HUMAN RESOURCE MANAGEMENT AS A TOOL FOR SME EMPLOYEE ENGAGING

Case: Company X

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Abstract

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Abstract
This study presents a review of Finnish SME's human resource management. The topic is approached by previous researches, observation and HRM literature. The study focuses on offering information on how SME can use HRM as an effective tool to engage employees and generate through engagement competitive advantage, while HRM isn't largely noted in Finnish SMEs yet. The main topics are human resource management, engagement and competitive advantage. The study provides suggestions on how to enforce HRM through the company.
The theoretical part focuses on explaining what HRM is and what it means in different kinds of SMEs. For this study, the most relevant issues of HRM were chosen to support the research. These are leadership, industrial relations, engagement from employee and organization perspective, competitive advantage, future HR trends, and HR strategy.
Research is made for Finnish SME Company X and it offers an HRM guide and development plan for them. Idea is to make HRM easier to approach and suggest how to achieve better employee engagement to ensure the sufficiency of the future workforce. In Company X's industry, this can give a competitive advantage to them.
The results show HRM's importance in SME as employee engagement, creating value and generating competitive advantage purposes. To achieve most of HRM benefits HR must be implemented align with business strategy, HR functions are clarified, and the employee has a possibility to learn. Employee satisfaction is an important factor in generating competitive advantage by HRM. A good atmosphere attracts the workforce. Few Finnish SMEs use HRM and it is waiting to be used for generating competitive advantage.

Keywords
SME, Human Resource Management, Engagement, Leadership,
Competitive advantage

CONTENTS

1   INTRODUCTION

1.1   Background

Small and medium-sized enterprises usually have limited resources available to concentrate on human resource management. In a competitive industry, this will stand out and could be used as a tool to attract and engage employees. In Finland, many industries are suffering a lack of workforce what underlines the importance to pay attention to HRM. Employees have an important role that keeps the company alive and running. These are the reasons to take care of employee's well-being to improve their engagement.

Well-being at work is a broad concept, it includes employee's ability and health. In Finland the concept is even wider, extending to the workflow. The organization can make a difference in well-being by its business practices and management, but also with the atmosphere. The work and employee itself create part of the well-being. (Manka & Manka 2016, 75.) When an employee is content it can be seen in for example in self-confidence and motivation (Manka & Manka 2016, 161). Motivated employees help to gain competitive advantage and they work more efficiently (Wagner & Hollenbeck 2010, 81). This reflects on the company's reputation in the working market: people want to come to work for the company and competitors try to find out the reason.

Changes have become a normal part of working life and it is getting rarer to stay in the same company for more than a few years. Still, there are jobs that change slower because artificial intelligence can't replace human work yet. These jobs are such as electrician, plumber, cleaner, distributor and construction worker. They are competed by companies and SMEs could stand out from competitors by using HRM for engaging these employees. SME companies are small and medium-sized enterprises, who have at most 250 employees with an annual maximum of 50 million EUR turnover or a balance-sheet maximum total of 43 million EUR (Tilastokeskus 2019). SME enterprises are also independent, which refers that the owner, who has capital or voting rights of over 25 %, is SME enterprise. The owner can be one or several SME enterprises. (Tilastokeskus 2019.)

In the case of Company X, HRM has been utilized with the level as most of the SME companies have, the practice has led the way. Now due to the current state of employee markets, there is a need to find new tools to support personnel and the company operations. With HRM it is possible for the company to get visibility in the industry and working market. HRM would help them to engage old employees and it could be used as a marketing purpose to attract job seekers when employees are appreciating well-being.

HR management in SMEs in Finland is researched before, as can be seen from Figure 1. Researches are mainly conducted with the help of managers and other HR-personnel. HRM and employee engagement in Finnish SME is a less researched topic. Employee engagement in different size companies is researched by the employee perspective. In this research, the focus will be on the SME company's engagement from the leadership perspective.

RESEARCHES OF HRM IN FINNISH SME
Hermes research program: Mäkelä, L., Viitala, R., Tanskanen, J., Säntti, R. and Uotila, T-P. 2013. **LÄIKE-Lähijohtamisen kehittämisellä parempaa hyvinvointia ja tuloksellisuutta. Vaasan yliopisto.**
Hannuksela, J. 2019. **Johdon kehittäminen, esimies-alaissuhde ja työssäjaksaminen suomalaisissa PK-yrityksissä.**
Kalema, K. 2016. **Osaamisen johtamisen muotoja PK-yrityksissä. Vaasan yliopisto, Kauppatieteellinen tiedekunta.**
Munne, T. 2018. **Kohti ketteryyttä suomalaisissa PK-yrityksissä. Lappeenranta University of Technology, School of Business and Management.**
Vitikainen, S-T. 2016. **Henkilöstöjohtamisen organisointi kasvavassa PK-yrityksessä. Vaasan yliopisto, Kauppatieteellinen tiedekunta.**
Pitkänen, H. 2014. **Henkilöstöjohtamisen työkalut ja tekniikat PK-yrityksissä. Karelia ammattikorkeakoulu, Liiketalouden ala.**
Pulkkinen, S. 2014. **Henkilöstöjohtamisen prosessien kehittäminen. Yritys X. MAMK University of Applied Sciences.**
Heinänen, V. 2016. **TYÖN IMU, ORGANISAATIOON SITOUTUMINEN JA TYÖSSÄ JATKAMINEN Vertailu Suomen ja Viron pk-yritysten henkilöstön välillä. Jyväskylän yliopiston Kauppakorkeakoulu.**

FIGURE 1. Previous studies of HRM in SME

Viitala, Kultalahti and Kantola (2014, 20) have researched HRM in SMEs between the years 2014 – 2016. Their research includes whole personnel, not only HR responsible ones. Before that researches are mainly done with the help of HR responsible persons. Viitala, Kultalahti and Kantola (2014, 20) suggest that more research is needed to be done with the management, who deal with business strategy and personnel. Another less researched part is the relation between HRM and company profitability, especially in the long term. Researches could enter more reasons on how HRM has developed to its current state and what is the boundary condition for the developing. The results showed HR

management as a hidden potential, which could be utilized to improve competitiveness. (Viitala, Kultalahti & Kantola 2014, 20).

This research approach HR from the managerial point of view. It focuses resources on how leadership can support employee engagement and help to gain a competitive advantage. Research gives SME companies an introduction to HRM, reasons and tools to improve HRM.

1.2 Purpose, objectives and researched question

The purpose of the research is to clarify HRM in SME and offer solutions to improve employee engagement and to gain competitive advantage. Idea is to make HRM more approachable with this research and offer an HRM manual to company X.

The objective is to recognize what kind of HRM Company X enables employee engagement and competitive advantage. SME manual for Company X presents how to engage employees and gain competitive advantages with HRM. HRM development plan will be proposed for Company X.

The main research question was:

- How SME can utilize HRM to engage employees?

Sub-question was:

- How SME can generate competitive advantage with HRM?

1.3 Researched methodology and scope

A qualitative method was chosen to conduct this study. In a qualitative study, the focus is on words, not in numbers as in quantitative research. The qualitative method is based on studying theory and research relationships. (Bryman & Bell 2011, 386.) Qualitative research focuses on understanding the researched subject (Taylor, Bogdan & DeVault 2016, 18). The researcher tries to understand and find out how the social world affects the researched question. The research result consists of the findings from people's interactions. (Bryman & Bell 2011, 386.) Qualitative research can be divided into six steps: setting the question of research, selecting scenes and subjects, data collecting, then analyzing the collected data, implementing conceptual and theoretical work and last to report the research outcome. (Bryman & Bell 2011, 389-392.)

At the begin of this study, it was planned to use interviews for collecting research data. Interviews would have been implemented as theme interviews or as semi-structured

interviews. Despite the plans, it became impossible to execute interviews. The research method was changed, observation and literature review were chosen as the main methods. (Bryman & Bell 2011, 4.) Both observation without participation and with participating were used. It is natural to begin the research observation without participation, focusing only on observing. Observation without participating is used when it is impossible to gather the data otherwise. (Grönfors & Vilkka 2011, 49–50.) In the participating observation, the researcher has a passive role, he is not allowed in a notable extent to interfere with situations, interaction happens with the will of objects. The participating observer has a social relationship with the observed and he is more than a researcher in the community (Grönfors & Vilkka 2011, 52, 55).

The study focuses on SME's HRM from the leadership perspective. For the theory is used literature of SME's and HRM. Researches from Finnish SME's HRM are also used. The process timetable of the thesis is presented in Figure 2.

1-2/2019	Planning and searching previous researches
2/2019	Defining research questions and methods
4/2019	Changing research method
2-8/2019	Theoretical base
7-9/2019	Preparation and compiling the guide
8-9/2019	Recommendations

REFLECTING

FIGURE 2. The process timetable of the thesis

The theoretical framework begins with an introduction where the research background has been explained, earlier studies about HRM in SMEs, researched methodology and scope. Case Company X is introduced, and the external environment is explained to point out the need to gain competitive advantage. The theory consists of human resource management, engagement, leadership and competitive advantage.

1.4 Case organization

Company X is a small SME company in Päijät-Häme, Finland. They are operating in an industry, which is suffering from a lack of workforce. Business is growing but to support the growth they need more employees as well to add the engagement of the present employees. HRM in SMEs isn't yet widely adopted, this applies also with Company X. The

company doesn't consider being a family business even though it is run by family members. Company X competes for the same employees in the industry with other companies. A more detailed presentation of the case organization is in appendix 1.

1.5   External environment

In Finland education system products fewer potential employees to some industries than before due changed attitudes and working life needs. Many of the students drop out of the studies or finished them but never landed in the working market of the studied fields. This leads to a situation where only a few students graduate, and companies are competing for them. Students start working in their training companies during their studies. Therefore, the best students are already taken when they graduate. Companies have also started to educate employees for their needs.

Company needs to understand the competitive environment where they are, its' threats and opportunities to focus on the right things in the strategy. To support the strategy process, managers have tools for analyzing the external environment. (Barney & Hesterly 2008, 32.)

Barney and Hesterly (2008, 32–37) compile the company's general environment from six sections. Demographic trends cover all the individual factors, such as age and sex, which could influence buying decisions. Cultural trends form from issues that affect how people are behaving in society, for example, beliefs and values. Value from cultural matters can be achieved by introducing to the company's operating culture something new from other cultures. Part of the environment is an economic climate, which directs on how people and companies are acting on the market. Legal and political conditions on the company's environment vary in different countries and strongly guides the business. There are economic recessions and terrorism or war but also specific international events that affect the environment. Technological change is fast, and it offers both possibilities but considerable threats, while old technology is ignored by new technological inventions. All these external environment factors do influence on strategic decisions. (Barney & Hesterly 2008, 32–37.)

