

Recruitment in small businesses

Examples from the Finnish service sector

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<p>Abstract</p> <p>Small to medium-sized businesses (SMEs) have been a big part of the Finnish economy, and the private service sector the biggest industry sector of the country by gross domestic product. The objective of the research was to see how and where these small, service sector businesses are looking for employees. Recruitment was researched in terms of the channels that companies were using and the characteristics of the recruitment methods.</p> <p>Research was done as a qualitative research with both primary and secondary data collection. As the primary source of data, Finnish entrepreneurs from six small private service sector businesses were interviewed using a semi-structured interview method about their experiences with regards to recruitment in their companies. Theory from literature about recruitment was collected and used as the secondary data in order to see what are the mainstream human resource theories concerning the topic of recruitment and how do small businesses fit into these theories.</p> <p>Results of the primary research showed that small companies in the service sector use cost-efficient methods of recruitment. Informality in both the recruitment channels and methods was also noted present as personal connections and lack of formal preparations were identified in many of the cases. New techniques and ways of recruitment were seen with social media being used often as a recruitment tool.</p>		
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<p>Tiivistelmä</p> <p>Pienet ja keski-suuret yritykset (PK-yritykset) ovat olleet iso osa Suomen kansantaloutta ja yksityinen palvelusektori maan isoin yksittäinen sektori bruttokansantuotteella mitattuna. Tutkimuksen tavoitteena oli nähdä miten ja mistä nämä pienet palvelualan yritykset etsivät työntekijöitä. Rekrytointia tutkittiin yritysten käyttämien kanavien ja rekrytointimenetelmien osalta.</p> <p>Tutkimukseen tehtiin kvalitatiivisena ja jossa käytettiin ensisijaista ja toissijaista tiedonkeruuta. Kuutta suomalaista palvelualan pienyrittäjää haastateltiin ensisijaista tiedonlähdeä varten puolistrukturoidusti heidän rekrytointikokemuksiinsa liittyen. Kirjallisuusteoriaa rekrytoinnista käytettiin toissijaisena tiedonlähteenä, jonka avulla selvitettiin, mitä ovat valtavirran teoriat rekrytointiin liittyen ja miten pienet yritykset sopivat näihin teorioihin.</p> <p>Ensisijaisen tutkimuksen tulokset osoittivat, että pienet palvelualan yritykset käyttävät heille edullisia rekrytointimenetelmiä. Epäviralliset kanavat ja menetelmät huomioitiin henkilökohtaisten suhteiden käytön ja valmistelujen puutteen muodossa. Yritykset ovat ottaneet uusia tekniikoita käyttöön rekrytoinnissa, mikä näkyi sosiaalisen median käytössä rekrytointityökaluna.</p>		
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Contents

1	Introduction	2
1.1	Research Objectives and Questions	3
1.2	Structure of the Thesis	3
2	Theoretical Framework.....	4
2.1	Human Resource Planning & Recruitment.....	4
2.2	Advancements in Recruitment.....	10
2.3	Small to Medium-sized Enterprises & HR	12
2.4	The Service Sector	14
3	Research Methodology.....	16
3.1	Research Design	16
3.2	Interview Method.....	17
3.3	Result Analysis.....	19
4	Research Results.....	20
4.1	Ways of Recruitment.....	21
4.2	Recruitment Characteristics	23
5	Conclusions	25
5.1	Ways of Recruitment.....	25
5.2	Recruitment Characteristics	26
6	Discussion	28
6.1	Credibility of the Research	28
6.2	Future Research Recommendations	29
	References.....	30
	Appendices	33

1 Introduction

Starting a business does not always involve other people. You can have a company and do all the work that goes into it by yourself but most of the time we think about companies, they have multiple people working there. And how do companies get more staff? Recruitment.

Recruitment is the process of attracting individuals on a timely basis, in sufficient numbers, and with appropriate qualifications to apply for jobs with an organization."

(Martocchio & Mondy 2016, 150)

Companies in today's business world are of all shapes and sizes. There are multinational corporations whose logos and slogans are known and recognized wherever in the world you might go to. But then there are companies that are smaller than that. Companies that may employ a hundred people but are still in the greater scheme of business a small enterprise, some companies that only have a few people, and in some cases even just a single person.

These companies are sometimes referred to as SMEs or, small and medium-sized enterprises. Although SMEs are small when measured by staff numbers, they do have a big influence. In the European Union, 99% of all businesses are made of SMEs. This thesis is centred around recruitment activities in the smallest category of these SMEs, micro companies. Defined by the European Union recommendation 2003/361, these enterprises have a staff headcount of less than 250 and either a turnover of € 50 million or less, or a balance sheet total of € 43 million or less. (European Commission, n.d.)

Moreover, the thesis focuses on small Finnish companies working in the private service sector. These companies are such that by definition supply a public demand or provide maintenance and repair (Merriam-Webster, n.d.). This choice was made in order to try and keep findings from not possibly having an effect due to the different fields of work that companies were working in.

1.1 Research Objectives and Questions

The author has a fascination with human resource management and wanted to research the area of recruitment. Small businesses were seen as an interesting area to focus on due to the size of the companies and whether that would have an effect on how recruitment issues were handled. In the private service sector, where do small companies look for employees and how is recruitment done in small businesses? From these thoughts, two research questions were generated for this thesis:

1. What channels do small businesses use to recruit?
2. How is recruitment in small businesses conducted compared to mainstream HR literature and procedures?

Small businesses are a huge part of today's Finland. According to Jokilampi (2016), 93 percent of all Finnish companies are micro companies whereas the Finnish representative association for service sector businesses and organizations, Palta (n.d.), states that there are 150,000 companies in Finland that fit into this category of employing less than 10 people. Micro companies are defined by the European Commission as enterprises with a head count of less than 10 people and a turnover or balance sheet total of less than € 2 million (European Commission, n.d.). Majority of the companies used for primary data collection in this thesis fit the head count factor of a micro company.

