a considerable impact on learning in small businesses. Small businesses consciously and regularly collect information, knowledge and solutions from their environment. Some small firm owners spoke about regular cooperation and information sharing with suppliers, customers, researchers, and even with competitors:

'There isn't any source of information. There are no journals or books, the producers of raw materials cannot give any detailed information, so you have to rely on your experiences and experiments. So, we are lucky because we cultivate a good relationship with research labs of multinational companies. They are very experienced researchers who have some experiences from abroad, from America, and they can help us if we stall. And it could happen (and actually happened) that we could help them.' (C10)

Another very consciously carried out activity is the internal sharing of external information across the whole enterprise through interaction between co-workers to increase knowledge, develop the company and create new business opportunities:

'We expect from our employees to constantly look for business opportunities, collect the information „drops” in coffee shops and in corporate lunchrooms... We have a meeting every two weeks where we share all the information we picked. They enjoy this kind of „corporate espionage very much.' (C4)

While recognizing the need for learning and information sharing, we found that small business learning processes are often intuitive and accidental, even in the case of networking and external knowledge acquisition.

'... we also look at it [e.g. a conference], that would be good to go for it, so it would be nice to get some information about it. Then we send someone whom this topic fits the best, and in return we expect that he will obviously present it to colleagues and document it afterwards.' (C7)

We found that the owner/manager has a central role in networking. They are mostly responsible for maintaining relationships and operating in the network, and they have the responsibility of bringing external knowledge into the company, as they will initiate change on the bases of the gained knowledge or ideas acquired from the network.

'We are constantly in contact with many companies, with many young companies, and with companies of similar size but who work in other areas. Or there is one,

that we work together and have similar development teams. With them – three or four companies - we have monthly meetings, where all the leaders of the four companies discuss what they have done. We listen to each other, to what works, and then try something out. Here, you do not have to think big things, here it's the little things that can count.' (C7)

We have seen several times that leaders attach great importance to the relationships for the persistence and success of the business. The company's connection system was compared to a telephone book, which was not merely a collection of relationships but also emphasized their personal nature. Through these direct and personal relationships, they can gain knowledge, or recruit new staff. At the same time, we also see the wider consequence of being in a network, as these relationships provide reference for small businesses and thus create trust, which is an indispensable condition for contracting or working. Thus, the social capital embodied in networks is presented by the owners as crucial to surviving as small businesses.

'... to recruitment I have a long list in my phone book, after a while my list was growing and growing ... I have fifteen titles in the purchase of fuels, with whom I know we can cooperate well. I can bring the raw material from them and they know I do not deceive them. So, in this great direct communication and speedy world, there is still significance for personal experience. You cannot get everything via text message or email.' (C2)

'If he's in the automobile industry, then I have a hundred percent to know him. besides the company phone number, I know their private number too. The idea of the company, the structure of this whole thing, stems from the fact that I know everybody. A call ... that's just how to develop a business. If I start with "no name", I just have a good idea, it does not work. Our businesses existence and future are in this business network.' (C4)

These extensive personal relationships offer another, consciously managed way of supporting learning in small firms: hiring professionals with very different experiences and background, encouraging the adaptation of new ideas, methods, and innovations. Those relationships sometimes are very flexible and future-oriented in the sense that sometimes professionals or a skilled workforce go away and come back with different (sometimes international) experiences. These non-traditional employee relationships could be an important source of creating a supportive environment for workplace learning.

As another external source of knowledge, some companies have a relationship with academic institutions or universities.

'One example: I saw a transmission column, made from a special material. We could cover it with plates and it would make an excellent architectural structure. So, we built it and took it to the university to test it. It broke, so we went back, changed it a little bit and strengthened the critical parts. And again. We could use it at the beginning, but now, it is a much better product.' (C5)

Surprisingly, and sadly, the relationships with universities or research labs are not always considered fruitful or useful. Two owners mentioned negative experiences with scientific institutions: one of them spoke about his experience about the research results lagging behind practice or irrelevant for companies. The other mentioned concrete, ethically and legally problematic situations (as cheating researchers misusing their academic background and selling bogus products). Still, they emphasized the importance of the possible positive impact of cooperation of SME-s with higher education institutions and the exploitation of the knowledge base embodied in higher education and research institutions.

