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MODULE 3: MANAGING THE HUMAN ASPECT OF YOUR BUSINESS



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OBJECTIVE: To help businesses to develop a strategic human resource management and development approach for supporting their business development and growth.

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1. BACKGROUND

Note: this Module should be considered in conjunction with [Module 4](#) – Staying on the Right Side of the Law. Usually, when one thinks about human resource management (HRM) they either think about people or about systems and processes that need to be implemented in a company in order to manage this resource. In reality, both need to be managed, although there are many obstacles and challenges. While bigger companies operate on a systems level, often times this kind of approach influences their capability to fully explore the human potential and the opportunities this provides for the growth of the company, because it gets tangled in all sorts of organisational, often even bureaucratic provisions. On the other hand, in small and micro companies, there is often a lack of systemic approach, and human resources management issues are considered on a case-by-case basis, without really thinking about the role of these resources in the long-term. This too affects the ability of a company to optimise the support provided to it by successful human resource management.

Of course, human resource management is not a discipline that can be easily described and categorised. And even if one manages to have a good grasp of the discipline and what it is supposed to entail (one way or another), it is a fact that managing human resources in a company is always about dealing with a variety of people who DO NOT behave in a prescriptive manner, pushing them towards achieving organisational goals TOGETHER. There has been much research confirming the positive connection between employee satisfaction and productivity of a company, between employee development level and their individual performance, the motivation of an employee and their loyalty to the company etc.. So, before we start with explaining the basics of human resource management, please note this: **there is an ever-growing need for managers to recognise people not just as their resource but as individuals in their own right. Increasing the sensitivity of management in this regard is the best prescription we can give you in relation to dealing with people in your company.** Today this is becoming an even greater necessity (see for example the following [link](#)). After that, some basic processes also need to be addressed.

Having completed the **BIC for SME** Diagnostic evaluation earlier and having identified gaps in terms of human resources management knowledge, this module provides a template whereby you, as a trainer, can help users deal with issues of concern to the business such as:

- Setting HRM strategy and goals,
- Recruitment, selection and strengthening of organisational profile as an employer,
- Basic HRM and HRD processes and concepts (such as organisational culture).

2. MODULE GOALS (MODULE DIAGNOSTIC, ROADMAP & DELIVERY)

2.1 Module Goals

This module is directed at helping businesses to develop a strategic human resource management and human resource development approach for supporting their business development and growth. This module contains five sections, which will support trainers, so that they will be able to:

1. Understand the extended role of HRM for enabling the success of entrepreneurs,
2. Approach strategic design and implementation of HRM in small and micro businesses,
3. Understand the processes and issues of recruitment,
4. Know basic HRM processes,
5. Implement Human Resource Development processes,
6. Have an insight into supporting positive organisational culture.

2.2 Plan the Module Training Process

2.2.1 Undertake a Diagnostic Assessment / Baseline Survey

In order to identify the key aspects to success in terms of Human Resource Management, you should use the **BIC for SME** Diagnostic Tool for Entrepreneurs and Trainers. The **BIC for SME** Diagnostic Tool will highlight areas of strength and weakness for the Entrepreneur as well as yourself as a trainer, and will provide a Roadmap in terms of the actions to be undertaken to enhance your knowledge and competencies. This Roadmap is supported by a visual Concept Map, which provides a visual representation of the Module where you can highlight key areas to address.

2.2.2 Develop a Training Roadmap & Action Plan

Following the initial Diagnostic or Baseline Evaluation and in order to make the training intervention effective, it is important for the Mentor / Trainer / Consultant to:

1. Select the elements of the human resource Module to be covered and set timelines for same.
2. Set the training sequence (i.e. organize topics based on importance (as per the Diagnostic evaluation), impact, interactions, etc.).
3. Select the pedagogy (how the selected elements of the Module are to be covered in terms of practical work, lectures, reading material, exercises, etc., as well as linking them with other relevant **BIC for SME** Modules).
4. Set Action plan and Milestones to be achieved – KPI (see Section 5).

5. Determine Outputs - assess the result achieved (see Section 5).

2.2.3 Delivery of the HRM Module

The delivery of the Module should take approximately 12 Hours (including supported and (primarily) independent learning).

This module focusses on human resource management and human resource development issues. The content is adapted according to the needs of small and micro companies, which are somewhat differentiated from the needs of middle and large-sized companies. When necessary, this will be specifically emphasised in the content of this Module.

The trainer needs to work through the issues and tools in this Module to understand them in a practical sense and make the best use of them. However, a certain level of sensitivity in dealing with these matters, particularly when addressing changes in terms of human resources within the company, is in order. In our experience, this is the most crucial point in HRM: **we encourage trainers to support entrepreneurs to build a comprehensive, strategic HRM framework in their businesses, and at the same time, support them in its flexibility.** In short: HRM is one of the most fluid aspect of managing a business so entrepreneurs need to be prepared!

Following your Training / Mentoring / Coaching intervention, you can use the Diagnostic Tool for Entrepreneurs a second time and assess the progress made in terms of enhanced knowledge, competencies and skills.

