

Exploitation of External Financial Resources for Corporate Training Purposes in the Czech Republic

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Abstract

This paper focuses on an analysis of the financial resources that companies in the Czech Republic deploy for corporate training purposes. The sample set consisted of 607 companies. The companies were divided into four categories according to their size: micro companies (1-9 employees); small companies (10-49 employees); medium-sized companies (50-249 employees); and large companies (250 or more employees). The hypothesis was put forward that the rate of utilization of external financial resources is related to company size, whereby the larger the company, the greater the extent to which they utilize external financial resources for corporate training purposes. The hypothesis was tested for each category of company size separately.

Keywords: corporate training, resources, financing, Czech Republic.

Introduction

Corporate training is education organized by companies in order to improve the professional development of their employees in various fields, and which usually corresponds to the business activities of the company. However, it may also refer to training with regards to the development of interpersonal skills and relationships, or ethics. The objectives of corporate training are therefore based on the specific needs and requirements of a company. "Training organized by employers is a part of further specialized training." (Průcha 2003, p. 167).

"The basic objective of corporate training as such is not, or should not be, only the development or changes in qualification, but primarily about achieving changes in the thinking, sentiment and engagement of employees" (Tureckiová 2004, p. 92). Within this context, it is clear that the corporate training covers add-on courses as well as those concerned with employee orientation. The organization of the corporate training

therefore involves the identification of training needs, planning and proposition of training activities, specification of the corporate training methods, and finally the evaluation of the training activities. None of the aforementioned activities can be implemented without ensuring there are adequate financial resources in place to do them. From a company's point of view, the financial resources used for the funding of corporate training in the Czech Republic can be divided into internal (i.e. own resources) and external (e.g. grants).

Constraints of corporate training

The availability of financial resources for the funding of corporate training undoubtedly depends on company size and its business strategy. Small companies often do not have sufficient funds for the professional development of their staff. As a result, they search the labour market for employees who either do not require further training or who require only minimal training (e.g. legally required training). The costs for one days' technical training or certification can be very high. Due to the legal obligations placed on Czech companies to spend funds on such activities, irrespective of company size, training in "soft skills" is often considered costly and ineffective.

The picture for larger companies is slightly different. With a larger budget at their disposal they have the room to decide what amount they are willing to expend on corporate training and on what fields the corporate training will focus on. In comparison to small companies, these companies are more likely to organize training sessions in soft skills, in particular at the managerial level. Such training is not always considered essential for the given position. In some cases, the training is seen as one of an array of possible benefits for employees. At the same time, the companies themselves are well aware of the fact that such training deepens the professional qualifications of their staff and therefore improves their employees chances of being headhunted or employed by a competitor. In cases where training requirements are long-term and/or costly, a company (the employer) often requires the employee to sign a conditional contract. In other cases, a company may be willing to provide its financial support to education only if it does not lead to certification or a diploma. Unfortunately, these funds are also the first at risk if a company's business activities slow, as was the case during the global economic crisis in 2009. Czech companies, whose success is largely tied to the economic fortunes of other European states, were also affected by the recession. As a result, funds intended for professional development were slashed. This has been reflected in the labour market in different ways. Since 1993, the number of employees has continually decreased, whilst the number of self-employed has continued to grow. At the same time, there has been a permanent increase in the number of university-educated people i.e. those who are most interested in further education and who are either supported by their employers or are prepared to finance their education themselves or at least participate in the co-financing thereof (see Straková et al. 2013). The situation is different in the case of people with only basic schooling. Kolomazník (2015) states that "An important factor for the participation of employees in the DV is the achieved level of education; in adulthood, employees with

only basic schooling participate the least often in further education". The last factor, but by no means the least important, is the migration of people towards towns where, especially in larger towns, people have higher salaries (and may be able to afford co-financing their further education) and have a greater understanding of the importance of education as a pre-condition for social and working success (Donath-Burson-Marsteller 2009). They are also better informed about the range of training and further education opportunities there are available.

