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# PEOPLE MANAGEMENT CHALLENGES FOR SMES IN FIVE EUROPEAN REGIONS:

**SHARPEN**  
HRM4sme<sub>s</sub>

Spotlighting the (in)visible and the (in)formal  
and embedding SME HR issues firmly in the business  
and knowledge environment



Review: John R Anchor (University of Huddersfield)

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**Authors of the publication:**

*Maršíková Kateřina – Technická univerzita v Liberci (TUL) (Chapter 1;2;3.1;4.1;5)*

*Rajander Tuula - Kajaanin Ammattikorkeakoulu (KAMK) (Chapter 3.2;4.2)*

*Clauß Anna-Maria, Forkel Eric - Zwickau Westsächsische-Hochschule (WHZ) (Chapter 3.3)*

*Medžiūnienė Inga, Dulkė Donata - Socialiniu Mokslu Kolegija Klaipėda (SMK) (Chapter 3.4;4.4)*

*Meschitti Viviana, Davies Julie - University of Huddersfield (UoH) (Chapter 3.5;4.5)*

*Štichhauerová Eva - Technická univerzita v Liberci (TUL) (Chapter 3.1;4.1;5)*

*Clauß Anna-Maria, Schumann Christian-Andreas, Richter Matthias  
- Zwickau Westsächsische-Hochschule (WHZ) (Chapter 4.3)*

*Macháčková, Vendula - Technická univerzita v Liberci (TUL) (Chapter 1)*

*Komulainen Ruedy - Kajaanin Ammattikorkeakoulu (KAMK) (Chapter 3.2)*

*Moš Ondřej - Technická univerzita v Liberci (TUL) (Chapter 3.1; Attachment 1)*

**Authors' team manager:** *Maršíková Kateřina (Technická univerzita v Liberci)*

**Editor:** *Maršíková Kateřina (Technická univerzita v Liberci)*

*Štichhauerová Eva (Technická univerzita v Liberci)*

*Davies Julie (University of Huddersfield)*

*Lattimer Julia (University of Huddersfield)*

*Moš Ondřej (Technická univerzita v Liberci)*

**Review:** *Anchor John R (University of Huddersfield)*

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## Introduction

The publication summarises the results of the HR survey carried out among SMEs within all regions by all SHARPEN project partners (CZ, FIN, GER, LIT and UK). It is one of the outputs of the SHARPEN project. Except of the publication there are also two other outputs. The learning module specializing in the field of HRM focusing on SME environment and also Handbook targeting SMEs audience where the tools or framework developed will be explained, illustrated with case studies for migration of best practices and knowledge sharing between project partners. Before the learning module and the book for SMEs could be completely developed, it was necessary to investigate the current HR needs in regional small and medium-sized enterprises (SMEs).

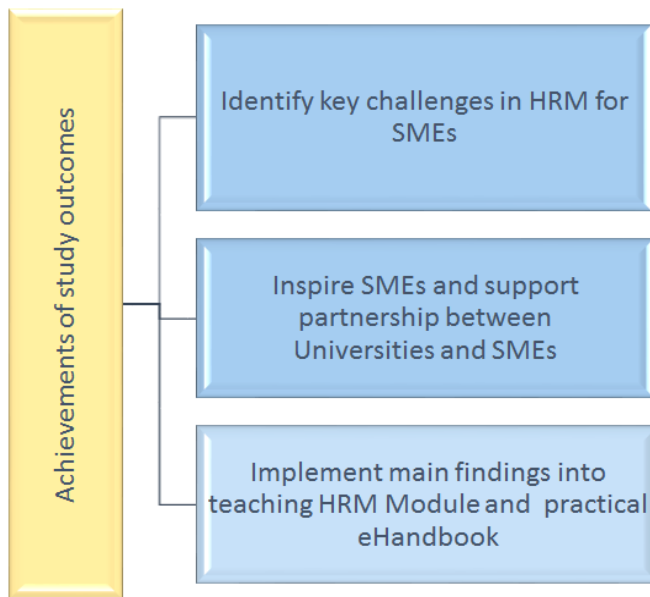
The regions selected for the project and also for the survey have been facing similar demographic developments that have provoked fundamental changes in the respective labour markets. This situation has especially affected SMEs that are based in regions with fast increasing numbers of retirees and an equally fast shrinking populations of young people. If these companies want to maintain their existence, levels of production, and further develop, they will need to rely on a more diverse workforce by employing young people - graduates from universities, as well as people from under-represented groups such as immigrants, over 65-year-olds and people with disabilities. They will also need to be willing and able to seek and attract foreign talent (who very often study at universities in these regions and are willing to stay to work for local companies).

The survey focuses on topics connected with the main challenges: highly industrialised regions with a large percentage of SMEs that are being hit hard by declining birth rates and high levels of emigration. At the same time, the young generation in our regions feels disrespected, underpaid and lacking sufficient attractive job options. As a result of lacking knowledge of employers, vacancies and working conditions, young people leave the region to which they feel attached and seek employment abroad. In particular, SMEs in the surveyed regions experience similar difficulties filling vacancies or newly created jobs with suitable employees (a common reason for this may be diverging expectations of graduates on their future career on the one hand, and management's expectations in SMEs regarding young graduate employees' potential on the other).

The research study output integrated already existing approaches (e.g. current HRM theory) viewed from the perspective of practical aspects (e.g. questioning the relevance of HRM theory to SMEs). The study showed what regional companies need and currently lack to become more attractive employers. The Chambers of Commerce (CoC) in the regions supported the survey to achieve sufficient (higher) participation rates and the CoC will also help disseminate the study results back to the SMEs. Based on collected data, project partners also prepared a background of systematic information to create relevant content for the HRM learning modules and the Handbook.

The publication presents outcomes of the survey carried out under the SHARPEN project in five European regions in small and medium sized enterprises (SMEs). The reason for the research and for obtaining data from local SMEs was grounded in the idea of identifying key challenges regional SMEs face in connection with people management. In all regions, SMEs represent a significant segment of the national economies. The project also helps develop partnerships at a local level and helps to support the individual needs of SMEs.

Key achievements of the study outcomes are shown in Figure 1.



**Figure 1 Achievements of the study**

Source: own elaboration

The survey comprised of two phases. In the first year we carried out an in-depth qualitative survey in companies selected as case studies. Students interviewed HR specialists or owner-managers to map all HR processes in the firm. The topics selected for the case study were thoroughly analysed.

## **1. Human resource management in small and medium-sized enterprises: Literature overview**

There have been many scientific and research papers related to the topic of human resource management (HRM) published to date. The aim of this chapter is to bring a brief literature overview, which provides a theoretical background for the research carried out across five European regions in 2018 (as a part of the SHARPEN project). There is no doubt about the importance of HRM in small-medium sized enterprises (SMEs). In the European Union there are approximately 20 million SMEs representing 99 per cent of all businesses. They represent key drivers for economic growth, innovation, employment and social integration (European Commission, 2019).

The research objective of the SHARPEN project was to explore what factors determine the implementation of HRM practices within SMEs in five European regions. What are the key challenges and obstacles these companies face in their HRM activities? Namely, it focused on how they get ready for the employment of younger generations, what they can offer as employers to graduates from regional schools and universities, and what can be done to achieve greater consistency between the daily duties of SMEs and employee needs.

### **1.1 How SMEs deal with managing people: Secondary data results**

This chapter introduces some of the key findings about HRM in SMEs in various countries around the world based on the current literature review. Key findings emerge from selected articles, which published results related to HRM in SMEs. Rauch and Hatak (2016) and Sheehan (2014) stress that HRM activities are key to improving the performance of SMEs. However, there is a paucity of research on HRM in SMEs, resulting in a limited understanding of the policies and practices characterising SMEs (Cardon & Stevens, 2004; Gray & Short, 2017; Nolan & Garavan, 2016; Wapshott & Mallett, 2015).

In their paper, Barrett et al. (2007) explore what owners of small firms are looking for from new employees; this topic has been pursued in light of the debate around the formality and informality of small firm HRM. The aim was to find out how small firms had formalised HRM practices. Owners of small firms frequently lament the difficulty of finding the “right” staff. Factors external to the business make recruiting the right staff problematic, especially in regions where unemployment rates are rather low, like the Latrobe Valley in S.E. Victoria in Australia. However, the interest of this paper is those factors that are internal to and controllable by the firm. It was found that in those firms where they had formalised HRM practices, which linked directly to their strategy, employers were abler to “sell” their vision for the business to potential employees. This research has shown that there is positive relationship between small firm growth and the formalisation of HRM policies. However, the experience of the 27 respondents participating in discussions may not be generalisable to other small businesses.

In Fejfarová & Urbancová (2016) study, the main objective was to evaluate the level of HRM in SMEs in the Czech Republic. The three-phase questionnaire survey, conducted in the period from 2011 to 2014, focused on three main areas: (1) the existence of an HR



department, (2) the evaluation of the implementation of key strategic documents and (3) the main HRM activities ensured. The sample group consisted of 285 small and 214 medium-sized enterprises (499 SMEs in total). The article presents survey results from the following areas of HRM: internal documents and HR strategy, changes in headcounts after 2008, means of hiring employees (including managers, specialists and administrative staff), formal employee performance appraisal, employee training, talent management strategy, the link between HRM and corporate culture, and knowledge management.

The research also used testing dependencies between selected qualitative features – five null hypotheses were tested: whether the existence of an HR department depends on the size of the enterprise, whether an HR manager is on the board, whether the existence of an HR strategy depends on the size of the enterprise, and whether the existence of the HR strategy is linked the existence of the HR department.

Cunningham and Rowley (2007) analysed HRM in Chinese SMEs. Based on this paper, four areas have been recognised by HR scholars and practitioners as essential aspects in HRM practices:

- 1) Recruitment and selection;
- 2) Training and development;
- 3) Pay and reward systems;
- 4) Participation and communication. \*

*\*It is important to point out that these topics listed above have been included either in the publication Good Guide Practice of HRM in Regional SMEs (SHARPEN, 2019) or the case studies solved in this project.*

Using these categories, the differences in HR practices between western and Chinese enterprises based on cultural impacts are noted and the major HRM problems, which may occur in SMEs because of historical, economic, cultural and institutional factors, are summarised. The major HRM problems (institutional and cultural causes) in recruitment are: shortage of highly-qualified managers and professionals, pressure of overstaffing, selection bias, the lack of incentives in reward management, the danger of losing well-trained staff and a lack of critical thinking in training and development, problem-solving skills, and less flexibility (individualism). In addition, both managers and employees are unwilling to take risks on an individual basis, vertical job involvement is less appreciated (decentralisation).

Zolak-Poljašević and Petković (2013) in their paper on HRM in SMEs using a conceptual framework discuss that for smaller enterprises there is also a widely accepted opinion that HRM is not necessary and is not cost effective. Consequently, the owners and managers of SMEs often ignore HRM issues, such as professional and objective selection, employee training and development, performance appraisal, and so on. This paper discusses the possibilities and constraints for the application of some basic human resource management practices in SMEs. Based on a comprehensive literature review, the authors suggest two conceptual models of human resource management. The first one is simple and therefore appropriate for application in micro and small enterprises.



The second one is much more suitable for use in medium-sized enterprises, which have potential for further growth. An appropriate and effective HRM system can help SME owners and managers solve such human resource issues.

The purpose of a paper by Psychogios et al. (2016) was to study particular structural and organisational factors affecting the formality of HRM practices in SMEs in South-Eastern European post-communist countries, in particular Serbia, Romania, Bulgaria and the Former Yugoslav Republic of Macedonia, in order to understand the antecedents of formalisation in such settings.

Urbano and Yordanova (2008) investigated the adoption of six HRM practices. They found that the adoption of HRM practices is positively associated with the presence of an HRM department, SMEs in which the person responsible for HRM has previous experience in similar positions are greater adopters of HRM practices, and SMEs that cooperate with other organisations are more likely to implement HRM practices. Table 1 outlines some other key findings of previous research of HRM in SMEs.

To summarise, general key findings from the literature review are:

- A range of studies confirms that HRM in small firms is characterised by informality. Studies of small business recruitment point to a reliance on these informal practices, particularly word-of-mouth.
- Developing and implementing formalised HRM practices may not be seen as an investment in a vital firm resource.
- While informal HRM practices can and do work for firms, their sustainability in periods of growth can be more problematic.
- HRM in smaller organisations is differently applied than in larger organisations and the formality of HRM policies and practices increases with organisational size (Cardon and Stevens, 2004).
- The workforce skill-mix is particularly strong, influenced by the extent to which a range of HRM practices are adopted in SMEs (Bacon and Hoque, 2005).

**Table 1 HRM in SME in data: methodology and key findings**

Author, year	Article	Methodology	Sample size	Industry, region	Key results and findings
Richbell et al. (2010)	HRM in the Hungarian SME sector – HRM activities and their relation with firm size and firm performance	Questionnaire survey, measures the presence or absence of a selection of HRM activities (motivation, communication, skills, training and development, performance)	678	Across industries, Hungary	Heterogeneous nature of the SME sector highlighted, “happy family” model, owners often reluctant to seek advice from outside the firm, informal communication dominates, formal training reported, however skills shortage not identified as a problem.
Urbano, D., Yordanova, D. (2008)	HRM practices in SMES and the characteristics of the firm and the person responsible for HRM	Conceptual model based on the resource-based view, tested with quantitative data	164	Tourism, Catalonia (Spain)	Adoption of HRM practices in SMEs positively associated with HRM department existence, HRM responsible person previous HR experience and cooperation with other organisations
Hayton, J.C. (2003)	Strategic human capital management in SMEs; association between human capital management and other contemporary HRM practices and the ability of the SME to be entrepreneurial	Questionnaire survey; distributed to 2,200 public and private SMEs; 5% response rate after clearance	99*	USA	Relationship between HRM practices and performance in SMEs; HRM practices that promote employee discretionary behaviour, knowledge sharing and organisational learning – positively associated with entrepreneurial performance.

*\*in USA SMEs are defined up to 500 employees*

Source: Richbell et al. (2010), Urbano D. & Yordanova, D. (2008), Hayton, J.C. (2003), own elaboration

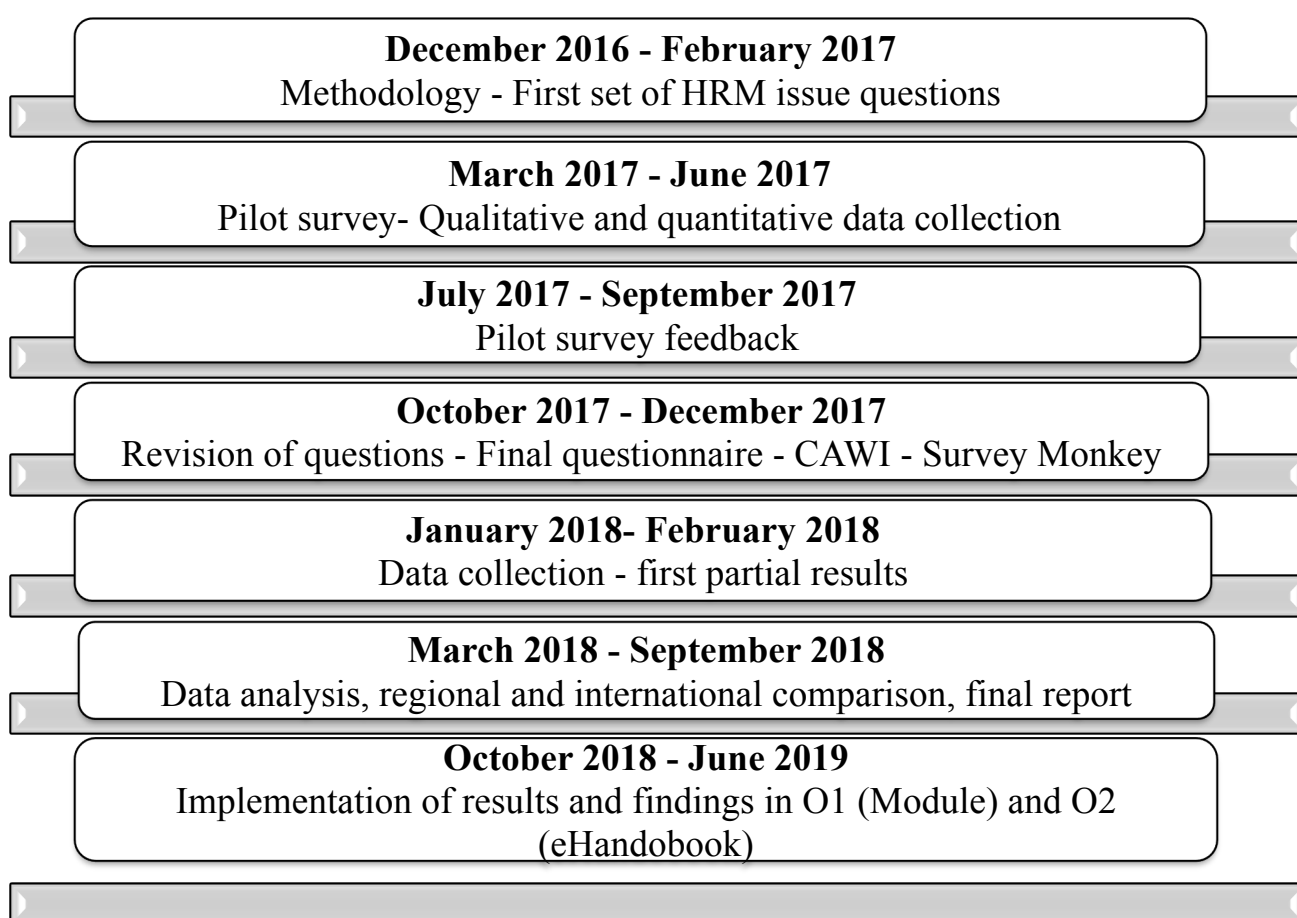
## 2. Methodology and results of the survey of human resource management activities in five European regions

Collaborative cross-region research involved the collection of primary data where the partner universities' research strengths and competencies were put to good use. One of the three main outputs of the SHARPEN project was to generate new insights, knowledge and comparative analysis in order to contribute to gaps in human resource management (HRM) for SMEs. The aim of the survey was to find out the current HRM challenges facing SMEs in selected regions – Liberec region, Czech Republic, Kainuu region, Finland, West Saxony region, Germany, West Yorkshire region, UK and Klaipeda region, Lithuania, as well as to compare results in the international European context.

In total we aimed to collect approximately 100 responses for each region. The survey in all five regions was addressed to SMEs in these regions. All activities were done with the support of SHARPEN project 2016 -2019.

### 2.1 Process of data collection and analysis

Figure 2 introduces the step-by-step process of SHARPEN project cross-regional research – cross-regional research and implementation of the main results into an e-learning module of HRM in SMEs and practical Handbook for small and medium sized enterprises.



**Figure 2 Timeline of the research December 2016 – June 2019**

Source: own elaboration

## **2.2 Pilot survey of HRM in SMEs**

In the pilot year a first set of questions focusing on HRM issues was identified by specialists from the SHARPEN project national teams. As a leader of the survey, the Czech team prepared a general framework in the beginning of 2017. Between March 2017 and May 2017, the first set of questions was tested on selected SMEs in the project's five regions, where students were shadowing HR managers in selected companies and carried out a qualitative survey about HRM processes.

Based on the feedback from HR specialists and students during their shadowing, the Czech team of specialists created a draft set of questions for the final questionnaire in September 2017. Later on, during the period of October – December 2017, project teams worked on selecting and shaping the questions for the final questionnaire. A final databank of 28 questions was prepared in December 2017. All countries used the same content and structure of questions to ensure that results were comparable across all five regions. However, to eliminate language barriers in local companies, ensure a higher response rate and application on a regional level, the questionnaire was translated into the other four project national languages. For a full version of the questionnaire please see Appendix 1.

National project managers were responsible for the official professional translation into Czech, Finnish, Lithuanian and German. The Czech team, as a manager of this cross-regional research, also ensured technical implementation of all language versions into the SurveyMonkey platform, created individual national links for data collection and coordinated the survey, as well as monitored the process of data collection. The Czech team was also responsible for the data analysis and is the main author of this monograph.

### 3. Research and survey methodology: description and limitations in individual regions

This study identified key HR issues across five European regions. These regions are in the Czech Republic, Finland, Germany, Lithuania and the United Kingdom. Key findings for each region are introduced in chapter four. Chapter five of this publication presents key findings across all five regions.

Findings of the research survey have been used not only as a part of this publication but also used as a basis for the learning module structure and Handbook for SMEs. For the overview of regions see Table 2.

**Table 2 Overview of regions included in the SHARPEN survey**

Country	Region	Number of responses in SurveyMonkey	Number of valid answers
Czech Republic	Liberecký kraj	106	98
Finland	Kainuu	93	77
Germany	West Saxony	105	83
Lithuania	Klaipeda	102	95
UK	West Yorkshire (Kirklees)	92	73
Total responses	-	498	426

Source: own elaboration

#### 3.1 Research and survey methodology in the Liberec region

The survey carried out under the SHARPEN project in the Liberec region was addressed to SMEs in this region. Applying the same process for all 5-partner countries in the project, in the pilot year the first set of questions focused on HRM issues in SMEs from the Liberec region identified key elements important for SMEs based on findings from the secondary data and literature review. For data collection, potential respondents were selected from the database Magnus Web and companies such as those with no employees, in bankruptcy process etc. were removed from the survey dataset.

In total more than 1,400 companies were contacted via e-mail and later on also some on a personal basis during the multiplier event of the project in the period between January and February 2018. The next part of the monograph contains step-by-step description of the data collection process, time schedule and limitations of the survey in the Liberec region. Table 3 describes basic information about the survey in the Liberec region.

**Table 3 Basic information about HRM in SMEs survey in the Liberec region in 2018**

<b>Country</b>	Czech Republic
	Liberecký kraj (Liberec region)
<b>Institution</b>	Technical University of Liberec
<b>Research topic</b>	HRM in SMEs
<b>Research type</b>	CAWI method
<b>Target population total</b>	Approx. 10,000 enterprises in the Liberec region
<b>Target population dataset source</b>	Official Magnus Web database, used for research and statistical purposes.
<b>Number of companies addressed by e-mail with a link to the survey</b>	Individualized anonymous survey link on Survey Monkey online survey platform: 1,428 SMEs sent via e-mail to HR specialists/owners

Source: own elaboration

For data collection, we used the CAWI method (Internet surveying technique in which the interviewee follows a script provided on a website) - online questionnaire on the platform SurveyMonkey. The link was distributed via e-mail addressing SMEs in the Liberec region in the following steps.

### *3.1.1 Target population and data set of SMEs in the Liberec region*

To select respondents – SMEs in the Liberec region - several steps were taken. The dataset selection for the survey in the Liberec region is described in the following steps:

- ✓ The first step was sorting the source data file contained in the database MAGNUS WEB in total approx. 10,000 units. All enterprises were sorted based on a column with legal entity type (in the Czech legal system these are v.o.s., s.r.o., a.s., k.s., živnost, družstvo, e.s.).
- ✓ In the target population, there was no sole trader neither a European Company present.
- ✓ As a second step, only those companies, which generate profit, were selected. In such narrowed target population dataset, there were 6,344 enterprises left.
- ✓ As a third step, those companies that are claimed to be in liquidation or bankruptcy were taken out. Afterwards, the dataset contained 5,017 units – active companies.
- ✓ In the fourth step, all companies employing 0 or 1 employees were taken out because the aim of the survey was to find out how SMEs perform activities of human resource management where the work with employees is a necessary condition. 4,175 units remained in the dataset.
- ✓ From this dataset, all companies where the number of employees was not published in Magnus Web database were also left out. 1,468 companies remained.
- ✓ In the last stage, all enterprises with a number of employees higher than 249 were taken out from the dataset, **remaining a total of 1,428 companies.**

### *3.1.2 Phases of the survey in the Liberec region*

There are two main phases in the data collection in SMEs in the Liberec region. Phases reflect process agreed by all project partners and done in all five selected regions. The first

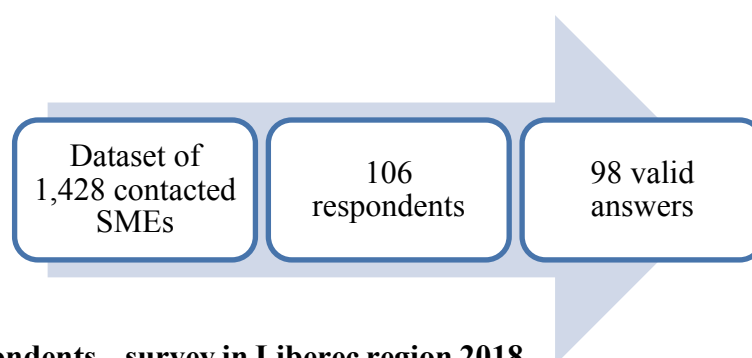
phase (pilot survey) included a literature review and secondary data analysis, creation of questions for qualitative data collection as well as testing of the first draft for quantitative data collection in all five regions.

**Pilot survey:** As Figure 2 shows also in the Czech Republic, Liberec region we did a pilot phase of the survey and data collection. Since **December 2016** there was a process of secondary data analysis and literature review of the Czech team which was a manager of this main output and was responsible for the output 3 – survey. The pilot period in 2017 for data collection was **March 2017 – May 2017**. Students in the Czech SHARPEN team contacted selected companies participating in the year 2017 on data collection and did a qualitative research with the end goal to develop a deep understanding of a topic, issue, or problem from an individual perspective.

Qualitative research is defined as any form of information collection that is meant to describe, but not predict, as in the case of quantitative research. Often qualitative surveys are used to come up with a hypothesis, which are then tested using quantitative research (SurveyMonkey, 2018).

After the process of consultancies and discussions of project member specialists, translation and final comments from all project partners, we opened pilot testing of the questionnaire in the first two weeks of January 2018. The questionnaire was inserted into the SurveyMonkey tool by the Czech project team. Afterwards, three HR specialists from three different SMEs in Liberec region went through all questions and the content again as well as tested technical parameters of the SurveyMonkey questionnaire.

**Full survey 2018:** 25 January 2018 first round of e-mails was sent to the database of SMEs (mainly to HR specialists and owners/top managers). For this reason, we created a special e-mail account and all recipients were undisclosed. In total, the dataset of 1,428 e-mail contacts was used to run the survey. After two weeks the second set of e-mail was sent to the database of SMEs in the region as a reminder (excluding those which, based on our first e-mail, asked for being deleted from the database). Final set of questionnaires was filled in the printed version where participants of the round table (multiplier event for SMEs in the Liberec region) were asked to fill in the questionnaire. There have been 102 responses collected in total via SurveyMonkey and the printed version of questionnaires. **98 were filled in to a sufficient extent and could be used for the data analysis** (see Figure 3).



**Figure 3 Respondents – survey in Liberec region 2018**

Source: own elaboration

These 98 respondents were used to analyse HRM challenges of SMEs in the Liberec region as well as for the international comparison.



### 3.1.3 Limitations of the survey in Liberec region

The survey focusing on the topic of HRM in SMEs targeted all SMEs in the Liberec region. Although the authors worked with full target population in the Liberec region, there are several limitations, which may affect our results (their reliability, validity and return rate).

- Up-to-date information in Magnus Web database.
- Contact availability for selected SMEs.
- Sample representativeness (methods of sample selection).
- Using CAWI method and online surveys.

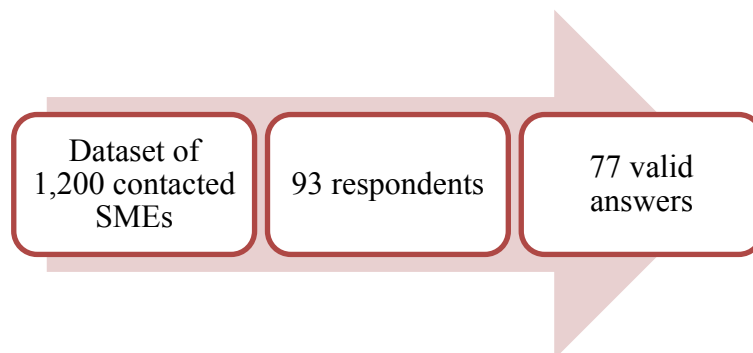
Using CAWI method may cause several limitations. Respondents may not feel encouraged to provide accurate and honest answers. Survey question (answer options) could lead to unclear data because respondents may interpret certain answer options differently.

### 3.2 Research and survey methodology in the Kainuu region, Finland

The survey carried out under the SHARPEN project in the Kainuu region was addressed to enterprises by e-mail with a link to the survey in Finnish language: Link was circulated through the KEA (Kainuu Entrepreneurs Association) newsletter to their registered members. This is the most likely route to reach all the SMEs since this is one of the most influential organizations for the target group and most, if not all the SMEs are members of this association. Two weeks before the survey end, students started to call the selected SMEs to increase the response rate. Research type was an online questionnaire distributed via e-mail addressing SMEs in the region

#### 3.2.1 Target population total

According to ex-chairman, Mr. Pekka Ojalehto in Spring 2017, there were approximately 1,200 enterprises based on the KEA database. It is estimated that less than 20% of these employ at least one staff; the rest of the members are out of the SHARPEN research scope because they are sole owners without any employees (see Figure 4).



**Figure 4 Respondents – survey in the Kainuu region 2018**

Source: own elaboration

Table 4 describes basic information about the survey in the Kainuu region.



**Table 4 Basic information about HRM in SMEs survey in the Kainuu region in 2018**

<b>Country</b>	Finland
<b>Region</b>	Kainuu region
<b>Institution</b>	Kajaani University of Applied Sciences
<b>Research topic</b>	HRM in SMEs
<b>Research type</b>	CAWI method
<b>Target population total</b>	Approx. 1,200 enterprises in the Kainuu region (see Figure 4)
<b>Target population dataset source</b>	The member register of Kainuu Entrepreneurs Association
<b>Number of companies addressed by e-mail with a link to the survey</b>	Survey link on Survey Monkey online survey platform: approx. 1,200 SMEs send via KEA Newsletter to HR specialists/owners.

Source: own elaboration

### **Description of the data collection process in the Kainuu region**

The next part contains step by step description of the data collection process in Kainuu region.

- ✓ Identify the most likely channel to reach most of the SMEs in Kainuu. After discussions with various experienced parties, Kainuu Entrepreneurs Association is identified as the most suitable channel for dissemination because they have the highest number of members in the SME category as defined by EU who are the target for the SHARPEN survey.
- ✓ A brief introduction of the project, the purpose of the survey along with the survey link was sent to the Director of KEA in autumn 2017. After the meeting, SHARPEN project was introduced in their quarterly newsletter where the SMEs were informed that a survey will be forthcoming and the results will be published in the Handbook. This info was disseminated to all their current members at that time. After this introduction in the newsletter, the survey link was distributed in the following issue of KEA quarterly newsletter. A reminder was sent after two weeks after the newsletter but before the survey deadline.
- ✓ The response number was checked on a daily basis. Two weeks before the cut-off time, the responses were received very slowly despite the reminder by KEA. The survey coordinator decided to use telephone survey. The students from the SHARPEN course were asked to contact at least six SMEs in Kainuu per team selected on a random basis to introduce the project, the survey, its purpose and ask the company to respond to the survey. The link was sent individually via e-mail after the call and the teams monitored closely to ensure a response was received. If the company did not respond, the team would call again and go through the survey personally to fill it in for them.
- ✓ Call process: Identify themselves and explain the purpose of the call and survey. Double check to ensure the respondent and his/her company has not answered the survey. Complete the survey for the company.
- ✓ By the end of the survey period after the telephone survey, there were 74 respondents.

### 3.2.2 Limitations of the survey in Kainuu region

The estimated target number of responses announced in the project application was 100. After the meeting with the director of KEA, the expected number of filled in questionnaires was lowered to 60 and the final number of respondents was 74. The reduction from the original target was estimated based on the information, that there are 1,200 reachable enterprises via KEA newsletter and 80 % of them are sole traders with no employees. So only 240 companies are SMEs in our definition and the estimated percent of respondents is 25%. So, we estimated to get at least 60 responses. The beginning of the year is a highly pressing period for enterprises and especially this turns up at SMEs, where often it is the same person who takes care of HRM and financial administration. This might have caused a drop in the number of responses.

Also, the form of the survey (web-form) might have caused some reduction in the number of respondents. It is quite easy to ignore this kind of questionnaire, in spite of the reminder post. The link to the survey was circulated at the quarterly newsletter of KEA. In some case, the information about the survey might have been left without attention, because the receiver of the link was not necessarily the HR-person of the company. So, in these cases, it might have been more efficient to send a straight e-mail to the enterprise (not via newsletter). Nevertheless, the telephone survey improved the response rate and 74 responses from the Kainuu area were collected.