3. CONTENT OF THE MODULE

3.1. Module Content

This Module looks at key issues in creating a business including:

3.1.1 Understand the extended role of HRM for the success of entrepreneurs

- Assessing entrepreneur's understanding, knowledge and skills in relation to HRM

3.1.2 Supporting strategic design and implementation of HRM in small and micro businesses

- Set clear visions and goals in terms of employment matters
- Envision and design the HRM processes needed
- Set up monitoring and evaluation

3.1.3 Understand the processes and issues around recruitment

- Design recruitment strategy and channels
- Selecting the right candidate
- Strengthening the organisational profile
- Set up HRM planning

3.1.4 Know basic HRM processes

- Learn about employment law and regulations
- Develop rewarding/sanctioning systems
- Support talent management
- Consider employee performance management elements

3.1.5 Implement Human Resource Development processes

- Design and Implement Mentoring, Training and Education
- Explore Competency Approaches
- Set Knowledge Management Principles

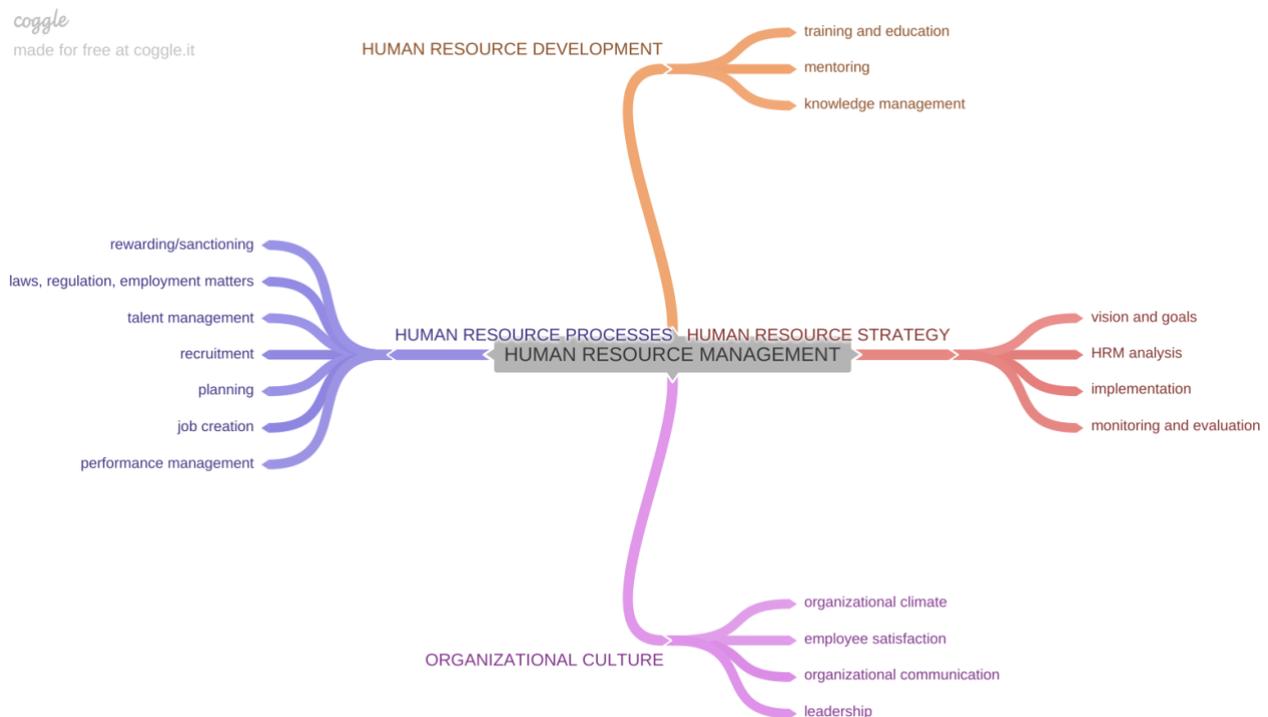
3.1.6 Have an insight into supporting positive organisational culture

- Analyse employee satisfaction and organisational climate
- Set up organisational communication, including employee participation
- Concentrate on leadership characteristics

Note: HRM is directly impacted by other aspects of business and is significantly influenced at least by the size of the company and the sector the company is operating within. Moreover, in many cases dealing with HRM depends on the individual as well as group characteristics of people in the company and its collective organisational culture. **Managing human resources is thus not just a set of tools to be used but rather an understanding to be developed and turned into a management competency.**

To ease this process an overview of the Content is provided below and can also be found in The Diagnostic Tool in the Roadmap Worksheet.

Fig 3.1: Concept Map for Human Resource Management



Section 3.1.1: Understand the extended role of HRM for success of entrepreneurs

HRM is usually regarded as a process that is more applicable in a company in later stages of its growth. That is a common misconception: while it is certain that HRM is much different and usually more elaborated when a company matures, it serves an important point in the beginnings as well. So the following questions need to be probed with the entrepreneur:

Question:

A 'one-man band' is not yet ready for a proper HRM plan. Is that correct?

Answer:

No, it is not. HRM is about strategically addressing the need for employees, but also to ensure a perfect fit between their knowledge, skills and competences and the company's goals. Even in a one-man band, it is important to acknowledge what a company needs (or will need in the future) in terms of the latter. Entrepreneurs should be made to consider:

- Do they possess enough knowledge to run a business or is their knowledge more related to the product/service they intend to offer?
- Will they be able to coordinate all tasks in running their business? Do they know enough about marketing, selling, accountancy, law etc.? How will they manage the need for such information/knowledge?

The **BIC for SME** Diagnostic Tools offers a great opportunity for you to systematically address the gaps in the entrepreneurs, or indeed, your own knowledge. Run a general Diagnostic Tool to assess the strongest and the weakest points of knowledge. After that, set a plan to address the knowledge gaps.

Question:

Are there some aspects of running a business that the entrepreneur does not know. What do they do?

Answer:

Part of HRM is planning for the knowledge needed and making sure it is applied at the right time: once the promoter has a clear idea on the knowledge/skills/competences needed for the success of their business, they need to decide how they are going to obtain it:

- Will they learn everything they need to know by themselves? How much time will they need for it?
- Is there a possibility of including someone else in the company: family, friends, colleagues?

- Can they propose a business partnership to professionals they need to involve?