Much detailed information on the situation in the Czech Republic is given in a report published in 2012 by the Czech Statistical Office (CSO) on the results of a survey conducted in 2011 into adult learning (the survey is conducted every five years and is compulsory for all EU states; the latest survey was conducted from 11 July, 2016 – 16 January, 2017). The report states that the number of Czech companies which provide further professional training to their staff has been continuously growing. According to the latest survey conducted in 2010, about 72.2% of all Czech companies provided staff with professional training, whilst five years earlier this stood at 69.9%. Slightly more than half of employees' working hours (51.6%) were spent undertaking compulsory training according to the legal standards valid in the Czech Republic, which includes occupational safety and health (OSH), fire prevention and protection, training for drivers, electricians, welders, etc. Over the range and types of courses available, significantly more men (64.4%) participated than women (35.6%). Five years after the 2005 survey, there has been a significant shift away from internal training courses to external ones (a shift of more than 20%). The proportion of expenditure on training in terms of overall costs decreased from 0.9% to 0.6% (CSO, 2011). The report also identifies three factors which constrained the provision of further education: a) the existing qualifications, skills and abilities corresponds to the actual needs of companies; b) high training costs; and c) employees were not able to participate in courses due to work load and lack of free time. The latter issue is related to the accessibility of further education (the necessity to participate in training outside the usual workplace and/or outside the place of residence).

Proportion of private and public funding for corporate training in the Czech Republic

According to the CSO (2011), in the Czech Republic, 68% of corporate training is supported through EU subsidies, and a further 23% through government grants (CVTS 4). The remaining 9% falls under other sources of funding.

The OECD (2016) monitors the proportion of overall private and public expenditure, at individual levels of formal education, on institutions of formal education. It states that in 2012, the proportion of private expenditure on primary, secondary and post-secondary non-tertiary education in the Czech Republic stood at 9%, which is comparable to the average values in other OECD countries (between 9 – 12%).

The results from these two reports show that there has been no significant change in the private funding of corporate training in recent years. It is interesting to note that,

according to the CSO survey results (2011), after the economic crisis, companies radically abandoned external providers of training to concentrate on providing training for their staff from their own resources. The reason for this is the difference in costs, as well as the possible monitoring and control over the educational event and its quality. Kolomazník (2015) states that “Most employers (57%) provide in-house professional training to their staff. The services of external agencies are only used by 33% of employers.”

The CSO report (2016) notes that “with regards to changes over time, the international average of overall expenditure on primary to post-secondary non-tertiary educational institutions increased by about two thirds (OECD) or by half (EU21) between 2005 and 2012, whereas in the Czech Republic the expenditure in the same period remained flat”.

Corporate training support

In terms of corporate training, companies usually use internal financial resources. However, in some fields it is possible to access grants. Financial support can be used by both the employees themselves and employers, including companies which specialize in providing education for the business sector. This mostly concerns companies that provide educational services and which rely on “European” funds – Czech funds sent to Brussels, which are then “returned” to the Czech Republic. The Czech Republic is then expected to participate in the co-financing of corporate training (Mužík 2012).

The programmes from which companies can obtain funds are published on the websites of the appropriate Czech institutions or on EU portals. The European portal for small companies regularly publishes a database of all operational programmes administered by the member states and financed by the European Regional Development Fund (ERDF) or by the Cohesion Fund. An example of this is the financial support for professional training programmes in the agriculture, forestry and food sectors within the framework of the Rural Development Programme 2014 – 2020. This programme is targeted at agricultural entrepreneurs, food producers which process agricultural products, owners of agricultural and forestry land or their employees, and other persons working for economic operators in rural areas within small and medium-sized companies. In addition, projects under the European Social Fund (ESF), which has existed for 60 years, endeavour to ensure that employees and jobseekers can utilize the opportunities for lifelong learning and therefore maintain their vocational skills and qualifications in accordance with the needs of industry and economic development.

One of the EU programmes directly focused on education is called “Supporting the Training of Employees” (in Czech - Podpora odborného vzdělávání zaměstnanců II - POVEZ II), whereby the target groups are employers pursuant to § 7 of the Labour Code (a company or its branch established outside the City of Prague), their employees, or potential new employees. Another target group covers natural persons – self-employed persons and non-governmental non-profit organizations. The education can be facilitated by either external education service providers or internal trainers employed by the employer, whereby the value of the grant corresponds to the trainer’s wage costs

according to the records of the educational event (limited by a maximum hourly rate based on the average wage of an in-house trainer in the Czech Republic). In other words, the company must fund the additional costs e.g. teaching facilities and materials, from their own resources. Even though the financial contribution of the employer was set at 15% of the eligible training costs in order to maintain the efficiency of the required training, the demand was so high that on 8 August, 2016, the acceptance of applications was temporarily suspended. The anticipated date for the resumption of applications has been set for the first quarter of 2017. According to a statement published on the main webpage of the Ministry of Education, Youth and Sports (2015), the reason for this action was “efforts to ensure the quality processing of those applications already accepted in the shortest possible time and to ensure the flow of signed contracts and the disbursement of funds during the whole period of the planned implementation of the project.”.