Discussion

First, the general picture in the literature is that small businesses are focusing on informal learning (Devins, Johnson, and Sutherland 2004; Grey and Mabey 2005; Nolan and Garavan 2016; Kotey and Folker 2007; Kyndt and Baert 2013; Lewis and Coetzer 2009; Whapshott and Mallett 2016). However, we found two different patterns which countervail the dominance of informal learning. (1) We found that some small firms in our sample are very consciously applying formal and informal practices together, closely connected to each other. One of the examples is when the company supports and finances formal trainings or conference attendance and the participants are encouraged to share their obtained knowledge with the colleagues in regular internal workshops. This is not only a systematic knowledge transfer process, but also helps usage and adaptation of the newest methods, leads to internal knowledge creation and possibly to new ideas, as well as the development of new services. The development of a new service could require new information again, and so can lead to other formal training.

(2) Another interesting pattern is the systematic combination of external and internal knowledge sources. Some of the small firms are constantly looking for external

sources of knowledge. They select employees from very diverse backgrounds and experiences hoping that their expertise would encourage learning and development in the community. This high level of consciousness was characteristic in knowledge-intensive companies, but we found some similar patterns in traditional companies, as well. These patterns are very similar to the findings of Kitching (2008) that owners are aware of the significance of different types of workplace learning, treating it as a primary source of new knowledge and skills, and applying various forms and combinations. It also reflects the statement of Colley, Hodkinson, and Malcolm (2002) that often formal and informal elements are both present in learning situations and challenging the widely shared view that in small businesses informal learning processes are superior to formal learning opportunities (Devins, Johnson, and Sutherland 2004; Grey and Mabey 2005; Kotey and Folker 2007; Kitching 2007, Lewis and Coetzer 2009; Kyndt and Baert 2013; Nolan and Garavan 2016; Whapshott and Mallett 2016). According to our results, size is not the decisive factor in opting for informal and formal learning strategies; it is rather the owners' preferences towards learning and the supply of available knowledge that count.

Second, our results support our prior assumptions that owners/managers of small business often play a significant and positive role in shaping the characteristics of learning processes. It contradicts the assumption that they are inhibitors of effective learning (Lange, Ottens and Taylor 2000, Anderson and Boocock 2002, Macpherson and Holt 2007, Manuti et al 2015). Owners can take different roles in fostering learning. These roles can be identified by the owners' involvement in the learning process and the nature and extent of their direct participation. Two typical behavioural patterns emerged from our interviews that are not mutually exclusive; they rather represent two contrasting types of practices of and attitudes towards workplace level learning. (1) In the first role owners act themselves as a *teacher* transferring (practical) knowledge personally. Learning in this context takes place in the form of guided on-the-job situations. The relation between the actors participating in the learning process is asymmetric. Mutual understanding is a prerequisite, yet the owner acts as a trainer and shares his/her professional or intellectual experiences with the employees who are in a subordinate position as a recipient of knowledge. Under such conditions, learning is mainly unidirectional, whilst knowledge is properly identifiable and defined in advance, primarily by the owner who also exercises control over the learning process, constituting a desirable outcome (e.g. the owner is able to define the appropriate criteria of competencies that should be acquired by the learners).

Knowledge transfer occurs in a social context, either by verbal interactions or by observing behaviours (especially in case of manual operations). The owner creates a kind of ‘paternalistic learning environment’, which has some similarities to a restrictive learning environment (Fuller and Unwin 2003) as it is asymmetric in nature and controlled by the owner. However, it still provides some possibilities for taking part in decision-making and working together to solve problems and can be characterised by long-term orientation (Coetzer, Kock, and Wallo 2017).

(2) The other role owners can take is closer to the position that is referred in the literature as an ‘enabler of learning’ (Billett 2002; Kitching 2007). Our findings, however, go beyond this, as the owner’s part in this type of learning is not restricted to the enabling of learning by creating favourable learning environment to the employees. He/she is actively involved in the learning process and acts as a *facilitator* of learning. Learning is a participative process in these cases, e.g. knowledge is not primarily defined and possessed by one individual actor; it is rather socially constructed through the cooperative efforts of various agents. The relation between the parties is far from being hierarchical; the owner participates directly in the learning process not as an absolute knowledge transmitter, but rather as a peer. It means that the relevance of knowledge, skills and competencies is not primarily justified by the owner. He needs to exceed the organisational hierarchy and to take a step backwards by engaging in mutual social interactions and dialogue with the participants of the learning process. Thus, instead of vigorously representing separate individual notions, each party has to be willing to recognise the expertise and competencies of the others and to reconsider his/her original viewpoints if necessary. The owner in this form of learning establishes a supportive or extensive learning environment (Fuller and Unwin 2003) indeed, but not necessarily in a direct way. He serves rather as a role model by revealing such behavioural patterns that validate the value of learning, reinforce the employees’ motivation to learn and acknowledges the legitimacy of non-standard learning modes. It means that the owner-manager's personality and prior experience could directly influence the choosing of the role. As referred to earlier, the two roles presented briefly above are interchangeable. Neither is superior to the other; their effectiveness may depend on the concrete situation, organisational context or other internal or external factors.