Regardless of the options selected, **the entrepreneur cannot ignore aspects of business, which are unknown to them.** Development of a high level of knowledge in all aspects of business diminishes the possibility of failure and increases the success rate significantly. Of course, there will be cases where they will make mistakes, but as long as they learn from them and implement them in their future business processes they give themselves a better chance of success.

Section 3.1.2: Supporting strategic design and implementation of HRM in small and micro businesses

Strategic Human Resource Management is about setting clear plans for HRM that supports the growth of a company. Direct entrepreneurs to **setting a vision** for their company:

- Ideally, what does their company look like in 5-years time? Is it still just a one-man-band or do they envision employment of other people? Or are they relying more on a network of known business partners that supply them with the knowledge needed in specific areas?
- What kind of knowledge are they planning to outsource, if any?
- What kind of people do they already work with? If they are considering employment, what kind of people do they think they (will) need?
- What is the general company's culture they would like to grow? Are they supporting more informal relationships within the company or they are partial to a more strict division of roles?
- What kind of leader they would like to be?

Setting this kind of vision gives an entrepreneur a better grasp of his/her needs and sets a clear idea in terms of the image of his/her company in a couple of years HRM-wise. This exercise also poses an opportunity for entrepreneurs to start searching for ideal employees/partners from the beginning of their business journey and alongside their business growth. A trainer should advise entrepreneurs also that their vision will probably change in time, but at the beginning it serves as a compass for their development. On that note, **in our experience, it is advisable, at an early stage, to direct them to a more ambitious vision that also acts as an internal motivator.**

Tools:

- the [FRESH project](#), [Tips and ideas to define mission, vision and value](#)
- the FRESH project, a simple [SWOT analysis, focusing on the aspect of human resources](#)

Once the entrepreneur has a more firm grasp of their ideal, the trainer should direct him/her to an **assessment of the current situation**, as well as an assessment of his/her own knowledge/skills/competencies and those of his/her future collaborators/employees:

- Where will he/she get the necessary skills? How long will it take him/her to attain them? What is the foreseen budget he/she needs to engage for this purpose? Did he/she consider it in his/her business plan?
- Where will he/she search for suitable collaborators/employees?
- What will he/she offer them? Partnership, payment, rewards, opportunities to grow, etc.

These questions offer an entrepreneur a starting ground for strategically **building HRM processes** for their company. As said, at the beginning this might include only a couple of actual tasks they perceive as HRM. The trainer's task at that point is to assist them in elaborating a clear picture of a strategic approach for perhaps 5-years' time: to recognise which HRM task contributes to the success of the company in the long-term. [Here](#) are some more guidelines on building a HRM strategy. In our experience, entrepreneurs respond well to seeing examples of HRM strategies, but are oftentimes intimidated by their complexity. At this point it is a trainer's task to point out again the need for a HRM strategy at the beginner's stages.

One of the most important aspects of strategic HRM in every company is **its constant adaptation to current demands of business**. A common mistake of companies when they grow older and bigger is setting a too strict of a strategic framework that does not correspond to what the company requires at a given moment. For this reason this is a lesson to always remember: HRM should help contribute to the satisfaction as well as success of the company's employees. When this is the case, employees will fully contribute to company's business goals. Once one realises this is not happening, a revision of HRM processes is in order.

For this reason too it is important to set up a HRM **monitoring and evaluation structure**, both contributing to getting quality feedback information on the successfulness of HRM processes (and later on, systems) implemented. While there are many possibilities for getting feedback information (by using questionnaires, interviews with employees, periodic reports etc.), the main objective of these activities is basically to maintain a perception of whether the implemented HRM is working (supporting company's business goals by ensuring overall employee satisfaction). Here are some of the most common elements of evaluation of HRM on the organisation level, some of them are also described in this [article we provided](#):

- Measuring of organisational effectiveness and efficiency
- Employee behaviour: absenteeism, disputes, fluctuation, lateness ...
- Employee satisfaction

- HR service levels
- HR scorecard (see more on the latter in [Section 3.1.6](#))

Note: the discussion in this section pertains to evaluating HR function on the organisational level and not particularly on the level of the individual!

Section 3.1.3: Understand the processes and issues around recruitment

When an entrepreneur decides to employ new people (or find business partners), the main question is where to find them. While in larger companies these processes may consist of many different activities, micro companies most commonly search either by personal contact or via employment agencies. There are, however, some other considerations in regards to recruitment, which the trainer needs to elaborate upon in discussion with the entrepreneur while checking their understanding of these matters.

- **Recruitment channels and strategy.** Presuming an entrepreneur has a clear idea of knowledge/skills/competencies he/she requires in a new employee, start with the obvious channels (personal contacts, employment agencies, traditional and social media adds, scouts ...). At this point, **the trainer needs to make entrepreneurs aware of the reality of their expectations:**
- They will most likely find that the ideal employees as they envisioned them do not yet exist. Usually they are skilled in several or, at best, most of skills an entrepreneur requires, but they are not just perfect yet. When recruiting, it is important to direct an entrepreneur to consider which skills his/her new employees will need to be trained in.
- Define only 3-5 traits that he/she should insist upon when the new employee enters his/her company.
- Also, a mistake often made when recruiting is focusing too much on the knowledge and skills a company needs in terms of providing a service or product and not also the personal characteristics of employees. While the former can be attained gradually, the latter are almost unadaptable and can significantly impact an company's overall culture. For this reason an entrepreneur needs to consider how new employees will fit in with already existing company's values. What kind of values he/she would like to maintain? See more information on this in [Section 3.1.6](#).

Selecting the right candidate. An integral part of recruitment is selection. There are a lot of different methods for this, including interviewing candidates, testing, psychological evaluation etc. The end objective of course, being to find a good candidate for the job an entrepreneur envisioned. In the appendices we present an exemplary set of questions that you might direct an entrepreneur to consider when selecting new staff, but the most important consideration for the trainer to make is that in order to find a "perfect" candidate, it is

crucial to know what exactly are they searching for and how that fits with the current situation in their company.