2 HUMAN RESOURCE MANAGEMENT

Management is a combination of four processes. These are planning, organizing, then there is a need for directing and last to control behavior in the company. This makes the management process a continuous flow of activities. It affects organization members but also the organization. The organization has an important role in implementing the mission and for that, the manager and the employees are needed. Managerial skills require conceptual skills to see the company as a whole, human skills as well as technical skills. Depending on the managerial role this skillset varies. (Wagner &Hollenbeck 2010, 15–16, 20.)

Human resource management defines the company acts to motivate people for reaching the common company goals, thus creating competitive advantage. It comprises planning, recruiting, developing, motivating and rewarding. When managing employees, it is important to remember that they are individuals but also part of the team. HR-manager is the head of processes and the decision-maker, who solves matters such as conflicts and liability issues. The operational side of HR management considers the manager-employee relationships, feedback, communication between management and employees, meetings, delegating, motivating and actions to make the best out of the working community. (Österberg 2015, 127.) HRM functions can be seen in Figure 3.

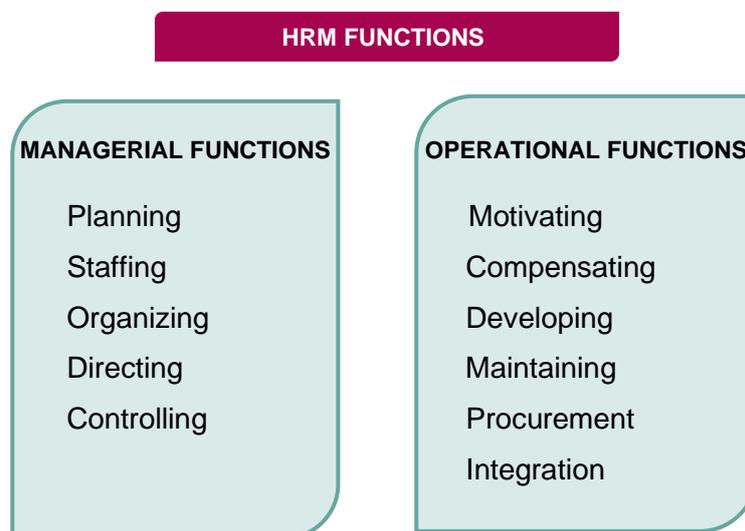| HRM FUNCTIONS	
MANAGERIAL FUNCTIONS	**OPERATIONAL FUNCTIONS**
Planning	Motivating
Staffing	Compensating
Organizing	Developing
Directing	Maintaining
Controlling	Procurement
	Integration

FIGURE 3. HRM functions (modified Wagner & Hollenbeck, 2010, Österberg 2015.)

To control HR, there's a need for systems that have thought put into them. Creating the system is complicated and a strategic approach is required in the introduction and

implementation. This makes it possible to maximize employee's engagement, productivity as well as satisfaction. (Rosenburg, Sage-Hayward & Schuman 2016, 1.)

On strategy level human resource management consider the employee performance outcome, finding the most effective performance alternative and growing success (Rees & Smith, 2014, 74). HR strategy views HRM in the long run and it is based on business strategy. The external and internal environments are needed to be taken into consideration when an HR strategy is being made. The base of an HR strategy is presented in Figure 4. Company SWOT-analysis helps to understand the current situation and to plan the future. With these matters, it is possible to set HR objectives for the HR strategy. In a shorter time frame, the HR strategy is shown in human resource policies, such as recruitment and compensation policies. (Österberg 2015, 25.)
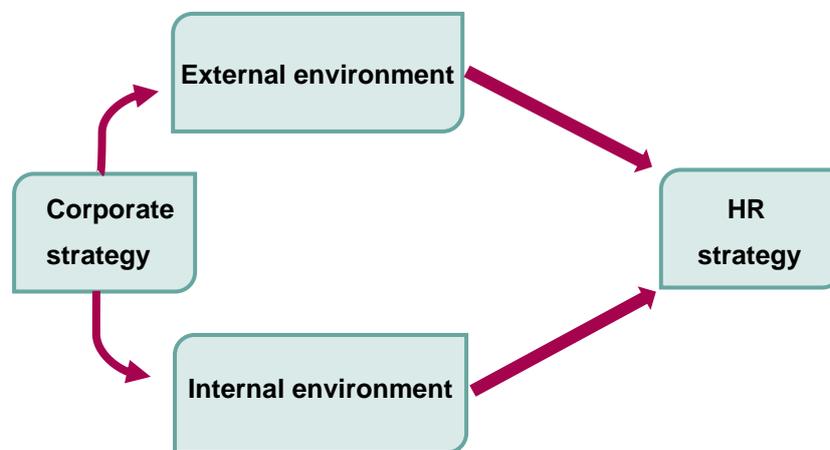
FIGURE 4. HR strategy.

Earlier it was believed that HR is more operational matter, but this has changed and now HR is understood to be a part of the strategy. It is believed in 2001 that the value of intangible assets will arise, and companies will use this more in their strategy work. To support HR strategy a system of measuring needs to be developed to show how the HR impacts business performance. This helps to see the value what employee creates to the company and how to measure this process. (Becker, Huselid & Ulrich 2001, 3–4.)

Rees & Smith (2014, 46) highlight the common factor between profitability and human resource strategy. Developing human resources, the management of the company can gain savings as Rees & Smith (2014, 46) note this to be one of the best performance boosts that a company can do. Effective human resource management is seen as growth in

employee's motivation level and performance. From the strategy point of view, it is important to pay attention to return on investment and keep human resource management and company strategy in focus. (Rees & Smith 2014, 46.) For the HR strategy, the foundation is the company's HR architecture. This includes HR functions, HR system and employee's strategic behavior. (Becker, Huselid & Ulrich 2001, 12–20.)

HR is lacking measurement and analysis, which are required by managers and thus causing that HR isn't developing as the other parts of the business (Jaramillo & Richardson 2017, 120). People analytics should become more relevant, as we now trust too much in our own intuition when it comes to HR. Measurements are now done only in HR issues, not including the effect of the organizational culture. (Jaramillo & Richardson 2017, 121). While measuring HR effectiveness and organizational performance HR measures can research:

- Impact of the organization. HR activities impact on business or strategic value.

- Efficiency. Used resources on HR functions, such as recruiting costs.

- Effectiveness. HR activities impact on outcomes, such benefits from training. (Boudreau & Lawler 2017.)

Usually, companies are encouraged to measure business outcomes when it is important to notice that not only impact measures show the strategic situation. To see how HR investments affect organizational performance there might be a need for measures from different functions, finance, operations and marketing, to get the real numbers. Different measurement analytics and metrics can be used together to complete results. Better HR effectiveness and organizational performance can be achieved with different HR metrics and analytics usage features. These also enable potential growth to HR and organizational effectiveness. (Boudreau & Lawler 2017.) Boudreau & Lawler (2017) suggest that HR leaders should improve operational and strategic measurement features, outcomes as well. Improvements are needed in strategic elements since those have an effect on HR effectiveness.

2.1 Human resources management in SME

HRM in SME differs from bigger companies HRM with the size of the staff, the way to deal with HR issues in the company, HR practices and the entrepreneurial effect. These are explained more below and presented in Figure 5. (Lechuga Sancho, Martínez-Martínez, Larran Jorge & Herrera Madueño 2018, 1211, 1216.)
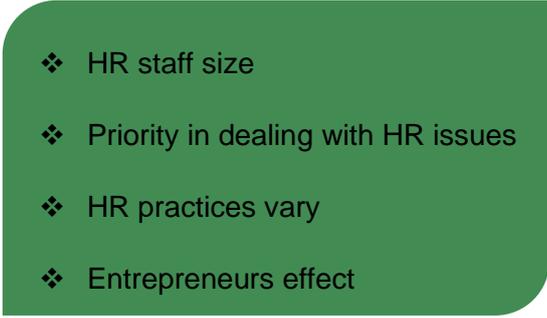
- ❖ HR staff size
- ❖ Priority in dealing with HR issues
- ❖ HR practices vary
- ❖ Entrepreneurs effect

FIGURE 5. HRM difference in SME.

Spanish SME owners and managers have taken part in the research of social responsibility in SME to recognize the connection between socially responsible HR and competitive performance. The company's significant intangible HR resource competencies are employee skills, knowledge and attitudes. These intangible resources can generate and retain value. (Lechuga Sancho, Martínez-Martínez, Larran Jorge & Herrera Madueño 2018, 1211, 1216.)

HRM is earning its place in companies' strategies. This supports the company's interests not only to focus on developing their productivity, but to focus on competitive positions. Using socially responsible policies to employees in Spanish SMEs gave the result that it is a competitive performance. In addition, there was seen improvement in engagement and stakeholders' awareness. Social responsibly human resource management (SRHRM) seems to be strategically ideal for gaining competitive advantage. Results point out that strategy is suitable to conduct the SRHRM in to use in SMEs. Another result is that human resource managers and leaders should focus on generating balance to work-life. (Lechuga Sancho, Martínez-Martínez, Larran Jorge & Herrera Madueño 2018, 1233.)

SMEs can improve their performance with HRM practices, but more attention should address to employment practices, which meaning is underlined in SMEs (Bacon & Hoque 2005, 1976). According to Bacon & Hoque (2005, 1978-1979) in SMEs, there is variation in adapting HRM, depending on the enterprise's internal and external influences. They categorize internal influences into two. Workforce skill-mix and employee dependency, when HR practices are better introduced in businesses, which require knowledgeable staff. Secondly, professional management training, meaning in SMEs which doesn't have HR specialists to implicate qualitative HR practices and it is shown in HRM adaption. External influences are networks with other organizations, where HRM practices can be learned. (Bacon & Hoque 2005, 1980). To predict SME's HRM adaptation the skill-mix of

the workforce is most suitable. Skilled employees are valuable assets by the managers and therefore managers are more likely to invest in them. Skilled labor adapts better HR practices. (Bacon & Hoque 2005, 1990). This shows SME's limited resources to develop HRM, but it gives advice about where to get support.

Viitala, Kultalahti and Kantola (2014, 19) have researched Finnish SME businesses and prove that HRM can add success. By the time research is made SMEs have not used this HRM potential. HRM is seen as a tool for competitive advantage (Viitala, Kultalahti & Kantola 2014, 19). Answers from the research pointed out that wellbeing is valued and there is a need to find out how to keep employees positive while the workload is growing (Viitala, Kultalahti & Kantola 2014, 89).

Viitala, Kultalahti and Kantola (2014, 87–89) indicate the HRM variety between Finnish SME companies as Bacon & Hoque did point out the same matter in Britain earlier. The small part is paying full attention to HRM. Many companies have a manager who is responsible for more than one area, such as HRM combined with economics. Other part does not have the HRM potential into use as full and they are experiencing more personnel issues. (Viitala, Kultalahti. & Kantola 2014, 87–89.)