1.2 Structure of the Thesis

The thesis is divided into six different chapters. For the second chapter, theoretical literature about recruitment, SMEs and their relationship with recruitment, as well as the service sector was gathered and displayed to represent as the secondary data. After that, in *Chapter 3*, methodology of the research in terms of primary and secondary data collection is explained. In *Chapter 4*, results of the primary data research are listed and in the next chapter they are analyzed for conclusions. The last

chapter goes through the credibility of the research and gives suggestions for future research concerning the topic of recruitment in small businesses.

2 Theoretical Framework

2.1 Human Resource Planning & Recruitment

Globalization and technologization of the markets in the recent years has caused companies to go on what has been called a “war for talent”, where qualified talent is seen as a valuable attribute and companies that can gather people with talent can have the upper hand on their competition (Thielsch, Träumer, & Pytlik 2012, 59).

So, recruiting and how it is done can have a big impact on your company and give you an edge against your opposition. Companies that are good at using their suitable networks in their recruitment processes are suggested by Castells (2000) to see an increase in competitive advantage followed from this (Allden & Harris 2013, 36).

Companies in today’s business world should allocate resources into their recruitment so that it is as efficient and effective as possible, as the outcomes of recruiting well can be good for your company and its future.

Job Analysis

Job analysis is a key ingredient of talent management and an important factor in recruitment. Instead of what a job should be like it shows what a job really is in real life (Martocchio & Mondy 2016, 113). It is said that the process of finding a person for an open position should start with generating a job analysis (Dessler 2013, 60; Redman & Wilkinson 2009, 74; Martocchio & Mondy 2016, 113) In it the necessary data needed in order to fully understand and figure out the responsibilities of a job position, known as the job description, as well as the characteristics of a person working in that position, a job specification, is researched, collected and analyzed by the employer to help realize and understand what is needed in order to fill that position. (Dessler 2013, 60)

It is important to keep the job analysis system active as the tasks and characteristics of a position are likely to change or evolve in today's work life. A position that has gone through a job analysis a few years ago, is potentially outdated and therefore is inaccurate to be used again if the position must be filled again. (Martocchio & Mondy 2016, 113)

(Dessler 2013, 60) notes that usually there is a human resource expert or a supervisor who is in charge of formulating the job analysis. There are multiple ways that a company can collect the necessary information for the analysis:

- Interviews
- Questionnaires
- Observation
- Participant diary

(ibid., 61)

Interviewing a person in the position that is analyzed gives a simple and easy way to get information and is a pathway to things that may not be seen from outside observation, but has the possibility of exaggerated or understated results depending on the interviewee. Having a worker keep a chronological participant diary of the tasks done in a position may lessen the amount of exaggeration related to that position. Questionnaires on the other hand allow the analyst to ask and get the information that is seen valuable, but can leave out details that only a person actually working in the position might have. This is also the case with observation, as practical tasks are easy to observe, but non-physical activities are difficult to perceive. (ibid., 61)

Getting the most valuable information out of a job analysis and getting every possible description of the best candidate for a position is important. Campion's model from 1988 shows an example of an extremely thorough job analysis method that goes deeper than the basic questions of '*what does a person do in the job?*' and '*what kind of a person fits the job?*' and tries to find answers to all the areas in *Figure 1* for an analysis. (Redman & Wilkinson 2009, 74)



Figure 1. Campion's (1988) model for job analysis (Redman & Wilkinson 2009, 74)

Recruitment

Per Redman and Wilkinson (2009, 74), the area of recruitment is often left with little attention in literature concerning human resource management. That being said, there are some who suggest that *“recruitment is the most critical human resource function for organizational survival or success”* (ibid., 74). Employees can easily be either assets or liabilities, as a person can either have a positive or a negative effect on the value of a company.

Recruiting and recruiting well is a big challenge for companies as it comes with opportunities and risks underneath the obvious task of filling a position. An ability to recruit well is highly important as bad hires can lead to employee turnover and it is estimated that the cost of replacing a bad hire is around two to three times his or her annual salary. On the other hand, “above-average” hires are estimated to be 40 percent more valuable to a company salary-wise than their average counterparts (Balkin, Cardy, & Gómez-Mejía 2016, 183). *Figure 2* lists the multiple stages of major costs caused by turnover. (Martocchio & Mondy 2016, 131; Balkin et al. 2016, 183-184)

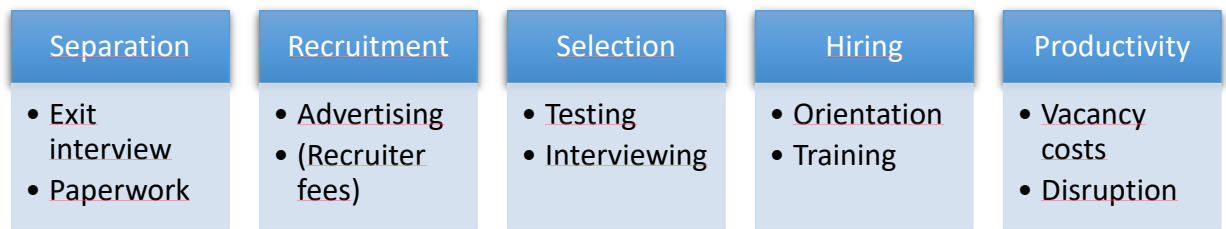


Figure 2. Turnover costs to a company (Balkin et al. 2016, 184).

The financial aspect is not the only resource that can be drained by a bad hire. Poor performing workers cause managers to spend an estimate of 12 percent of their time on trying to manage the worker, and even more time and energy can be lost if the worker needs extra training due to the lacking level of performance. (ibid., 183-184)

Dessler (2013, 59) bring up topics what many refer to as the *heart* of human resource management. These include staffing, career development and appraisal. From those key topics, steps forming a linear path which showcases a traditional way of viewing and handling talent management is created. These steps are visualized in *Figure 3* on a timeline starting from the decision to hire all to the point of being fully in the system.