Tools:

The Fresh project, [Set of interview questions](#).

Set up HRM planning. Along with the recruitment strategy, an entrepreneur already needs to think of the training and learning processes that he/she will need to have in place once new employee start working for him/her (or with him/her), whether for the purpose of introducing new employees to the company or to further develop their competencies. In the beginning, human resource planning might consist of just a simple Excel document where we can systematically take notes of activities to be considered in a certain timeframe (recruitment, training, company's internal events etc.). Once his/her company grows, it is important to monitor regularly the needs for employment as well as the current disposition among them. Companies have different practices on how they organise this process, also including the use of many IT tools. In strategic HRM, planning usually starts in the third quarter, along with budgetary planning for the next year. It is advisable that micro companies too set a period in which they review their plans in regards to the needs for new employees or development of current employees (for example, every 6 or 12-month period).

Strengthen the organisational profile. The trainer is advised to discuss with entrepreneurs the matter of their organisational profile. When recruiting, entrepreneurs need to consider also the characteristics of their company and what is the outside perception of their company is: how do people see them?

Question:

How does the entrepreneur know how people perceive them and their company?

Answer:

Feedback can be gained in various places. Consider also the latent elements of communication, the so-called informal, non-verbal communication (usage of logos, consistent graphic image, personal presentation of the owner etc.). This is where HRM is more closely connected to activities of marketing and PR and overall corporate communication. In the case of small and micro companies the main communication on the values of the company relies on the entrepreneurs themselves. Make sure they establish a clear image of what they would like to project to the external public, not only customers, but business partners and (future) employees as well. More on this matter is available in this [link](#).

Section 3.1.4: Know basic HRM processes

There are many different activities relating to human resource management in companies and at least as much paradigms as to what exactly HRM entails. While it might be interesting to delve into some of these considerations (see for example the following [article](#)), at this stage it is enough to recognise at least the basic processes:

1. recruitment/talent acquisition,
2. compensation and benefits management (salaries, rewards, sanctions, performance appraisal and management),
3. training and development,
4. employee/labour relations and organisational communication,
5. compliance management, corporate responsibility and diversity matters.

Some of these processes will be explained a bit more within this module, but it does not make them more important, the selection being made on a basis of what is immediately applicable to small and micro companies.

The trainer can briefly present some of the processes, but needs to emphasise the processes that are imminent, based on the initial discussion conducted with entrepreneur. The Diagnostic Tool will support this process.

The most important lesson here is: business is people! Although many times there is a tendency to objectify human resources as just another resource in a company, there is no other company's resource that is more unpredictable. As one employee once said: "I am an employee, but I am also a person. I cannot shut out my human side only because at the moment I'm at work. I cannot objectify myself any more than production machines can develop emotions and instinct." So make sure to discuss the following with the entrepreneur:

- Be on a constant lookout for new employees, even if you don't need them right now. Implement ways to attract them to your company.
- Consider the issue of benefits management, but pay attention: money is only an initial motivational factor, make sure there is a clear understanding in terms of rewards and sanctions and performance management in the company.
- Make sure to maintain a high level of knowledge in your company, acknowledging also the wishes, expectations and suggestions of your employees.
- Make sure to emphasise clear values of ethical conduct in your company, acknowledge diversity in your organisational culture.

Learn about employment law and regulations. This is one of the most recognisable HRM process among companies: dealing with employment contracts, safety regulations, health provisions, etc, leads to a significant red-tape activity that takes up a lot of company time and effort. While it is undoubtedly a really important aspect of conducting business, it is only part of what HRM is about. A description of specific provisions on employment law and regulations that every entrepreneur needs to consider when conducting business is provided in [Module 4](#). Help entrepreneurs to organise their business in accordance with these provisions, either by establishing clear documentation for them or by engaging a professional to do it (in Slovenian and Italian practice, a lot of these aspects are covered by the entrepreneurs' accountant, at least in the beginner stages). Make sure, this is not the only aspect of HRM they engage in. Neglecting other aspects of dealing with employees will, for sure, result in difficult situations that will cost an entrepreneur time, effort and money in the later stages of their growth.

Develop rewarding/sanctioning system. Rewarding/sanctioning can include compensation and benefits management, where companies mostly deal with salaries, monetary and other kinds of rewards (worktime flexibility, benefits such as organized sports activity, usage of company's facilities etc.). These aspects closely relate also to performance appraisal and management issues, but – as in case of employment law and regulations – in larger companies these activities often turn into a detailed system of systems, processes, measuring, evaluations etc., whereas in smaller companies it is a common practice for entrepreneurs to discuss this with their future employees on one-to-on basis. While at the beginning this might prove suitable, it often proves to hinder human resource development in later stages of growth, when these practices still exist, even if the company is in need of a more system-like approach. To avoid such problems the trainer should help entrepreneurs to consider issues such as:

- What kind of behaviour do they want to reward or sanction? (this is usually an element of appraisal system later-on)
- What is the upper monetary rewards they are willing to offer?
- What kind of benefits do they consider suitable for their employees in addition to monetary rewards?

In regards to rewarding/sanctioning system, two more considerations are in order:

- When defining the elements of such systems, an entrepreneur needs to be clear on his/her perceptions on this matter, but must, at the same time, realise that rewarding/sanctioning is in fact a motivation factor, and must be considered also from employees' point of view. What reward / sanction would they expect to see in relation to different kinds of behaviour?
- **The key word for efficiency of any rewarding/sanctioning system is consistency.** For certain, the development of such system will require some consideration, time and energy, but once it is implemented, it needs to be consistently applied in all situations. In the case of small businesses, it

means that a certain level of objectivity will need to be ensured by the owner/manager of the company. Failing to do so will lead to perception of unfairness. In practice, this is one of the most difficult competencies for entrepreneurs to acquire, which is why we urge trainers to support them with this.

