



SCHOOL OF
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Competence Development and HR in an SME Context

Managerial views and practices in Swedish small- and medium-sized enterprises

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Abstract

There are over 1.1 million small- or medium-sized enterprises (SMEs) in Sweden. But even if they have a significant impact on both the country's economy as well as creating a majority of all Swedish jobs, the current research within competence development has in large, overlooked SMEs. The purpose of this study is therefore to fill that gap by investigating current practices and facilitation of competence development (CD) in Swedish SMEs, with or without a designated HR function.

The empirical part of this study was collected by conducting semi-structured interviews online with twelve participants from twelve different Swedish SMEs. The interviewees were either founders, CEOs, HR professionals or a mix of these in their respective companies. The companies were from seven different industries: beauty, consultancy, education, health care, industrial production, real estate, and tech.

The results reveal that more competence development is being conducted in SMEs than current research suggests, regardless of a designated HR function or not. All companies interviewed facilitated CD in some way. Even if CD was not facilitated in the same way in all companies, the views and responsibilities of CD were similar within the same industry. Few of the interviewed companies had any plans to grow and/ or get a designated HR function. The research conducted in this thesis draws conclusions that show not all companies believe that a designated HR function is necessary to conduct CD. In all SMEs interviewed, CD was prioritised and perceived as important.

Keywords: Competence development, Small- and medium-sized enterprises, SME, Workplace learning, Talent management, Human Resource Management.

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List of abbreviations

CD – Competence development

HR – Human Resources

HRM – Human Resource Management

SME(s) – Small- and Medium-sized enterprises

1. Introduction

1.1 Background

One of the most vital components in any functioning economy is undoubtedly the small and medium-sized enterprises (SMEs). They constitute the backbone of the world economy as they stand for a significant majority of all jobs created (OECD, 2005; Oztemel & Ozel, 2021). In itself, a company is not more than a structure or a system that organises a number of people, and it is therefore also what they can accomplish from working together that, with few exceptions, is the underlying factor for success (Ellström & Kock, 2008; Katwalo, 2006; Tyskbo, 2019).

A majority of companies in the world are categorised as SMEs, a notably broad category with highly different characteristics compared to larger organisations. This diversity also makes it more difficult to generalize and give general descriptions of these types of companies. Perhaps this is one of the reasons that SMEs, in business research, are largely overlooked in favour of targeting large corporations; companies having more than 250 employees (OECD, 2005; Tillväxtverket, n.d.a). This is interesting since an overwhelming majority of the existing companies in the world, in fact, employ less than 250 and therefore are classified as SMEs. According to Tillväxtverket (The Swedish Agency for Economic and Regional Growth), around 99.9% of all companies in Sweden are SMEs. Further, 65.1% of all people employed in Sweden are employed in such a company (Tillväxtverket, n.d.a).

In order to be productive and create value for its customers, the workforce of a company needs to have relevant knowledge and abilities to perform what they are supposed to. Competence can be described as an individual's acquired or innate knowledge, skills, capabilities, and attitudes used for or resulting in adequate ability in effectively mastering tasks, identifying and solving problems in a specific context (Ciubotaru, 2015; Ellström & Kock, 2008). This involves meeting the requirements of a specific job, i.e., being able to perform the different tasks expected at the workplace. Research has shown many benefits from developing competence and workplace-related learning, both for the individual and the organisation as a whole. It not only leads to a more

competent and skilled workforce but also lowers the rate of employee turnover, makes employees more engaged, increases their loyalty towards the company, and it has also been proven to be an effective strategy for employer branding (Fasth, Wikhamn & Wikhamn, 2020; Gering & Conner, 2002).

1.2 Problem Formulation

When going through current research on competence development, a pattern started to emerge, namely that most research is based on larger companies with more than 250 employees. In addition to the disproportionate representation of larger companies another assumption keeps coming back in the literature: the assumption that only a Human Resources (HR) department or an HR specialist can orchestrate functioning competence development, its strategy, implementation, and execution (Bostjancic & Slana, 2018; Hariadi, Muhammad & Falefi, 2020; Loufrani-Fedida & Aldebert, 2021; Mtetwa & Mutambara, 2020). As an exception to this, Finkelstein (2016; 2018), has pointed toward talent leadership without HR. Even if Finkelstein's research also targets larger companies, there is one crucial difference: Talent Management and competence development are handled by line managers, not designated HR specialists. This more resembles the conditions under which SMEs are operating since many SMEs lack a specialized HR function. Thus, raising the question; how do SMEs work with competence development?

1.3 Aim and purpose

The intention behind this study was originally to investigate the use and motives of competence development in SMEs. However, when getting familiarized with the research area at the beginning of the project, the authors realized that the concept is part of numerous other overarching concepts such as Human Resource Management (HRM) and Talent Management. In order to understand the uses and possible managerial motives behind competence development, one must look at it in the context of what practices it originates from and over an extended period. When doing this, it soon becomes apparent that it would be difficult to understand the complete picture of its use and applications if overlooking the HR perspective as these concepts are theoretically related and are

part of a company's strategic ambitions. To understand how competence development is and can be used by SMEs, it was deemed necessary to view it in light of the organisation's overall HR practices.

SMEs constitute an overwhelming majority of all companies but are, research-wise, still largely overlooked when it comes to competence development. This study therefore aims to develop an understanding of how SMEs work with competence development in their organisations. In order to do this, this thesis will investigate how different SME managers, or equivalent decision-makers in these organisations, perceive and work with concepts such as competence, competence development, strategy, HR, and further the role of HR in such. In addition to their perceived potential benefits, this relates to the specific contextual, yet diverse, conditions of SMEs in general and the individual characteristics of the participating organisations.

As previously stated, the gap in the research is evident. Research targeting SMEs is scarce compared with large companies (Hill, 2004), and research perspectives on competence development and HR within SMEs are even more limited. Further, there is a gap regarding research about the strategies linked to both SMEs and competence development, with Human Resource Management being considered a crucial component in successful competence development (Bostjancic & Slana, 2018; Hariadi, Muhammad & Falefi, 2020; Loufrani-Fedida & Aldebert, 2021; Mtetwa & Mutambara, 2020).

This study endeavours to contribute to filling the aforementioned research gap in competence development within SMEs and it is believed that investigating the strategic implementation of competence development in SMEs. How it is perceived and implemented in SMEs today can be of value to academia, HR professionals, SME managers, and entrepreneurs. This research explores how these companies, and their managers view and work with competence development in their organisations and builds on the identified knowledge gap that a vast majority of research on HR in general and strategic competence development has been conducted on large corporations. Applying a qualitative research approach, this project will be using semi-structured interviews with SME managers to conduct a comparative content analysis of their responses in relation to existing theories related to competence development in organisations.