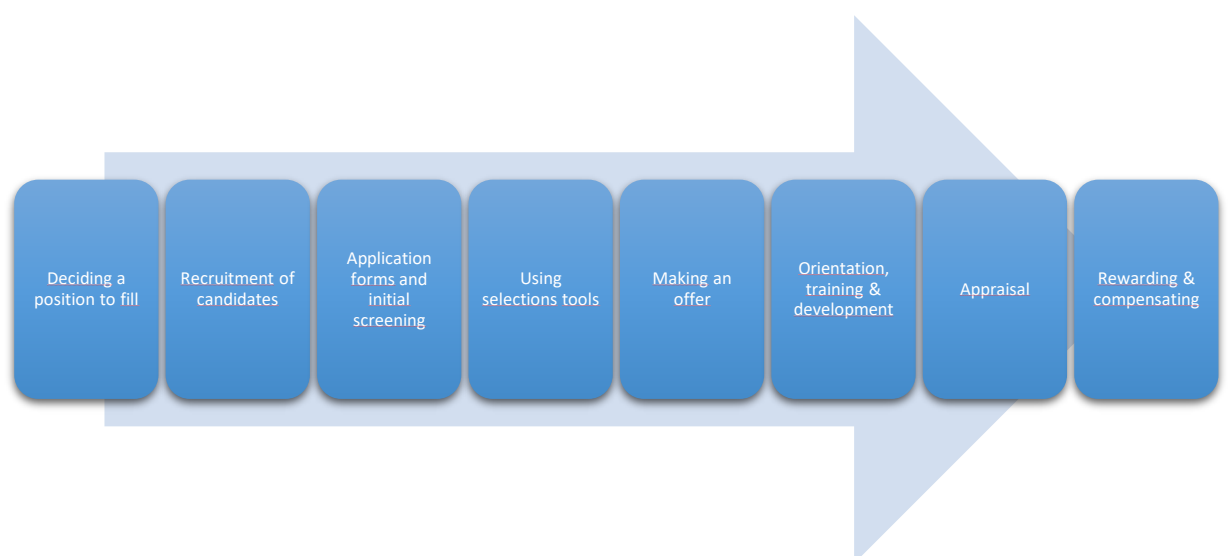


Figure 3. Talent Management Framework steps (Dessler 2013, 59)

The steps, while simple and easy to understand, are rather simplified and do not take into consideration that many of the functions within the steps can be intertwined with each other in real-world scenarios (Dessler 2013, 59). Steps 1 through 3 are the ones related to workforce planning and recruiting (ibid., 67). The research here is focused on recruitment, more specifically recruitment within small- to medium-sized organizations and acknowledges the possible overlapping of the steps, especially in smaller enterprises. Companies that employ a small number of people, due to satisfactory levels of results or constraints due to budgetary reasons are likely not to have a dedicated human resource correspondent or department to handle recruitment. Balkin et al. (2016, 185) talk about the benefits of having a human resource department responsible for the whole staffing process. Benefits of that include making sure that all the legal practices are followed along the process, and convenience as the department is presumed to make the initial contacts (ibid., 185). An issue relating this to SMEs comes up, as excluding company management, they might not have specific departments to handle processes such as staffing.

Recruitment for many means the process of hiring new people. This often means acquiring personnel new to the company. But there is also the possibility of recruiting internally, meaning filling an open position with a person already working in the company. (Dessler 2013, 75) This method can be seen effective in multiple ways. The person is already familiar with the company and its working culture and whereas a person coming from the outside has to learn that and also be able to handle the requirements of the position, an internal hire may be able to get going faster. Recruiting internally does have its drawbacks. If a person working in the company is removed from a position to fill a new one, the old position might have to be replaced or staff-related structural changes made in order to level the effect of the new selection.

Then there is the option of recruiting externally, which can be for example via the internet, traditional media (e.g. newspapers, radio), advertisements or through an employment agency. Employment agencies are one way for a company to find a person for an available position. Reasons to go with this approach include:

- Not having an own HR department
- Previous problems with getting qualified candidates
- Time constraints
- Reaching people who are already employed

(Dessler 2013, 78-79)

If a company wants to get applicants that are currently working for e.g. a competitor, the possible applicants may be more open to the approach when it is handled by an agency and not the competition. Screening is one key issue when using an employment agency. There is a possibility of unfit or unqualified candidates getting through to the hiring stage. (ibid., 79) There must be communication between the company and the agency so that the traits and characteristics needed for the position are clear and that the agency is working for the benefits and needs of the company and not their perception of the best worker for the position. Hiring through an employment agency, although e.g. when filling a temporary vacancy can reduce labor costs in the short term, can have the downside of low level commitment and greater job insecurity on the worker's side (Redman & Wilkinson 2009, 78).

Concerning job postings, more information put about the position into to the posting is usually viewed more positively by applicants, than ones with few details. They are seen as more attractive and more credible. Also, a checklist in terms of human requirements is useful to include, so that a possible candidate can quickly use it to check whether the position fits them. If a recruitment website exists, employee testimonials are recommended to be used and access to the recruitment page should be made simple and easy from the company website's front page. (Dessler 2013, 76-77)

Organizations are advised to be active and look at recruitment from different points-of-view. There are the easily measurable targets and goals involving cost, time, and number of applicants but should also consider other factors. Like mentioned before, it is important to communicate information and images about the position and accurately and attractively portraying these have shown to have an impact on the interest and willingness to apply for the position. (Dessler 2013, 76-77; Redman & Wilkinson 2009, 81)

Balkin et al. (2016, 185-186) suggests an applicant-centered approach to recruitment, where the situation can be seen as the company selling the open position. In this scenario, the applicants are viewed as customers and the focus is to get that customer to buy into the open position. This means selling more than just the job itself, it means selling the whole organization and what it holds inside to the possible applicant. Things like the atmosphere, career opportunities and other characteristics such as work-life value and wages or benefits are all possible attractions for prospects. The way that these different characteristics are displayed should be in relation to the type of position available and the type of people searching for those openings. In other words, managerial applicants could be interested in career opportunities whereas blue-collar workers could value most the atmosphere and pay. As mentioned before, applicants appreciate accurate and attractive information delivered about a position. Treating the applicants positively, as you would with possible customers, has been shown to positively affect whether the applicant pursues employment with the company. (ibid., 185-186)

2.2 Advancements in Recruitment

Companies these days are shifting towards more technology-driven ways of recruitment. Both the employers and job seekers are noted to be progressively moving to the internet for recruitment (Furtmueller, Wilderom, & Tate 2011, 244). Already in 2002, 91 percent of the Global 500 list, a collection of the largest companies in the world, had their websites used for recruitment purposes (Dhajima 2012, 35; Fortune, n.d.). Furtmueller et al. (2011, 244) note that all Fortune 100 companies, a list of the largest companies in the United States, were recruiting in the internet (Investopedia, n.d.).