- If the rewarding/sanctioning system does not correspond with employees' expectation, a revision is necessary. When possible, employee participation is recommended when re-designing such systems, allowing entrepreneurs to gain a detailed insight into motivational factors for its employees.

Support talent management. There is much research on this matter, discussing everything from the definition of the term to processes and IT support for implementing it in companies. An idealistic version of talent management is that it contributes recognising the potential in people an entrepreneur is dealing with, trying to engage them to work with you/for you and keep on “caring” for them, so they want to stay in your particular company and contribute even further to its growth and success. This is where it usually gets complicated: the larger the number of employees, the more difficult it is to get common basis that would motivate the majority of employees. Direct the entrepreneur to pay attention to his/her (future) employees' needs, particularly those who have a motivating effect and support their developmental objectives. Here are some questions for them to address:

Question:

How do I determine which employees are to be included in my talent management practices?

Answer:

First determine who are your key and perspective employees: key employees are those who already play an important role in your company and contribute to operational and/or developmental processes in the company. Perspective employees are the ones who have the potential to develop these characteristics and roles in the future. Observe your employees, pay attention to these two categories and put specific focus on them. There are many listings of favourable characteristics of employees (see for example this [article](#)), but pay mind to the actual needs of the company and compare them to possible talents the company is interested in including and developing once a person enters the company.

Question:

How do I know what motivates my employees?

Answer:

In the early stages of a company this encompasses one-to-one conversations on a regular basis, where an entrepreneur is focused on the needs of his/her employees and on the elements that might

favourably influence their performance. When the company grows, further methods need to be engaged on a company-system level (annual interviews, surveys etc.).

Consider (employees) performance management elements. As in any management discipline in HRM there is a lot of focus on the Key Performance Indicators, either on the level of a company or at the level of employees. For details see [Module 10](#). Key performance indicators are basically a system of metrics that is used to show the contribution of HRM to success of the company or rather its business strategy. Needless to say, it is not an easy task, but is one that is necessary to consider. There are numerous examples of KPIs in HRM, measuring key results areas (for example, in recruitment one might measure - average lead time to recruit employees or performance score of an employee in a particular time span; in training – training hours per employee, in employee retention – % of employees that leave the organisation in a certain time period etc.). The bigger the company the more complex the system of measuring becomes. In the case of small and micro companies this would mean that an entrepreneur should:

- Emphasise and objectify as much as possible key areas he/she considers important for his/her company development (for example, gaining skilled employees to manage project in the companies) and particularly, set HRM objectives for the company;
- Set KPIs and milestones (for example, to attract a skilled project manager by the end of the year);
- Set methods for monitoring and evaluation of attainment of these KPIs (for example, regular reporting in a six-month period).

There are several tools to assist one with this, one of the most popular being the HR Scorecard, that reflects the HRM strategy in line with the overall business strategy of the company. But what is even more important is that the information attained is considered in relation to the future strategic development of the company. In other words, when an entrepreneur is faced with information pertaining to the achievement of set goals, these need to be evaluated, considered and acted upon in further actions. This particularly applies when the company is growing.

Fig 3.2: HR Scorecard example (Source: <https://www.analyticsinhr.com/blog/hr-scorecard/>)

Recruitment Strategy Map			HR Scorecard		
			KPI	Current score	Target
Strategic	Most innovative organization in the sector		<ul style="list-style-type: none"> Position in the sector-wide innovation benchmark Time to market of last 5 new products in days 	5 121	Top 3 95
Employee growth	Hire more qualified professionals		<ul style="list-style-type: none"> Satisfaction score of manager after 1 year (<i>quality of hire</i>) 	0.70	0.85
Financial	Decrease of recruitment cost		<ul style="list-style-type: none"> Recruitment cost in Dollars 	4 MM	3.5 MM
Process	Decrease of lead time	More attractive employer	<ul style="list-style-type: none"> Time to hire in days Acceptance ratio in % Top employer benchmark 	38 70% Top 40%	25 90% Top 20%

The same principle applies also in the case of measuring individual employee and group performance: considering their own perception of their work and further professional development and based on their characteristics, employee performance targets which need to be developed, supported by other HRM practices such as training, rewarding etc.

Section 3.1.5: Assist an entrepreneur in implementing Human Resource Development processes

The primary function of HRD is to improve the performance and competences of employees, making them more motivated to achieve organisational goals. The justification of HRD lies also in the already established realisation that satisfied employees remain committed employees. Personal and professional development strongly influence the employees perception of their satisfaction, therefore increasing their future value for their employer. We consider HRD in line with (1) recruitment and entrance stages as well as (2) employee compensation and benefits that are strongly connected to work design and job development.

Due to small number of employees, small and micro companies do not require elaborated human resource development strategy, but still need to set some strategic processes.

Mentoring, Training and Education. This is probably one of the most recognisable HRM and HRD practices. It supports practically all stages of employee engagement within a company, from the start to finish. However, despite the general recognition of the importance of mentoring, training and education, in our experiences, **entrepreneurs, in practice, do not consider these processes systematically and often forget to include them in planned activities.** The key factor of success in this stage is in acknowledging where these

processes are most needed and linking them to addressing the needs of both the company as well as the individual.

