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CREATING HUMAN RESOURCE POLICY FOR AN SME COMPANY

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Tämän opinnäytetyön tarkoituksena on selventää henkilöstöpolitiikan roolia ja antaa ohjeita sellaisen tekemiseen. Lisäksi eri aihe-alueet joille henkilöstöpolitiikka voidaan luoda, on esitelty perustuen henkilöstöpolitiikkaan joka luotiin asiakasyrityksen tarpeiden mukaan.

Opinnäytetyön teoreettinen osa esittelee lyhyesti henkilöstöhallinnon historiaa. Strateginen henkilöstöhallinta on myös esitelty ja linkki henkilöstöpolitiikkaan on näytetty asioiden läheisen yhteyden takia.

Opinnäytetyön käytännönläheinen osuus joka pitää sisällään myös yritykselle kirjoitetun henkilöstöpolitiikan, kirjoitettiin yrityksessä suoritetun työharjoittelujakson aikana. Yrityksen johtoasemissa oleville henkilöille tehdyt puolistrukturoidut teemahaastattelut mahdollistivat syvän osaamisen heille ajankohtaisiin asioihin. Yrityksen henkilöstöpolitiikan pääpiirteet on siirretty opinnäytetyöhön ja niitä on täydennetty lisätiedoin.

Yrityksen henkilöstöpolitiikan sisältä riippuu useasta tekijästä. Tämä opinnäytetyö esittelee haasteita, jotka tulee ottaa huomioon kun lähdetään laatimaan henkilöstöpolitiikkaa pienelle tai keskisuurelle yritykselle. Opinnäytetyössä esitetyt vaiheet auttavat yritystä suoriutumaan henkilöstöpolitiikan laadinta-prosessista sujuvasti.

Avainsanat	henkilöstöhallinto, henkilöstöpolitiikka, henkilöstöpolitiikan laatiminen, strateginen henkilöstöjohtaminen

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ABSTRACT

The aim of this thesis was to study the importance of human resource policies and to demonstrate basic steps on creating them. Moreover, various areas where policies can be established were introduced and a human resource policy was drafted for a medium sized company in Vaasa at their request.

The theoretical section of the study explains shortly the history of human resource management. The strategic area of HRM is also explained and its connection to HR policy is shown due to close relativity to the thesis topic.

The empirical section of the thesis, including the actual HR policy, was written during the internship in the company. Semi-structured interviews were conducted to the management-level personnel of the company, aiming to develop better understanding of company relevant matters. The main points of the company's human resource policy were transferred to the thesis and enhanced with the supplementary information.

The topics to be included into a company's policies depend on various matters. This thesis shows the challenges to be considered when engaging in the creation process of human resource policy. The necessary phases of creating an HR policy as shown in the thesis will help companies to manage the process successfully.

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1   INTRODUCTION

Human Resource Policies determine the rules of how a company acts with its employees in certain situations such as when hiring new employees, orienting them and adjusting them to the organization or even dismissing employees. Moreover, policies can include behavioral instructions to various procedures from disciplinary actions to methods of internal communication.

HR policy is a directional guideline for the management and the entire personnel of a company regardless of the position of an employee. HR-policy can pre-empt misunderstandings between the employer and the employee when it's drafted well and used accordingly. Having written HR-policies allows a company to be consistent in its actions and fair towards all of its employees. Additionally, written policy transfer values and expectations on how things are done in the company. HR-policy allows implementing appropriate and best practices all over the organization, therefore increasing equality and wellbeing of all employees.

1.1   Background of the thesis

I as the author of this, thesis had an extended internship of six months at a medium-size company in Vaasa. During the internship the ways of working and the company habits concerning human resource-relevant tasks became rather familiar to me. Somewhere during the conversations concerning the current situation of the company, the CEO indicated that some HR-related processes could be carried out better and the procedures between various departments needed to be improved and unified. After discussing the topic for a while, it was clear that the needs of the organization met my interests and the university's requirements for the thesis. An idea for the company specific HR policy was born and, therefore, a guide for creating a HR policy for a SME company.

1.2 Structure of the thesis

The first part of the thesis aims at opening up theory concerning the role of strategic human resource management and human resource policies. A brief development path of human resource management is introduced and the necessary phases of policy creation process are explained. The tasks obligated to the employer by law, such as the creation of gender equality plan, a risk management plan and an occupational health and safety action plan. are also shortly introduced. Several academic books concerning the HR-field and other literature related to the topic are studied and cited as part of the theoretical framework. Both English and Finnish literature was used for this thesis.

The empirical part of the thesis consists of an actual HR-policy created for a medium-sized client company in Vaasa. The thesis was written during and after the internship-period and the selected topics for HR policies are requested by the client organization. The administrative personnel of the company form the subject of the semi-structured interviews, allowing the writer to have an even better understanding of the current situation and to gather suggestions for the policies.

Due to used company language the actual HR policies were written in Finnish and the main parts are transferred for the thesis in English. The policies intended for the company are only included as an appendix in the thesis; therefore access to them is restricted to the members of the client organization, the thesis supervisor, Mr. Ossi Koskinen and the thesis opponent.

1.3 Research problem and the purpose of the thesis

This thesis attempts to clarify the meaning of HR-policy and to give guidelines on creating one. One of the main goals is also to create a human resource policy for a medium-size company, which was requested by them. The creation of the actual policies will support well the learning process of the thesis author. Due to the close proximity to the thesis topic, the strategic aspect of human resource management is also inspected and studied.

What is needed to create a HR-policy for a small and medium sized enterprise? Who benefits from HR-policies? What should be included in the process and what should be taken into consideration when drafting one?