The EU programmes directly focused on education include Erasmus+, which is the successor of lifelong education programmes (Erasmus, Leonardo da Vinci, Comenius and Grundvig), Youth in Action, Jean Monnet and others, and various international cooperation programmes (Erasmus Mundus, Alfa, Tempus, etc.). The budget is EUR 14.7 billion. The financial support can be used for financing studies, internships, and work or volunteering abroad. The Erasmus+ programme provides funding for partnerships between schools, companies and non-profit organizations.

Materials and Methods

The aim of this paper is to determine the structure of financial resources for corporate training according to company size. The following hypothesis was set: “Exploiting external financial resources for corporate training depends on the size of a company; larger companies exploit more external financial resources for corporate training purposes than smaller ones”. Empirical research was conducted in the form of a questionnaire survey. The survey was conducted in the second half of 2016. A sample set of companies was selected in cooperation with the Czech Statistical Office. The sample set included companies in all size categories, as defined below. The companies were selected in compliance with the EU nomenclature with regards to the basic spheres of the national economy and legal subjectivity. In total, the sample set consisted of 1,420 companies. The questionnaire survey was conducted by students and members of the academic staff of the Institute of Technology and Business in České Budějovice, as well as electronically. In total, 607 questionnaires were completed in this way. The structure of the research sample was as follows:

Micro-company (< 10 employees)	141	23.2%
Small company (10 - 49 employees)	179	29.5%
Medium-sized company (50 - 249 employees)	164	27.5%
Large company (\geq 250 employees)	123	20.3%
Total number of companies	607	100%

The questionnaires were processed and evaluated by means of mathematical-statistical methods. The sample set of 607 companies was divided into four groups according to their size: micro companies (< 10 employees); small companies (10 - 49 employees); medium-sized companies (50-249 employees); and large companies (\geq 250 employees). Tables and charts were generated for each group according to the frequency of responses to the question relating to the financing (funding) of corporate training. Those companies that did not provide a response were subsequently disqualified from further data processing. The focus in the subsequent analysis was on which sources of external finance companies access (grants, subsidies, etc.) for corporate training and how this is related to a company's size. The suggested responses to the question were (in simplified form): 'Exclusively own resources'; 'Mainly own resources and partly external resources'; 'Mainly external resources and partly own resources'; and 'Exclusively external resources'.

It was determined that responses such as 'Mainly own resources and partly external resources' and 'Mainly external resources and partly own resources' were initially not clearly defined and therefore posed a problem for the processing of the survey results. As a consequence, the responses did not provide relevant information about the exact amount of money coming from either of the resources. Those companies with no appropriate response were therefore excluded and a Pearson's χ^2 -test conducted for the contingency table with a level of significance of 0.05, on the grounds of which it was possible to explore any profound difference in the response rate according to company size. The test statistics and Pearson's χ^2 -test p-value were calculated on the basis of the survey results. Where the calculated p-value is smaller than the significance level 0.05, the differences are considered to be more radical. The statistical tests were conducted using R statistical software. The tables and charts were generated in MS Excel.