### 3.3 Research and survey methodology in the Zwickau (West Saxon) region

The survey carried out under the SHARPEN project in the Zwickau (West Saxon) region was addressed to SMEs in this region. Applying the same process for all five partner countries in the project, in the pilot year the first set of questions focused on HRM issues in SMEs from the Zwickau (West Saxon) region identified key elements important for SMEs based on findings from the secondary data and literature review. For data collection there were selected potential respondents from the database of the Chamber of commerce member companies (Chemnitz) entered in the commercial register.

The next part of the monograph contains step by step description of the data collection process, time schedule and limitations of the survey in Zwickau (West Saxon) region. Table 5 describes basic information about the survey in the Zwickau (West Saxon) region.

**Table 5 Basic information about HRM in SMEs survey in the Zwickau region in 2018**

<b>Country</b>	Germany
<b>Region</b>	Zwickau (West Saxon) (NUTS level 2: DED 41-45)
<b>Institution</b>	University of Applied Sciences Zwickau
<b>Research topic</b>	HRM in SMEs
<b>Research type</b>	Online questionnaire (link to survey monkey online platform)
<b>Target population total I (overall)</b>	24,060
<b>Target population dataset source I</b>	NUTS level 2: DED 41-45
<b>Target population total II</b>	4,178
<b>Target population dataset source II</b>	Homepage Chamber of Commerce
<b>Number of companies addressed by e-mail with a link to the survey</b>	individualised anonymous survey link on Survey Monkey online survey platform

Source: own elaboration

For data collection we used an online questionnaire on platform SurveyMonkey, hosted and maintained by the Czech project leader TU Liberec. The link was distributed via e-mail and shared on a website addressing SMEs in the Zwickau (West Saxon) region in the following steps.

### 3.3.1 Target population, data set and addressing steps of SMEs in the Zwickau (West Saxon) region

The first step was sorting the source data file contained in the database of chamber of commerce, entered in this database ([www.firmen-in-sachsen.de](http://www.firmen-in-sachsen.de)) in the region Zwickau (West Saxon) (chamber of commerce Chemnitz) with the following search-items (see Table 6).

**Table 6 Restrictions on the search process**

Chamber of Commerce	Chemnitz
<b>Regions</b>	Chemnitz, City Erzgebirgskreis Kreis Mittelsachsen Kreis Zwickau Vogtlandkreis
<b>Employees</b>	4 to 199 employees*

\* companies containing 0 to 3 employees (only possibility to select non or 1-3 employees) were taken out because the aim of the survey was to find out how SMEs perform activities of human resource management where the work with employees is necessary condition. Due to the different definition of SME characteristics in Germany, the database of the Chamber of Commerce is limited to companies with up to 199 employees, instead of the EU limit of 249, which is why this limitation was necessary.

Source: own elaboration

In total we directly contacted more than 275 companies via e-mail and phone calls later on. Also some reminder e-mails were sent and additional phone calls made in the period from December 2017 to January 2018.

4,178 companies were included in the CoC database and the link was distributed via the CoC website, so these 4,178 companies were indirectly contacted. 275 companies were already in the network database of the university (alumni network, career service, previous HR events/projects etc.) and these were contacted directly (e-mail and phone) as the contact details were available to the team.

- ✓ Contact to the chamber of commerce to create a link to the survey and share the link of their website (<https://www.chemnitz.ihk24.de>), that all companies can attend the survey.
- ✓ Personal contact via e-mail, via phone calls to the companies, which are in a relationship with the university.
- ✓ Contacts via e-mail and telephone about different groups of people.
- ✓ Contact the junior chamber international (JCI) of Zwickau to support with the survey and share the link to approximately 50 members of JCI.
- ✓ Further reminder e-mails and calls to not responded companies.
- ✓ Have printed versions of the survey to the multiplier event on 30 May 2018 in Zwickau for the attended companies to answer the survey.

In order to reach the required number of 100 respondents after the official survey deadline (February 2018), the steps taken were to contact the organizers of the annual exhibition with

companies in Zwickau (ZWIK) to share the link in their database-contacts (approx. 1,000 companies) in order to reach more potential respondents. After this contact and link sharing, we have an increase to 105 respondents. In case of the Saxony region the deadline had to be extended to reach sufficient number of respondents and the survey was closed on 30 September 2018.

### *3.3.2 Phases of the survey in the Zwickau (West Saxon) region*

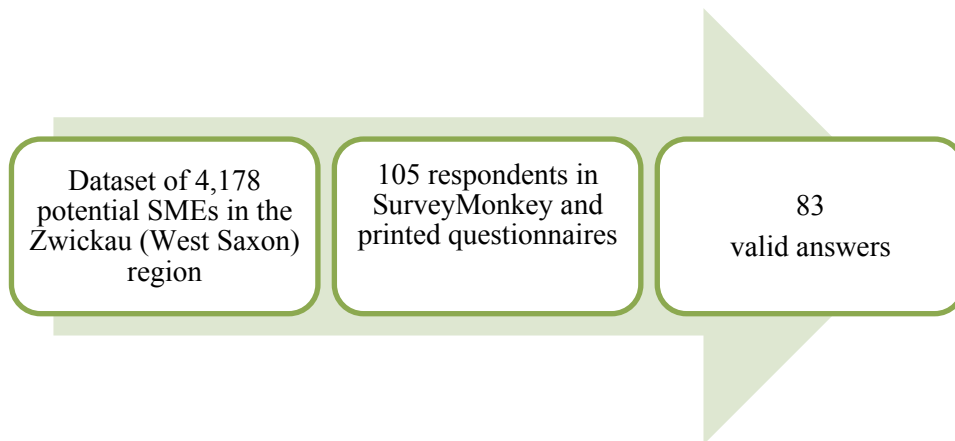
There are two main phases in the data collection in SMEs in the Zwickau (West Saxon) region. Phases reflect process agreed by all project partners and done in all five selected regions. First phase (pilot survey) the German Partner supported the output 3 manager by literature review and secondary data analysis, creation of question for qualitative data collection as well as testing of first draft for quantitative data collection in all five regions.

**First draft survey:** Since **February 2017** there was support of the process of secondary data analysis and literature review to the output 3 manager (the Czech team which was a manager of this main output and was responsible for the output 3 – survey). The pilot period in 2017 for data collection was **March 2017 – May 2017**. The GermanSHARPEN team contacted selected SMEs participating in the year 2017 on data collection and gave the feedback to the output 3 leader and support the output 3 leader by qualitative research with the end goal to develop a deep understanding of a topic, issue, or problem from an individual perspective.

After the process of support and discussions in the project team, the translation and final comments from all project partners, the Czech team opened pilot testing of the questionnaire first two weeks in January 2018. The questionnaire was inserted into the SurveyMonkey tool by the Czech project team.

**Full survey 2018:** January, 2018 first set of SMEs, which are in a relationship with the university (research database of SMEs and personal contacts), was contacted via e-mail and phone calls. In total the German team contacted 275 companies. After three weeks, second set of e-mails was sent and phone calls to the SMEs in the region were made as a reminder. Parallel, the German team contacted the junior chamber international (JCI) of Zwickau to support the survey and share the link to approx. 50 members of JCI. This was followed by another set of reminder e-mails and calls to companies that had not responded yet. After the official survey end in February 2018 additional steps were taken to ensure a sufficient number of respondents. The German team printed the survey for a multiplier event on 30 May 2018 in Zwickau for the attended companies to fill in. Because of still insufficient response rate, finally in September 2018, the German team contacted the organizers of the annual exhibition with companies in Zwickau (ZWIK) to share the link in their database of company contacts (app. 1000 companies). After this contact and the link sharing, the German project partner had an increase to 105 respondents.

Until the closing of the survey on 30 September 2018, there has been a total of 105 responses collected via SurveyMonkey and the printed version of questionnaires. Of these 105 only 83 were filled in full (22 were partially empty) and could be used for the data analysis (see Figure 5).



**Figure 5 Respondents – survey in Zwickau (West Saxon) region**

Source: own elaboration

These 83 respondents were used to analyse HRM challenges of SMEs in the Zwickau (West Saxon) region as well as for the international comparison with the results in England, Finland, Lithuania and the Czech Republic.

#### *3.3.1 Limitations of the survey in Zwickau region*

The survey focusing on the topic of HRM in SMEs targeted all SMEs in the Zwickau (West Saxon) region. However, there are several limitations which may affect our results (their reliability, validity and return rate).

- Information in Chamber of Commerce Web database needed to be updated and validated before contacting SMEs.
- Contact availability for selected SMEs.
- Sample representativeness (methods of sample selection).
- Using CAWI method and online surveys (see description in methodology section Liberec region, CZ).

### **3.4 Research and survey methodology in the Klaipėda region**

The survey carried out under the SHARPEN project in the Klaipėda region was addressed to SMEs in this region. Applying the same process for all five partner countries in the project, in the pilot year the first set of questions focused on HRM issues in SMEs from Klaipėda region identified key elements important for SMEs based on findings from the secondary data and literature review. For data collection potential respondents were selected from the database of Lithuania Department of Statistics and companies not suitable for the survey were removed (e.g. with no employees).

#### *3.4.1 Research and survey methodology in the Klaipėda region*

In total we contacted more than 1400 via e-mail and later on also some on personal basis during the multiplier event of the project in the period from January to February 2018. The next part of the monograph contains a step by step description of the data collection process, time schedule and limitations of the survey in the Klaipėda region. The Table 7 describes the basic information about the survey in the Klaipėda region.

**Table 7 Basic information about HRM in SMEs survey in Klaipėda region in 2018**

Country	Lithuania
Region	Klaipėda Region
Institution	University of Applied Social Sciences
Research topic	HRM in SMEs
Research type	CAWI method
Target population total	Approx. 1 300 enterprises in Klaipėda region
Target population dataset source	official Lithuania Department of Statistics database, used for research and statistical purposes
Number of companies addressed by e-mail with a link to the survey	individualised anonymous survey link on Survey Monkey online survey platform: 1287 SMEs send via e-mail to HR specialists/owners

Source: own elaboration

For data collection we used CAWI method (Internet surveying technique in which the interviewee follows a script provided in a website) - online questionnaire on the platform SurveyMonkey. The link was distributed via e-mail addressing SMEs in Klaipėda region in following steps.

### **Target population and data set of SMEs in Klaipėda region**

To select respondents – SMEs in Klaipėda region, there were several steps taken. The description of the dataset selection for the survey in Klaipėda region is described as follows:

- ✓ First, the source data file contained in the database of Lithuania Department of Statistics (6,536 active units) was sorted. All enterprises were sorted based on column with legal entity type (in the Lithuanian legal system).
- ✓ In the target population, there was no sole trader neither a European Company present.
- ✓ All enterprises with a number of employee higher than 249 were taken out from the dataset; that is 43 of them were omitted.
- ✓ 6,493 units were left in the dataset.
- ✓ All the enterprises with only one or two employees were not taken into account; that is, 2,690 were omitted. Then 3,803 units were left.
- ✓ All the enterprises that are going bankrupt and terminated their activities because of other reasons were not taken into account as well and those whose annual turnover is lower than 10,000 Eur. That is, 1,187 were omitted. Therefore, 2,616 were left in the database.
- ✓ All the enterprises having public institution, budget state institution status or the ones that do not provide any contact details in internet where taken out, that is, 1,281 were omitted. **Then 1,335 units were left.**

#### *3.4.2 Phases of the survey in Klaipėda region*

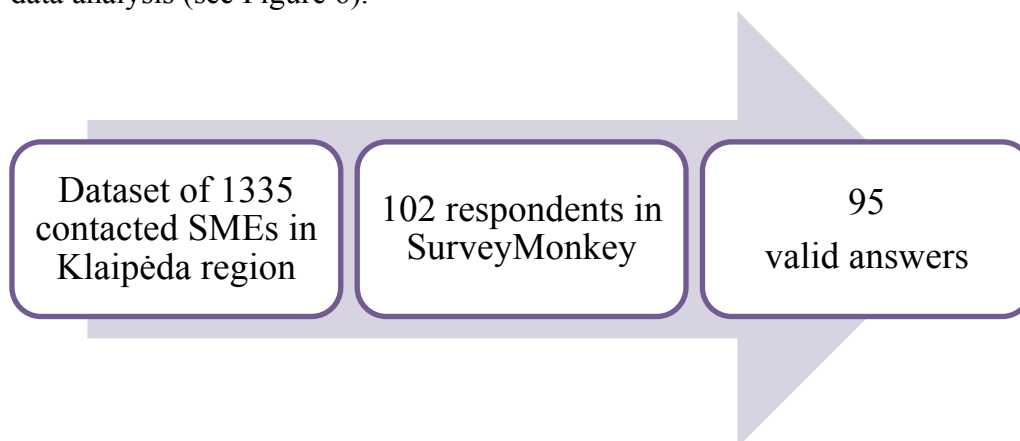
There are two main phases in the data collection in SMEs in the Klaipėda region. The phases reflect the process agreed by all project partners and done in all five selected regions. The first phase (a pilot survey) included literature review and secondary data analysis, creation of question for qualitative data collection as well as testing of the first draft for quantitative data collection in all five regions.



**Pilot survey:** As the figure 1 shows, a pilot phase of the survey and data collection was completed. Since **December 2016** there was a process of secondary data analysis and literature review. The pilot period in 2017 for data collection was **March 2017 – May 2017**. Students in the Lithuanian SHARPEN team contacted selected companies participating in the year 2017 on data collection and did a qualitative research with the end goal to develop a deep understanding of a topic, issue, or problem from an individual perspective.

After the process of consultancies and discussions of project member specialists, translation and final comments from all project partners, a pilot testing of the questionnaire was opened in the first two weeks in January 2018. The questionnaire was inserted into the SurveyMonkey tool by the Czech team project team. Afterwards, three HR specialists from 3 different SMEs in Klaipėda region went through all questions and the content again as well as tested technical parameters of the SurveyMonkey questionnaire.

**Full survey 2018:** 25 January 2018 the first round of e-mails was send according to the database of SMEs mainly to HR specialists and owners/top managers. For this reason, we created a special e-mail account and all recipients were undisclosed. In total the dataset of 1,335 e-mail contacts was used to run the survey. After two weeks the second set of e-mail reminders was sent to the database of SMEs in the region (excluding those which, based on our first e-mail, asked for being deleted from the database). The final set of questionnaires was filled in the printed version where participants of the round table (multiplier event for SMEs in Klaipėda region) were asked to fill in the questionnaire. There have been 63 responses collected in total via SurveyMonkey and the printed version of questionnaires. Then in order to increase the number of the participants, a meeting was organized with the organizations (SME) that did not participate in the survey. During the meeting the organizations had an opportunity to fill in the questionnaire, and the number of the participants increased to 102. 95 questionnaires were filled in fully and could be used for the data analysis (see Figure 6).



**Figure 6 Respondents – survey in the Klaipėda region**

Source: own elaboration

95 respondents were used to analyse HRM challenges of SMEs in the Klaipėda region as well as for the international comparison.

### 3.4.3 Limitations of the survey in the Klaipėda region

The survey focusing on the topic of HRM in SMEs targeted all SMEs in the Klaipėda region. Although the authors worked with full target population in Klaipėda region there are several limitations which may affect the survey results (their reliability, validity and return rate). Limitations were very similar to those described in the Liberec region.

- Up-to date information in the used database
- Contact availability for selected SMEs
- Sample representativeness (methods of sample selection)
- Using CAWI method and online surveys

Finally, the lack of motivation of the companies (SMEs) was determined as a significant limitation of the research. There are several reasons that can be pointed out. The first is that most companies present their general e-mail addresses; therefore, probably without having a personnel specialist they did not obligate anyone to complete the survey and participate in the research. The other reason is that SMEs have a possibility to benevolently engage in the survey or refuse to participate in it. Therefore, the research covers a little more than 100 respondents (n=102).

### 3.5 Research and survey methodology in the West Yorkshire region

The survey conducted as part of the SHARPEN project in the West Yorkshire region in the north east of the UK was distributed to SMEs mainly via email, on Twitter, in an article for the *Huddersfield Examiner* and under the auspices of Howarths, an SME that offers legal and HR services, located near Huddersfield Business School. In the pilot year, the first set of questions (agreed by all five partners in the project) focused on HRM issues in SMEs based in the West Yorkshire region and feedback from members of the CIPD, the Chartered Institute of Personnel and Development which represents HR professionals. Key elements were identified important for SMEs based on findings from secondary data, students' case study work with local SMEs, the SHARPEN intensive study programme, and a comprehensive literature review.

In total, we contacted more than 500 regional SMEs via e-mail, on social media, and later through personal recommendation during multiplier events of the project in the period from January to September 2018. The next section explains the systematic data collection, time schedule and limitations of the survey in the UK. Table 8 describes basic information about the survey in the West Yorkshire region.

**Table 8 Basic information about HRM in SMEs survey in the West Yorkshire region during 2018**

<b>Country</b>	United Kingdom
<b>Region</b>	West Yorkshire
<b>Institution</b>	University of Huddersfield
<b>Research type</b>	Online questionnaire (link to survey monkey online platform)
<b>Research topic</b>	HRM in SMEs
<b>Total target population</b>	Approx. 350,000 enterprises in the West Yorkshire region (according to the Mid Yorks. Chamber of Commerce)
<b>Target population dataset source</b>	University's CRM system and Howarths' contacts
<b>Number of companies addressed by e-mail with a link to the survey</b>	individualized anonymous survey link on Survey Monkey online survey platform: 500 SMEs sent via email to HR specialists/owners

Source: own elaboration



For data collection, we used an online questionnaire on the platform SurveyMonkey. The link was distributed via email addressing SMEs in the West Yorkshire region in following steps.

### *3.5.1 Target population and data set of SMEs in the West Yorkshire region*

To select respondents – SMEs in the West Yorkshire region, there were several steps taken. The description of the dataset selection for the survey in the West Yorkshire region is described in the following stages:

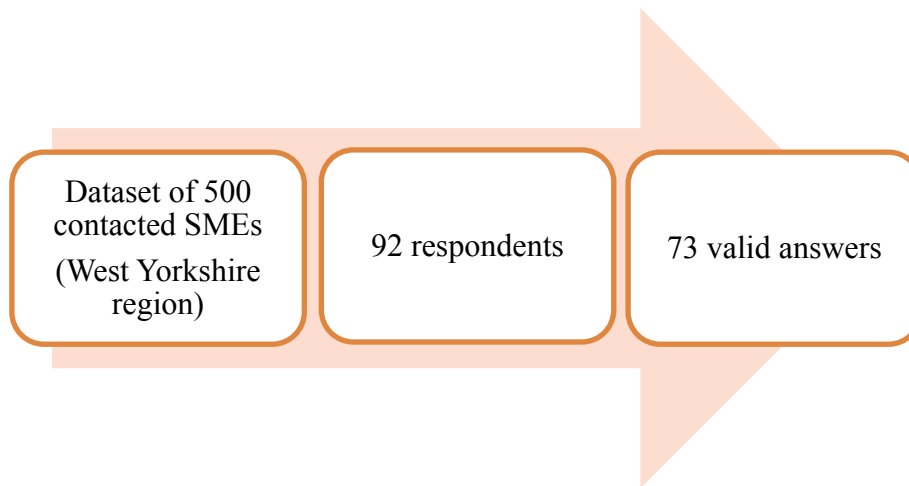
- ✓ The first step was to gain access to databases. The University's CRM system was not available and so we used other means.
- ✓ We promoted the survey via our University HR twitter, in the local press and at CIPD and multiplier events.
- ✓ Initial findings were discussed at our February 2018 multiplier event.
- ✓ Howarths, a local SME specializing in legal and HR services to local SMEs, circulated the questionnaire to 500 of its clients.
- ✓ Companies completed the survey which was analysed by the Czech team in the SHARPEN project.

### *3.5.2 Phases of the survey in the West Yorkshire region*

There are two main phases in the data collection in SMEs in the West Yorkshire region. Phases reflect process agreed by all project partners and done in all five selected regions. The first phase (pilot survey) included a literature review and secondary data analysis, creation of question for qualitative data collection as well as testing of first draft for quantitative data collection in all five regions.

**Pilot survey:** In the UK West Yorkshire region we completed a pilot phase of the survey and data collection. Since **December 2017** there was a process of secondary data analysis and literature review by the UK team.. The pilot period in 2017 for data collection was **March 2017 – May 2017**. Students in the UK SHARPEN team contacted selected companies participating in the year 2017 on data collection and did a qualitative research with the end goal to develop a deep understanding of a topic, issue, or problem from an individual perspective.

After the process of consultancies and discussions of project member specialists, translation and final comments from all project partners, we opened pilot testing of the questionnaire first two weeks in January 2018. The questionnaire was inserted into the SurveyMonkey tool by the Czech project team. Afterwards, three HR specialists from three different SMEs in West Yorkshire region went through all questions and the content again as well as tested technical parameters of the SurveyMonkey questionnaire.



**Figure 7 Respondents – survey in the West Yorkshire region**

Source: own elaboration

**Full survey 2018:** This was completed over the summer of 2018. **Only 73 were filled in fully and could be used for the data analysis (see Figure 7).**

These 73 responses were used to analyse HRM challenges of SMEs in the West Yorkshire region as well as for the international comparison.

### *3.5.3 Limitations of the survey in the West Yorkshire region*

The survey focusing on the topic of HRM in SMEs targeted all SMEs in the West Yorkshire region. Although the researchers originally sought to target the full population in the West Yorkshire region there are several limitations which may affect our results (reliability, validity and return rate).

- Up-to-date information from databases in the context of GDPR legislation.
- Contact availability for selected SMEs.
- Sample representativeness (methods of sample selection).
- Using online surveys.

The survey method may cause several limitations. Respondents may not feel encouraged to provide accurate and honest answers. Survey question answer options could lead to unclear data because certain answer options may be interpreted differently by respondents. There may also be a social desirability bias and different responses depending on whether the respondent was an HR professional or CEO/founder.

## 4. How SMEs deal with human resource management: Key findings in five European regions

As mentioned above, the analysis of processes of human resource management in SMEs is based on the questionnaire distributed among the sample of SMEs in five selected European regions. This questionnaire contained 28 questions translated into five languages (Czech, English, Finnish, German, and Lithuanian) to ensure comparable data. In this chapter data collected within SMEs and key finding in each of the selected regions are introduced.

### 4.1 HRM in SMEs in the Czech Republic Liberec region: Key findings

In the Liberec region, SMEs represent 99% of all companies and guarantee a large number of jobs. For these reasons, development of SMEs is one of key importance in the Liberec region (MPO, 2018; Komulainen et al., 2019).

For SMEs, it is really important to have a strong position in the market. The importance of HRM activities especially in recruitment and employee retention for SMEs has increased. The key reason for this is the situation in the labour market over the last few years. Increasing demand for qualified labour, compared to a limited amount of qualified and talented candidates, supports the growing importance of HRM processes in SMEs. In order to map the current situation in HRM in SMEs, a survey was carried out as part of the SHARPEN project 2017-2018.

The quantitative research done in the Liberec region was based on a previous qualitative survey data collected in 2017 and on a cooperation with selected SMEs in the SHARPEN project. As described in the methodology section, the quantitative survey data were collected in the Liberec region **in January and February 2018**.

The survey was distributed to SMEs operating in the Liberec region - a link to the online questionnaire was sent to more than 1,400 (HR specialists or top managers/owners) via e-mail. As mentioned above, SMEs play a key role in the Liberec region and are also key employers. The aim of the survey was to find out who is responsible for HRM activities, what HRM activities are carried out and which HRM challenges SMEs currently face.

#### 4.1.1 Basic characteristics of respondents in the Liberec region

A total of 105 companies in Liberec participated in the survey, however for the final data analysis only 98 questionnaires could be used due to gaps in respondents' answers in 7 questionnaires. The structure of respondents shows Table 9.

**Table 9 Structure of respondents in the Liberec region (number of employees)**

Number of employees (size of an enterprise in CZ)	Responses	
	relative in %	absolute
1-9 employees (micro)	31	30
10-49 employees (small)	36	35
50-249 employees (medium)	33	33
<b>Total</b>	<b>100</b>	<b>98</b>

Source: own elaboration

Respondents were also asked when their company was established. There were two SMEs in the Liberec region established in the second half of the 19<sup>th</sup> century. In total there were 7

SMEs established in the 1950s or even before. The middle group of SMEs, in total 75, included those established in the years 1989-2002. From 2003, 16 SMEs from the group of respondents in the Czech Republic started their business activity.

Typically, in the Czech business environment many small and medium-sized enterprises are family businesses. This very often influences their approach to managerial and HRM activities. SMEs were asked if they consider themselves a family business.

The Table 10 summarises the responses of Czech SMEs. In the Liberec region 55% considered themselves a family business.

**Table 10 Type of the businesses in the Liberec region**

Family business	Responses	
	relative in %	absolute
Yes	55.10	54
No	44.90	44
<b>Total</b>	<b>100.00</b>	<b>98</b>

Source: own elaboration

The legal form of Czech SMEs was in most of cases incorporated, mainly limited liability companies. This legal form of business is very popular because of low liability limits and minimum capital required. For details see Table 11.

**Table 11 Legal forms of SMEs in the Liberec region**

Legal forms of Czech SMEs	Responses	
	relative in %	absolute
Unincorporated (Sole trader)	7.14	7
Incorporated (Ltd, plc...)	85.71	84
Co-operative	4.08	4
Other (please specify)	3.06	3
<b>Total</b>	<b>100.00</b>	<b>98</b>

Source: own elaboration

The main industry sector in which SMEs operate according to NACE classification in Liberec region is manufacturing (23%) and other service activities and construction (12%). Key industries among the SME respondents were transportation, retail trade, wholesale and scientific activities.

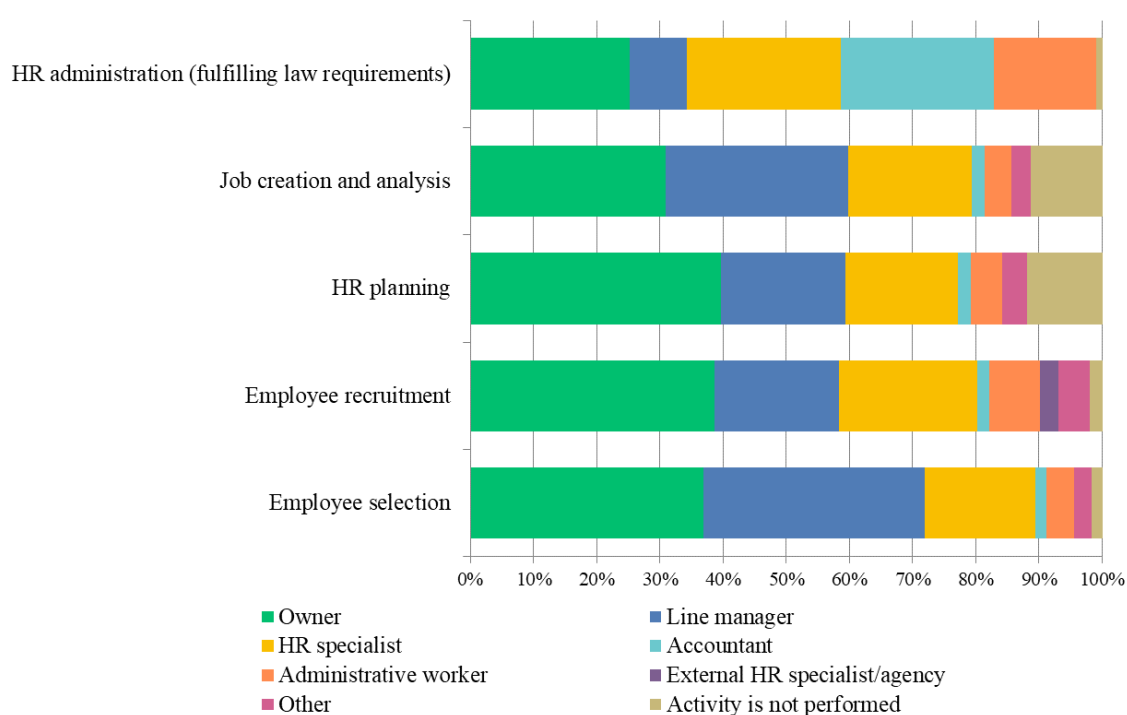
Depending on their size, SMEs have an HR department or at least one person employed as an HR specialist. Only 18% of SMEs in the Liberec region confirmed that they have an HR department (see Table 12). This is an interesting finding because more than 50% of SMEs in the Liberec region have more than 50 employees. With such number of employees, companies usually need to have the support of HRM specialist. In most cases, HRM activities are under the control of the owner, line manager, accountant or HR specialist.

**Table 12 HR department in SMEs in the Liberec region**

HR department in SMEs in Liberec region	Responses	
	relative in %	absolute
Yes	18.37	18
No	81.63	80
<b>Total</b>	<b>100.00</b>	<b>98</b>

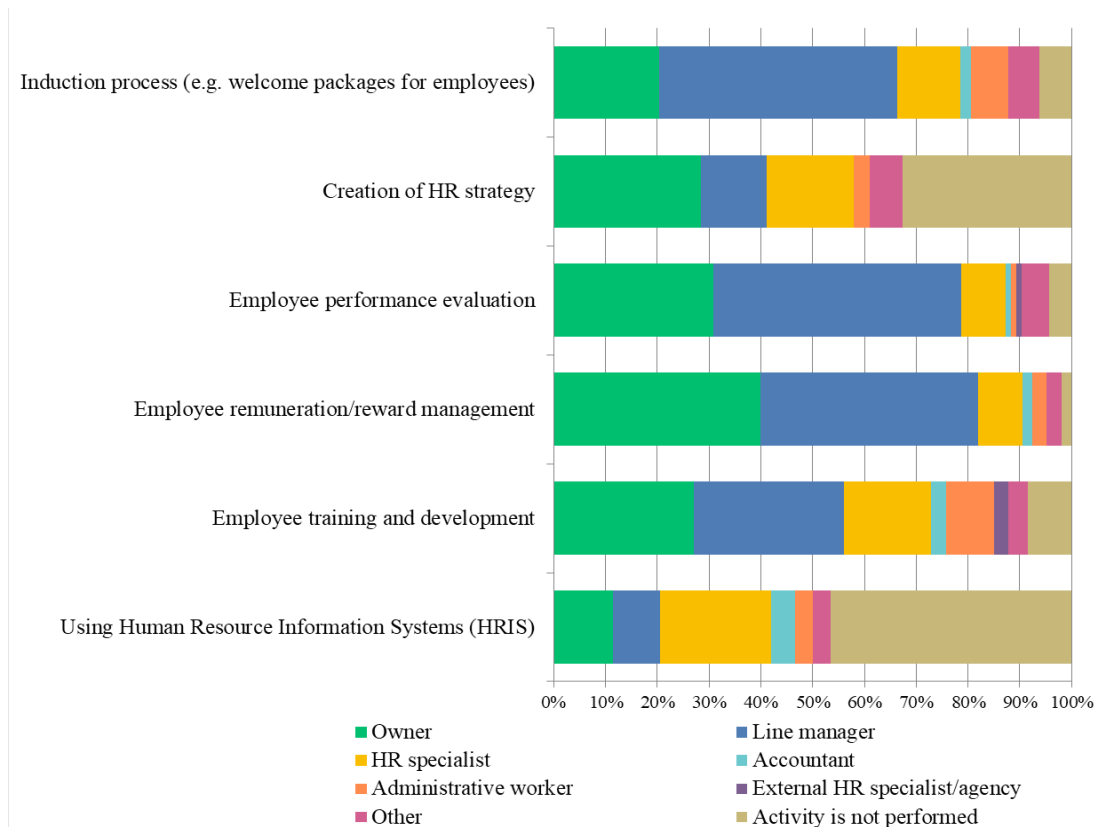
Source: own elaboration

Organisations were also asked who performs key HRM activities. As the Figure 8 – Figure 10 show, HR administration, as a crucial part of HR, is often carried out by the owner, HR specialist or accountant. Whereas responsibility for employee selection falls, in the main, to owners, then line managers and then HR specialists also in other HR activities.

