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HRM challenges in SMEs: an explorative study in five European countries

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Introduction

- The SHARPEN project

- The study: existing evidence and methods

- Main findings

- Contribution

SHARPEN

- Erasmus+ project

- Five EU countries: Czech Republic, Finland, Germany, Lithuania, and the UK

AIMS

- Understand HRM in SMEs

- Provide up-to-date evidence for scholars, students and practitioners

Learning module (from 2017 – ongoing)
– prepare new talents in HRM for SMEs

eHandbook (2019)
– support SMEs in HR practices

Survey and reserach study (2018 - 2019)
– find out key needs and challenges of SMEs in 5 regions

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The study: existing evidence

Challenges of HRM in SMEs (particularly in peripheral regions):

- key employees leaving and lack of new employees,

- attracting graduates and outflow of potential new employees from the region,

- increased employee demands and increase in minimum wage,

- ageing of economically active population,

- insufficient use of new technologies in recruitment,

- lack of HR expertise and/or lack of resources for HRM.

(Allen et al., 2013; Galabova and McKie, 2013; Garavan et al., 2016; Gray and Short, 2017; Nolan and Garavan, 2016; Panagiotakopoulos, 2011; Prouska et al., 2016; Tam and Gray, 2016)

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The study: methods

Case study + survey across the five regions involved

The survey investigates the following:

- details about the SME (e.g. is there an HR department?)
- details about the person in charge of HRM
- main HRM activities
- recruitment and selection
- training and development
- how employees' performance is conducted
- KPIs used by the company
- HRM challenges

Survey – more than 400 SMEs
in 5 regions, in 2018, companies
questioned
in 5 EU regions

Key challenges:

- **Retention of employees**

- **Attraction of employees**

- **Building employer brand**

Results: number and structure of respondents

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

Source: Sharpen survey, own elaboration

Various structure of respondents (UK - mainly medium companies, CZ – evenly distributed among all 3 categories)

Results: number of HR departments

HR dpt	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
Total	100.00	98	100.00	77	100.00	83	100.00	94	100.00	73

Source: Sharpen survey, own elaboration

HR department in SMEs – more common in the UK (63% have it) than in the CZ (only 18% have it)
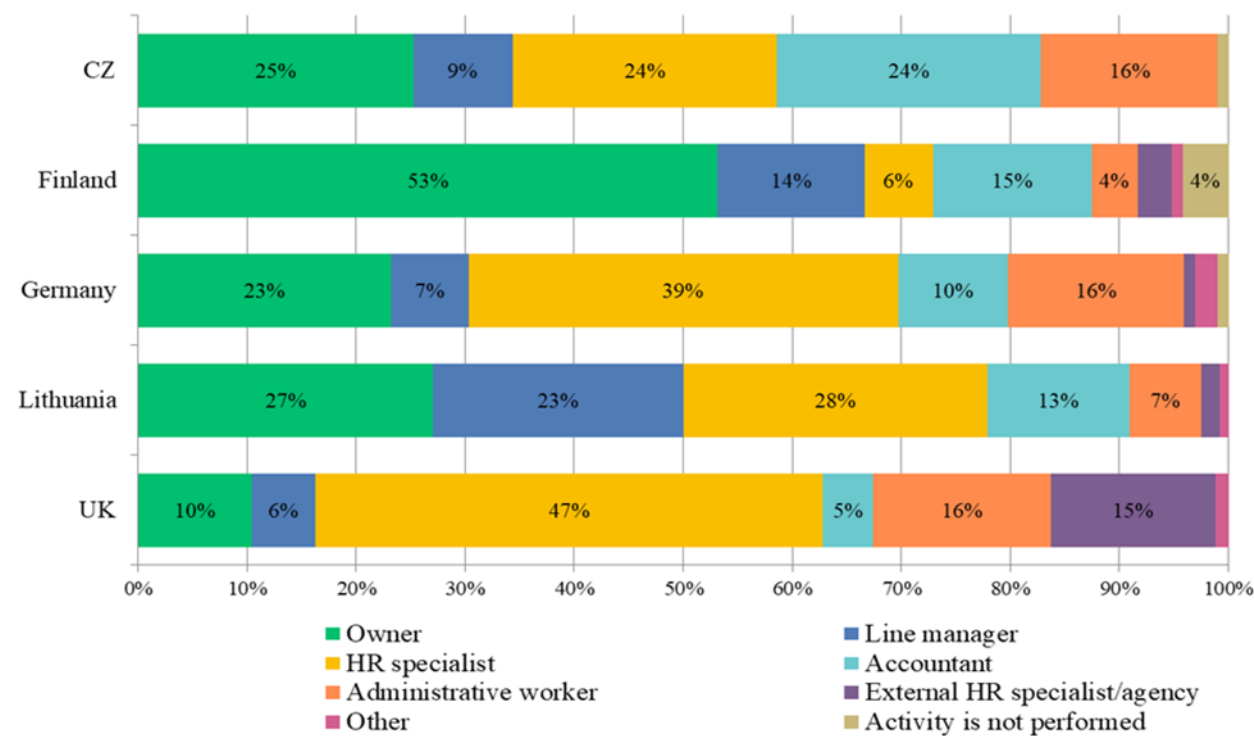
Results: most important HRM activities