Electronic recruitment, often referred to as e-recruitment, has many benefits over the traditional ways. One of the reasons why companies are choosing e-recruitment is the cost, or rather cost saving (Furtmueller et al. 2011, 244-245; Thielsch et al. 2012, 59). It is estimated that the use of internet for recruitment is one tenth that of traditional methods, although acknowledging that there are differences depending

on the situation (Haroon & Zia-ur-Rehman 2010, 184-185). As a real-life example, Nike's headquarters of Europe, Middle East and Asia, located in the Netherlands, introduced an e-recruitment system in 2002 and identified savings in the recruitment costs that exceeded 50 percent (Pollitt 2005, 34).

Another reason companies are using online methods to recruit, precision, is brought up by Thielsch et al. (2012, 59): for companies, e-recruitment is viewed as the best way to reach their target pool of candidates. On the other hand, the internet is a big improvement appeal-wise for job seekers due to its ease of use and quickness compared to traditional methods (Sylva & Mol 2009, 312). As technology gets better and information between employers and employees can move much easier, the chances of finding the best matches for a position are noted to increase (Dhajima 2012, 34).

Recruitment is not the only aspect of human resources that benefits from the added technology. A study has suggested that having HR functions in general operating with the use of technology gives a big edge over those companies that do not take advantage of it (Ngai, Law, Chan, & Wat 2008, 67).

Adding technology does have its negative effects. The increased ease that e-recruitment offers has seen the number of underqualified applications coming in increase and with that make the screening process more difficult and an aspect to pay more attention towards (Dhajima 2012, 34). Research by Lievens and Harris (2003) found that companies were overwhelmed by the number of applications and that many of them were unsuitable for the positions (Parry & Wilson 2009, 667). This is reinforced by Dessler (2013, 77), who tells how applications coming from job boards have many of them coming in, on which the applicant is under-qualified for the position.

Although social media sites like Facebook are often seen as websites for private use, they can be used professionally to attract possible personnel. Some social media sites like LinkedIn are targeting towards professional networking (LinkedIn, n.d.). Passive candidates, those who are already employed somewhere and therefore not be actively looking for work, are ones that can be more easily connected to by using social media. Social media websites have been noted to have the potential of

updating and submitting your CV much easier than before, which could bring more passive jobseekers out and available for open positions. (Doherty 2010, 12)

Companies are using social media these days for recruiting, like Science Applications International Corp. (SAIC for short), which moved its recruitment to searching professional social network sites and cut down the amount of job boards they were using to about half of what they were using before (Dessler 2013, 77).

2.3 Small to Medium-sized Enterprises & HR

The series of talent management steps described in Figure 2 (Dessler 2013, 59) can be seen as general enough to be followed by a company of any size. The issue here is how these steps are handled in a small to medium-sized organization and how these align with the practices of recruitment usually mentioned in literature guidelines concerning the topic.

Size is considered to be possibly the biggest influence on the way that a company decides to handle its recruitment. Often the research and literature concerning recruitment is centered around large enterprises and their ways of handling recruitment. But then there are companies that employ fewer than 250 people, called SMEs, or small- to medium-sized enterprises. (Redman & Wilkinson 2009, 71; European Commission, n.d.). These smaller companies are not that uncommon too. Citing BERR (2008), SMEs accounted for 59 per cent of all UK employment (ibid., 71). *Figure 4* shows how large organizations can differ in recruitment processes when compared to smaller businesses.

Large organizations

- A dedicated HR department
- Diversity policies and practices
- Part of a wider, organizational strategy
- Strategically driven and formalised

Small to medium-sized organizations

- Constrained pool of resources for recruitment
- Less able to recruit internally
- More informal methods (e.g. word of mouth)

Figure 4. Representation of common recruitment characteristics in different-sized companies (Redman & Wilkinson 2009, 71).

Figure 4 shows common differences in the recruitment habits of large and smaller companies. What can be summed up from this is that bigger companies have more time and money to invest in recruitment and that their ways of recruitment are often more formalized than in their smaller counterparts. In general, the challenges that recruitment brings tend to be bigger on small- to medium-sized companies. In terms of promotional resources for recruitment purposes, SMEs do not have the same tools or money to spend, and their chances of hiring internally are more restricted. (Redman & Wilkinson 2009, 71)

SMEs have been found to use generally more informal (e.g. word of mouth) ways of recruiting when compared to larger organizations. In the long term, this approach has been seen to cause high turnover. On the other hand, in the short term informal recruitment methods have been discovered to be more cost-effective. SMEs are also found to be effective in using local markets and networks between companies for their recruiting. These channels and the possibly informal use of them has been seen to be an asset for small companies and a way for them to adapt to recruitment issues more easily in some cases than their big counterparts. (Redman & Wilkinson 2009, 71)

2.4 The Service Sector

The service sector is a major part of the Finnish economy, with private services providing 40 percent of Finnish gross domestic product in 2014 (*Figure 5*), the single largest portion of all areas (Palta, n.d.). The service industry has seen clear growth in recent times. Compared to the previous year, the sector turnover rose 4.4 percent in the second quarter of 2016 and ended up in a 3.6 percent growth for the whole year, whereas the total production of Finland was expected to grow only by 1 percent that year (Koskinen 2016; Palta 2017).

Small businesses are a big part of the Finnish service sector. SMEs employing less than 250 people are credited with being an integral part of the turnover growth of private service businesses after the financial crisis (Liimatainen 2015).

