

## **AN INNOVATIVE APPROACH TO HUMAN RESOURCE MANAGEMENT IN SMALL AND MEDIUM ENTERPRISES: THE SHARPEN PROJECT**

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### **Abstract**

The aim of this paper is to bring a new perspective to how Human Resource Management (HRM) in Small and Medium Enterprises (SMEs) is performed and supported. SMEs in Europe are facing several challenges in the field of HRM and the SHARPEN project aims to deliver solutions to these challenges based on specific needs of regional SMEs. The SHARPEN project will develop a university taught learning module focusing on HRM in SMEs and a Handbook of HRM that will provide SMEs with compact HRM knowledge and tools. Both of these outputs will be supported by cross-regional research performed in 5 project regions of the EU. The overall result of the project should be a better state of HRM in SMEs due to new, easily accessible knowledge and tools as well as more attention given to the challenges facing SMEs in the area of HRM.

### **Keywords**

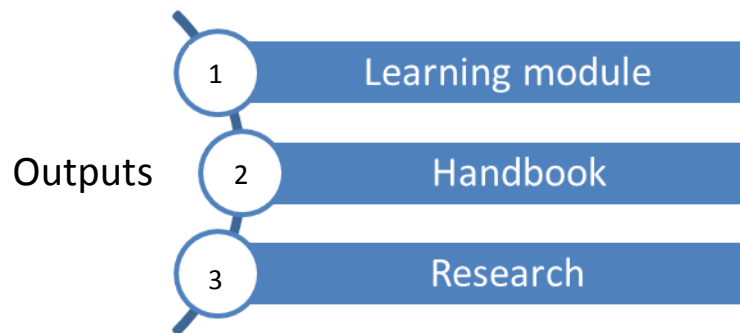
Human Resource Management; Small and Medium Enterprises; Innovative approach; Erasmus+ project.

### **Introduction**

Small and Medium Enterprises (SMEs) in Europe are facing several challenges in the field of Human Resource Management (HRM) and even though HRM can be a source of competitive advantage of firms, SMEs tend not to have effective HRM. The importance of SMEs themselves and their contribution to EU economy is well known and a number of initiatives has been created to support the creation and development of SMEs in Europe and the SHARPEN project is one such initiative. Co-funded by the Erasmus+ Programme of the European Union and belonging to the Key Action 2 – Strategic Partnership activity group, the 3-year project brings together 5 universities from 5 different regions of the EU to collaborate on the support of effective Human Resource Management in Small and Medium-sized Enterprises.

Partner universities and project regions:

- Technical University of Liberec (TUL), Czech Republic - Liberec Region,
- Kajaani University of Applied Sciences (KAMK), Finland - Kainuu Region,
- Zwickau Westächsische-Hochschule (ZUAS), Germany – Westsachsen,
- The University of Huddersfield (UoH), United Kingdom – West Yorkshire,
- Socialiniu Mokslu Kolegija Klaipeda (SMK), Lithuania – Klaipeda Region.



Source: Own elaboration

**Fig. 1:** Outputs of the SHARPEN project

The primary aim of this project is to leverage on the HRM knowledge, experience and competencies of all the partner universities to develop a specialized learning course for students and a Handbook for SMEs. Both tools will be based on findings from a cross-regional research conducted through questionnaires, shadowing and interviews.

This innovative approach to HRM in SMEs is bringing together various actors (universities, firms, chambers of commerce, experts, etc.) in order to support SMEs and underline the importance and advantages of good HRM, no matter the firm size.

## 1 Human Resource Management in SMEs: A Literature Review

Contemporary literature has found a positive relationship between HRM practices and performance of large firms [1, 2, 3, 4]. Such a relationship has been implied in the case of SMEs as well. It has been suggested that adoption of particular HRM practices can boost small and medium firm performance and enhance their long-term competitiveness (e.g. [5, 6, 7, 8, 9]). One of the reasons why HRM might be a source of sustainable competitive advantage is that the advantages gained through HR become the firm's intangible assets that are valuable, rare and difficult to imitate [10]. Moreover, these intangible assets might be important to SMEs, because it is harder for SMEs to compete with larger firms in terms of other, tangible resources [11, 12]. Furthermore, Koubek [13] states that HRM is more important in SMEs than in large firms. Koubek explains that SMEs suffer much more from negative performance of its workers, they have a significant disadvantage in hiring new employees compared to larger firms, evaluating and rewarding employees is harder and SMEs usually need more flexible workforce than their larger counterparts.