Many companies can still do without an HR function or department and identify key success factors in how SMEs operate without a designated HR function (Fasth, Wikhamn & Wikhamn, 2020). Furthermore, this study's results could present a 'good practice example' by describing current practices in SMEs and comparing these against existing theories on the subject. Another possible outcome of this research could be investigating if the bias towards HR's role in talent and competence development is founded or if it has grown from the fact that most research is conducted on companies having access to a designated HR function.

1.3.1 Research Questions

Based on the problem formulation together with the aim and purpose of the study, the following research questions have been defined:

RQ 1: How is competence development used, perceived, and prioritized in SMEs today?

RQ 2: How do SMEs facilitate competence development with or without a designated HR function?

RQ 3: Does current research give a picture in line with how Human Resources and Competence Development is managed and facilitated in SMEs?

1.4 Demarcations

This study follows the same size division of companies that Tillväxtverket (n.d.a) does. A small company has 0-49 employees, a medium company 50-249 employees, and a large company has 250 or more employees (Tillväxtverket, n.d.a). This is also the most common size definition within the European Union (OECD, 2005). The scope of this study is limited to look only at Swedish companies since that a broader sample, such as looking at European SMEs, likely could entail additional contextual factors and add more confounding variables. Given the conditions of this study, this would risk leading to more disseminated results at the expense of a deeper understanding of the actual motives behind SME practices.

The world of the growth mindset (Dweck, 2014) and lifelong learning is far and wide, and for the timeframe of this research, a bit too broad. Therefore, this study will not take a growth mindset of the manager or founder into consideration. Furthermore, needless to say, terms such as HRM, Talent Management, etc., are theoretical concepts primarily used to study such phenomena. Plenty of activities conducted by managers in a company could fall under definitions like these. These theoretical names are not necessarily the same names as the interviewed practitioner uses. Therefore, the interviewees, i.e., the managers are not expected to reflect upon these questions in terms of their theoretical definition.

Another research area with a larger focus on smaller companies is entrepreneurial research. However, after looking into the field of entrepreneurship research, it seems to focus primarily on founding, founders, scaling, and the journey of growth of companies rather than the actual competence development of employees. Since the focus of this study is equally interested in SMEs who are having no interest in scaling up or growing the company, it was decided not to include the field entrepreneurship research.

1.5 Outline of the thesis

Literature review - This chapter provides a theoretical platform for which the further review and examination is based. It begins with additional theoretical background regarding the research problem which is followed by a detailed description of key theoretical concepts relevant for the study, including HRM, Talent Management, and competence development.

Methodology - In this part, the methodological approach and process is described in detail. The section is concluded with some ethical considerations and a critical discussion of the research method.

Empirical result and Analysis - This chapter begins with reporting the empirical findings including characteristics of the participating organisations followed by a representation of the empirical findings drawn from the conducted interviews. The results from the data collection are

further analysed and discussed compared with, and in relation to each other, the theoretical framework and the study's purpose.

Discussion - In this chapter, the result of the study is discussed, both in itself and in relation to the theoretical background provided in the literature review.

Conclusion - This chapter comprises the key conclusions drawn from conducting the study. It further reviews the identified limitations of the study together with suggestions on future research on- or related to the subject.

2. Literature review

This review is divided into six parts. It will start with a background, and then information and theory regarding SMEs. Here, there will also be the most recent statistics regarding SMEs in Sweden. The review will then funnel down to practices within employee management, starting with Human Resource Management. The review will then explore the Talent Management aspect of HRM, which is also the umbrella term for processes regarding pinpointing talent, competence development and talent retention (Hariadi, Muhammad & Falefi, 2020). It will then clarify the area of competence development to be discussed. This chapter will end with a theory and literature discussion. For a visual representation of the theoretical parts and their relationship to each other, see figure 1.

2.1 Background

As already mentioned, existing and much cited research on competence development has a clear bias towards larger corporations (Andersson, Forsgren & Holm, 2002; Andersson, Forsgren & Holm, 2007; Bunderson & Sutcliffe, 2003; Gunther McGrath, MacMillan & Venkataraman, 1995; Kock & Ellström, 2011, Larsson, Bengtsson, Henriksson & Sparks, 1998; Loufrani-Fedida & Aldebert, 2021). Some research, e.g., Mir, Khan & Abbas (2020), also puts its purpose of the research to aid HR professionals in their work, not as a general help for anyone who happens to be

responsible for employees. Researchers have called for the need to investigate SMEs standalone since their conditions so vastly differ from larger organisations (Festing, Harsch, Schäfer & Scullion, 2017; Szczepańska-Woszczyna, 2014). Interestingly enough, this has not led to a rush of new research regarding SMEs and their competence development (Fasth, Wikhamn & Wikhamn, 2020; Loufrani-Fedida & Aldebert, 2021).

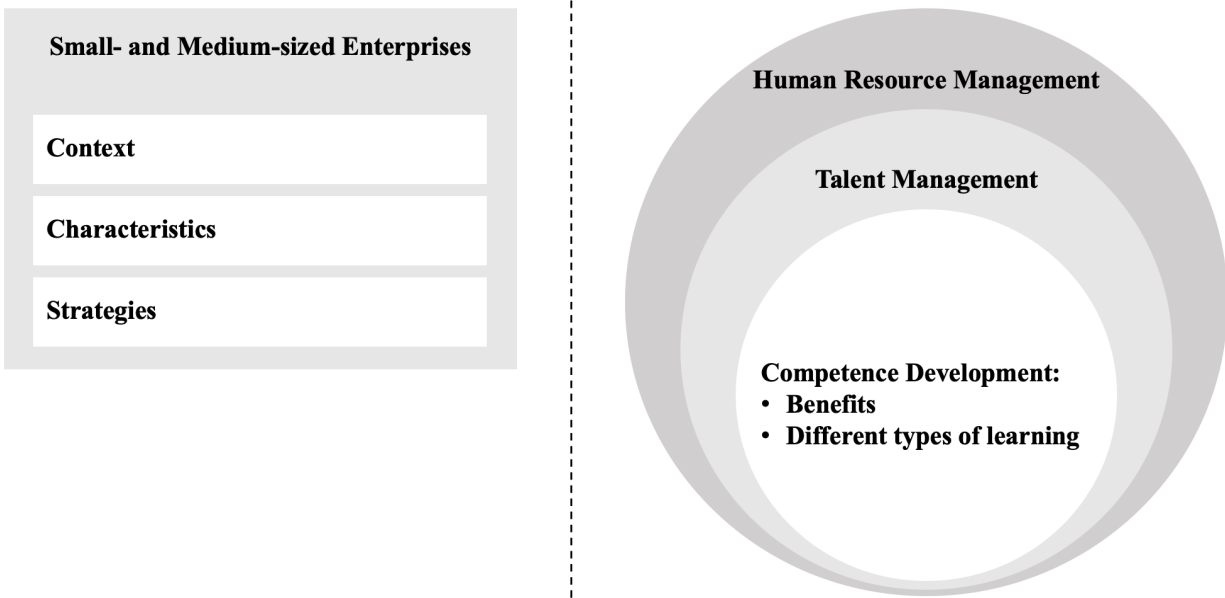


Figure 1 - Visual representation of the theoretical concepts presented in the literature review