This thesis attempts to give answers to these questions and to help both, the author and the readers, with the different phases of the HR-policy creation process.

1.4 Limitations of the study

Various areas where HR-policies can be established are introduced in this thesis, based on the requirements and needs of the client company. Not all the areas of establishment are included, since the goal is to provide an overall view of HR policies and their meaning. Areas like performance management and rewarding are commonly included into HR policies, but those were not necessary for the client organization and, therefore, were left out of this thesis.

The semi-structured interviews belonging to the empirical study were conducted among the department managers and the CEO of the client-company. Interviewing staff members would have been useful and might have given a great amount of suggestions from that point of view.

HR policies are explained and written from the point of view of specific organization structure and operating field. Including supplementary organizations from various industries or personnel from various HR-related tasks in the study would have provided more aspects and penetration to the subject.

2   HUMAN RESOURCE MANAGEMENT

Human resource management, generally shortened to HRM or just HR, includes various job-related tasks varying from recruiting to the dismissal of employees and from evaluating performance to creating motivating incentive-system. As a result, topics that could be included to theoretical study are numerous. However, this study will focus only on the heart of the topic and include only what is necessary to understand the concept of HR policies.

2.1   Brief history of human resource management

For understanding better the concept of human resource management, it is important to examine shortly the history of it. The roots of people management can be tracked back to the Industrial Revolution in England in the late 18th century. However, this study will look at the more relevant and recent history, which takes us back to post-World War II era in the 1950's. Those were times when the British Conservative and Labour governments were eager to sustain industrial peace through arbitration, therefore passing employment laws to improve worker's conditions and rights. (Bratton and Gold 2007, 4-7)

The World War II increased the demand for personnel and labour specialists. In 1946 these professionals involved in people management established the Institute of Personnel Management (IPM) in the United Kingdom. Between 1956 and 1989 the members of IPM rose from 3979 to 35,548. (Farnham and Pimlott 1995, 4-5)

The Donovan Commission (1968) studied UK industrial relations and recommended in their report that management should develop common (management of a company – trade union) process for prompt settlement of grievances. Bigger steps were taken in the 1970's, when new legislation promoting sexual equality, standards in employment-relationship and other topics mentioned in Donovan Commission's report enhanced the status of the personnel function. (Bratton and Gold 2007, 4-7)

In the 1980's personnel specialists started talking more about efficiency. Human resource planning was made for three terms; short, medium-term and long-term plans. The main focus was on improving quantifiable efficiency and developing working practices within the organization. Human resource management was started to be seen as a competitive advantage and the tasks of HR professionals became more defined in companies. (Viitala 2013, 30-34)

In the early 2000's human resource management was in a conflicting situation. Personnel were seen as the most valuable resource for a company, but at the same time personnel costs were to be minimized. Moreover, valuable employees were committed to the company through generous rewarding and other HR-practices. On the other hand companies demanded adjustable personnel which increased the usage of temporary work force. In the 2000's firms increased the practice of purchasing various HR-services, such as recruiting and HR-development, from specialized HR-companies. (Viitala 2013, 33-34)

The role of human resource management is constantly evolving with societal changes and shifting beliefs. Fashions come and go, and the same could be said about approaches to human resource management. (Bratton and Gold 2007, 5)

2.2 Strategic human resource management

According to the human resource management specialist John Bratton, "Strategic human resource management is the process of linking the human resource function with the strategic objectives of the organization in order to improve performance." Adopting an HR strategy that is concerned with the organization's larger mission and goals has multiple advantages and benefits for the company. (Bratton and Gold 2007, 39-41)

Strategic HRM is concerned with how the organization's goals will be achieved through its human resources, by means of integrated HR strategies, policies and practices. It involves a systematic analysis of the business context and needs, and the effectiveness of existing HRM policies and practices in operating within the context and satisfying the needs. (Armstrong 2012, 603)

Viitala defines strategic HRM as the decisions which have long-term effect on the employment, the development of the personnel and on the relationship between management and the staff of a company. (Viitala 2013, 48-49)

Important sectors in a HR strategy are recruiting, development of know-how, establishing goals, performance evaluation, rewarding and increasing motivation and job satisfaction. HR strategy determines how personnel-related matters are taken care; what kinds of specialists take care of HRM-processes, which functions are handled by external partners and which HRM-functions are under development. (Viitala 2013, 51)

Human resource strategy is implemented by human resource policy. HR policy determines the concrete operative level actions, timetables and the responsibilities of how HR strategy is executed. Sometimes the line between HR strategy and HR policy can be blurry and even unnecessary. It has been suggested that actions done within one year would be operative level (HR policy) and longer term actions would belong to strategic level. (Viitala 2013, 50-53) Strategic HRM planning produces information on future needs of personnel. Figure 1 demonstrates how HR strategy and HR policy are linked with organizations business strategy. (Kauhanen 2006, 23)

Figure 1. Model of strategic HRM.

Strategic human resource management is generally divided into two separate key ideas, namely, the *resource-based view* and the need for *strategic fit* (Viitala 2013, 53). The resource based-view of SHRM states that it is the range of resources in an organization, including its human resources that produces its unique character and creates competitive advantage. In line with human capital theory, the resource-based view emphasizes that investment in people increases their value to the firm. It proposes that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be substituted or imitated by its rivals (Armstrong 2012, 18-19). Since the capability of an organization is built by the abilities of its personnel, it's clear that strategic HRM has an essential role. (Viitala 2013, 55)

The idea of strategic fit emphasizes that conformity between HR strategies and organizations business strategies need to be achieved within the context of internal and external environments (Armstrong 2012, 20). According to Viitala, strategic fit ensures that HRM is fully integrated with the strategy and the strategic needs of the company. Organizational structure and human resource management enhances the mission, the company's vision and the implementation of the firm's strategy. These lastly mentioned elements are to be adjusted together with external factors, such as financial-, political- and cultural –factors (Viitala 2013, 53-54). The strategic fit model is shown in figure 2.

