

Graduates' Perception of Employment in SMEs and Large Enterprises

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Abstract

The present study looks at non business (n = 66) and business graduates (n = 18) and compares their employment preference in small and medium sized enterprises (SME) or large enterprises (LE). In pursuit, a questionnaire was developed measuring the perception of graduates as regards on the content of a job, compensation (and job security) and the company (and the work location). The questionnaire was administered during the Career Days (non-business students) and during a course on SME issues (business students). The general perception of the conditions of a job was seen as more favorable in SMEs. Nevertheless, a trend was observed for non-business students who were not conclusive as to their preferences. Further, the results show that there are significant differences between the two groups: business graduates prefer more interdisciplinary work and find the work conditions more important than their non-business counterparts.

Keywords: employment, career; business graduates; non-business graduates; SME

1. Introduction

It is well known that small and medium size enterprises (SMEs) out-number large enterprises (LE) and they are the backbone of our western economy. Yet many university graduates choose for a career in LEs and multinational corporations (e.g. Teo & Poon, 1994; Belfield, 1999; Moy & Lee, 2002). Studies (e.g. Teo & Poon, 1994; Belfield, 1999) indicate that SMEs, in general, are perceived of as less favourably when compared to large and multinational companies by university graduates. Nevertheless, opportunities in small companies are growing. According to Ahmadi and Helms (1997), this is in part due to the fact that the number of large companies is diminishing; apace small companies moving in rapidly to do the work left by large companies. The small company of today can be the larger company of tomorrow. An interesting observation is that about 5% of small firms that show rapid growth contribute to a net 70% of all the new jobs created (Bjerke & Hultman, 2002). A study by the Gallop Organization (2007) indicates that 5% of job vacancies in SMEs remained unfulfilled in 2006; and "SMEs account for roughly two-third of the jobs and one-half of the turnover of European businesses outside the agricultural sector" (Oxford Analytic, 2005). Research on employment decision making by young graduates has typically focused on occupation and career fields (Blustein, 1987; Harren, 1979; Jepsen, 1974; Phillips, 1982), career goals, initial career entry and job changing decisions (Gati, 1984; Higgins, 2001; Lent et al., 1994; Sing & Greenhaus, 2004) and personality correlates (Harris et al, 2006).

This study sets out to identify the motives underpinning graduate employment choices, and looks at their choice to pursue employment in large enterprises (LEs) and in small and medium sized enterprises (SMEs) and the differences, if any existing between graduates majoring in business and non-business studies.

2. Method

2.1. Subjects

There are two groups of graduates participating in this study as subjects. The first comprised a group of 66 non-business graduates who are in the final year of a master degree programme of the University of Twente with a diverse study background. This group is a representative sample of all final year graduates of the university ($\chi^2 = 0.14$, $p = ns$; see also Table 1). The second group of subjects was made up of the final year graduates of a master programme in business administration ($n = 18$); this is a non-representative sample of graduates; but were selected because they participated in an elective course on "small and medium sized enterprises".

Table 1. Sample size of non-business graduates and their study areas compared with the total number of graduates graduating from the university in the same year

	Non-business graduate sample	Total number of graduates
Technology & Management	13	123
Mechanical Engineering	6	70
Applied Communication Studies	1	38
Educational Science & Technology	5	40
Applied Physics	4	42
Chemical Technology	6	72
Business & Information Technology	2	45
Civil Engineering & Management	11	81
Computer Science	6	46
Electrical Engineering	7	54
Public Administration & Public Policy	5	108

2.2 Questionnaire

Powell (1994) groups job attributes into three categories; attributes that concern the job itself, compensations and security, and the company or the work environment. Other studies more or less elaborate on these three categories (e.g. Philips, Philips & Cappel, 1994; Teo & Poon, 1994). Accordingly, we designed a questionnaire in which questions are grouped into three categories, which we refer to as “content”, “compensation, and “company”, similar that used by Powell (1991), to determine what graduates look for in a job and whether they expect to find this in an SME and / or a large company. The questionnaire was developed in three stages. In the first stage, interviews with representatives of student organizations and graduates were conducted to ascertain various aspects of jobs they consider important. A limited number of interviews was undertaken (n=5), of which we extracted items (and especially, how graduates formulate them) to compile the first draft of our questionnaire. In the second stage, we made an inventory of (recent) instruments available in The Netherlands developed for a Dutch population. This led to adding extra questions to the draft version – Table 2 goes into more detail about the origin of the items in the questionnaire. The third stage entailed pilot testing the questionnaire on a small group of graduates (n=10) to explore whether there were any problems in filling out the questionnaire. The questionnaire has 15 items in total (see Table 2). Each item in the questionnaire was answered as important – not important.