Based on the previous observations, it is possible to say that HRM can be a very important tool for SMEs. However, it is often suggested that HRM in these firms is generally in a poor state [14] and the inability to identify and deal with HRM issues is seen as a common cause of failure of SMEs [15, 12]. The often-poor state of HRM in SMEs can be explained by the fact that in a large number of SMEs the role of an HR specialist is performed by the owner, executive manager or by one or more members of the administrative staff [13]. Research indicates that by these workers, HRM is often perceived as an administrative issue that becomes important only when it seems to acutely affect the firm [16]. In short, most SMEs do not have the time, resources and/or knowledge to perform HRM activities on an effective and efficient basis. It is for these reasons that SMEs are unable to follow latest HRM trends and ensure their successful implementation. The SHARPEN project hopes to deliver SMEs cost-efficient tools to help them deal with this issue.

Academic research [17, 18, 19], and common sense as well, suggest that HR practices differ among micro, small and medium-sized firms and that with increase in firm size, HR practices become more formalised. It can thus be expected that smaller firms will not have an HR

department or strategic HR plan and will not use state-of-the-art HR tools and practices. On the other hand, Timming [20] points out in his article that there is a great degree of variance in HRM practices in SMEs and that there are many variables affecting formalisation of HR practices in these firms. Timming goes on to conclude that due to this variance, HR practices in SMEs should not be homogenized straight away. Taking this in mind, the SHARPEN project aims to gather data from SMEs of various sizes, different sectors and across 5 different European regions, in order to find the most common HR issues among a wide range of subjects.

## **2 Research Objectives**

The objectives of the project are relatively straightforward. The main aim of the project is to develop, in a good quality, the 3 outputs described in the following Methods section of this paper. Overarching mission of the project is to help nurture a new generation of HRM professionals, both from students and from already working HR specialists that will have the expertise to deal with HRM issues in SMEs. Furthermore, the project has been designed so as to provide support for SMEs in an area that is known to be a weakness of many of small firms. The objectives of the research part of the project are described in the following chapter.

The project goals of SHARPEN are:

- to create a university learning module that will produce graduates with deep knowledge of HRM in SMEs,
- to enhance cooperation among universities across EU, and between universities and firms inside the project regions,
- to perform research among firms in the 5 project regions and gain better understanding of HRM issues in SMEs,
- to develop tools, frameworks and solutions to HRM issues and put them together into an easily accessible Handbook,
- to bring innovation and new ideas to SMEs.

## **3 Methods**

This section will present the means and methods used in constructing the 3 outputs of the SHARPEN project. Firstly, the project's learning module will be presented.

### **3.1 Output 1 – Learning Module**

The end product of this output is a fully developed, university-taught learning module specializing in the field of HRM with focus on SME environment. The final learning module will be developed after a 3-year testing period during which 3 groups of students (1 group each year) in each partner university complete the learning module and provide feedback, allowing the project team to tweak and optimize teaching techniques used within the module. The module is designed to facilitate cooperation between universities and small and medium sized firms and provide students with practical experience. The entire module will be taught in English so as to provide students with the ability to work with the newest international HRM trends and academic literature. This output is divided into 3 phases.

#### **3.1.1 Phase 1**

At the beginning of the module, after the students have been selected, they are introduced to the project, its goals and their part in it. The students are informed about their responsibilities and the expected gains they will have from the project. After this, the students undertake several study sessions with their supervisor, where they learn specifics of HRM in SMES,

deepening their knowledge base of HRM. In one of these sessions, guest expert lecturers teach the students how to perform qualitative and quantitative research in firms that the students are to visit. During this session, students are also taught how to communicate the benefits of the project to the firm and how to properly conduct an interview and shadowing with an HR specialist from the involved SME. At the end of this phase, the students visit SMEs where they conduct the research. During their session with the HR specialist, the students ought to become familiar with HR issues affecting the firm. In Phase 3, their goal will be to write an assignment containing a case study about the firm and practical tools and solutions for the firm's HR issues.