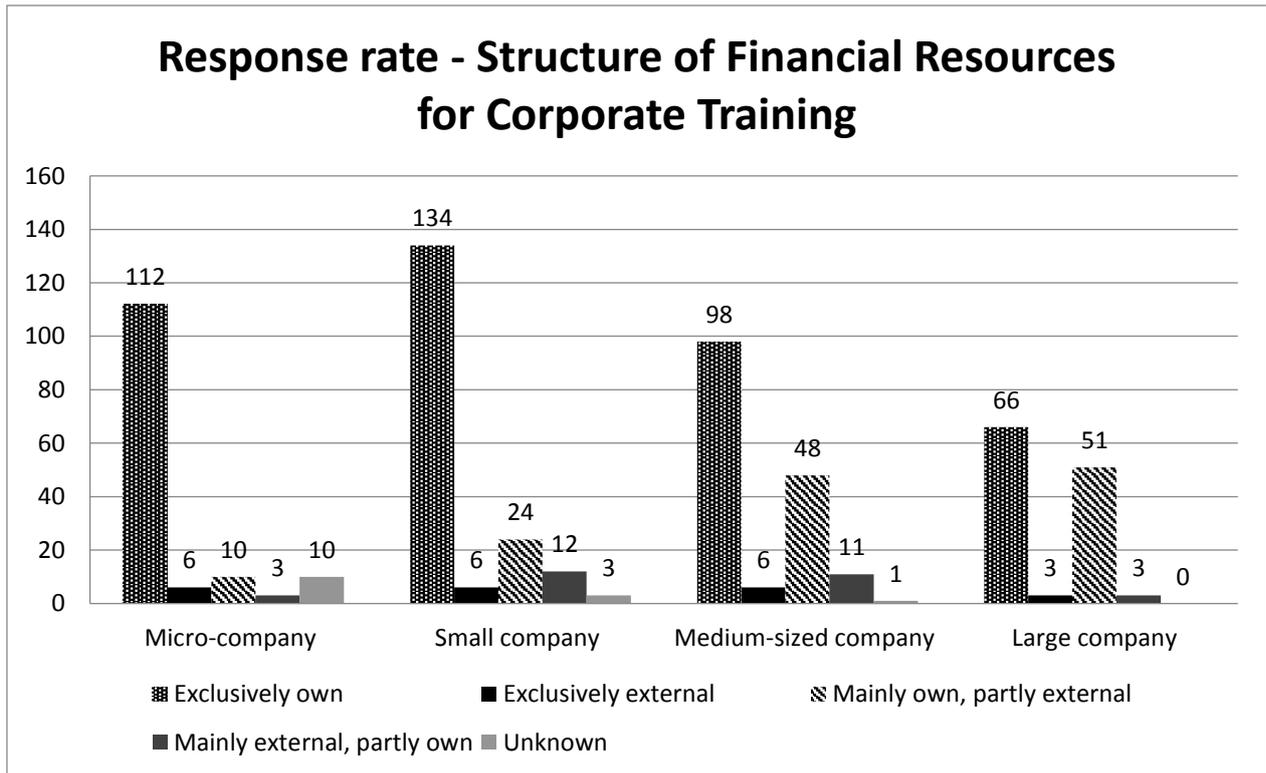
Results

Table 1: Response rate - structure of financial resources according to company size (all companies in the sample set)

Financial resources	Company size			
	Micro	Small	Medium-sized	Large
	number/frequency in %	number/frequency in %	number/frequency in %	number/frequency in %
Exclusively own	112 79.4 %	134 74.9%	98 59.8%	66 53.7%
Exclusively external	6 4.3%	6 3.4%	6 3.7%	3 2.4%
Mainly own, partly external	10 7.1%	24 13.4%	48 29.3%	51 41.5%
Mainly external, partly own	3 2.1%	12 6.7%	11 6.7%	3 2.4%
No response	10 7.1%	3 1.7%	1 0.6%	0 0.0%

Source: author

Figure 1: Response rate – Structure of financial resources for corporate training (all companies in the sample set)



