

Saimaa University of Applied Sciences
Business Administration, Lappeenranta
Degree Programme in Business Administration
International Business Management

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DEVELOPING HRM ISSUES IN A LOCAL UNIT A CASE STUDY

Master's Thesis 2010

ABSTRACT

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Developing HRM Issues in a Local Unit, 84 pages, 1 appendix

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Instructors: Principal Lecturer Leena Kallio and the Financial Manager of the Case Company

The subject of this thesis is developing human resource (HR) practices in a case company. The purpose was to clarify if HR practices in the Company fulfil all the legal provisions and trade union regulations as well as instructions and requirements set by the European multinational group to which it belongs. The study focuses, however, on Finnish HR practices and is made from the Finnish subsidiary's point of view. Based on this study the Company will have an idea of how these statutory HR issues should be handled and which practices or responsibilities should possibly be changed. One objective was also to outline a framework for a handbook of HR practices. Findings of this study are also meant to be used for further discussions about the Company's HR issues and responsibilities. The study was commissioned by the case company.

This thesis was done as a case study using an operational research method. The sources were found in professional literature and articles about HR practices, Finnish laws concerning human resources management (HRM), three collective agreements with the Federation of Finnish Technology Industries, and documents of the case company. Based on these references obligatory HR practices were found. The current status of HRM in the case company was clarified in discussions with the management team and by observation. The statutory practices were compared to the current status in the Company, and suggestions for improvements were made based on the findings.

The results of the study show that most of the statutory demands were in order in the Company. Also guidelines the Group had given were taken into account in the Company's HR practices. Need for improvements were found in the areas of cooperation procedures, documentation, occupational health and safety, and handing of job applications. Less urgent improvement ideas were also found regarding the handling of health data, laws to be displayed at the workplace, surveillance in data networks, and different kinds of working hour issues. The results of the thesis will act as an initiator for improvements. Further study is required to draw up an HR handbook.

Keywords: Human resource, HRM, HR practice

TIIVISTELMÄ

Elli Ahonen

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Ohjaajat: Yliopettaja Leena Kallio ja talouspäällikkö kohdeyrityksestä

Tämän opinnäytetyön aiheena on henkilöstöhallinnon käytäntöjen kehittäminen kohdeyrityksessä. Työn tarkoituksena oli selvittää täyttävätkö kohdeyrityksen henkilöstöhallinnon käytännöt sekä lain että ammattiliittojen vaatimukset kuin myös konsernin asettamat vaatimukset. Vaikka kohdeyritys kuuluu eurooppalaiseen konserniin, on työn pääpaino suomalaisissa henkilöstöhallinnon käytännöissä ja opinnäytetyö on tehty suomalaisen tytäryhtiön näkökulmasta. Tämän tutkimuksen pohjalta kohdeyritys saa näkemyksiä siitä, miten pakolliset henkilöstöhallinnon käytännöt tulisi hoitaa, ja mitä vastuita ja käytäntöjä mahdollisesti tulisi muuttaa. Yksi opinnäytetyön tavoitteista oli myös laatia runko henkilöstökäsikirjalle. Tutkimuksen tuloksia on tarkoitus käyttää myös jatkokeskusteluissa kohdeyrityksen henkilöstöhallinnosta ja vastuista. Tämän työn toimeksiantajana oli kohdeyritys.

Opinnäytetyö toteutettiin toiminnallisena tapaustutkimuksena. Aineistona oli kirjallisuus ja artikkelit henkilöstöhallinnon käytännöistä, henkilöstöhallintoa koskevat Suomen lait, kolme Teknologiateollisuuden työehtosopimusta sekä kohdeyrityksen asiakirjoja. Näiden lähteiden pohjalta löydettiin pakolliset henkilöstöhallinnon käytännöt. Kohdeyrityksen henkilöstöhallinnon nykytilaa selvitettiin sekä keskusteluin johtoryhmäläisten kanssa että havainnoin. Pakollisia käytäntöjä verrattiin kohdeyrityksen nykytilaan ja löytyneisiin poikkeamiin tehtiin korjausehdotukset.

Työn tulokset osoittavat, että kohdeyrityksellä useimmat lakisääteiset henkilöstöhallinnon käytännöt ovat kunnossa ja konsernin antama ohjeistus on huomioitu kohdeyrityksen henkilöstöhallinnon käytännöissä. Parannettavaa löytyi yhteistoiminnan, asiakirjojen, työsuojelun ja työhakemusten käsittelyn alueilta. Vähemmän kiireellisiä parannuskohteita löytyi myös henkilöstön terveystietojen käsittelystä, työpaikalla nähtävillä pidettävistä laeista, tietoverkon käytöstä ja valvonnasta sekä erilaisista työaika-asioista. Tämän työn tulokset toimivat käynnistäjänä parannustoimenpiteille. Lisätutkimusta tarvitaan vielä henkilöstökäsikirjan laatimiseksi.

Avainsanat: Henkilöstöhallinto, Henkilöstöjohtaminen, Henkilöstökäytännöt, Henkilöstöresurssit

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APPENDIX

Appendix 1 The preliminary plan for contents of HR handbook

“It is possible to change the world, if one is determined enough, and if one sees with sufficient clarity just what it is that has to be changed”

- Mma Ramotswe -
Alexander McCall Smith: *Morality for Beautiful Girls*

1 INTRODUCTION

Implementation of human resource management (HRM) is vital for every organization because the impact of HR (human resource) issues is extensive for organizational success. HRM includes issues such as personnel planning, recruitment, competence and organizational development, compensation and reward systems, health and safety at work, and industrial relations. From the beginning of this millennium human resource management has become for many reasons even more important due to on-going discussions about strategic human resource management, competence based thinking and how well-being of personnel is connected to the business success of an organization.

Österberg (2009, p. 113) wrote that managing people is a remarkable part of business. Leadership and management have a huge impact on how an organization succeeds to motivate its personnel to strive for mutual goals, and how the organization remains competitive. The current times are challenging as the recession seems to be ending. Organizations must take care of human resources to be fit before the upturn really begins.

Many social trends have increased the importance of human resource management. These are for example aging populations, fast expiration of knowledge, increasing share of immigrant workforce, globalization and

imminent labour shortage. Also the case company has an increasing average age of personnel.

Personnel as a resource are quite fragile. If even a small number of employees leave their work at the same time, that could cause serious problems and interruptions for a company which might easily decrease customers' confidence or cause financial losses. Lack of competent personnel or poor quality of their work is immediately visible outside the company as insufficient performance. So, if a company wants to improve its performance quality to a high level and be seen as a trustworthy supplier there is no other choice but to secure that its personnel operate with high level standards and stay in the company. (Viitala 2004, p. 10.)

Some studies have shown that younger generations seem to have a different attitude toward managers and leaders, and they are more likely to have a lack of interest in long-term employment positions. They might work for approximately 3 years and then move on, and at the same time organizations should spend time getting the most out of people. (Bridle 2010.)

An organization needs long-term planning to be able to fulfil both quantitative and qualitative future needs for its personnel. HR strategies are the basis for this planning. (Viitala 2004, p. 11; Österberg 2009, p. 23.)

According to Eigenhuis & van Dijk (2008, pp. 22–25) the winning formula, that is the differentiating formula for the coming years, will be winning the hearts and minds of employees. Companies need to create a higher degree of engagement on the part of employees at all levels in the organization. With that they must combine the concept of doing business successfully but also meaningfully. At present people want to do meaningful work. To feel that way, employees need to understand what the organization they work for wants to achieve, and that they might even commit this with their hearts and minds. To achieve emotional commitment, also a greater effort at communication is required as well as employee feedback through surveys.

1.1 Background of this study

The reason for choosing this subject for research was the fact that the case Company had some major personnel changes, and handling of human resource management fell into a new situation. The Company wanted to know what it should or must do with HR issues. It was also a question of how to improve the current situation.

The previous CEO of the Company handled most HRM issues personally. Because these procedures were not documented, it is now hard to tell what and how they have been handled. The current CEO has not been able to take a big role in HRM because he does not speak any Finnish, and perhaps is not yet sufficiently familiar with Finnish regulations. This has led to a situation where management of HR issues is not as clear as it might be. Although the CEO has the main responsibility for HRM, this has not been easy to achieve.

There have been some changes and adjustments on the Group level also, and the Company wanted to check if its HR guidelines and practices still match with the Group's HR policies and guidelines. Follow-up of changes in the Finnish laws and trade union regulations is not centralized, and there has not been any one person who is responsible for it.

1.2 The case company

The case company is called the "Company" for the purposes of this thesis, as the case company prefers to remain anonymous. The Company was established in 1978, and was just a small tin smith company that operated in a garage. The first products were all kinds of metal flashings and battens for houses. Now the Company has been a part of a Swedish steel refining company for about 10 years. This Swedish company is the mother company and it has subsidiaries in 5 other European countries, as shown in figure 1. All of these form the Group. This group is also a part of a larger Swedish steel producing company that is multinational. Earlier the Company was direct subsidiary of this larger main group, but because the Company works with

refining steel sheets instead of producing steel, it was internally moved under the current mother company, to a proper division.

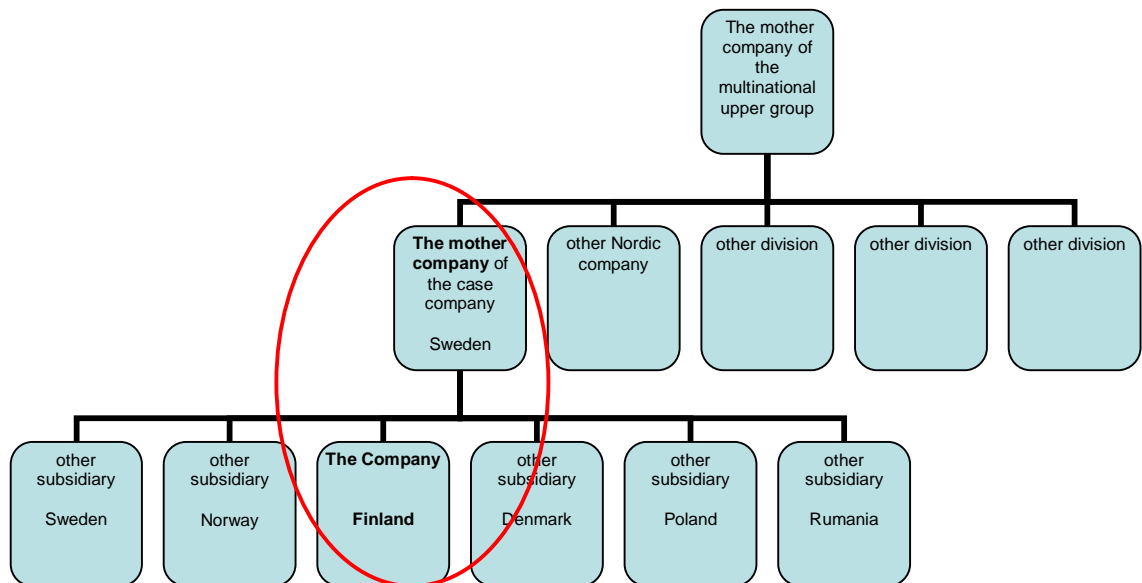


Figure 1 The organizational scheme

The main products are refined thin sheets of steel such as profiled wall cladding and roofing sheet, roofing tiles, flashings, flat sheets and bands. Also perforated thin sheets are included in product range. The Company provides total solutions for buildings, mainly to roofs of small houses via retailers, but also to tin smiths and large projects in domestic markets. As group products there are also for example sandwich-type panels for walls and load-bearing roof plates as well as rainwater systems. These group products are not manufactured in Finland.

The Company employs approximately 60 people and on top of that has about 20 seasonal workers in the summer. The head office and plant are located in Southeast Finland. In addition there are four sales offices in Finland and two of them have also small sales warehouses.

1.3 Objectives of the study and research question

The aim of this study is to clarify if HR practices in the Company fulfil all legal provisions and trade union regulations as well as instructions and requirements set by the Group. These statutory practices are examined from the Finnish

subsidiary's point of view. Because of this, the study focuses on Finnish requirements.

This thesis aims to find an answer to the following research question:

- How can a local unit comply both with national and the parent company's demands in HRM issues?

In order to answer the research question the following issues have to be studied:

- What are the HRM issues?
- What are the national demands?
- What are the parent company's roles and its demands?

One objective is also to outline the framework for a handbook of HR practices, which will be finalized later. The purpose of this handbook is to:

- Support superiors in implementing HR issues
- Support leadership
- Ensure equal and fair treatment for the all personnel
- Increase knowledge and understanding of HR issues in the Company

The findings of this thesis are also meant to be used for further discussions about the Company's HRM issues and responsibilities. The idea is also to bring out the value and importance of human resource management.

1.4 Research method and structure

This study will be done using an operational research method focusing on one company. The case company which is an object in this study is called the "Company". In a case study, detailed, intensive information is collected concerning a single case. The object is studied in connection with its environment and data is collected with many methods including observation, interviewing, or studying documents. (Hirsjärvi & Remes & Sajavaara 2007.)

To be able to answer the research question, HRM issues, national demands and the parent company's demands are examined in the theory part. The main concepts of human resource management will be briefly explained.

After becoming familiar with HR literature, Finnish laws, and collective agreements, an ideal picture of a company with well-managed human resources and good HR practices will be presented in chapter 2. This chapter aims to clarify HRM issues. Also, some observations on organizing HR function and its role will be made based on literature.

The basis for national demands will be discussed briefly in chapter 3. Because this study is done from the Finnish local unit's point of view, it does not take into account differences between demands followed in the local or in the Swedish parent company.

In order to find out what is the role and demands of the Group for the local unit, reasons and ways to transfer HR practices from a parent company to a subsidiary will be studied. The chapter about transferring practices in a multinational corporation (MNC) takes into account this point of view.

These above mentioned issues combine to create a theoretical framework that is used when answering the research question.

In addition, the empirical part of this study will clarify and analyse the current status of human resource management in the local unit. The status will be compared to the demands. If some deviations are found, a list of improvement areas will be made.

The current status of the Company's HRM will be clarified by observing practices, studying documents, and consulting members of the management team about the Company's HR practices and their responsibilities regarding those practices. These will be described in chapter 5. Before proceeding to discussions with the management team, literature, legal acts, and collective agreements will be widely reviewed. Current HR practices will be analysed and

compared to Finnish laws and to collective agreements to find out if all the requirements are fulfilled, or how those might be fulfilled. The most important areas for improvement proposals will be found out based on these actions and comparisons, and recommendations for improvements will be presented in chapter 6.

HR documents of the Group will also be examined and compared to the Company's HR practices. If there are found to exist some conflicts or shortages, suggestions to improve the current situation will be made.

The most important issues concerning aligned and equal HR practices for the future handbook of HR practices will also be found out during this study. However, the handbook will not be a part of this thesis. Only a proposed table of contents will be presented.

Based on this study, the Company will have an idea of how these HRM issues should be handled and which practices or responsibilities should possibly be changed.