Table 2. Items in the questionnaire and their origin

Item	Origin	Literature references
Content (Job itself)		
Change, non-routine activities	Literature, graduates	Philips, Philips & Cappel, 1994
Freedom, creative space	Graduates, Literature	Ohly et al., 2006
Actual content of the work	Graduates	
Academic level of work	Graduates	
Responsibility, management position	Literature, graduates	Moy & Lee, 2002
Specialist work	Literature	
Multidisciplinary work	Literature	
Compensation (and job security)		
Minimum of salary	Literature	Teo & Poon, 1994; Lau & Pang, 1995
Flexible contract	Graduates	
Tenure contract	Graduates	
Company (and the work location)		
Flexible working hours	Literature, graduates	Lau & Pang, 1995
Opportunities for growth, career	Literature, graduates	Teo & Poon, 1994; Lau & Pang, 1995; Moy & Lee, 2002; Philips, Philips & Cappel, 1994.
Working conditions, nice colleagues	Graduates	
Training opportunities	Literature, graduates	Philips, Philips & Cappel, 1994
Internationally oriented work	Literature	Lau & Pang, 1995

2.3. Procedure

The students, participating in this study, were not asked to evaluate a particular job or their preference for working in a particular company. Rather, they were asked to indicate their preference for specific job attributes that they feel are important to them (see section on the questionnaire development). Next, we enquired after perception of how SMEs and LEs would seek to meet their specific job requirements.

The non-business graduates were asked to fill out the questionnaire on a voluntary basis during the so-called "Company Days", an open day during which companies present themselves and graduates can meet with recruiters and have a job interview. The business graduates attended a course on "small and medium sized enterprises" and were asked during one of the classes to fill out the questionnaire.

3. Results

The results in Table 3 show that business graduates would like to work for an SME, and that non-business graduates prefer working for a large company, but also there is a large percentage of the non-business students that more than half of the non-business students say it "depends". Only a small percentage of graduates don't want to work in an SME.

Table 3. Comparison between non-business and business graduates about their preference for working for an SME

	Business Graduates		Non-business Graduates		χ^2
	N=	%	N=	%	
Yes	13	72	15	23	104.39*
No	0	0	5	8	-
Depends	5	28	38	58	15.52*
Undecided	0	0	7	11	-

*p<.05.

A first inspection of the results in Table 4 show that more non-business graduates expect that in large enterprises more of the for them important aspects can be realised, such as the "academic level of work", "opportunities for growth/career", "opportunities for training", "international orientation", but more (non-business) graduates expect to find better work conditions and nice colleagues in SMEs. The business graduates have higher expectations of the SMEs: "change, non-routine activities", "freedom, creative space", actual content of the work", "responsibility, management position", and, like the non-business graduates, they also expect to find better work conditions and nice colleagues in SMEs. But, "opportunities for growth/career" and "opportunities for training" they also think it more likely in large enterprises.

Another interesting observation is about the compensation and job security. Many respondents did not fill out this item and could only be an indication that the contract is not important. With regard to the salary, no significant differences are there between the two groups of respondents.

Business graduates look more favourable towards SMEs (see Table 3). In fact there are only two job requirements that business graduates expect to find in larger enterprises (see Table 4) as opposed to SMEs. Comparing non-business and business graduates (see Table 5) there are significant differences with regard to what they are looking for in a job. Non-business graduates find the "academic level" more important than the business graduates, while the business graduates think that "freedom", "responsibility "and "multidisciplinary work" is of more importance in a job. Both groups value the work conditions and nice colleagues, business graduates significantly more.

Table 4. Non-business and business graduates’ view of importance of job related aspects and their expectations about finding them in SMEs and in large enterprises

Item	Non-business graduates						χ^2	Business graduates						χ^2
	Preferred		SMEs		LEs			Preferred		SMEs		LEs		
	N	%	N	%	N	%		N	%	N	%	N	%	
Content (Job itself)														
Change, non-routine activities	29	4	2	3	19	2	.05	1	61	1	6	6	3	35.46*
		4	0	0		9		1		1	1		3	
Freedom, creative space	24	3	1	2	9	1	11.96	1	61	8	4	2	1	111.24
		6	7	6		4		1		4		1		*
Actual content of the work	33	5	2	3	23	3	.40	6	33	5	2	1	5	111.37
		0	5	8		5				8				*
Academic level of work	40	6	2	3	37	5	21.47*	5	28	0	0	5	2	-
		1	2	3		6						8		
Responsibility, management position	25	3	1	2	22	3	3.66	1	61	1	5	6	3	23.93*
		8	6	4		3		1		0	6		3	
Specialist work	3	5	2	3	3	5	.84	0	0	0	0	0	0	-
Multidisciplinary work	23	3	1	1	19	2	5.87	1	61	8	4	6	3	5.47
		5	2	8		9		1			4		3	
Compensation (and job security)														
Minimum of salary	28	4	1	2	24	3	4.34	6	33	4	2	6	3	5.47
		2	7	6		6					2		3	
Flexible contract	5	8	1	2	5	8	4.89	1	5	0	0	1	5	-
Tenure contract	7	1	6	9	3	5	3.37	1	5	1	5	1	5	0
		1												
Company (and the work location)														
Flexible working hours	23	3	1	2	15	2	.06	4	22	2	1	1	5	7.58
		5	6	4		3					1			
Opportunities for growth, career	42	6	1	1	38	5	69.0*	1	72	7	3	1	6	20.34*
		4	1	7		8		3			9	1	1	
Work conditions, nice colleagues	45	6	4	6	27	4	18.23*	1	94	1	7	1	5	19.64*
		8	1	2		1		7		4	8	0	6	
Training opportunities	25	3	1	1	24	3	15.67*	5	28	1	5	5	2	26.24*
		8	1	7		6							8	
Internationally oriented work	22	3	3	5	21	3	33.5*	4	22	1	5	4	2	0
		3				2							2	