2.2 Small- and Medium-sized Enterprises

2.2.1 Context

At the beginning of the year 2020, Sweden had about 1.2 million registered companies. Out of these, 96.4% were small companies with between 0-9 employees. SMEs, with between 0-249 employees, made up as much as 99.9% of all registered companies in Sweden at the beginning of 2020. This means that there are over 1.1 million small and medium-sized companies in Sweden (Tillväxtverket, n.d.a). However, large companies stood for 34.9% of all created jobs, while the small enterprises only employed 23%. Therefore, companies that have only 0.1% of the entire

Swedish business supply, stand for over a third of all jobs provided (Tillväxtverket, n.d.a). The amount of research on competence development in SMEs is limited (Ellström, 2010; Loufrani-Fedida & Aldebert, 2021), and what research has been done is rather done by the same researchers. Theories regarding competence development in SMEs are therefore primarily based on studies done on larger corporations (Festing, Harsch, Schäfer & Scullion, 2017). In 2020 as many as 73686 new companies were founded in Sweden (Tillväxtanalys, n.d.) and 7247 companies in Sweden with 49 employees or less went into bankruptcy in 2020. Even if 2020 was an extraordinary year due to the covid-19 pandemic, the number of bankruptcies were around the same as the year before. (Tillväxtanalys, n.d.).

As previously stated, SMEs are an integral part of driving the economy, both in developing countries and in already developed countries (Festing, Harsch, Schäfer & Scullion, 2017; OECD, 2005; Oztemel & Ozel, 2021; Szczepańska-Woszczyna, 2014). In a small organisation, the connection between- and influence of the manager's characteristics is often more significant and more direct compared with the equivalent in large companies (Loufrani-Fedida & Aldebert, 2021). Furthermore, Szczepańska-Woszczyna (2014) states that the competitiveness of SMEs often is directly affected by the competencies that the manager possesses—making it reasonable to assume that individual managers play a crucial role in how competence development is prioritized.

2.2.2 Characteristics

SME conditions, challenges, and opportunities naturally differ compared with larger organisations. A clear difference is, among other things, the possibility of greater operational flexibility, especially regarding work processes (Belàs, 2020). This is partly due to less formalized processes, a high degree of involvement and participation of employees in day-to-day operations, and important decisions are more often made by people who are both physically and hierarchically closer (ed. Bagnasco & Sabel, 1995).

SMEs can be found in all different industry sectors. The most significant number of SMEs in Sweden can be found in the forestry, fishery, and agricultural industries, with a combined number of 245 000 enterprises, followed by law, finance, science, and tech, with a combined number of

193 000 companies (Tillväxtverket, n.d.a). A reasonable assumption to make is that competence development practices highly differ in these industries. For example, within the industries of finance or law, competence development may be more efficiently conducted in groups, while for example within agriculture, it could be sufficient to teach two people a new machine to make all work processes more efficient. Also, the many differences in opportunities and challenges both within the diverse category of SMEs and even further compared with large companies, some researchers argue that one is required to look at competence development differently in terms of why and how it is practiced (Szczepańska-Woszczyna, 2014).

Another interesting factor that can be important in understanding the views and practices concerns the company's ambitions. In 2020, only 69% of the small companies in Sweden had ambitions to grow in either revenue or size of the workforce (Tillväxtverket, n.d.b). There could be many reasons for this, and it could mean that smaller companies do not see a need for specialized HR competence due to the size of the organisation. A study conducted by Fasth, Wikhamn & Wikhamn (2020) concluded that most companies do not plan on hiring their first HR specialist until after employee 18, 20, or 30. However, it provides no explanation for how these companies work with competence development, as research both in SME and start-up competence development is scarce (Loufrani-Fedida & Aldebert, 2021).

In smaller companies, employees need to do a higher variety of work tasks and therefore need to possess a more diverse set of skills than in larger companies where employees tend to be more specialized in their work. This can lead to additional costs, exceeding the annual salary, to find and train a new employee to replace an employee leaving (Fasth, Wikhamn & Wikhamn, 2020; Festing, Harsch, Schäfer & Scullion, 2017).

The business climate is changing, while today's labour market is designed for permanent employment, that is being diluted with other more flexible ways to work and be employed. This is due to several reasons: technology allowing for new possibilities, companies needing to be more flexible regarding competences, and a change in attitude from employees. Therefore, more and more companies are using interim employment, project positions as well as short time hiring to meet these flexibility demands. These employees are increasingly being referred to as 'gig-

employees’, being hired for one ‘gig’ at a time, not having a permanent position at the company, but rather working on a freelance or consultancy basis (OnePartnerGroup, n.d.)

2.2.3 Strategies

A large company faces different problems (Belàs, 2020). With a more complex structure, more specialisations will be needed. It is not cost effective to have generalist employees in that everyone does everything. But in order to stay in the forefront of their business segment, employees still need to have a diverse set of skills (Fasth, Wikhamn & Wikhamn, 2020). Here, the need for competence development is different. To educate employees to reach compliance is evidently needed in all companies, regardless of size (Festing, Harsch, Schäfer & Scullion, 2017). However, the aim for other types of competence development can be different.

According to Tillväxtverket (n.d.b), there are some differences in the reason and vision for strategies in SMEs compared to larger companies. As stated previously, not all SMEs wish or have the intention to grow (Tillväxtverket, n.d.b). Without that incentive, what other goals do SMEs work towards? In regard to a small company that may have two very specialized people employed, the aim could be to be the best in the business (Gering & Conner, 2002). It could also be to be more cost-effective or to develop what never has been developed before. In all these instances, competence development is crucial for realizing the ongoing strategy (Kock, Gill & Ellström, 2008; OECD, 2005). However, developing these competencies can be expensive, and often it takes some time to observe any effects (OECD, 2005). A common strategy in SMEs is to reduce employee turnover as the company's performance will be affected every time someone leaves (Andrews & Mohammed, 2020). One person leaving a nine-employee company compared to one leaving a larger company makes a significantly larger impact on performance (Sheehan, 2014), also since a recruitment process is both expensive and takes time (Fasth, Wikhamn & Wikhamn, 2020). Due to the need in SMEs for generalist competence, there is not just one specialist changing jobs but also an employee with intricate knowledge of many parts of the business (Fasth, Wikhamn & Wikhamn, 2020; Larsson, 2020).