HRM activity	Average importance				
	CZ	GER	FIN	LIT	UK
HR administration (fulfilling law requirements)	3.12	3.29	3.41	3.27	3.90
Employee recruitment	3.46	3.79	3.45	3.36	3.78
Employee selection	3.64	3.74	3.64	3.32	3.72
Induction process	3.20	3.58	3.39	3.18	3.59
Employee performance evaluation	3.30	3.14	3.29	3.05	3.41
Employee satisfaction and engagement	3.24	3.48	3.64	3.08	3.49
Answered	*79*	*83*	*73*	*92*	*70*

1 – not important, 5 very important

Source: own elaboration

*Note: * classification criteria importance between 3 – 4 (above average)*

Results: who performs HRM activities

Source: own elaboration

Results: important common topics

- **Main HR activities mostly focused on recruitment and selection** (mora than HR strategy, branding, career development).

- **Presence of employees with HR qualification quite low**, often participate owners, accountants.

- Around **half of the companies participating provide employees with some training** (typically seminars, workshops and counselling), but not systematically.

- **Common challenges**: key employees leaving, attracting new employees and finding the employees with the right skills.

Implications for policy – Inclusive HRM

- Social and digital inclusion, non-traditional workers and decent work including FWAs (flexible working arrangements – Kotey, 2017), diversity management.

- National digital media strategies.

- Levels of HRM expertise and employer branding at different growth stages (Kotey & Sheridan, 2004).

- Networking and collaborations ecosystems.

- Integration of HRM in regional SMEs in the university curriculum.

Implications for theory

- **Social Exclusion in the Workplace**: conceptualising diversity management in SMEs beyond age and gender (Beaver and Hutchings, 2005; Fuertes et al., 2013; Woodhams and Lupton, 2009) to explore social exclusion and Durkheimian hegemony (Levitas, 1996) about the division of labour, inequalities and different classes of worker that affect talent management and performance management. Marginalisation of HRPs (HR practitioners), their emotional labour and boundary spanning.

Implications for policy

- Using of innovation vouchers in HRM to support human resource professional skills and set HR processes in SMEs

- Enhanced cooperation between SMEs and universities (secondary schools) to attract potential talents

- Implementation of SHARPEN modules at universities to grow HRM specialists for SMEs

- Networking of local governments, CoC, universities and SMEs

Conclusions

- Contributions – regional rather than national comparative study.

- How proactive and innovative is HRM in regional SMEs?

- Opportunities to craft employer brands and embed social media into HRM practices.

- Bleak house v. bright prospect debate (Wiesner & Innes, 2010) is ongoing in the digital age.

Conclusions

- SMEs are key players in the labour market - over 90% of companies in EU regions (employ most of the people)

- HRM is a topical issue for SMEs in regions (how to attract and retain talents)

- Informal structures in HR, however systematic approach needed

- Trends in digitalisation, using of social media

- Support of employer brand of SMEs

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Thank you !

Questions ?