### **3.1.2 Phase 2**

During this phase 5 students from each project's university came together to participate in an ISP (intensive study programme) in one of the project's university. This short-term (1 week) mobility is designed to allow the students to discuss their findings in a cross-cultural setting. The ISP consists of ice-breaking sessions, several lectures on relevant issues (e.g. how to write a case study), presentations of project's regions and involved SMEs. Several of the SMEs involved in the project are then visited and all the students have a chance to discuss the findings of the student team researching these particular firms. At the end of the week, the students present the progress they have achieved with their assignment.

### **3.1.3 Phase 3**

The final phase of the learning module is focused on finalisation of the student assignment. Students have the opportunity to visit their respective firms again and discuss their findings with their supervisors. At the end of the learning module, the students hand in their assignment and receive a certificate of successful completion of the learning module.

The student assignment structure:

- Description of the respective region (size and location of the region in Europe, age structure of the population, structure of the labour force, migration trends, number and structure of the SMEs, industrial structure, development of these facts in the next 5 years),
- Selection and description of regional SMEs (size, industry, technology, employee structure, specific needs),
- Analysis of HRM priorities for these firms – based on student's research,
- Developing practical HR-tools for these SMEs for these issues,
- Critical evaluation of the results obtained,
- Developing of conclusions in these SMEs,
- Developing of conclusions for the design of HRM for SMEs in Europe.

## **3.2 Output 2 – Handbook of HRM for SMEs**

The Handbook will be built upon the knowledge and experience gained in Outputs 1 and 3 as well as an extensive literature review. The aim here is to create a practical guide for SMEs, which will allow them to take inspiration from case studies or use the tools provided straight away. The Handbook will be written in concise and clear manner with real-world focus. The project team will translate the findings from the literature review and the other outputs in a way that will be easily accessible by HR specialist workers as well as SME owners and managers. The main focus of the Handbook will be on the following issues as well as on any HR issues that will come into light from the other outputs and literature review:

- Specific Needs of SMEs in HR – such as recruitment and selection, integration and retention of employees with focus on young employees,

- Inclusion of Employees with Special Needs (disabled people, immigrants, foreign workers, elderly employees),
- Employer Branding and Personnel Marketing in SMEs – boosting the attractiveness of employers for graduates,
- Strategic Management and Strategic HRM,
- International Aspect of HR in SMEs,
- Business Ethics and Interpersonal Skills in HR.

### 3.3 Output 3 – Research

The research part of the SHARPEN project will be mainly based on a CAWI method. To collect data, researchers will use an electronic questionnaire created in SurveyMonkey, which will be distributed with help from local Chambers of Commerce to SMEs in all the 5 regions of the project. The main aim of the research is to find out the needs of SMEs in terms of HRM as well as to determine to what extent HRM is performed in the firm, who performs it and how and what the differences in HRM among SMEs of various sizes and industries are. Great care will be given to the creation of this questionnaire. Pilot questionnaire will be given by students to the SMEs where the students perform their assignment research and the SMEs will provide feedback. In addition, experts and HR specialists from the 5 countries will be asked to provide feedback as well.

The pilot questionnaire has 51 questions and asks a range of questions starting with basic information about the firm and its HR workers continuing onto questions concerning how HR is performed in the firm and what HR issues it currently faces.

The end result of this output will be a study that will analyse the data and pave the way for the project team to create the Handbook tailored to specific needs of the project region's SMEs and, hopefully, even the whole EU.

## 4 Results

At the end of the first year the results of the project look promising. Development of **case studies** from shadowing and interviewing of HR specialists in SMEs has led to the creation of specific **practical tools, recommendations** and **solutions** for the participating SMEs. The learning module has also produced 25 young students (5 in each country) who now possess deeper knowledge of how HR is performed in SMEs.