Figure 2. Strategic fit-model.

2.3 Human resource policy

Whereas HR strategy refers to the more general strategy of the company, policies determine the more detailed principles of how the company acts with its personnel and what kind of rules apply to the working place. Usually HR policy is meant to be a directional guideline for the administrative personnel, supervisors and the staff of a company and it's not to be considered as a contract. HR policy follows the common legislation of working life, workplace health and safety regulations, collective agreements and other obligations given to the employer. Policies are an important tool for supporting consistent treatment, fairness and transparency at working place. (Armstrong 2012, 451-452)

Matters to be included into HR policies depend on various aspects. The structure and the size of the company define the extent of the HR policies, as do the field of activity. Large companies are known to have more bureaucracy than smaller companies; consequently large companies want to control employees by having more strict rules on the ways of working. On the other hand, companies with less than 15 workers might just follow the mandatory legislation for working life, workplace health and safety regulations and proper collective agreements.

Well drafted policies will not only make the work of the managers and supervisors easier by providing answers to difficult situations, but the policies will also act as a framework and background for decision making under certain circumstances. (Business & Legal Resources 2014)

In case of accidents a company has to be able to show the procedures and precautions it took to prevent injuries and harms. Carefully and thoroughly made policies can reduce the accountability of damages in the eyes of law; therefore policies can act as an element of the company's risk management. (Percept Group 2008)

2.4 Creating HR policies

In general HR policies are drafted and created at the early stage of a company by HR experts or other administrative staff, depending on the available personnel. However, it's not uncommon for existing companies to standardize their processes and actions by developing new HR policies. Policies can be revised when fundamental changes in practices or in mandatory legislation occur. Since HR policies are not mandatory by law, it is possible to just have a set of unwritten rules and naturally formed good ways of working. However, it can be recommended to have those practices as a written version and to communicate to the entire personnel.

Usually the administrative board of a company or the CEO has the final say in an organization; therefore policies are to be approved by them before becoming valid. It is recommended to include management board and/or CEO by asking their desired role in the whole process of developing HR policy. They may decide to have a minor impact by only accepting the policy in the end, or they may want to be part of shaping the content. Remember that the workforce is always unique; therefore HR policies have to be drafted specifically to our own organization's needs and operating field. Typically the development process includes following phases.

2.4.1   Phase 1: Finding the need for policies

The first phase in creating HR policies is to find a need or urge for creating them. Workforce is rarely cost free and companies don't want to spend time and money on nothing. Therefore, one should first convince managers, the CEO or even the management board for an approval for the need of common policies and the creation-process. Situations that cause confusion amongst employees can be catalysts that drive towards the creation of HR policy. Such events can be for example vague rules concerning cellphone usage or dress codes.

Often ways of working vary between departments and even between teams. There can be inconsistency and unequal treatment of personnel, which can have negative impact on the working environment. In such cases developing or revising existing policies could work as a tool for improving atmosphere and eventually even profitability.

The process of creating policies should not be taken lightly, since the end result applies and concerns all the personnel. Loosely crafted policies can also harm rather than enhance an organization. In addition, policies can be troublesome to change once they have become valid.

2.4.2 Phase 2: Selecting content of a HR policy

As mentioned in an earlier chapter, HR policy is not mandatory for an organization, but an employer must follow the workplace health and safety regulations, effective collective agreements and the mandatory working life legislation. Therefore, an organization should at least consider including topics that are specified by the previous matters. It is recommended to try including personnel from various organizational levels to the selection process of suitable policies, therefore all different perspectives are viewed and correct topics identified. Negotiations with relevant parties should be carried out and decisions made on roles for each group / person individually.

Existing companies often have some kind of material which can be utilized in drawing up the policy, it is worth obtaining them and seeing if some parts can be reused.

Many different policies are listed in table 1. Not all of them are necessary for every company; therefore consider carefully which ones to include in the company HR policy. Asking the following questions will help in forming policies that are suitable for the organization:

- What is the goal and target of our policy?
- How the included issues were handled in the past?
- What policies are essential for our company?

- Who is accountable for supervising the policy?
- Are there possibly negative effects when launching these policies?
- Can we invest the necessary time to keep the policies updated?

Table 1. Listing of different HR policies.

Areas where HR policies can be established:		
Accident Reporting	Discrimination and Harassment	Performance Management
Alcohol and Drug Use Policy	Employee Information	Privacy
Attendance	Family Leave	Recruitment
Benefits and Eligibility	Formal complaint process	Sick Leave, Short Term Disability, Long Term Disability
Bereavement Leave	Grievance/Conflict Resolution	Termination (Voluntary and Involuntary)
Code of Conduct	Health and Safety	Unpaid Leave
Compassionate Leave	Hours of Operations	Use of Company Equipment
Compensation	Jury Duty	Vacation
Confidentiality	Learning and Development of Workforce	Working conditions
Conflict of Interest	Maternity, Parental, and Adoption Leave	Workplace Violence
Disciplinary Actions	Overtime Work	

Try to avoid such information in your policy which might cause unnecessary updates and redundant work, for example phone numbers and names. Such information can be placed on the company's noticeboard and referred to the policy as "see bulletin board for details".