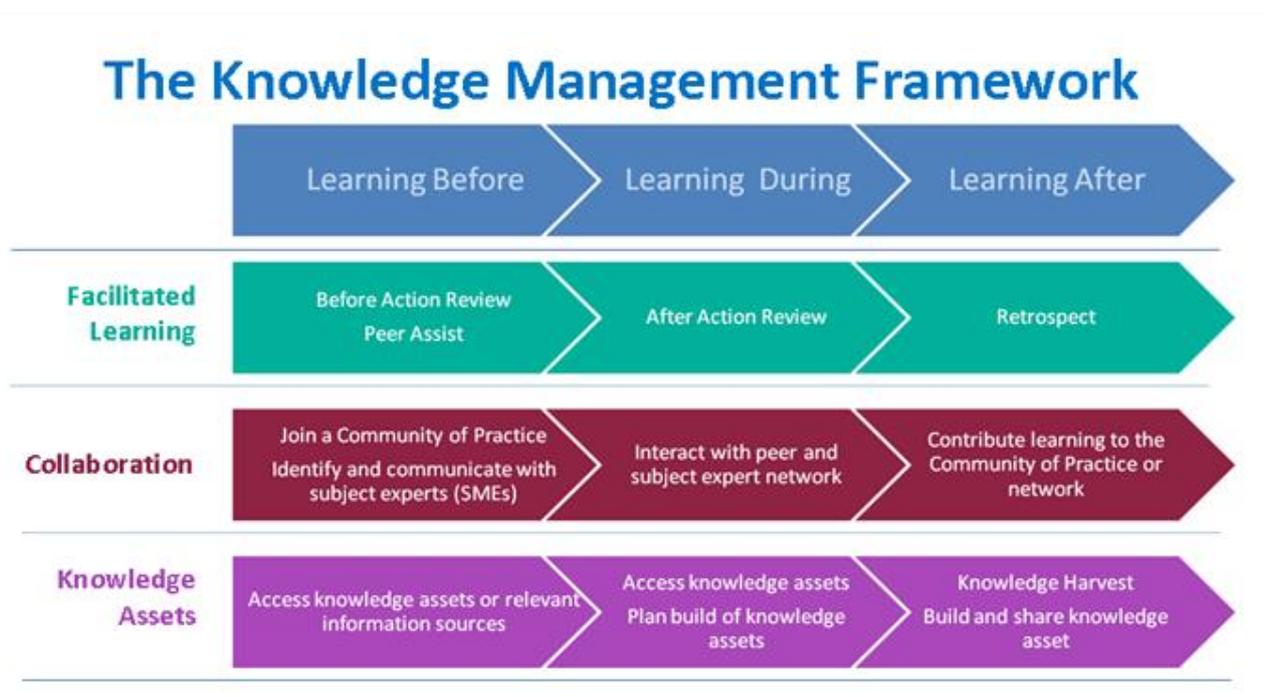
Competency Approach. While in traditional HRM a company has dealt with job development and description, training and education planning, benefits and rewards systems, the competency approach surpasses the linear consideration of these processes and introduces simultaneous tackling of all the above. The main focus of the competency approach is a so-called knowledge management approach, which allows a company to direct attention to retaining and strengthening knowledge that support the overall business strategy of the company. Therefore, the trainer needs to direct an entrepreneur to ask himself/herself the following:

- What are the basic knowledge, abilities and expertise that form the company's competitive advantage through their products and services?
- How do they combine knowledge and skills of employees to achieve this competitive advantage?
- What HR processes do they need to support the development of employee competences?

Knowledge Management Principles. While a competency approach is directed at strengthening the competences of employees, knowledge management is focused on creating, sharing, using and managing the knowledge of an organisation. This would include innovation management, developmental processes in the company, creating suitable organisational communication paths as well as supporting employees on these matters.

There are numerous discussions on the role of knowledge management, some perceiving it as a simple means of providing necessary information and data, others emphasising its value capacity and decision-making prerogative. From our experience, companies stress too much the data component of knowledge management, thus losing the potential for creating more structured relations that can – combined with creativity and innovation processes in the company – lead to new innovative company products and services. See below by way of example of such practices. It must be pointed out, however, that knowledge management is one of the most complex HRM practices, which requires significant consideration, which is why it is our recommendation to engage an external expert, when planning a detailed management system in the company.

Fig 3.3: The knowledge management framework (source: https://doc.rero.ch/record/11265/files/eppler_JKM_2008.pdf)