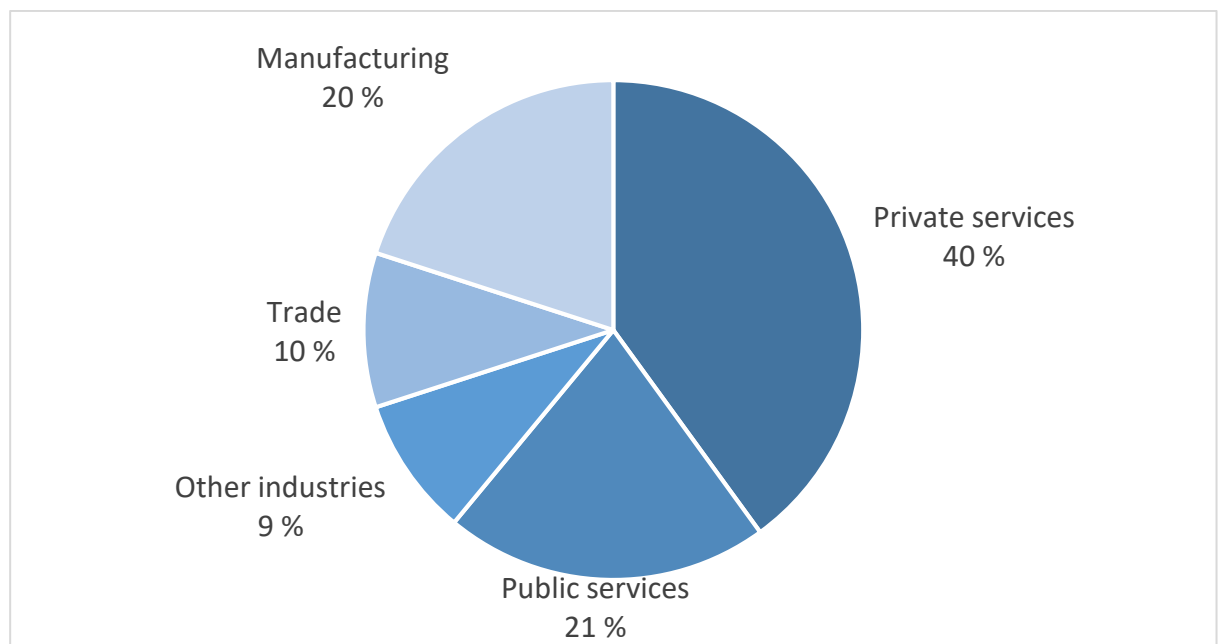


Figure 5. The 2014 gross domestic product (GDP) of Finland divided into industry sectors (Palta, n.d.)

To bring a real-life example for a small service sector company and its origins, next is a story of a Finnish company founded in 2015. This company, Fabulous Finland, was one of the companies researched in this thesis. Permission to publish this detail of information was checked with one of the shareholders of the company.

Fabulous Finland

Fabulous Finland is a limited liability company founded in November of 2015. It was founded by three entrepreneurs: Vilja Vuolle, Anni-Lotta Nieminen & Iida-Elina Pekkarinen, with the first two being the main shareholders.

A cooperative was founded in 2012 called Idealeka, which originated from Tiimiakatemia, a branch of Jyväskylän University of Applied Sciences focused on entrepreneurial studies. The entrepreneurs of Fabulous Finland were involved in Idealeka and within it bought and started to work on a beauty salon called Ripsibar and opened a store in Jyväskylä, Finland in April of 2014.

Ripsibar was already a small entrepreneurial project before the buyout by the people of Fabulous Finland. Vilja Vuolle and Anni-Lotta Nieminen had done work for the company, a property of another Tiimiakatemia student who had no interest in continuing to work on Ripsibar at the time of her graduation. Vuolle and Nieminen decided to make the company theirs and make it a big enterprise, so they bought the operation of Ripsibar in December of 2013 and scheduled to have their first store opened in the spring of 2014.

All the business processes then worked through the cooperative (Idealeka). In November of 2015 the three entrepreneurs started a limited liability company called Fabulous Finland. The business operations and inventory of Ripsibar were then bought in the beginning of 2016 out from the cooperative and moved under Fabulous Finland.

The company employs 6 people as of November 2016, half of them working in Jyväskylä and the other half in the company's second store in Tampere, Finland, opened in November of 2015. The Jyväskylä store also has one subcontractor working there.

Fabulous Finland has not had a full accounting period as of November of 2016 but has a monthly turnover of around 20 to 30 thousand euros. Their main and only operation currently is Ripsibar.

Ripsibar's operation is specialized on eyelash extensions, "ripsi" being "eyelash" in Finnish. "Bar" is in the name just because they do not want to be known as a beauty salon and want to differentiate themselves from those, since beauty salons offer multiple beauty services whereas Ripsibar is and wants to be focused on eyelash services.

"We want to grow Ripsibar so that by the year 2020 we have at least five stores. And when we have a lot of our own stores we could make Ripsibar into a franchising company. In terms of Fabulous Finland, we want to expand into having an online store and multiple makeup stores."

-Vilja Vuolle, entrepreneur (Fabulous Finland).

3 Research Methodology

3.1 Research Design

This research aimed to find information about recruitment in small to medium-sized enterprises, with the research questions being:

1. What channels do small businesses use to recruit?
2. How is recruitment in small businesses conducted compared to mainstream HR literature and procedures?

For this, a qualitative research method was chosen for primary data collection, since quantitative research aiming to describe a phenomenon with numerical data and answering to questions such as "how much?" or "how often?" would not be the best fit (Heikkilä 2014, 7). Qualitative research can be used to find out how and why things are the way they are, in other words understand the topic and the reasons behind it (ibid., 7; Henttonen 2008, 1). How this relates to the study here, a

qualitative research method can help to understand what the situation of SMEs recruiting is and what are the reasons for their recruitment actions.

People who were selected and contacted for interviews were either currently or had been entrepreneurs in a small business. The size of the enterprises was chosen to be small even in the range of SMEs, partly due to availability of smaller companies to research for this thesis, and partly due to the theory that smaller companies are more informal in their recruitment activities (Redman & Wilkinson 2009, 71). A company with two-hundred employees is still considered an SME but a company that only employs around 10 people could have very different resources in terms of time and manpower to handle recruitment.