Examples of proposed tools are:

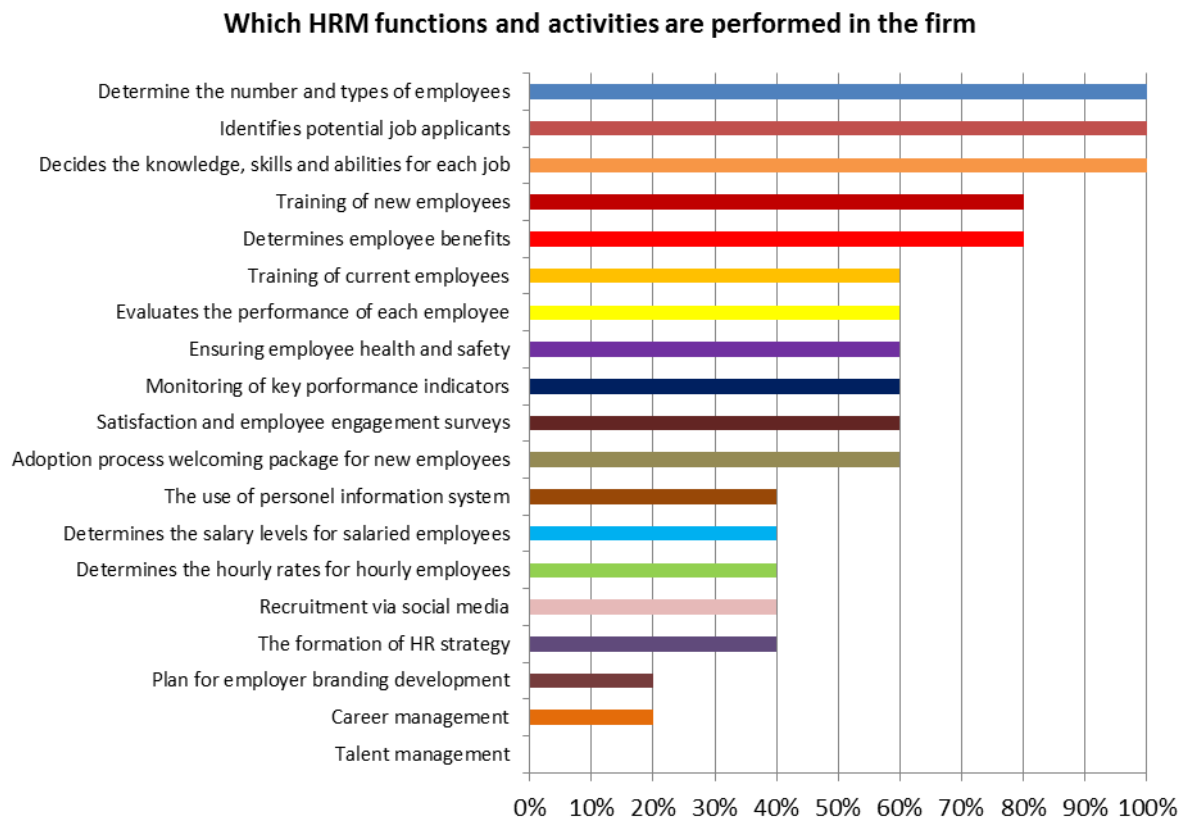
- Evaluation forms to be used during induction process,
- Manuals on how to communicate with young generations through social media,
- Custom-made benefits package,
- Employee satisfaction questionnaire template,
- Competency-based HRM.

The pilot questionnaire was first distributed among 5 Czech firms in Liberec region. Students collected quantitative as well as qualitative data during their shadowing phase in the first year of the project. Even though this constitutes a relatively small and not representative sample, the results have in a lot of ways been in line with the knowledge gained in this paper's literature review.