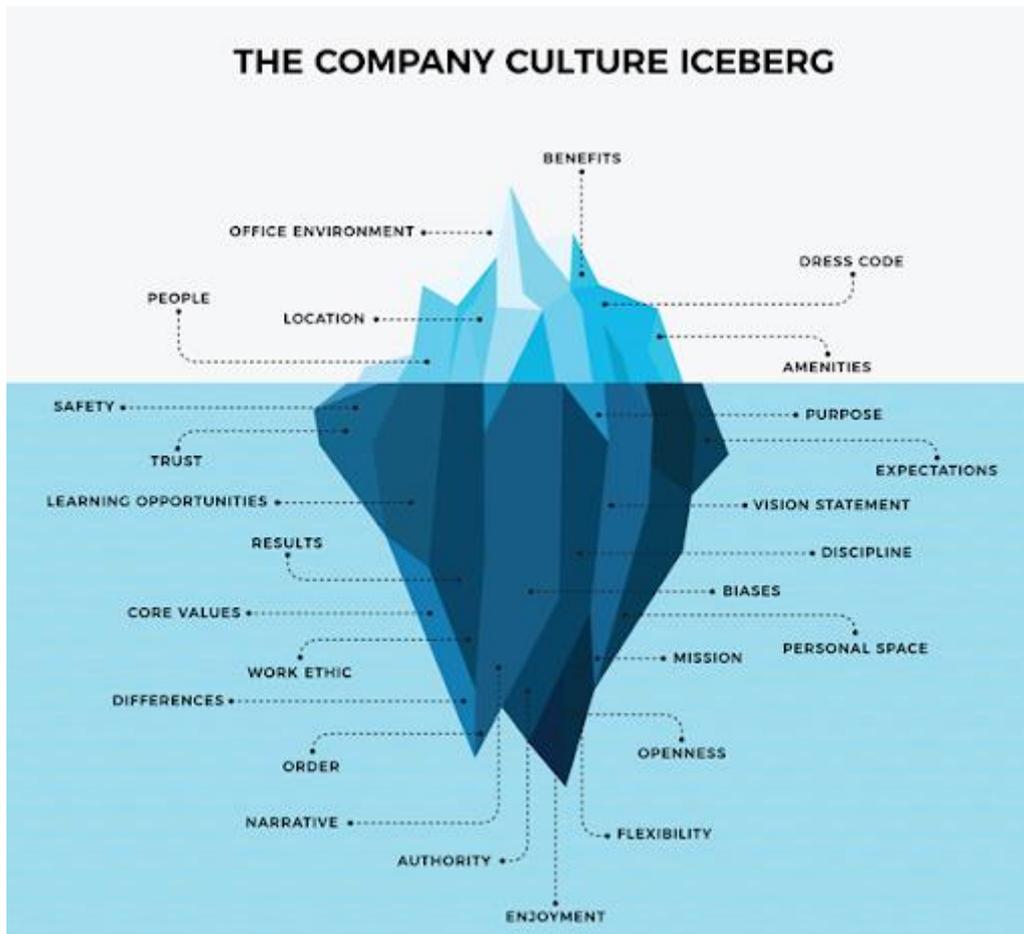


Section 3.1.6: Supporting positive organisational culture

While a lot of business strategies relate to facts, charts and figures, in truth, **business is about people**. This is the most evident in HRM. For this reason HRM does not only deal with evident processes and systems, but it delves also into the most complex and fluid element of organisational dynamics: organisational culture.

Employee satisfaction and organisational climate. There is an important difference between organisational culture and organisational climate. The most illustrative example is the one of the iceberg: organisational climate only reflects organisational culture and is much easier to spot, like a tip of the iceberg. However, it is just an indication of the elements of organisational culture that go much deeper than that: the values, the myths, the founding beliefs of the employees are one big indescribable iceberg.

Fig 3.4: The representation of the company culture iceberg (source: <https://blog.empuls.io/iceberg-model-of-culture/>)



As such it is almost impossible to change or manage it. Organisational climate is usually established by observing employees' satisfaction, by questionnaires, interviews, reports on absenteeism etc. By doing so the company gets an important insight into the behaviour of employees, their values, motivational factors and possible deviations in comparison to the overall organisational goals. In the case of small and micro companies the predominant values are those of the owner/entrepreneur, which is why in such cases the following is important for the entrepreneur:

- Set a clear articulation of employees' expectations;
- Lead by example;
- Communicate your values and goals clearly.

Set up organisational communication. Organisational communication can be an elaborate set of information and communicational channels spread throughout the company. The larger the company, the more complicated the system. These kind of systems are strongly directed to transmitting information, ensuring the constant flow information in order to deal with everyday activities. However, there is another function of

organisational communication that often gets overlooked and is even more evident in the case of small and micro companies which is **the relationship function of communication**. With every person-to-person communication a communicator translates not only the content, but also its own meaning of the information he/she is transmitting, coloured by his/her own experiences, beliefs, interpretations. By such, the relationship between individuals or groups are formed. This is especially evident in the case of single entrepreneurs, which is why many entrepreneurs seek training in communication. For this reasons, we encourage the trainer to assist entrepreneurs in assessing the following:

- Do you have a clear view of your own values in business in general?
- What kind of values would you want to support in your company?
- What kind of values do you expect of your employees?
- How do you communicate your values?

Inconsistency from leaders in terms of values and expectations lead to lack of trust with employees. Lack of trust leads to deviant behaviour, which an entrepreneur needs to address immediately in order to avoid conflicting organisational values in his/her company. This is also the reason why so many companies are developing structured organisational communication systems, to ensure the participation of employees in generating future organisational behaviour as the latter is changing.

Concentrate on leadership characteristics. In the 20st century leadership was about setting the strategy, implementing control over the tasks set and performing as a spoke-person, representing the company to stakeholders. Nowadays a leader is much more than that: a visionary, mentor, coordinator, motivator, strategist, communicator etc. But is it enough? Who is a skilled leader? Or rather: who is a competent leader? Research show that in addition to leadership traits (see for example [this article](#)), personal characteristics are becoming more and more a factor of success in leadership, because **leadership is inseparable from a person conducting a leadership** (or for that matter any employee) function. Regardless of size and sector, a leader – through communication as well as by setting an example – is projecting predominant organisational values, which cannot be learned, but are acquired via personal socialisation and development.

In small and micro companies entrepreneurs are usually very much focused to their technical skills, related to the product or service they are offering. When confronted with the need for leadership, entrepreneurs usually reach for leadership trainings and workshops, which can be effective to a certain level. Nevertheless, leader need to strengthen their self-awareness of their personal characteristics that influence their employees as well. For this reason, the trainer needs to evaluate the entrepreneur from the point of view of leadership as well: if there is an indication of an entrepreneur not being able to assume a leadership position, it worth getting them to consider delegating this function to other people in the company or outside of it. If the

opposite applies, the trainer needs to encourage entrepreneurs in their leadership role as well, supporting their further knowledge, experiences, etc.