Source: author

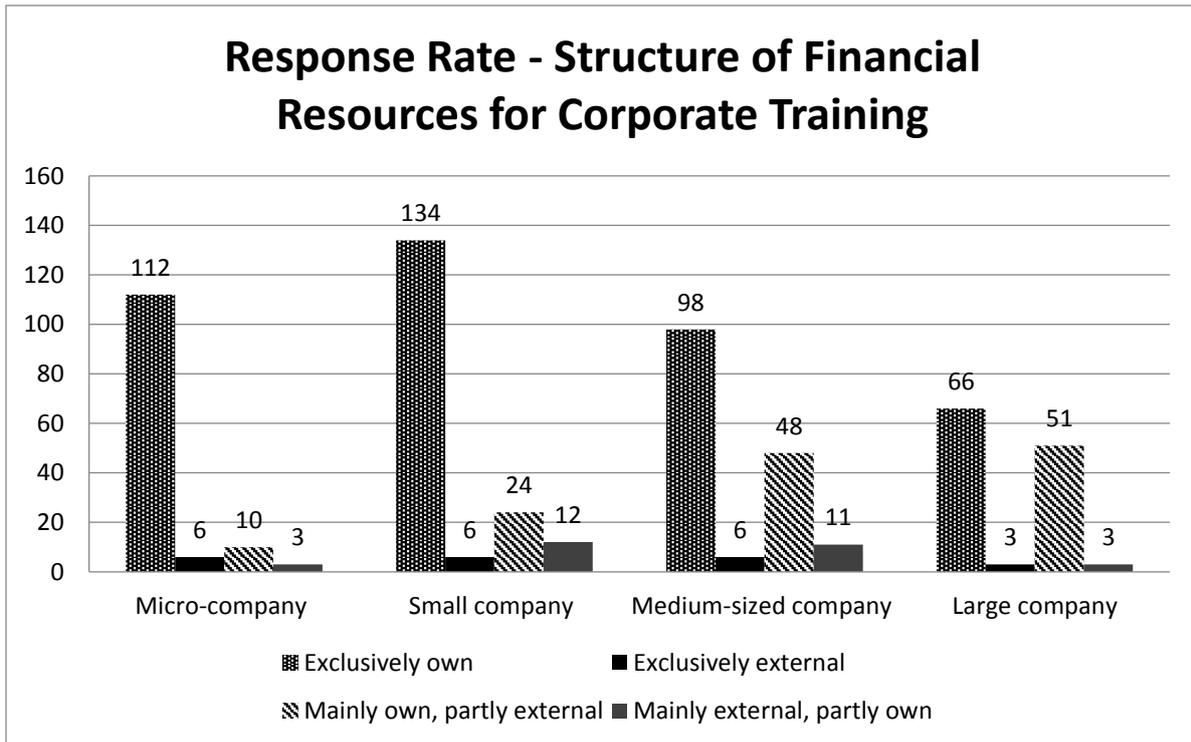
The figure above shows that ten micro-companies, three small companies and one medium-sized company did not provide information about their financial resources for corporate training. All the large companies provided the requested information. Those companies that failed to provide the relevant information were subsequently excluded from the analysis. As a result, a new response rate table was compiled. By excluding those companies that did not provide relevant information, the percentage response rates changed.

Table 2: Structure of financial resources for corporate training (only companies that provided complete information)

Financial resources	Company size			
	Micro	Small	Medium-sized	Large
	number/frequency in %	number/frequency in %	number/frequency in %	number/frequency in %
Exclusively own	112 85.5%	134 76.1%	98 60.1%	66 53.7%
Exclusively external	6 4.6%	6 3.4%	6 3.7%	3 2.4%
Mainly own, partly external	10 7.6%	24 13.6%	48 29.4%	51 41.5%
Mainly external, partly own	3 2.3%	12 6.8%	11 6.7%	3 2.4%

Source: author

Figure 2: Structure of financial resources for corporate training (only companies that provided complete information)



Source: author

The χ^2 -test of independence for the contingency table was used on the response rate table. The results were as follows:

χ^2 - test in contingency table	
Test statistics χ^2	65.4251
P - value	$1.193 \cdot 10^{-10}$

As the p-value is significantly smaller than the significance level 0.05, both dependence variables are statistically significant. This means that the extent to which companies exploit external financial resources differs according to the size of the company.

The response rates were as follows: irrespective of company size, the percentage for the response 'Exclusively from external resources' was less than 5% (see Table 1). This means that a negligible share of companies finance corporate training mainly through external resources, and partly from their own. The response rate among small and medium-sized companies was less than 7% and in micro-companies and large companies less than 5%. Subsequently, tables of absolute numbers and relative response rates were compiled, whereby the responses 'Exclusively own resources' and 'Mainly own, partly external resources' were merged into one group (see Table 3), and the responses 'Exclusively external resources' and 'Mainly external, partly own resources' into another (see Table 4).