2.3 Human Resource Management

Human Resource Management (HRM) refers to the management of an organisation's human capital and its practices therefore have a large effect on all parts of any company (Huselid, 1995). It is an umbrella concept describing all activities connected to the management of people in companies, followingly also making it a very broad definition (Pak, Kooij, De Lange & Van Veldhoven, 2019).

HRM as a concept has been thoroughly researched within larger corporations (Al Mheiri, Jabeen & Abdallah, 2021; Fasth, Wikhamn & Wikhamn, 2020; Mtweta & Mutambara, 2020). An important distinction to make, especially when it comes to HRM, is the difference between HRM practices and HRM practitioners. HRM practitioners can be called Human Resource Managers, HRM professionals, -specialists, and similar, and thereby form an HR function in the organisation. Human Resource practices, meaning the conducting of HR-related activities, can sometimes be confused or believed to be the same thing as the title of the person who conducts them - the practitioner (Fasth, Wikhamn & Wikhamn, 2020). However, as Fasth, Wikhamn & Wikhamn (2020) have concluded, there is often no HRM practitioner in SMEs due to their small size. Research has so far in many ways assumed that HRM practices and competence development cannot be done, or at least not effectively, without a designated HR function (Al Mheiri, Jabeen & Abdallah, 2021; Fasth, Wikhamn & Wikhamn, 2020; Mtweta & Mutambara, 2020).

2.3.1 HR by line managers

The term 'superbosses' comes from the researcher Sydney Finkelstein. He distinguishes a 'superboss' from an ordinary boss in that they possess an exceptional ability to discover talent, but perhaps even more, successfully can get talents to grow (Finkelstein, 2016; Finkelstein, 2018). This can be by giving one-on-one advice and pushing the employee to do things that were out of what they had done before (Finkelstein, 2016). 'Superbosses' work with goals and also promise learning, and teaching, as a way to obtain talent to their organisations. They are a lot about the growth of the people in their organisations and help proteges even after they have left the organisation (Finkelstein, 2016). Continuous feedback given from 'superbosses' helps talents gain

a steep learning curve (Finkelstein, 2016) and has also been shown to give higher workplace engagement (Aulin Larsson & Bergström, 2020; Maurer, Weiss & Barbeite, 2003). Furthermore, Gering & Conner (2002) concludes that, among other things, the best managers can provide convincing reasons for people to be involved in the organisation. They discuss that a good manager can satisfy employees' needs and display the value of each individual in the company, and great managers carry out management processes that provide daily growth and commitment for employees.

2.4 Talent Management

Talent Management as a concept faces many challenges, starting with that there is not a consensus of a clear and unanimous definition of what Talent Management actually is (Bethke-Langenegger, Mahler & Staffelbach, 2011). Ellström & Kock (2008) provide one explanation of Talent Management as being an HRM process that mainly focuses on the managerial practice of handling employees; this contains three different sub-processes; 1) onboarding, referring to the development and strengthening of new employees entering an organisation; 2) maintaining and developing the existing workforce, in providing relevant support, competence development, etc.; 3) attracting as many qualified, competent and committed talents as the company requires (Ellström & Kock, 2008). Another definition is that of Bethke-Langenegger, Mahler & Staffelbach (2011), who define Talent Management as; “a distinctive process that focuses explicitly on those persons who have the potential to provide a competitive advantage for a company by managing those people effectively and efficiently and therefore ensuring the long-term competitiveness of a company.” (p. 527). However, in this thesis, Talent Management is defined based on the same definition as Nisa et al. (2016, cited in Hariadi, Muhammad & Falefi, 2020) as a series of initiatives carried out by the company through the process of recognising, advancing, and retaining qualified employees.

2.4.1 Definition of talent

There are also differing opinions among researchers about what talent actually constitutes. First, it is important to distinguish between talent as a trait or as a description of a valuable human asset.

Ionescu (2006, cited in Lucia, 2018) defines talent as “the amount of a person’s abilities (broadly defined as graces/gifts, qualifications and skills) knowledge, experience, intelligence, judgment, attitude, character and orientation” (Lucia, 2018, p. 432). Talent in research also includes the meaning of talented employees (Anas, Alakhone & Perdikis, 2020; Mir, Khan & Abbas, 2018; Mtweta & Mutambara, 2020). Tansley (2007, cited in Mtweta & Mutambara, 2020) states that talents are employees who have a positive influence on organisational performance by contributing or by demonstrating heightened abilities to perform exceptionally (Tansley, 2007, cited in Mtweta & Mutambara, 2020). Different (large) organisations have different ways of viewing talent. While some see all employees as equal with different talents or skills to develop, others divide their employees within different groups, such as key staff, high-potentials, and young high-potentials (Bostjancic & Slana, 2018). This thesis defines talent the same way as Tansley; employees who have a positive influence on organisational performance by contributing or by demonstrating heightened abilities to perform exceptionally (Tansley, 2007, cited in Mtweta & Mutambara, 2020).

2.4.2 Talent retention

The concept of talent retention refers to an organisation's ability to keep necessary competent Human Resources, or talents, within the organisation (Al Mheiri, Jabeen & Abdallah, 2021). Gering & Conner (2002) states that managers who take a strategic approach to talent retention create longer-term benefits. In contrast, they express that late thought of half-measures or quick fixes very well might give short-term success in keeping employees, however they also state that the chance of them staying for a longer time or encouraging their colleagues and friends to apply for jobs in the same company is significantly lower.

In general, high employee turnover leads to increased operational costs and makes it harder for companies, in general, to stay competitive (e.g., Andrews & Mohammed, 2020; Festing, Harsch, Schäfer & Scullion, 2017; Gering & Conner, 2002; Larsson, 2020). Therefore, many authors have stressed the importance for companies to conduct talent retention activities, including investing in a continuous competence development of the workforce as a measure to retain talent (Flanagan, Baldwin & Clark, 2000). Statistics show that people in Sweden usually change workplace as often

as every five years (Jusek, 2018). Some researchers also stress that some employee turnover can be good since there could be an underperforming employee that leaves the company (Andrews & Mohammed, 2020).