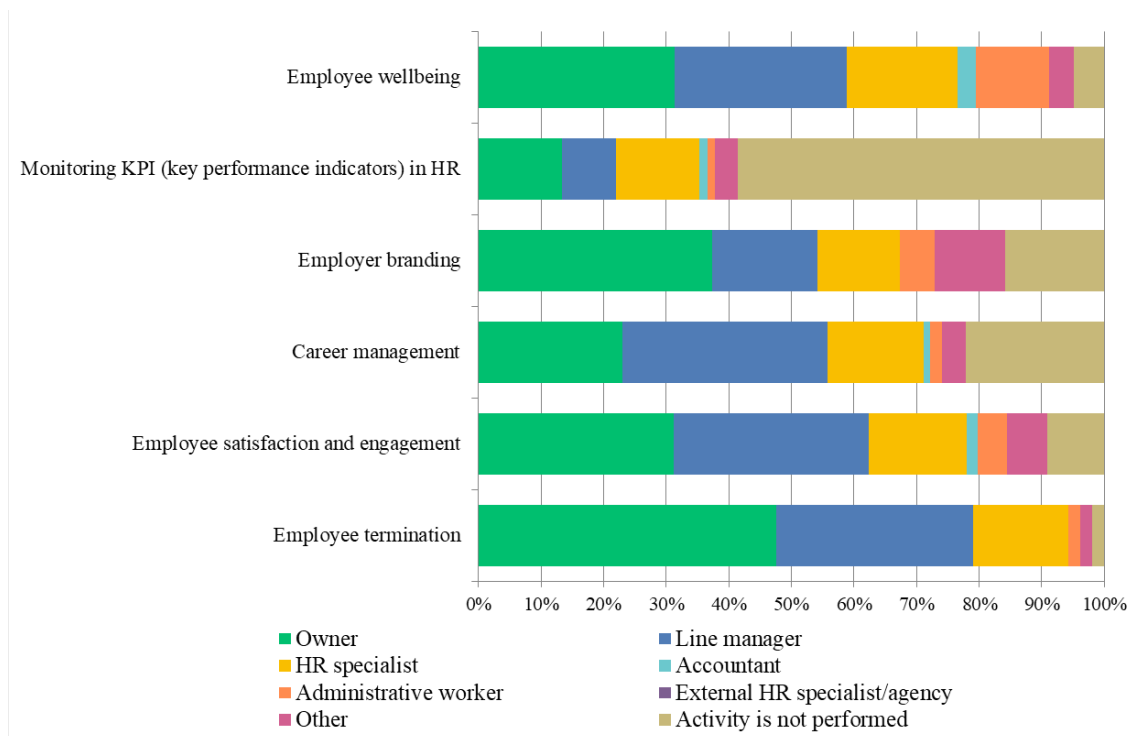


**Figure 8 Responsibilities for key HRM activities in SMEs in the Liberec region (1)**

Source: own elaboration



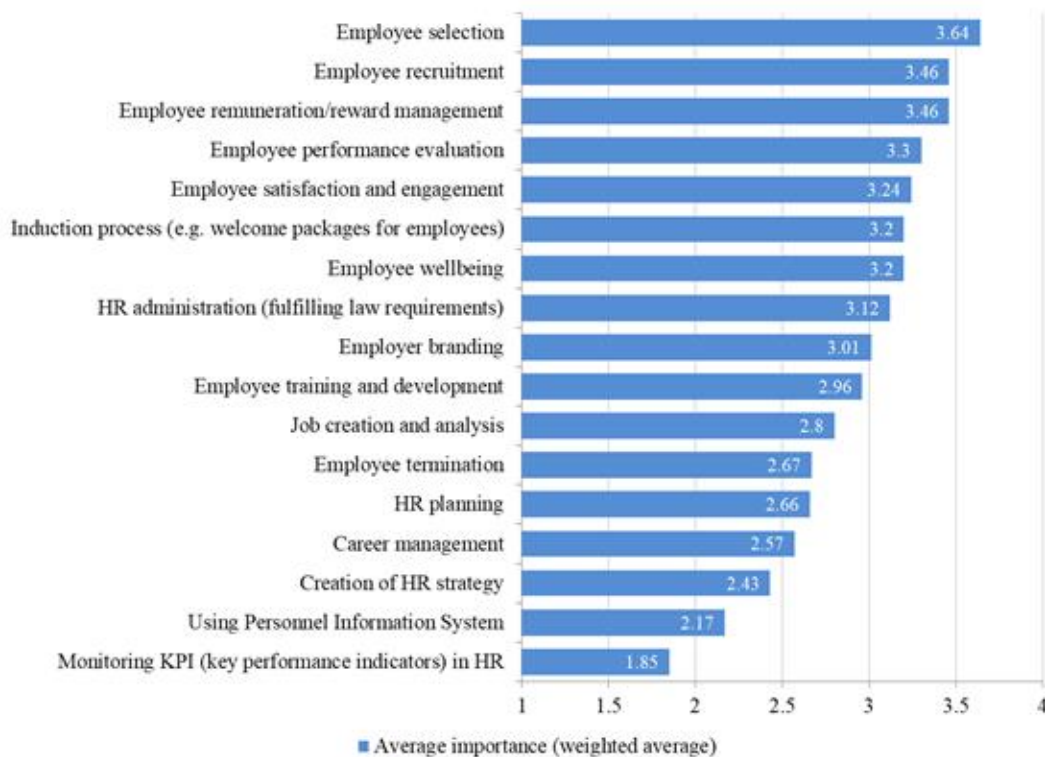
**Figure 9 Responsibilities for key HRM activities in SMEs in the Liberec region (2)**  
Source: own elaboration



**Figure 10 Responsibilities for key HRM activities in SMEs in the Liberec region (3)**  
Source: own elaboration

Key HRM activities and challenges in SMEs in the Liberec regions were identified as employee selection, recruitment, reward management, performance evaluation, employee satisfaction and engagement, induction process and employee wellbeing. These findings were integrated into the structure of the learning module created as part of the SHARPEN project and into the Handbook including practical examples and case studies. Also, as part of this research, key findings related to these processes are introduced (see Figure 11, where 1 = not important and 4 = very important).

The most important HRM activities for SMEs in the Liberec region (see Figure 11) were identified by respondents as employee selection process, recruitment and reward management.



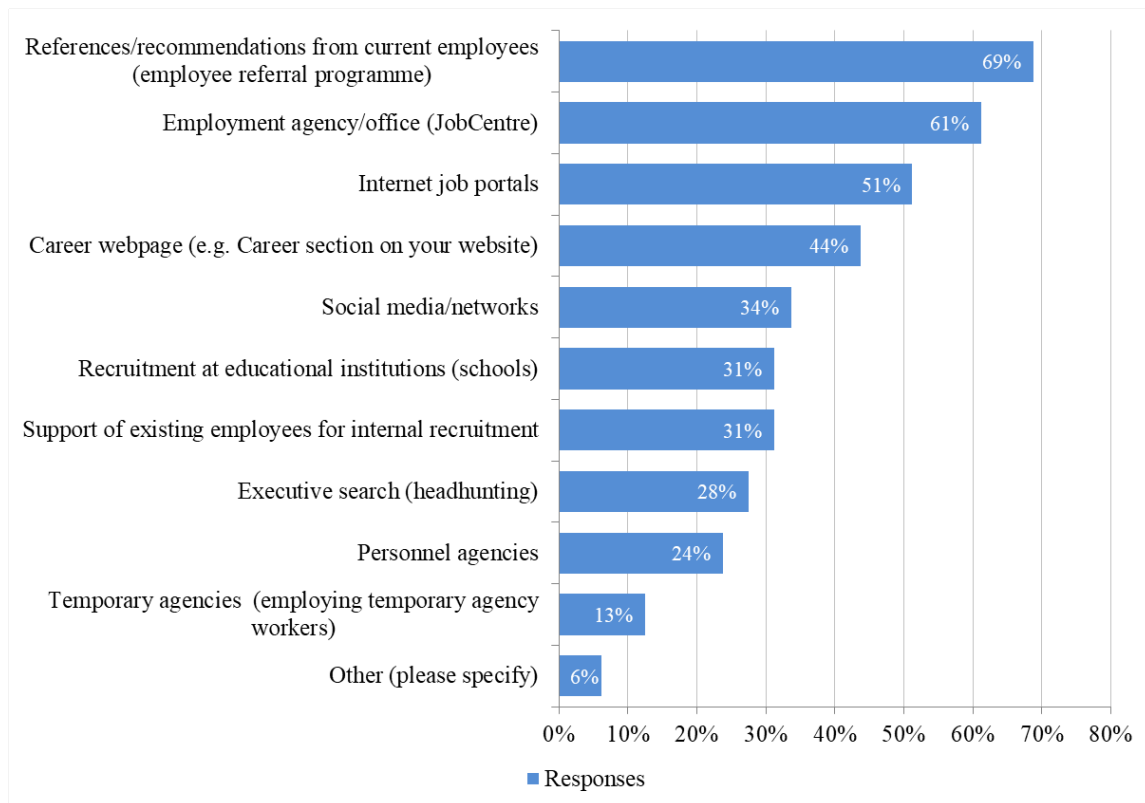
**Figure 11 Importance of key HRM activities in SMEs in the Liberec region**

Source: own elaboration

By contrast, using an HR information system or monitoring KPIs in HR were rated of less importance by SMEs in the Liberec region.

#### *4.1.2 Selected HRM processes in SMEs in the Liberec region*

SMEs in the Liberec region consider recruitment as very important. Employee recommendations is the most common way to find employees in the surveyed SMEs (67%). Whereas, social media platforms are used by only 34% of SMEs. It is important to point out that using social media for recruitment has become a topical issue in SHARPEN project and several SME case studies are related to this topic (see Figure 12).



**Figure 12 Recruitment methods in SMEs in the Liberec region**

Source: own elaboration

In the selection process SMEs in the Liberec region use different methods. In general, the most common method in SMEs are interviews (99%), with 36% using knowledge or skills tests. For managerial roles, SMEs are mainly using assessment centres, psychometric tests and panel interviews. Interviews are mainly used for technical and administrative staff and manual workers.

For learning and development, SMEs often use workshops, on the job training, lectures and seminars. Most SMEs provide training and development opportunities for their employees. However, in nearly 50% this takes place randomly, as opposed to systematically.

Only 43% of SMEs in the Liberec region confirmed that carry out a formal (systematic) employee performance evaluation process (see Table 13).

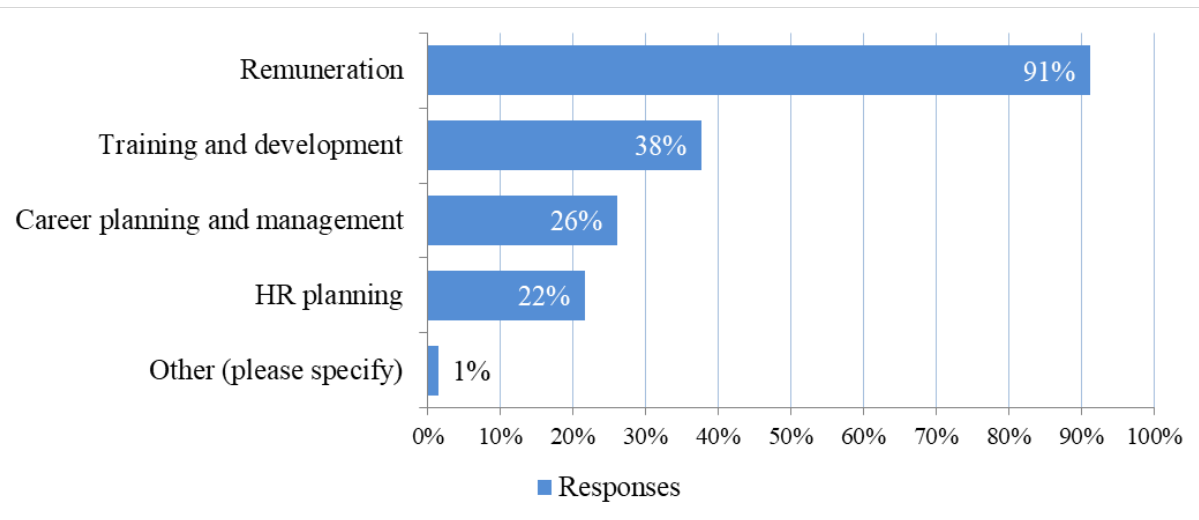
**Table 13 Performance evaluation in SMEs in the Liberec region**

Systematic performance evaluation	Responses	
	relative in %	absolute
Yes	43.24	32
No	56.76	42
<b>Total</b>	<b>100.00</b>	<b>74</b>

Source: own elaboration

Those SMEs that confirmed the use of a systematic employee evaluation process mainly used it as a base for reward management (remuneration) in 91% of cases. In addition, 38% used an employee evaluation process for training and development and 26% for career planning (see Figure 13).

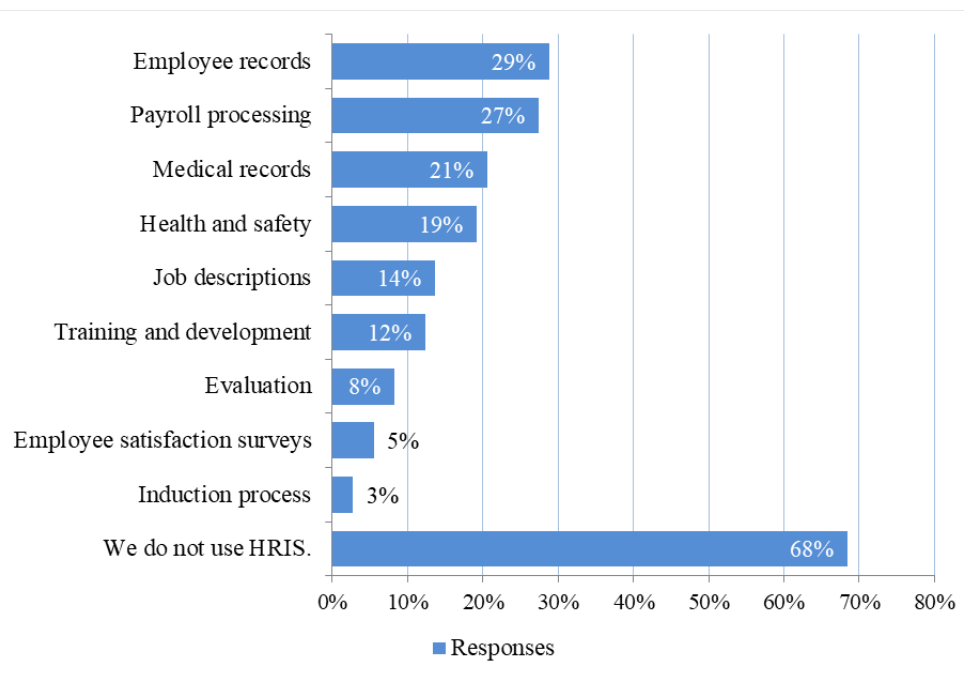




**Figure 13 Performance appraisal – results in SMEs in the Liberec region**

Source: own elaboration

Although current trends in HR tend to support the use of digital technologies, SMEs often do not use them due to the cost or a lack of user-expertise. The SHARPEN survey revealed that more than 68% of SMEs in the Liberec region do not use a human resource information system (HRIS) at all. Of those that do use an HRIS, it is mainly used for employee records and payroll processing (Figure 14).



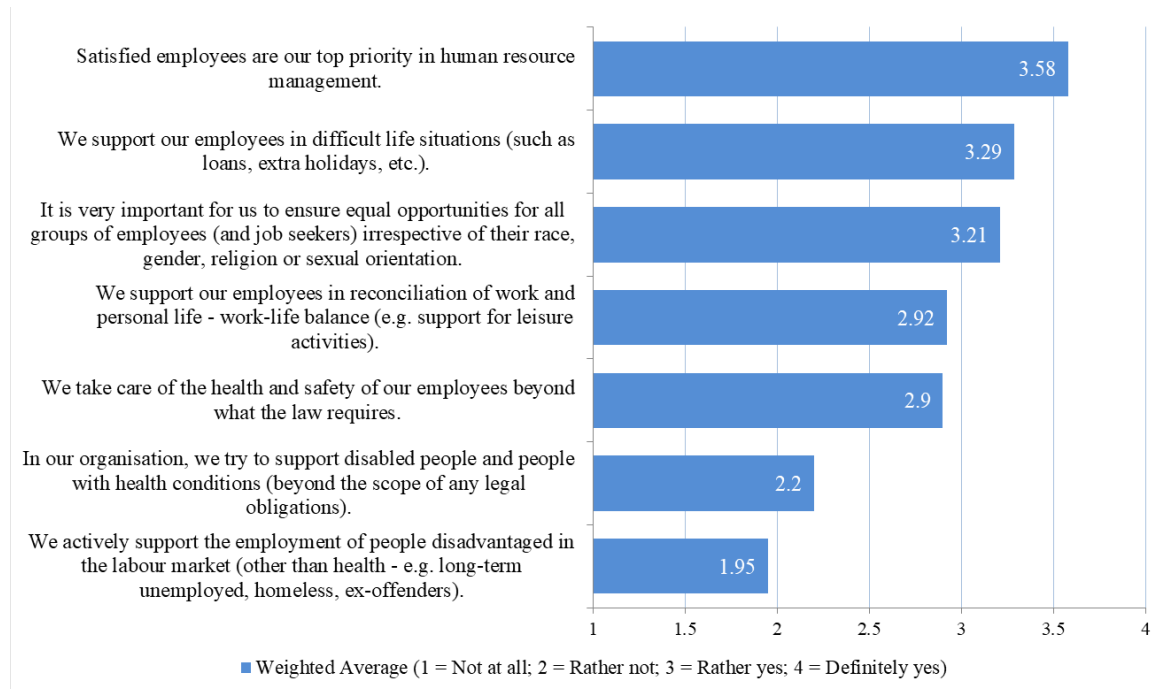
**Figure 14 Using of HRIS (human resource information system) in Liberec region SMEs**

Source: own elaboration

As HRM in SMEs is quite often informal, the respondents also said that they quite often do not track KPIs in their HR processes. The survey revealed that 63% of SMEs do not have any KPI evidence. In the case of those SMEs that do have KPI evidence, they mainly use it

to track absence rates, employee turnover rate and the cost of learning and development activity.

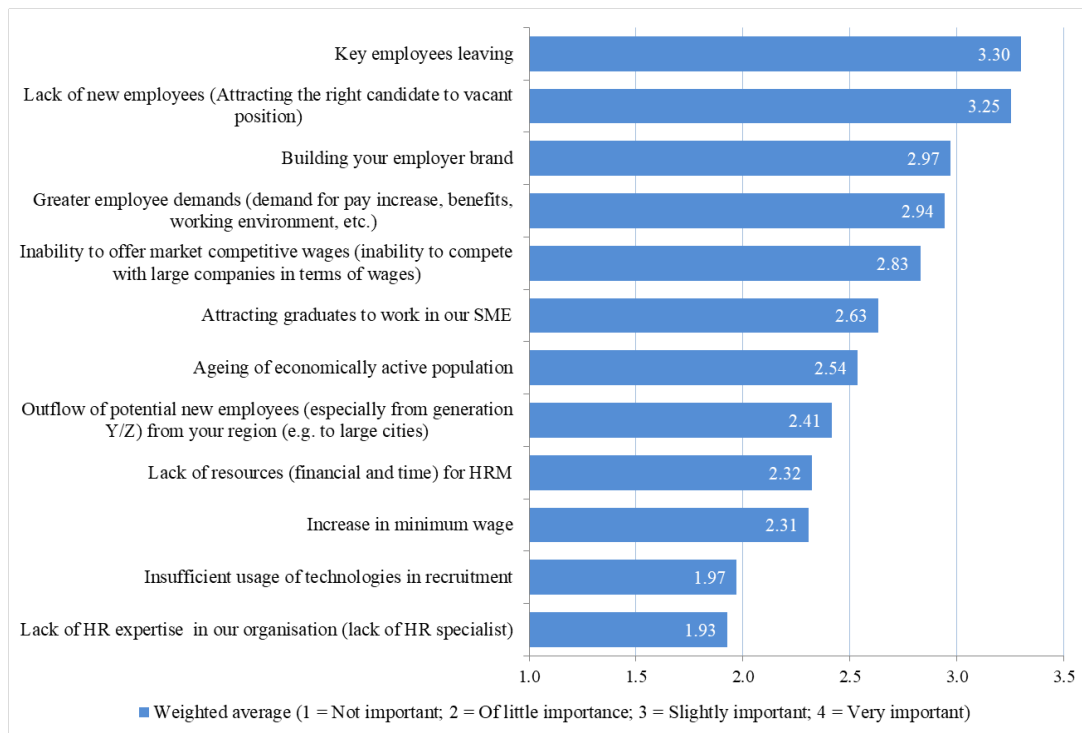
Corporate social responsibility (CSR) is nowadays a topical issue related to employee well-being and supporting the employer brand. The respondents in the Liberec region confirmed that employee satisfaction is the top priority for them in HR. They also strongly support employees in difficult situations and see equal opportunities for employees as important (see Figure 15).



**Figure 15 Statements about CRS in SMEs in the Liberec region**

Source: own elaboration

To conclude, it is necessary to mention which challenges SMEs in the Liberec view as the most important. As Figure 16 shows, key challenges for SMEs in the Liberec region are: key employees leaving, lack of new employees and building of their employer brand.



**Figure 16 Importance of HRM challenges faced by SMEs in the Liberec region**

Source: own elaboration

These SMEs also recruit young employees and plan to continue this trend. It may help their employer brand to attract candidates and retain the younger generation in the region.

#### *4.1.3 HRM in the Liberec region: Findings, limitations and conclusion*

Findings of the SHARPEN survey illustrate the current HRM situation facing SMEs in the Liberec region. The results confirmed that HRM processes in SMEs are often informal and are carried out not only by HR specialist and/or HR department but also with owners, managers or accountants. SMEs concentrate their efforts mainly on core HR activities and some HR processes are often done only randomly or not at all. There is still a gap in using technologies such as HRIS or social media for recruitment. On the other hand, as key employers in the region, SMEs offer a huge potential for their employees' development and supporting and presenting their employer brand can help them to attract and retain talented employees.

Although the findings present only a sample of Liberec SMEs (98 respondents) and cannot be generalised for the region or the country, they provide an interesting insight into current trends in SMEs in the region. Moreover, the international comparison in selected European regions (Liberec, Kajaani, Klaipeda, Huddersfield and Zwickau) in the last chapter of this research study provides valuable and interesting findings. It has also been used as an information base and inspiration for the practical Handbook for SMEs in these five regions, as well as the learning module that is not only for universities in these five regions but applicable worldwide.

## 4.2 HRM in SMEs in Finland, Kainuu region: Key Findings

SMEs in Kainuu region represent 99.8% of all companies in Finland and they are a major employer. 65.4% of the Finnish workforce are employed by SMEs (Yrittäjät, 2019). SMEs in Kainuu, as well as in the rest of Finland, rate staff development as the second most important development area, right after marketing and sales. The most critical factor which prevents the development of SMEs is workforce availability (Yrittäjät, 2018: 3). Due to these reasons, supporting and developing human resources is one of the essential factors of Kainuu's SMEs success.

The importance of HRM in SMEs has been increasing for the beginning of 21<sup>st</sup> century. This is partly because employee recruitment has been getting more challenging in last few years. Lack of workers has been a problem in Kainuu for many years (Kainuun Liitto, n.d.), and after combining this problem with companies' ambition to grow, it is challenging to find suitable employees.

The regional survey of SMEs in Kainuu as part of the SHARPEN project was conducted with this background in mind. The survey was implemented in five different European regions, and from it, regional and comparable information of HRM in SMEs was gathered. The data in the Kainuu region were gathered in two periods. The first part was done in January-February 2018 and the second part in October-November 2018.

The survey was targeted at Kainuu's SME employees who were responsible for HRM-related activities. A link to the survey was sent to the companies via Kainuun Yrittäjät (Entrepreneurs Association) and Kainuun-Etu (Regional Development Company). An electronic newsletter and emails were used to distribute the survey. The number of responses was also increased by calling the companies. The survey's purpose was to understand the HRM practices in Kainuu, such as who is responsible for HRM in the companies and what HRM related challenges they are facing.

### 4.2.1 Basic characteristics of respondents in the Kainuu region

In total, 94 companies responded to the survey. The final analysis was made based on 77 responses, because 17 responses were not usable for various reasons. Also, all of the 77 companies did not answer all of the questions, therefore the results are based on the total of responses per question. Structure of respondent companies is introduced in Table 14.

**Table 14 Structure of respondents in the Kainuu region (number of employees)**

Number of employees (size of an enterprise in Kajaani)	Responses	
	relative in %	absolute
1 - 9 employees (micro)	72	54
10 - 49 employees (small)	21	16
50 - 249 employees (medium)	7	5
<b>Total</b>	<b>100</b>	<b>75</b>

Source: own elaboration

Respondents were also asked when their company was established. The oldest of the respondent companies was established in 1898. Of the younger companies, 27 were established in the years 1968-1999 and 49 were established in the 21<sup>st</sup> century. The youngest

companies were established in 2015 and 2017; there were six respondents (enterprises) established during this period.

SMEs were asked whether they consider themselves family businesses and about 57% agreed with this description (see Table 15).

**Table 15 Type of the business in the Kainuu region**

Family business	Responses	
	relative in %	absolute
Yes	56.58	43
No	43.42	33
<b>Total</b>	<b>100.00</b>	<b>76</b>

Source: own elaboration

The limited company as a company form is popular partly because the entrepreneur is not personally liable for the debts of the company. Limited company form is also suitable for small companies. The minimum capital required for establishing a limited company was 2,500€, but starting in July 2019, it is not necessary anymore due to a change in legislation (Yrittäjät, n.d.).

The sole trader is the simplest of all company forms in terms of establishment and management. Almost half (49%) of annually established companies in Finland are sole traders and 42% are limited companies (Yrittä.fi, 2019).

In Kainuu, 71.42 % of companies in the survey were limited companies, whereas 14% were sole traders. One of the respondents described their company form as ‘supporters’, one was a registered association and one an association for young entrepreneurs aged 7-25 years old. More precise information of the results can be seen in Table 16.

**Table 16 Legal forms of SMEs in the Kainuu region**

Legal forms of SMEs	Responses	
	relative in %	absolute
Sole Trader	14.29	11
Limited Company	71.42	55
Partnership	2.60	2
Limited Partnership	3.90	3
Co-operative	2.60	2
Other, please elaborate	5.19	4
<b>Total</b>	<b>100.00</b>	<b>77</b>

Source: own elaboration

Economic activities were rated based on the EU’s NACE-classification. The most common economic activities in the Kainuu region were accommodation and catering (18%) and other services (17%). Other significant economic activities are industry (13%) and wholesale and retail (13%).

The survey asked whether the SMEs have a separate HRM-department and how many people are working on HR-processes. A little over 6% answered yes and five companies stated that they have a separate HRM department (Table 17). When this number is compared to medium-sized company respondents (7%), there are notable similarities; the HRM

department is more likely to exist in companies that have over 50 employees. In companies without a separate HRM-department, HRM activities are worked by an average of 0.66 employers.

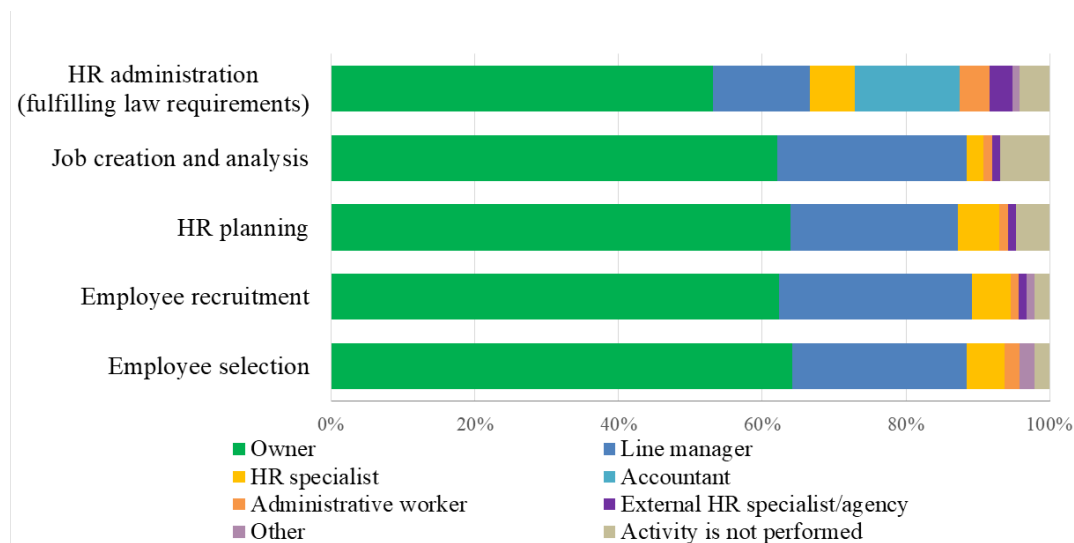
**Table 17 HR-department in SMEs in Kainuu region**

HR department in SMEs in Kainuu region	Responses	
	relative in %	absolute
Yes	6.49	5
No	93.51	72
<b>Total</b>	<b>100.00</b>	<b>77</b>

Source: own elaboration

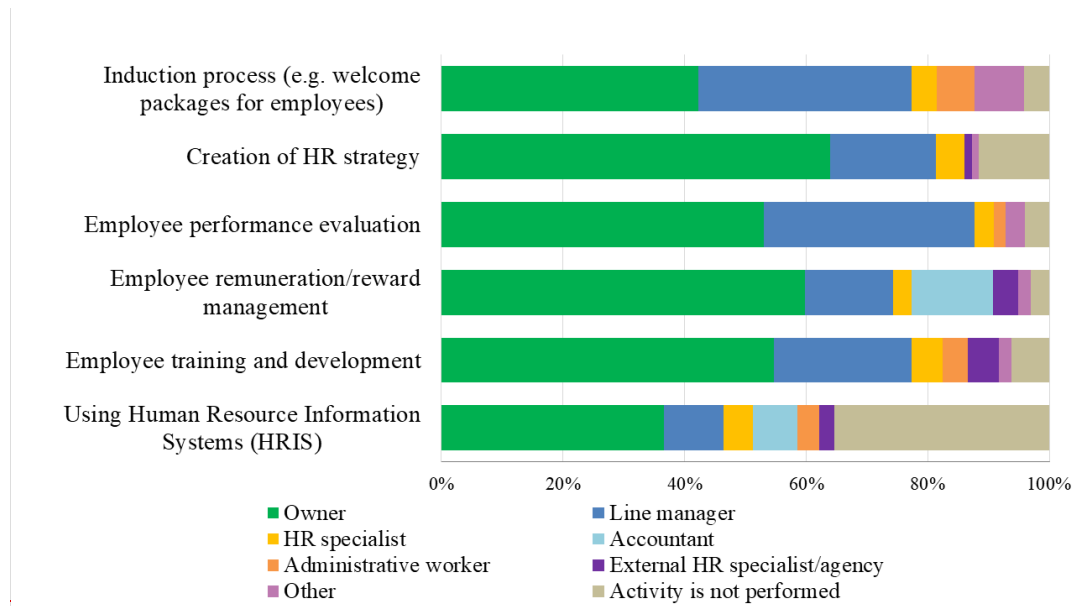
The survey also showed who in the company is responsible for HRM processes. As can be seen in Figure 17 – Figure 19, the role of CEO in HRM is highlighted. Bookkeeping staff are handling some of the legal policies, along with salaries and rewards. Responsibilities of line managers are highly visible in induction and evaluation of work and taking care of the staff. Outsourced HRM staff are not common among SMEs in the aforementioned work tasks. Most of the outsourced services were used in staff training and salary-related activities.

Some HRM activity was absent in some companies. This is probably because respondents are mainly micro- and small companies, in which HRM information systems or monitoring key performance indicators is not necessary.