1.5 Main concepts

This study includes the following concepts: human resource management (HRM), strategic human resource management (SHRM), human resource strategy, human resource policy, human resource practice, and human resource handbook. These will help to identify the context of this study. In the following chapters all of these will be discussed, though the main focus will be in HR practices.

HRM is the part of the management process that specializes in the management of people in work organizations. It deals with issues related to personnel such as compensation, hiring, performance management, organizational development, safety, well-being, benefits, employee motivation, communication, administration, and training. HRM emphasizes that employees

are critical to achieving sustainable competitive advantage. (Bratton & Gold 1999; Armstrong 2006; Fisher & Schoenfeldt & Shaw 2006.)

SHRM is generally perceived as a distinctive approach to managing people which seeks to achieve competitive advantage through the strategic development of a highly committed and capable workforce, in accordance with the intentions of the organization on the future directions it wants to take. Having not only a committed workforce, but also having a workforce that is highly trained for the job that must be performed achieves the competitive edge. Strategic HRM is the overall framework which determines the shape and delivery of the individual strategies. (Armstrong 2006; Fisher & al. 2006.)

HR strategies are the broadly defined long-term key approaches the organization will use to accomplish its mission and drive toward the vision. These will focus on the intentions of organization on what needs to be done and what needs to be changed. Strategies take into account both the external and internal environment of the company. (Armstrong 2006; Österberg 2009.)

HR policies are guidelines on the approach the organization intends to adopt when managing its people. They give managers guidance about how to communicate or act with people in certain situations, and they define the philosophies and values of the organization. (Armstrong 2006.)

HR practices involve the fundamental aspects of the employment relationship and take into account the requirements of relevant legislation. HR practices are more exact than policies; they state what must be done as well as how to do it. (Armstrong 2006.)

The HR handbook is a compilation of the policies, practices, working conditions, and behavioural expectations that guide employee actions in the workplace. HR handbooks generally also include information about the company, its human resources strategy, organization, responsibilities and additional terms and conditions of an employment relationship. A HR handbook

may act as support for managers and a guide on how to comply with laws and other regulations when dealing with HR issues. (Heikkinen 2008; About.com.)

2 HRM ISSUES IN A WELL-MANAGED COMPANY

In the next six chapters the most important HR aspects will be studied through literature about human resource management. These will be examined in order that a picture of well-managed human resource procedures will be composed based on current knowledge.

The issues to be covered here are HRM, SHRM, HR strategies, HR policies, HR practices, and also HR organization.

These same aspects will be examined in the Company and the current status of its HRM will be described later in this report, in chapter 5.

2.1 HRM

Human resource management (HRM) is a broad term that consists of everything concerning managing people in an organization. It has been defined as a strategic and consistent approach to the management of an organization's most valued assets, i.e. people working there who contribute to the achievement of the organization's objectives. It brings together HR philosophies, strategies, policies, processes, practises and programmes. (Armstrong 2006, p. 3.)

Human resource management means attracting, motivating, retaining, developing and rewarding the organization's human system. Another way to define its content might include management of processes, decision making, questions of rights and responsibilities, and solving of conflicts and negotiations. The purpose of human resource management is to ensure that the organization is able to achieve business success through people. This can be achieved by

supporting the personnel so that they are able and willing to give their best efforts. It involves all management decisions and practices that directly affect or influence the people who work for the organization. It is individuals, their values, attitudes, and motivations that need to be managed, and on the other hand, it is groups. The number of tasks involved in HRM is potentially large, depending on the size of the organization and its needs. (Viitala 2004, p. 18; Armstrong 2006, p. 8; Fisher et al. 2006, p. 7; Kauhanen 2006, p. 16; Österberg 2009, p. 113.)

The concept of HRM is largely based on a management and business-oriented philosophy. It is concerned with the total interests of the organization. It recognizes both the company's interests and also employees' interests subordinated to the first one. It highlights the importance attached to strategic integration and strong cultures, which flow from top management's vision and leadership, and which require people who will be committed to the strategy, who will be adaptable to change, and who will fit the culture. There is also a need for a strong corporate culture expressed in mission and value statements and reinforced by communications, training, and performance management processes. (Armstrong 2006, p. 15.)

The idea in HRM is to have a long-term perspective in managing people and to see people as potential assets rather than only a variable cost. The purpose is to ensure that the organization is able to reach success through people and obtain added value from people by the processes of human resource development and performance management. (Armstrong 2006.)

How a work community is managed has an impact on relationships and atmosphere in the work community. That is why a manager should give information needed to create an atmosphere for open communications and to encourage subordinates. A manager has to act as an example and as a devoted developer. It is the manager's task to share information about goals to everybody and to let employees be involved in planning about how these objectives will be achieved. A manager is responsible for clear work arrangements and offering tasks that are challenging enough but that do not cause uneven work loads. (Österberg 2009, pp. 113–114.)

There can be distinguished two different approaches: a soft and a hard approach to HRM. The soft version emphasizes the importance of high commitment, communication, motivation and enlightened leadership, and the hard model emphasizes close integration of HR policies with business strategy and in that way sees employees as a resource to be managed in a rational way to be exploited for maximum return. (Bratton & Gold 1999, p. 17; Armstrong 2006, pp. 11–12.)

In summary, it might be said that the purpose of human resource management is to ensure that the organization is able to achieve business success through people. HRM shall be taken into account widely in companies and it must be remembered that HRM involves all management decisions and actions that affect the nature of the relationship between the organization and its employees. Managers must be devoted to continuous development and act as an example. Human resources in a company are people with their feelings, values and attitudes, not only expenses. Well handled HRM pays attention to the interests of both employees and business.

2.2 SHRM

The term strategic human resource management (SHRM) states that HRM is strategic work. It has been based upon an organization's business strategy and it is an approach to the development of HR strategies that enable an organization to reach its goals through sufficient, skilled, and motivated personnel. It also takes into account both internal and external environments of the organization and what kinds of needs those bring to human resources as seen in figure 2 on the next page. Strategic HRM is a tool when making decisions on the intentions and plans of the organization in the shape of HR strategies, policies and practices concerning the employment relationship, resourcing, learning and development, performance management, rewards, and employee relations. Business strategy defines what is the future direction the organization wants to take, whereas strategic HRM focuses on the organization's decisions on what needs to be done and what needs to be changed in particular areas of people management to achieve objectives set in

the business strategy. Regardless of the company size or branch of business, it is always one person or group(s) of people who run business. It depends on people how fast and in what shape a selected strategy will be realized in the frames of environment. Personnel are a decisive factor. (Viitala 2004, p. 10; Armstrong 2006, p. 115; Kauhanen 2006, p. 23.)

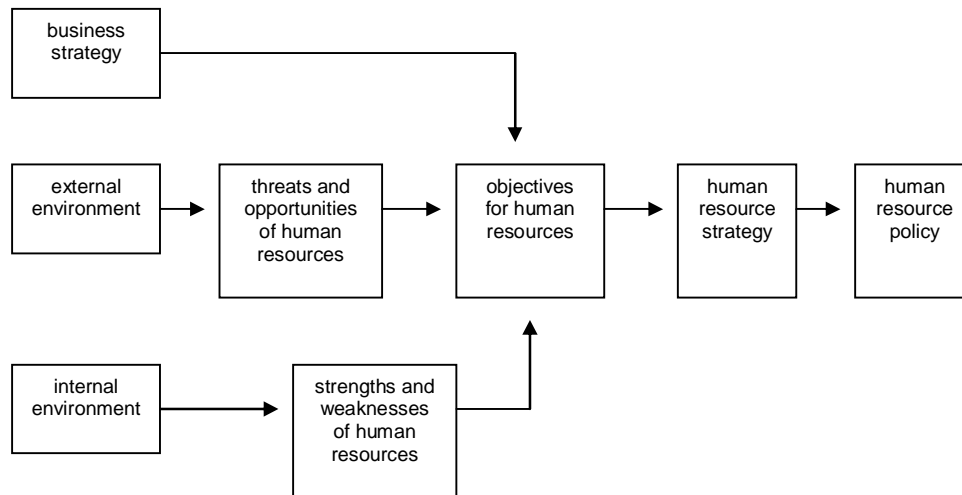


Figure 2 Model for strategic planning of human resources (Kauhanen 2006, 23)

2.2.1 Source for competitive advantage

Strategic HRM enables strategic decisions to be made that have a major and long-term impact on the behaviour and success of the organization by ensuring that the organization attracts, recruits, and retains the skilled, committed and well-motivated employees it needs to reach sustained competitive advantage. Human resources are the factor most likely to provide potential competitive advance. Rivals can copy basics of managing people as well as a company's production, technology, financing, and marketing, but it is much more difficult for rivals to copy a strategy for unique ways to attract, retain, and motivate employees. The company has to assess and satisfy future people needs and to enhance and develop the capacities of employees, their contributions, potential, and employability by offering learning and continuous opportunities for development. These all have an impact on HR activities and priorities selected. (Armstrong 2006, p. 9; Fisher et al. 2006, p. 3; p.116; Eigenhuis & van Dijk 2008, p. 19.)

The most important question to start any analysis for the development of strategic HRM and action plans is, according to Eigenhuis & van Dijk (2008, pp. 18–20), 'What business are we in and what the critical factors for success are?' People responsible for HR need to understand thoroughly the business strategy, but they need also deep knowledge of how the business works in their case, what are the key factors for success, what organizational capabilities are needed, and which are already available, etc. To identify these specific features and critical success factors will lead to the right decision regarding what HRM should make its priorities and where to concentrate its efforts and resources. Identifying how HRM will add value to the organization is a major priority. Also Fisher et al. (2006, p. 54) emphasizes that human resource management activities must add value to the organization.

2.2.2 Common view on future and employees' commitment

Rapid change is happening everywhere and the capability to adapt to this change is becoming strategically important. Many organizations do not have explicit vision statements. This does not necessarily mean that no vision exists. But, if the vision is not properly prepared, decided and shared, it is difficult to see how larger groups of people can benefit from the sense of direction provided by a properly communicated vision. A common view on business and future goals is needed to have a successful organization. The benefits of a shared vision and strategy are even greater. Because vision and strategy defines the future direction an organization wants to take, it is important that everybody in an organization identifies the same framework and direction. Different levels in the organization might be communicated with in a different way, but all levels deserve to be informed about the future intentions. (Viitala 2004, p. 54; Eigenhuis & van Dijk 2008, p. 17; pp. 106–107.)

As mentioned in the introduction, Eigenhuis & van Dijk (2008, pp. 106–107) believe that one of the key differentiating factors for the coming years will be the degree to which organizations create a higher level of engagement of employees in the organization. Engagement is defined as the extent to which employees commit to something or someone in their organization, and how

hard they work and how long they stay as a result of that commitment. Engagement has a huge impact on organizational performance and on the ability of an organization to retain skilled employees. A shared vision and strategy definitely help to raise the level of engagement or buy-in, especially, if the shared vision is combined with the concept of organization doing business successfully but also meaningfully. The two, external engagement and winning the hearts and minds of employees internally, usually go hand in hand. The combination of focused introduction of strategic business choices together with emotional engagement at all levels provide alignment and accountability, and is why they believe this can be a winning formula for the coming years.

2.2.3 SHRM conclusions

The conclusion for this chapter is that when an organization wants to reach the objectives of business strategy, it must first share this strategy and vision with the employees. Then it must pay attention to a long-term strategic approach to requirements for human resources set by both internal and external environments. An organization must also take care of sufficient, skilled and motivated personnel. Also, critical factors for success should be known.

Human resources are the factor most likely to provide potential competitive advantage. Therefore attracting, hiring, and retaining the right people is vital for an organization. When personnel share common goals and their work is meaningful, they are more likely to commit to the organization. With a good-quality management, employees will also commit easier to the organization and its strategy, and hence it reaches success and may obtain added value.

2.3 HR strategy

Strategic HRM will lead to the formulation of HR strategies. Also, the organization's internal and external environments, threats, opportunities, strengths and weaknesses of human resources, and also business strategy will affect the shaping the HR strategy. Human resource strategy should support the accomplishment of the business strategy, and indeed, HR strategy shall be

integrated with the business strategy. They set out what the organization intends to do about the different aspects of its human resource management policies and practices, and what are the current and future business trends. The aim of HR strategies is to guide HRM development and implementation programmes. They give the means to communicate the organization's intentions on how its human resources will be managed. They also provide the basis of strategic plans and enable the organization to measure progress and evaluate outcomes against set objectives. These strategies also define required actions to be able to realize an organization's vision. HR strategies will focus on the intentions of the organization on what needs to be done and what needs to be changed. (Armstrong 2006, pp. 123–124; Fisher et al. 2006, p. 36; Österberg 2009, p. 24.)

There are two types of HR strategies. First are *Overarching HR strategies* that describe the general intentions of the organization about how people should be managed and developed, what steps should be taken to ensure that the organization can attract and retain the people it needs, and ensure that employees are committed, motivated and engaged. These are expressed as rough statements of aims and purposes that set the scene for more specific strategies. They are concerned with overall organizational effectiveness, achieving advantage by employing better people in organizations with better processes, developing high-performance work systems and generally creating a great place to work. (Armstrong 2006, pp. 124–125.)

The second type is *specific HR strategies* that set out what the organization intends to do in areas such as talent management, continuous improvement, knowledge management, resourcing, learning and development, reward or employee relations. (ibid, pp. 126–127.)

HR strategies will be realized at an operational level through shorter term HR policies (Viitala 2004, p. 13; Österberg 2009, p. 24).

A chief executive (Peabody Trust) commented in Armstrong's book (2006, p. 129) about what makes a good HR strategy:

"A good strategy is one which actually makes people feel valued. It makes them knowledgeable about the organization and makes them feel clear about where they sit as a group, or team, or individual. It must show them how what they do either together or individually fits into that strategy. Importantly, it should indicate how people are going to be rewarded for their contribution and how they might be developed and grow in the organization."

In summary, it might be said that HR strategies are needed to support the accomplishment of the business strategy and vision. HR strategies define how the organization intends to manage its human resources in order to achieve its business objectives, and to have effective processes. HR strategies also take into account both current and future business trends and needs. HR strategies will guide HRM development and implementation programmes.

2.4 HR policy

HR policies are continuing guidelines on the approach the organization intends to have when managing its people. Policies define the philosophies and values of the organization on how people should be treated in this certain organization, and from these are derived the principles according to what managers are expected to act when dealing with HR issues. HR policies are the basis for developing employment practices and making decisions about people. Those help to define "the way things are done in this organization". (Armstrong 2006, p. 147.)

HR or employment policies help to make sure decisions and other approaches are in line with company's values when dealing with issues concerning people. They also provide a framework on how to handle personnel issues and promote equity among personnel. Because policies give guidance on how managers should act in certain circumstances, they facilitate empowerment, devolution, and delegation. HR policies should fit in the organizational culture, but they are able to modify it also. (ibid, pp. 147–148.)