With literature, articles and news research serving as the secondary data, interviews with 6 people with experience and knowledge of SME recruiting were contacted and scheduled for interviews in order to collect information about the real-life scenarios and methods related to recruitment in their field.

3.2 Interview Method

Structured interviews have a strict line, a script that they follow in terms of questions. While the questions asked can be either closed or open-ended but mostly with a fixed set of responses. Deviation is avoided as much as possible to get consistent and easily comparable data. Unstructured interviews are the opposite of structured interviews in the sense that they do not follow a script and questions are not planned before the occasion. The guiding factor in these is the topic and agenda of the interviewer with usually a list of areas that should be covered. (Wilson, 2014)

Then there is the semi-structured interview method. As the name suggests, this method sits between a structured and an unstructured interview. Questions are preferred to be open-ended and usually in the same order, followed by probes for more information (McIntosh & Morse 2015, 4). Even though there are predetermined questions, the goal is to yield versatile answers and create discussion (ibid., 4)

Wilson (2014) brings up what is known as an interview guide/schedule that is generally used to follow and further the progress of a semi-structured interview method:

- Introduction to clarify the purpose and topic of the interview
- Topics of the interview with questions made about those topics
- Probes and prompts
- Closing comments

Probes by the interviewer are meant to be used a way of getting past and deeper from the initial response of the interviewee and further knowledge about the subject. Continuing from a question with another that asks the interviewee to go into details has been proven to give meaningful and robust data. (McIntosh & Morse 2015, 5) Probes should be kept neutral, so that they do not direct the interviewee into an answer (Wilson, 2014).

The research here was conducted using the semi-structured interview method. Information and theory about SME recruitment had been gathered and needed to be furthered with insight into real-life small enterprises and their ways of recruitment. This is where a semi-structured approach into interviews is used: some knowledge of the topic has been discovered, but exploring the subject deeper for more information is needed (Wilson, 2014).

The area of recruitment, especially with smaller companies, is also one that is difficult to research with for example a direct observation. Hiring decisions might not happen often and could be time-consuming to follow from start to finish. Also, the knowledge and theory on recruitment was relatively seldom applied to SMEs, so information beyond or more complex than the basic steps of recruitment was deemed a possibility to come up, where the flexibility of a semi-structured interview could help.

All but one of the semi-structured interviews were done via phone, with the exception being done as a face-to-face interview. Time and location constraints were the main reason for mainly using the phone as the interview method. Telephone interviews in semi-structured interviews benefit from the lack of visual contact

between the interviewer and interviewee. Facial expressions cannot be read or interpreted, which could cause bias or other distortion in the answers or understanding of the questions. (McIntosh & Morse 2015, 7) As a negative side, there was no guarantee that the interviewee had full focus and concentration for the questions and that there were no distractions.

An interview guide proposed and provided by Wilson (2014) was made with questions and possible probes marked beforehand to help guide the interview forward. Questions were made in order to find out the channels of recruitment used by the interviewees as well as their methods and processes in recruitment in order to get relevant information regarding the research questions. The semi-structured interview guide used in this research can be found in the *Appendices*.

3.3 Result Analysis

When finished, the interviews went through a coding process relating to the research questions, so analysis of the results was focused around these two questions and also the secondary data collected before in the form of theoretical literature. First, phrases and sentences that came up in the interviews were marked down. These were used as the basic coding units. More dynamic way of coding was also used in the form of finding processes and actions talked about in the interviews. After identifying these things, data in those units was then used to transport relevant parts into categories which helped to organize and in the end, analyze the results.

(Eriksson & Kovalainen 2015, 120-122; Taylor-Powell & Renner 2003, 2-3)

After the data was put into categories, patterns were searched within those categories. Similarities and differences between thoughts and opinions of the respondents were studied in order to capture what the overall results of that category were. Relative importance was looked into as well, to see if there were themes that repeated themselves more than others. As noted by Taylor-Powell and Renner (2003, 5), these do not meet the requirements of statistical analysis, but can be used to see patterns in the data. Connections between themes was also

researched, but with caution as to not make simple and possibly unwarranted cause and effect deductions. (ibid., 5)

The findings of the study can be found in *Chapter 4*.

4 Research Results

Six people were interviewed for this primary data research. All of them entrepreneurs in small companies with experience in recruitment within those companies. All but one were currently involved in the business that they were discussing about, the one exception having left the company a few months prior to the time the interview took place. All of the interviewees are or were personally responsible for the recruitment in their respective companies, either by themselves which was the case in 2 scenarios, or with various amounts of help from other people in the company.

The staff numbers of the companies varied between 6 and 11 people (6, 7, 8, 9, 10, 11 in ascending order). These numbers represent the amount of people working in the company at the time of the interviews (April 2017 in all interview scenarios) and in the case of the interviewee not anymore involved in the business at the time of the interview, the number of people at the company at its highest (summer of 2016) was used. Company sizes in financial terms, such as turnover or balance sheet total were not identified.

Companies contacted were all businesses working in the private service sector. Entrepreneurs were either known by the author, searched on social media, or connected by via personal connections. Locations of the companies were not focused on, but varied from multiple cities in Finland. The companies involved were in the following businesses:

- Electronic financial management services
- Cosmetics

- Phone repairing
- Office- and production-technology reuse
- Two (2) Escape room businesses

Identities of the entrepreneur interviewees and their respective companies are not revealed in the results and all of the respondents and their quotes will only appear as codenames E (1 through 6), numbers in no distinctive order. First part of the results, *Chapter 4.1*, will center around the ways that these companies have used for their recruitment in terms of the different channels used for searching employees. The second chapter, *4.2*, will go through the characteristics and practices in the recruitment processes of these companies.

4.1 Ways of Recruitment

Recruitment can either be a process that moves actively forward, or as in the case of two interviewee entrepreneurs, it can be passive. This was done in both cases with the use of the company website. A job application form could be found on the site and from there interested people could apply for a job.