Viitala, Kultalahti and Kantola (2014, 88–89) suggest for small SMEs to clarify who is responsible for HRM. Rosenburg, Sage-Hayward & Schuman (2016, 8–9) highlight this as well and reminds that HR function and creating corporate culture is every manager's responsibility in small companies. In companies with HR employees, the entrepreneur can focus on front line management and involve them in key HR processes (Rosenburg, Sage-Hayward & Schuman 2016, 8–9). When over 100 persons are working in SME, there is a need for proper personnel manager. Companies have not set needed goals and responsibilities for HRM and this produces a lack of time, which HRM development in SME suffers about. SMEs do know the value of employees, still, the management would need support. Leadership could be developed as well as the company's management if there is a need to. Management should be developed by setting the same frames for their work and focus on that HR is noted in the manager's work by developing it with other managers. This can bring relief in solitary managers, who has battled with resources. Employee wellbeing is highly valued in SMEs. (Viitala, Kultalahti & Kantola 2014, 88–89).

2.2   Human Resource Management in Family Business

HRM has even a bigger role in the family business than in other companies. All the employees are treated as family members, but the true family connection complicates the emotional environment of the company. Relationships are strained and the family name is

put at risk when working with your own family members. The turnover received from the family business needs to be maximized to make money because most of the assets are caught in the company. When previous matters are taken into consideration, HRM can conduct success for the family and the business. Researches prove that the family company performs better than the nonfamily company, depending on how HR is managed. (Rosenburg, Sage-Hayward & Schuman 2016, 1–2.) These distinguishing features are seen in Figure 6.
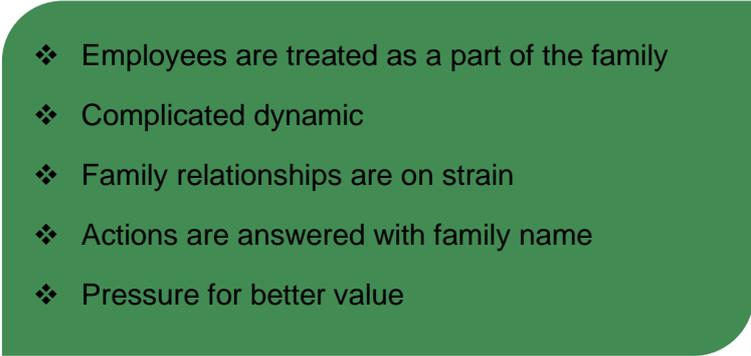
- ❖ Employees are treated as a part of the family
- ❖ Complicated dynamic
- ❖ Family relationships are on strain
- ❖ Actions are answered with family name
- ❖ Pressure for better value

FIGURE 6. HRM difference in Family business.

Due to the importance of people to the family business, HR is a tool to maximize performance. Therefore, it is important to pay attention to the HR system and to all HR practices. As well in other SMEs, HR in family companies is in most cases still finding the place as a strategic partner. (Rosenburg, Sage-Hayward & Schuman 2016, 3.)

2.3 Industrial Relations

Human resource management is controlled by laws and unions in Finland, which need to be remembered while implementing HR functions. This regulation is shown for example in determining working salaries and conditions as well as a pay rise. The person who is responsible for HR, need to be familiar and up to date of the regulation. In small and medium-sized companies the HR person is usually the only responsible for following the given HR laws and regulations. In many cases, this means a lack of time by the entrepreneur or manager. The union representatives can offer support for HR matters. Union representatives get their knowledge from union training and can help employees when needed. (Viitala 2007, 344–345.)

Part of the industrial relations is the relationship between employees and managers, which is defined by various matters. In conflicts, for example, if in the working contract has

information which is different than in law or in union collective agreement, grievance procedure can be used as the solution. In grievance procedure is defined the order of the followed regulation:

1. working laws

2. collective agreement

3. the provision in the law which can be modified in the working contract

4. contracts from co-operation negotiations

5. working contract and other practices what define the made contract

6. establishment-level agreement contract (collective agreement may give a possibility to locally agree of some matters)

7. discretionary legislation

8. customary law

9. established practice

10. instructions and orders from the manager. (Viitala 2007, 345.)

Several laws are made to secure people's rights for equal, humane and fair treatment at Finnish workplaces (Viitala 2007, 346–347). Most laws to effect on employer-employee relationship are:

- Employment contract act

- Working hours act

- Act on Co-operation within Undertakings

- Personal data act

- Privacy protection act

- Equal opportunities act

- Act of staff representation in corporate board

- Personnel fund act

- Collective agreement act

- Employment Accidents Insurance act

- Act on Labor Protection

- Sickness Insurance act

- Annual holidays act

- Occupational Health Care Act

- Pension act

- Labor court act

- Conciliation in labor disputes act

- Wage security

- Job alternation leave act

- Act on young employees

- Study leave act

- Constitutional law. (Viitala 2007, 346–347.)

In addition to these, the EU general data protection regulation (GDPR) was set in the year 2018.

2.4   Engagement

Engagement can be divided into employee engagement and organizational engagement (Bridger 2015, 41). In chapter 2.3.1 focuses on employee engagement and in chapter 2.3.2 in organizational engagement.

2.4.1   Employee engagement

Employee engagement requires a wide definition but there isn't any approved definition to describe it. It is something that gives the employee a reason to stay in the company without the compulsivity from the employment contract. (Bridger 2015, 4.)

Employee engagement can be defined as employee and employer relations at an intellectual and emotional level. Various matters can affect to engagement rate. Jaramillo & Todd (2016, 4–5) have divided these into five sections. Employees have strategic alignment when they can speak and implement core business strategies. They understand success when it is clear how different parts of the company, including themselves and their actions, affect the success of the company. Clear communication with relevant and frequent contact also helps to build engagement between employee and employer. Workplace vibe

engages with a good working environment, whether it is the relationships with colleagues or office desk. Growth paths offer employees the possibility to develop their skills. This explains how the acts of the employer affect directly to the engagement of the employee. (Jaramillo & Todd 2016, 4–5.)

The employee engagement strategy map is shown in Figure 7. When creating an engagement strategy, it requires defining employee engagement and the vision of the future. As an HR strategy, the engagement strategy must be aligned with the business strategy. This is achieved by defining goals and outcomes. The action plan and set drivers are needed to make previously mentioned happen. Measurements indicate how engagement strategy has implemented the wanted outcome. (Bridger 2015, 41-45.)
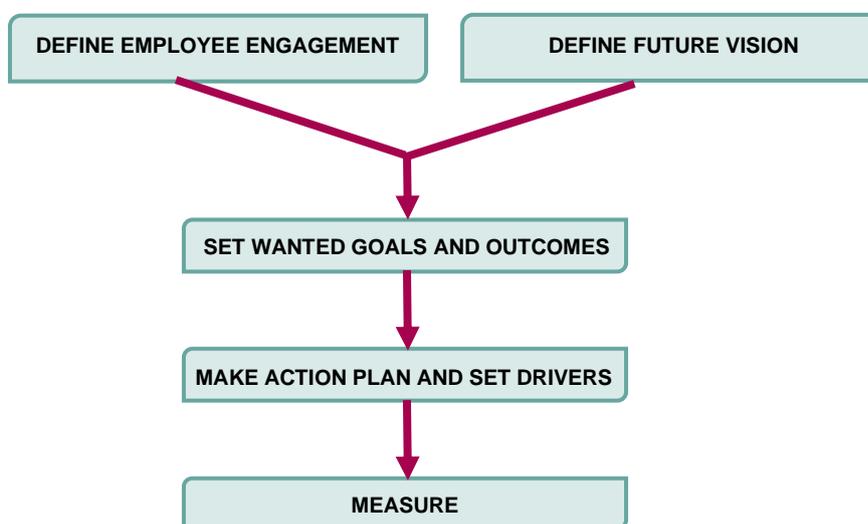
FIGURE 7. The employee engagement strategy map (modified Bridger 2015.)

Short term accolades, such as bonuses or rewards, do not strengthen employee loyalty enough to keep them in the company. Understanding the company and the meaning of the work they do is what matters. Negative working culture influences employee engagement and it can be turned to positive by reinforcing the engagement. It is more sustainable to focus on enforcing engagement with long-term methods. (Jaramillo & Todd 2016, 9–10.)

Employees expect various matters from the working culture. They want to have flexible work to coordinate home and work. Employees do know their value and money does not make the trick. They are searching for motivation from intrinsic matters such as

meaningfulness and the possibility to challenge and develop themselves. When an employee knows the meaning of the work they have done, it impacts positively to productivity and that way to company finance. The company needs to see the employee as an individual person, without separating the work identity from the employee identity to achieve the engagement. Especially for the millennials, it is important that they are inspired by the work and by other people they are working with. (Jaramillo & Todd 2016, 66–70.)

Employee engagement is well known as part of HRM in companies but improving it is lacking globally. It is more likely to achieve positive-minded employees when the company is developing, supporting but also improving employee engagement. Still, happiness in the business world is neglected as an intangible matter. Company surveys are too often based on the things that are going wrong and pointing out the reasons why someone won't work for the company. This gives a negative attitude towards engagement and should be replaced by a strength-based approach. It clarifies the matters with the help of the employees are at their best at work but also how engagement can be achieved. (Bridger 2015, 51.) Shuck, Rocco & Albornoz (2011, 312–314) highlight as a part of the engagement workplace relationship development, the meaning of direct managers as creators of organizational culture and importance to offer possibilities for learning.

In 2018 Finland was weakest of the Nordic countries in employee and talent engagement. Companies need to focus more on supervision and providing feedback. Development is needed in organizational culture and social responsibility. (Sympa 2018, 11.)