Table 3: Financial resources - own or external

Financial resources	Company size			
	Micro	Small	Medium-sized	Large
	number/freq uency in %	number/freq uency in %	number/freq uency in %	number/freq uency in %
Exclusively or mainly own	122 93.1%	158 89.8%	146 89.6%	117 95.1%
Exclusively or mainly external	9 6.9%	18 10.2%	17 10.4%	6 4.9%

Source: author

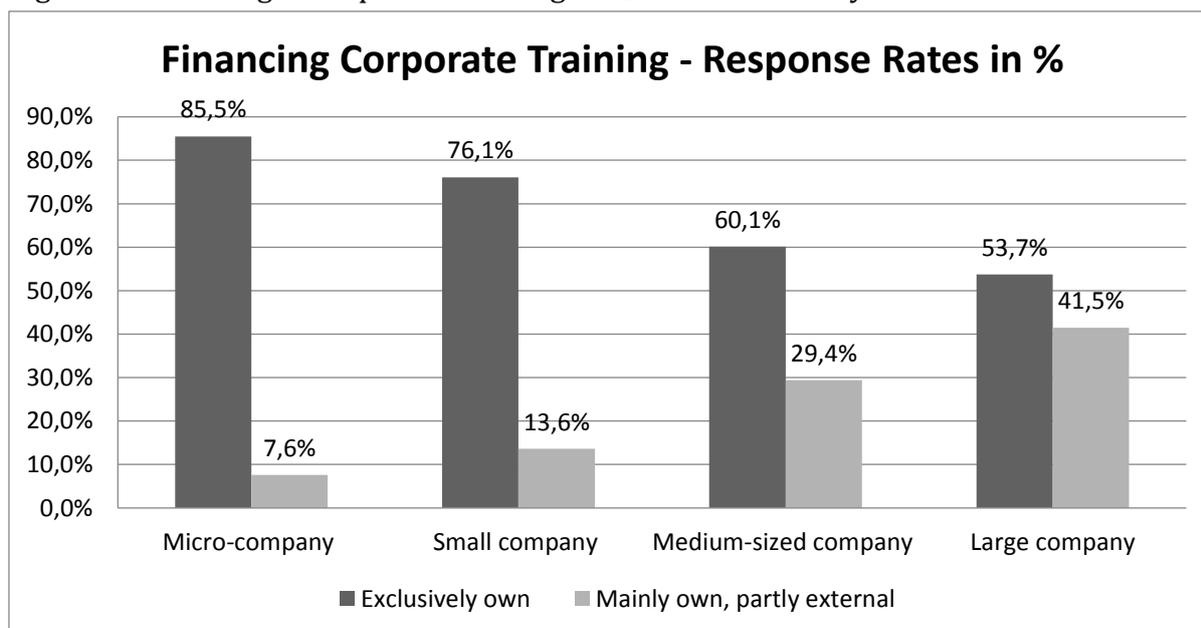
The tables show that the share of companies in which external sources of finance prevail for corporate training, or is the only financial resource, is no bigger than 10%. The share of those companies that finance corporate training exclusively or mainly from their own resources is approximately 90-95%. However, there is a considerable difference in terms of company size with regards to the share of companies which either partly finances corporate training from external resources, or only from their own resources. To process these findings it was necessary to compile a new table and generate a new chart.

Table 4: Financial resources - own

Financial resources	Company size			
	Micro	Small	Medium-sized	Large
Exclusively own	85.5%	76.1%	60.1%	53.7%
Mainly own, partly external	7.6%	13.6%	29.4%	41.5%

Source: author

Figure 3: Financing of corporate training in % - own or mainly own resources



Source: author

Table 4 and Figure 3 demonstrate that there is a close link between the increasing size of a company and the share of companies which partly exploit external financial resources for corporate training. At the same time, the data shows a decrease in companies which finance company training exclusively from their own resources. As a result, exclusive use of own financial resources occurs most often in micro-companies, and the least in large companies. In addition, the extent to which external financial resources are exploited for corporate training grows in relation to company size.

Discussion

The results of the research show that the use of external financial resources (grants, subsidies, etc.) for corporate training purposes is linked to company size. The reason for this may be the fact that it is demanding from an administrative point of view to prepare applications for grants, subsidies, etc. and that smaller companies do not have the capacity in terms of human resources to prepare and manage such project applications.

Conclusion

This article focused on how the exploitation of external financial resources (grants, subsidies, etc.) for corporate training purposes is linked to company size. The statistical tests revealed a strong dependence on company size. The results also demonstrated that the extent to which external financial resources are exploited for corporate training purposes grows to a considerable degree with company size. The companies that mostly finance corporate training exclusively through their own financial resources are micro-companies. In contrast, large companies finance corporate training from these resources the least.

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