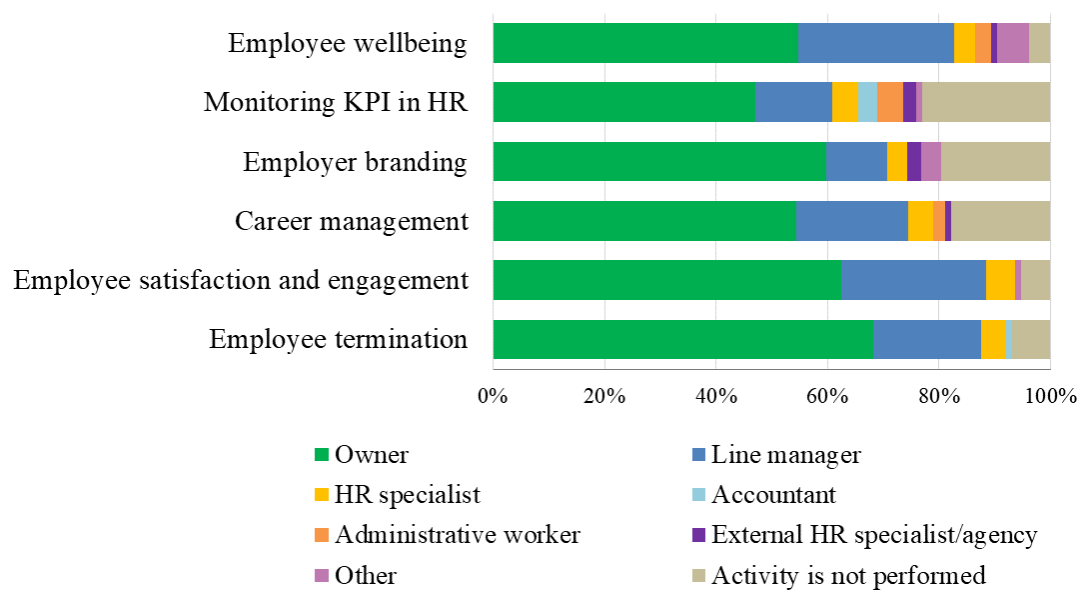


**Figure 17 Responsibilities for key HRM activities in SMEs in the Kainuu region (1)**

Source: own elaboration



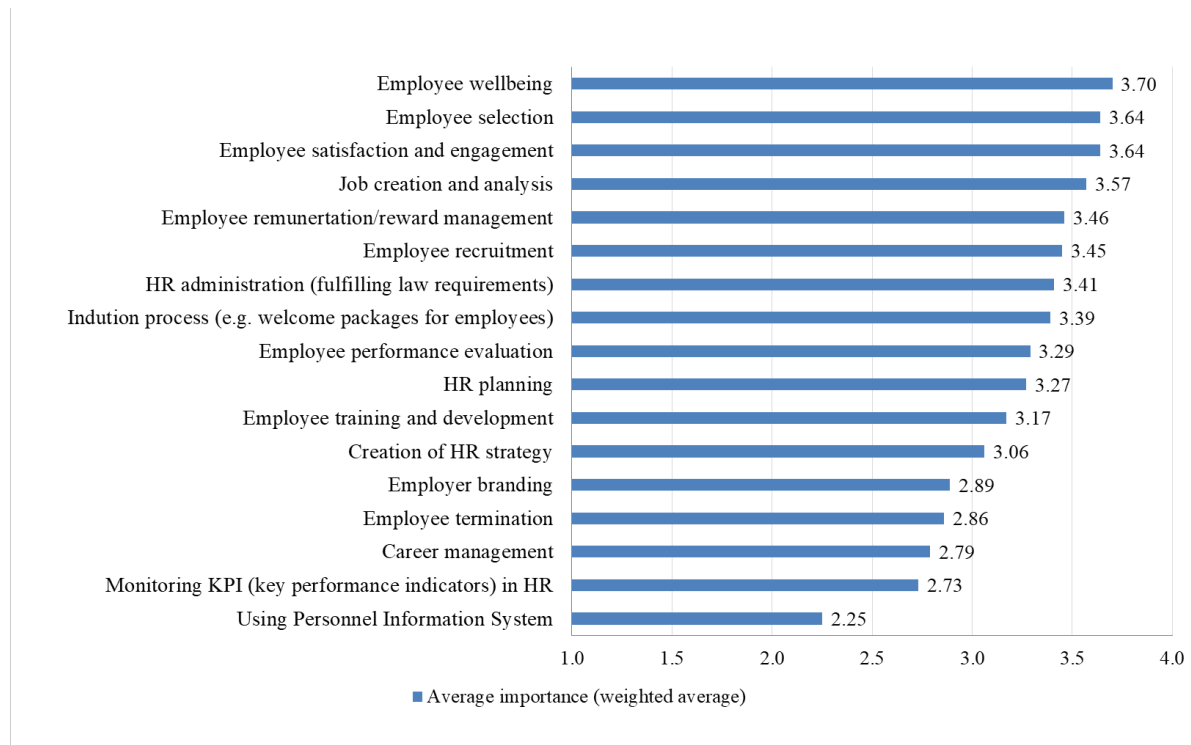
**Figure 18 Responsibilities for key HRM activities in SMEs in the Kainuu region (2)**  
Source: own elaboration



**Figure 19 Responsibilities for key HRM activities in SMEs in the Kainuu region (3)**  
Source: own elaboration



Respondents were asked their opinion regarding the significance of different HRM activities. According to the responses, the most important activities were caring about staff wellbeing, choosing the correct employees, staff satisfaction and job creation and analysis. On average, the least important activities were the utilisation of staff information systems and monitoring key performance indicators. However, there were respondents who thought that these were very important; utilisation of HR-systems was rated as very important by five respondents and monitoring key performance indicators by 16 respondents. More precise information about HRM activity significance can be found below in Figure 20.

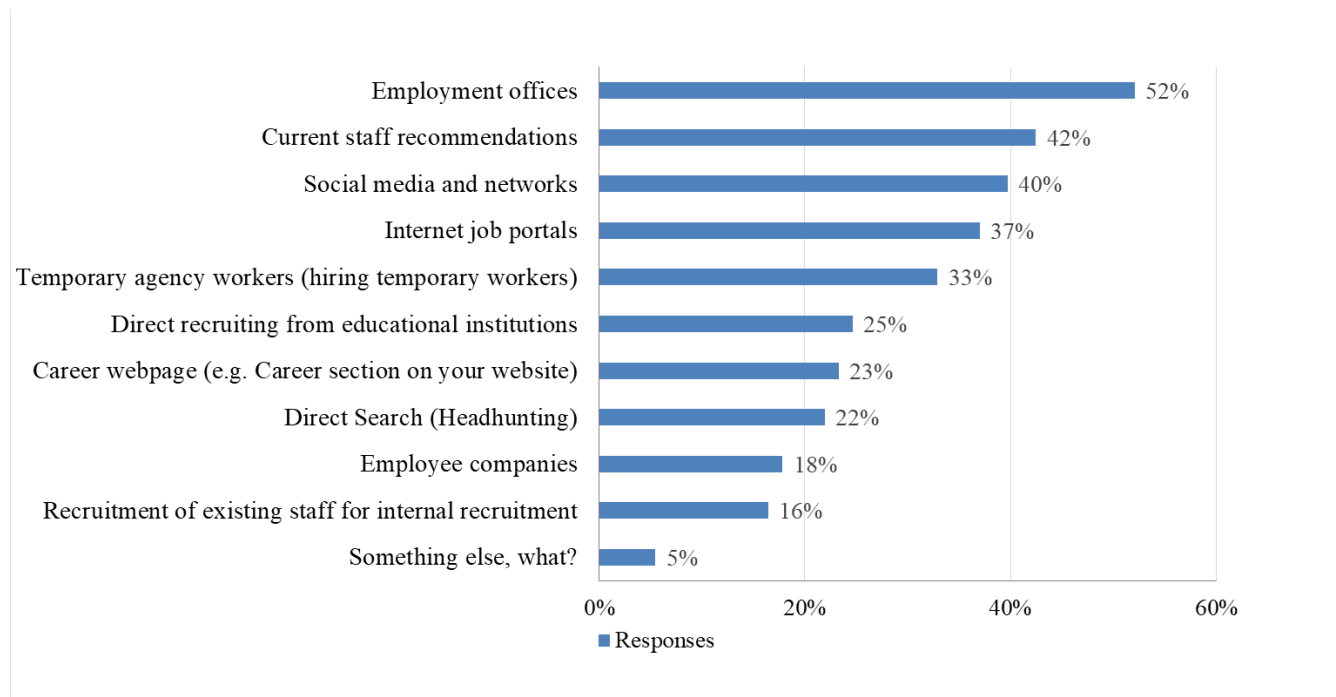


**Figure 20 Importance of key HRM activities in SMEs in the Kajaani Region**  
(1 = not at all important, 2 = only a little important, 3 = quite important, 4 = very important)

Source: own elaboration

## Recruitment and employee selection

According to respondents, employee selection and recruitment were among the most important HR activities. Organisations in the Kainuu region seem to trust traditional recruitment methods, since over half (52%) of the companies told us they were using labour offices as a recruitment channel. Current staff recommendations, social media and networks (40%) were also seen as important. One company told us that they had recruited personnel through SHARPEN, and another company through recruitment training. Two respondents told us that they recruit through an outside provider. There seems to be pressure to recruit outside organisations, as only 16% of the respondents told us that they used internal recruitment. More precise answers are available in Figure 21.



**Figure 21 Recruitment methods used in SMEs in the Kainuu Region**

Source: own elaboration

SMEs in the Kainuu region use different methods in employee selection. The most common method is interviewing; this is used by 99% of respondents. The next most popular methods were group and panel interviews (31%), questionnaires (29%) and psychological tests (26%). Group interviews and psychological tests are used the most when recruiting managers. Interviews on the other hand are used the most when recruiting employee-level staff.

Training and personnel improvement in SMEs in the Kainuu region is often carried out at seminars and induction. Different kinds of workshops and lectures are also popular ways to improve competency.

Nearly a fifth (18%) of the respondents told us that they regularly offered systematically organised continuing education or improvement opportunities in the company they represented. 40% of respondents told us that there is occasional continuing education and 40% told us that their company does not provide continuing education opportunities at all.

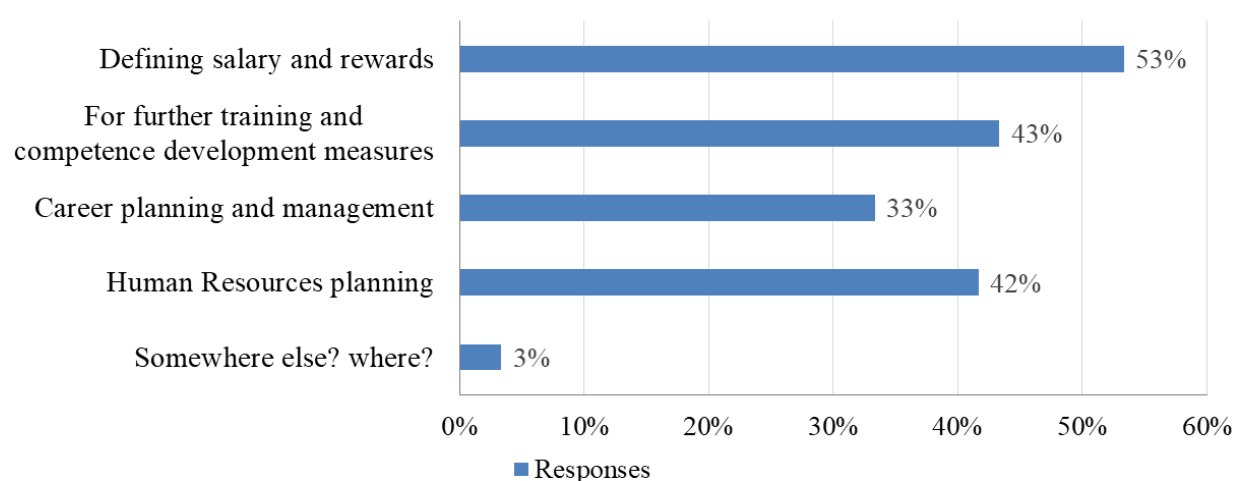
Only 15% of the respondents from the SMEs in the Kainuu region told us that they were using systematic employee work performance evaluation (Table 18).

**Table 18 Work performance evaluation in SMEs in the Kainuu region**

Evaluating work performance systematically	Responses	
	relative in %	absolute
Yes	15.28	11
No	84.72	61
<b>Total</b>	<b>100.00</b>	<b>72</b>

Source: own elaboration

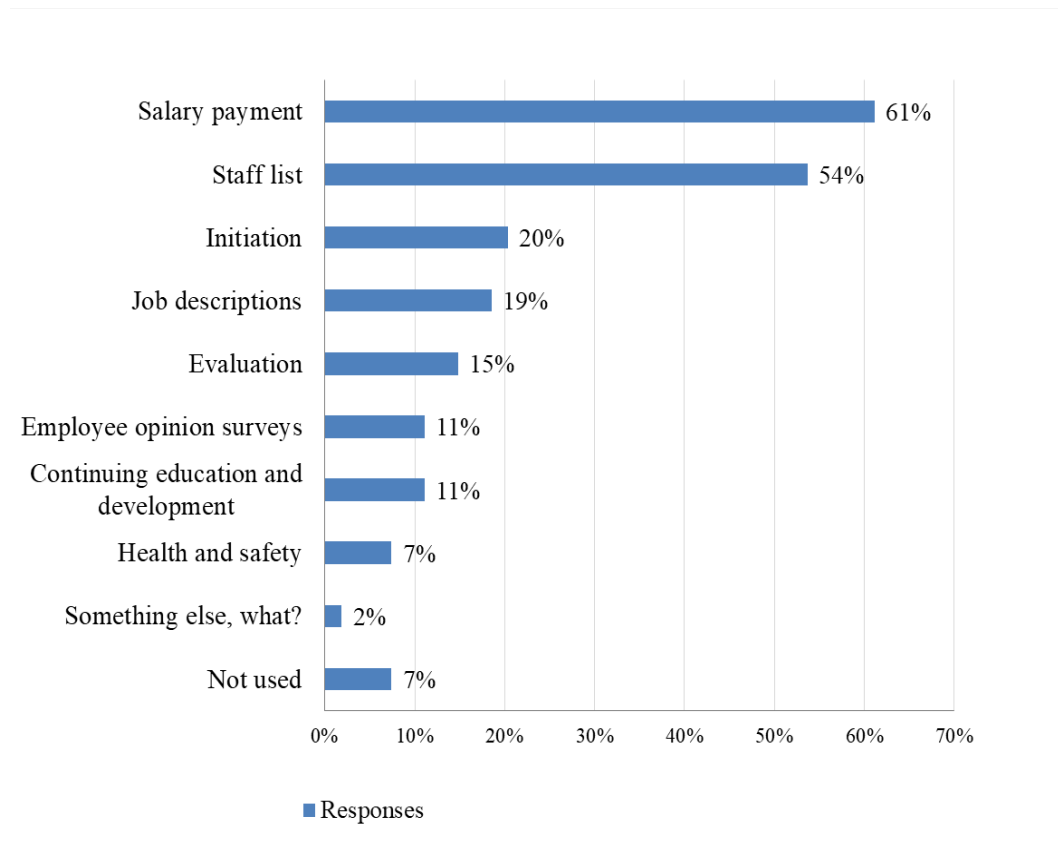
Work performance evaluation was used to define pay and bonuses in 53% of the Kainuu region SMEs who responded to the survey. The evaluation was used in planning competency improvement (43%) and HR planning (42%) in almost as many companies (Figure 22).



**Figure 22 How personal work performance evaluation results were used in SMEs in the Kainuu region**

Source: own elaboration

Nowadays digital technology is used to support the completion of HRM activities. SMEs often have limited opportunity to use these systems either through financial constraints or lack of other resources. The paucity of employees could also be a reason why information systems are not seen as value-increasing assets to the company. On the other hand, approximately 65% (50 companies out of 77) of the respondents in the Kainuu region told us that they were using some sort of HRIS (Human Resources Information System). The information system was often used to pay salaries and to maintain the personnel list. Specific results of how information systems were used are shown in Figure 23.

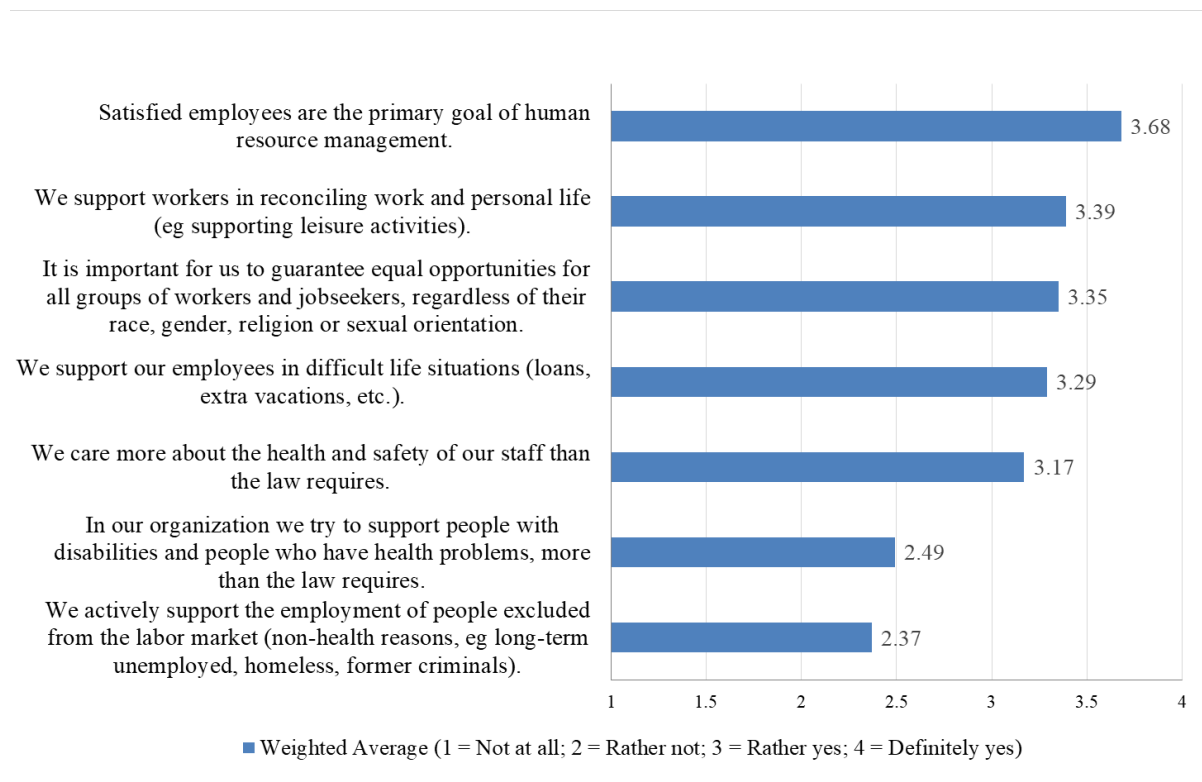


**Figure 23 Using of HRIS (Human Resource Information System) in the Kainuu region SMEs**

Source: own elaboration

HRM in SMEs is often carried out informally. This is why HRM key performance indicators (KPIs) are not always observed systematically in companies. In the next question the respondents were asked what kinds of KPIs are observed in HRM. Out of 77 respondents, 44 replied that they do not utilise such metrics. Of the companies who observed KPIs, 59% often used them to examine employee turnover and 50% to track the number of absences.

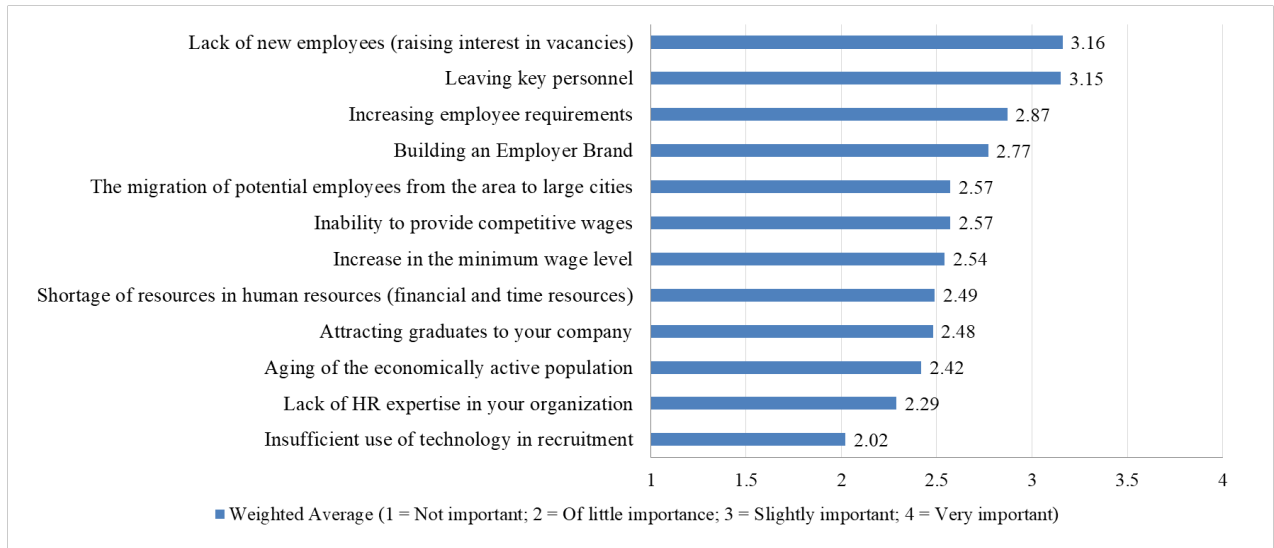
A company's corporate social responsibility (CSR) is intertwined with personnel wellbeing as well as employer branding. Employee satisfaction and providing a work-life balance are among the most important goals of HRM activities in a large proportion of respondent companies. As can be seen in Figure 24, companies hold employees' and applicants' equal treatment in high regard. On the other hand, supporting the employment of people with disabilities and people excluded from the labour market in the companies is rarer.



**Figure 24 Statements about CSR in SMEs in the Kainuu Region**

Source: own elaboration

The SME representatives were asked about the HRM-related issues and the significance of those issues to the company's actions. These issues are listed in Figure 25, as well as how significant the companies see them. The companies brought up lack of employees and key persons leaving the company as the most notable challenges. This result is in accordance with the fact that the Kainuu region is experiencing a labour shortage, which could create challenges for recruitment.



**Figure 25 Importance of HRM challenges faced by SMEs in the Kainuu Region**

Source: own elaboration

All SMEs that responded were planning to recruit young people. Nearly 69% of the respondents had hired under 25-year-olds in the last three years and 86% of respondents planned on hiring young people in the next three years. Therefore, it is important that SMEs receive support to strengthen their employer brands so that they are attractive workplaces to young applicants.

#### 4.2.2 HRM in Kainuu region: Findings, limitations and conclusion

The SHARPEN survey results deliver a comprehensive picture of HRM in SMEs in the Kainuu region. HR activities are usually conducted by the SMEs' CEOs and line managers. A separate HR department is unusual, especially in the smaller SMEs. HRM resources are centralised in the main activities, such as staff wellbeing and selection of new employees. Monitoring of the key performance indicators and digital HR-systems were not seen as important activities. Employer branding was not rated important either. Supporting the companies in these issues could help in future recruitment in the Kainuu region, which is suffering from a lack of workers. Companies should also utilise direct recruitment from the region's universities and vocational colleges more.

Regarding the survey results, SMEs seem to commit to staff wellbeing and value staff satisfaction. For example, staff health and safety are being taken care of beyond what the law requires. Survey responses (77 valid responses) cannot be generalised broadly. However, they provide an interesting review of Kainuu's SMEs' values and issues related to HRM. In addition, the comparison between five different European regions is offering valuable information and results, which have informed the project's Handbook and creation of a shared learning module.

### 4.3 HRM in SMEs in Germany: the Zwickau region, Saxony

The region around the Saxon city of Zwickau has a total number of 17,258 businesses (IHK, 2017). SMEs represent 99% of all companies and provide a large number of jobs. For these reasons, developing SMEs is of key importance to the Zwickau region. The three biggest industries in the region are automotive engineering, metal production, machinery and equipment.

For SMEs, it is of fundamental importance to have a strong and stable position in the market. This supports the importance of HRM activities especially in recruitment and employee retention for SMEs. Increasing demand for qualified labour, and at the same time the limited availability of adequately qualified candidates, further amplifies the growing importance of HRM processes for SMEs. Within the SHARPEN project, a survey was conducted to map the current situation in HRM in SMEs in the Zwickau region and an international comparison between the five project regions (see chapter International comparison).

The quantitative research undertaken in the Zwickau region was based on previous qualitative survey data collected in 2017 and on a cooperation with selected SMEs in the SHARPEN project. As described in the methodology section, the quantitative survey data from the Zwickau region were collected from January to September 2018.

#### 4.3.1 HRM in SMEs in Saxony, Germany in the Zwickau region: Key findings

The survey was addressed to SMEs operating in the Zwickau region. The link for responding to the online questionnaire was sent to 275 companies directly, to 50 members of the junior chamber international (JCI) of Zwickau and to approximately 1,000 companies registered with the Zwickau annual company fair (ZWIK). In total, 105 responses were received, of which 83 were valid and suitable for analysis. As mentioned above, SMEs play a major role in the Zwickau region and are also key employers. The aim of the survey was to find out who is responsible for HRM activities, which recruitment methods are being used, and which challenges SMEs are currently facing.

#### 4.3.2 Basic characteristics of respondents in the Zwickau region

Most of the respondents (57.83%) employed between 50 and 249 full-time employees at the time of the survey (see Table 19). About half as many companies employ between 10 and 49 full-time employees. Only eleven of the companies employ nine or fewer full-time employees.

**Table 19 Structure of respondents in Zwickau region (number of employees)**

Number of employees (size of an enterprise in GER)	Responses	
	relative in %	absolute
1-9 employees (micro)	13	11
10-49 employees (small)	27	22
50-249 employees (medium)	58	48
<b>Total</b>	<b>100</b>	<b>83</b>

Source: own elaboration

Respondents were also questioned about when their company was established. There were three SMEs in the Zwickau region established in the 19<sup>th</sup> century. Another six SMEs were established before 1950. Most of the SMEs surveyed, a total of 50, started their business activity in the years 1950-1999. From 2000, 22 more SMEs from the group of respondents in Saxony were established.



SMEs were also asked if they consider themselves a family business. The majority of companies (56.63%) do not consider themselves a family business (see Table 20). 36 of the surveyed companies (43.37%) see themselves as family businesses.

**Table 20 Type of the business**

Family business	Responses	
	relative in %	absolute
Yes	43.37	36
No	56.63	47
<b>Total</b>	<b>100.00</b>	<b>83</b>

Source: own elaboration

The legal form of Saxon SMEs was in the majority of cases incorporated businesses (77.11%) as can be seen in Table 21. Only nine companies (10.84%) are unincorporated and only three (3.61%) referred to their legal form as co-operatives. Seven of the companies surveyed (8.43%) assigned a different legal form (e.g. association).

**Table 21 Legal forms of SMEs in the Zwickau region**

Legal forms of German SMEs	Responses	
	relative in %	absolute
Unincorporated (Sole trader)	11	9
Incorporated (Ltd, plc, etc.)	77	64
Co-operative	4	3
Other (please specify)	8	7
<b>Total</b>	<b>100</b>	<b>83</b>

Source: own elaboration

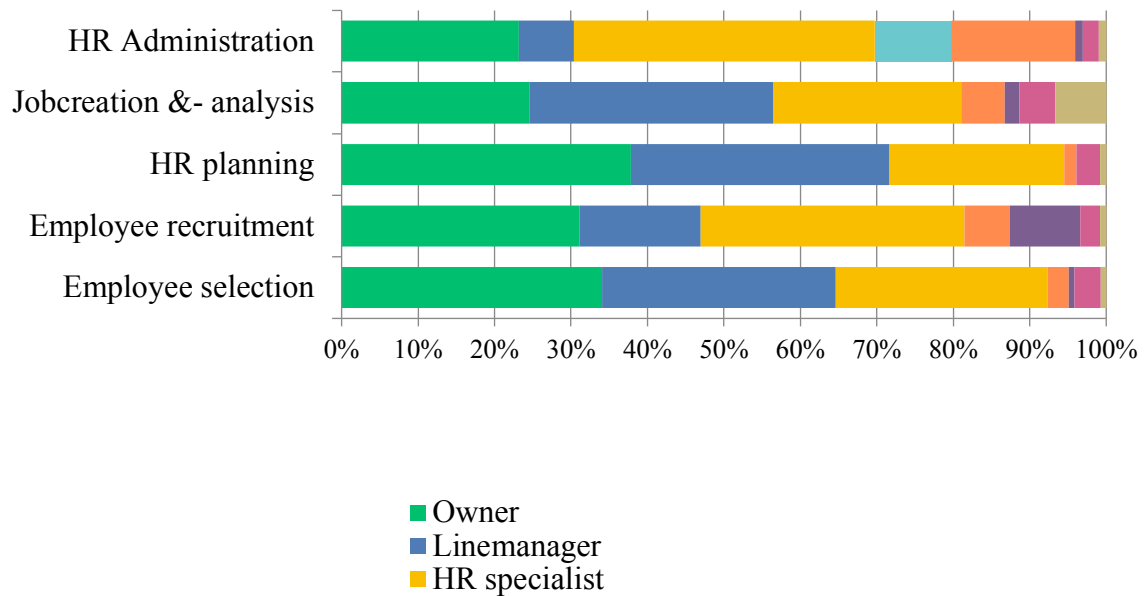
In the Saxony region more than half of the companies confirmed that they have a Human Resource department (see Table 22). This is interesting as it corresponds to the company size, as more than half of the SMEs in the Zwickau region were classified as medium-sized (50-249 employees). In the other cases (45.78%) mostly the owner takes responsibility for all HR processes and challenges.

**Table 22 HR department in SMEs in Saxony**

HR department in SMEs in Saxony	Responses	
	relative in %	absolute
Yes	54.22	45
No	45.78	38
<b>Total</b>	<b>100.00</b>	<b>83</b>

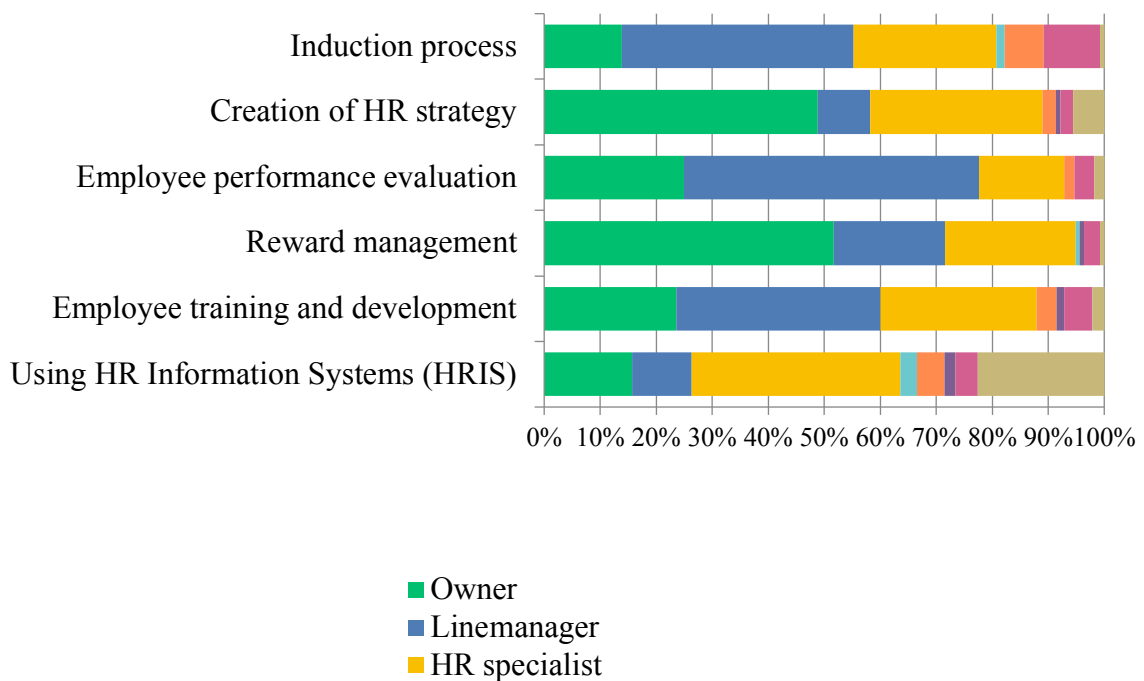
Source: own elaboration

Within the SHARPEN project, a goal was to gain information about the structure of HR departments, about the HR tasks and who is responsible for them. The following three figures (Figure 26 – Figure 28) show that HR administration, as a crucial part of personnel management, is mainly executed by an HR specialist or the owner. Comparing this to HR administration, the responsibility for the HR planning is mostly done by the owner, followed by the line manager or an HR specialist. The task of employee selection on the other hand is almost evenly spread between the owner, the line manager and an HR specialist.