In this research, Maslow's pyramid is presented for creating a clear picture of employee's needs to gain engagement. Maslow's pyramid is argued by a lack of motivational factors. The same pyramid is used to present in Figure 8 how the company is treating its employees and the level of employee engagement. The lowest survival level represents those employees who are motivated by money. On security level employee value stability even though people don't work the whole career in the same company, but they are afraid of losing the job. Belonging level embodies trust and acceptance of the group, it is important for the employee to be part of the bigger picture. The importance level is critical for engaging. High engagement can be achieved when an employee's contribution is appreciated and management points out that it is directed with the company's value and goals. The last step for high engagement is self-actualization. Management needs to be interested and concerned about employee's development, as well as enabling individual growth. This led to high engagement and made the employee an inspiring asset to the company. (Smith 2014.)
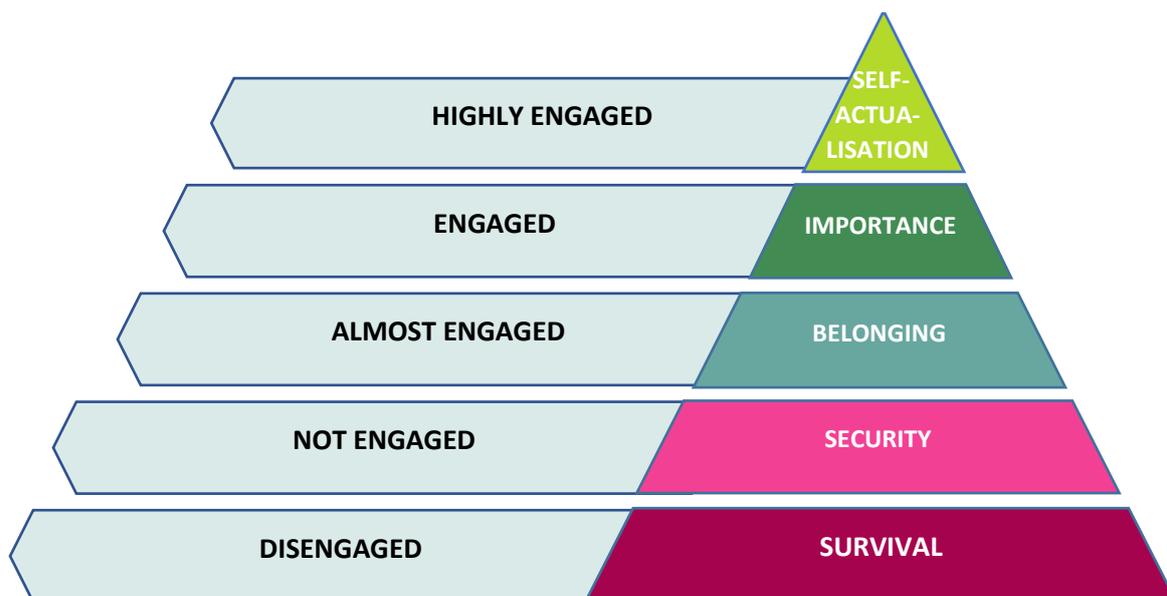
FIGURE 8. Maslow's hierarchy of employee engagement (modified Smith, 2014).

The development of employer branding can reduce employee turnover. From the managerial point of view, HRM can be developed with strategic planning on how to preserve employees and pay attention to the company's human assets. This can add HRM practices value and offer a solution to reduce employee turnover. (Ahmad & Daud 2016, 697)

2.4.2 Organizational engagement

Organizational commitment comprises the relation between the employee and the company that they are working for. It presents how much the employee is willing to do for the company. Organizational commitment is a major factor in how long the employee wishes to stay at the company. Loyalty has decreased in U.S. companies after they have reduced their functions to meet financial demands. Those companies such as Toyota, who have avoided layoffs and assigned employees to other tasks or put them into training programs, hope to gain employee loyalty. Dissatisfied employees are more likely to leave the company. (Wagner & Hollenbeck 2010, 111.)

Organizational engagement can be collective. This stands for a shared understanding of what organizational members are and how they are invested in their work physically, emotionally and cognitively. Upper management can intentionally and strategically add an organization's resources effect on collective organizational engagement by practicing the company's strategic objectives. Organization members begin to collective engage by

previous acts and motivational factors. This will be shown positively on the company's financial performance. Collective organizational engagement can be a motivator and a tool to improve the success of the company. (Barrick, Thurgood, Smith & Courtright. 2015,113, 130.)

3   LEADERSHIP

For a small company, management is an essential part of the business. Small companies often try to cope without proper profit and the reason for this situation is bad management. (Fuller-Love 2006, 176, 188.) This is seen as the best possible managerial practices aren't in use because the skillset needs improvement (Hayton 2015). To strive towards growth, it is needed to look at the management skills of the owner-manager (Fuller-Love 2006, 188).

Fuller-Love (2006, 175) made a literature review on a small firm's management development. Due to the review, benefits can be achieved with programs, that help the company to get through changes and allow them to grow. The entrepreneur's attitude is directly attached to the small company's growth. Management development programs also decrease the number of mistakes and increase company performance. The needed skill set consists of leadership and managerial skills. Management development programs can also add company competitiveness. Managerial education has been previously directed to larger companies but the meaning of it in smaller companies has stepped up. In the UK, managers' backgrounds vary and part of them have no formal training and this leads them to work for smaller companies. (Fuller-Love 2006, 175–177). Hayton (2015) brings up also the difference in skillset and as well in practices, depending on the operating industry. Management level in the small companies depends on the entrepreneurs' characteristics and skills, as well in many cases on family and their educational background. Entrepreneur's interest to grow the business can influence the managerial style. The entrepreneur can find it difficult to develop the management due to the obligation they have towards business and family. In business, the entrepreneur represents different managerial roles that highlight the importance of needed skills. (Fuller-Love 2006, 175–177).

TRADITIONAL SKILLS	SOFT SKILLS
Strategy	Communication
Planning	Decision-making
Human resources	Team building
Financial	
Operations management	
Marketing	

FIGURE 9. Management skills for development.

Figure 9 presents the managerial skills that are included in management development. It comprises traditional skills and softer skills. (Fuller-Love 2006, 175–177). Hayton (2015, 6–9) has interviewed small companies' owner-managers in the UK and they have named development need in leadership, entrepreneurship, technical, organizational, strategy and human resources best practices skills. Skills in entrepreneurship and leadership effect on SME company's management and performance. These two skills have boosting influence on performance and business growth. Especially with entrepreneurship skills and best HR practices that can achieve results in both productivity and turnover. Small companies with 5 to 19 employees benefit the most in implementing improvements in leadership and manager skills. (Hayton 2015, 6–9)

3.1 Competitive advantage

Competitive advantage (Figure 10) can be achieved by an idea that is unable to be copied or even noticed by the competitors. The service and how it is laid in front of the right market has an important role, but insufficient to gain the advantage. Even industry features are not able to make the difference. The solution can be found from company resources due to these are often hidden and therefore can gain the advantage. Human resources include variables that make the resource complex and enable it to grow competitive advantage. The value of human resources increases when it is managed in tight with company strategy. (Rees & Smith 2014, 45–46.)
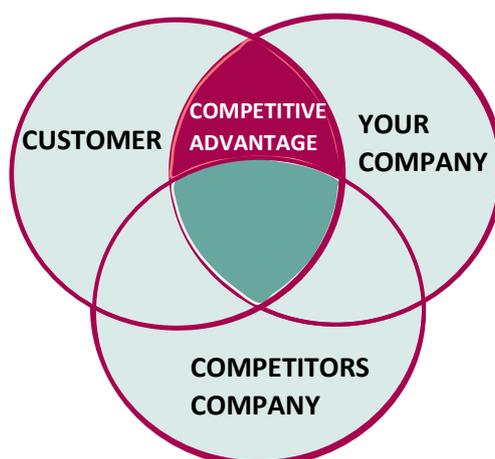

FIGURE 10. Competitive advantage.

Becker, Huselid and Ulrich (2001, 2) confirm the importance of HR as an asset for competitive advantage. If HR has implemented in strategy level, it is an invisible resource and

ensures a competitive advantage for a longer period (Becker, Huselid & Ulrich 2001, 2). HR strategy encourages companies to seek solutions to support their decision-making process. Clear guides help to recognize future needs by following trends, generating analysis and reserving needed resources. HR strategy helps to recognize employee intellectual stimulation and employee development. It provides help in defining the company's future vision. HR strategy has a developing effect on relationships and communication between people. HR strategy creates the company a tool to defense when needed to secure for example operational functions. It aswell encourages employees to search for solutions for problems. (Ghasabeh 2018). When HR is used in the best possible way, it gains value to shareholders (Becker, Huselid & Ulrich 2001, 12).

The company's competitive advantage can be seen from the capability to create better economic value than competitors. It can be permanent or temporary. Competitive advantage can be measured based on accounting performance or economic performance. (Barney & Hesterly 2008, 11–12, 14.)

As earlier, going through the external environment in chapter 1.5, it is explained how people make their decisions based on demographics. Focusing on a specific demographical segment can bring a competitive advantage. Wrong cultural interpretation can harm the company and impacts can influence its competitive advantage gaining. Specific international events change the environment and can prevent implementing the strategy of gaining a competitive advantage. (Barney & Hesterly 2008, 34–36.)

Motivated workforce and adding their motivational level are ideal ways to generate competitive advantage. Motivation reveals the energy that an employee indicates to the work. The employee performance grows when motivation grows. (Wagner & Hollenbeck 2010,81.)

3.2 Future HR trends

To understand the direction of HR in the future, it is needed to see a couple of years back. A Nordic HR Study, executed in 2017, emphasized four main trends in Nordic HR. These were job and task automation, which revealed that it was believed that internal and organizational HR processes to be automated over 10 % by the year 2022. Concern was on how the company will manage the changes that come alongside the transformation. The second finding was the flexible and global workforce. Understanding the potential of contingent employees and believe in contingent labor was expected to grow. It was believed to increase the number of contingent workers, especially in the private sector. There was a concern about the competition of global talents. The third trend changes in demographics

and employee expectations. Employees are aging and millennials are coming more relevant. There were concerns about how to integrate these two into company strategy and how to reply to the changing employee expectations. The fourth trend was data analytics. HR analytics was seen important but the performance in HR analytics was insufficient. However, it was seen as important to integrate HR data analytics into the strategy. HR analytics was not used as a predictive or prescriptive intention. (Nordic HR Study 2017, 11–63.)

In 2018 Sympa reported the current state of HR in Nordics. They discovered that though the companies are familiar with the value of competence management, it is still neglected in the business strategy but also in management processes. (Sympa 2018, 3, 8–9.) The use of HR by mobile devices is low but considered beneficial. There was demand for processes and tools for change management and HR. The report revealed the same problem as in Nordic HR Study before, HR analytics are mainly used for reporting, not predicting the future. (Sympa 2018, 3, 12.)

Deloitte published HRM and future work research in 2019. They predict social companies need to reinvent themselves from the human perspective in HR, leadership and personnel levels. Most concern of business- and HR managers were introduced to the future of:

- ➢ workforce (the alternative workforce, super jobs, leadership),

- ➢ organization (human experience conquers employee experience, organizational performance and rewarding)

- ➢ and HR (accessing talent, learning as a normal part of life, talent mobility, HR cloud). (Deloitte 2019, 98–99.)