Informality in recruitment methods has been identified by Redman and Wilkinson (2009, 71) as one of the differentiating factors of SME recruiting when compared to larger organizations. This can present itself in businesses by them using for example word of mouth information in the recruitment process.

Pre-existing familiarity was a factor that came up in four different interviews. In two of these companies, no real public searches had even been used to find employees, as familiar people to the company were directly contacted for positions. In two interviews respondents mentioned how people that they were already familiar with ended up being the top employees that they had hired.

One of the interviewed entrepreneurs had handled recruitment entirely through this way excluding one exception. The new employees had contacted the company after it had become known in their school as a place that could provide them relevant

employment traineeships. After these traineeships had ended, the business needed full-time employees and contacted the former trainees and asked them to continue their tenures with the company.

” When they were known to us then, when they had been working for us before already, nothing else really needed to be done other than to ask if they had made any other plans.” -E3

Headhunting and Connecting

The one exception in E3’s ways was a case of searching through an online resume website and finding a suitable worker there. This headhunting by the company itself also came up in two other interviews. Headhunting is a search method for employees done by *headhunters* who directly search for specific employees without there being a public recruitment (Laitinen, 2014). In the cases of these businesses, the headhunting was done by the interviewees themselves and not a hired outside professional, as E6 described when asked about their recruitment channels:

“Basically, we always... we do not put an advertisement into a paper or anywhere, instead everybody is somewhat headhunted.” -E6

In the case of E6, a connection with a local polytechnic school principal was also used to recruit people, where they would receive applications from students deemed as suited for openings. The third entrepreneur (E2) that used headhunting made use of contacts known from a previous business venture of theirs and described the familiar employees as those who were the best ones there now.

TE-Services

Another method of recruitment by this entrepreneur (E2) was the use of government-run Work and Economic Development Office services (abbreviated TE-Services on their website), which helps businesses find employees and applicants find work (TE-Palvelut, n.d.). Three entrepreneurs in total mentioned the use of

these services. Two of them used it as a primary method for them in recruiting. The third, E2, had tried it, but with lackluster results in terms of efficiency:

“We have contacted quite a few job seekers through the services of the TE-offices. And it has been such that, how should I say it... When you contact twenty people, you get answers from two of them.” -E2

Another entrepreneur mentioned TE-Services, but as a channel that they could not use, since that service does not allow their open applications on there to mention that employees need to apply for pay support if they wish to come work for the company.

Social Media

Internet social media websites like Facebook and Instagram were mentioned as channels for recruitment by three interviewees. One company used Facebook exclusively for their recruitment, while two other respondents used their company Facebook page to share their open job posting that had been originally posted on TE-Services.

Social media offers ways to get visibility for your advertisement. One of the respondents had used paid marketing tools built onto Instagram and Facebook to get more attention to the open job posting, while another used Facebook groups of local people to share the posting forward.

4.2 Recruitment Characteristics

As alluded to in the beginning of *Chapter 4*, all of the interviewees were involved in their company’s recruitment. In two cases the recruitment was done solely by the respondents with some help from other people in the company. This help was mostly though received at the selection phase. In other cases, recruitment responsibilities were shared with other owners of the companies.

None of the companies researched had used any outside help in their recruitment processes. As mentioned in *Chapter 4.1*, headhunting was one way of recruitment for some of the companies, but unlike traditionally where an outside headhunter is hired to do that, the owners themselves were responsible for the search. One of the companies had an outside HR consultant, but that person had been given the task of doing final check-up interviews for people who had already tentatively been chosen for a position.

Preparations

When talking about what the entrepreneurs did for preparations before going out and finding employees, not a lot of concrete as much as mental answers were given. There was one case, where scheduling the new employees start was mentioned, but again this was more on the selection side of things.

Every single one of the interviewees had the same view of preparing for a recruitment process. Everyone said that they knew what they wanted. Whether it was experience or intuition, every entrepreneur told that recruitment for them did not require that much preparation and all the relevant information they had already gathered into their heads from knowledge of the company or past experiences.

Aspects of Recruitment

One of the things that multiple interviewees talked about were the high stakes that recruitment brings to a small company. One factor was financial cost. If a person hired turned out not to be the right fit, re-doing the recruitment would make the process really expensive and like another respondent added, could take up a lot of time away from a key person in the company. Another point brought up was that in a small service company, even one employee can have a large influence on the income stream of that company. This view was shared by E2:

“In a small company, it is the staff that makes the result of that company. Especially in the service sector. The person’s persona and how suitable they are for that teamwork has an important role.” -E2

As reflected in the quote, work environment was another thing. This was mentioned in three of the interviews to have a big importance and an area to pay extreme attention to when it comes to recruitment. A small business was even compared to a family by one of the interviewees. Overall, looking for people who would work well in the work environment of the company was a key aspect for multiple respondents.

One reason given to why recruitment was not outsourced was that the process was not deemed to be that big. Overall the recruitment process was in more than one occasions seen as a simple straight-forward process. Going back to the importance of finding the right personality, E2 had a reason, why the process was not outsourced:

"[From TE-services] There were applications coming in, but their screening is so laborious to do alongside your work, so that it is really challenging to find such applicants from there, [applicants] that are only on paper so to speak. You do not have any experience on what they are like as people and their personas. -E2

5 Conclusions

5.1 Ways of Recruitment

Having researched the examples of small Finnish service sector companies and their recruitment, it can be said that these companies are heavily invested in cost-efficient e-recruitment channels as well as informal ways of recruiting such as personal connections and word-of-mouth.

The use of informal recruitment channels when it comes to small enterprises was seen in some of the cases. This correlated with differences in recruitment by larger companies and SMEs, seen in *Figure 4* suggested by Redman and Wilkinson (2009, 71). Companies of many interviewees would use their personal connections and networks in an effort to find people to fill out open job positions.

The popularity of social media can be seen today in every aspect of day-to-day life and this also goes for the companies of this research. Multiple companies used social media for recruitment purposes. Businesses have seen the value and reach of Facebook as a recruitment tool, as one of the companies had done their recruitment entirely on Facebook and two others used it to share their job postings from another place for further visibility.