Table 5. Comparison of the most important job requirements of non-business and business graduates

Item	Preferred by non-business graduates (n=66)		Preferred by business graduates (n=18)		χ^2
	N=	%	N=	%	
Content (Job itself)					
Freedom, creative space	24	36	11	61	26.27*
Academic level of work	40	61	5	28	54.02*
Responsibility, management position	25	38	11	61	22.24*
Multidisciplinary work	23	35	11	61	28.42*
Company (and the work location)					
Work conditions, nice colleagues	45	68	17	94	119.86*

*p<.05

4. Discussion

Preference and perception are key concepts in making a decision about work and a job. EU-studies (e.g. Oxford Analytic, 2007) indicate that small and medium sized enterprises generate more jobs than large enterprises, an observation that corroborates other studies pointing out the same. This should mean that young graduates' perception of the labour market should also be more favourable for SMEs than for LEs. Our data in part reflect this acknowledgement: the majority of business students *prefer* a job in an SME, while non-business graduates *prefer* a job in a large enterprise, but are willing to consider a job in an SME if the conditions are right. Preference and perception are connected, and maybe even confounded in the minds of graduates. An image of a given job is formed by the *perception* of graduate (or the jobseeker in general) and this is very much influenced by the environment, e.g. how well is the enterprise communicating (about itself, the nature of the work - content - and how employees are compensated) to the outside world and also how the initial contact with the company (e.g. recruiting team) is made (Powell, 1991). Such perceptions are subjective, in that it cannot be separated from his/her preference. *Preference* for a particular type of job thus can be considered as originating from what the jobseeker can (competency or capability) and wants (based on our belief that we are good at doing certain kind of task).

In the present study, we nevertheless tried to disentangle preference from perception. Our research shows that the preferences between business and non-business students are different on almost all aspects of the job content itself and for company prospective to work for – compensation and job security seems not to be of the highest importance. Our results also reflect the differences in business and non-business graduates: a business study prepares the students for some kind of management career in enterprises. The business graduates realize that although a career in large enterprises might be attractive, it only is for a happy few; a career in SMEs might be an attractive alternative. The non-business students are prepared for more specialist functions in enterprises; functions and jobs that are more likely to be found in large(r) enterprises with R&D and specialist sales departments rather than SMEs; hence their preference. Nevertheless, also of the last group, many will consider work in an SME. Even though several researchers in the career decision-making area argue that career decision-making process is more rational than otherwise, we point to the fact that the process of job-image formation is mainly a perception-based process. Jobseekers form their image about the job mainly from the information they collect or get from various sources. A job-image has three aspects, as we studied in this contribution: content, company and compensation.

Our study focuses on the *job image formation* since none of the participant graduates were at time of the study considering a specific job, but rather were exploring their options – especially the non-business students: during the Career Days they were offered the opportunity to meet with recruiters of large firms and undergo a (test) job interview with their prospective recruiters. The Career Days have two objectives; to bring graduates into contact with companies and vice versa. To the other end, students as jobseekers form images about the content of the prospective jobs, company, working conditions, compensation as well as security of the job. Business graduates emphasize the importance of freedom in the job, it's multidisciplinary and the (management) responsibility that goes with it in an organisation with good working conditions. The compensation (and job security) is not on top of their list, as is growth and training possibilities and/or a good working environment. Non-business graduates on the other hand, significantly more than business graduates emphasize a preference for the academic level of the work. For this group, compensation and job security are less important in comparison to the group of business students. Since there are many job opportunities in SMEs and a general complaint of many policy makers of the lack of innovation in SME, higher education has an important task, a point already elaborated by Collinson (1999): making a job in an SMEs a career option.

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