Third, our findings indicate that in the process of knowledge acquisition and sharing, small firms build to a great extent on their external or internal networks in a planned and deliberately managed way. Thus, our results oppose previous studies, which suggest

that SMEs' presence in networks is strongly intuitive and informal (Anderson and Boocock 2002, Saunders, Gray, and Goregaokar 2014) or the low willingness to build networks and to cooperate in the Central-European region (EIS 2017). Taking part in the network means a mutual relationship in which small companies not only use their networks in order to accumulate knowledge inside the firm, but they also give back to their professional communities, and share their experience. Similar to the conclusion offered by Tam and Grey (2016) we found that networking is a common practice in SMEs; it is their philosophy of doing business and learning in the marketplace. The fear of transferring the know-how and losing the competitive advantage can increase the level of resistance to cooperate (Van Gils and Zwart, 2004). However, we found a contrary behaviour that proves the relative advantages of getting information from networks about business and the active presence within these relationships. In some cases, learning from suppliers and those involved in the value chain were driven by opportunism (Anderson and Boocock 2002), but in other cases owners emphasized the importance of long-term cooperation based on trust.

As we have seen there are different resources of external informal learning resources (Saunders, Gray, and Goregaokar 2014) that we have found also in the knowledge acquisition process. The two different roles of owners/managers in learning identified above indicates different behaviour in utilizing knowledge from networks as well: (1) as a knowledge supplier he/she cooperates with business partners or professionals for example in finding a solution for a research and development problem together with the stakeholders. In that case, the owner is the one who possesses the knowledge gained from the network and as a teacher, exerts control over and disseminates among his/her subordinates. The owner/manager as a teacher allows restricted space for negotiation: he/she exerts control over workplace learning by interpreting what should be considered as the 'truth' and disseminating it among his/her subordinates. In that case, the owner/managers' commitment to learning (Kitching 2007) is crucial in the learning process.

(2) As a facilitator he/she encourages their employees to join professional networks and to share their experiences with the colleagues on regularly organized forums, or to invite relevant people from their network into the firm to give a training or a lecture. Especially IT firm owners emphasized that they support their employees in writing blogs and giving publicity to their theoretical or practical knowledge. Employees commitment to learning is just as important as the owner/manager's. Also, many small businesses in this sample

were active in professional institutions, working together in order to find solutions for the common problems of the given industrial sector.

In sum, the role of knowledge supplier represents a control-oriented and competitive attitude: the owner holds the power to translate new ideas learned in networks into legitimate interpretations (Higgins et al, 2013). This role becomes also a source of internal legitimation of the owner/manager since it offers an opportunity to transform episodic power into systemic forms of power by interpreting and integrating new knowledge into the firm's practices (Higgins et al. 2013). The role of facilitator is, however, a cooperative and supportive role, based on sharing information and empowering employees which constitutes the framework of the common learning process. In that case, learning is still mediated by organizational micropolitics (Higgins et al. 2013), but the facilitator role allows more room for negotiation and collaborations among employees when searching for and interpreting external knowledge. Both of these roles contribute to the dissemination of information or knowledge in small firms and illustrates the determinative role of the owner/manager in the learning processes.

Considering the Hungarian context, our findings are somehow challenging: as opposed to the previous studies, we found that small business owners are very consciously applying formal and informal learning practices together. They also form and develop their companies learning environment and cooperate in their professional and personal networks: altogether they know exactly how important continuous learning is from the point of view of their survival and success. If we interpret our findings according to Hofstede's national cultural framework as an influencing factor in the learning processes of SMEs, our study underlines the results of Kopfer-RÁCZ et al. (2013) that SME owners/managers prefer lower power distance than average Hungarian citizens and tend to consider their employees as partners. This attitude might be a vehicle for advocating the role facilitator in workplace learning. A previous quantitative study (Kopfer-RÁCZ et al. 2013) reports that despite high individualism in Hungarian culture, SME owners/managers bring collectivist values to the fore. Our study indicates that the collectivist orientation has an impact on the way of learning in SMEs as well, e.g. joining networks or sharing knowledge within the SME or in external networks.