Forbes article supports Deloitte's research. It has named three HR trends that will influence on companies during the year 2019. Workforce diversity expands to cover remote workers when geographical location doesn't delimit teams. Employees can present five generations, which makes challenges to the corporate culture, for example. Largest companies appreciate needed skills over degree. HR becomes a part of brand marketing. Companies who have earned recognition in the customer experience field are often seen also in the best employer list. Employee candidates form a brand image of the company when they search for information from the internet and social media. These findings affect their choices from applying the job to staying there. The brand can be used as a tool to attract the right talents and HR is the key to achieve the best employee experience as possible. Forbes brings up a flexible work culture that needs HR attention. Flexibility supports

employee schedules and lifestyles. HR can enable these to match with the company's business model and help the employee to create a career path. (Forbes 2019.)

2017

- job and task automation
- flexible and global workforce
- demographical and employee expectations changes
- data analytics

2018

- competence management in strategy and business processes
- HR use by mobile
- change management & HR tools and processes
- HR analytics as peredicting the future

2019

- human perspective
- changes in future workforce
- future organization
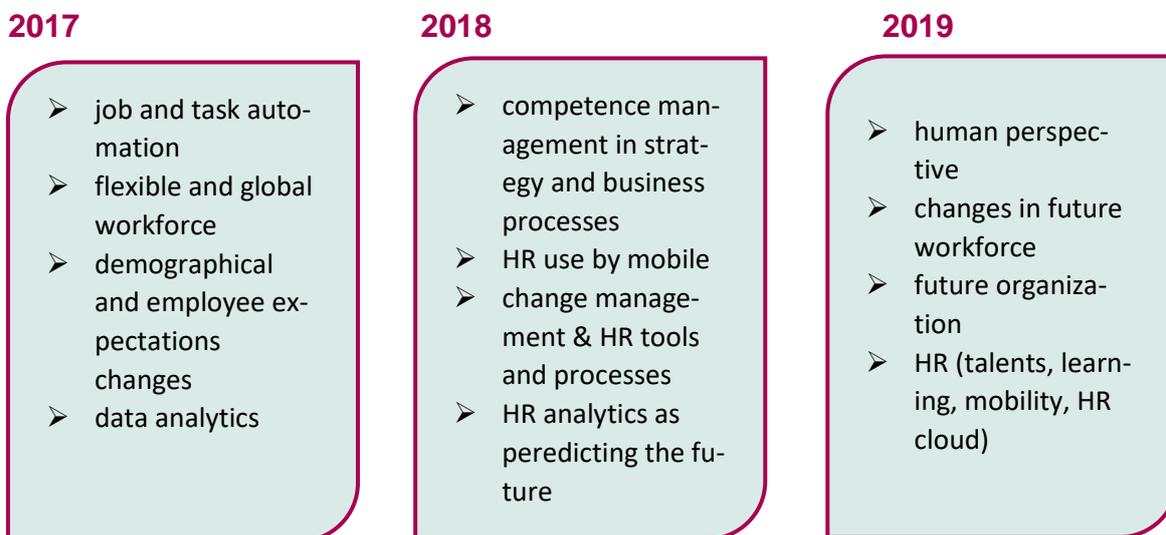- HR (talents, learning, mobility, HR cloud)

FIGURE 11. Predicted future of HR in Nordic (Nordic HR Study 2017; Sympa 2018; Deloitte 2019 & Forbes 2019).

As Figure 11 compounds the previous HR studies, there have been changes in HR and HRM. The meaning of the future and changes alongside are something to be prepared for.

3.3   HR strategy

During the decades, HR has developed into a strategic partner. This process can be seen in Figure 12. Perspective has shifted from basic hiring and paying needs to rewarding employees. HR continues to develop and managers see the value of the employees and understand them as strategic assets. HR did become accepted as a part of implementing a business strategy. After this development step HR's golden age begins, while companies understand and accept the meaning of HR as a strategic partner. Intangible assets such as human capital and knowledge have been in focus for a while now. (Becker, Huselid & Ulrich 2001, 3–4.) As a strategic partner HR main purpose is on generating value. This helps the company to avoid focusing only on too small pieces that don't generate the value. (Rosenburg, Sage-Hayward & Schuman 2016, 2.)

PERSONNEL
Hiring people and paying them for doing the job.

COMPENSATION
Bonuses come in the picture; high performers are best rewarded.

ALIGNMENT
Experienced managers realize the employee potential in strategy level,
but won't invest in it.

HIGH-PERFORMANCE
HR become part of strategy implementation. The relationship between HR strategy and
business strategy is managed and measured, as well as the company performance.

GOLDEN AGE
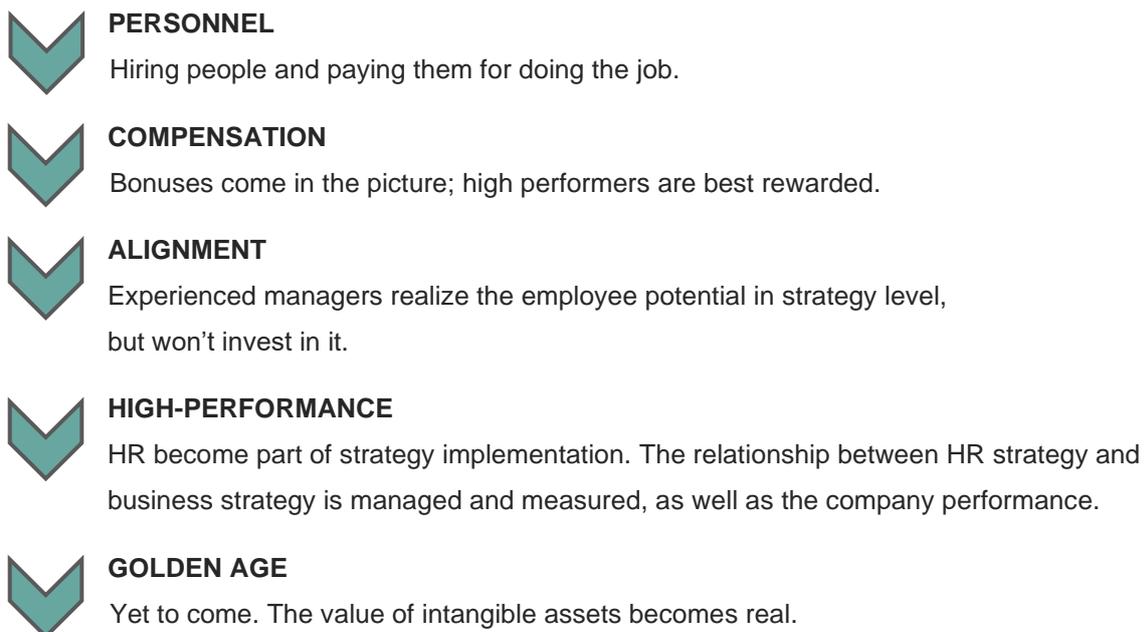Yet to come. The value of intangible assets becomes real.

FIGURE 12. HR develops into a strategic partner (modified Becker, Huselid & Ulrich
2001).

The strategic role of HR is achieved by clarifying the company's business strategy and af-
ter that defining why and how HR can complete the business strategy. Next is to create a
strategy map that processes the involvement of the company managers. (Becker, Huselid
& Ulrich 2001, 36–40.) The HR strategy map process is presented in Figure 13. For the
HR strategy map, there are few questions that are good to go through for achieving a
foundation. It is necessary to know what we want to achieve with the strategy and with
which tools it can be achieved. The process between goal and implementation must be
measurable. Obstacles can arise and therefore it is crucial to be prepared by identifying
them. Last considerable is the company's current HR functions: what kind of functions
there are and is there something to add. With these matters, the effect of the HR functions
to the company's success can be seen. Additional data can be collected with employee
surveys about their knowledge of the company's goals and strategy. The information
about the capabilities and performance drivers can be gathered from surveys. (Becker,
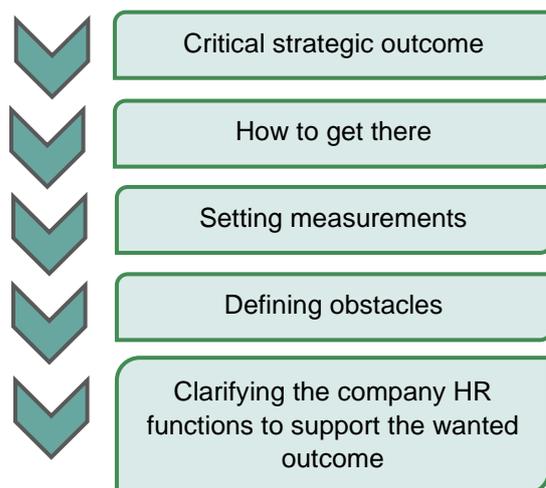Huselid & Ulrich 2001, 40–42.)

FIGURE 13. Creating an HR strategy map (modified Becker, Huselid & Ulrich 2001, 40.)

The HR deliverables can be identified from the strategy map. This supports designing HR towards the wanted outcomes. HR deliverables must align with HR architecture for the HR system what can produce desired deliverables. Strategic HR needs a designed measurement system. The final part is implementing management based on the measurements. After these steps, there is a new management tool. (Becker, Huselid & Ulrich 2001, 42, 45, 48.)

Achieving wanted strategy alignment the company must define how they generate value. This is a key factor in designing the measurement system. It is done by deciding how the company will implement the strategy. Most important is to focus on breadth and causal flow. Breadth encourage to follow up more than just financials, such as performance drivers and all matters that generate value. Causal flow compounds both financial and non-financial factors of firm performance. Another important question in the strategy implementation process is to consider what the performance measures indicate. (Becker, Huselid & Ulrich 2001, 28–29.)

3.3.1 Value

Viitala, Kultalahti and Kantola (2014,10–11) present the value process model (Figure 14) for HRM. It indicates how things are related to HR and the effects on it. This forms the value chain. Steps are formed with the following: the ground of this model is available HRM resources, the next step is HRM practices, which the company is following. The third step includes HRM results and on the top is business results. (Viitala, Kultalahti & Kantola 2014,10–11.)

FIGURE 14. Value process (Viitala, Kultalahti & Kantola 2014.)

In HRM value process model interpretation is important to focus on HRM resources and practices. To support HR practices, it is possible to use the outsourced service providers if needed. Personnel goals guide the business forward and the development needs to be measured. HR is recommended to develop with unite with the other developing what is happening in the SME. (Viitala, Kultalahti & Kantola 2014, 20.)