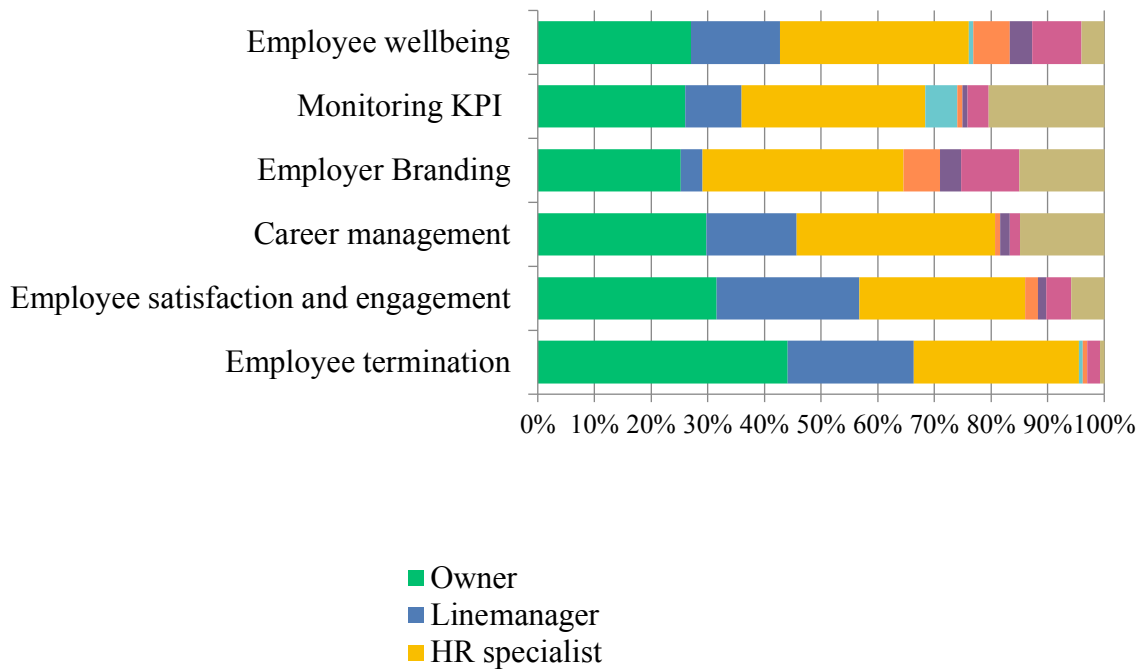
**Figure 26 Responsibilities for key HRM activities in SMEs in the Zwickau region (1)**

Source: own elaboration



**Figure 27 Responsibilities for key HRM activities in SMEs in the Zwickau region (2)**

Source: own elaboration

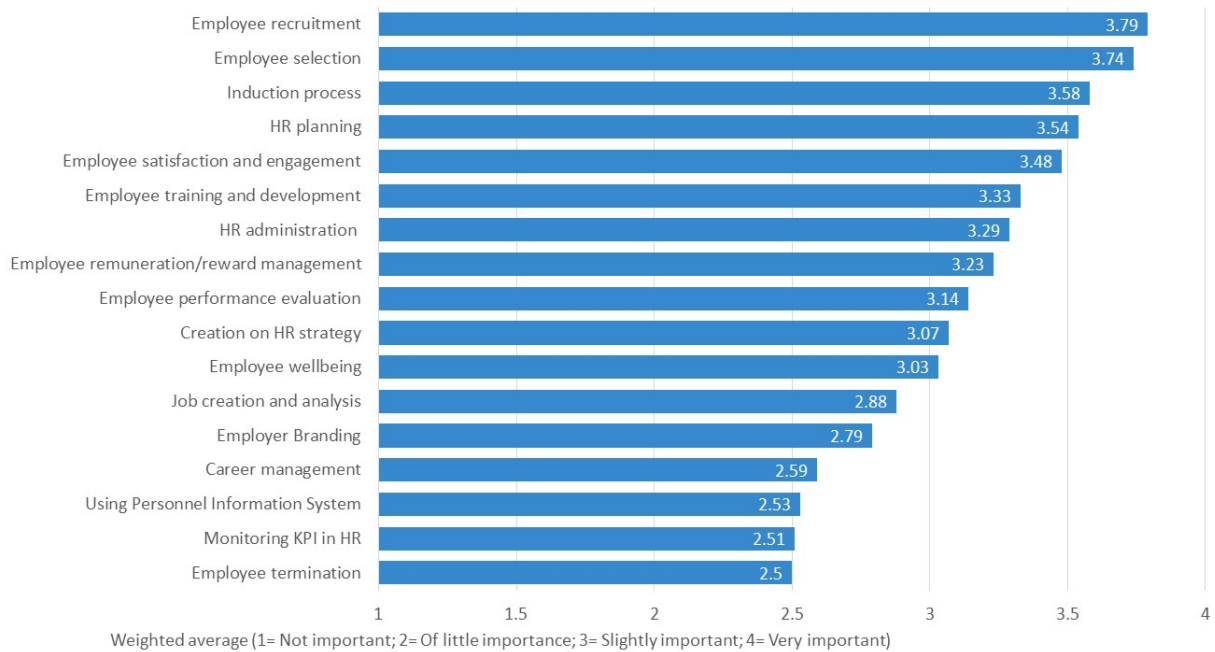


**Figure 28 Responsibilities for key HRM activities in SMEs in the Zwickau region (3)**

Source: own elaboration

As key HRM activities and challenges in SMEs in Saxony, personnel recruitment, selection, onboarding and planning were identified. These findings were also implemented into different academic outputs generated under the SHARPEN project and used for the work with the case study companies, including the developed practical tools.

The SHARPEN survey also focused on the importance of different HRM activities for the SMEs involved (see Figure 29, one corresponds to not important and four corresponds to very important). The most important HRM activities (key activities) for SMEs in the Zwickau region are recruitment, selection and on-boarding. By contrast, termination and the evaluation of key performance indicators were not rated as very important.

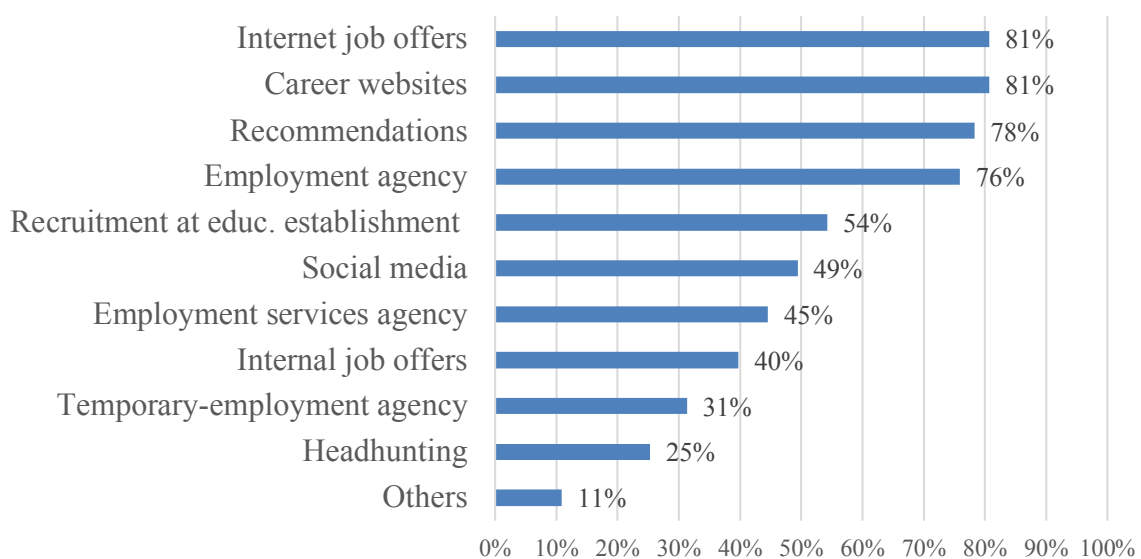


**Figure 29 Importance of key HRM activities in SMEs in Saxony**

Source: Source: own elaboration

### Selected HRM processes in SMEs in the Zwickau region

As recruitment was rated as the most important HRM activity for SMEs in the Zwickau region, it is interesting to consider the recruitment methods used by those SMEs (see Figure 30). Job advertisements on the Internet via job exchanges or career websites (80.72% each) are most frequently used. Employment agencies (75.9%) and employee recommendations (78.31%) are also important methods of recruiting new staff. Less important for the companies surveyed are temporary employment agencies (31.33%) and the use of head-hunters (25.3%).



**Figure 30 Recruitment methods in SMEs in Saxony**

Source: own elaboration

In the selection process employed at SMEs in the Zwickau region, different methods are used depending on the employee group being evaluated. For managers, all selection methods are used to a relatively high degree. Discussions with several company representatives and psychometric tests are primarily used. These two methods seem to be the preferred way for the SMEs surveyed to find out the suitability of an applicant for a position, as the burden on managers is usually high. Questionnaires and knowledge or skill tests also play an important role but are subordinate. In contrast to managers, employees in the production area tend to be assessed via intensive aptitude tests. Discussions mainly take place with a supervisor and knowledge or skill tests take place in almost 40% of the companies surveyed. Assessment centres or psychometric tests are rarely used.

For learning and development, SMEs in the Zwickau region usually use workshops, lectures and seminars. Most of SMEs surveyed (96.38%) provide training and development opportunities for their employees. However, in nearly 50% of the SMEs this happens not systematically but only when required.

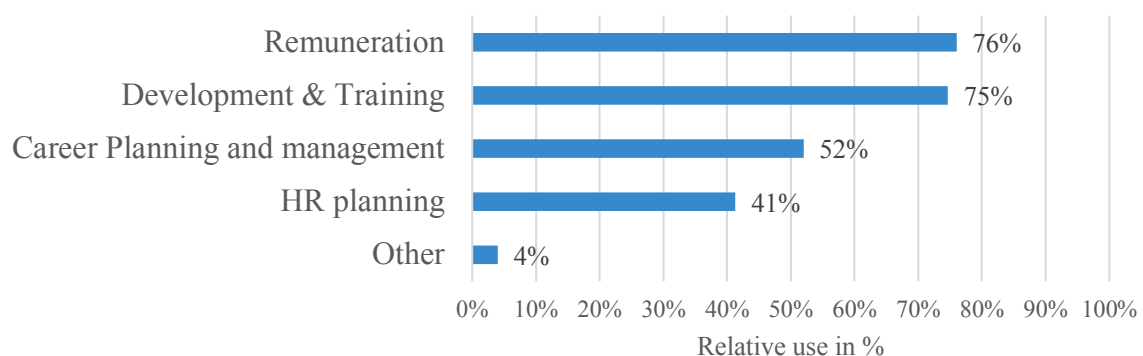
Nearly half of the SMEs in the Zwickau region (45.78%) confirmed that they ensure their employees have a formal (systematic) employee performance evaluation process, however a slightly larger percentage (55.42%) do not have a formal (systematic) employee performance evaluation process. This means that 46 of 83 companies could improve their evaluation system by including such a tool. Table 23 shows the results.

**Table 23 Performance evaluation in SMEs in the Zwickau region**

Systematic performance evaluation	Responses	
	relative in %	absolute
Yes	45.78	37
No	55.42	46
<b>Total</b>	<b>100.00</b>	<b>83</b>

Source: Source: own elaboration

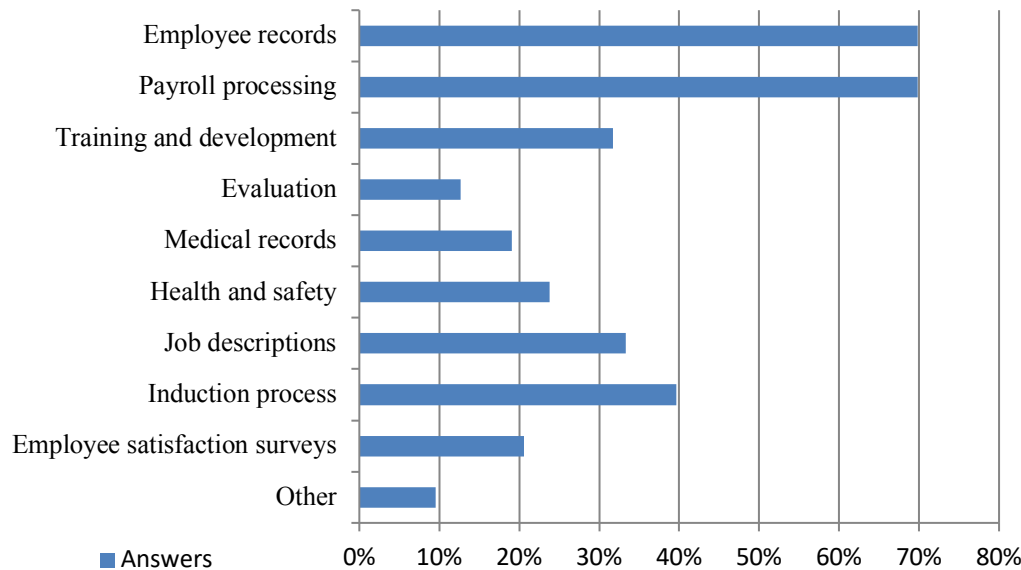
The results of the systematic employee appraisal are most frequently used to adjust remuneration (76%), see Figure 31. Just behind, 74.67% of SMEs in the Zwickau region use the results to promote the development and training of their employees. In total, 39 companies (52%) use the results of the employee assessment for career planning and 31 companies (41.33%) use the results for personnel planning.



**Figure 31 Performance appraisal using of results in SMEs in the Zwickau region**

Source: own elaboration

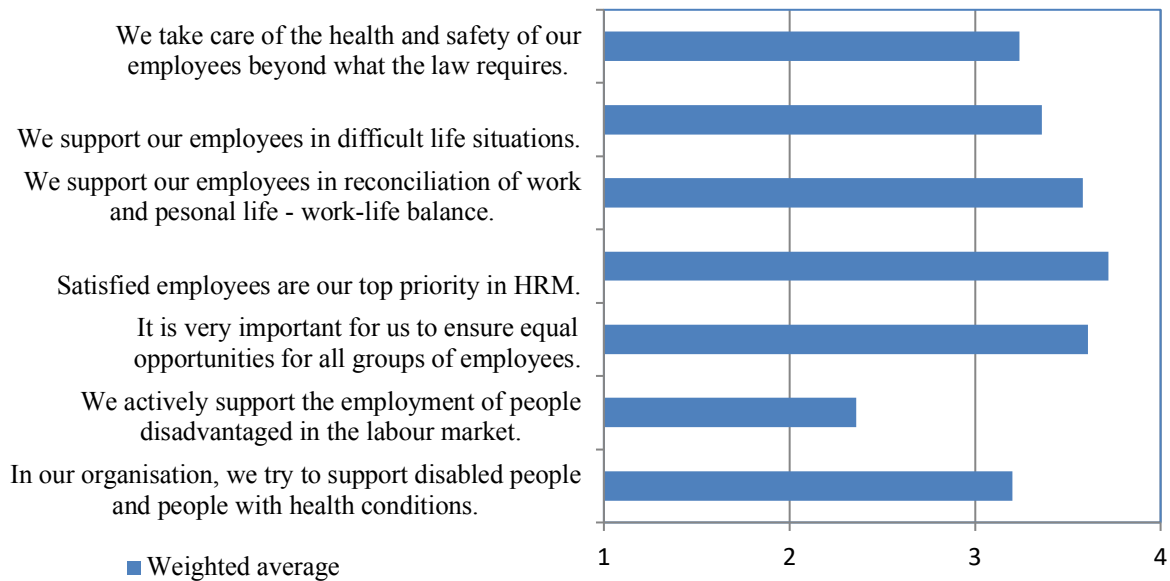
Despite the current development towards digitisation, SMEs often do not use Human Resource Information System (HRIS) for a variety of applications other than administrative tasks, as can be seen in Figure 32. Financial or capacity limitations could account for this. Most of the SMEs (68.84%) stated that they use their information system as an employee database and for payroll accounting. In total, 25 companies (39.86%) use their HRIS for recruitment and selection, 21 companies (33.33%) use it to prepare job descriptions and 20 companies (31.75%) use it for the training and further education of their employees. Only 20.63% use their HRIS for employee satisfaction surveys and 19.05% for medical check-ups. The personnel information systems are used least often for evaluation (12.07%) and other purposes (9.52%).



**Figure 32 Use of Human Resource Information System (HRIS) in the Zwickau region**  
Source: Source: own elaboration

The SMEs surveyed also indicated which key performance indicators (KPI) are used in the HR processes in their companies. About three quarters of SMEs in the Zwickau region use KPIs (77.10%) and they are mainly used for the following purposes: ratio of personnel costs to total costs, absence rate/absenteeism, number of days off per full-time employee, and turnover rate.

Corporate social responsibility (CSR) is an important aspect of HRM. The respondents in the Zwickau region confirmed that for them, satisfied employees are a top priority in HRM (see Figure 33). This is why most of the companies indicated that it is very important for them to ensure equal opportunities for all groups of employees and that they support their employees in their private and work life. In total, all the companies 'agree' or 'rather agree' to these statements. However, supporting the employment of people with fewer opportunities in the labour market (for example, the long-term unemployed or the homeless), was 'rather not' or 'not important' for nearly half of the respondents (48.15%).



**Figure 33 Statements about CRS in SMEs in the Zwickau region**

Source: own elaboration

To conclude, SMEs were asked about the perceived importance of different HR challenges. Nearly all the companies surveyed intend to hire junior staff and skilled workers under the age of 25 in the next few years. It can be said that there is a high demand for young employees, both now and in the future, which corresponds with the perceived importance of this challenge (see Figure 34). The figure shows that the most important challenges are the departure of key employees or skilled workers, as well the lack of new employees and the inability to offer market competitive wages.



**Figure 34 Importance of HRM challenges faced by SMEs in the Zwickau region**

Source: own elaboration

It is advisable both for SMEs and the future orientation of labour market politics to focus on the challenges that are perceived as most important by practitioners.



#### *4.3.3 Findings, limitations and conclusion*

The presented findings illustrate the current situation of HRM in SMEs in the Zwickau region in Germany. This showed that HR processes in the SMEs surveyed are often informal and the responsibility for HRM activities is shared between HR specialists, owners, managers or accountants. Due to this distribution of tasks, in the majority of cases, only the most important HR activities are carried out and some HR processes that can be found in larger companies are not, or only occasionally, implemented. Observed gaps include the use of systematic KPIs and information system technology.

The results were obtained from a sample of 83 SMEs. However, they are useful in providing an interesting insight into current trends in SMEs in the Zwickau region. In particular, the international comparison between the five project regions, which can be found in the last chapter of this study, provides insightful information.

#### **4.4 HRM in SMEs in the Lithuania: Klaipėda region**

The structure of companies operating in Lithuania (as well as in the Klaipėda region) is dominated by small companies (0-9 employees); they make up more than 80% of all the companies operating in Lithuania. Thus, these companies are very important for the development of the Lithuanian economy. Companies that have 10-19 employees make up 10%, 20-49 employees – approximately 6%, 50-249 employees – approximately 3%, 250 and more – less than 1%. According to the EC (2018) SBA Factsheet, along with large companies, SMEs in the ‘non-financial business economy’ have been growth generators in recent years. The document states that in 2013-2017, SME value added rose by 38.7 % and SME employment by 9.5 %; productivity grew by 26.7 %; however, in 2017 the productivity of Lithuanian SMEs was only 38.3 % of the EU average. The document also indicates that in 2017, SMEs generated 68.5 % of value added and 76.1 % of employment. This is higher than the respective EU averages of 56.8 % and 66.4 %. The EC 2018 SBA Factsheet also states that SME value added growth is expected to remain strong (15.3 % for 2017-2019), exceeding the expected growth of 11.3 % in large firms. In contrast, SME employment growth is likely to be moderate, at 2.5 % for the same period; while employment in large firms is predicted to fall by 0.7 %, SMEs are expected to be the main employment growth drivers for the economy as a whole, creating almost 17,700 new jobs by 2019 (EC, 2018).

##### *4.4.1 HRM in SMEs in the Lithuania Klaipėda region: Key findings*

The survey was opened for SMEs operating in the Klaipėda region. The link for filling the online questionnaire was sent to more than 1,400 HR specialists or top managers/owners via e-mail. As mentioned above, SMEs play a key role in the Klaipėda region and are also key employers. The aim of the survey was to find out who is responsible for HRM activities, which HRM activities are mainly supported, and which HR challenges SMEs currently face.

##### *4.4.2 Basic characteristics of respondents in the Klaipėda region*

In total 107 companies participated in the survey in the Klaipėda region, however for the final data analysis, only 95 questionnaires could be used because of gaps in respondent's answers in 12 questionnaires (see Table 24 outlining the structure of respondents).

**Table 24 Structure of respondents in Klaipėda region (number of employees)**

Number of employees (size of an enterprise in LT)	Responses	
	relative in %	absolute
1-9 employees (micro)	36.84	35
10-49 employees (small)	37.89	36
50-249 employees (medium)	25.26	24
<b>Total</b>	<b>100.00</b>	<b>95</b>

Source: own elaboration

Respondents were also asked when their company was established. In total five SMEs established before 1970, 29 established between the years 1989 and 2002, and 59 established from 2003 onwards. More than a half (57%) of the companies that participated in the survey did not consider themselves a family business, while the remaining 43% of the companies did (see Table 25).

**Table 25 Type of the business**

Family business	Responses	
	relative in %	absolute
Yes	43.01	40
No	56.99	53
<b>Total</b>	<b>100.00</b>	<b>93</b>

Source: own elaboration

Participants were asked to indicate the legal form of their company. The survey revealed that 9.47% are sole traders, 58.95% are incorporated companies, 23.16% are individual companies and 8.42% of companies with other legal forms participated in the survey (see Table 26).

**Table 26 Legal forms of SMEs in the Klaipėda region**

Legal forms of Lithuania SMEs	Responses	
	relative in %	absolute
Unincorporated (Sole trader)	9.47	9
Incorporated (Ltd, plc...)	58.95	56
Individual companies	23.16	22
Other (please specify)	8.42	8
<b>Total</b>	<b>100.00</b>	<b>95</b>

Source: own elaboration

The organisations that participated in the survey represented the following industry sectors: accommodation and food service activities (14.85%), transportation and storage (10.89%), construction (10.89%), arts, entertainment and recreation (8.91%), agriculture, forestry and fishing (6.93%), other service activities (6.93%) and other sectors (6.93%). Those who chose the sector 'other', stated that they represented the sectors of advertising, manufacturing, cafe business, design studio, sewing company, and aviation. The companies from other sectors were less than 5% from each.

The organisations that participated in the survey stated that more than a half of them (55.32%) did not have a human resources department. Furthermore, when analysing the

numbers of other (full-time) employees that perform the duties and activities of HRM in the organisations, it became clear that the most frequent answer was 1 full-time employee. The maximum number of full-time employees performing the duties and activities of HRM was 8, while the average was two employees (see Table 27).

**Table 27 HR department in SMEs in the Klaipėda region**

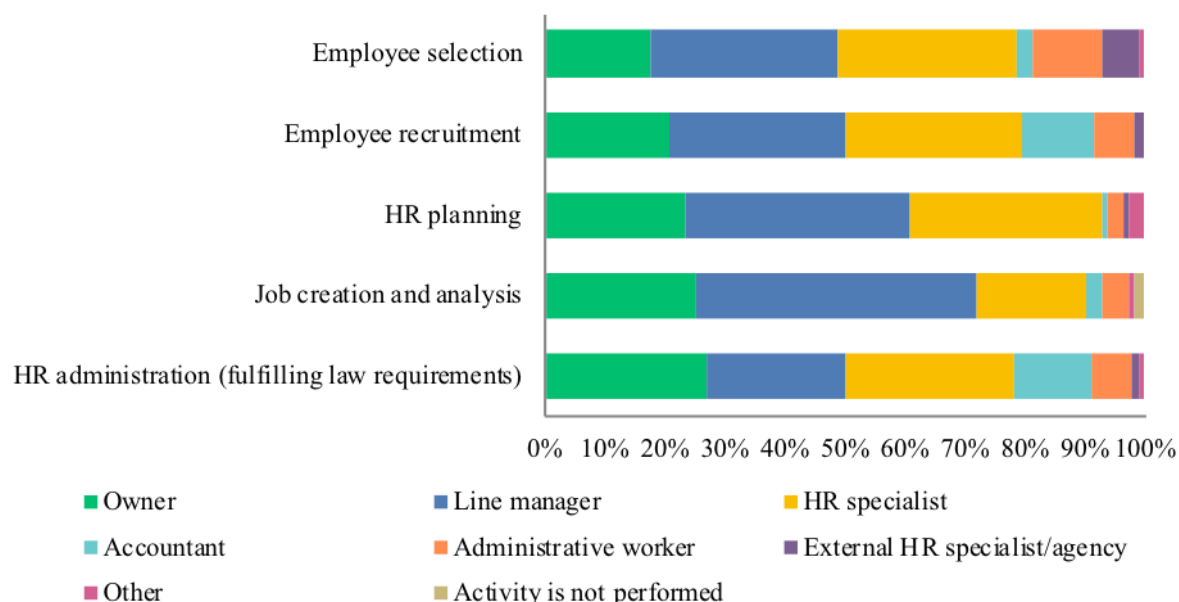
HR department in SMEs in Klaipėda region	Responses	
	relative in %	absolute
Yes	44.68	42
No	55.32	52
<b>Total</b>	<b>100.00</b>	<b>94</b>

Source: own elaboration

Of those companies that have an HR department, the majority have one full-time employee.

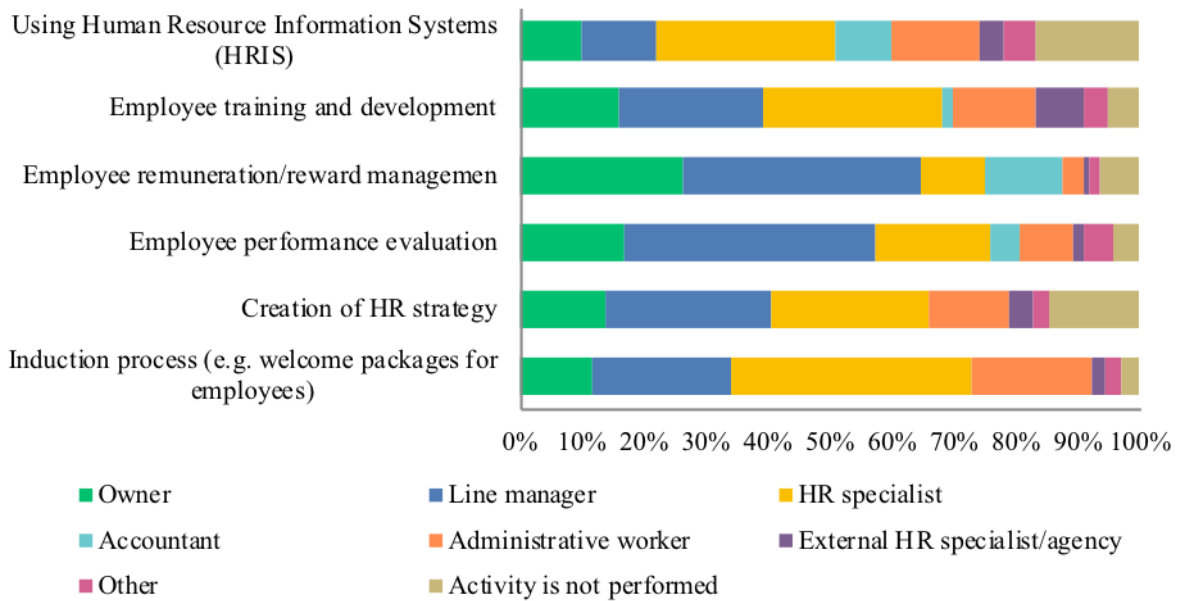
The maximum number of full-time employees working at the HR department was 20, while the average was 4 employees. Also, according to the survey data, 58.33% of the participants were in the role of a human resource specialist, while 41.67% were not. The others were operators, directors, constructors, marketing specialists, company owners, managers, deputy directors, administrators, personnel coordinators, IT specialists, and accountants.

In addition, participants indicated who was responsible for the HRM activities in their companies. They could choose such positions as an owner, line manager, human resource specialist, accountant, administrative worker, external human resource specialist/agency, and other. They were also asked to indicate if the activity was not performed at all (Figure 35 – Figure 37).

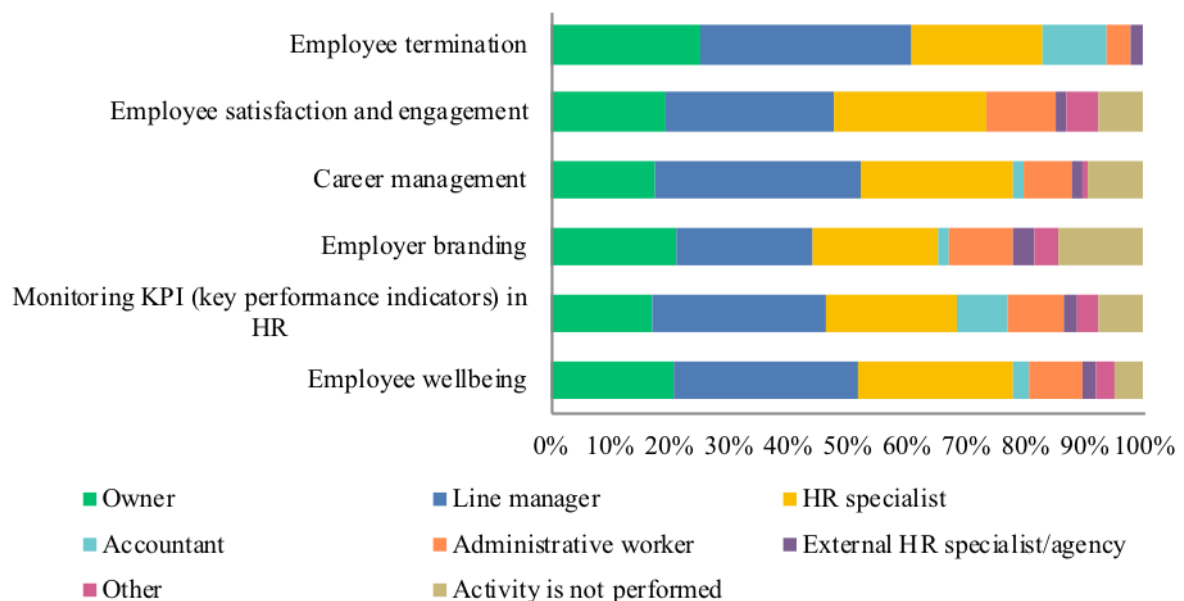


**Figure 35 Responsibilities for key HRM activities in SMEs in the Klaipėda region (1)**

Source: own elaboration



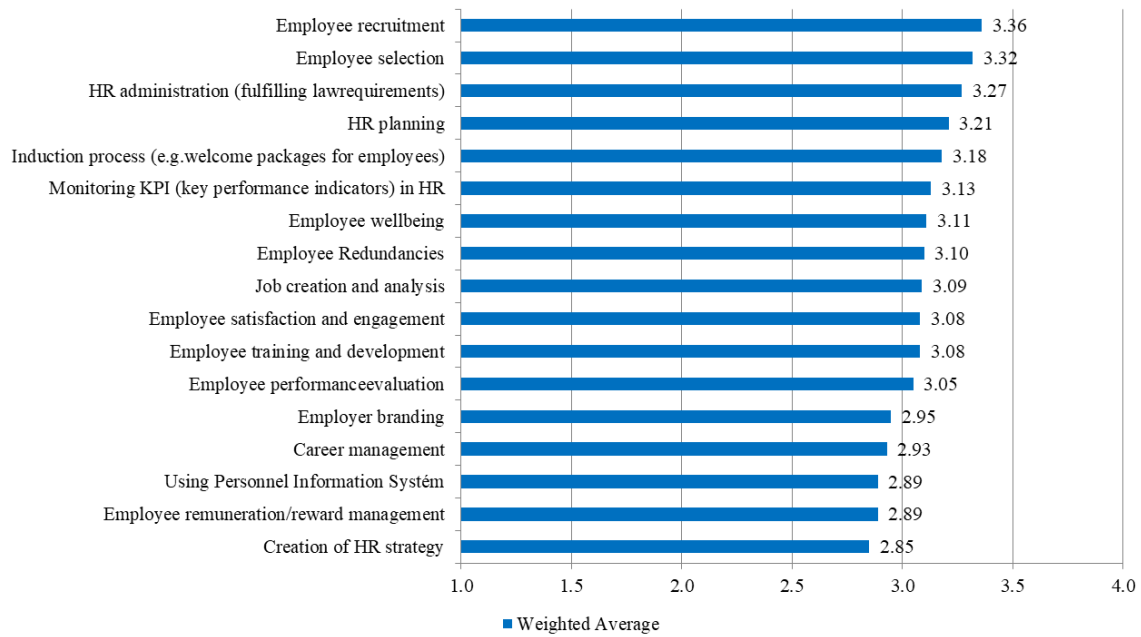
**Figure 36 Responsibilities for key HRM activities in SMEs in the Klaipėda region (2)**  
Source: own elaboration



**Figure 37 Responsibilities for key HRM activities in SMEs in the Klaipėda region (3)**  
Source: own elaboration

The survey data revealed that the *owners* perform almost all of the human resource management activities but are less involved in such activities as induction process (13.64%), creation of HR strategy (17.05%), using Human Resource Information Systems (11.63%). However, *line managers* are involved in more activities as owners, except, they are less involved in using Human Resource Information Systems (13.95%). Moreover, *human resource specialists* usually perform all the activities listed in Figure 36 but are less involved in employee remuneration/reward management (13.19%).