2.5 Competence Development

As previously stated, the definition of competence used in this thesis is the same as Ciubotaru (2015); describing competence as an individual's acquired or innate knowledge, skills, capabilities, and attitudes used-, and resulting in sufficient ability in mastering tasks, identifying and solving problems, such as meeting the requirements in being able to perform the tasks expected at work (Ciubotaru, 2015). In this thesis, a distinction is further made between competence development and onboarding. Although both concepts refer to a knowledge-transferring activity, in contrast to competence development, onboarding rather refers to learning the tasks required to perform the job and primarily takes place at the beginning of the employment.

2.5.1 Focus of research

When searching on one of the most used websites for cited research, Web of Science, the most cited articles regarding competence development, it could be argued that the most cited works have all overlooked SMEs, as demonstrated in Table 1. The six most cited research articles, with over 2300 citations, regarding competence development all focused on larger corporations. Due to the search results also containing a lot of articles regarding bacteria, the search was refined by “Business Economics” as a topic, which according to Web of Science, was the most cited topic within business.

Search term: “Competence development”, refined by: Business Economics

Table 1 - Most cited research regarding Competence Development

Year	Author	Title	Company size	Times cited (in Web of Science)	Comment
1994	Patricia Phillips McDougall, Scott Shane, Benjamin M. Oviatt	Explaining the formation of international new ventures: The limits of theories from international business research	No mention of it, although MNC's are usually exceedingly large	750	No HR mentioned, focuses on the founding entrepreneur's competence
2002	Ulf Andersson, Mats Forsgren, Ulf Holm	The Strategic Impact of External Networks: Subsidiary Performance and Competence Development in the Multinational Corporation	300-27000 employees	638	Competence development between subsidiaries
1998	Rikard Larsson, Lars Bengtsson, Kristina Henriksson, Judith Sparks	The Interorganizational Learning Dilemma: Collective Knowledge Development in Strategic Alliances	>1000 employees	508	Competence development between corporations Supports use by Human Resource Managers (p 301)
2003	J. Stuart Bunderson Kathleen M. Sutcliffe	Management Team Learning Orientation and Business Unit Performance	In average 286 employees	309	Help from company's HR department Group level factors
2007	Ulf Andersson, Mats Forsgren, Ulf Holm	Balancing subsidiary influence in the federative MNC: a business network view	50 - 5000	301	
1995	Rita Gunther McGrath, Ian C. MacMillan, S. Venkataraman	Defining and Developing Competence: A Strategic Process Paradigm	10 - 725000	228	Teams within larger firms

Even if some of these articles targeted departments or subsidiaries of companies with the same number of employees as an SME, being a department in a larger company is still not comparable to being independent of a larger corporation, in the same way that an SME is (Belàs, 2020; Festing, Harsch, Schäfer & Scullion, 2017).

2.5.2 Competence development benefits

Research shows that competence development can have a significant impact on employees, and it has further been shown that there are many positive outcomes related to implementing competence development in the workplace (Austin, 2015; Ellström & Kock, 2008; Kock, Gill & Ellström, 2008). Evans and Waite (2010) bring up the importance of interplaying both informal and formal learning. While informal learning is easier to do ‘on the job’, a mix where formal learning is teamed with the support and opportunities to use the new knowledge at the workplace demonstrates more positive results than doing it alone.

As it is increasingly important for professional organisations to show that they are accountable, efficient, and effective, increased demand for a culture that nurtures competence development can be seen in the labour market (Brekelmans, Maassen, Poell & van Wijk, 2015). To more effectively utilize employees' skills has shown to increase workplace well-being and produce positive effects on employee turnover, an overall increase in productivity, and improved relations between management and employees, among other things (Huselid, 1995; OECD/ILO, 2017).

2.5.3 Competence development and talent retention

A study conducted by The Hay Group in 2001 showed that the reason employees stay longer at a workplace can be both due to the competence of their supervisor, as well as their own development from competence development and learning new skills (The Hay Group, 2001 cited by: Gering & Conner, 2002). Bethke-Langenegger, Mahler & Staffelbach (2011) also admits that strategic competence development has significant importance for Talent Management and employee retention. This is further illustrated by Salgado, Flegl & Fejfarova (2020), where almost 30% of employees in tech start-ups replied that training was vital for them in wanting to stay at the workplace even if there are other reasons for employee retention, such as work-life balance (Anas, Alakahone & Perdikis, 2020; Salgado, Flegl & Fejfarova, 2020) and work environment (Salgado, Flegl & Fejfarova, 2020).

Ellström & Kock (2008) defines competence development into different measures an employer can utilize, such as but not limited to recruitment and promotion, employee education and training, in addition to planning changes in work tasks to further informal learning. These measures can be used, for example, as a way of communicating conformity with the company's values both to external stakeholders and internally in the company itself (Ellström & Kock, 2008). Flanagan, Baldwin, Clark (2000) concludes in their article the importance of work-based learning and that people must be motivated to learn, as this will invoke a more engaged workforce.

2.5.4 Competence Development in larger vs. smaller organisations

Larger corporations often have specialized HR departments, many times with employed Learning and Competence Development specialists. In comparison, as Loufrani-Fedida & Aldebert (2021) point out, in SMEs, the role of HR usually falls on the founder or manager. Fasth, Wikhamn & Wikhamn (2020) clarifies HR specialists are usually not among the first hires in a company due to the unusefulness of having an HR department without enough employees to take care of. SME-specific challenges are in many ways different from the ones faced by larger organisations. One of the most prevalent is resource scarcity, which leads to other areas, such as investing in the product and business operations being prioritized in favour of support functions such as HR (Loufrani-Fedida & Aldebert, 2021). As a result, access to designated HR competence in SMEs is, compared to larger organisations, rare (Fasth, Wikhamn & Wikhamn, 2020). There could be many reasons for this, for example that it could be difficult to generalize such a large spectrum of organisations. With SMEs constituting over a million companies in Sweden alone, the task to conduct research about them could be daunting and attempting to generalize any findings even more difficult.

As previously stated, the current research supply is somewhat biased towards the demand of an HR department being responsible for competence development activities. Nevertheless, what happens with businesses that lack a designated HR function due to their size? Within the research up until today, a majority takes the need for an HR department for granted, suggesting that a company cannot work with competence development without a specialized HR employee (Fasth, Wikhamn & Wikhamn, 2020). However, while this may be the case in larger corporations, where specialization also plays a more significant part due to larger companies' complexity, the smaller

companies face a different challenge. In smaller companies, the need for a generalized or multi-skilled staff is more typical (ed. Bagnasco & Sabel, 1995; Fasth, Wikhamn & Wikhamn, 2020).