3.2 Useful Material & Templates

Links to **Materials and Further Reading** are provided below:

Topics / Useful Links	
Strategic communication and internal communication	https://euprera.org/2018/11/01/using-strategic-communication-to-coordinate-internal-communication-employee-engagement-organisational-reputation-and-employer-brands/
Leadership characteristics	https://www.businessinsider.com/the-best-bosses-do-these-things-according-to-google-2019-6?utm_source=facebook.com&utm_campaign=sf-bi-ti&utm_medium=social
HR Strategy	https://www.hrzone.com/lead/strategy/hr-strategy-in-the-2020s-transitioning-to-a-people-centric-approach-in-the-decade
HR Strategy	https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/HR-Strategy-Globalization.pdf
KPIs in HRM	https://www.bernardmarr.com/default.asp?contentID=1392
HRM processes	https://onlinelibrary.wiley.com/doi/abs/10.1002/hrm.21798
Characteristics of successful employees	https://www.forbes.com/sites/ellevate/2018/08/06/the-skills-you-need-to-succeed-in-2020/?sh=6925b131288a
HR Scorecard	https://www.analyticsinhr.com/blog/hr-scorecard/
Knowledge Management	https://doc.rero.ch/record/11265/files/eppler_JKM_2008.pdf
Organisational culture (Iceberg Module)	https://blog.empuls.io/iceberg-model-of-culture/

Useful tools are also provided in the appendices at the end of the module including:

- [Appendix 1: Tips and ideas to define mission, vision and value](#)

- [Appendix 2: SWOT Analysis](#)
- [Appendix 3: Questions for Interviews](#)

Key Terms

Key Terms	
Human resource development	strategic process, supporting employees in developing their skills, knowledge, and abilities in accordance with organisational goals
Talent management	strategic process, supporting the acquisition of the right kind of knowledge for a company
Competencies	combined knowledge, abilities and expertise of an individual or even an organisation
Knowledge management	creating, sharing, using and managing the knowledge of an organisation

Case Studies / Good practices / Exercises

N/A - HRM strategies and other HRM tools are usually confidential and so, we cannot provide samples / examples here, other than the templates / tools provided already). Instructions are provided within the templates on how they should be used.

4. ROADMAP & ACTION PLAN

Having completed the Diagnostic evaluation and having identified the key issues of concern or knowledge gaps in terms of supporting a business, your Trainer will have been able to set out a Training Roadmap on specific issues to do with Managing the Human Aspect of your Business.

As outlined in [Section 3.2.2](#), the Training roadmap (learning path) is a structured sequence of training activities proposed to teach a topic. While it should be comprehensive, it also needs to be practical, in order to organise the learning over a series of sessions. It will ensure that users do not omit crucial content because lack of time and that they will achieve fluency in key elements of the topic. Steps:

1. Set the goals derived from the **BIC for SME** diagnostic needs check ([see Section 2](#))
2. Set out the Roadmap and Action Plan by selecting the elements of the Module to be covered and timelines ([see Section 2](#))
3. Select pedagogy (how the selected elements of the Module are to be covered in terms of lectures, reading material, exercises, etc.,) ([see Section 2](#))
4. Set sequence: organize topics based on importance (as per the Diagnostic evaluation), impact, interactions, etc.. ([see Section 2](#))
5. Confirm Action plan and Milestones – KPI
6. Output: assess the result achieved

Having understood and practiced how to use the various tools and templates contained in the Module (steps 1 – 4 above), you should be able to identify a set of action items, including a timeline for the entrepreneur indicating: what is to be done, by whom, when and how. Examples are provided below:

4.1 Action Plan

What	Who	When	How
<ul style="list-style-type: none"> • Have you set out clear vision and goals for your HRM strategy? • Do you understand what role does it play in the development of your business? • Are you familiar with basic HRM processes? 	Promoter	6 weeks	Discuss with the Trainer

<ul style="list-style-type: none"> • Do you know where to find potential employees? • Do you have a clear idea on your team roles? • Do you have a strategic view of the recruitment within your company in the future? 	Promoter	6-8 weeks	Discuss with the Trainer
<ul style="list-style-type: none"> • Did you research all the legal matters and employment regulations? 	Promoter	6-8 weeks	Professional sources
<ul style="list-style-type: none"> • Did you consider mentoring, training and learning processes in your company? • Did you familiarize with different approaches in this area (such as competency approach)? • What is the method of retaining and building on knowledge within your company? 	Promoter	8-12 weeks	Discuss with the Trainer
<ul style="list-style-type: none"> • Did you consider your values and how you want to present yourself? How do you communicate them to the external and internal public? 			
Etc.			Etc.

The **BIC for SME** Diagnostic / Assessment Tool and Roadmap helps you to provide entrepreneurs with a ‘take away’ in the form of a handout thereby providing them a practical guideline on tasks to be completed.

4.2 Countermeasures

Not all Action Items will progress as planned. It is important, therefore, that you help the entrepreneur to consider some Countermeasures (if possible).

- Failure to identified and attract suitable employees for the development of your business. Therefore: Use a recruitment agency to identify and attract suitable employees for your business.

- Large quantity of administrative matters to tackle. Therefore: Outsource administrative matters to do with HRM.
- Misunderstanding of messages you communicate to your present and future employees. Therefore: Use a communications expert to better communicate to your present and future employees.
- Etc.

5. FOLLOW-UP & OUTPUTS

As with all plans, it is important that you monitor output achieved against the original Diagnostic evaluation, Roadmap and Action Plan, such as in the following example:

Task / Objective	Outcome (Date)
Research the current legislative matter regarding employees (see if there are any benefits concerning employing specific groups or developmental matters)	To Do
Write a presentation of your company, emphasising your values	Done
Consider your business in 5 years and list competences you will presumably require in your employees	Done
Fill in the diagnostic tool, see where you lack knowledge	Work in progress

6. APPENDICES

- [Appendix 1: Tips and ideas to define mission, vision and value](http://fresh.projectsgallery.eu/)
- [Appendix 2: SWOT Analysis](http://fresh.projectsgallery.eu/)
- [Appendix 3: Questions for Interviews](http://fresh.projectsgallery.eu/)