Participants were then asked to rate the importance of the following human resource management activities in their organisations (see Figure 38).



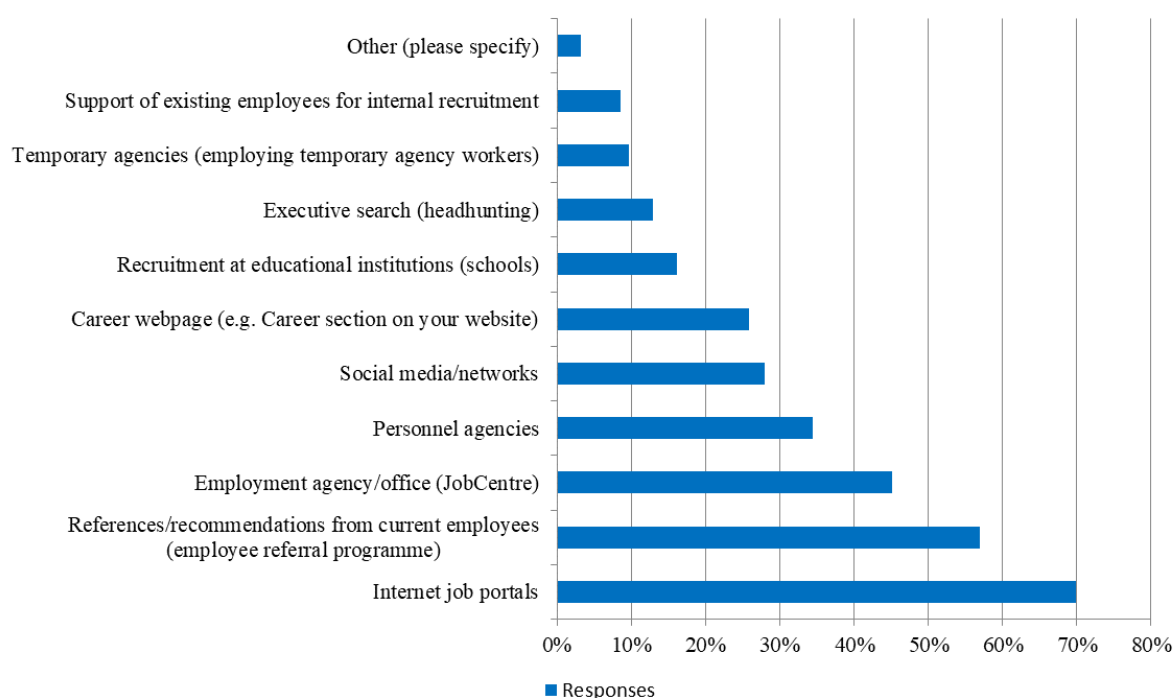
**Figure 38 Importance of key HRM activities in SMEs in the Klaipėda region**

Source: own elaboration

The survey data were categorised according to rank (see Figure 38), where the weighted average from 1.0 to 2.0 indicates an unimportant activity, and the weighted average from 2.1 to 4.0 indicates important activities. All human resource management activities were important for the participant organisations, since the weighted averages range from 2.85 to 3.36. The most important human resource management activities may be considered as follows: employee recruitment (3.36 out of 4.0), employee selection (3.32 out of 4.0), HR administration (3.27 out of 4.0), HR planning (3.21 out of 4.0), and induction process (3.18 out of 4.0). It is also important to mention that the participant organisations found some human resource activities' importance as not applicable (more than 10% each). For example, creation of HR strategy (12.22%), employee remuneration/reward management (10.87%), using Personnel Information System (17.78%), employer branding (11.11%), career management (12.09%).

#### 4.4.3 Selected HRM processes in SMEs in the Klaipėda region

According to the human resource management activities, recruitment is of high importance. Therefore, various recruitment methods are used among the participant organisations (see Figure 39).



**Figure 39 Recruitment methods in SMEs in the Klaipėda region**

Source: own elaboration

The survey data revealed that the most common selection methods for *managers/executives* were interviews (82.02%), psychometric tests (63.64%), knowledge and skill tests (55.93%), and assessment centres (50.0%). However, other methods were also of significant importance (more than 40.0% and less than 50.0%). The most common selection methods for the *technical and administrative staff* were interviews (61.8%), knowledge and skill tests (61.02%), panel interviews (51.22%), questionnaires (50.0%), and assessment centres (46.67%). The most common selection methods for the *manual staff* of the participant organisations were interviews (56.18%), and questionnaires (42.5%). Other methods were not so important (less than 40.0% each).

Since human resource management involves personnel training and development, organisations choose various training methods for their staff. The most popular training techniques according to the survey are seminars (58.28%), workshops (57.14%), job instruction (57.14%) and counselling (37.36%). However, techniques such as mentoring, lectures, e-learning, and outdoor training are also quite popular. On the other hand, webinars, management games and simulation are less used in personnel training.

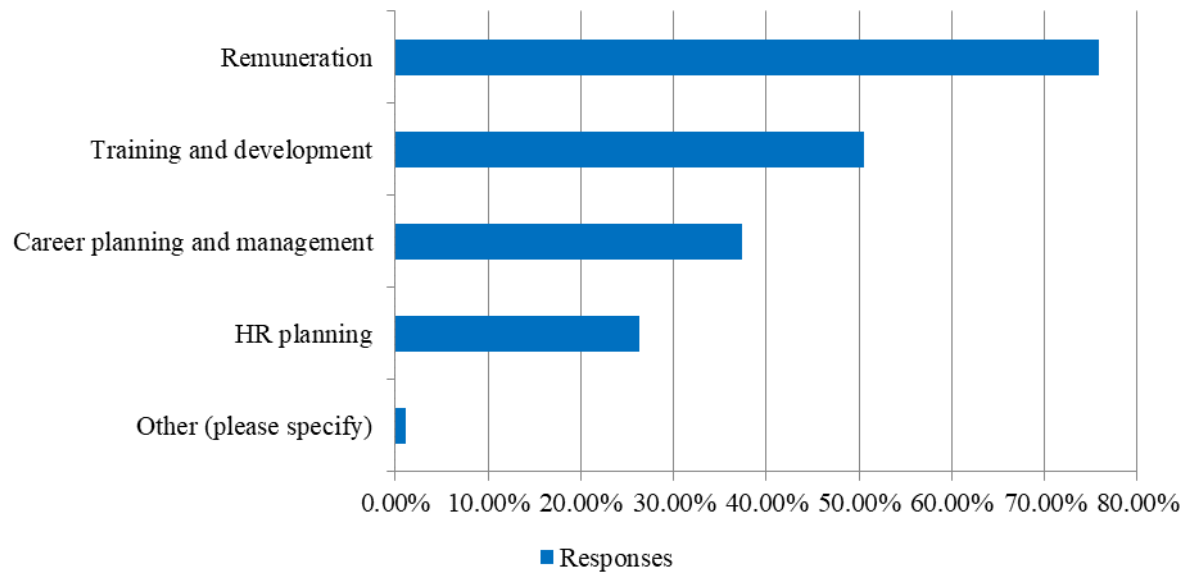
Slightly fewer participant organisations stated that they had systematic employee performance evaluation processes (44.57%) compared with those that did not have (55.43%) (Table 28).

**Table 28 Performance evaluation in SMEs in the Klaipėda region**

Systematic performance evaluation	Responses	
	relative in %	absolute
Yes	44.57%	41
No	55.43%	51
<b>Total</b>	<b>100.00</b>	<b>92</b>

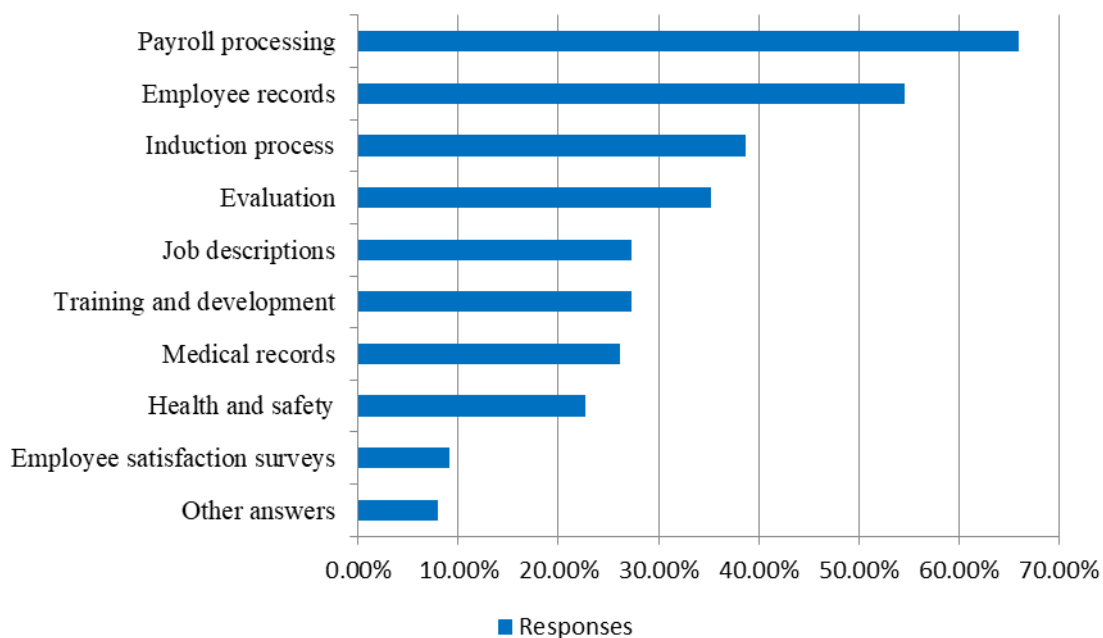
Source: own elaboration

The results of employee performance evaluation are used for various purposes (see Figure 40). Mostly performance evaluation is carried out for the purpose of determining remuneration but it is also used for such purposes as training and development (50.55%), career planning (37.36%) and human resource planning (26.37%).



**Figure 40 Performance appraisal – using of results in SMEs in the Klaipėda region**  
Source: own elaboration

Figure 41 shows which human resource management activities Human Resource Information Systems (HRIS) are used for.



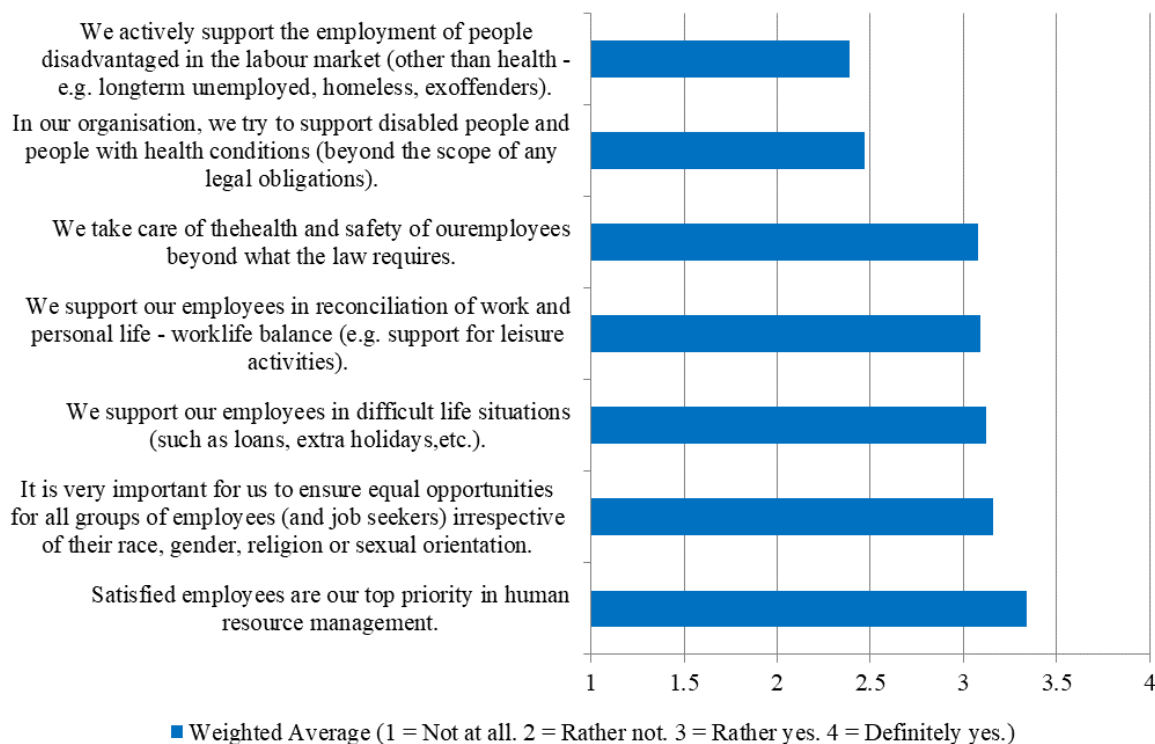
**Figure 41 Using of HRIS (human resource information system) in Klaipėda region**  
Source: own elaboration

The use of HRM Key Performance Indicators (KPIs) in participating organisations was also measured. The majority of organisations indicated such areas as human resource department



costs to total costs, number of full-time employees per human resource department full time employee, and human resource department costs per full time employee. The indicator that was least monitored was the number of occupational injuries (accidents) per 1,000 employees (10.13%). Each of other indicators was monitored in less than one third of organisations (the answers vary from 18.99% to 26.58%).

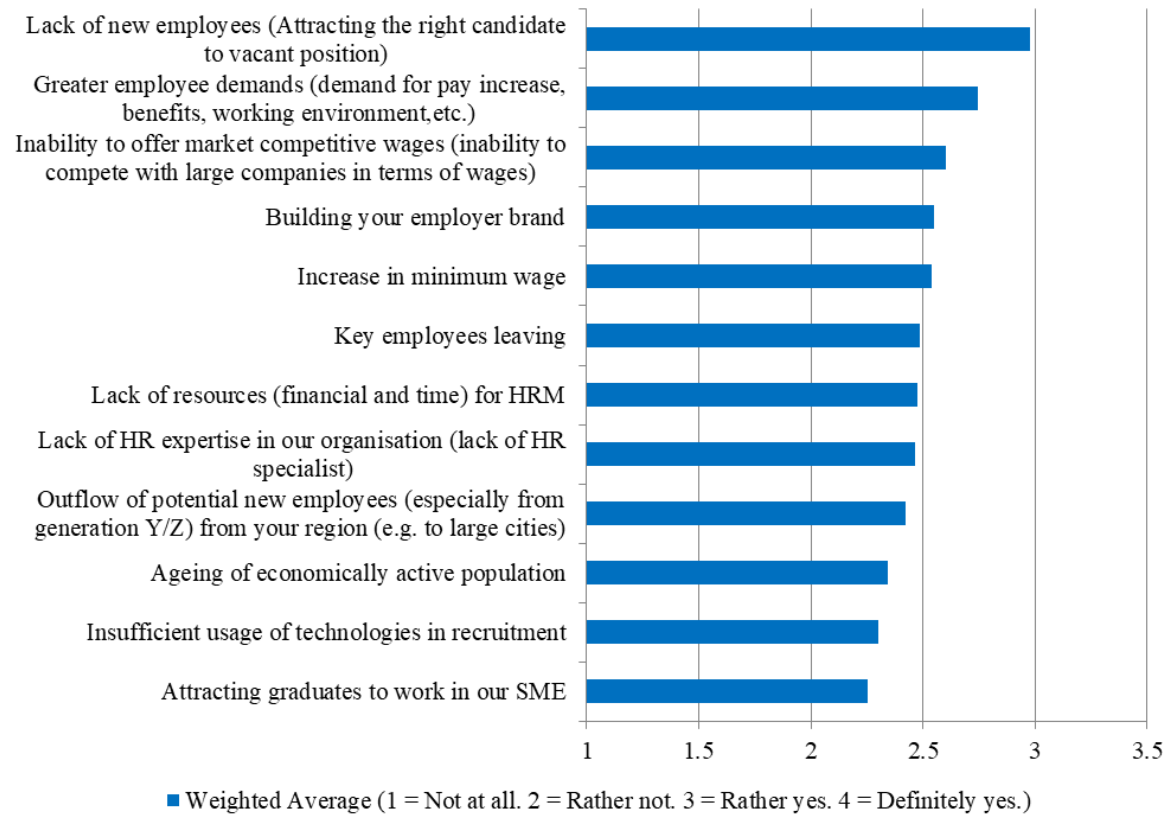
The organisations that participated in the survey evaluated certain statements concerning their corporate social responsibility towards employees (see Figure 42). The results of the survey indicated that it was important for the organisations to ensure equal opportunities for all groups of employees, to ensure employee satisfaction, to support the employees in reconciliation of work and personal life (work-life balance), to support the employees in difficult life situations, and to take care of health and safety of the employees beyond what the law requires. The weighted average varies from 3.08 to 3.34 out of 4. It is quite important to point out that several statements were not so important, such as trying to support disabled people and people with health conditions (19.10%), and to support the employment of people disadvantaged in the labour market (20.22%).



**Figure 42 Statements about CRS in SMEs in the Klaipėda region**

Source: own elaboration

The participant organisations indicated the importance of human resource management challenges (see Figure 43). The most important challenges were attracting the right candidate, greater employee demands, building the employer brand, lack of human resource specialists, and increase in minimum wage. The participant organisations indicated that challenges such as attracting graduates to work, and insufficient usage of technologies in recruitment were not very important.



**Figure 43 Importance of HRM challenges faced by SMEs in the Klaipėda region**

Source: own elaboration

#### 4.4.4 Limitations of findings, recommendations and discussion

The research has some limitations. Firstly, it is limited to SMEs. Secondly, it is limited to the SMEs of Klaipėda region. Finally, it is limited to those SMEs that were willing to participate in the survey.

In order to ensure the complexity and the continuity of the research, the recommendations for the further research would focus on areas such as:

1. Other regions of Lithuania to collect data about HRM in SME's;
2. Higher response rate;
3. The inclusion of a larger number of researchers;

As the further research is going to be planned, some different topics may be taken into consideration such as the effectiveness of HR training and assessment techniques, expansion of human resource information systems, equal opportunities for all groups of employees, employee work satisfaction and job design, job wellness in order to take care of the health and safety of the present employees, etc.

The survey related to human resource management among SMEs in the Klaipėda region brought interesting findings. According to the survey, more than a third of the companies participating in our survey employ a small number of staff (1-9 persons), and a similar number of companies employ from 10 to 49 persons. More than a half of the participant organisations do not have a human resources department.

Analysing the numbers of full-time employees that are in the HR department, it was clear that the majority of organisations had 1 full-time employee. More than a half of the participants mentioned that they had a human resource specialist in this role. Almost all of the employees did not have any qualification in the area of human resources.

The survey reveals that the owners, line managers, human resource specialists performed almost all of the human resource management activities. The accountants of the participant organisations are less involved in all the activities of human resource management. External HR specialists/agencies are rarely used in human resource management activities.

The most important human resource management activities were considered as follows: employee recruitment, employee selection, HR administration, HR planning, and induction process. Popular methods of recruitment are internet portals, references and recommendations, employment agencies, and personnel agencies. The most common selection methods for managers/executives are interviews, psychometric tests, knowledge and skill tests, and assessment centres. Popular training techniques included seminars, workshops, job instruction and counselling.

In SMEs in the Klaipeda region, feedback is often received from employees and from line managers, as well as from evaluation of job performance immediately and several months after training in order to see the effectiveness of training. Remuneration is seen as the main purpose of employee performance evaluation. Human resource information systems are used for payroll processing, employee records, evaluation, and induction processes.

The majority of organisations indicated their HR key performance indicators as human resource department costs to total costs, number of full-time employees per human resource department full-time employee, and human resource department costs per full-time employee. It is important for the organisations to ensure equal opportunities for all groups of employees, to ensure employee satisfaction, to support the employees, and to take care of the health and safety of the employees beyond what the law requires. More than a half of the participant organisations indicated that they would recruit one to four young people. However, the participants gave such conditions on hiring young people as: a person should have certain traits and wish to develop, or a person should have a practical experience to complete certain work activities.

The most important challenges for the participant organisations were attracting the right candidate, greater employee demands, building your employer brand, lack of human resource specialist, and the increase in minimum wage.

#### **4.5 HRM in SMEs in the West Yorkshire Region: Key Findings**

The quantitative survey was based on a previous qualitative survey and co-operation with selected SMEs in the SHARPEN project in the West Yorkshire region. As described in the methodology section, the quantitative survey in the West Yorkshire region was carried out from 1 January. Because of the low rate of return after first phase it had to be extended until 30 November 2018.

##### *4.5.1 Basic characteristics of respondents in the West Yorkshire region*

In West Yorkshire, a total of 92 companies participated in the survey. For the final data analysis, however, only 73 questionnaires could be retained because of significant gaps and

non-valid answers. This section presents a basic profile of the companies represented in the survey (see Table 29).

**Table 29 Profile of respondents according to company size**

Number of employees (size the company)	Responses	
	relative in %	absolute
1-9 employees (micro)	17.81	13
10-49 employees (small)	23.29	17
50-249 employees (medium)	58.90	43
<b>Total</b>	<b>100.00</b>	<b>73</b>

Source: own elaboration

Most of the respondents work in medium-sized companies. Around a third of the respondents represent family businesses. Most of the companies (n=61) had been established from the 1980s onward; eight of them were founded in the last 10 years, with one established in 2017. Other than these, two companies were established in the 19<sup>th</sup> century and five in the first half of the 20<sup>th</sup> century. Table 30 shows if SMEs indicate themselves also as family businesses.

**Table 30 Number of family businesses in West Yorkshire**

Family business	Responses	
	relative in %	absolute
Yes	32.80	24
No	67.12	49
<b>Total</b>	<b>100.00</b>	<b>73</b>

Source: own elaboration

The legal form of UK SMEs was in most cases incorporated (see Table 31), but with a significant number of charities (represented under the “other” option).

**Table 31 Legal form of UK SMEs respondents in West Yorkshire**

Legal forms of West Yorkshire SMEs	Responses	
	relative in %	absolute
Unincorporated (sole trader)	5.48	4
Incorporated (e.g. Ltd, plc, ...)	76.71	56
Co-operative	1.37	1
Other (please specify)	16.44	12
<b>Total</b>	<b>100.00</b>	<b>73</b>

Source: own elaboration

The main type of industry sector the surveyed organisations operate in the West Yorkshire region was manufacturing and construction, followed by human health and social work (this typically being represented by charities). Among the respondents, 63% indicated that their company has an HR department. In fact, most of the respondents come from medium-sized companies.

This section focuses on the performance of HRM activities (see Table 32). Around two thirds of the respondents work in companies with an HR department and the HR specialist seems to have quite an important role in performing more HR activities.

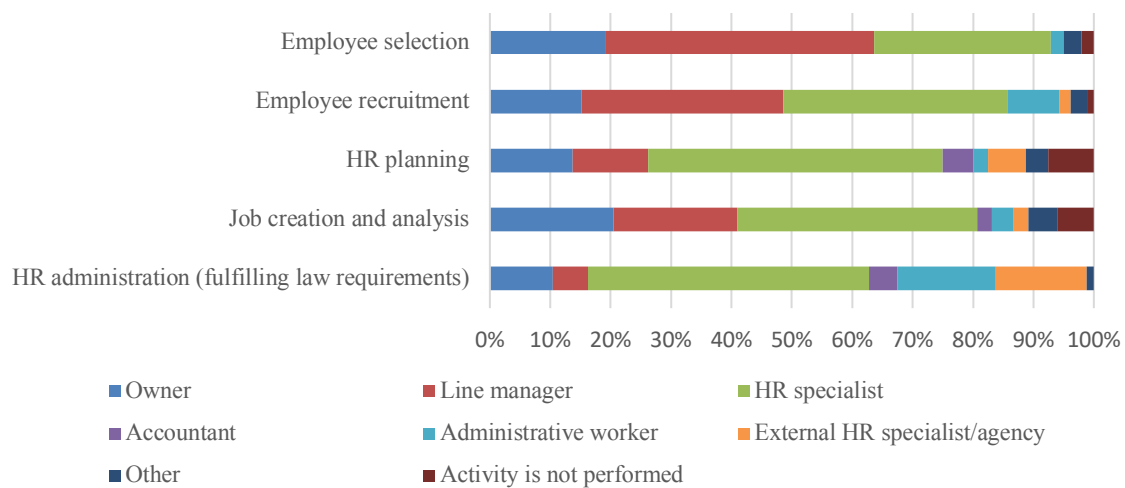
**Table 32 HR departments in SMEs in West Yorkshire**

HR departments in West Yorkshire SMEs	Responses	
	relative in %	absolute
Yes	63.01	46
No	36.99	27

Source: own elaboration

HR specialists are usually in charge of HR administration, but also planning and strategy; job creation and employee termination seem to be the other important tasks. Line managers seem to be equally important when it comes to career management. In the case of reward management, the owner also plays an important role. In general, all the activities focused on employee recruitment, induction, training and well-being seem to be especially important, while more strategic activities tend to fall behind (Figure 44 – Figure 46).

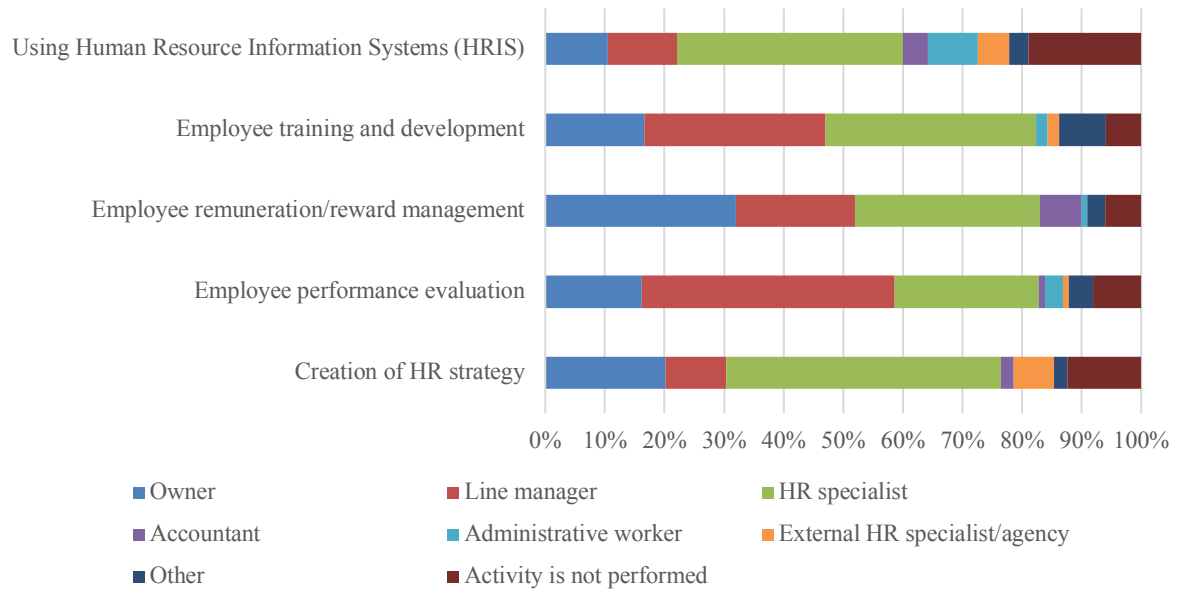
Who performs the following HRM activities?



**Figure 44 Responsibilities for key HRM activities in SMEs in West Yorkshire (1)**

Source: own elaboration

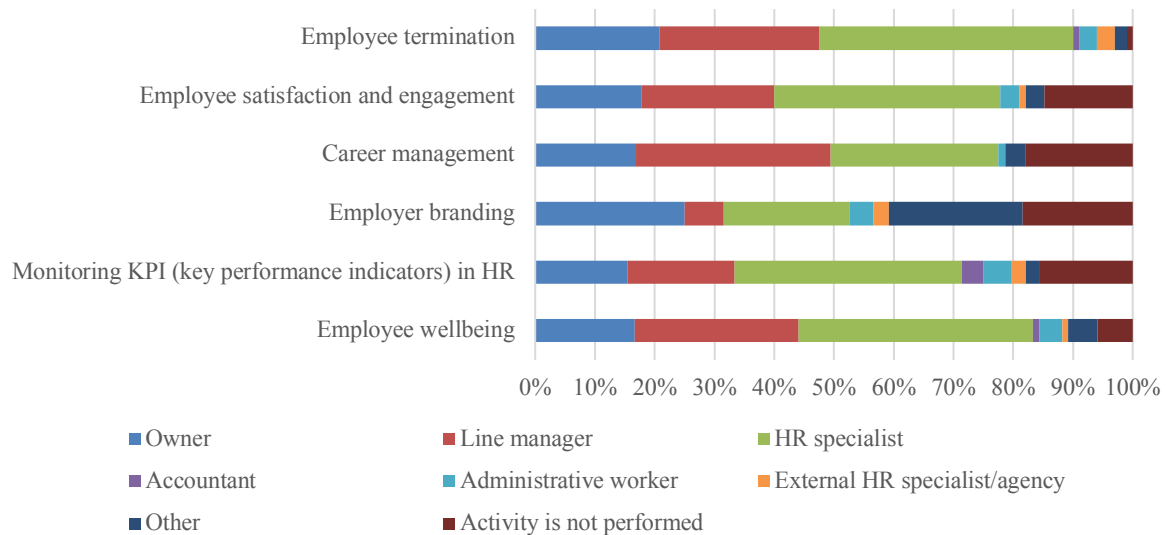
### Who performs the following HRM activities?



**Figure 45 Responsibilities for key HRM activities in SMEs in West Yorkshire (2)**

Source: own elaboration

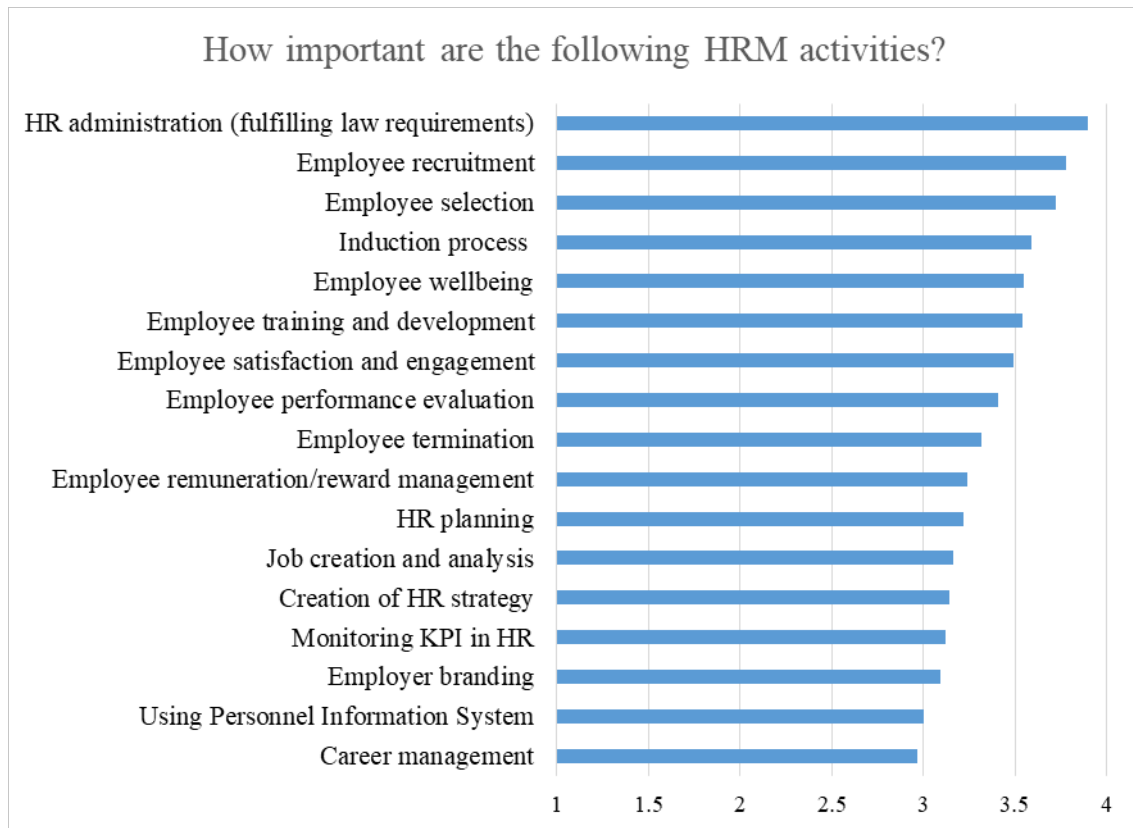
### Who performs the following HRM activities?