Even if research of competence development in larger organisations is extensive, there are many differences between larger and smaller companies besides the number of employees leading the research to be insufficient. Therefore, assessing the need and finding appropriate ways to attain that knowledge poses entirely different challenges. As already mentioned, in larger companies there can be employees specialized in competence development alone. This is often not feasible in a smaller organisation due to its smaller size and fewer resources (Sheehan, 2014). Therefore, research like this looking at different ways of coordinating competence development is of importance.

2.5.5 Competence development in relation to HR

As of now, a majority of the research covering competence development presupposes company access to an HR department (Bostjancic & Slana, 2018; Hariadi, Muhammad & Falefi, 2020; Loufrani-Fedida & Aldebert, 2021; Mtetwa & Mutambara, 2020). Wordings such as; "Without a well-positioned and equipped HR-department, Talent Management efforts are bound to fail." (Mteweta & Mutambara, 2020, p. 16629) further ingrain this bias. In contrast, Finkelstein (2016) and, to some extent Anas, Alakahone & Perdikis (2020) disagree with this statement, instead stressing the importance of the middle manager in the competence development- and Talent Management process. Finkelstein (2016; 2018) even goes as far as referring to some exceptionally competent managers as 'superbosses', being managers, whose main job is not Human Resources; however, still, more or less alone, effectively spots and develops talents. These findings highlight the importance of the individual competency and personality of the manager in Talent Management. Tyskbo (2019) also stresses that even if a lot of today's research is HR-centred, a need to look beyond HR's view is evident. Fasth, Wikhamn & Wikhamn (2020) additionally points out that even if smaller companies do not have an HR responsible, that does not mean that HR issues are not worked with.

2.5.6 Methods of Competence development

2.5.6.1 Informal- and formal learning

As mentioned above, there are many ways to look at competence development. Equally, there are many ways to conduct competence development. Some of the more common and easiest to market ways to conduct competence development are through formal courses. These could be online or conducted as seminars, workshops, or on- or off-site courses. However, learning can be so much more. Several ways of semi-informal learning could be through mentorship programs at a workplace (Tynjälä, 2013), peer-reviewing each other's work as well as coaching, are also considered competence development (Evans & Waite, 2010). There is no consensus between researchers on how often a specific activity has to be carried out to count as continuous competence development (Tynjälä, 2013). The informal learning conducted at workplaces is much more difficult to measure (Johnson, Blackman & Buick; 2018, Moore & Klein, 2019).

The 70:20:10 framework can be described as a perspective for organisations to develop an effective learning and development program (Johnson, Blackman & Buick, 2018). It divides learning into three parts: 1) learning through challenging work experiences, 2) developing thanks to relationships with other people and executives, and 3) learning through formal education. Research implies that these three types of learning have a 70:20:10 ratio, where only 10% of the learning actually is gained from formal education in the form of courses or classroom training (Johnson, Blackman & Buick, 2018). According to this framework, for learning to take place, an employee needs both social and experiential support. The employee needs the time and opportunity to practice the newly acquired knowledge that they have gained, in addition to support from co-workers and managers. This framework pushes on the relatively little need for formal training and the significantly larger impact of informal 'learning-on-the-job' knowledge. That knowledge, competence, and learning can be achieved in many ways and that formal learning - sending employees on courses - is not the only way to achieve learning (Kock & Ellström, 2011). Looking at the 70:20:10 framework, most learning is actually unmeasurable and intrinsic (Johnson, Blackman & Buick, 2018). However, it is not to be overlooked, Austin (2015) claims that learning is an integral part of HRM.

While formal learning can come in the form of structured learning in classes or courses on- or off-site, informal learning, due to its possible variations, has a much broader scope (Moore & Klein, 2019). It may be unstructured, or at least less structured, and often rather spontaneous, such as asking a co-worker for help when being out of depth with a problem or having an informal mentor in the workplace (Evans & Waite, 2010). As Kock & Ellström (2011) further point out, informal learning is not only confined to the workplace but is something taking place also outside the job. A general way of looking at informal learning is that it is subordinated to another assignment or task (Kock & Ellström, 2011). The main goal of the task is not to learn new things, since learning happens regardless (Ellström & Kock, 2008). Moon and Na (2009) partly agree with the above definition of informal learning but takes this one step further with a third level of learning apart from formal and informal learning: incidental learning. This learning is happening entirely by coincidence, unintended, and is a by-product of some other activity (Moon & Na, 2009; Tynjälä, 2013). Tynjälä (2013) also presses on the need for reflection in everyday learning, while other researchers, for example Maurer, Weiss & Barbeite (2003) seem to have overlooked or down prioritised reflection. All different ways of learning will then lead to a change in behavior, and thus a change in performance (Austin, 2015).

2.5.6.2 Agile learning

Another framework for learning that is becoming more frequent is that of Agile Learning. Due to the increasing digitalization of many workplaces, the need for digital learning tools and platforms in workplaces has further increased (Longmuß, J. & Höhne, 2017). In contrast to the 70:20:10 framework mentioned earlier, based on letting informal learning roam free, the agile learning approach is conducted in sprints which easily can be tailored to suit the specific needs of the company. The participant sets their own goals and desired learning outcome before the sprint starts in regard to this sprint's task. With the help from groups of peers in the same sprint, internal and external coaches and a product owner then work to reach those learning goals parallel to finishing the task. In Agile Learning, it is up to each individual team member to identify what learning needs to be done in order to meet the demands of the task at hand (Longmuß, J. & Höhne, 2017).

2.6 Theoretical Discussion

The previously conducted research within this area shows a clear bias towards the importance of an HR function, containing many exaggerated expressions such as ‘vital’ and ‘necessary’ (i.e. Lucia, 2018) when referring to HR, even if there is no research proving that an HR function, in fact, is crucial. This leaves an interesting conundrum: Does research show the importance of HR, because that is what researchers have been looking for? As in all research, the answer to a question is depending on what is being asked. If that question is biased from the start, maybe the importance of HR has been disproportionately emphasized? In all fairness, a larger corporation employing many people will probably have a greater need for an HR department due to the organisation in itself becoming more complex in correlation with increasing size. But what about organisations of smaller size? As both SMEs and the ‘no HR department’-research is insufficient, the purpose of this study becomes of even greater importance.

One can wonder what ‘superbosses’ (Finkelstein, 2016; Finkelstein, 2018) have to do with small and medium-sized enterprises. Finkelstein’s (2016, 2018) are among the few more current research outputs that do not assume an HR department to be present for the development of talent. Even if it can be assumed that all these multi-million revenue companies Finkelstein mentions have HR departments, the focus lies not in what HR professionals can do. Even continuous research on the subject made by Larsson (2020) suggests further investigation of the relationship between ‘superbosses’ and the HR function with Talent Management. This thesis can therefore extend Finkelstein’s and to some extent Larsson’s research to the SME and competence development area.