Becker, Huselid & Ulrich (2001, 12) present their value chain (Figure 15) as the company HR strategy foundation. There are three levels. First is the HR function, which refers to the management and their ability to comprise and implement the strategy. Next is the HR system what stands for High-Performance Work System. In HPWS company's human resources are taken into full use, not forgetting the quality factor. Last is employee behaviors which include employee strategic focus and strategic behaviors, where can distinguished core behavior and situation-specific behaviors. (Becker, Huselid & Ulrich 2001, 12–20.)
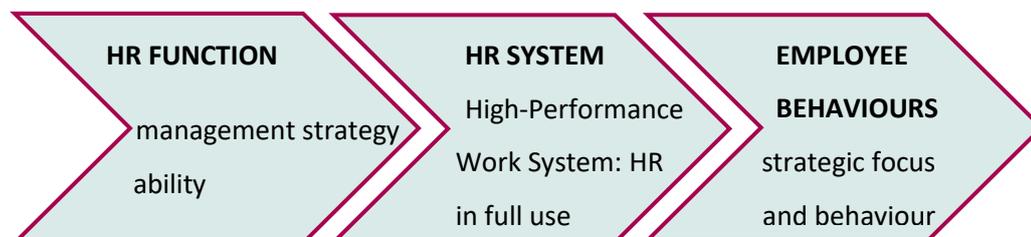

FIGURE 15. Value chain (modified Becker, Huselid & Ulrich 2001).

Becker, Huselid & Ulrich (2001, 1) explain for neglecting HR with the difficult to measure the effect on company performance. Intangible assets such as intelligence have become more important to companies. Especially intelligence-based companies use this intangible asset as their competitive advantage. They have come up with new business models and some of the companies have started to use intangible advantage on their valuation models. (Becker, Huselid & Ulrich 2001, 8.)

3.3.2 HR scorecard

Becker, Huselid & Ulrich (2001, 75) present an HR scorecard, that can be used for developing the company's HR strategy. HR scorecard help to separate deliverables influence on strategy implementing from the doables, that does affect strategy, it keeps the focus on the right path. It gives managers the tools to make the difference between HR investments and HR costs, thus given value to HR strategy. HR scorecard connects used choices to deliverables and affects key performance drivers which are used implementing the strategy. The economical results and strategy implementation are defined by the HR scorecard. It is important that HR's effect on the company's performance can be measured. With the help of the HR scorecard, it is easier for managers to follow their decision-making effects on implementing the company strategy. It is adaptable to changes and it is flexible. (Becker, Huselid & Ulrich 2001, 75–76.) These HR scorecard benefits can be seen in Figure 16.

- ❖ Help to separate what influence on the strategy
- ❖ Allow cost control and create value
- ❖ Measure important indicators
- ❖ Show how HR effect on firm performance
- ❖ Managerial tool to follow strategy implementation
- ❖ Allow changes and is a flexible tool

FIGURE 16. HR scorecard benefit

Implementing an HR scorecard, it gives management a tool to see the company's HR from a strategic point of view as an asset. It produces measurements that can prove HR's financial impact. HR scorecard leads the user to consider what are the major deliverables that improve company strategy with HR and the HPWS. It gives reason to think about how wide the company strategy's alignment is, as well the deliverables efficiency. (Becker, Huselid & Ulrich 2001, 53.)

HR scorecard creating starts from developing an HR measurement system (Figure 17), which consists of HR deliverables and HPWS elements identifying HR system, alignment

and HR efficiency measures. For creating an HR scorecard this means that HPWS does offer a solution to how wanted deliverables can be achieved. HR system alignment needs to be identified for picturing the parts, what needs improvement to work in optimal set with each other. These HR scorecard elements are chosen because they present HR requirements balance of cost control and value creation. While cost control is achieved via HR efficiency measurements and value creation from external HR system alignment, HPWS and most important HR deliverables. (Becker, Huselid & Ulrich 2001, 54–56.)

HR deliverables

HPWS elements

HR system adjustment

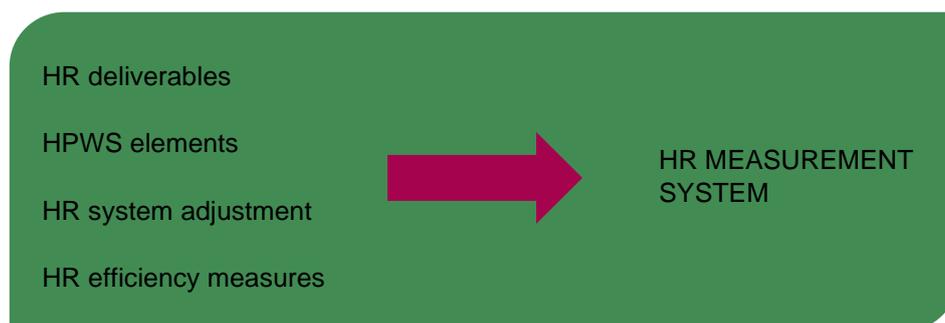HR efficiency measures

HR MEASUREMENT SYSTEM

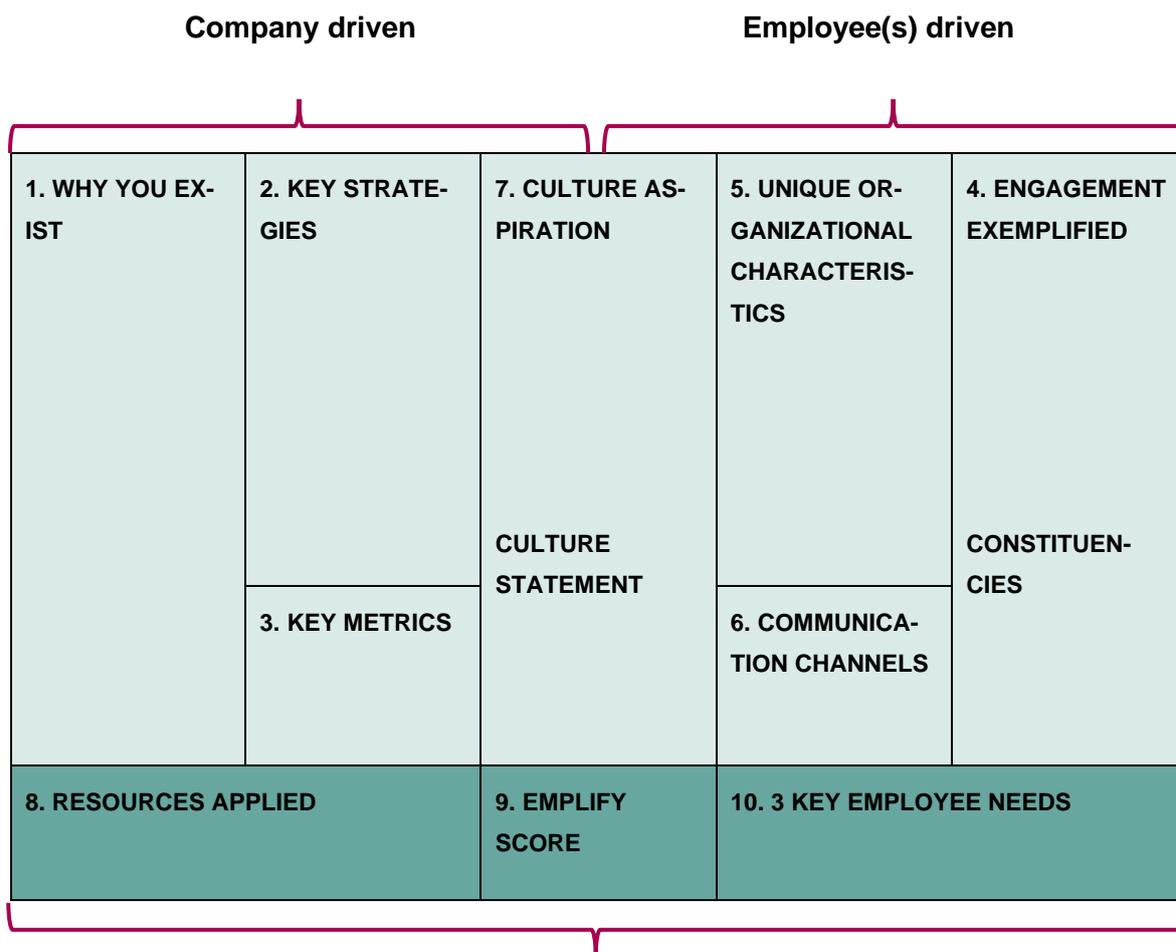FIGURE 17. Identifies for creating an HR measurement system.

Creating an HR scorecard requires HR Deliverable measures to identify where the HR system the value comes from. Only those metrics include that are directly attached to the company's strategy map. Compiling the HR scorecard focus is on HR performance drivers and HR enablers, leaving potential organizational capabilities on less attention. The HPWS evaluates HR functions at the macro-level by pointing out the performance orientation of the activities. These HPWS measures can reveal for example new employee's training hours every year. HR System Alignment requires a look at how the HR system is aligned with strategy implementation process drivers. Value creating HR deliverables are needed to know to get the right alignment measures. These point out HR system elements, which confirm each other and generate the right HR deliverables. This alignment measure and deliverables connection brings out the cause and effect relationship. By choosing specified and important HR deliverables outcomes from the HR system helps to pick the right alignment measures. (Becker, Huselid & Ulrich 2001, 62–70.)

3.3.3 Engagement canvas and Emplify Score

Engagement canvas and Emplify Score are valid tools for any company to assist employee engagement strategy in creating and measuring. When the measurements and analyzes are done, it gives the possibility to improve the engagement. Though this data

doesn't give all the answers investigating humans. It is important to remember that data complement human factors, processes and measurements are constantly developing. (Jaramillo & Richardson 2017, 120–122.) Canvas points out the company information about what they can control and what to adapt. Canvas reveals the employees that will succeed in the company's cultural environment. Going through 10-point Canvas, it gives a tool to improve employee engagement. (Jaramillo & Richardson 2017, 123.)

From the Canvas the parts can be seen divided into two: what is driven by the company and what by the employees. On the bottom are the parts that show the current state of engagement. These are on the left the tangible improvement actions, on the middle Emplify Score and on the right side the most critical employee needs. (Jaramillo & Richardson 2017, 123.) Figure 18 suggests completing the arrangement for the best outcome.

Company driven   **Employee(s) driven**

1. WHY YOU EX-IST	2. KEY STRATE-GIES	7. CULTURE AS-PIRATION	5. UNIQUE OR-GANIZATIONAL CHARACTERIS-TICS	4. ENGAGEMENT EXEMPLIFIED
		CULTURE STATEMENT		CONSTITUEN-CIES
	3. KEY METRICS		6. COMMUNICA-TION CHANNELS	
8. RESOURCES APPLIED		9. EMPLIFY SCORE	10. 3 KEY EMPLOYEE NEEDS	

Current situation

FIGURE 18. Engagement canvas (modified Jaramillo & Richardson 2017).

Emplify Score (Figure 18, 9th box) is the part, that makes the employee engagement measurable. It joins employee sentiment and employer input; which machine can turn into measurements. Emplify Score assist company to fill Engagement Canvas by setting strategic objectives and noticing previously set target improvements in employee engagement. Engagement canvas can replace the annual employee survey. (Jaramillo & Richardson 2017, 158.)