### 4.1 Results of the Pilot Survey

Three of the five firms were medium-sized, with the rest being small (determined by the number of employees: 0-9 micro, 10-49 small, 50-249 medium). The medium-sized firms all

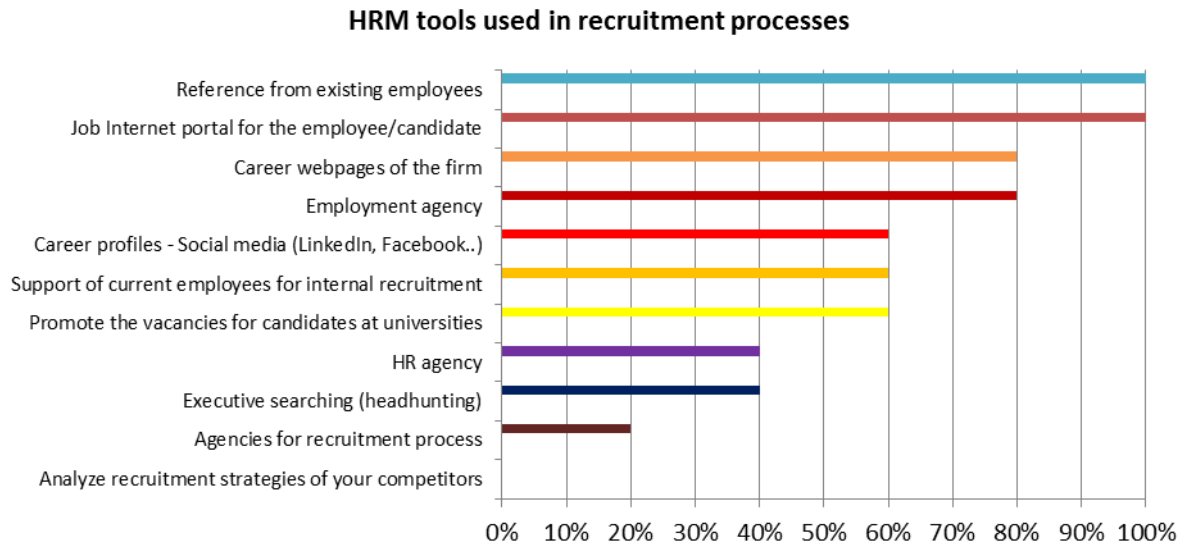
had a specialised HR department and the small firms did not, which agrees with the assumption that HR practices get more formalised with increase in the firm’s size. All of the firms have defined overall firm strategy and 4 out of 5 also have HRM embedded within it. In 3 of these 4 firms, the owner is responsible for setting the HR strategy, while in the remaining 1 it is an HR specialist. Figure 1 shows which HR activities are performed in the firm. Again, it goes in line with the literature review, showing that HR specialists in these firms mostly perform the necessary administrative activities.



Source: SHARPEN project pilot questionnaire

**Fig. 2:** Which HRM functions and activities are performed in the firm

Similarly, Figure 2 shows that the firms mostly use basic HRM recruitment tools, even though the use of social media and promoting themselves at universities is used in 3 firms. Overall, all the firms stated that employees were very important to the development of the firms and 4 firms also stated that they were afraid of the possibility of their key employees leaving.



Source: SHARPEN project pilot questionnaire

**Fig. 3:** HRM tools used in recruitment processes

## Conclusion

The SHARPEN project is a European Key Action 2 Strategic Partnership project that focuses on the issue of HRM in SMEs in 5 European regions. The success of the project is threefold. Firstly, the development of innovative learning module that directly cooperates with firms has contributed to the enhancement of the students' knowledge in the field of HRM while also improving their language and cross-cultural skills. Secondly, the creation of a Handbook will provide SMEs all across Europe with free of charge tools and advice on how to effectively deal with HRM issues. Lastly, the cross-regional research will make sure that the content of the previous two parts is consistent with the state-of-the-art literature and current situation in regional SMEs. The overall result of the project should be a better state of HRM in SMEs due to new, easily accessible knowledge and tools as well as more attention given to the challenges facing SMEs in the area of HRM.