In many cases HR policies are used in introductions or in management training to help participants understand the philosophies, culture, and values of an organization, and how managers are supposed to communicate or act within that context (ibid, p. 148).

Overall HR policies define how the organization fulfils its social responsibilities to its employees and sets out its attitudes towards them. Often they refer to the following concepts: equity, consideration, organizational learning, performance through people, work-life balance, quality of working life, and working conditions. In addition, specific policies should also cover managing diversity, age and employment, promotion, employee development, rewards, involvement and participation, employee relations, new technology, health and safety, grievances, redundancy, sexual harassment, bullying, intoxicant abuse, smoking, and e-mails. (Armstrong 2006, pp. 148–149.)

Policies must be implemented fairly and consistently. Line managers have a key role in this implementation. There is a need for HR policies to be designed for and focused on front line managers because they will be mainly responsible for policy implementation. Members of the HR function can give guidance, but it is line managers who are on the spot and have to make decisions about people. It is HR's role to communicate and interpret policies, convince line managers that policies are necessary, and provide training and support that will help managers to implement them. (Armstrong 2006, p. 157.)

In summary, it might be said that the aim of HR policies is to define the way things are done here in this company. Therefore, they give guidance on how managers should act in certain circumstances. Policies also help line managers to act fairly and consistently in line with organization's values when dealing with HR issues. Line managers are mainly responsible for policy implementation but naturally they will get support from HR function for communicating and interpreting policies. HR policies should fit in the organizational culture, but they are also able to modify it.

2.5 HR practice

This study focuses mostly on HR practices. In this chapter some basic idea about those practices will be presented, and later, in chapter 5 will be given a closer look at statutory practices in the context of the case company.

2.5.1 What kind of HR practices are needed

Armstrong (2006, p.855) emphasizes the importance of strategic considerations in formulating HR policies and planning HR programmes to achieve defined goals. The fact remains that HRM is about managing the employment relationship, service delivery, and dealing with the problems that will always arise when people work together. This includes several policies, practices and approaches needed to ensure that both the employees and the organization feel that their needs are being heard and satisfied. Organizations also need to maintain a HR information system, not only to keep employee records, but also to build a database which will assist in strategic decision making.

HR practices should be concerned with fundamental aspects of the employment relationship as expressed in the organization's HR policies. They should take into account the requirements of relevant legislation. (ibid, p. 857.)

HR practices are about attracting and promoting appropriate people, designing development programs, developing effective appraisal programs and feedback processes, communicating organizational and HR policies, and providing a mechanism for integrating different business units (Fisher et al. 2006, p. 29). According to Armstrong (2006, p. 858), HR practices need to be established in the following areas: terms and conditions and contracts of employment, mobility clauses, transfer practices, promotion practices, flexible working, attendance management, equal opportunity and ethnic monitoring, managing diversity, data protection, sexual harassment, smoking, bullying, substance abuse at work, use of e-mails and work-life balance. Administrative procedures regarding legal requirements for maternity leave and pay and sick pay must also be developed.

HR practices should cover all statutory demands by the Finnish legislation or trade unions.

HR practices set out the ways in which certain actions concerning people should be carried out by the management or individual managers. They constitute a formalized approach to dealing with specific matters. HR practices should be distinguished from HR policies. Policies describe the approach the organization adopts to various aspects of people management and define key aspects of the employment relationship. They serve as guidelines on people management practices but do not necessarily show precisely the steps that should be taken in certain situations. Practices are more exact. They state what must be done as well as how to do it. It is wise to have the key HRM procedures written down to ensure that HR policies are applied consistently and in accordance with both legal requirements, union requirements and ethical considerations. The existence of a written and well-communicated procedure ensures that everyone knows exactly what steps need to be taken when dealing with certain significant and possibly frequent employment matters. (Armstrong 2006, p. 879.)

The introduction or development of HR practices should be carried out in consultation with employees or their representatives. It is important to brief everyone on how the procedures operate, and therefore those should be published. Line managers may need special training on how they should apply the practices and the HR department should offer guidance when necessary. HR personnel will normally have the responsibility for ensuring that practices are followed as agreed. (ibid, p. 879.)

2.5.2 HR practice conclusions

According to the literature, HR practices should cover the fundamental aspects of employment relationships as they are expressed in an organization's HR policies. Practices are quite exact and describe what, and also how, managers should act in certain situations.

These HR practices should be written down and published. Special training and support should be given to superiors on how they should implement and apply the practices. The HR function will support line managers. With these actions an organization is able to make sure that requirements by law and labour unions as well ethical aspects will be fulfilled.

2.6 HR organization

HR function is important in managing all previously mentioned HR issues in an organization. Managing means, in this context, all activities such as planning, implementing, following, measuring and developing HR activities. HR function needs support from top management, and also from front line managers who are mainly responsible for policy and practice implementation. That is why it is important to have a look at HR organization in this study.

In HRM, responsibilities are shared to different levels (strategic, operational, administrative, technical, etc.) Traditionally, line management has been responsible for the operational aspects of managing people, and their role has been increasing. Top management does make strategic decisions and establishes organizational values and philosophies, and also has an effect on the entire approach for people management. (Valverde & Ryan 2006.) There has been a change in the HR concept from industrial relations towards communications, HRD, workplace learning, career management and human capital accumulation, and that has an effect on the model of HR organization and its functions (Morley & Gunnigle & O'Sullivan & Collings 2006).

2.6.1 Organization models

A Spanish study (Valverde & Ryan 2006) did not find contextually determined reasons that decide the model of HR function adopted by an organization, but it is a company's decision. However, the study did not pay attention to how and by whom this decision is made.

According to that study, the most popular way (37 % of answers) to organize HR is to have *HR function as the domain of the HR department supported by the line*. The HR department is the main agent, but the line manager has a bigger role in day-to-day decisions and people management as well as in service distribution. The HR department counts on the support of the line for the implementation and dissemination of personnel policies at the operational level, and especially, for the delivery of training. The role of the line is as executors of established policies.

The second popular way (26 % of answers) to organize HR is to have *HR as a shared function lead by top management*. Top management is heavily involved in people management on a daily basis and has a high input in strategic and leadership activities, policy making, diagnostic, but also in administrative tasks that would generally be considered the duties of HR specialist.

There are many other ways to organize HR function. These were only the two most popular ones in one study. As mentioned before, it is a company's own decision as to how it organizes HR function, and organizational culture, people, history, and future needs will affect that decision.

2.6.2 Devolved HRM

It is HR function's duty to support managers in their work. The idea is not to do managing and leading on behalf of managers. By supporting managers and leaders they are able to undertake their responsibilities more effectively, legally, and with appropriate care and consideration. This will increase HR's effectiveness and the company's performance and quality, leading to increased effectiveness of the organization as a whole. It means that HR has an opportunity to do more with less by giving away its power, i.e. knowledge, rather than nurturing it. Thus the HR function is able to exponentially expand and strengthen the organization's capabilities and create added value. (Pilenzo 2009; Bridle 2010.)

HRM should develop from HR specialists concentrated towards strategic HR partnership. HR should be participating in strategic decision making and enable decentralization of much activity to the line managers. In addition, line management should participate more in policy development and interpretation. HR tasks are a natural part of line management's duties, but those are also time-consuming. There could be problems if there are, in addition to a lack of time, a lack of clear roles, adequate training, resources or support from top management. The CEO's attitude towards HRM plays an important part. (Morley et al. 2006; Boselie 2009.)

When an HR department does not exist, line management may find itself doing HRM by default, and some line managers might perceive HR department's instructions as interference to their hiring and firing decisions. It might be seen that the line is keen to take HR advice, but not to be subject to their direction. (Renwick 2003; HRM – the devolution revolution 2004.)

Benefits to the line devolved HRM are: Superiors are able to act independently within guidelines and advice on HR functions, and they might even feel pride when carrying out HRM effectively. At the same time, they can respect the professionalism and expertise of HR department that they might utilize if needed. (HRM – the devolution revolution 2004.)

Disadvantages of devolved HRM are: Many line managers may see HR work as peripheral to main activities and find it difficult to have time for additional tasks as their work is already busy. Many managers have reported that they think HR work at the line management level is lacking structure and consistency. (HRM – the devolution revolution 2004.)

Devolved HRM serves by strengthening everyone's commitment to the success of an organization. However, in many cases this devolvement fails because of a lack of acquisition and development of expert skills. Line managers shall have appropriate training but also place greater value on the skills of their existing HR professionals. Renwick (2003) wrote that greater participation of HR function is

needed when devolution of HR work to the line occurs, not less, to ensure that good outcomes in HRM arise, especially in employee relations.

The current economic recession has created possibilities for HR managers to strengthen their position as strategic partners in an organization's financial decision making. Previously during recessions, HR has been put aside, but now organizations still see the importance of having the right people and the right people processes. During fast and continuous change, organizations need HR personnel who are professional and agile, able to respond to changing business needs and to support managers who themselves are under pressure to improve. Now, more than ever, HR is needed to take care of strategic balance between the bottom line and organization's capacity and morale. (Craig 2009; Pomeranz 2009; Bridle 2010.)

2.6.3 Special features of SMEs

The local unit in this study is considered as a small and medium-sized enterprise (SME). According to Renwick (2003) there is a possibility that poorer HR practice is being carried out by line managers in SMEs. Also Mayson & Barrett (2006) saw that small enterprises, and those which do not grow, usually have informal and ad hoc based HRM. The problem with informal HRM practices is that those do not necessarily identify the value of employees. Even though the strength of SMEs is often said to be in informality and flexibility, informal HRM may lead to diminishing returns.

Recognition of the importance of HRM to the company's performance is critical as managerial incompetence in dealing with HRM issues is a major source of small company failure. Studies have shown many proofs that businesses fail because they are poorly managed, not because of poor products or ineffective services. That is why how human capital is managed remains the single most important factor of success of any organization. (Morley et al. 2006; Pilenzo 2009.)

Österberg (2009, p. 10) has written that every organization, even the small ones, should have a person who takes a genuine interest in HR issues and who also has a basic knowledge on actions concerning and affecting personnel. The person who is taking care of HRM, whether in HR full-time or in addition to the regular work, should know why personnel matters are important for the organization, what human resource issues include, and how all this affects the company's results if well-managed.

2.6.4 HR organization conclusions

The purpose of HR organization is to support managers in their work, so that they are able to undertake their responsibilities more effectively, legally and with appropriate care and consideration within the guidelines and advice of HR function. That way, HR effectiveness and company performance and quality may increase, and therefore it may be possible to create added value.

A company shall decide how it wants to organize its HR functions. Organizational culture, people, history and future needs shall be taken into account in these considerations. Also time management is one important point of view when considering HR responsibilities. Roles and responsibilities between the top management, HR organization, and line managers have to be clear and everyone should be aware of those relationships. There cannot be any contradictions or ambiguities. According to Österberg, every organization should have one person who has time, interest and basic knowledge of HRM issues.

If a company decides to have its HRM devolved to the line, this will require more participation of HR function to ensure that desired outcomes in HRM will arise. Devolved HRM may strengthen everyone's commitment to the success of a company. However, there are some risks to be considered before devolving more HRM to the line. For example, line managers should have adequate training, resources, and support from the management and HR department, otherwise the devolvement might fail. It might also fail because of a lack of skills development in HR functions.

Now, during the recession, it is much more important to take care of people in an organization, and to have the right people and right people processes. These have an effect on the organization's results now, and especially later on when the upturn begins. Managers cannot be left alone with difficult and challenging situations. They need support.

Although the strength of SMEs is often said to be in flexibility and informality, this situation might cause serious problems. Informal HRM practices do not necessarily recognise the value of employees. The recognition of the importance of the whole HRM to the company's performance is critical because a major source of SME failure is attributed to managerial incompetence.

3 THE FINNISH PRACTICES AND LAWS

The basis for statutory national demands could be found from the laws and collective agreements an organization follows. Demands that are included in this thesis define an employment relationship between an employer and an employee. Because the Company operates in Finland it must observe the Finnish laws, regulations and trade unions' collective agreements.

Finnish laws concerning employment relationship are: Act on Cooperation within Undertakings, Act on Equality between Women and Men, Act on Protection of Privacy in Electronic Communication, Act on the Protection of Privacy in Working Life, Annual Holidays Act, Employment Contracts Act, Personnel Data Act, Occupational Health Care Act, Occupational Safety and Health Act, Act on Occupational Safety and Health Enforcement and Cooperation on Occupational Safety and Health at Workplaces, and Working Hours Act. In addition there are some statutory orders for some of these acts that also concern human resources.

The Company complies with collective agreements of the Federation of Finnish Technology Industries ("Teknologiateollisuus ry"). Each personnel group

belongs to a different union and has therefore their own collective agreement. Workers belong to the Finnish Metalworkers' Union ("Metallityöväen liitto ry", MET), white-collar workers belong to the Union of Salaried Employees ("Toimihenkilöunioni ry", TU) and upper white-collar workers belong to the Federation of Professional and Managerial Staff ("Ylemmät toimihenkilöt ry", YTN). All these unions have the collective agreement with the Federation of Finnish Technology Industries.

In addition to mandatory demands, collective agreements also have recommendations for some activities or best practices. Those are excluded from this study.

All of these above mentioned sources contain many mandatory regulations and instructions concerning employment relationships with which an organization must comply. The knowledge of these is fragmented to different parts of human resource management and the persons responsible for it.

Both the Company and the Group are operating in the European Union. Therefore the basis of laws should be the same. This thesis does not examine the differences between Finland and Sweden, although there are most likely some major differences at least in labour union instructions and negotiating practices.

These statutory practices which affect an employment relationship will be studied in detail in chapter 5.2.2, along with the status of statutory demands as well as the current status of those in the Company. These practices are linked with recruiting, equality, holidays, giving notice, health, safety, and cooperation.

4 TRANSFERRING PRACTICES IN A MNC

Multinational corporations (MNCs) engage in transfer of organizational practices to foreign subsidiaries for multiple reasons. These could be seen as valuable

resources or competencies, and with these an organization may strive for consistency through transferring practices to help develop a common corporate culture, enhancing equity and procedural justice. MNCs have often intrinsic need for establishing some degree of integration among foreign subsidiaries. The purpose is to improve business performance without sacrificing the subsidiary's autonomy and to gain the desired level of global consistency and local sensitivity and simultaneously keep the subsidiary's core competence alive. (Björkman & Lervik 2007; Smale 2008.)

HR issues are more likely to be subject to institutional host-country constraints than many other issues, because employment relationship issues are highly variable across borders. The subsidiary's position as an interpreter of host-context constraints for the headquarters is often needed in the field of HR. However, HR decisions are generally less centralized than other business decisions. (Ferner & Almond & Clark & Colling & Edwards & Holden & Muller-Camen 2004.)

The reason for including this chapter is that the Company belongs to a group. Both the Group and the upper group are multinational.