4 CONCLUSIONS AND RECOMMENDATIONS

4.1 Research conclusion

HRM can generate employee engagement and competitive advantage for SMEs if it is implemented sufficiently. It requires well-thought strategies for managing human resources to the point that it can bring a competitive advantage. HR must be in align with business strategy and implemented as part of it, not separately. In SME without an HR person, the whole management needs to be familiar with how to implement HRM in the same way as the business strategy. Employees have basic needs such as salary for engaging, but to achieve deeper engagement employees must take to the development work and show that their ideas are considered. This part of engagement work is often overlooked in SME. To get the SMEs' interest in HRM awake, it is essential to make them face the changed employee demands for achieving engagement. HRM benefits should be used to get managers' attention as well.

Data and tools for improving engagement and creating a competitive advantage are well available. The problem in HRM developing work seems to be a lack of time and ignorance of HR, even it would bring value to the company. There is a vast selection of HRM information available. This material doesn't support SME companies' interest in the topic in the best possible way, while they have limited resources and HRM has become ignored. A simplified guide, how to add this lacking piece into the business strategy would make it easier for SME owners/managers to get to know the topic and to implement it.

New measurement systems and other tools need to be developed to meet the SME audience. HR and HRM are measured, but there is uncertainty between different measurements. There is not a strong candidate to be modified and used as a general tool. This creates a situation where SMEs need to look at different measurement options and select the right one for their needs and values. It can seem too time-consuming and require help.

HRM is an unfamiliar and partly avoided topic in many SMEs. It would be useful to research what kind of support SMEs need in HRM development process, and what kind of support is available and who could offer it. This guiding would encourage SMEs to make the change and get the growing potential out of the business. SME companies and schools could make co-operation and take the students as a part of implementing the HRM, while both would benefit.

HRM focus has turned from present to future and due to the changing world, orientation to the future will continue. Human perspective has a key position when developing HRM. The employee will be considered as a person, not only as an employee. Now the issue is

to find suitable employees in the competitive industry. If employee shortage hits, it re-
quires to adapt and change the work suitable to employee's skillset. The demands for
working life have increased: the wellbeing of work-life and other HRM-related news are in
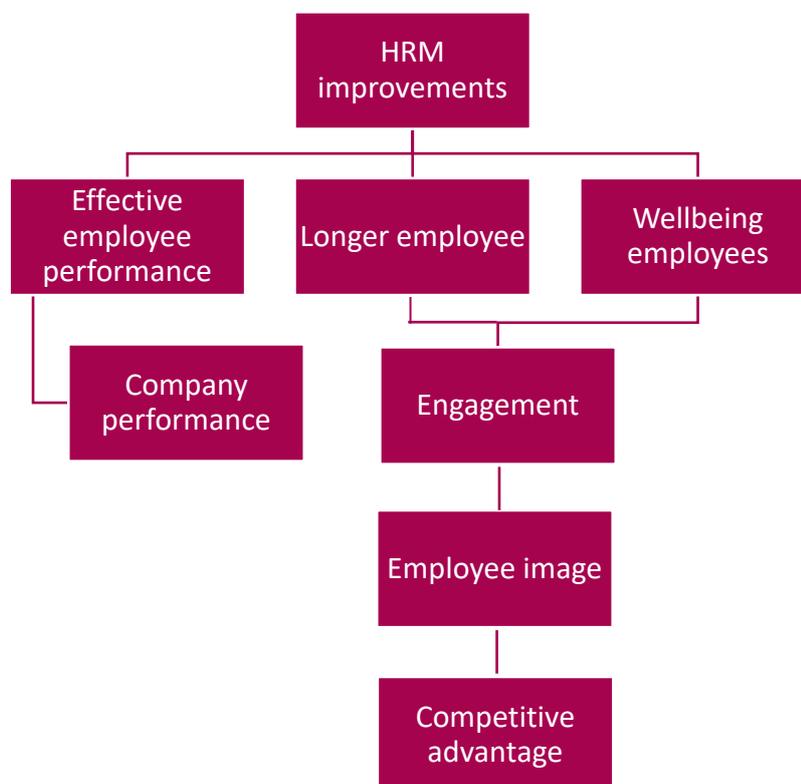growing amount part of the news in different media channels.

FIGURE 19. HRM effect on company

Improvements in HRM can generate results as Figure 19 presents. HRM affects positively
on employee performance, employee relationship durance and employee well-being.
These will eventually show on the company performance level. Engagement can be rein-
forced by improving HRM in previous topics. Improvement company performance and em-
ployee engagement can be seen in employee image and it offers a tool to create a com-
petitive advantage.

As a learning outcome of this research, it did emphasize the importance of adaption into
the changed situations, self-management and problem-solving skills. It brought up the
changed concept of engagement and explained the different points of view that might still
be in a strong position in SME companies. Therefore, it would be important for SMEs to
get to know the current situation and demands of engagement. Research gave insight into

HR and HRM information, which pointed out the reasons why HRM in SMEs is not yet developed. Subject is wide, perceived as unclear and time consuming to get to know, when there is not a ready measurement system that would work for all.

4.2   Answers to research questions

The main research question was:

- How SME can utilize HRM to engage employees?

Well implemented HRM does bring value to the company and add employee engagement. The key factors are HRM implementing align with the business strategy, clear HR functions, goal setting and offering employee possibility to learn.

Sub-question was:

- How SMEs can generate competitive advantage with HRM?

A major part of Finnish SMEs doesn't implement HRM as a part of their business strategy and they are left without the benefits. The companies taking HRM in their use can generate a competitive advantage. When employees feel appreciated and are well-being, this reflects on their engagement level. Satisfied employees are more efficient and when a good atmosphere can be seen outside the company, it attracts the workforce from competing companies. Employees are valuing their well-being highly, so this can be used to achieve employee engagement. While in Finnish SMEs HRM is not yet largely noted it can create a competitive advantage.

4.3   Evaluation

In qualitative researches has been used reliability and validity in a similar way quantitative researchers do, although there is discussion is this relevance. (Bryman & Bell 2011, 394–395.) Research reliability is associated with repeated research results and researches that does conduct similar answers. (Bryman & Bell 2011, 41.)

In this research participant observation is used for collecting data, as the researcher is embedded in a social setting by listening and observing. (Bryman & Bell 2011: 389.)

Validity evaluates how thoroughly made research is and are the conclusions right. Are the conclusions believable and do they agree together with research background. (Bryman & Bell 2011: 42–43.) As well as validity forms from the open and exact description of the made research (Grönfors & Vilkka 2011, 106).

In this research have used previous studies of SMEs and combined the information with observation from the SME Company X. This study is implemented as qualitative and observation is used for data collecting.

Interviews or questionnaire in the company X would have brought insight to present employee's engagement level. Used with HRM methods, supporting literature, observation and previous researches. This would have created added value to the research and give a more precise development plan to Company X.

4.4 HRM manual for Company X

Based on research theory and observation an HRM manual is presented for SME Company X. Manual focus on managerial functions to get the HR architecture suitable for development and to support future demands. Operational functions have mainly left out of the manual besides the development suggestions that have occurred during the research. Material for further development have offered at the end of the manual. HRM manual for Company X to engage employees and gain competitive advantage is in appendix 2.

Manual is written for SME managers. Idea is to present HRM in an easily approachable form (Figure 20). First in the manual, every topic is presented as general, then it is explained the reason why to pay attention to the HRM topic. Last is opened the tools on how to implement the topic. The approach goes straight forward to business, to value the SME manager's time. This is tried to make it easy to apply the theory on the Company X situation and to pick up the pieces that are suitable for them. As the specific information wasn't possible to get, the suggestions are based on the observation, earlier studies and the industry information. A more detailed development plan could have been presented with more detailed information about Company X HRM.
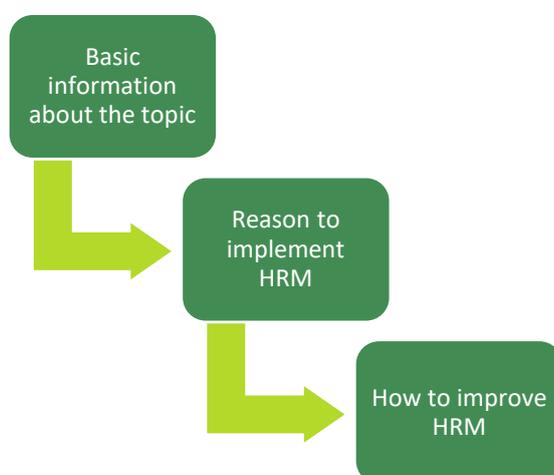

FIGURE 20. Manual approach to topics

The idea for the manual came after the research method needed to be changed. This change made to think about other options, that how to offer the same information in another way. It was decided to use perception, previous researches and literature to put the information in manual and available for the use of Company X.

Designing the manual begun from the contents draft and defining what to bring up with the manual. Specific HRM topics were chosen for the manual to keep it clear and simple, designed for the Company X industry needs. As HR has been in the background of SME companies, it was chosen to first give insight to the topic, then give a reason to change and last present how to implement the change.

Manual was written during August and September 2019, based on research theory and conclusions. It is 13 pages guide to implement HRM in SME in engaging purpose and trough that to gain competitive advantage. Figures and lists were used to make the text easier and faster to understand, but also to make it more pleasant to read.

Manual gives the motivation to put effort into SME's HRM. HRM can bring benefits when it is implemented aligned with the business strategy and there are right aware of the external environment. The manual contents are explained below. Contents are presented also in Figure 21.
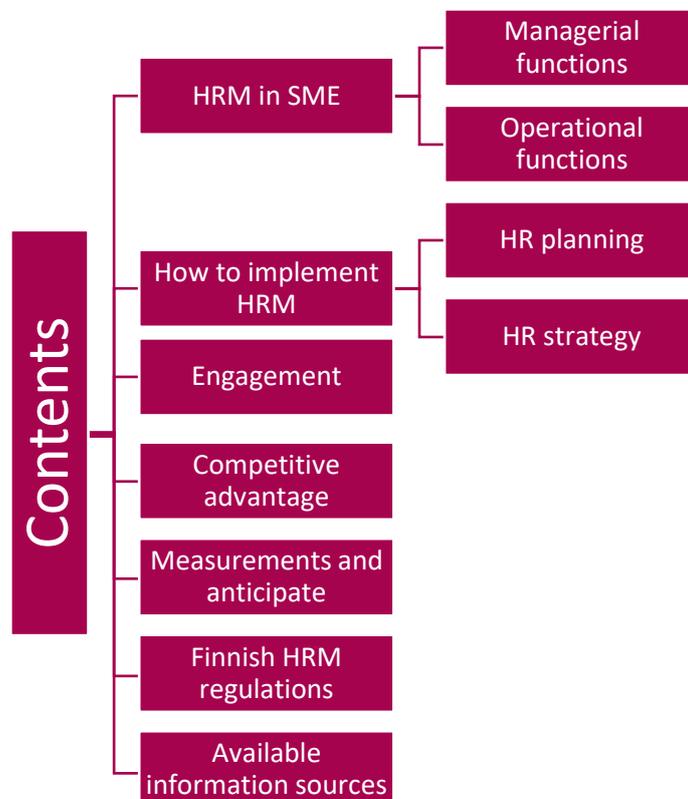

FIGURE 21. Manual contents.