Our findings indicate an interesting new theoretical focus worth investigating: what are the interplays between small firm' learning practices and the external contextual factors, e.g. how small firms efforts to develop high learning practices and extensive learning environment are shaped by an unfavourable learning environment, such as the Hungarian

one.

Theoretical implications

From the human capital perspective, our findings indicate that knowledge creation and learning is of central importance in the efforts the SMEs make to increase or preserve their competitiveness. The effectiveness of learning largely depends on how successfully both external and internal knowledge is acquired, transferred and translated into organisational actions. Our results suggest that the SME owners play a decisive role in this process. The two patterns, e.g. knowledge supplier and facilitator represent two contrasting managerial philosophies and attitudes, that is also accompanied by two different networking practice. In the first case, the owner exerts control over the knowledge transfer process in person, while in the second multidirectional (social) learning process takes place including the creation of an internal network of empowered agents. The two attitudes towards learning and managing knowledge transfer between and within networks are related to the characteristics of the knowledge and the purpose it is exploited for. Explicit and coded knowledge (even if large quantity and with quickly changing character) can be acquired and distributed in a relatively hierarchical model, where the SME owner directly governs the acquisition process. In this case, the human (and intellectual) capital is accumulated quantitatively, as the competencies and mastery of the employees increase. In case of uncertainty, when knowledge is not preliminary defined or even new knowledge has to be created, less directly supervised knowledge transfer mechanisms seem to be adequate, where the owner purely provides support to the vital functioning of organic networks of practitioners. In such cases the internal structure of human (and intellectual) capital is also being modified, as the relevance of the already existing knowledge may be challenged.

The various theoretical approaches provide detailed and convincing classifications of the various elements of intellectual capital (including human capital), but relatively little is known about the relations between these elements. Our results suggest that more empirical research and theoretical efforts are needed in order to have a better understanding of the nature of dynamic relations between human, organisational and relational capital. From an HRM perspective it implies that we need to add to our investigations how structural/organisational capital (e.g. work organisation, knowledge management systems, digitalisation, etc.) is linked to human capital accumulation, especially the workplace level learning process.

Practical implications

Policy programmes and interventions aiming at developing SMEs in Central and Eastern Europe (CEE) focus mostly on providing better access to financial and technology resources, but relatively less attention is devoted to such intangible assets as the various elements of intellectual capital. Our results, however, suggest that more efforts should be taken for the development of the whole ecosystem around small businesses, with a particular emphasis on the networking activities between the various actors (e.g. suppliers, professional organisations, NGO-s, and government bodies). As higher education and research institutions play a privileged role in knowledge generation and transfer, they should be better integrated into that ecosystem. The networking between institutions that differ in their cultural heritage and mentality as much as firms and knowledge intermediaries (e.g. the academic sphere) do, can only be successful when that kind of learning occurs that we described as ‘facilitative’. Therefore, all attempts at SME development should also include the promotion of entrepreneurial skills that strengthen networking and learning abilities, with special attention to the entrepreneurial roles in the learning process.

We also found that small firms are quite innovative and original in their methods of knowledge acquisition, their workplace learning methods or employment practices. Those practices should be explored and shared systematically to encourage more and more innovation. In that process higher education institutions also could have important role.

Limitations and future research directions

In the following we discuss the limitations touching upon the sampling strategy in two ways and the possible future research directions ensuing from them. First, due to the relatively broad focus, the explorative nature of the study and the qualitative approach deployed, the study worked with a small sample. Hence, generalizability in a statistical sense is not relevant. Rather, we aimed to contribute to the understanding of the learning processes of SMEs in a post-socialist region at a theoretical level. In order to raise theoretical generalizability, or to analyse the effects of contextual factors, the sample could be broadened and more targeted, and, instead of cross-sectional sampling, a longitudinal study could give a better insight. There are some further limitations in the

sampling - multiple industry - design, which generates heterogeneity of firms and industries that might uncover some patterns.

Second, in this study, the owners were involved in the interviews. However, investigating the learning processes and factors identified in the study from the employee's perspective and the use of archival data could provide further important empirical evidence. Obtaining data directly from employees could also illuminate their attitudes and motivation towards owners, as developers of the learning environment and learning opportunities. Also, building upon data from multiple resources could provide further insight into the learning processes of SMEs.

Although the focus of our study was not on the relationship between societal culture and workplace learning in SMEs, we see an intensive need for further research to deepen the investigations in this field. As another interesting direction, the similarities and differences in the nature of the practice of workplace learning in Hungarian SMEs between life-cycle stages could be elaborated.