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## INOVATIVNÍ PŘÍSTUP K ŘÍZENÍ LIDSKÝCH ZDROJŮ V MALÝCH A STŘEDNÍCH PODNICÍCH: PROJEKT SHARPEN

Cílem tohoto článku je přinést novou perspektivu do způsobu, jakým se podporuje a provádí řízení lidských zdrojů (ŘLZ) v malých a středních podnicích (MSP). MSP v Evropě se potýkají s řadou výzev v oblasti ŘLZ, a projekt SHARPEN je zaměřen na poskytnutí řešení těchto výzev na základě specifických potřeb regionálních MSP. Projekt SHARPEN vyvine univerzitní vzdělávací kurz zaměřený na ŘLZ v MSP a příručku ŘLZ, která poskytne malým a středním podnikům kompaktní znalosti a nástroje týkající se ŘLZ. Oba tyto výstupy budou podpořeny výzkumem provedeným napříč 5 regiony EU. Celkovým výsledkem projektu by měl být lepší stav ŘLZ v MSP, a to díky novým, lehce dostupným znalostem a nástrojům a věnováním větší pozornosti výzvám z oblasti ŘLZ, kterým musí MSP čelit.

## EINE INNOVATIVE ANNÄHERUNG AN DIE MENSCHLICHE RESSOURCE MANAGEMENT IN KLEINEN UND MITTLEREN BETRIEBEN: DAS SHARPEN PROJEKT

Das Ziel dieses Artikels besteht in der Schaffung einer neuen Perspektive, wie man die Führung menschlicher Ressourcen in kleinen und mittleren Betrieben unterstützt und durchführt. Kleinere und mittlere Betriebe haben in Europa mit einer Reihe von Herausforderungen auf dem Gebiet der menschlichen Ressourcen zu kämpfen. Das Projekt SHARPEN zielt auf die Gewährleistung der Lösung dieser Herausforderungen auf Grundlage spezifischer Bedürfnisse regionaler kleiner und mittlerer Betriebe. Das Projekt SHARPEN entwickelt einen universitären Ausbildungskurs, der auf die menschlichen Ressourcen in kleineren und mittleren Betrieben ausgerichtet ist, sowie eine Handreichung menschlicher Ressourcen, welche kleinen und mittleren Betrieben kompakte Kenntnisse und Instrumente im Hinblick auf menschliche Ressourcen vermittelt. Beide Auftritte werden durch eine Umfrage quer durch fünf Regionen der EU unterstützt. Das Gesamtergebnis des Projekts sollte ein besserer Zustand der menschlichen Ressourcen in kleineren und mittleren Betrieben sein, und das dank neuen, leicht zugänglichen Kenntnissen und Instrumenten und durch Beimessung größerer Aufmerksamkeit, die den Herausforderungen auf dem Gebiet der menschlichen Ressourcen geschenkt wird, welche kleine und mittlere Betriebe bewältigen müssen.

## INNOWACYJNE PRZYBLIŻENIE DO ZASOBÓW LUDZKICH ZARZĄDZANIE MAŁYMI I ŚREDNIMI PRZEDSIĘBIORSTWAMI: PROJEKT SHARPEN

Celem niniejszego artykułu jest przedstawienie nowych możliwości w zakresie wspierania i realizowania zarządzania kapitałem ludzkim (ZKL) w małych i średnich przedsiębiorstwach (MŚP). MŚP w Europie borykają się z wieloma wyzwaniem w zakresie ZKL a projekt SHARPEN ma na celu przedstawienie możliwości podejścia do tych wyzwań w oparciu o specyficzne zapotrzebowanie regionalnych MŚP. W ramach projektu SHARPEN zostanie stworzony uniwersytecki kurs edukacyjny dotyczący ZKL w MŚP oraz podręcznik ZKL, który małym i średnim przedsiębiorstwom przekaże kompleksową wiedzę i narzędzia dotyczące ZKL. W ramach projektu będą też przeprowadzone badania w 5 regionach UE. Ogólnym rezultatem projektu powinno być lepsze ZKL w MŚP dzięki nowej, łatwo dostępnej wiedzy i instrumentom a także poświęceniu większej uwagi wyzwaniom w dziedzinie ZKL, przed którymi stoją MŚP.