4.1 Dimensions of transferred practices

Former studies have focused on implementation of transferred practices, typically examining the extent to which practices in subsidiaries are reminiscent of those of headquarters. Implementation is the first dimension of transferred practices. Björkman & Lervik (2007) expanded this view by taking into account also the level of internalisation in the recipient units and to a degree how introduced practices become integrated with other processes and practices in the recipient unit. The transfer of organizational practice does not always lead to expected outcomes or fit to the plans of headquarters. Also Smale (2008) points out that what is implemented in subsidiaries might not be the same as that intended by headquarters.

Internalisation, that is, the second dimension, means to which degree externally imposed rules become internalised in the recipient unit, when it is taken for granted and accepted by employees, and when employees feel the value of using this new practice. There is a risk that only ritualistic imitation of practices has been carried out, if recipients do not believe in the practice or see the value of it, most likely resulting in discontinued practice. (Björkman & Lervik 2007.)

The third dimension concerns to which degree a transferred practice is connected and linked up with existing practices and routines, i.e. integrated. This perspective does not focus on individual HR policies and practices, but rather on how a set of HR practices in an organization are internally consistent and working well together. This is the opposite of ritualistic adoption of transferred practices just to satisfy headquarters' demand for compliance. (ibid.)

4.2 Factors influencing transfer and governance of practices

The external context within which transfer of practices takes place is important. This context includes factors like inter-organizational resource dependencies, institutional duality, and cultural differences. Factors affecting mechanisms and degree of integration also include the company's size, age, profitability, and its strategic value. The transfer of HR or other practices between companies located in dissimilar cultural contexts is more difficult than between companies in similar countries. Cultural differences are typically considered with Hofstede's categories which are: power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation (Hofstede). Because cultural differences after all explain very little, recent studies on knowledge transfer have also taken into account other factors influencing this transfer of practices. These are normative integration mechanisms, such as personnel transfer, mentoring and international travelling including expatriate experience. (Ferner et al. 2004; Björkman & Lervik 2007; Scullion & Collings & Gunnigle 2007; Smale 2008.)

Power distribution between a MNC and a subsidiary has an impact on how transfer is carried out and implemented or even integrated. This concept includes the degree of autonomy in a subsidiary which is connected to balance

between centralization and decentralization of policy and practice making in MNCs. (Ferner et al. 2004; Björkman & Lervik 2007.)

It will be easier for a MNC to transfer practices if a subsidiary's management also sees the importance of headquarter practices as a performance evaluation criterion, and if a subsidiary trusts in headquarters and identifies itself with the parent organization. Also, interaction between headquarters and its subsidiary is likely to ease the transfer and internalisation of practices if there are developed interpersonal networks. That will also lower the costs of transfer as actors know the right people in the other organization in advance, and subsidiary actors are able to obtain help smoothly. Sharing a common language facilitates the ability of subsidiary managers to obtain information from people in headquarters and thereby identify the value of the suggested HR practices. Company specific communication codes and common stories about the successful use of HR practices at headquarters may facilitate the transfer or lead to mimetic motivations for implementation and integration of practices, and may in that way lower the costs associated with their implementation and integration. A trustful relationship between a MNC and a subsidiary is vital for enhancing intra-MNC knowledge transfer and exchange. When the subsidiary's managers have a high trust in the headquarters' management, this may shape the perception that the focal practice is actually efficient and might motivate the acceptance of it. (Björkman & Lervik 2007.)

Decisions on HR practices and policies to be implemented in foreign subsidiary units are more likely to be realized if subsidiaries have been involved in the process of decisions and creation of those HR practices and policies. Previous studies indicate that the use of international project teams or global HR committees may be beneficial for having joint best practices in a MNC. There is also a trend toward the increasing involvement of subsidiaries in the process. However, this involvement takes various forms. In Europe the level of centralization and a means of exerting central control over the subsidiaries could be seen as an intermediate level. (Ferner et al. 2004; Björkman & Lervik 2007; Smale 2008.)

Subsidiaries should be involved in HR practice and policy creation. If decisions are made at the headquarter level without subsidiary input, there might be a lack of global perspective, and some instructions that will not work in all regions. (Ferner et al. 2004.)

If pressure is used by a MNC, it may lead to negative attitudes on the part of subsidiary actors, especially if they perceive to be forced to replace their own well-functioning procedures and processes. This may lead to a not-invented-here attitude and lack of motivation. In that case implementation of new practices will be much weaker. Insufficient communications or neglecting the principles of change management will not lead to a good solution either, because organizational practices are always people dependent. (Björkman & Lervik 2007.)

5 THE CURRENT STATUS OF HRM IN THE CASE COMPANY

The aim of this study is to clarify if HR practices in the local unit, the case company, fulfil all legal provisions and trade union regulations as well as instructions and requirements set by the Group. These statutory practices are examined from the Finnish subsidiary's point of view. Because of that the study focuses on Finnish requirements. Based on this study the Company will have an idea of how these statutory HRM issues should be handled and which practices or responsibilities should possibly be changed. To solve possible improvement needs, the current status of the Company's HRM will first be identified.

In the following chapters the current status of HRM in the Company will be examined starting from the strategic framework of HRM. The chapter about SHRM, HR strategies and HR policies include the guidance the mother company gives to the Company and it takes into account the main issues covered in the chapters 2.2–2.4 as well as in the chapter 4. This is studied from

the Finnish subsidiary's point of view, although some information is taken from the Group's previous HR director and HR consultant.

Then, the HRM instructions in the Company will be considered through HR practices. The main focus of this thesis is found in that chapter. These statutory practices are categorized to groups according to the life cycle of an employment relationship. Issues are based on literature and a preliminary study done in the first phase of this research. This chapter pays some attention to chapter 2.5 but is mainly written to comply with the Finnish laws and labour unions' requirements.

In the first phase, all Finnish acts concerning an employment relationship were reviewed, and also three different collective agreements with the Federation of Finnish Technology Industries were studied. Literature on Finnish HR practices was also widely reviewed. Based on these references, the obligatory demands were found. Obligatory demands were categorized to five groups according to life cycle of an employment relationship. These groups are recruiting and employment relationship, working hours and absences, termination of an employment relationship and lay-offs, health and safety at work, and cooperation at work.

The current status of HRM in the case company was clarified in discussions with the management team (the Company's financial manager, sales director, production manager and materials manager) based on the categories defined in the earlier phase. The current status is also explained by observations and studying documents of the Company. These statutory practices were compared to the current status of the Company, and suggestions for improvement were given when deviations were found. These improvement areas with recommendations are represented in chapter 6.

The kinds of issues that should be found in the future handbook of HR practices will also be found out during this study. This handbook, which will be finalized later, will support superiors with their leadership. It may also make it easier to maintain a consistent practice concerning HR issues in the Company and that

might ensure equal and fair treatment for the personnel in every department and unit.

The last chapter (5.3) focuses on HR organization and responsibilities in the field of HR in the case company. This is considered in line with chapter 2.6 although responsibilities are written to some extent already in the preceding chapter, 5.2 HRM practices.

Findings of this thesis are also meant to be used for further discussions about the Company's HR issues and responsibilities. One idea is also to bring out the value and importance of human resource management.

5.1 SHRM, HR strategies and HR policies

The next two chapters concentrate on SHRM, HR strategies and HR policies by examining the HR function in the Group, and the guidance and support it has given to the Company. Comments are mainly based on text in chapters 2 and 4.

5.1.1 The HR function in the Group

The mother company has an HR department and its director belongs to the Group's management team. It is positive that HR function is deeply involved in business. The Chairman of the Board in the Company is also the president of the whole Group. In addition, two other board members are directors in the mother company. That means there is quite a tight bond between the Company and the Group.

The HR function in the Group is fairly new and many processes and functions have just been built. The HR department was formed in October 2007, and recently its director was changed. Previously, services such as payroll and administration were bought from the upper group.

There are a few HR processes in the Group but they are not mapped up. These first years were spent building routines for educational programs, management

support, work environment as well as installing a HR system, a time reporting system, and a payroll system, and moving this to the Group from the upper group. The Group's HR function also had to spend resources due to the structural changes in the beginning of this recession. These development actions enhance and develop the capacities of employees, their contribution and potential for the future, and could therefore be seen as strategic HRM.

Now the Group is in a situation where it can slowly start to see how HRM will be beneficial by creating HR support for the whole Group. The previous HR director saw that it is important to investigate how the Group could be better and how it should work to support its subsidiaries, instead of assuming that one way will fit all companies. It also has to be clarified where it might gain from best practices and how it should work to enable the Group's business strategy. By these actions SHRM will exist in the Group and probably HR function will create some added value.

The Group follows a few indicators in its subsidiaries monthly or quarterly reports. These are, for example, sick leaves, accidents and number of full time employees. These are the only measurements and assessments common to the whole Group.

The Group is now forming a new strategy and HR will be a very important base to enable the strategy. According to the former HR director, the Group has a strategic HRM, however, it should be an area of higher priority in the future. In this sector there are many possibilities to improve and deepen a strategic and long-term approach to human resources, and by that to achieve a competitive advantage. The main responsibility for strategies, policies and resources should be on the Group level.

5.1.2 Guidance given from the Group

The Company received a business strategy from the Group a couple of years ago. There are some notices about HR including good career development, safe work environment and strong values. There is one goal in the strategy

stating that clear policies and guidelines shall be representing the whole Group. This has notification been achieved yet. A separate HR strategy does not exist. That might facilitate guiding of HRM development and implementation programmes, and therefore accomplishment of the business strategy and vision.

The Group has a valid and explicit strategy and vision as mentioned above. Those have been given to the Company about two years ago. Documents were in English and perhaps explanations and interpretations on the content were not adequate, because those have not been translated to Finnish and nor have those been shared with employees in the Company. This might cause some problems if a common view on business and future goals is weak. To share both business and HR strategy and vision with employees is important and attention should be paid to that in the future, both in the Group as well as in the Company. Without that, business objectives and commitment are hard to reach. The Group's idea about *one group, one team* is not visible either. I think that might be facilitated if common goals were shared thoroughly.

In a group, the main responsibility for strategies, policies and resources is in the top management at the group level, but also the subsidiary's management is responsible for those in their units.

The Company has got only a couple of written HR documents from the Group. The mother company surely has more instructions and policies for HR issues, but those are in Swedish. Documents that concern also subsidiaries shall be written in English and either published in the intranet or informed otherwise. At this point there is Personnel Development Policy that the Company has got in 2005. At the same time, also the values of the whole group were given. It could be found in the intranet on Swedish pages that the mother company has created new values already in the year 2008. However, those are available only in Swedish and they have not been shared with the subsidiaries. In the internet's common part is found only one document concerning HR, *Procurement of Training / Education*, and that is actually the upper group's

directives. Some guidance has been given to top management by email. These have been, for example, short-term instructions concerning recruiting practices.

From the subsidiary's point of view there is not much support or guidelines given to the Company concerning human resources. However, the Group has given to the Company serious instructions regarding the number of personnel in different departments during last 2–3 years. In some parts of the organization, this has created an atmosphere that personnel are only items of cost in the budget.

It should be kept in mind that the Group is a part of a bigger group, that is a listed company, and some HR strategies and policies come from there. These are first visible in the mother company. Instructions from the upper group are for example an alcohol and drug policy as well as a policy on internal mobility of personnel. As the upper group has a large HR department, they have specialists that the Group can contact to get advice. However, it might be wondered why there are not more instructions shared from the upper group to all of its subsidiaries and their subsidiaries. Do some instructions and advice stop to the Group? Does the upper group expect those instructions to be shared to all of the companies involved? First, the mother company should integrate new instructions and guidelines to its actions and practices, and after that it should be able to transfer those practices with credibility to its subsidiaries.

Also, factors influencing transfer and government of practices mentioned in chapter 4.2 must be taken into account. At the moment, the whole group has used to some extent personnel transfers from one company to another. Other factors to ease transfer and internalisation or implementation of practices are for example, interaction and interpersonal networks between the headquarters and its subsidiary, trust of subsidiary management to headquarters, and subsidiary's involvement in the process of decision and creation of practices.

It is not necessarily wise to transfer all HR strategies and policies totally in the same form from a mother company to a subsidiary. organizational culture, for example, has to be taken into account as mentioned earlier in chapter 4.2.

Especially policies are more precise and they should fit in the organizational culture, although those are one way to adapt culture in subsidiaries to fit to the Group. Culture of the host country must also be taken into account. Even though Finland and Sweden are quite similar Nordic countries, there are some differences in their cultures according to Hofstede.

The Group has executed two employee surveys also covering the Company. However, benefits are a bit questionable. The Company got results from the first survey but probably not enough instructions for further actions. This was the first large employee survey in the Company. Results were shown to each department but action plans for improvements were not made and no follow up was executed. The second survey was just a waste of time. The Group did not even give the results to the Company. Much later, it was explained to be caused by a lack of resources in the HR department. Therefore, this survey added no value to HRM or to development of the Company. Actually, the consequence was more or less negative: many employees don't have any passion or belief in having their voice heard. Well-being at work or commitment was definitely not improved.

The conclusion is that guidance from the Group is quite faint concerning HRM in its subsidiaries. The current business strategy has occasionally mentions personnel, as a supporting activity, but from the point of view of a subsidiary it could not be perceived as strategic human resource management. The current instructions and guidelines the Group has given to the Company are so limited, that it is easy to fulfil those requirements. The Company has implemented those documents to its quality and environmental management system with the same content in Finnish.

5.2 HR practices

The next two chapters focus on current HR practices in the Company. The first chapter looks at HRM instructions that exist today. The second one examines obligatory demands that are based either on Finnish laws or trade unions'

collective agreements and were found out during a literature review in the first phase of this study.

Areas for improvement are identified and prioritised in this study. Those will be discussed in detail in chapter 6.

5.2.1 HRM instructions in the Company

The Company has in its quality and environmental management system some general guidance for HR issues. In the operations manual there is a chapter about managing resources. That includes human resources, infrastructure, work environment and information. The manual has also a chapter about management responsibilities. This contains the vision, business concepts, and values of the Group, as well as general responsibilities and authorities for various managers in the Company. That chapter also pays attention to statutory demands of work safety issues.

The quality and environmental management system includes many instructions. There are also documents concerning HR issues. These are for example: personnel development policy, equal opportunities plan, values, job descriptions for white-collar workers, organization charts, induction training instructions, travel rules, instructions about how to fill control forms for working hours, working hour rules, internal communication rules, personal development discussions manual, initiative schemes, meeting practices, and several instructions covering safety in the workplace. These instructions strive for fair treatment and some of them also aim to ensure that all parties feel that their needs are being heard. These are important viewpoints in HRM.

In addition, there are some unofficial established practices, for example instructions for having summer holiday prolonged if taking it after the high season. Other examples of unofficial instructions are the decisions about the possibility to exchange holiday bonus hours to certain days off, or having certain holiday eves with shortened working hours.