2.4.3 Phase 3 drafting the policies

To make your policies more credible and understandable, consider including few crucial elements. Express, what are the aims of the policies; for example enhancing workplace safety and reducing the amount of incidents. Set out limits of whom the policy concerns, does the policy apply to interns, voluntary workers or external contractors. Define the responsibilities over developing, monitoring and actualizing the policy, as well a person(s) who can be approached if questions arise. Make sure that terminology is understandable for all the employees and no

unnecessary abbreviations are used. Decide the date when the policy comes in to effect and possibly the timing for making revisions.

Use references and links to actual legislation used in policies. Finally, mark the person(s) who approved the policies, for example CEO or administrative board.

When creating HR policies, it's wise to prepare for few worst case-scenarios, even if these are unlikely to happen. This includes discrimination at work place, violence behavior or sexual harassment. These topics should be brought out as serious violation of policies, which are not tolerated under any circumstances.

When drafting policies, extra attention is needed to avoid conflicting rules with the actual governing legislation and collective agreements. Such matters are, for example, those concerning working times and vacations.

2.4.4 Phase 4 check-up by the involved parties

Before submitting the policies for the final approval, it is worth going through them with corresponding parties and checking for possible corrections. Depending on organizations structure, you might want to have opinions from managers, employees and even legal advice.

Question the involved managers if they have the ability to supervise and oversee the policy. Moreover, question employees and managers if the necessary policies are there and in an understandable form, are there possibilities to misunderstand some parts of it and what the potential concerns and issues are.

If your organization doesn't have much expertise in juridical questions, then legal advice should be requested from a third party. Employment law specialists can tell if your policies comply with employment standards, legislation and collective agreements.

2.4.5 Phase 5 acquire approval to the policy

After all the involved parties have proposed their suggestions and possible changes have been made it is time to deliver the policies to the management for final approval.

Depending on what entity is responsible for accepting the policies, either CEO or the administrative board, supply them with the necessary information on the purpose of the HR policies and the steps taken to complete them. Communicate that adjustments have been done, based on received feedback from the concerned parties. After that discuss the scheduled revision date and enter a date of approval to the policies.

2.4.6 Phase 6 executing the policy

Once there is the final approval for the policies, it is time to consider the distribution and implementing methods. It is crucially important that everyone understands the new policies and the possible changes that come within. Therefore attention has to be paid on how to communicate the new information to the current staff. HR policies can become a part of introduction-period for the new employees.

Supplying the personnel only with electronic- or hard-copies of the policies is not the most effective way of bringing them forth; since it is difficult to monitor what percentage of the employees actually bother reading them. Misunderstandings can also happen when employees are self-learning.

Arranging *information session* ensures that the personnel receive the policies all at once and it allows the staff to ask questions if necessary. In the beginning of the session, make sure to inform your staff about the reason behind human resource policies and what their targets are. Tell also what actions were taken to come to these policies and what differences they make in everyday work. Make sure that you take notes of the attending participants, so that all will eventually receive the information.

An information session together with a continuously updated electronic-version of the HR policies ensures that the staff has always access to the latest copy of the policies. An organization can keep updated policies in their intranet or possibly in shared drives and folders.

HR policies are a part of the company's *management rights*; therefore employees cannot negotiate the terms of the policies once they have become into effect. However, the policies must obey the following principles: (Sharma 2009, 104)

- Employer rules cannot be inconsistent with collective agreements
- The rule cannot be unreasonable
- The rule must be clear and unequivocal
- The rule must be brought to the attention of employees before the company can act on it
- The employee must be notified of the consequences of failure to abide by the rule
- A rule must be consistently enforced by the company from the time it is introduced

An employer might want to have an employee sign a statement acknowledging that they have read, understand and are willing to behave according to the policies. A statement of understanding is crucial in cases where employees actions against policies might do harm to an employer, or when disciplinary action against an employee is needed.

2.4.7 Phase 7 reviewing and updating the policies

Scheduled revisions to HR policies are to be made in every two to three years. In addition, changes legislation and collective agreements may force updating parts of policy more regularly. If there is a necessity to update a policy due to previously mentioned reasons, it is good idea to check at the same time the received feedback and how successfully the policies have been implemented. In general, changes in the policies require the passing of the company's approval process.

In case major changes are made to your policies, consider having another *information session* for the personnel. Otherwise a minor notification on the bulletin board will be sufficient to inform the staff about the changes made.

2.5 Gender equality plan

In Finland, Law of Equality obligates companies with personnel of over 30 to draft a gender equality plan, which aims to promote gender equality between men and women at workplace. (Suomen Ekonomiliitto 2014) The equality plan should contain the information on equal salaries, even opportunities to advance in career and other aspects promoting similar treatment of genders. In addition, gender distribution in the organizational structure is to be included into the gender equality plan. The equality plan should be drafted in co-operation with the personnel, but the main responsibility should be on a specific working group from creating the plan and overseeing the adherence. (The Ombudsman for equality 2014)

2.6 Risk management plan

A risk management plan is a flexible and constantly updated written document for estimating, removing or reducing the company's possible threats. The internal and external dangers mentioned in a risk management plan can be directed at protecting the personnel, premises or other equity of the company. Variations of risk are to be listed according to their potentiality or by their hazardousness for the company. Possible consequences of the risks are to be sorted out and precautions to avoid them are to be examined well. Even if all precautions are taken and an accident still happens, it should be set out who carries responsibility in that situation. (Expence Reduction Analysts 2014)

2.7 Occupational health and safety action plan

An employer must have an occupational health and safety action plan (OHS action plan), which aims at promoting safety at the work place and sustaining the employees ability to work. OHS action plan is mandatory by law for companies of all sizes. The previous chapter introduced a risk management plan, which creates

the fundament for OHS action plan by listing potential risks and solutions. For developing an OHS action plan, it is essential to examine the currently used working methods, tools that are being used and the working environment. In addition, it should be sorted out what actions are currently taken to sustain employees' ability to work, before making development plans for long and short-term actions.