**Figure 46 Responsibilities for key HRM activities in SMEs in West Yorkshire (3)**

Source: own elaboration

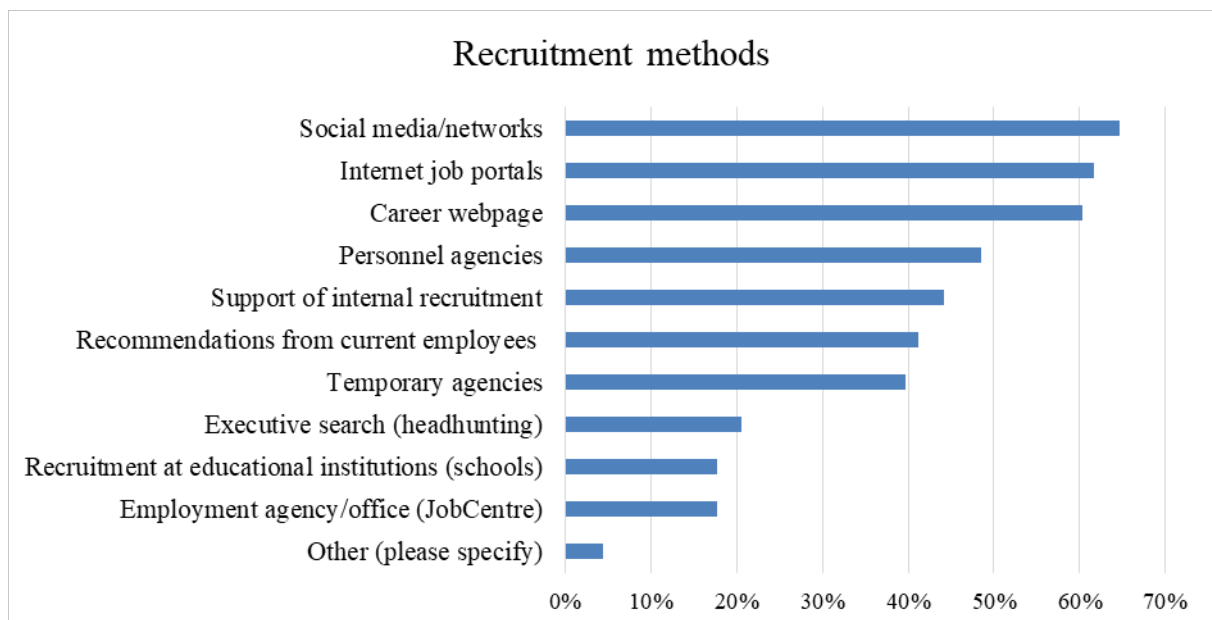
The most important HRM activities are HR administration, employee recruitment and selection. In contrary, career management and using of HRIS are considered not so important (Figure 47).



**Figure 47 Importance of key HRM activities in SMEs in West Yorkshire**

Source: own elaboration

In relation to the recruitment process, using of social media and internet job portals is most common (see Figure 48).

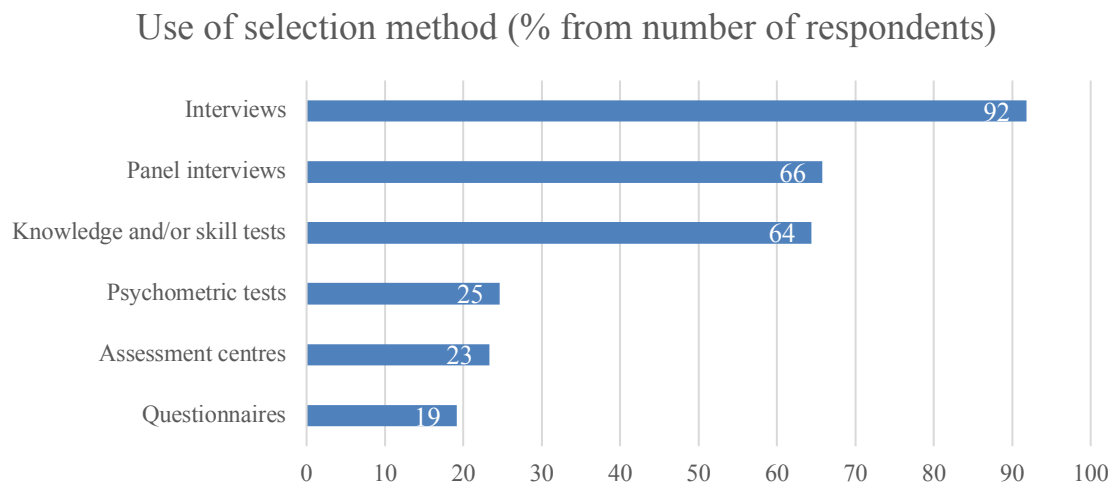


**Figure 48 Methods for recruitment process**

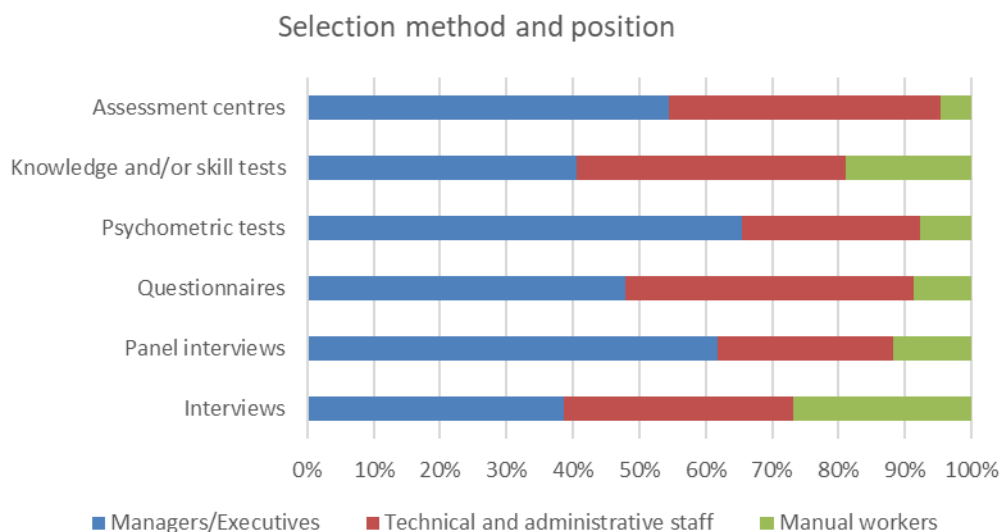
Source: own elaboration



In relation to the selection process, interviews are the most used method (Figure 50); however, this varies depending on the position. For example, when selecting managers, psychometric tests and assessment centres might be used as well (Figure 49).

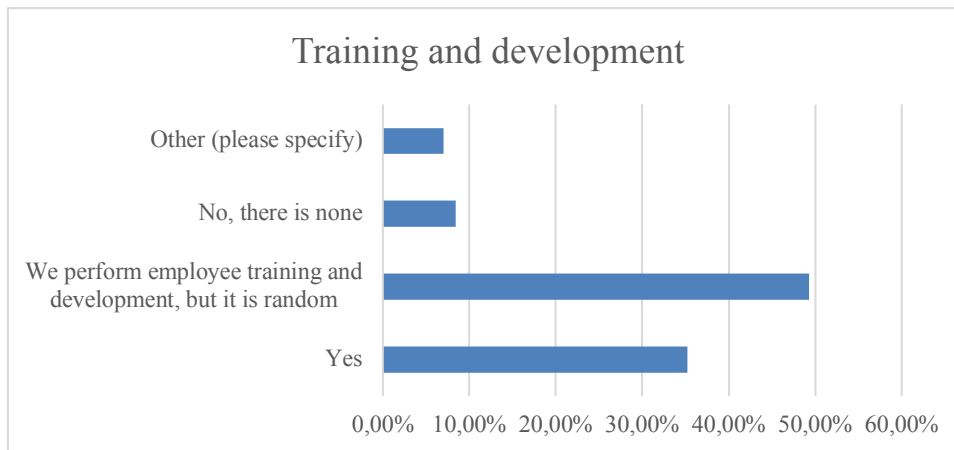


**Figure 49 Methods used for the selection process in SMEs in West Yorkshire**  
Source: own elaboration



**Figure 50 Methods used for the selection process in SMEs in West Yorkshire according to the position being recruited**  
Source: own elaboration

Learning and development is typically present, but often offered on a non-regular basis (Figure 51). The evaluation of performance also is not always systematic.



**Figure 51 Learning and development**

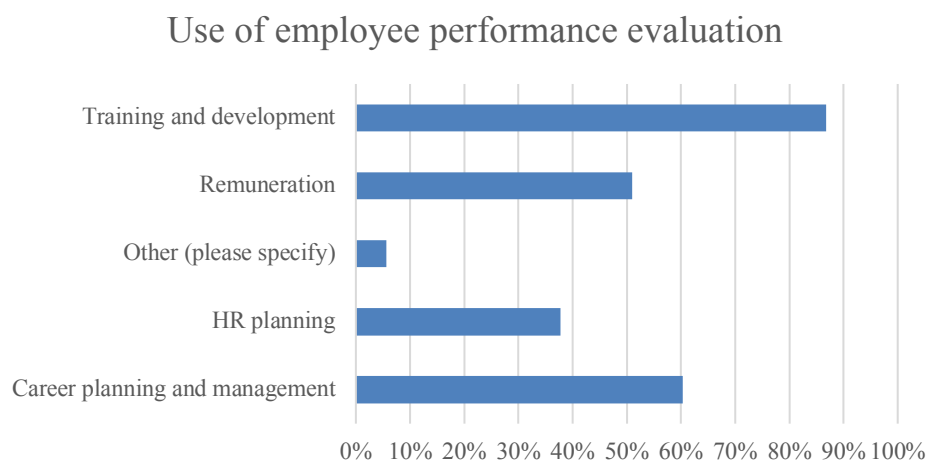
Source: own elaboration

**Table 33 Presence of systematic performance evaluation**

Systematic performance evaluation	Responses	
	relative in %	absolute
Yes	54.93	39
No	45.07	32
<b>Total</b>	<b>100.00</b>	<b>71</b>

Source: own elaboration

When performance evaluation is present, this is typically used to decide training and development needs, career planning, and remuneration (see Figure 52).



**Figure 52 Use of performance evaluation**

Source: own elaboration

The use of a Human Resource Information System is widespread for half of the respondents only (probably in the medium-sized companies; see Table 34).

**Table 34 Using HRIS (Human Resource Information System) in West Yorkshire**

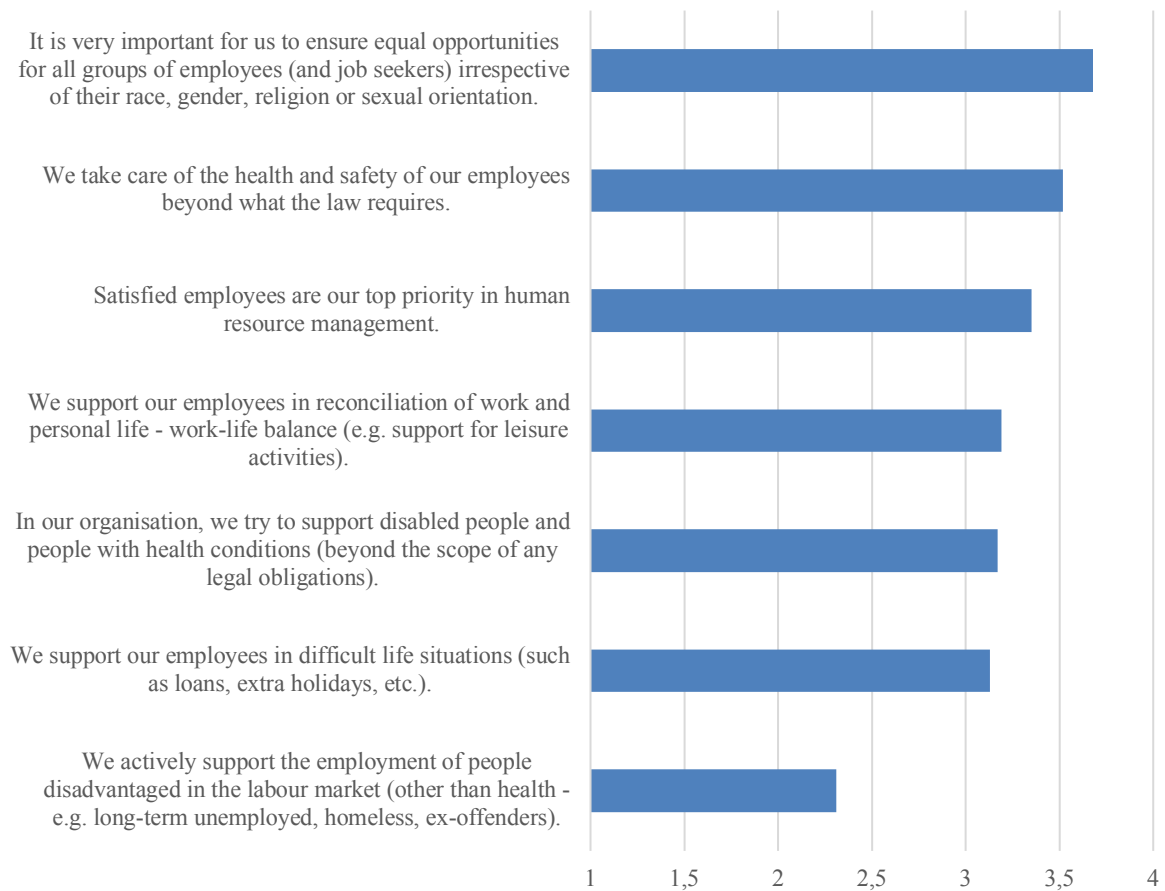
Answer Choices	Responses	
	relative in %	absolute
We do not use HRIS	45.45	30
Employee records	48.48	32
Payroll processing	36.36	24
Training and development	30.30	20
Evaluation	10.61	7
Medical records	15.15	10
Health and safety	7.58	5
Job descriptions	12.12	8
Induction process	15.15	10
Employee satisfaction surveys	7.58	5
Other (please specify)	4.55	3

Source: own elaboration

In relation to KPIs, absence rate and turnover rate are important. Among the ones not present in the list but mentioned by the respondents are diversity data, attrition rates, and hours worked /productivity.

This section presents a broader overview of the kind of social commitment and challenges perceived by SMEs in West Yorkshire. It looks like CSR is important, especially when it comes to equal opportunities (Figure 53).

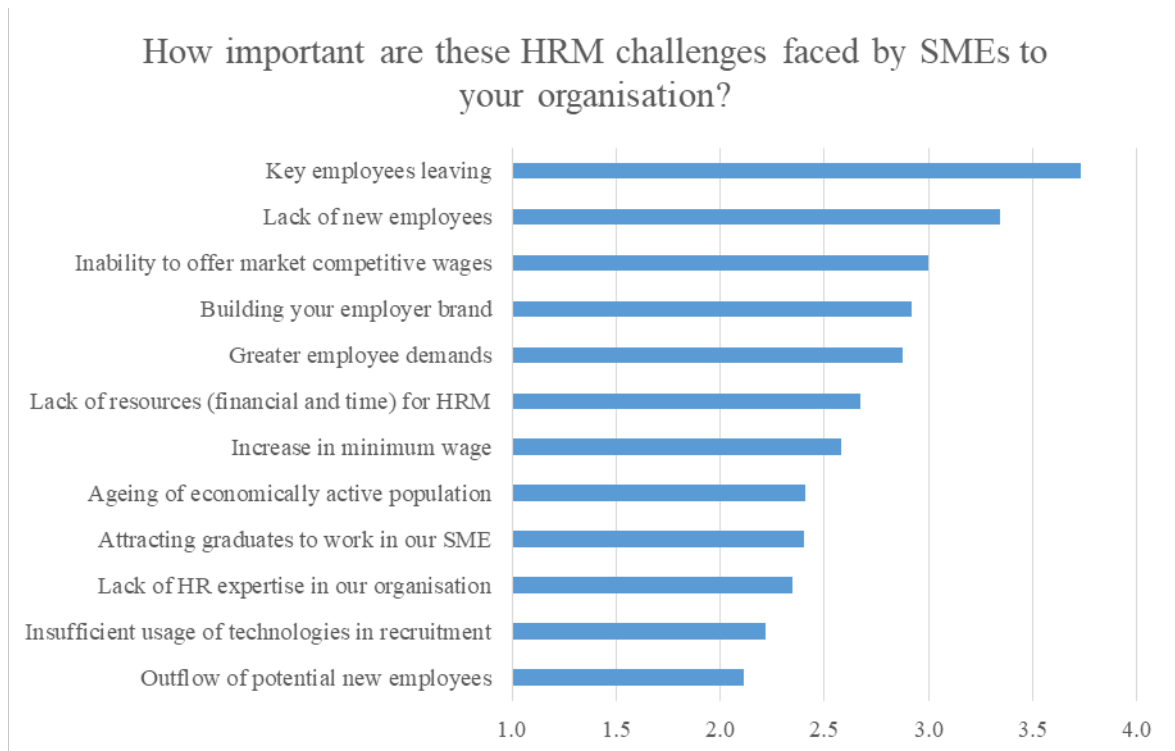
### Statements about CSR in SMEs in West Yorkshire



**Figure 53 Statements about CSR in SMEs in West Yorkshire**

Source: own elaboration

Among the biggest challenges for SMEs are: key employees leaving and lack of new employees. Also, inability to offer market competitive wages and building employer brand puts pressure on SMEs (Figure 54).



**Figure 54 Importance of HRM challenges faced by SMEs in West Yorkshire**

Source: own elaboration

#### 4.5.2 Limitations of this study

The study was conducted at a time of austerity post the Brexit referendum in the context of debates about the importance of the Northern Powerhouse to boost economic growth in the North of England. Yorkshire is the largest county in the UK and quite diverse, therefore, it is likely that the respondents are heterogeneous. It would be helpful to focus on a smaller sample based in Huddersfield, for example, to explore a geographically more limited ecosystem. There are also GDPR (General Data Protection Regulations) challenges about accessing organisations, as well as methodological issues of grouping together micro, small and medium-sized enterprises. Qualitative fieldwork on why employees are leaving would complement this study to explore, for example, whether non-UK native EU workers are returning home or migrating to other parts of the country or retiring.

#### 4.5.3 Recommendations and discussion

The 2018 SHARPEN survey of HRM in West Yorkshire SMEs has revealed that key concerns are retention, talented workers leaving and difficulties in replacing these workers with an attractive employer brand. While 63% of respondents confirmed that they have an HR department, there is clearly scope to focus on creative solutions to recruitment, retention, and talent management issues. Line managers clearly have an important role to play in managing talent and supporting personal development and engagement as well as satisfying employee demands. Additionally, in the West Yorkshire region it would seem there is scope to raise awareness amongst SMEs about the value of employing disadvantaged workers and to adopt social inclusion policies as well as HR information systems. Our sample was characterised by medium-sized incorporated organisations (rather than micro enterprises) operating since the 1980s, a third were family businesses, with a quarter operating in the manufacturing sector and over 20% in human health and social work. Further research might explore trends in different sectors and explore cases with proactive HR policies and

practices. In particular, we are also interested in organisational growth and how small businesses scale up as medium-sized enterprises with more than 49 employees and the HR implications.

## 5. Comparison of HRM in SMEs in five European regions: SHARPEN project results

This chapter contains a comparison of key findings about HRM processes in the five selected European regions. As mentioned in previous parts of this publication, the structure of topics and questions was based on a literature review, pilot testing of the questionnaire by SHARPEN team members and on experience gained in the first part of the SHARPEN project during qualitative data collection and cooperation with SMEs.

Twenty-eight identical questions were used in questionnaires across all five regions. An original English questionnaire was translated into Czech, Finnish, German and Lithuanian, respecting national legislation and specific terminology in each country.

### 5.1 Characteristics of Respondents in five European regions

To describe the sample of SMEs we asked them about their number of employees, how long they have been operating, their type of industry, status (private or social) and type of business (family and non-family businesses). As the Table 35 shows, the proportion of companies participating in the survey according the number of employees in all regions varied.

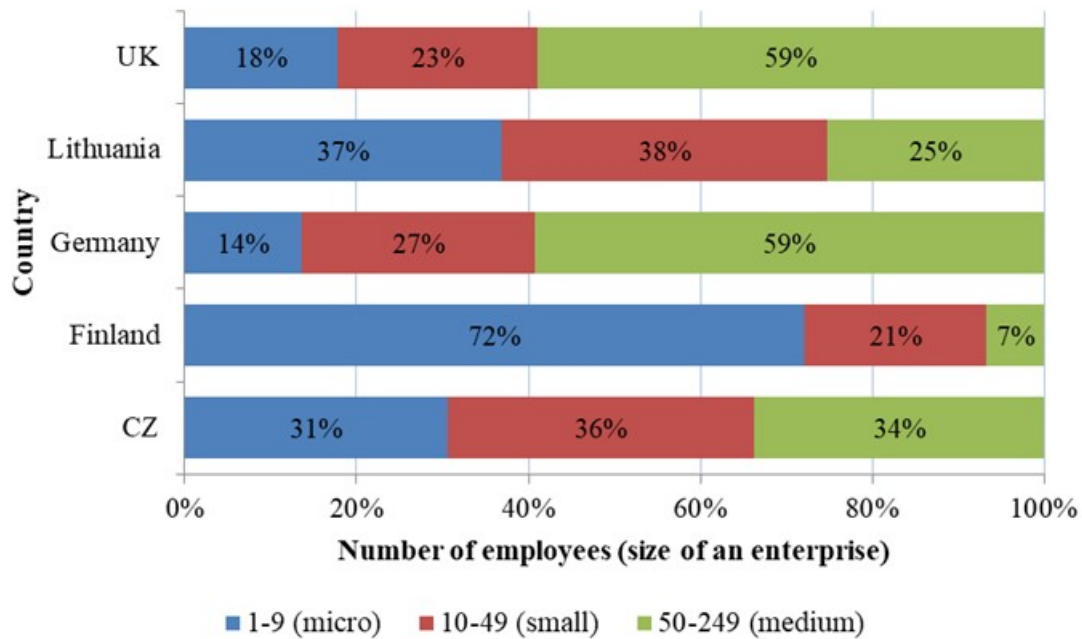
**Table 35 Structure of respondents (SMEs) in five European regions**

Number of employees (size of an enterprise)	Responses in countries									
	CZ		Finland		Germany		Lithuania		UK	
	%	abs.	%	abs.	%	abs.	%	abs.	%	abs.
<b>1-9 (micro)</b>	30.61	30	72.00	54	13.58	11	36.84	35	17.81	13
<b>10-49 (small)</b>	35.71	35	21.33	16	27.16	22	37.89	36	23.29	17
<b>50-249 (medium)</b>	33.67	33	6.67	5	59.26	48	25.26	24	58.90	43
<b>Total</b>	<b>100.00</b>	<b>98</b>	<b>100.00</b>	<b>75</b>	<b>100.00</b>	<b>81</b>	<b>100.00</b>	<b>95</b>	<b>100.00</b>	<b>73</b>

Source: SHARPEN survey 2018, own elaboration

The distribution of respondents across all five regions differed in their size. In Finland, in the Kajaani region, the biggest group of respondents were micro enterprises (up to nine employees) - 72% respondents. By contrast, in England, the largest proportion of respondents from the West Yorkshire region (59%) were medium-sized enterprises (see Figure 55).

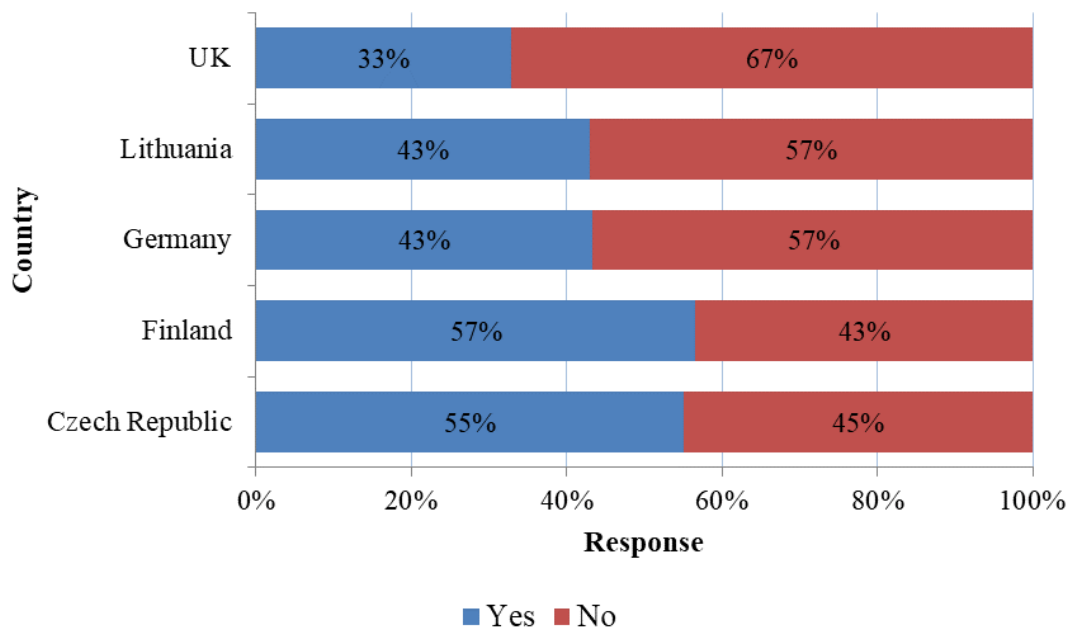




**Figure 55 Number of employees in SMEs in five European regions**

Source: SHARPEN survey 2018, own elaboration

SMEs are often family businesses. Also, the findings of our research confirmed that across all five regions there was quite a high share of family businesses between respondents. From 33% in the UK, up to 57% in Finland (see Figure 56). This structure is probably influenced by the company size - microenterprises quite often tend to be family businesses. The number of employees was a key factor influencing further findings in HRM across all five regions.



**Figure 56 SME as a family business**

Source: SHARPEN survey 2018, own elaboration

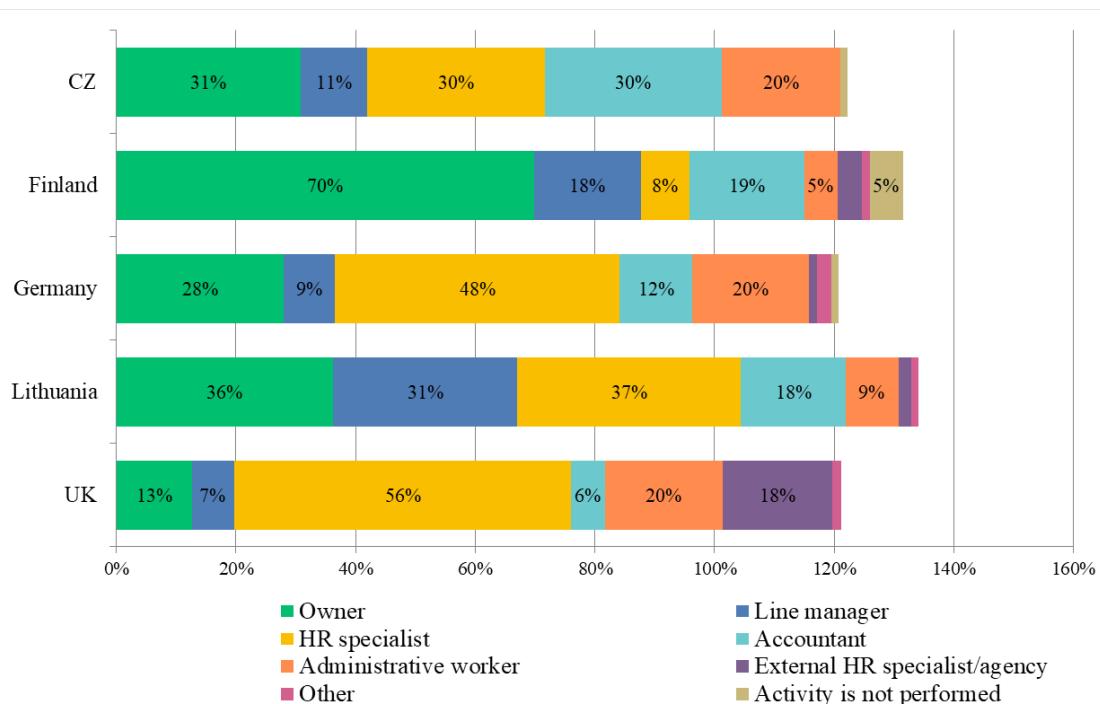
The literature review in previous chapters showed that HR structures in SMEs are often informal. In many cases, especially in small enterprises, HR activities are not performed by an HR professional and are shared between owners, line managers and accountants. Findings in our survey proved that there is not often an HR department in SMEs. Of course, the proportion between those with and without an HR department depended on the size of the SME. Therefore, in Finland where SMEs were mainly micro enterprises only just over 6% of respondents confirmed that they have an HR department. Comparing to this to the UK, 63% respondents declared that there is an HR department in their company (see Table 36).

**Table 36 HR department in SMEs in in five European regions**

HR department	Number of responses									
	CZ		Finland		Germany		Lithuania		UK	
	%	abs.	%	abs.	%	abs.	%	abs.	%	abs.
Yes	18.37	18	6.49	5	54.22	45	44.68	42	63.01	46
No	81.63	80	93.51	72	45.78	38	55.32	52	36.99	27
<b>Total</b>	<b>100.00</b>	<b>98</b>	<b>100.00</b>	<b>77</b>	<b>100.00</b>	<b>83</b>	<b>100.00</b>	<b>94</b>	<b>100.00</b>	<b>73</b>

Source: SHARPEN survey 2018, own elaboration

As Figure 57 shows, different employees are responsible for HR activities in SMEs. Administration-based HR activities are mostly practiced by the owner in Finland (this being probably related to the high number of micro-enterprises), and by HR professionals in Germany and in the UK (where most of the respondents are represented by medium enterprises). In Lithuania there is a greater balance between owner, HR practitioner, and line managers, while in the Czech Republic accountants (who are usually responsible for wage accounting) can perform HR activities as well (see Figure 57).



**Figure 57 Who performs HRM activities in your organisation**

Source: SHARPEN survey 2018, own elaboration

## 5.2 How are HR activities in SMEs ensured?

This part brings together the key finding of the SHARPEN research related to HRM processes in SMEs across five European regions. The survey revealed that SMEs consider some activities more important than others (see Table 37). We asked them about the importance on a scale of 1-4, where 1 meant not important and 4 very important.

Despite the differences in terms of company size (which affects the presence of devoted HR departments), there are some interesting common topics. Firstly, the main HR activities seem to be focused on recruitment and selection (and not much, for example, on HR strategy, branding and career development). Also, even in the companies with devoted HR departments, the presence of employees with an HR qualification is quite low. Typically, around half of the companies participating provide employees with some training, mostly in the form of seminars, workshops and counselling, even if often this is more of a random practice. Finally, there are challenges which are similar across the regions, such as key employees leaving and finding employees with the right skills. The implications of this for policy and practice will be discussed.