The Company does not have much of a strategic approach for managing its human resources. By this I mean that new guidelines and instructions have been made on an ad hoc basis. The Company has not been accustomed to focusing too much time on future needs concerning human resources or on fulfilling the business strategy, but instead on operational HR practices only. This has slowly started to change. In some cases managers have made their own decisions according to their own opinions or situations, so equal and fair treatment has been insufficient from time to time. Also, in every office there may be individual variations about HRM practices. Strong and shared views on HR issues and management need to be developed.

One way to improve this situation is that the Company gets or creates the necessary HR policies. Through these, HR practices could be composed covering the fundamental aspects of an employment relationship as expressed in policies. The other way is to offer special training and support to managers on how they should implement and apply the current practices to be sure that requirements by law and labour unions as well as ethical aspects will be fulfilled.

I think that the Company should focus and invest more on future needs regarding personnel and their skills. Also, the value of the personnel and its importance to the Company and its performance should be more visible. This way the importance and value of HR instructions would be understood better at all levels in the Company.

5.2.2 State of statutory demands

The state of statutory demands in the Company will be examined in the following chapters. These statutory demands were found in the first phase of this study from literature. Those are categorised to five separate groups according to the life cycle of an employment relationship as explained in the beginning of chapter 5.

5.2.2.1 Recruiting and employment relationship

There are some laws that an employer must display in the workplace. Those laws concern mostly employment relationships and safety. In the Company, the industrial safety officer has one book that contains all of these laws and this book is renewed when acts are up-dated. It is not clear if all employees, or even managers, know that this kind of book exists.

An employer may collect only necessary information about a job applicant and only from the applicant. Without the applicant's approval, information can't be received from anywhere else. Even references cannot be checked without the applicant's approval. In the Company there is not any systematic habit to ask for references. Data about family relations, children's birth years, residence or military service are not usually necessary. Managers seem to be aware of restrictions in this area. However, there might be some problems with some managers getting information also from internet. For example, it is forbidden to do a Google-search on an applicant. (Act 4; Österberg 2007, p. 78.)

Job applicants could be tested and assessed with various ways only if an applicant approves. Results from tests shall be relevant to the employment relationship. If an applicant requests, the results must be given to him or her without any costs at least orally, and with the same content as the employer has received. Finnish legislation requires that all personality and aptitude assessments must be trustworthy and competently done. The Finnish Psychological Association has created a system for certification of the professionals administering those tests. These tests are not used very often in the Company, and when used, it has always been done through a recruiting company. (Act 4 § 4:13; Österberg 2007, pp. 78; 83; Nieminen 2009, p. 22.)

The handling and storage practices of applications vary in every department. The largest number of applications is in production. For example, in this year there were over 300 applications for high season work. There aren't any internal rules about how to keep and destroy applications. Job applications are not organised as a personal registry, although they actually form one. The

Company does not therefore have any register description or instructions for handling applications.

If an employer has given notice to an employee on the grounds of financial and production related reasons, and will need a new employee, the employer must keep in mind the possible obligation to offer work to that former employee. This obligation is valid within 9 months of termination of the employment relationship. The work has to be the same or similar to what the employee has done previously. The employee should be seeking work via an employment office, but does not need to be unemployed. Managers in the Company are aware of this rule and in fact, have handled this kind of situations according to the law. (Act 6 § 6:6; Nieminen 2009, p. 66.)

When concluding an employment contract, an employer shall know that there are some special features with fixed-term contracts. An employer is allowed to make a fixed-term contract only if there are justified reasons for that. When renewing a fixed-term contract, an employer has to be careful with possibilities to discriminate against employees or break provisions of the Act on Equality between Women and Men. The case could be, for example, if a contract is not renewed or a fixed-term contract is set to end when the employee's maternity leave starts. I have heard that in the past there has been some confusion with terms of indefinite and fixed-term contracts. At the moment, managers seem to know the difference. Fixed-term contracts are used legally in the Company. There is always a justified reason, and the reason is written into the contract, as it has to be. (Nieminen 2009, pp. 29–30.)

Without a proper and justified cause, less favourable employment terms must not be applied to fixed-term and part-time employment relationships compared to other employment relationships. The duration of the contract or working hours are not justified reasons. (Act 6 § 2:2) Fixed-term contracts are used with seasonal workers and substitutes. Every employee has the same rights, regardless of the type of the contract.

An employer has a right to tell what kind of work is done in a company, how it is done, and what kind of qualifications it should require. This employer's right to supervise work will be evaluated by the collective agreement's conditions. An employee's obligation to work is defined by the employment contract and how detailed different issues are agreed upon in it. Although an employer has this right, it must be kept in mind that all major changes in personnel require cooperation negotiations. (Act 1; Nieminen 2009, p. 14.)

An employer shall not exercise any unjustified discrimination against employees on the basis of age, health, disability, national or ethnic origin, nationality, sexual orientation, language, religion, opinion, belief, family ties, trade union activity, political activity or any other comparable circumstance (Act 6 § 2:2). Discrimination due to gender is forbidden as well as discrimination against indirect sex characters. Discrimination is, for instance, if women and men are set to unequal positions on the basis of sex, pregnancy, or other reasons caused by childbirth, parenthood, family maintenance liability, or some other sex related factor. An employer has an obligation to promote equal opportunities in the workplace. (Act 2.) There is no such discrimination in the Company with job applicants or with employees. Issues concerning equality are generally taken seriously.

In companies with at least 30 employees, the employer must carry out actions promoting equal opportunities with an annually up-dated gender equality plan. If negotiated locally, the time span of this plan could be three years. The plan could be included in the personnel and training plan or in occupational safety and health policy. The employer is responsible for the process to plan and to compile this gender equality plan in cooperation with personnel representatives. The plan should contain, for example, a survey of the equality situation at the workplace and pay differentials between men and women, actions to promote equality and assessment of previous actions, and the results of those. The document shall include also a communication plan that tells how the equality plan and results of its surveillance will be communicated to personnel. It's important to inform employees about on-going equality planning processes as well as its outcomes and the results of assessments. Responsibilities for actions

shall be defined as well as responsibilities of the line organization. (Österberg 2007, p. 64; Tasa-arvoaltuutettu; Tasa-arvoklinikka.)

In the Company, the gender equality plan has been compiled. However, updating it seems to be challenging. The last version has been published in 2007. There are some issues that have to be discussed, such as what is the form and channel to publish this document, who has the main responsibility for updating it, how it will be followed and evaluated, and should it be combined with some other document.

The legislation protects privacy in an employment relationship. As mentioned earlier, an employer may collect only personnel data that is necessary directly for the employment relationship. Information has to be gotten from the employee. Data that is no longer necessary has to be destroyed properly. (Act 4; Nieminen 2009, p. 27.) Destroying personnel data is done according to relevant acts and regulations, except the Company doesn't co-ordinate destroying of job applications at the moment.

Persons who are handling data concerning state of health must be defined in advance. Also, the tasks those persons are handling must be defined. Naturally they have an obligation of secrecy. Health data must be kept apart from other personnel data. (Nieminen 2009, p. 28.) In the Company, the handling of health data is correct, although persons who may handle that data are not defined. It is mainly the employee's own superior and salary administration that will see, for example, a certificate for sickness absence.

In general, the situation with personnel data is good. The Company has a register description of personnel data that has been up-dated recently. During the latest personal development discussions, every manager should have had knowledge that this description exists. This document does not pay attention to job applicants.

To be able to ask for a drug test certificate, the employer must have a written programme of welfare for abusers of intoxicants or a drug policy. In addition, the

task must have obvious requirements for example for accuracy, trustworthiness, or a good response time. This policy shall contain common objectives and practices for preventing intoxicant abuse at work and instructions about how to counsel the employee to receive treatment. A drug policy may be included in the occupational health care action plan and it has to be handled in cooperation with employee representatives before it is valid. (Act 10; Österberg 2007, p. 86; Tessu.) More about these documents are in chapter 5.2.2.4 Health and safety at work.

A camera or other technical surveillance is allowed when its purpose is to secure the safety of employees or property, or to follow production processes. It is not allowed if the purpose is to monitor employees. The employer can't compromise confidentiality of employee messages when using email or the data network. The employer can't use network identifications (i.e. signals of file attachment sizes, times, file attachment forms, as well as the sender and the receiver) to monitor employees by collecting and looking at this information. However, the employer is entitled to decide the rules of using the data network of the organization. The employer may also decide if there are limitations concerning access to some Web pages. After an employment relationship has ended, the employer still has no right to break passwords or read employee messages without permission from that employee. (Act 11; Aho 2009; Nieminen 2009, p. 29; Tietosuojavaltuutettu)

The Act on Protection of Privacy in Electronic Communication has been valid since June 1, 2009. It has rules of actions needed to start a surveillance of a data network in a company. This act is said to be quite complex. The main idea of this act is that the employer must fulfil requirements for taking care of data security, for planning and for cooperation procedures, as well as send a notification to the Ombudsman for Data Protection before it could start to handle any identification. The employer must define instructions for using its data network and services, who are allowed to monitor it, which are the business secrets, and also to restrict data communications. This all has to be handled in cooperation with employees' representatives. (Act 11; Aho 2009) This act, so called "Lex Nokia", has not been needed at all during its first year. At least the

Ombudsman for Data Protection has not received any notifications, and he assumes that companies have corrected previous faults in their data security. (Häkkinen 2010.)

Camera surveillance has been shortly discussed in the Company's industrial safety committee before any cameras were installed. The Company doesn't have any agreement on surveillance in the data network or a specific instruction for using the network. The use of any technical surveillance, the purpose of it, and methods used have to be agreed in cooperation with employees' representative (Act 1).

An employer has an obligation to provision of information according to the Act on cooperation within Undertakings, especially to employees' representatives. An employer must communicate to personnel the financial status of the company and any changes in it. Personnel have to know how changes in the financial status will affect them. (Österberg 2007, pp. 165–167.) In the Company, the financial status is shown to every employee in Winter Days, that is, an informative meeting in the beginning of the year. In addition to that, employees' representatives have joint information meetings with the management team at least once a year.

5.2.2.2 Working hours and absences

An employer must keep records on employees' working hours. The Working Hours Act sets the most important rules concerning working hours. It is applicable to all employment, and only the top managers are left outside this act. However, this act has many opportunities to compromise differently in collective agreements. (Nieminen 2009, p. 47.) In the Company, records on working hours are done properly. Every employee fills monthly or fortnightly a form to show how many hours he / she has worked during that month. This form goes to salary administration and it is saved there. If occupational safety authorities so request, records must be shown to them. They are responsible for controlling that the Working Hours Act is followed. (ibid, p. 53.)

Flexible working hours mean that an employee may decide, within certain limits, the starting and ending times of work. When agreeing on flexitime, parties must agree at least on fixed working hours, that is, when is the latest an employee may arrive at work and the earliest when he / she can leave work. In addition, the agreement has to include rules about maximum amounts of exceeding and undercutting working hours. (Nieminen 2009, pp. 48–49.) In the Company, some white-collar workers have 1 hour of flexitime in their employment contracts. However, there are no agreements on any other limits. According to the Working Hours Act, daily flex, extension or shortening, may be at the most three hours and the maximum accumulation is 40 hours. Because in the Company there aren't any local agreements on flexitime, the act should be followed. That is not, however, the case.

To solve difficulties and differences in both flexitime and accumulated overtime the Company started about a year ago plans for a so called working hour bank. There are also some challenges in timing of days off and notification periods. The management team decided to discontinue that bank plan. The planning of it probably requires a project team that would need some training for building a working hour bank so that unnecessary failures might be avoided. The collective agreement for salaried employees has a notice that a team on the national level will be established for solving the needs and possibilities of implementing a working hour bank. The team is supposed to create common recommendations for all of the unions that are in cooperation with the Federation of Finnish Technology Industries. (TU.)

Before determining the timing of a holiday, the employer must give employees an opportunity to express their views on the matter. If not having a consensus, the employer decides when the holiday is and employees must be notified about timing no later than a month before the start of the holiday. Summer and winter holidays must each be granted as uninterrupted periods. The employer and the employee may agree that the part of the holiday that exceeds 12 days may be taken in one or more periods. (Nieminen 2009, pp. 36–39.) In the Company these notification periods are within legal limits and the employee voice has been heard. However, according to salary administration, sometimes

practices are even too flexible. Some employees split their short winter holidays into separate free days and change their holiday period on short notice by discussing it with a manager. This leads to a situation that salary administration doesn't always have knowledge about actual holiday periods early enough, and creates more administrative work with many short holiday periods.

The holiday bonus is based on collective agreements. In agreements with the Federation of Finnish Technology Industries, it is 50 % of the annual holiday payment. Locally negotiated holiday bonuses could also be changed to certain periods of free time. (MET, TU, YTN.) In the Company, the decision is made annually, and changing bonus pay to free time isn't possible in this year.

An employee has two possibilities to save annual holiday time according to the Annual Holidays Act. The employer can't deny saving time without a weighty reason. An employee has the right to carry over any portion of holidays exceeding 24 days, providing that this does not cause any serious harm to the production and service operations at the workplace. In addition the employer and the employee may agree that the part of holiday that exceeds 18 days will be taken during the following holiday season or thereafter as a carried-over holiday. The maximum amount of carried-over holiday accumulated in a year is 2 weeks. Timing of carried-over holiday shall be agreed together with the employer and the employee. If they can't agree, the employee may have the carried-over holiday when he / she wants to, but a notification about having this holiday must be given no later than 4 months before it starts. (Act 5 § 5:27; Österberg 2007, p. 66; Nieminen 2009, p. 40.) Saving a holiday isn't very common in the Company. Rare cases have been negotiated with the superior on a case by case basis.

Several family leaves and subsidies support parents' and child's health and livelihood. These are for example maternity, paternity and parental leave, child-care leave and partial child-care leave. Also adoptive parents are entitled to family leaves. These family leaves are based on the Sickness Insurance Act and the Employment Contracts Act. The employer must be notified of leave at the latest two months before the intended start of the leave. If the period of

leave is 12 days or under, then the notification period is one month. (Act 6; Nieminen 2009, pp. 32–33.)

A partial child-care leave have some preconditions. When those are fulfilled the employer and the employee shall agree on partial child-care leave and its details as they see fit. If they don't find consensus, the employee must be given one period of partial child-care leave in a calendar year and then working hours will be reduced to 6 hours a day. Duration of leave and its timing shall be according to the employee's proposal. (Nieminen 2009, pp. 33–34.) In the Company these leaves have been negotiated case by case with the head of the department. Usually leave has been with reduced daily hours, but also a 4-day work week has been used.

The employer can't refuse to grant the employee maternity, special maternity, paternity or parental leave, child-care leave or temporary child-care leave. However, the employer can refuse to grant partial child-care leave if it causes serious inconvenience to production or service operations that can't be avoided through reasonable arrangements of work. The employer must provide the employee with an account of the grounds for its refusal. (Act 6 § 4:4; Nieminen 2009, p. 34.) There hasn't been such a situation in the Company. Ways about how to organise partial child-care leaves have required some discussions, however.