OHS action plan presents the health and safety actions for both the employer and the employees. Moreover, occupational health and safety organization and its members are introduced, along with contact information on occupational health care in the plan. OHS action plan contains also the description of the working place, safety instructions and the taken actions to develop working conditions. The earlier mentioned gender equality plan is often a part of the action plan.

The responsibility of OHS action plan lies on the shoulders of the employer, but it is created in co-operation with occupational safety manager and health and safety representatives. The OHS action plan is to be monitored continuously and revised on demand. (Työturvallisuuskeskus 2014)

3 RESEARCH METHODOLOGY

We interview and study people, because we want to know more and learn. For supporting the empirical section of the thesis, quantitative or/and qualitative research can be made to provide additional information on the topic. The methods are not exclusive; therefore both can be used for maximized results. Selecting a correct method depends on various factors, for example, the complexity of the topic, the versatility of the expected responds and the available resources.

The quantitative method is a structured research method that is about asking people for their opinions in a way in which the results can be analyzed statistically. The alternatives when using the quantitative method are usually given and the respondents choose from a selection of answers. Quantitative research relies on a large number of responses for gaining reliable results. Sometimes it is worth doing a qualitative research to investigate the results further. (Hirsjärvi and Hurme 2000, 21-27)

The qualitative research method focuses on non-numerical data which cannot be analyzed in statistical way, but provides in-depth information. Whereas the quantitative method uses a fixed selection of responses, the qualitative method allows the respondents to express opinions and feelings openly. (Hirsjärvi and Hurme 2000, 21-27) Qualitative research is done among a relatively small number of respondents and it is generally conducted as non-structured, semi-structured interviews or open surveys. (Hirsjärvi and Hurme 2000, 34-36)

For gaining a better understanding of the client organization's company culture and detailed information concerning the current ways of working, semi-structured interviews are conducted in this study. This interview method was selected due to the extensive topic and the need for an open conversation on the subject.

The interviews were held at the company premises during the working day and each meeting lasted from one and an half to three hours. The answers from the respondents were written down by the interviewer. For ensuring mutual understanding, the answers were checked and completed by the interviewees later.

Persons involved to interviews were limited to four, due the fact that they are in administrative positions in the client company and in charge for all administrative- and human resource –related matters. We can safely presume that all necessary information was gained and there was no need for additional interviews.

See appendix 1 for used interview-form. Notice that language is Finnish, due previously mentioned company language restrictions.

4 RESULTS

This chapter focuses mainly on introducing the policies that were drafted for the client company as a part of the thesis. Brief background information of the company and current situation is seen as necessity, so that some of the selected policies can be explicated.

4.1 Case company

The case company used in the empirical section of the thesis chose to remain anonymous, therefore, only the thesis supervisor Mr. Ossi Koskinen and the opponent will have an access to detailed information of the company. However, it is possible to say that the company is medium-sized with over 80 staff members in Vaasa and it operates in traditional manufacturing industry. The company's history goes all the way back to 1970's when it was established.

Currently the case company does not have a specific person, who handles only HR-functions. Rather, HR-related tasks are divided between the heads of departments, the financial manager and the production assistant. At the moment the company sees that there is no need for a HR-manager, due to relatively small size. Hiring a HR-manager will come to question in the near future, since the company is expanding and the need for additional resources on managing personnel will become relevant.

So far the company has successfully operated by using only house-rules, common sense and by following legislation. There have been only minor issues that might have needed the existence of specific written HR policies. Previously, these issues have been dealt with case by case. As an example, there was a case where an employee acted against the rules and a warning had to be given. The problem was that, there were no internal guidelines on giving a warning and in which situations oral or written warning needed to be given.

The need for HR policies, which would unify the personnel-related company actions, has existed for a good while, but there was a lack of resources to create

them. Therefore, my six-month internship and the need for a thesis topic became evident at a perfect time.

4.2 HR policies of the case company

As presented earlier, HR policies can be established for various areas based on the organization's needs. Since the entire idea of this thesis is formed around the needs of the client organization, the main focus will be on introducing relevant policies for them. Content was selected together with the administrative personnel of the company and the details are as requested by them. Few enhancements and explanations were made, mainly based on the Armstrong's Handbook of Human Resource Management, if it was seen necessary.

4.2.1 Orientation and introduction period

When a new employee is hired to the company, it is important to begin adjusting him/her to the workplace as soon as possible. Introducing the newcomer to the closest coworkers and even to the entire department is an excellent idea to help blending in. In addition, the workplace and company premises are to be shown during the first day(s).

Newcomers should be supplied with an *introduction manual*, which contains the necessary details concerning working times, workplace health and safety regulations, trade union-representatives, occupational healthcare- and other important contact information. HR policies give an excellent insight to the corporate culture, which is why most parts of policies are to be introduced to the newcomers.

Having an orientation checklist for your department job-related tasks is a useful idea. New employees can confirm with their signature that they have received training for the necessary machines, working procedures and other instructions or material given by the employer.

A checklist can be beneficial for the employer in case of accidents, since this can show that correct ways of working were shown to the employee. This can reduce

the employer's liability in eyes of law. Moreover, it is important that the employees have identical training for the working methods. The role of orienting supervisor is crucial and extra attention needs to be paid to the fluency of the orientation process as a whole.