It is an interesting development within research, the integration of HRM practices, it is now an integral part of everything regarding employees and employment. Has the world changed, or has research shown an unconscious bias taking over the empowerment of managers in the last 20 years? Looking at the definition of HRM, being activities (Pak, Kooij, De Lange & Van Veldhoven, 2019) it makes a lot more sense in its use. To decide that only HR professionals can plan and perform these activities instead seems to be due to societal demands for increased specialization when it comes to any profession within a company.

3. Methodology

This chapter describes the methodology used in this study. The methodological approach, process, and design are described in detail. This is followed by how the data collection was conducted, the procedure, and what criteria were used in the recruitment of the participants. The chapter then describes the data analysis and concludes with some ethical considerations and a critical discussion of the research method. Concluding this chapter is also a methodology discussion covering the implications of the used method and its limitations.

3.1 Ontological and epistemological standpoint

The focus of this research lies in how SME managers perceive HR- and competence development-related practices and issues. An individual's reality is subjective and therefore best described and explained by the individual herself. It is a social constructivist view, seeing the interactions between actors, their actions, and understandings within a social context as what makes a social phenomenon real (Bell, Bryman & Harley, 2019), that this study bases its ontological standpoint on. Furthermore, the authors of this study have applied an interpretivist outlook of how knowledge is gained by focusing on human actions and the different ways one can understand these; it is context-dependent and constantly changing (Bell, Bryman & Harley, 2019).

3.2 Research Approach

In designing a study, a researcher must decide on the relationship between existing theories and the empirical data that best can generate valuable results (Sekaran & Bougie, 2016). As already established, existing theory on HR and competence development mainly originates from research conducted on larger organisations. Due to this and the fact that SMEs face different challenges and conditions that in many ways differ from that of a typical large company, it would, for the purpose of this study, be problematic to use a strict deductive research approach. Designing a research strategy and formulating a hypothesis based on the knowledge that is not specific to the subject

and therefore not necessarily relevant would probably not yield valid results (Bell, Bryman & Harley, 2019).

Furthermore, in contrast, it would also be difficult to apply a strictly inductive approach to the kind of research at hand (Bell, Bryman & Harley, 2019). Although a research gap has been identified, there are still a number of potentially applicable theories that may be relevant for understanding HR and competence development in SMEs. Even if these might not constitute a perfect fit, there are likely some factors, based on large corporations, that are relevant to apply also on SMEs.

The deductive and inductive approaches have features of both strengths and limitations, but none of these approaches was considered suitable for this study. To overcome this, one can instead use a combination of both. This third type of approach is referred to as an abductive approach. Due to its flexibility and alternating relation between theory and observation (Bell, Bryman & Harley, 2019), it is deemed a more suitable approach for conducting this study and the search for the best suitable explanation.

Before commencing the data collection, the researchers had to create an understanding and map the research area, investigate existing research on SMEs, HR practices, and competence development. This was also an important preparation for developing the interview guide since none of the authors had any previous experience with conducting research in this field. The benefit of starting with observations or openly collecting data and afterward interpreting and applying existing knowledge and theories to explain it, is that existing theory can be used to gain an understanding of the research area and what type of existing knowledge on the topic. However, remaining open towards the empirical data and not immediately, consciously, or unconsciously trying to fit this into a pre-existing theoretical frame. Instead, allow the interviewees to speak for themselves in describing their thoughts and opinions on the matter at hand while allowing the researchers to be still able to ask relevant follow-up questions (Bell, Bryman & Harley, 2019; Robson & McCartan, 2016).

3.3 Research Process

The following section describes the initial steps of the research process in sequential order of in what way it was conducted.

In the initial phase of this thesis, multiple parallel discussions were held regarding the choice of subject. Competence and competence development was brought up at an early stage as exciting topics to investigate further. This as both authors had previously been interested in personal development in relation to work. Upon closer examination, a research gap was identified, namely that competence development in SMEs seemed to be understudied and that an overwhelming part of the research presupposed that the companies' HR function led and drove the competence development.

Based on the notion that far from all SMEs that have a designated HR department, the problem formulation and research questions that form the basis of the study were developed. Initially, the idea was not that the HR variable should be taken into account or at least not given so much space. However, the authors found fairly quickly that the structure or the strategic aspect of skills development, as it involves human capital, becomes difficult to comment on without putting it in context and unless it is considered in the light of the company's HR work.

In carrying out the literature review, which now more systematically examined previous research in the field, the picture was confirmed that competence development in SMEs is understudied in general and that it exclusively presupposes a designated HR function. Early in the process, the authors also started to discuss which research approach would be most appropriate in providing an answer to the research questions, in relation to the purpose and conditions of the study. Initially, there were discussions of implementing a mixed-method approach as it was judged to be able to generate the most valuable result. Upon closer review, however, the choice was made to limit the study to conducting only an exploratory qualitative study, partly because the primary interest was in the background and managerial motives behind why it looked the way it did. Considering the time frame, it was estimated that this was not long enough to deliver both types of approaches satisfactorily. The criteria for participation were set based on the assumption that both causes for

and attitudes towards competence development and HR likely differs depending on the manager's relationship to the staff (Aronoff & Ward, 2011). For this reason, it was decided not to include SMEs where a majority of the staff consists of the manager's relatives. A detailed description of how the data collection and analysis was carried out can be found later in this chapter (Section 3.6).

3.4 Research Design

The intention of the authors and the purpose of this study is to increase knowledge and the understanding of how SMEs work with, perceive and think regarding the necessity and benefits of HR and competence development. To accomplish this, a qualitative research design was considered most suitable. This allows for capturing and interpreting the study objects thoughts, descriptions, and opinions on the matter. In addition, this method also benefits from creating a richness in the possible type of answers that the data collection can generate compared to if a quantitative research design had been selected (Bell, Bryman & Harley, 2019; Sekaran & Bougie, 2016).

3.4.1 Cross-sectional

Due to the time constraints of this thesis project, a cross-sectional research design was used. The interviews were conducted during April and May 2021. A cross-sectional study gathers data just once, meaning that rather than requiring much effort to participate from the interviewees, one interview sufficed (Sekaran & Bougie, 2016). Rather than doing a detailed case study on one SME, the authors opted for researching and capturing perspectives from multiple companies. This was both due to the above-mentioned time constraint, but also a nod towards that Sweden has over one million SMEs (Tillväxtverket, n.d.a), and to then only look at one would be like not acknowledging the large number of companies. However, since it is also not possible to interview over a million companies, the sample containing a few companies from different sectors adds nuance and a broader perspective of the reality of Swedish SMEs. As a result, the empirical findings in this study should be seen as a representation of the interviewees' perspectives at the time of the interview.