Study leave could be postponed if granting it causes serious inconvenience to the employer's performance. The employer is allowed to postpone it 6 months at the most or until the next similar education is offered. (Österberg 2007, pp. 66–67.) In the Company there haven't been applications for study leaves for many years.

The purpose of job alternation leave is to promote employees having problems coping with work load, and at the same time improves possibilities of unemployed persons to get a job. Job alternation leave is an arrangement in which the employer and the employee agree on fixed-term leave, and the employer commits to hire an unemployed person from the employment office.

There are some preconditions for employee to apply this leave, like for instance 10 years of working history. If this leave would cause serious inconvenience to the employer's production or service operations that cannot be avoided through reasonable arrangements of work, the employer may refuse to grant this leave. (Österberg 2007, p. 67.)

Österberg (2007, p. 66) has recommended that a HR specialist shall draw up, together with the management, principles concerning longer leaves and holidays at the latest when the first employee asks to get a longer leave from work. In the Company, managers think that there should be only some rough policy instead of a universal one, because tasks and departments differ so much from one another. They recommend that these longer leaves shall be negotiated always case by case with the head of department.

5.2.2.3 Termination of an employment relationship and lay-offs

An employment relationship can be ended by terminating or cancelling it. In termination the employment relationship will end after a notice period, and in cancellation the employment relationship will end immediately. Employment relationships may end also because of trial period cancellation or because of a fixed period employment. Roughly, grounds for termination may be related to employee performance, or to financial and production problems. Cancellation requires an extremely weighty cause or evidence of neglect. Trial period cancellation, however, doesn't require as weighty reasons, but still the grounds must be relevant for the purpose of the trial period. (Nieminen 2009, p. 54.)

There is no right to terminate a fixed-term contract before the fixed period is done or the agreed upon work has been completed, unless otherwise specifically agreed. It may be cancelled for the same grounds as an employment contract for an indefinite term. If the employer allows the employee to continue to work after the expiration of the fixed-term contract, the contractual relationship shall be deemed to have been extended indefinitely (a tacit extension of the contractual relationship). (Act 6 § 6:5; Nieminen 2009, p. 56.) The Company does fixed-term contracts only with seasonal workers and

substitutes. It is important that superiors shall know this risk of tacit extension and be careful with it.

The Employment Contracts Act and the Act on cooperation within Undertakings have many regulations for ending an employment relationship. Forbidden grounds for termination are for example:

- illness, disability or accident affecting the employee, unless working capacity is substantially reduced for a long time
- participation of the employee in industrial action
- the employee's political, religious or other opinions or participation in social activity or associations
- resort to means of legal protection available to employees

Termination of employment contracts have been realised by the law in the Company. Superiors will not fire anybody without real and justified reasons. They will give a warning to an employee before giving notice. In production, the foreman discusses with the production manager about the situation and reasons for possible warnings. Then the manager decides whether or not there are enough grounds for giving a warning. In the sales department, superiors contact the sales director, who will discuss with the CEO about possible warnings. The decision is made after that discussion. Other departments haven't faced this kind of situation yet. Although practices differ in every department, warnings haven't been given too loosely, and managers have striven for fair and equal practice. According to Nieminen (2009, p. 58) the purpose of warnings are to give the employee a chance to amend his / her conduct. If the employee getting the warning doesn't sign it, an independent witness may be called to prove that the warning has been given.

The employer may terminate an employment contract if work to be offered has diminished substantially and permanently for financial or production related reasons, or for reasons arising from reorganization of the employer's operations. In the case of high probability, diminishing of work shall continue after the notice period at least for 90 days. If the period of diminishing work is less than 90 days, the employer has only the right to lay off an employee.

(Nieminen 2009, pp. 58–59.) The Company has not used wide lay-offs, although those have been discussed on a few occasions.

The Employment Contracts Act doesn't include regulations for terminating employment contracts in a certain order. Therefore the employer has the power to choose the object for notice. However all three collective agreements used in the case company have agreements on protection against dismissal with quite similar content about the order of deductions. Those are recommendations, and not binding. It has to be reviewed carefully in every single case. The Company has fulfilled the regulations of the Act on cooperation within Undertakings accurately. The managers have had to familiarise themselves to the act with care, and it has required lots of time.

The period of notice is regular employment time. An employee has a right and obligation to do tasks mentioned in his / her employment contract. If the employer has decided that the employee doesn't have an obligation to work during the period of notice, this shall be written in the notice. The employee has a right for full pay with fringe benefits during this period, and also a right to use occupational health services. The employee has the right during period of notice to get an employment leave with full pay for job seeking, an interview or participating actions promoting new employment. The number of days for these activities depends on the duration of the notice period. The duration of the notice period is defined in the Employment Contracts Act in chapter 6. (Act 6; Österberg 2007, p. 174.) In the Company, the head of department has defined on a case by case basis whether or not there is an obligation to work during the period of notice.

On termination of the employment relationship the employee is entitled to receive, on request, a written certificate of the duration of the employment relationship and the nature of the work duties. On specific request, the certificate shall include the reason for the termination of the employment relationship and an assessment of the employee's working skills and behaviour. The certificate shall not provide any information other than that obtainable from normal perusal. It is not allowed to write on the certificate, for example, family

leaves or other absences if the employment relationship has continued without interruption during these absences. (Act 6 § 6:7; Österberg 2007, p. 59; Nieminen 2009, pp. 64–65.) Usually in the Company the head of department writes this testimonial. The production department is an exception; if the employee doesn't ask for certificate then he / she will get a short testimonial from salary administration.

5.2.2.4 Health and safety at work

The employer is responsible for safety at work according to the provisions based on the Occupational Safety and Health Act. The employer's representative is an industrial safety officer, and is responsible for organising and developing cooperation in occupational safety and health issues. If the company has at least 10 employees, they have to choose an industrial safety delegate and two vice delegates. White-collar workers have the right to choose their own delegates. If the company has at least 20 employees, it has to set up an industrial safety committee that has representatives from the employer, white collar workers, and regular workers. The committee shall have 4, 8 or 12 members, unless otherwise agreed locally, and those should be represented as $\frac{1}{4}$ from the employer, $\frac{1}{2}$ of the biggest personnel group, and $\frac{1}{4}$ of the smaller personnel group. (Act 3; Act 7; Nieminen 2009, p. 45; Tessu.)

In the Company there is an industrial safety committee, but it has 7 members that are chosen by their posts, and not according to above mentioned rules. The industrial safety officer is the only one representing the employer, and other members are industrial safety delegates of both white-collar and blue-collar workers, and also two vice representatives from both of those groups. So shares are not according to the law, and there is no local agreement on composition of the committee. In addition, there are contact persons for occupational safety in two sales offices of the Company. That information was published on the intranet during this thesis process. The committee shall have meetings in every quarter of the year, and they have almost reached that target every year.

The employer shall have a policy for actions needed in order to promote safety and health and to maintain the employees' working capacity. The occupational safety and health policy must incorporate the need to develop the working conditions and the impact of the work environmental factors. The policy must focus on all employees and it also has to take into account special needs of young, female, disabled and ageing employees. Occupational safety and health policy must be done in cooperation with employees' representatives, usually in an industrial safety committee. Management must monitor implementation of this policy, and the policy must be communicated to all personnel. This policy could be a part of, for example, a quality management system. (Act 7; Tessu; Työsuojeluhallinto.)

The occupational safety and health policy exists in the Company, but it is quite narrow. It is not published for employees, although it is available by request. On the information board in the office there is a version from the year 2000, which is absolutely out of date. The current policy doesn't have any mention about special needs of the previously listed employee groups. It is done in cooperation, but communicating it to employees has been neglected. Communicating the results of cooperation procedures to employees is one of the leading ideas in the Act on cooperation within Undertakings. There wasn't any information about how the management follows implementation of this particular policy. Improvements in occupational safety and health are included, to some extent, in the quality and environmental management system.

The Occupational Health Care Act requires the employer to organize occupational health care at its expense to prevent health hazards caused by the working environment, and to protect and promote employees' health, safety and working capacity. The employer must draw up an occupational health care action plan in cooperation with employees' representatives. This plan will give guidelines on how to organize occupational health care, what its content and scope should be, what kinds of actions are planned, and how its efficiency will be assessed. This occupational health care action plan could be a part of the occupational safety and health policy. (Österberg 2007, p. 143.)

About a year ago the Company changed the supplier of occupational health care services. At that time, this occupational health care action plan was renewed. The industrial safety committee has done it in cooperation.

The employer must have a written programme of welfare for abusers of intoxicants or a drug policy to be able to perform drug tests on employees. This policy shall contain common objectives and practices for preventing intoxicant abuse at work and instructions about how to counsel the employee to receive treatment. The policy could be a part of the occupational health care action plan. The drug policy must be handled in cooperation with employees before it is valid. Also, tasks in which a drug test might be requested shall be defined in cooperation. According to the Act on the Protection of Privacy in Working Life an employer may request a drug test certificate from a job applicant only after the applicant has already been selected for the job. Collective screening of job applicants is banned. Established employees will be required to provide drug test certificates only when there is reasonable cause to suspect that the employee is under the influence of narcotics at work, or if the employer has probable cause to suspect that the employee is addicted to narcotics. The Act on the Protection of Privacy in Working Life has regulations about when and how drug tests might be done. (Act 10; Tessu.)

At the moment the Group has no visible drug policy. As far as I know, the drug policy in the Company is in preparation with the occupational health care provider. The industrial safety committee has discussed it. However, it hasn't been published yet.

5.2.2.5 Cooperation at work

The idea of cooperation at work according to the Act on Cooperations within Undertakings is to develop the organization's operations and working conditions by increasing personnel's possibilities to influence issues concerning their work and workplace. At the same time the aim is to intensify communication between the employer and the employees. The provisions emphasize the spirit of this act and striving for consensus. (Österberg 2007, p. 61; Nieminen 2009, p. 67.)

Cooperation negotiation is needed on many occasions, not only in the context of diminishing personnel. The Act on Cooperation within Undertakings is divided into chapters: 1) information provided to representatives of personnel groups, 2) general plans, principles and objectives, 3) agreement and decisions by personnel, 4) changes in business operations affecting the personnel and arrangement of work, 5) cooperation procedure in connection with a business transfer and 6) cooperation procedure in reducing the use of personnel. (Act 1; Nieminen 2009, p. 67.)

The act determines issues that have to be handled in cooperation with personnel or their representatives. These are for example all fundamental changes affecting tasks, working methods, sharing of work or transfers from one task to another, changes in personnel, determining regular working hours, principles for using external labour, principles for recruiting and induction training, technical surveillance, suggestion schemes, internal communications and contributions to personnel. (Act 1; Österberg 2007, pp. 61–63.)

There wasn't available any comprehensive information about all of these issues and whether or not they were handled according to cooperation procedures in the Company. The suggestion scheme, induction training and sponsoring the personnel have instructions in the Company's quality management system. It is the management team that has made decisions on those issues. Principles for external labour recruiting and use of email and data networks haven't been discussed in cooperation. Actually, they haven't been discussed at all.

In addition to the earlier mentioned gender equality plan and occupational safety and health policy, the organization shall annually prepare in the cooperation negotiations a plan regarding personnel and training objectives in order to maintain and improve the occupational skills of its employees. In preparing the plan regarding personnel and the training objectives the foreseeable changes in the operation of the organization likely to be relevant for the composition, number or occupational skills of the personnel shall be taken into account. A follow-up procedure for implementation of the plan and objectives shall be used in cooperation negotiations. If the employer doesn't

compile this plan or objectives, the Ombudsman for Cooperation under the Ministry of Employment and the Economy has the power to appeal a decision that obligates the employer to compile these documents. (Act 1; Nieminen 2009, pp. 67–69; TEM.)

Although companies should have had this personnel and training plan since January 1, 2008, the Company doesn't have it. Because the plan aims at maintaining and improving employees' occupational skills it is important to have it, because in this way, the Company could be more prepared for future needs.

It is the employer's responsibility to make an initiative to start cooperation negotiation. Relevant information concerning the negotiation must be offered well in advance to the employees in question or the employees' representatives in question. The employer must take care, by request, that records are written. (Österberg 2007, p. 63; Nieminen 2009, p. 68; Tessu.)

When the Company has had cooperation procedures concerning changes in personnel, those have been done according to the act and all decisions have been documented.

After any cooperation procedure it is important that the personnel will be informed of its results. The employer must inform either the personnel group's representative in question, or all the employees in question. Informing may be done according to principles of internal communication. (Tessu.)

This obligation of communicating cooperation procedure is something that the Company should pay more attention to. There are so many issues that must be handled in cooperation, but those haven't always been informed to the employees. It is impossible for an employee to say if certain issues have been discussed in cooperation manner, if those issues and results haven't been communicated. Mostly these issues are handled either by union representatives or by the industrial safety committee. They haven't got any certain procedure for communicating the issues they are working with, or results of what they have decided.

It is not very accurately ordered which department is responsible for which issues required by the act. Work safety issues do belong to responsibilities of the industrial safety committee, but some other responsibilities could be clearer. By clarifying roles and responsibilities, the Company could ensure that all requirements of that act will be fulfilled.

If the employer neglects or violates this Act on Cooperation within Undertakings it might be sentenced to pay compensation or penalty (Nieminen 2009, p. 68). That could also harm the company image. Therefore it is important to comply with this act carefully.

5.3 HR Organization

The Company doesn't have an HR department. Tasks concerning payroll administration and personnel data are done by two persons, who both have other administrative tasks as well.

Top management has created some guidelines and instructions. It is also responsible for adjusting and implementing the Group's strategy and vision, and defining resources and organizations for operations. The management has also been responsible for recruiting, compensation and leave granting, for example. Because the Company doesn't have an HR department, most of the main decisions are made by top managers who obviously are deeply involved in the business. Top managers have responsibility for HR issues in their own departments, but for example, there is no one responsible for training on the whole.

The previous CEO of the Company handled most of HR issues personally. Because these procedures were not documented, it is now hard to tell what and how issues have been managed earlier. The current CEO hasn't been able to take that big role in HRM because he doesn't speak any Finnish and perhaps isn't yet so familiar with Finnish regulations. That has led to a situation where management of HR issues isn't as clear as it could be. Although the CEO has the main responsibility for HRM, this has not been easy to implement.

Some questions came to mind when observing the current situation in the Company. How well is the value of employees identified? How well is the Company able to reach its objectives when managers, in addition to their regular job, handle some HR issues? Do they have enough time for developing or planning of the Company's human resources or even for decent managerial duties with their subordinates? From where do they get support? I think that these are the questions to be answered before deciding how the Company will organize its HR function in the future.

Österberg (2009, p. 10) had a point in her thoughts that even in a small company there should be one person who has time, enthusiasm and basic skills in HRM. That's also good to keep in mind if hoping to increase the company's effectiveness. There should be one person who is responsible for developing HR processes and tools, supporting managers with their managerial work and helping with employment contract and employment relationship issues. That person should also be responsible for observing changes in laws and collective agreements, and communicating those to superiors. In this way, the Company could ensure that it is possible to fulfil all statutory demands.