4.2.2 Same employment opportunities

All companies have to offer equal employment opportunities for all applicants, irrespective of race, skin color, sex, sexual orientation, religion, disability, age or marital status. Equal opportunities also apply to a company's other HR policies concerning training, development and promotion of employees. Same employment opportunities are part of law of equality, therefore making it mandatory to follow.

4.2.3 Open job positions and selection of candidates

Open job positions are generally announced in public and the company wants to give all interested applicants sufficient time to apply. It is in the interest of the company to have as qualified and suitable employees as possible.

Potential candidates are always interviewed by at least the concerned department manager, HR personnel and possibly by CEO – if he/she desires to be part of the process. It is recommendable that more than one person makes the final decision, which makes the selection more credible and likely to succeed.

All information regarding applicants during the interviews and application process are confidential, hence not shared with personnel outside the recruiting process.

The person who is being selected to the open position will be informed personally. Moreover, if resource-wisely possible, other applicants should be informed about the selected person. Communication with the non-selected persons is likely to enhance a positive image of the company and may encourage them to apply again for the future positions.

4.2.4 Working hours, attendance

Working times are most likely an area of the policy, where the widest scale of variation occurs. Whatever the rules on your working place will be, follow the collective agreements and mandatory labour legislation.

Regardless of whether your organization follows specific working times throughout the week or has flexible working times, you should document the specific rules on the policy. According to the labour legislation, employees are allowed to have rest periods (e.g. coffee breaks and lunch breaks) if certain number of hours fills up during a day. Consider at least writing down the length of the resting periods, if not even the exact times for them.

Coming late to work occurs once in a while in all companies. Write down the instructions for employees and managers on how to deal with these situations. For example, "If coming late to work, employees must immediately notify the manager and report the reason for coming late". In addition, the consequences for repeatedly coming late should be written down.

Employers can support work and life balance for employees by allowing flexible working time, compressed working week or even remote working.

4.2.5 Sick leave

All employees must immediately inform their manager of an accident, or an event that prevents them from coming to work or from continuing their work. Employees are obligated to deliver a medical certificate from a nurse or a doctor as a proof of their absence. Employees are not forced by any means to tell the exact medical reason for their sick leave.

In case personnel are absent from work without permission or without noticing the employer, there are often consequences that should be written down. For example, the wages are not paid from absent day(s) or even a warning can be given.

It is a good idea to consider adding contact information of your company's occupational health care to the policy, or at least stating "see contact information from bulletin board".

4.2.6   Employment relationship

All information concerning employees is confidential and will be held according to the legislation, including retention requirements. Only administrative personnel have access to the files and the information shall not be transferred nor shown to other parties. Employees shall notify administrative personnel as changes occur in their contact information or pay-roll related information, such as in the tax deduction card or on account number.

4.2.7   Unpaid leave, study leave and family leave

Employees can request an unpaid leave for special situations, such as funerals, weddings or other important reasons from the head of the department or equivalent responsible manager. A written request has to be submitted in good time prior the expected date, so that necessary action can be taken by management and HR-personnel.

Employees can apply for a study leave, aiming to complete a job-relevant and supporting degree or certain study-program. Legislation concerning requirements of study leave vary by country, therefore pay attention on researching the said and link the existing legislation to your policies. A study leave is an excellent way of supporting work-life –balance and the development of employees, therefore companies should encourage employees in using such opportunities.

Working life legislation sets rules for *family leave,* which includes maternity, paternity and adoption leaves. Family leave is meant for the eligible staff members at childbirth or at the adoption of a child. Depending on the current collective agreement and the working life regulations of the country, family leaves are likely to be paid up to certain point. Employees have to contact management in good time prior the expected date of family leave.

4.2.8 Discrimination at work place, harassment and respectful behavior

It is a company's duty to provide employees an environment which does not accept any kind of harassment or discrimination. Non-acceptable behavior includes acts, words and jokes that are based on one's race, disability, age, sex, sexual orientation, religious views or other individual's characteristics.

A company should encourage reporting impropriate behavior to the closest supervisor as soon as possible, no matter if the unaccepted behavior is targeted at a co-worker, or the person making the report. Prompt reporting is important for sustaining a tranquil environment, resolving situations rapidly and to communicate the seriousness of the matter, therefore possibly preventing such situations from occurring again.

In general discrimination or harassment is not limited to the victim only, rather it can reflect onto the entire community and reduce job motivation temporarily, or on longer term. When creating your policies, emphasize the serious consequences of not acting according to the instructions.

Overseeing the working environment is primarily the responsibility of managers, however reporting misbehavior and failures to obey instructions are the responsibilities of each and every one.

4.2.9 Health and safety at workplace

Organizations are obligated to follow the mandatory working place health and safety regulations. Newcomers are introduced and trained to use the tools, machines and ways of working during the orientation period. In addition, they confirm their knowledge by signing the orientation checklist of relevant topics. In case employees feel the need for additional training for working methods or tools, they should be encouraged to inform the manager as soon as possible. It is then management's responsibility to provide necessary training.

Personal safety equipment that is necessary at work is provided by the employer. If employees notice an error, defect or failure in some of the tools, machines,

safety equipment or working conditions, they are obligated to notify the management without delay.

An employer requires that employees have valid licenses and cards for their tasks, for example occupational safety card, forklift operation license, hot work licenses or first aid certificate. Employees can notify the employer in case their license is about to expire, for the purpose that new training can be organized. Therefore company should set out a policy concerning allocation of costs.