One controversial issue that rose up were the services provided by the Work and Economic Development Office (TE-Services). While some of the entrepreneurs interviewed used these as their main channel of recruitment, two respondents had a critical view of the services, both due to the poor compatibility with their small business ways.

All the ways that the entrepreneurs listed as their ways of recruitment were financially low-cost. Whether it was using your contacts, putting up job posting on TE-Services' website or posting about openings on social media platforms, these all were cheap options for small companies with small resources to invest into recruitment. This again is in accordance with Redman and Wilkinson's (2009, 71) claims, that SMEs are constrained resource-wise when it comes to recruitment. As far as another resource for a company, time, all the companies handled their recruitment from inside the company, in every case people in management positions, which takes up a lot of time from their day-to-day tasks when they have to put their focus into recruitment.

5.2 Recruitment Characteristics

Whereas much of the human resource literature researched usually appoints the process of recruitment to an HR representative in a company or even a whole HR department, in a small company employing in total the amount of people that could be responsible for HR of a big company this is not the case. The entrepreneurs themselves were in every interviewed case the ones doing the task of finding people for new positions. Some had help or consultation from store managers or their co-owners. Overall the majority of the work fell on the people who are already

responsible for managing the company. This is not odd considering that most interviewees did not think that recruitment was a heavy process to perform and described it as a straight-forward one, but on the other side many thought of it as an important one for the company and its work environment.

The right kind of personality for the company was the key factor that people were searching for in their recruitments. Professional skills needed for the job were seen in multiple occasions as things that could be taught if necessary, but the person would have to be the right fit personality- and attitude-wise in order for the whole thing to work. This was emphasized by the preparations done before the recruitment process. As the people running their respective companies, none of the interviewees had much concrete preparations done for the process. They saw the situation as one where they knew what kind of people they were searching for already based on intuition and experience and had the necessary knowledge to start searching for people. A formal job analysis, suggested by many in HR literature to be done before or as the first thing in the recruitment process, was missing from all of the respondents' companies (Dessler 2013, 60; Redman & Wilkinson 2009, 74; Martocchio & Mondy 2016, 113).

With the respondents feeling that they have such a clear vision in terms of staffing-related issues, it is hard to see the entrepreneurs going outside the company and outsourcing their recruitment at this point of their staff size to a headhunter or recruitment services, private or public. As mentioned by one of the interviewees, they saw that public recruitment services could not help them, as they felt that they needed to find the right person, "a good guy", themselves.

One aspect that human resource theory concerning recruitment that could be beneficial for these small companies is an increased emphasis on premeditated job specification activities. As personality traits are seen high in significance, having prepared conclusive specifications as to what is wanted from a possible recruitment personality-wise could help to deliver more suitable candidates and with that ease the selection process as well.

6 Discussion

6.1 Credibility of the Research

Credibility of qualitative research is often criticized for lacking in scientific thoroughness in comparison to a quantitative research. Issues in the lack of replicability, transparency and objectivity have been noted to exist in qualitative research. (Noble & Smith 2015, 1; Cho & Trent 2006, 319)

With the research methods being so different, terms that are used to evaluate quantitative research such as validity, reliability and generalizability are suggested by Noble and Smith (2015, 1-2) to be changed into terminology more fitting for a qualitative research, quantitative counterparts in parenthesis:

- Truth value (Validity)
- Consistency & Neutrality (Reliability)
- Applicability (Generalizability)

Truth value is about identifying possible bias in research methodology due to the researcher's own personal opinions or experiences. Two of the interviewees in this research were people previously known by the author, while three others were people connected by mutual associates. The same interview guide was followed in every interview, with detailing probe questions being one area where knowing the interviewee could have made it easier to push deeper for more information. (ibid., 2)

The author views that results of this research are credible in consistency, as the questions asked did not produce scattered responses and therefore gave clear categories for the results to base on. The author feels confident that another researcher would come to similar findings with the same research, a measurement of consistency. The author does acknowledge that he has an interest in human relations and is in variable personal degrees connected to the participants, where ultimate and total neutrality cannot be achieved, but does not see that as a factor compromising or affecting the results. (ibid., 2)

Applicability considers how the research would fair in other areas or settings. The research was done to small private service sector companies and covered many kinds of services. The area of their work for some was a key factor when thinking about recruitment decisions, so there should be some consideration before applying the findings into other fields, such as small businesses in the manufacturing industry, where at least on the surface, tasks and personalities could differ from those of the service sector businesses. (ibid., 2)

6.2 Future Research Recommendations

As mentioned in *Chapter 5.2*, seeing the effect of more theoretical and premeditated approaches to small-business recruitment could be interesting. The added time this would take away from businesses is a probable concern, but with literature and some of the respondents of this research mentioning how costly going through the same process after a bad hire is, it would be interesting to see whether a more structured preparation process would help to reduce bad hires.

The research centered around the smaller end of companies considered SMEs in terms of head count. A company of 249 people and for example four are both considered SMEs in staff sizes. Two thirds of the companies researched for this thesis had the head count of a micro company, so research could be spread out to see what recruitment is like in the bigger end of SMEs or in the middle.

Chapter 6.1 discussed the applicability of this research. Where the area of focus in this research was the private service sector, seeing how these results compare to a sample of companies working in a different sector could give interesting information whether the findings would be the same or different there and if the sector has some effect on it.

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Appendices

Appendix 1. Interview guide for semi-structured interviews.

Interview guide for SME recruitment interviews – Jaakko Koskinen

Introduction

Introducing

Briefing, Schedule

Confidentiality.

Topics & Questions

- Background/Introduction
 - Tell us the company you manage/managed, its field and its size in terms of staff?
- Recruitment
 - Who does/did the recruitment in your company?
 - Probe 1
 - Probe 2
 - What ways do you used/used in recruitment?
 - Probe 1
 - Probe 2
 - What tools do you used/used in recruiting people?
 - Probe 1
 - Probe 2
 - How long does/did a usual recruitment process take?
 - Probe 1
 - What kind of people are/were you searching for?
 - Probe 1
- Additional topics