HRM in SME is divided into two parts, managerial and operational functions. These functions are presented to create a clear picture of HRM. How to implement HRM paragraph focus on HR planning and human resource strategy. Tools are presented for the HR-strategy on how to define value, create engagement canvas and compile an HR scorecard.

On employee engagement is explained what effects on engagement and guided how engagement can be reinforced. HRM as generating competitive advantage presents an idea on how to get the most out of the HRM and turn it as an advantage to stand out from competitors. Measuring and predict the future offer information about the importance of measurements. It suggests what to measure to keep the focus on the right track, avoiding spending time into wrong measurements. The meaning of the future is highlighted so that the small resources are directed effectively on the demands of the changing world.

Finnish regulations direct HRM functions and that is the reason why the most important laws are listed to the manual. It also gives guidance on how the regulations work together, what is the strongest. On the last section is handed outsources where to find more detailed HR-related information that would help to understand and to implement HRM. Also, to prevent industry changes. This secure that there is enough information available without additional seeking.

4.5   Recommendations

Organizing HRM

Company X is a small SME company and it can also be considered as a family business. To improve their HRM and future employer status in a competitive industry is suggested to review business strategy. As well to see how the changed situation in the industry and among employees and work-seekers effect on strategy implementation. Company X is suggested to develop HR strategy, HR processes (especially introduction), leadership and employee development. These are presented in Figure 22 and explained below. With these notions, HRM can be planned for the current situation and to meet future demands. The attached guide will open this process for Company X and make HRM easy to approach and help to implement it. Collaboration with local schools could be used.

FIGURE 22. HRM development plan

HR strategy

HR strategy is needed especially in bigger SME companies. Although all SME's with employees can have benefits of HR strategy. It can be a simple list of HR-related topics and how the company is driven towards its goals, or it can be a larger and more precise plan. The biggest benefits Company X would achieve by a well thoughtful HR strategy. Due to the available time and situation, the company is suggested to consider a lighter version of the HR strategy. It would go through the company functions as a list. The list would define the current situation, goal and plan how to get there.
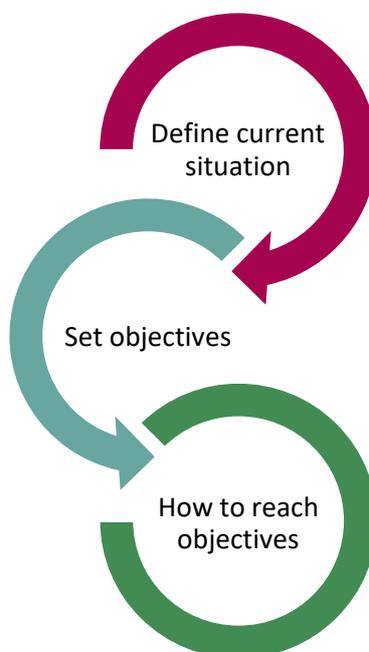

FIGURE 23. HR strategy implementation process for Company X

With HR strategy is guaranteed that the company has the right direction to implement HR functions. Company X is suggested to find answers to the next questions for compiling a suitable HR strategy. First is needed to define the current HR situation, such as does the employee number meet demands and what kind of introduction new employees have. Next is to think how the future looks like, are there changes coming, what are the wanted goals and what are the activities that help to achieve the goals. The last part is to set measurements, that bring out the HR process effect. For example, introduction durance and length of employment could be measured. Company X HR strategy development would proceed by defining

- current situation,

- how does the future look,

- how to get there and

- measurements.

HRM processes

In Company X HRM processes can be developed to meet more precisely the employee needs. With observation, these processes were the introduction, leadership and employee development. Reviewing all the HRM processes to point out if there are processes that could work more effectively, would be beneficial to Company X. By improving HRM-process efficiency savings can be achieved. This would release the manager's time and influence on employee satisfaction.

Introduction

The introduction plan would bring benefits for Company X by securing all employees the knowledge to do the work. It supports Company X's quality requirements by instructing employees to use the best solution. Learning should be continuous to keep the skills and knowledge up to date. It is suggested to keep work processes information with multiple phases or rarely repeating action available. This increase work quality, when employee can refresh the existing knowledge.

Leadership

In SME companies' leadership skills varies and it is natural that bigger companies have stronger capabilities and developing possibilities in leadership skills. Leadership reduces mistakes, help the company to grow and add a competitive advantage, it has an effect on company performance. The leadership has a big role in Company X because part of

employees are family members and there is strong competition in the industry. Leadership would change the company culture and make employees work more as a team.

Company X would benefit from improving communicating. Naming clear roles and responsibilities between management would make it easier for employees to approach directly the right person and save time. This would reduce misunderstandings and improve company culture. Goal setting could be used more effectively by the managers. When environment change or employee is in the learning phase, goals change and communicating importance stands out. A leader of a small company is responsible for guiding employees and being available for employee questions. If the leader feels insecure, he can find support for leadership skills such as team building and best HR practices from readings or another entrepreneur, for example.

HRM IT-system is an important leadership tool. Company X uses IT-system to control the most common actions. Beneficial would be to research what kind of HR reports is possible to generate with it and would those give needed information about company HRM.

Employee development

Company X could engage employees by giving employees better possibilities to develop. Company X employees have different backgrounds and there is potential to apply this knowledge to developing the work. This would give development ideas for the work and in the best scenario boost company performance. But most importantly, this would engage employees while they have a possibility to affect their work and be part of implementing the business strategy.

During the introduction, the employee gets the basic skills for the job. While doing the job, more tasks can be given and employee needs training to develop in the job. Training should be a planned situation for giving employees and trainers the possibility to prepare for it. It requires time to learn and goals to strive for. Goals motivate employees and give managers a tool to see how learning has progressed.

Development discussions are used in Company X. This discussion is presented to be changed in a more communicative environment. It can be implemented for example 2 to 4 times a year by more open discussion or with a pulse questionnaire. Pulse questionnaire would give information about the current situation and make it possible to react immediately to grievances. Engagement canvas can also be used as a substitute for development discussions.

Employee engagement

Employee engagement would release the Company X manager's time from recruiting and introduction to leadership. It would improve relationships and trust between employees and employers when employee knowledge increases. Due to the current industry employee markets, the engagement does not mean lifetime commitment, but shorter periods can generate the needed influence and help the recruiting process.

FIGURE 24. Engagement development plan.

With developing HRM by Figure 24 presented development plan Company X could engage employees. Full-time leadership is needed to achieve engagement and generate a competitive advantage. Effective communicating is an important leadership tool to implement this process. Letting employees know what the company values, mission and vision are. Define engaged employee meaning in Company X, set goals and wanted outcomes. Goal setting motivates employees and leads the way to implement the company strategy towards wanted performance. How to meet the goals and how to measure are the question to look for an answer. Goals give employees a purpose to work, they know why they are there and what the company wants. This improves the meaningfulness of the work. The employee can engage by offering a possibility for development.

A personal aspect is required when talking to employees. The leader needs to see the person as a whole, not just as an employee. This would help in Company X to solve employee issues and understand the actions better. Especially in a small company, there is

the possibility to solve issues immediately and avoid the possible effect on the working environment. This would add employee satisfaction.

A positive work culture creates engagement. With motivating and creating the feel of togetherness engagement can be reinforced. In Company X there are less joined events than before. It has been difficult to find a suitable time and program so that everyone would come. When work itself is mostly done alone, despite the quick morning start together, there is a need to communicate with co-workers about work-related issues but also to feel like a part of the team. For example, breakfast or coffee meetings together could give the possibility to create a team spirit. Program in other events should be designed suitable for everyone and accept the fact, that people like different matters and that could end up to some left-outs. Not everyone even wants to participate in this kind of event.

Flexible work is important to meet employees' demands and it gives the possibility to combine work and personal life. At Company X work starts at 8 am, an earlier start is not possible besides in a few cases. It is expected everyone to be at sharp 8 am at work, not earlier or later. This does not face employee needs of flexible work in the best possible way. It is suggested to think could this be changed more flexible.

Company surveys can generate engagement through a strength-based approach. When questions are presented and topics approach more like helping and finding employee strengths, it reveals how to engage.

HRM in generating competitive advantage

HRM enables competitive advantage (Figure 25). HRM is combining corporate functions that are invisible for the competitor to see and it is an effective way to achieve long term competitive advantage for Company X. Company X could gain a competitive advantage through the following HR development suggestions. They could use HRM more effectively by communicating. This helps the employees to know what the situation is and what is the goal. It's possible to add employee satisfaction through communication. By developing HR, the results will be seen on the employer image and the company performance.

FIGURE 25. Competitive advantage generating process.

Employee engaging can be used to gain competitive advantage. While employees are engaged and satisfied, they will stay a longer period in the company. This will show to the external environment and improve employer image. As the employer image is better than competitors, it can be used as a branding tool to attract new talents as they research information about the becoming employer. Positive work culture engages employees and the effect on employee motivation. It can create a boost in employee performance.

Being aware of environmental changes can generate a competitive advantage. It helps the company to prepare and adjust their ways of operation.

Depending on how comprehensive HR strategy Company X decides to make, they have the possibility to gain a competitive advantage by the strategy implementing. It will show on their decision-making process and in employees' problem-solving skills. The best solution is founded, and it generates positive effects on the company. By recognizing future employees, knowledge needs and environment change, they can attract the right kind of knowledge and make use of the changed situation. The company that follows the future will have the first possibility to react and get the talents, for example, if some people segment such immigrants comes available for work. HR strategy does support employee development and following it. This gives Company X a clear picture where their employees are in their skillset and highlight the equality of training. The greatest effect of HR strategy will have on communication and relationships. These make employees more satisfied, engaged and create competitive advantage.

FIGURE 26: Development plan for generating competitive advantage with HRM.

As we can see from Figure 24 and 26, enforcing employee engagement and generating competitive advantage are align in Company X. Both improvements require leadership skills and an understanding of employee needs. With comprehensive HRM can both be achieved, remembering the possible effect of external environment changes. If SME companies or other bigger companies in the industry start to use HRM more effectively, the competitive advantage is harder to achieve.

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APPENDICES

1. Company X introduction – Confidential

2. HRM manual for SME to engage employees and gain competitive advantage – Confidential