Contact information for work safety and labour union representatives are to be found from the bulletin board or a similar visible place which is accessible for everyone.

4.2.10 Alcohol and drug use policy

Workers under influence of alcohol or narcotics can cause serious injuries to the worker himself/herself, co-workers or the tools that are being used.

Emphasize in you policy that the company has a zero tolerance on alcohol and use of drugs. Therefore, it is against company rules to use, distribute, obtain or sell such substances during the working day and on the premises of the employer. All staff members are obligated to report to their managers in case they suspect abuse of alcohol or drugs at the work place.

If a staff member is believed to be under the influence of alcohol or drugs, the employer can ask the employee to take part in appropriate tests, which can be conducted at the company's premises by authorized personnel or at the premises of occupational health care. As a final option, in case of a detected problem with alcohol or drugs, the employer, employee and occupational health care can consider beginning the alcohol- or drug abuse treatment –process.

Policies should include a clausal, emphasizing that neglecting alcohol and drug-use policies can lead to a warning, or in worst case, to the dismissal of an employee.

4.2.11 Using company equipment and premises

The policy needs to state all personnel are taught the proper and safe way of using company equipment, machines and safe ways of working at the beginning of employment relationship. Employees are obligated to use company equipment and tools in such a way that unnecessary wear and damage can be prevented.

The policy should also state working stations and workspace's are to be kept in a clean and good condition. Detected flaws and defects on machines, tools or working methods are to be reported to managers immediately, so that necessary measures can be taken.

The policy should inform the employees that the employees can use company equipment only for work-related tasks and other significant tasks are to be approved by supervising manager.

4.2.12 Internal communication

The company should ensure that internal communication works fluently. All employees should receive the announced information similarly and there should be no room for misconception. Depending on the available communication channels, decide which way is the main communication channel and make sure that the employees are aware of it. All communication between the employer and the employees should be open, directional and constructive. However, it might be a good idea to allow anonymous feedback by having a suggestion box.

It is good to remember that employees represent the company also outside the workplace; therefore it is advisable to keep sustaining the good image of the company and its staff members.

4.2.13 Workplace violence

The employer is ultimately responsible for the well-being of the company's employees and therefore all reasonable steps to prevent violence from all sources at workplace are to be taken. Violent behavior is not accepted from anyone,

including customers and other interest groups. Acting violently can lead to a warning, or in the worst case, to the dismissal of an employee.

All staff members are encouraged to raise any concerns about workplace violence and to report any violent incidents or threats to their manager. The management of the company is obligated to investigate all raised issues and incidents in fair and timely manner, respecting the privacy of the involved personnel.

4.2.14 Disciplinary actions

Disciplinary actions can be taken towards an employee who acts inappropriately against working equipment, a fellow staff member, customers or other interest group. Normally, disciplinary actions begin with a verbal warning given by a manager. If an employee needs to be warned again, a formal written reprimand will be given and the employee will be warned about the possibility of termination of employment. Serious breaches of instructions can lead to a direct written reprimand or even dismissal, if appropriate.

The facts surrounding the cause of disciplinary actions are investigated and the person in question will be interviewed by company management. All steps concerning disciplinary actions are to be documented properly and in general the company CEO needs to be noticed about each warning.

4.2.15 Outsiders and guests in a company

Depending on the various matters, companies might have requested visitors or outsiders moving around their premises. Visitors should not be let wander around the premises without escort due to safety and security issues. It is also a good practice to notify other managers or supervisors beforehand if you are planning to introduce other departments or premises.

If an outsider is found wandering around the company premises, it is everyone's obligation to kindly offer help and possibly lead the person(s) to the correct place. Suspicious behavior should always be reported to the manager or the supervisor.

4.2.16 Dismissal of employee and voluntary quit

Letting off an employee is always an event that needs to be handled with great delicacy and with compliance of related legislation. Dismissal of an employee is always the final option, if there is not anything else to do to current situation. To avoid possible accusations of unlawful dismissals, the employer must pay extra attention on the reason used to fire a person and the terms of the employment contract.

In general the economic downturn and employee-related performance issues are used as most common grounds for individual's dismissal. Other substantial reasons can be related to negligence of company policies, such as violent behavior, possession of illegal substances or serious acts of dishonesty at work. Employee dismissed by previous reasons is still entitled to outstanding wages, holiday pay and other entitlements mentioned under employment contract.

If an employee decides to leave his/her work, no specific reason needs to be mentioned to the employer. According to the labour law, there can be a term of notice that must be followed before being able to leave the work without sanctions.

It is recommendable to always have a written documentation concerning the ending of an employment relationship.

4.2.17 Retirement

If an employee is considering part time pension or full retirement, he/she should begin negotiating with the employer in good time before the expected date, so that the process of hiring and training a possible substitute can be started. In addition, pension application can then be submitted at the correct time.

Take into account the unused holidays and the possibilities to utilize them when considering the timing for pension. In many companies it is a custom to arrange a party for the retiring employee and to give a personal gift as gratitude from his/her career.

4.2.18 Performance appraisal

Performance appraisals are meetings between the employee and the representative of the company, usually a manager or another close supervisor. The aim of performance appraisal is to evaluate the outcome of completed work, future goals, personal development and wellbeing at work. It is beneficial that the parties have an open conversation about the available opportunities and possibilities, so that all hidden employee-potential can be utilized.

Performance appraisals are intended to be held at least once in a year with permanent employees. Interns and part time workers can have similar appraisals, when possible time- and resource-wisely.