Line managers' performance in HRM has varied greatly. Some of them have been involved more than others, and some of them don't really consider themselves as superiors, or at least don't act accordingly. However, according to the operations manual of the Company, every superior is responsible for his / her subordinates, naturally. Line managers should also be responsible for implementing HR policies and practices as well as daily management.

For a small organization the Company has quite many superiors, and it has 2–4 levels of managers, depending on the department, as shown in the figure 3 on the next page.

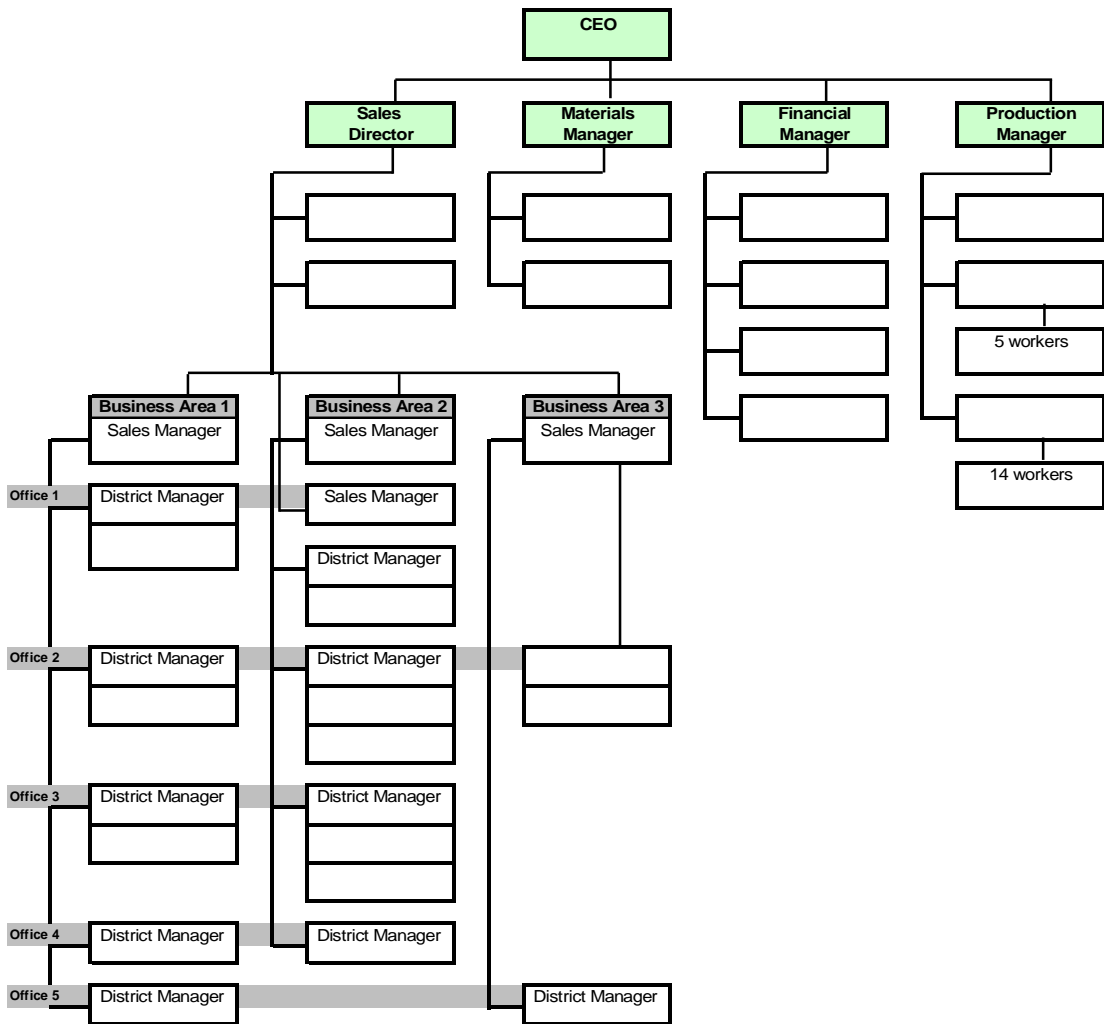


Figure 3 The Company's organization

Superior-subordinate relationships are visible in that picture. In the Company, one-third of the full time employees are considered to be a superior with subordinates or a manager with other responsibilities. In addition over 40 % of these superiors have only one or no subordinates at all. Is this a bit too hierarchical for a company of this size?

To be honest, some inconvenience and difficulties have been caused by the Group's matrix organization combined with the Company's line organization. There are few issues concerning personnel in which responsibilities aren't so obvious. This applies especially to the sales department, in which there are 4 levels of domestic managers, with business area managers of the Group on top of that.

Every person who is in a superior position should know clearly his / her responsibilities also in the field of HR, and have some training for managerial duties as well as for interpreting and implementing HR practices fairly and consistently. According to my observations, this is not always true. Line managers should be convinced by HR personnel to comply with existing instructions and policies, and they should get support when needed to execute their duties. At the moment, top management is the only place they can turn to with their HR challenges. The question remains: Do they have enough time and skills for these duties?

The Company doesn't have a certain committee for cooperation regarding the requirements of the Act on Cooperation within Undertakings. If changes in the number of personnel or some other personnel issues have been processed, participants have been union representatives (3) from the employees' side and usually two from top management as employer's representatives.

In addition the industrial safety committee is responsible for personnel safety and health issues at work. The members of this committee are industrial safety delegates and their substitutes from blue-collar workers (3) and white-collar workers (3), and also the Company's industrial safety officer.

Both the union representatives and members of the industrial safety committee are from the head office and plant.

6 AREAS OF IMPROVEMENT

Based on the current status of HRM in the Company that was found out in the previous chapter, a list has been made about things that have some deviations and need improvements. These deviations have already been discussed in chapter 5, and in this chapter 6, ideas for improvement will be presented for the statutory demands that have some faults. Some of the deviations are quite small and of little value, but some of those need to be fixed soon. All

requirements set by the unions are in order. Deviations that were found are based on Finnish acts.

6.1 The most urgent improvements

In the next four chapters are considered those deviations that have to be corrected without delay. Ideas about how to improve current situation are also discussed. These faults are in the cooperation procedures, documents, occupational health and safety, and handling of job applications.

6.1.1 The cooperation procedure

The Act on Cooperations within Undertakings requires many issues to be handled according to the cooperation procedure together with employees' representatives. Some of these issues, for example work safety and health care, obviously are responsibilities of industrial safety committee, but are the union representatives responsible for rest of the issues? The Company shall define who or which organ is responsible for particular issues. Only by clarifying roles and responsibilities could the Company ensure that all legal requirements would be fulfilled.

I suggest that the person responsible for HR in the Company takes responsibility for other than work safety and health care issues defined by the act. That HR person will handle these issues together with union representatives, but the initiative must come from the employer's side. This organ might be named, for example, the cooperation committee.

The idea of the Act on Cooperations within Undertakings is to develop the organization's operations and working conditions by increasing personnel's possibilities for influence, and at the same time intensify communication between the employer and the employees. It is necessary to inform personnel of issues to be handled in cooperation as well as the results of these procedures. Depending on the issues, this provision of information could be done either to the personnel group's representative or all the employees in

question. The Company has many possibilities to improve its communication flow in this matter. The Company values also emphasize openness at work.

One solution to improve the information flow is that committee members will actively communicate matters handled in their meetings, or maybe even publish memos in the intranet. If publishing memos, of course, all sensitive and personal material should be removed. In some cases, information about issues that will soon be handled in the committee shall be given to employees. Then they have possibilities to influence and have their voices heard. The main responsibility for intensifying communications belongs to employer's representatives in these committees. They are also responsible for creating possibilities for dialogues between the employer and the employees.

To be able to fulfil the spirit of the Act on Cooperation within Undertakings and increase employee voice, it might be fruitful to have for example once a year an expanded cooperation meeting for union representatives, the industrial safety committee, and representatives from the sales offices.

The Ministry of Employment and the Economy has created a new position of the Ombudsman for Cooperation, and since July 1, 2010 the ombudsman is responsible for supervising that the Act on Cooperation within Undertakings will be followed in private companies. The ombudsman is also responsible for giving instructions and advice on how to apply the act without any costs. (TEM.)

6.1.2 Documents

There are a few documents that need either up-dating or finalizing or drawing up. With one of these documents, the deviation may be in information flow.

The ***gender equality plan*** must be up-dated soon. First, the Company has to decide who is responsible for maintaining this document and if it shall be combined to personnel and training plans. Also, a communication plan that tells how the equality plan and results of its surveillance will be communicated to personnel must be defined. Previously there have been discussions about the

content to be published. Evaluation and follow-up systems need to be created to ensure that the Company promotes equal opportunity.

According to my suggestion above, the person responsible for HR and union representatives (a cooperation committee) are responsible for composing this plan. They are also responsible for creating actions needed to maintain and evaluate it. This plan should be up-dated annually. If the Company wants, it may negotiate with union representatives to prolong the time span of up-dating to three years. But if this is combined with the plan regarding personnel and training objectives, then it must be up-dated annually. It's important that no one's privacy is compromised when publishing the plan. It's also important to pay attention to equal opportunity and handle this issue by the law.

A **drug policy** is not yet finalized, or at least the personnel have not been informed about it. The industrial safety committee should push this policy through. Publishing this document to the whole personnel is also important. For superiors, there should be a simplified pattern on how they shall act if they suspect a subordinate to be an intoxicant abuser, and how to proceed to counsel the employee to receive treatment, and who to involve in the process. This will ease their role in challenging situations.

I don't think that the Company needs the document for asking for drug test certificates from job applicants or employees, but to prevent intoxicant abuse at work and to counsel an employee to receive treatment if a problem occurs. If the Company ever intends to do drug tests, then it must be defined which are the posts where a drug test certificate might be requested. The drug policy is important also for superiors, so that they know exactly how to proceed if they suspect a subordinate to have a problem with intoxicants.

The Act on Cooperations within Undertakings requires organizations to have a **plan regarding personnel and training objectives**. The Company must develop this plan immediately and it must be up-dated annually. This requires also the defining of responsibilities, implementation, evaluation and follow-up

systems. The idea of this document is to maintain and improve the occupational skills of the employees.

According to my previous suggestions, the cooperation committee is responsible for compiling, implementing and maintaining this document. The initiative to start this process must come from the employer's side. This could be combined with the gender equality plan. If combined, there will be fewer separate documents to be up-dated, and maintenance might be easier.

6.1.3 The occupational health and safety

At the moment members of the industrial safety committee are not selected according to law. The committee still has about a year left of its term. Before the next industrial safety delegate elections, this membership issue must be corrected or the Company has to make a local agreement on its own selection criteria. White-collar workers are the biggest personnel group and they should have more members on the committee than blue-collar workers. Also, the employer should have a second representative on the committee.

Work safety actions seem to be focusing on production. For example, a work safety round is done only in production every second week. Surely there are more risks than in office work, but maybe the Company should see its safety issues more widely, concerning the whole personnel. Other employee groups shall also be taken seriously considering their occupational safety, working environment, and capacity to work.

The occupational safety and health policy is quite narrow. In addition, the current document was never published to employees. The document has no mention about special needs of young, female, disabled and aging employees. The Company must also define how the management could monitor implementation of this document and evaluate it.

I suggest that the industrial safety committee takes care as soon as possible that the occupational safety and health policy is available to personnel. This is

also connected to the idea of communicating more that was discussed earlier in the chapter about cooperation procedure. Before this term ends they shall decide in cooperation how the committee membership is determined in the future. When the new committee starts, they should compile a new occupational safety and health policy for the coming term with care, and extend it to apply to different personnel groups and their needs. At that time, also evaluating and monitoring systems must be created by the committee. The management team should probably approve these systems also. Naturally, improving actions could be started earlier by the current committee.

6.1.4 Handling of job applications

The Company doesn't have any rules about how to keep and destroy job applications. These applications are not organized as a person register, and because of that there isn't any register description.

At first, the Company shall define rules for the job application register and who is responsible for it. These applications form a register and the Company shall therefore have instructions for handling applications similarly and according to the Personal Data Act. A register description shall be written. And that register description shall be given to a job applicant on request.

To facilitate handling of job applications and personal data, by law the Company might consider that all recruiting activities and its administration should be centralized to one person.

This register is an important improvement, but there are also smaller things that all who participate in the recruiting or selection process need to know. Examples include the fact that all information must be gotten from the applicant and only questions that are relevant and necessary for this particular employment relationship may be asked. It is forbidden to search for information from the internet or even ask for recommendations from previous employers without permission of the applicant.

In table 1 there is a summary of the most urgent improvements mentioned in chapters 6.1.1–6.1.4, and also recommendations for those improvements.

Table 1 Summary of the most urgent improvements

Deviation / Need	Statutory	Priority	Recommendations
Area: Cooperation procedure			
Responsibilities are not clearly defined for all issues mentioned in the act.	yes	high	Work safety and health issues are responsibilities of the industrial safety committee, and person responsible for HR takes responsibility for the rest with union representatives (a cooperation committee).
The act requires intensified communication between the employer and the employees, and company values also underline openness at work.	yes	high	The committee members will actively communicate matters handled in their meetings, maybe publish memos in the intranet. An expanded cooperation meeting once a year for union representatives, industrial safety committee and representatives from the sales offices.
Area: Documents			
The gender equality plan hasn't been updated, its communication plan doesn't exist, follow-up procedure isn't defined, and responsibilities are not clearly defined.	yes	high	The cooperation committee should be responsible for all this. It would be wise to combine this to the personnel and training plan.
The drug policy isn't finalized or at least not published yet.	yes	high	The industrial safety committee is responsible for compiling this document, and it could be combined to the occupational health care action plan. A simplified pattern for superiors shall also be made to ease their role.
The plan regarding personnel and training objectives hasn't been done, neither have its responsibilities or follow-up systems been defined.	yes	high	The cooperation committee should be responsible for compiling, implementing and maintaining this document. It would be wise to combine this with the gender equality plan.
Area: Occupational health and safety			
Members of the industrial safety committee are not selected according to the law.	yes	high	Before next industrial safety delegate elections the industrial safety committee shall decide how the membership is determined, or the Company must make a local agreement on own selection criteria.
Work safety actions focus mostly on production.	yes	high	The Company should see its safety issues more widely, concerning the whole personnel, all employee groups.
The occupational safety and health policy is quite narrow, and it hasn't been published to employees. How the management could monitor implementation of this document and evaluate it hasn't been defined.	yes	high	Needs of special employee groups shall be included at the latest into the next policy, and the current one must be available to the employees. Evaluating and monitoring systems has to be created soon.
Area: Handling of job applications			
There isn't any instruction how to keep and destroy job applications. A register description is missing because of that.	yes	high	The Company shall define rules for job application register and who is responsible for it. A register description shall be written after that. Probably all recruiting activities and its administration should be centralized to one person in the Company.