**Table 37 Importance of the following HRM activities for SMEs in five European regions**

HRM activity	Average importance				
	CZ	FIN	GER	LIT	UK
HR administration (fulfilling law requirements)	3.12	3.41	3.29	3.27	3.90
Job creation and analysis	2.80	3.57	2.88	3.09	3.16
HR planning	2.66	3.27	3.54	3.21	3.22
Employee recruitment	3.46	3.45	3.79	3.36	3.78
Employee selection	3.64	3.64	3.74	3.32	3.72
Induction process (e.g. welcome packages for employees)	3.20	3.39	3.58	3.18	3.59
Creation of HR strategy	2.43	3.06	3.07	2.85	3.14
Employee performance evaluation	3.30	3.29	3.14	3.05	3.41
Employee remuneration/reward management	3.46	3.46	3.23	2.89	3.24
Employee training and development	2.96	3.17	3.33	3.08	3.54
Using Personnel Information System	2.17	2.25	2.53	2.89	3.00
Employee well-being	3.20	3.70	3.03	3.11	3.55
Monitoring KPI (key performance indicators) in HR	1.85	2.73	2.51	3.13	3.12
Employer branding	3.01	2.89	2.79	2.95	3.09
Career management	2.57	2.79	2.59	2.93	2.97
Employee satisfaction and engagement	3.24	3.64	3.48	3.08	3.49
Employee termination	2.67	2.86	2.50	3.10	3.32

Source: SHARPEN survey 2018, own elaboration

*Note: Classification criteria for Table 37*

IMPORTANCE	INTERVAL	
Under the average	1.00	- 1.99
Average	2.01	- 2.99
Above the average	3.00	- 4.00

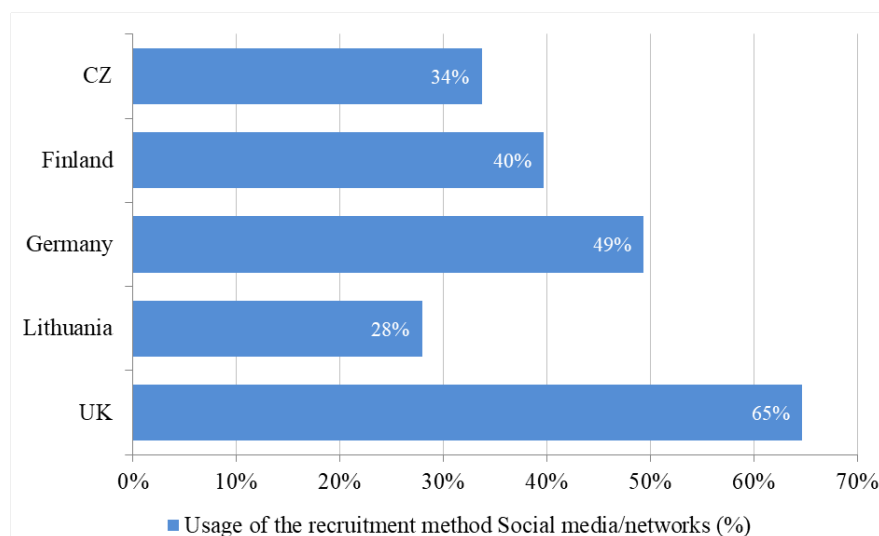
Source: SHARPEN survey 2018, own elaboration

As Table 37 above shows, the only activity considered as not so important in all five regions was career management. Also, use of an HRIS (human resource information system) and the measuring of KPI (key performance indicators) was considered as not so important. By comparison, HR administration and employee satisfaction were HR processes evaluated as very important by respondents in all five regions. For evaluation purposes our own approach was used where average answers were divided into three categories including ‘under average’ (red), ‘average’ and ‘over average’ (green) values. For these categories, intervals describing the importance were set. Green in the table means that the activity is considered as important.

HR processes identified by SMEs or in the literature review as the most important or challenging were further analysed in following part. For SMEs **use of social media, employer branding, employee recruitment, reward management, motivation and retention** were identified by them as the most important and also challenging sometimes. In these particular regions, attraction of the young generation to stay in the region and work for SMEs is also crucial. Moreover, **CSR** (corporate social responsibility) has increasingly become a part of SMEs’ HR activities. Some findings are also introduced in this chapter.

### 5.3 Digitalisation in HR

Nowadays social media plays a key role in informal communication, but also for companies, in communication with all stakeholders including employees and potential candidates. In our survey we learnt that social media for HR purposes in SMEs is not use as much as it could be. As the Figure 58 shows, except for the UK, less than 50% of SMEs confirmed using social media for recruitment.



**Figure 58 Use of social media/networks for recruitment in SMEs in five European regions**

Source: SHARPEN survey 2018, own elaboration

To support HRM processes and make them more effective, companies also use human resource information systems (HRIS). However, only those enterprises with a certain number of employees find the use of an HRIS worthwhile. Many respondents from micro and small enterprises adopt more informal processes. Table 38 below shows that an HRIS is not used very often, for example, nearly 70% of Czech respondents (SMEs) confirmed that they do not use an HRIS. This information was not available (NA) for all countries.

**Table 38 Using of Human Resource Information Systems (HRIS) in SMEs in five European regions**

HRM activity	CZ		Finland		Germany		Lithuania		UK	
	%	abs.	%	abs.	%	abs.	%	abs.	%	abs.
Employee records	28.77	21	53.70	29	69.84	44	54.55	48	48.48	32
Payroll processing	27.40	20	61.11	33	69.84	44	65.91	58	36.36	24
Training and development	12.33	9	11.11	6	31.75	20	27.27	24	30.30	20
Evaluation	8.22	6	14.81	8	12.70	8	35.23	31	10.61	7
Medical records	20.55	15	0.00	0	19.05	12	26.14	23	15.15	10
Health and safety	19.18	14	7.41	4	23.81	15	22.73	20	7.58	5
Job descriptions	13.70	10	18.52	10	33.33	21	27.27	24	12.12	8
Induction process	2.74	2	20.37	11	39.68	25	38.64	34	15.15	10
Employee satisfaction surveys	5.48	4	11.11	6	20.63	13	9.09	8	7.58	5
Other (please specify)	0.00	0	12.96	7	9.52	6	7.95	7	4.55	3
We do not use HRIS	68.49	50	NA	NA	NA	NA	NA	NA	45.45	30

Source: SHARPEN survey 2018, own elaboration

## 5.4 Performance management

Performance management is an important part of HR practices, which help to motivate and retain satisfied and engaged employees. Activities including performance evaluation are mainly conducted by line managers and, in the case of micro and small enterprises, by the owner (see Table 39).

**Table 39 Who performs the employee performance evaluation (%)**

Country	Responsible person							
	Owner	Line manager	HR specialist	Accountant	Admin. worker	External HR specialist / agency	Other	Activity is not performed
<b>CZ</b>	36.71	56.96	10.13	1.27	1.27	1.27	6.33	5.06
<b>Finland</b>	72.22	47.22	4.17	0.00	2.78	0.00	4.17	5.56
<b>Germany</b>	33.73	71.08	20.48	0.00	2.41	0.00	4.82	2.41
<b>Lithuania</b>	21.11	50.00	23.33	5.56	11.11	2.22	5.56	5.56
<b>UK</b>	22.54	59.15	33.80	1.41	4.23	1.41	5.63	11.27

Source: SHARPEN survey 2018, own elaboration

Table 40 shows that the performance evaluation (appraisal) process is often informal (around 50%), except for Finland where it is nearly 85% (but the result is again influenced by the respondents' structure).

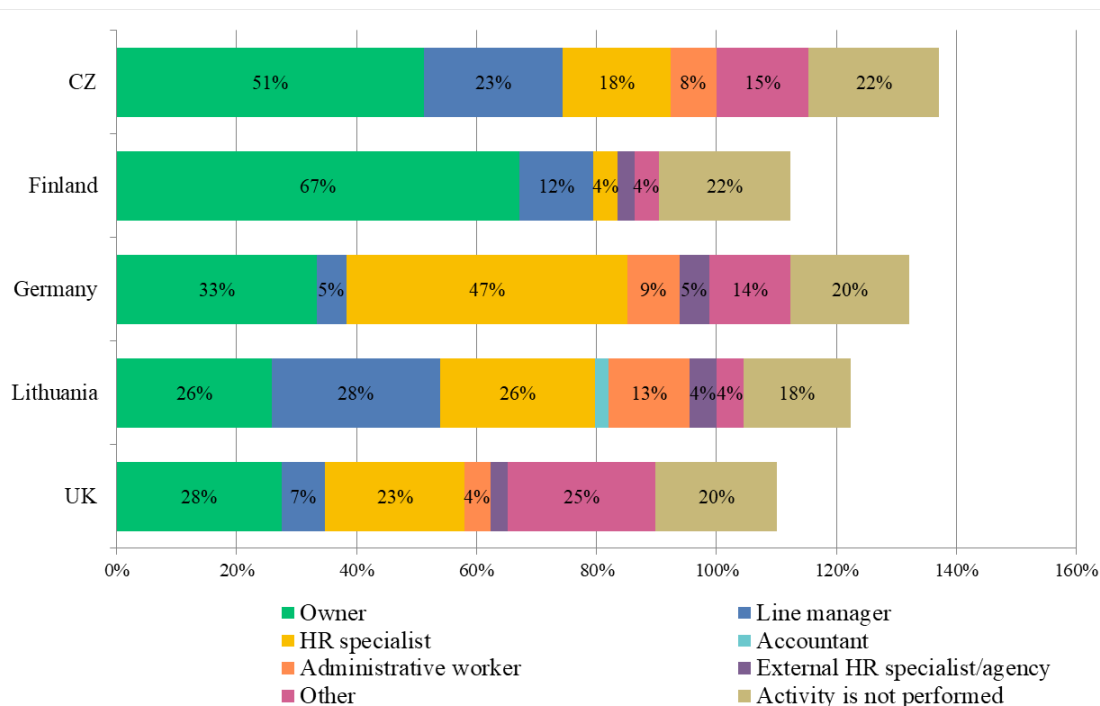
**Table 40 Formal (systematic) employee performance evaluation process in SMEs in five European regions**

Response	Number of responses									
	CZ		Finland		Germany		Lithuania		UK	
	%	abs.	%	abs.	%	abs.	%	abs.	%	abs.
Yes	43.24	32	15.28	11	45.24	38	44.57	41	54.93	39
No	56.76	42	84.72	61	54.76	46	55.43	51	45.07	32
<b>Total</b>	<b>100.00</b>	<b>74</b>	<b>100.00</b>	<b>72</b>	<b>100.00</b>	<b>84</b>	<b>100.00</b>	<b>92</b>	<b>100.00</b>	<b>71</b>

Source: SHARPEN survey 2018, own elaboration

### 5.5 Employer branding

Employer branding (EB) is important to support an organisation's image to its own employees and to those who are associated with the organisation from the outside. In some regions (CZ, UK) this activity was confirmed as very important, in others as not important. For activities related to EB, mainly the owner or HR specialists are responsible. For internal EB, line managers also are involved (in LIT 28%, in CZ 23% - see Figure 59).

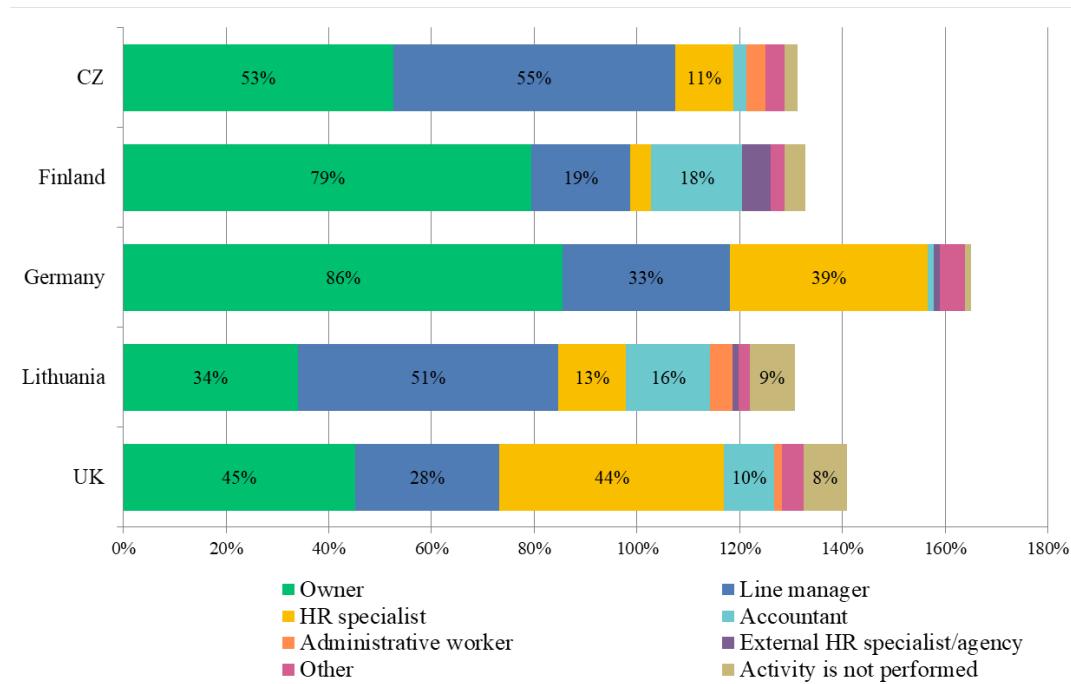


**Figure 59 Who performs employer branding (responses relative in %) in SMEs in five European regions**

Source: SHARPEN survey 2018, own elaboration

## 5.6 Reward management

Employees can be motivated and engaged only when the reward system is targeted and uses fair-minded tools. It is important to understand the importance of reward management in SMEs. We discovered that reward management is mainly conducted by owners together with line managers. HR specialists usually play a supportive role with the system and tools (see Figure 60).



**Figure 60 Who performs the reward management (in %)**

Source: SHARPEN survey 2018, own elaboration



## 5.7 Corporate social responsibility

Corporate social responsibility means a voluntary commitment of any company (including SMEs) to act in a more socially responsible manner, i.e. to take responsibility for its impact on society including employees and the environment. It may not be considered by many SMEs as important, however, nowadays it has become an essential activity for many of them. Therefore, we tried to find out what SMEs see as crucial from the point of view of CSR and HRM. Based on the literature review, we selected several statements to describe CSR in SMEs (see Table 41). Equal opportunities for all groups of employees, satisfied employees and support our employees in difficult life situations were identified as the most important.

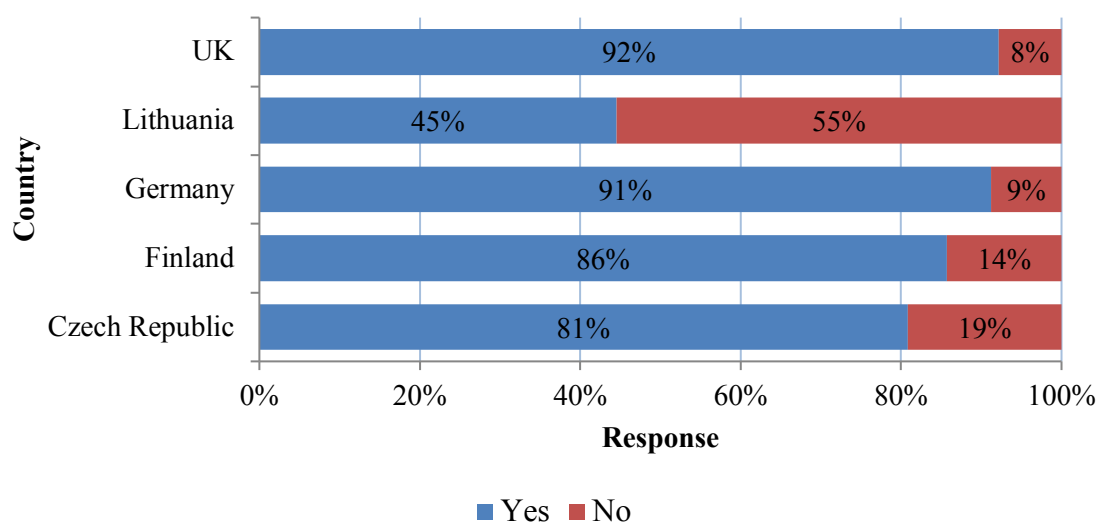
**Table 41 CSR issues in SMEs in five European regions**

Statement	Average importance				
	CZ	Finland	Germany	Lithuania	UK
In our organisation we try to support disabled people and people with health conditions (beyond the scope of any legal obligations).	2.20	2.49	3.20	2.47	3.17
We actively support the employment of people disadvantaged in the labour market (other than health - e.g. long-term unemployed, homeless, ex-offenders).	1.95	2.37	2.36	2.39	2.31
It is very important for us to ensure equal opportunities for all groups of employees (and job seekers) irrespective of their race, gender, religion or sexual orientation.	3.21	3.35	3.61	3.16	3.68
Satisfied employees are our top priority in human resource management.	3.58	3.68	3.72	3.34	3.35
We support our employees in reconciliation of work and personal life - work-life balance (e.g. support for leisure activities).	2.92	3.39	3.58	3.09	3.19
We support our employees in difficult life situations (such as loans, extra holidays, etc.).	3.29	3.29	3.36	3.12	3.13
We take care of the health and safety of our employees beyond what the law requires.	2.90	3.17	3.24	3.08	3.52

Source: SHARPEN survey 2018, own elaboration

## 5.8 Employment of members of the younger generation

One of the key aims of the SHARPEN project was to help SMEs to attract and retain the younger generation in their region. This was because very few regions are seeking to create favourable conditions for young people, who can help to create added value and increase region competitiveness.



**Figure 61 How SMEs consider to employ young generation**

Source: SHARPEN survey 2018, own elaboration

SMEs were asked if they intend to hire young people in the next three years (see Figure 61). Except in Lithuania, the intention is highly supported by SMEs, but it was also 45%.

In Lithuania, the reason for lower intention to employ young generation were identified as these.

- 1) Lack of business confidence in the youth, and therefore not employing them (SMEs think young generation does not have enough knowledge, competences, they are not satisfied with the training of specialists in higher education and work).
- 2) Young people's expectations often exceed business opportunities (young people want higher wages, to stay in cities and this is what small businesses cannot/do not want offer).
- 3) Companies, which participated in SHARPEN survey, may have fully formed teams and do not foresee any changes in the future, so employers simply do not have a need and are not looking for them.
- 4) Where some sort of qualification is needed (not salesmen, the service industry), business is not inclined to employ people with no experience, and most often young people do not have that experience.

Despite the fact that for Lithuanian SMEs employment of young generation is not as attractive as in the rest surveyed regions, results confirmed the importance to them of employing this group of people from the labour market.

## Conclusion

This publication, based on the research of HR needs in regional SMEs, brought interesting findings about the situation in SMEs in Europe. The research conducted by five teams from five European regions and universities aimed to investigate current HR needs in regional small and medium-sized enterprises (SMEs) in the European context, and to conduct an analysis of the labour market in these regions. Originally, the idea came from an assumption that these five regions have been facing similar demographic developments and challenges that provoke fundamental changes in their respective labour market. Changes such as an ageing population, lack of qualified workers, immigration issues or a shrinking population of young people influence a lot of situations in SMEs nowadays. This means it is becoming more and more important to help SMEs attract and retain talent and pay attention to human resource management (HRM) in the organisational environment.

Despite limitations of the survey and results (e.g. the size, structure and representativeness of the sample), we can say that the survey was unique in its structure as it covered five European regions with similar challenges. It is highly valued that SMEs provided information based on an identical online questionnaire translated into five languages (see Appendix 1-5). The Chambers of Commerce (CoC), as well as other institutions in the regions, played an important role in enabling the survey to achieve sufficient (higher) participation rates. In addition, these institutions will further help with the dissemination of the study results back to the SMEs and other target groups.

For SMEs, the use of social media, employer branding, employee recruitment, reward management, motivation and retention were identified as the most important HRM activities and sometimes the most challenging to carry out. Based on collected data and key findings from project partners a background of systematic information was prepared to create relevant content for the HRM learning modules and the Handbook and all these topics were included. Our results opened a perspective of a more diverse workforce by employing young people - graduates from universities, under-represented groups such as immigrants, elderly people, and people with disabilities. As long as SMEs are willing and able to seek and attract, for example, talented individuals from overseas (that very often study in our universities and are willing to stay in the region and work for regional companies), it can also open future perspectives for them. The SHARPEN project identified examples and best practice cases during the three year-long cooperation with regional SMEs.

This publication helps to map SMEs needs and thus to identify key topics of the Handbook and learning module which are the other outputs of the SHARPEN project. Based on the literature overview, surveys, theoretical and practical insights from working with SMEs in five European countries over three years, we structured questions for the survey and discussed topics such as the HR professional's role, recruitment using social media, selection, corporate social responsibility, learning and development, workforce integration, retention, HR systems and HR challenges for SMEs. We are proud of the fact that many of the survey findings came into practice via cooperation between students and academics with SMEs and local institutions and were implemented in practical tools created within the SHARPEN project. All the project outputs confirmed the importance of networking between SMEs, universities, professional associations and policy-makers and the need for flexibility. A summary of results provided in this publication opens an area for further discussion, dialog and topic development among the professional audience.

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## Summary

The topic of human resources management is currently very relevant for small and medium-sized enterprises. In SMEs there are often more informal and less complex procedures in human resource management without a strategic dimension. In smaller organisations with fewer than 250 employees, human resource management is typically provided not by internal HR experts but by the owners together with managers of other functional areas.

A collaborative cross-regional research aimed to get data from five European regions in order to map HR processes, analyse data and compare findings across the five regions. The whole process before this publication could be written involved literature and secondary data review, preparation of methodology and phases of data collection. Based on this the collection of primary data was ensured where the partner universities used strengths and competences to generate new insights, knowledge and comparative analysis in order to contribute to closing gaps in the HRM for SMEs fields.

The aim of the publication is to analyse the processes in the area of human resources management based on the obtained primary data, to bring the main findings in HR for SMEs and to define the challenges, which are then addressed by other SHARPEN project outputs. Results confirmed that the approach to HRM in SMEs is rather informal, provided not only by an HR specialist, but also by the owner or other managers. The results also confirmed considerable variability in the approach to human resource management across countries and SMEs. Often the tools used in individual HR activities differ (e.g. intensity of social networking in recruitment). On the other hand, SMEs across these regions have shown very similar challenges they face today. Trying to retain high-quality employees or attract new generation is a pressing issue for all SMEs. The revelation of these topics and the setting up of international and regional cooperation gives space for further exploration and production of outputs for academia and business practice.

**Key words:** Human resource management, Small and medium-sized enterprises, research, questionnaire, challenges in HR





## **Appendix 1: Questionnaire for SMEs**



## Human Resource Management in Small and Medium Enterprises

### Introductory paragraph

Thank you for agreeing to participate in this "HRM in regional SMEs" questionnaire for a project funded by the European Union (entitled SHARPEN).

The purpose of this questionnaire is to compare formal and informal human resource management (HRM) policies and practices in regional SMEs (enterprises with under 250 employees) in Europe across the HR cycle. Our findings will inform workshops for university students to better understand the challenges faced by SMEs in managing people. We will also create a free handbook for practitioners.

All data collected will be anonymised as part of this Erasmus Plus project in collaboration with five universities - The University of Liberec, Czech Republic; The University of Huddersfield, UK; West Saxon University of Applied Sciences of Zwickau, Germany; Kajaani University of Applied Sciences, Finland, and SMK University of Applied Social Sciences, Lithuania.

If you have any questions, please contact: Julie Davies, email: [j.a.davies@hud.ac.uk](mailto:j.a.davies@hud.ac.uk).

1. How many staff (Full Time Equivalent) do you employ in your organisation?

- ☐ 1-9
- ☐ 10-49
- ☐ 50-249

2. In which year was your organisation established?

3. Do you consider yourself a family business?

- ☐ Yes
- ☐ No

#### 4. What is the legal form of your organisation?

- ☐ Unincorporated (Sole trader)
- ☐ Incorporated (Ltd, plc,...)
- ☐ Co-operative
- ☐ Other (please specify)

#### 5. What is the main type of industry sector your organisation operates in? (NACE classification)

- ☐ Agriculture, forestry and fishing
- ☐ Mining and quarrying
- ☐ Manufacturing
- ☐ Electricity, gas, steam and air conditioning supply
- ☐ Water supply; sewerage, waste management and remediation activities
- ☐ Construction
- ☐ Wholesale and retail trade; repair of motor vehicles and motorcycles
- ☐ Transportation and storage
- ☐ Accommodation and food service activities
- ☐ Information and communication
- ☐ Financial and insurance activities
- ☐ Real estate activities
- ☐ Professional, scientific and technical activities
- ☐ Administrative and support service activities
- ☐ Public administration and defence; compulsory social security
- ☐ Education
- ☐ Human health and social work activities
- ☐ Arts, entertainment and recreation
- ☐ Other service activities
- ☐ Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use



**6. Does your organisation have an HR department?**

☐ Yes

☐ No

**7. If the answer is NO, how many other (full-time) employees perform the duties and activities of HRM in your organisation?**

**8. If the answer is YES, how many HR (full-time) employees are in the HR department (yourself included)?**

**9. Are you in the role of an HR specialist in your organisation?**

☐ Yes

☐ No (please specify your role/position)

**10. If the answer is YES, how long have you worked in this role? (in years)**

**11. What is your highest achieved level of education?**

☐ Primary

☐ Lower secondary

☐ Upper secondary (A-level, Abitur)

☐ Bachelor's degree

☐ Master's degree

☐ Doctoral

☐ Other (please specify)

**12. What is your HR qualification (if any)?**

13. Are you a member of an HR professional body?

☐ Yes

☐ No

Please specify which professional body (voluntary)

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Human Resource Management in Small and Medium Enterprises

14. Who performs the following HRM activities in your organisation?

	Owner	Line manager	HR specialist	Accountant	Administrative worker	External HR specialist/agency	Other	Activity is not performed
HR administration (fulfilling law requirements)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Job creation and analysis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HR planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee recruitment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee selection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Induction process (e.g. welcome packages for employees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creation of HR strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee performance evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee remuneration/reward management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee training and development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Using Human Resource Information Systems (HRIS)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee wellbeing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monitoring KPI (key performance indicators) in HR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employer branding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Career management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee satisfaction and engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee termination	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. How important are the following HRM activities for your organisation?

	Not important	Of little importance	Slightly important	Very important	N/A
HR administration (fulfilling law requirements)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Job creation and analysis	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
HR planning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee recruitment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee selection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Induction process (e.g. welcome packages for employees)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Creation of HR strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee performance evaluation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee remuneration/reward management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee training and development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Using Personnel Information System	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee wellbeing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring KPI (key performance indicators) in HR	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employer branding	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Career management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee satisfaction and engagement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee termination	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## 16. Which recruitment methods do you use?

- ☐ Career webpage (e.g. Career section on your website)
- ☐ Internet job portals
- ☐ Personnel agencies
- ☐ Temporary agencies (employing temporary agency workers)
- ☐ References/recommendations from current employees (employee referral programme)
- ☐ Employment agency/office (JobCentre)
- ☐ Social media/networks
- ☐ Recruitment at educational institutions (schools)
- ☐ Support of existing employees for internal recruitment
- ☐ Executive search (headhunting)
- ☐ Other (please specify)

## 17. Which selection methods do you use for the following positions?

	Managers/Executives	Technical and administrative staff	Manual workers
Interviews	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Panel interviews	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Questionnaires	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Psychometric tests	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge and/or skill tests	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assessment centres	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (please specify)





18. Is there systematic employee training and development in your organisation?

- ☐ Yes
- ☐ We perform employee training and development, but it is random
- ☐ No, there is none
- ☐ Other (please specify)

19. Which training and development techniques do you use?

- ☐ Seminars
- ☐ Workshops
- ☐ Lectures
- ☐ Job instruction
- ☐ Mentoring
- ☐ Coaching
- ☐ Counselling
- ☐ Job rotation
- ☐ Simulation
- ☐ Brainstorming
- ☐ Webinars
- ☐ E-learning
- ☐ Management games (gamification)
- ☐ Outdoor training
- ☐ Assessment centre
- ☐ Other (please specify)

20. Which techniques do you use to evaluate effectiveness of training and development methods?

- ☐ Feedback from employees
- ☐ Feedback from line managers
- ☐ Job performance immediately after training
- ☐ Job performance several months after training
- ☐ Return on investment (ROI)
- ☐ Practical tests of gained knowledge or skills
- ☐ None
- ☐ Other (please specify)

21. Is there a formal (systematic) employee performance evaluation process in your organisation?

- ☐ Yes
- ☐ No

22. The results of employee performance evaluation are used for:

- ☐ Remuneration
- ☐ Training and development
- ☐ Career planning and management
- ☐ HR planning
- ☐ Other (please specify)



23. For which HRM activities do you use Human Resource Information Systems (HRIS)?

- ☐ We do not use HRIS
- ☐ Employee records
- ☐ Payroll processing
- ☐ Training and development
- ☐ Evaluation
- ☐ Medical records
- ☐ Health and safety
- ☐ Job descriptions
- ☐ Induction process
- ☐ Employee satisfaction surveys
- ☐ Other (please specify)

24. Which Key Performance Indicators - KPIs (if any) in HRM do you monitor?

- ☐ HR Department Costs to Total Costs
- ☐ Number of Full Time (FT) Employees per HR department FT employee
- ☐ HR Department Costs per FT employee
- ☐ Cost per hire (external recruitment costs / external recruits)
- ☐ Number of days needed to fill in job positions
- ☐ Cost of Learning and Development (L&D) per FT employee
- ☐ Internal L&D cost per FT employee
- ☐ External L&D cost per FT employee
- ☐ Number of L&D hours per FT employee
- ☐ Average number of L&D activities per employee
- ☐ Absence rate
- ☐ Number of absence days per FT employee
- ☐ Turnover rate
- ☐ Number of occupational injuries (accidents) per 1 000 employees
- ☐ Other (please specify)

25. To which extent do you agree with the following statements?

	Not at all	Rather not	Rather yes	Definitely yes	N/A
In our organisation, we try to support disabled people and people with health conditions (beyond the scope of any legal obligations).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We actively support the employment of people disadvantaged in the labour market (other than health - e.g. long-term unemployed, homeless, ex-offenders).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is very important for us to ensure equal opportunities for all groups of employees (and job seekers) irrespective of their race, gender, religion or sexual orientation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Satisfied employees are our top priority in human resource management.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We support our employees in reconciliation of work and personal life - work-life balance (e.g. support for leisure activities).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We support our employees in difficult life situations (such as loans, extra holidays, etc.).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We take care of the health and safety of our employees beyond what the law requires.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

26. How important are these HRM challenges faced by SMEs to your organisation?

	Not important	Of little importance	Slightly important	Very important
Key employees leaving	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of new employees (Attracting the right candidate to vacant position)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Greater employee demands (demand for pay increase, benefits, working environment, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inability to offer market competitive wages (inability to compete with large companies in terms of wages)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Building your employer brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of HR expertise in our organisation (lack of HR specialist)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of resources (financial and time) for HRM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attracting graduates to work in our SME	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insufficient usage of technologies in recruitment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outflow of potential new employees (especially from generation Y/Z) from your region (e.g. to large cities)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase in minimum wage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ageing of economically active population	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Is there any other challenge that you feel is important to your organisation? (please specify)

**Additional questions**

27. How many young people (<25 years) have you recruited in the last three years?

- ☐ None
- ☐ 1-4
- ☐ 5-10
- ☐ more than 10

28. Do you intend to hire young people (<25 years) over the next three years?

- ☐ Yes
- ☐ No

Comment

29. What are the particular HRM challenges for you as a regional SME?

30. What are your key networks?

- ☐ With universities
- ☐ Chambers of commerce
- ☐ Professional bodies
- ☐ Other (please specify)

**Thank you for participating in this study. You have contributed to a better understanding of Human Resource specifics in small and medium-sized enterprises. You can watch the progress of the project on our website: [sharpen.ef.tul.cz](http://sharpen.ef.tul.cz) where we will also post the outputs, including a Free Handbook for HR practitioners.**

**REVIEW OF *People management challenges for SMEs in five European regions***  
(IN THE ENGLISH LANGUAGE)

I am pleased to have been asked to provide an independent review of the above named output of the EU Erasmus + funded Project SHARPEN. I am not a HRM specialist, but I can see quite clearly that the output is of high quality and meets accepted academic standards.

The report provides a literature review of HRM in SMEs. It then outlines the SME populations in the five regions which were surveyed by the Project SHARPEN university consortium. The report focuses in particular on the findings of a questionnaire survey of SMEs in these five regions. This investigated their use of HRM techniques and activities. The similarities and differences which were found in the five regions/countries are identified.

The project consortium and the authors, in particular, are to be congratulated on the production of a high quality report on the findings of Project SHARPEN.

**Prof. John R Anchor**  
Professor of International Strategy  
University of Huddersfield  
15 August 2019



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