Arranging performance appraisals is the responsibility of a manager or other supervisor. However, employees have an opportunity to request for an appointment from their supervisor if they feel it necessary. It is recommendable that the whole organization uses the same appraisal-pattern, so that all the necessary topics are handled effectively and the appraisal is similar for each employee.

4.2.19 Personnel questionnaire

Personnel survey is an effective way to measure well-being at work and how satisfied the personnel are with the selected topics. Completing such a survey at least once a year allows continuous feedback from the staff and ongoing development of the working environment.

When executing an employee survey, make sure that the employees have enough time for replying and that there are no possibilities to misunderstand any question of it. To ensure reliability, the personnel questionnaire is to be completed anonymously.

To gain full benefit from the survey, the company should transfer the results into concrete actions that benefit all staff members. Going through the results with employees is also recommended.

5 CONCLUSION

Often small and medium size companies face the problem of not having enough time and resources to write down their HR policies. Rather, they let the corporate culture form itself and matters are to be handled in a natural way. In short-term freewheeling and operating without policies can work extremely well, but in longer term collecting together common policies which are continuously revised, will be one key factors for success.

Due to the fact that companies differ from each other significantly and they work in such an enormous variation of environments, there is not one and only way of creating policies. The existing company culture within staff members, previously adopted values and good ways of working are an underlay for the human resource policies.

This thesis introduced a set of policies which were tailored for and created in close co-operation with the client organization. Creating such policies would not have been possible without working within the organization and becoming one of the staff members for a period of time. The majority of the presented topics were first handedly experienced during the six months internship and the rest of the topics, for example violent behavior and sexual harassment, are preparation for the worst case occurrences.

When considering a company's own policies, attention must be paid on avoiding conflicts with governing regulations, collective agreements, antidiscrimination laws and health and safety regulations. Including staff members from various organization levels will help gaining more perspective.

Carefully drafted policies enhance the working environment by making it balanced and fair for everybody. Eventually, HR policies that are drafted with adherence to legislation enable the smooth running of the core business and allow avoidance of tripwires.

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APPENDIX 1 – Interview form concerning policies

Nämä kysymykset auttavat selvittämään että kuinka tietyt henkilöstö-prosessit hoidetaan yrityksessä nyt. Samalla pyritään myös selvittämään kehityskohteita ja keräämään ideoita osastopäälliköiltä / työnjohtajilta. Suurempana tavoitteena on henkilöstöön liittyvien toiminteiden yhtenäistäminen ja tietojen laittaminen mustaksi valkoiselle – suuntaa antava henkilöstöpolitiikka yritykselle.

Haastattelumenetelmänä on puolistrukturoitu teemahaastattelu, jolloin saamme avoimiin kysymyksiin avoimia vastauksia. Osaa näistä kysymyksistä ei varmasti tarvitse kysyä jokaiselta osastonjohtajalta, vaan riittää esimerkiksi taloushallinnon henkilöstön haastattelu.

1. Uudet työntekijät
   - Millainen ohjeistus osastolla on käytössä uuden työntekijän perehdyttämiseen?
   - Mitä perehdytykseen kuuluu? Onko erikseen yrityksen yleisesitys ja tehtäväkohtainen?
   - Kuka perehdyttämisen suorittaa?
   - Kuinka työturvallisuuteen liittyvät asiat perehdytetään?
2. Uuden työntekijän palkkaaminen
   - Kuka määrittää rekrytointitarpeen ja tehtävänkuvan?
   - Kuka etsii kandidaatit, haastattelee heidät ja tekee lopullisen valinnan?
   - Onko ohjeistusta nykyiseen rekrytointi-prosessiin?
3. Työsuhde
   - Ovatko työntekijät yhteydessä itse toimistoon, vai meneekö kaikki tietojen päivitykset osastopäälliköiden kautta? (Esim. verokortti, osoitteenmuutokset)
   - Kuinka varmistetaan tärkeiden työntekijöiden pysyminen yrityksessä?
   - Millaisia työsuhde-etuja yrityksellä on? (Henkilöstölahjat, joulubonukset tms.)

4. Käyttäytymissäännöt työpaikalla
   - Millainen ohjeistus on olemassa kurinpidollisiin toimenpiteisiin?
   - Onko osastoilla olemassa erillistä "järjestyssääntöä" / käyttäytymissäännöstöä?
   - Kuinka taataan hyvä työilmapiiri kaikille?
   - Miten tasa-arvoisuutta edistetään?

5. Kehityskeskustelut
   - Pidetäänkö työpaikalla kehityskeskusteluja ja millaista kaavaa ne noudattavat?
   - Ketä kehityskeskusteluihin on osallisena?
   - Onko työntekijöiden seurantaan käytössä mitään tehokkuusmittareita?
   - Miten työntekijät voivat vaikuttaa työyhteisön kehittämiseen?

6. Työturvallisuus ja välineiden käyttö
   - Miten varmistetaan työvälineiden turvallinen käyttö?
   - Kuinka usein järjestetään lisäkoulutuksia tai perehdytyksiä uusiin työvälineisiin tai menettelytapoihin?

7. Sisäinen kommunikointi
   - Mitä kanavaa käytetään tärkeän tiedon levittämiseen? (Ilmoitustaulu, sähköposti, palaverit, suullinen tiedonsiirto?)
   - Miten varmistetaan että kaikki saavat saman tiedon? Kuka on vastuussa?
   - Järjestetäänkö osastoilla viikko- tai kuukausipalavereita ajankohtaisten asioiden läpikäyntiin?

Mitä kehityskohteita tulee mieleen henkilöstöön liittyvissä toiminteissa?

Appendix 2 – HR policy for the client company (In Finnish & confidential)

This document is confidential and thus not published here.