6.2 Smaller and less urgent improvements

There are few smaller and separate issues that need improvements. The timetable for these improvements is not as urgent as with the deviations mentioned in chapter 6.1. However, these all still are statutory demands.

The Company has never defined who is entitled to handle health data. At the moment health data is not handled carelessly, but it would be appropriate to define these persons and their secrecy obligation. At the same time it should be decided which kind of health information superiors may get concerning their subordinates, if any. This is connected to practices about when and to whom an employee must give a health certificate for sick-leave. I believe either the industrial safety committee or the management team should decide this.

Laws that an employer has to display at a workplace are now in one book for the production manager. These laws are not needed so often, and it's not sure if the existence of this book is very widely known. Still, it could ease everybody if in the intranet would be web links to those acts, or at least to the most often needed ones. Then every employee would have those available if needed. The book has some interpretations of those laws, so it is reasonable to have that too at the workplace and tell superiors about it.

Agreements on surveillance in data network or specific instructions for using the network are issues to be handled according to cooperation procedure. These instructions are discussed from time to time, but nothing concrete has been done. This is both security and efficiency matter. I think the Company should compile these instructions in the future. These could be included in the HR handbook. The Act on Cooperation within Undertaking requires also many other things to be handled together with personnel that need to be fixed. Those are not so urgent and could be handled when some new situation is faced.

Practices with flexitime, carried-over holiday, holiday notification periods and splitting of holiday shall be defined. At the moment there are not fixed practices and the previously planned working hour bank system must pay attention to

them, or they should be covered in the HR handbook. Some challenges occur also with regular working hours. It is easy to cause bitter feelings or some sort of jealousy if personnel don't have equal practices with for example flexitime, over time, travelling time or dealing with personal business during working day. This whole area needs rules and practices to ensure that employees in different departments and units could feel they are treated fairly and equal, and that the employer will get efficient input from employees. Rules and instruction are also needed that the Company could avoid difficult situations with for example 3 months winter holidays by surprise. At the moment these issues are mainly handled by the law, but the Company has some practices that are even too flexible.

In table 2 there is a summary of the less urgent improvements mentioned in chapter 6.2, and also recommendations for improving the current situation.

Table 2 Summary of less urgent improvements

Deviation / Need	Statutory	Priority	Recommendations
Area: Smaller and less urgent improvements			
Persons who are entitled to handle health data are not defined.	yes	low	Data are not handled carelessly, but it would be appropriate to define these persons and their secrecy obligation. The industrial safety committee or the management team is responsible for this.
Laws that the employer has to display at workplace are not necessarily easy to find.	yes	low	Web links to those acts could be added in the intranet. Information about the book containing these laws could be communicated to personnel also.
Instructions for using the data network haven't been compiled.	yes	low	The cooperation committee should define these instructions. It is both security and efficiency matter.
Some working hour practices need specifying to meet the needs of the employer and also laws.	yes	low	Rules and instructions shall be made. These could be covered when planning a working hour bank or in the HR handbook.

6.3 Some other ideas for improving HR practices in the Company

In this chapter I will shortly describe some improvement ideas that came up during this thesis process. Some ideas are based on the literature and some are based on discussions with managers and my observations. These are not statutory demands. However, I believe these could be useful to the Company, if developed further. Some of these should be reviewed in the HR handbook.

During this thesis process I have collected ideas for the contents of this handbook that I have derived from literature about HR practices in Finland and needs that the Company has met. Also requirements from collective agreements should be taken into account when writing the handbook. The preliminary plan for contents of HR handbook is in appendix 1. It follows loosely the life cycle of an employment relationship and covers fundamental aspects of it. Most of those items were revealed during this thesis process, but they all aren't statutory demands. That's why those are excluded from this report and are planned to be examined in the context of the HR handbook process. Whether the handbook will be on paper or in the intranet will be decided later.

Some questions and development ideas for the HR organization of the Company have already been discussed in chapter 5.3. Because organization is not exactly the object of this study, I don't focus on it. However, in general, roles, responsibilities and liabilities shall be clarified in the field of HR at all levels.

I think that Österberg (2009, p. 114) has written these managerial demands nicely: *A successful manager knows him or her self, is able to admit own mistakes and the most importantly is able to learn from these defects. The manager term should be understood as a profession not as a position. It is obvious that there are many requirements expected from managerial work and that is why it's important for HR specialist to support managers with their jobs and to provide tools for their human resource management.*

Roles of HR function seem to be clear in the Group. However, every subsidiary probably has a different kind of solution to handle its HRM. I think that the chain of HR functions through out the whole Group should be defined properly and responsibilities should be clear, to give especially front line managers the support they'll need in their jobs with a shared view on future goals.

I also hope that at the group level there will be some efforts for involving subsidiaries more in the planning processes, and that the Group takes different organizational and national cultures into account.

The Company has instructions for induction training for new employees. In production new employees are given a guide about safety in the workplace. There are many other important issues that are not covered in that document. It could be changed to be more like an information packet for all newcomers. It could include in addition to occupational safety issues for example, information about the Company and its personnel, general information about employment relationship and some other data that is useful to a new employee. This information packet could support adjustment to the Company and also might make it faster. Also some sort of follow-up for success of induction training should be launched. It should be determined if this information packet is a paper booklet or is in the intranet in electronic form, or will the HR handbook and thorough induction training replace that current document altogether.

There was some criticism on current instructions for induction training. Those were perceived to be a bit too stiff, and induction training varies between different posts or departments. Probably that instruction needs some modification to be more useful. The Company could consider if the responsibility for induction training as a whole should be given to one person.

Occupational safety and health policy doesn't include any actions for difficult situations between persons, such as conflicts, bullying or harassment. Some companies have clear and systematic instructions how to act if facing a conflict between persons, who to contact for support, how to solve the problem, what to do if the problem is between subordinate and his immediate superior, etc. That kind of instruction might make it easier for an employee to seek for help and also a superior might feel more confident when handling awkward or difficult situations. This could also be included in the future HR handbook or in the gender equality plan.

A couple of managers brought out the fact that the Company doesn't have a continuous and systematic practice for training and education at work. This includes both internal and external training. These managers perceived that the amount of training as a whole has been decreasing for years. For personnel development this is a vital issue. The Company should strive to achieve an

encouraging atmosphere towards learning. This requires top management's commitment, and persistent and systematic activities to build this kind of attitude that encourages everybody to take responsibility for developing their own and the work community's competence and skills. Motivation has a significant role in this also. Perhaps the Company should define some frames for training in the HR handbook or in the plan regarding personnel and training objectives. None of these documents exist at the moment. It was already mentioned in chapter 5.3 that no one has the primary responsibility for training in the Company.

Also issues like knowledge on strategy and vision, as well as on brand, shall be included in continuous training program. These are important issues that every employee shall know, and also the effects of these issues on work and the company image. Knowing the joint targets makes it easier for an employee to commit to the Company and its objectives. Commitment has an impact on the company's performance and effectiveness.

On the other hand, knowledge on strategy, vision and brand are objects of internal communications. Internal marketing could also be seen as either internal communications or training. It is important that everybody in an organization knows why this organization exists, what are the main products or services, how the organization shows its brand, and what the organization aims to achieve. Internal communications are the most crucial during changes. I think the Company shall be more effective in communications especially during change situations. Otherwise there is a risk to cause more harm and rumours than to manage change carefully in the desired direction. In every organization there are many possibilities to improve communications and information flow in general. That is the case also in the Company. Provision of information could always be more active, as well as seeking of information. Responsibilities and obligations shall be clear and the importance of communication should be promoted.

Before writing the HR handbook the rewards system in the Company should be thought over thoroughly. The organization's strategy defines which goals will be

set as a basis for rewards and everyone should know from what, when and who they will get rewards. However, the rewards system can't replace direct feedback from superiors.

In table 3 below there is a summary of the other improvements mentioned in chapter 6.3, and also recommendations for improving the current situation.

Table 3 Summary of other improvement ideas

Deviation / Need	Statutory	Priority	Recommendations
Area: Some other ideas for improving HR practices in the Company			
In general roles, responsibilities and liabilities shall be cleared in the field of HR at all levels in the Company.	no	low	After defining who is responsible for which issues the Company should educate its personnel and especially superiors to act accordingly.
Induction training instructions are perceived to be too stiff.	no	low	Instructions need to be modified by the person who is responsible for HR. The Company could consider if the responsibility for induction training should be given to one person.
New employees only in production have got a guide about safety at workplace.	no	low	This document could be changed to be an information packet for all newcomers or it could be replaced by HR handbook.
Occupational safety and health policy doesn't include actions for conflicts between persons.	no	low	This issue could be included in HR handbook or to gender equality plan. Either cooperation or industrial safety committee is responsible.
The Company doesn't have continuous and systematic practice for training at work nor person responsible for training as a whole.	no	high	The Company shall define frames for training in HR handbook or in the plan regarding personnel and training objectives. Responsibilities shall be clear.
Knowledge on strategy, vision and brand should be much stronger.	no	high	Internal communication has to pay more attention to these issues, and these should be included in training or internal marketing programmes. By that all employees know joint targets and it is easier to commit to the Company. Responsibilities shall be clear.

7 CONCLUSIONS

The aim of this master's thesis was to clarify if HR practices in the Company fulfil all legal provisions and trade union regulations as well as instructions and requirements set by the Group. Based on this study, the Company will have an idea of how these statutory HRM issues should be handled and which practices or responsibilities should possibly be changed. One objective was also to outline the framework for a handbook of HR practices. The findings of this study

are also meant to be used for further discussions about the Company's HR issues and responsibilities.

The thesis process proceeded so that in the theory part of this thesis, HRM was examined in such a way that a picture of well-managed human resource procedures was composed based on current knowledge in literature and articles. The most common fields and terms of HRM were presented. Also national and parent company's demands were examined as well as parent company's motives for transferring practices to a subsidiary. In the empirical part of this thesis, the current status of the Company's HRM was identified. Guidance from the mother company was also discussed from the subsidiary's point of view. Afterwards, HRM instructions in the Company were considered through HR practices.

These statutory practices were categorized to groups according to the life cycle of an employment relationship. Categories were based on literature and preliminary study done in the first phase of this thesis. In the first phase all acts concerning an employment relationship were reviewed and also three different collective agreements with the Federation of Finnish Technology Industries were studied. Literature on Finnish HR practices was also reviewed. Based on these, the obligatory demands were found and were later discussed with the members of the management team. The current status was also examined by observations and studying documents. Areas of improvement were divided to higher and lower priority actions. HR organization, roles, responsibilities and liabilities were also discussed briefly.

The research question was:

- How can a local unit comply both with national and the parent company's demands in HRM issues?

In order to answer the research question the following issues were studied:

- What are the HRM issues?
- What are the national demands?
- What are the parent company's role and its demands?

The picture of a company with well-managed human resources was created in chapter 2. It took into account the most important HRM issues including human resource management itself, strategic human resource management, HR strategies, HR policies, and HR practices. Also, HR organization has an impact on successful operations.

The purpose of HRM is to ensure that an organization is able to achieve business success through people, and to make decisions that have long-term impact on the behaviour and success of an organization. When an organization wants to reach the objectives of its business strategy, it must first share that strategy and vision with employees. A common view on business and future goals is needed to have a successful organization.

Common goals → work is meaningful → commitment → business success

The basis of national demands was shortly presented in chapter 3 about Finnish practices and laws. In details those are discussed in the context of the current status of HRM in the case company. National demands are found from the Finnish acts concerning an employment relationship and from trade unions' collective agreements that an organization follows. Those demands concern for example recruiting, equality, holidays, giving notice, health, safety and cooperation.

As stated in chapter 4, in multinational corporations, parent companies tend to transfer their organizational practices to foreign subsidiaries. With these they may strive for consistency and help to develop a common corporate culture, enhance equity and procedural justice. The purpose is to improve business performance without sacrificing the subsidiary's autonomy, and to gain the desired level of global consistency and local sensitivity, and at the same time keep the subsidiary's core competences alive. The demands of the parent company are based on these ideas. Transferring practices isn't always easy and it might not end up as intended in headquarters. The parent company's role is to create a common framework for business operations. This includes

creating and sharing values, business strategies, and visions, as well as HR strategies.

The current status of HRM in the Company was defined in this study. The situation was examined through the guidance and frameworks that the Group has given to the Company, and instructions in the Company as well as through statutory HR practices. The current situation was compared to demands. After analysis, the results showed that most of the statutory demands were in order in the Company. All requirements from collective agreements were taken into account. However, need for improvements were found in the areas of cooperation procedure, documents, occupational health and safety, and handling of job applications. Less urgent improvement ideas were also found in the areas of handling of health data, laws to be displayed at the workplace, surveillance in the data network, and different kinds of working hour issues.

In this study was also checked if HR practices in the Company are in line with the HR policies and guidelines of the Group. In the case company there was perceived such scant guidance from the parent company, that it is easy to say, that all given instructions are taken into account in the Company's HR practices.

How the Company may develop current practices in order to fulfil demands is presented in tables 1–3 in chapter 6. There are recommendations for each deviation in each improvement area mentioned above. Deviations are shared to statutory and non-statutory needs and those are divided to higher and lower priorities. Concerning these improvements an action plan with time schedules and responsibilities should be made in the Company soon.

Based on the above mentioned studies the answer for the research question is as follows: The Company can ensure that all national and parent company's demands will be fulfilled by having clear roles and responsibilities in the field of HRM at all levels, and also by having written HR practices. Responsibilities at the moment aren't as clear as they could be. An HR handbook, support from top management, and training for superiors could help superiors to implement and apply practices as intended and to ensure that requirements by law, trade

unions and parent company as well as ethical aspects will be fulfilled. The found deviations have to be corrected in order to comply with legal demands.

This study had to be focused during the research process. This meant that subject was not examined as widely as intended in the beginning. For example writing the HR handbook was excluded from this thesis. That was a functional solution and deviations in statutory HR practices were easier to identify and also improvement ideas were found out clearly.

It was surprising that there were fewer remarkable deviations in statutory demands that needed to be fixed than was expected. Many deviations seemed to be smaller or weren't required by the law or collective agreements. These issues shall be examined when compiling an HR handbook.

The findings of this study are useful to the Company. Based on improvement ideas and suggestions it is much easier for the Company to decide how to handle its human resource management and statutory practices in the future presuming that roles and responsibilities will be defined clearly at all levels. By all these actions the Company can comply with the national and parent company's demands.

These results will act as an initiator for improving actions. Further study is required to draw up an HR handbook.

Based on these above discussed issues, it can be said, that the goals of this thesis were reached, although the process took longer than was planned.

FIGURES

Figure 1 The organizational scheme, p. 9

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8. Personal Data Act 523/1999
9. Working Hours Act 605/1996
10. Occupational Health Care Act 1383/2001
11. Act on Protection of Privacy in Electronic Communication 516/2004

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