3.5 Data Collection Method

3.5.1 Procedure

For collecting the empirical data of this study, semi-structured, online video interviews with the participating SME managers were used. Since the aim of the research was to investigate both how companies work with these questions as well as how managers think about such questions, the interviews were conducted based on a pre-written interview guide. This contains questions on specific themes: company data, demographics, view of HR, view on employees/talents, company HR practices, and competence development.

This type of methodology for conducting interviews allows for the capturing of the respondents' personal reflections while at the same time allowing for more detailed answers and thoughts of the interviewed person. In addition, the semi-structured interview gives the interviewer the flexibility of asking follow-up questions beyond what questions are already defined in the interview guide (Robson & McCartan, 2016). The interview guide with a complete set of questions can be found in appendix 1.

At the time of writing, the Covid-19 pandemic meant it was impractical, irresponsible and unsafe to conduct interviews in person. It was therefore decided that the interviews were to be held online. Having the interviews online had the advantage, besides the safety for both the interviewers and interviewee, that the companies did not have to be from the local area. The interviews were conducted with one of the researchers asking questions from a pre-decided interview guide, with the option to ask follow-up or clarifying questions.

3.5.2 Sample

Several methods were used to recruit participants for the study. Posts were made on each of the researchers' LinkedIn pages calling for participants. Even if the posts had a quite large reach, few participants volunteered. Instead, participants were found by searching for small and medium-

sized companies on LinkedIn and asking their CEOs or HR-responsible via email or LinkedIn message if they would consider participating in the study. One interviewee was also found with the help of the thesis supervisor. Some interviewees were also found through snowball sampling or with help from former Master's in Management students. An overview and description of the participating companies can be found in table 2.

The characteristics of the project were briefly described as investigating employee strategies in small- and medium-sized companies and that managers or owners of such companies were sought for participation. 13 people agreed to be interviewed. One organisation was later excluded since it operated in the non-profit sector. Therefore, there is no 'Company C' in the table. Even if the president of Company C gave many insightful answers and had five full-time employees, equal to an SME, it was decided that to also include the non-profit sector would be too much outside the scope of this study. The companies were located all over Sweden, from Västerbotten in the North to Skåne in the South.

Table 2 - Shows the participating organisations/managers, their job title, industry/sector, number of employees, and the year the organisation was founded/acquired.

Name	Industry	Interviewee	No. Employees	Founded/ acquired
Company A	Health care	Head of practice	8	1998
Company B	Tech	CEO	24	2007
Company D	Beauty	CEO, Co-founder	7	2019
Company E	Real estate	Head of HR	80	1951
Company F	Consultancy	CEO, Founder	1	2009
Company G	Manufacturing	CEO	66	1974
Company H	Manufacturing	CEO	36	1919
Company I	Education	CEO	14	2012
Company J	Consultancy	Partner	20	1996
Company K	Tech	CEO	31	2010
Company L	Tech	CEO, Co-founder	20	2017
Company M	Tech	Head of Growth, Partner	15	2012

3.5.3 Sampling Criteria

As stated previously, the definition of an SME is a company with less than 250 employees (OECD, 2005; Tillväxtverket, n.d.a). Therefore, the criteria for participating in the study was a manager or owner of a company with between four and 249 employees or an HR-responsible for such. Furthermore, it was stated that family members or relatives of the interviewee should not constitute a majority of the company's workforce. This could consequently constitute a potentially confounding factor affecting the objectivity of business strategic decision making and prioritization within the company as well as HR-related decisions (Aronoff & Ward, 2011). The reason for choosing four was to eliminate the confounding variable of a founder being all by him or herself. One company interviewed (Company F) only had one employee. This CEO was still considered valuable despite this, since the CEO had previously had a company with more than four employees. The organisational structure of Company F was built on people working on a consultancy or 'gig basis', resulting the number of full-time employees being just one. It was therefore decided that the CEO of Company F could still provide valuable insights taking part in the study.

3.6 Data analysis

All interviews were recorded after getting consent from the interviewees to do so. According to Robson & McCarthan (2016), the actual analysis of the acquired data starts already when transcribing the interviews. This is done as a step in reducing the data to make it more convenient to handle and analyse further (Bell, Bryman & Harley, 2019). Since transcription is a time-consuming process, speech-to-text software was used either during the actual interview or on the recording to extract a transcript of what was said. The use of this method was time efficient in terms that the entire recording did not have to be revisited for manually transcribing what was said. However, the quality of the transcribed text tended to vary, which still called for some proofreading and manual corrections, words that the software had misinterpreted, to ensure that the transcribed text was correct and of comprehensible quality.

According to Sekaran & Bougie (2016) the process of analysing qualitative data consists of three steps; data reduction, display and the drawing conclusions, based on the outcome of the two previous steps. After completion, all transcribed interviews were duplicated and distributed to each author to be analysed separately. It was previously decided to use this approach in order to affect each author's interpretation as little as possible in the initial steps of the analysis.

The gathered data from the interviews were grouped and coded using the interview guide (See Appendix 1). When both researchers individually had structured and coded the data, the different coding were compared with each other and further combined together. During this step, themes based on both the interview questions and other thematic patterns were identified. Both researchers also wrote down thoughts and insights gained during the interviews in the margin, which, when refined, generated further valuable contributions to ideas and categorization. Theming or grouping the data is an important step in order to understand the collected data and builds the foundation that the analytical framework rests upon (Robson & McCartan, 2016). However, the researcher should be aware that they take an active part in the interviewing process and therefore also affect the results (Robson & McCartan, 2016). All identified themes were then explored further in order to compare the themes and identify patterns and relationships between data. The results of this generated the following set of categories or themes, View on Competence Development, Competence Development practices, Employee Responsibilities, HR functions.

In order to draw conclusions and interpret the data, the final step of the data analysis process is, as previously stated, performing a comprehensible display of the data (Sekaran & Bougie, 2016). Tables and matrices were used to organise and display the interviewees' answers based on the identified themes and patterns. This is also the foundation from which the conclusions were drawn, and the empirical results chapter is structured thereafter. Hence the abductive approach of the study, no linear relationship was present in the relating of the empirical data to the literature review. It was rather flexible; answers from the interviews could be used in the sensemaking of existing theory as well as vice versa.

3.7 Quality of data

Two major concepts when it comes to discussing the results of research, in general, are remarks regarding the validity and reliability of a study (Bell, Bryman & Harley, 2019). Validity refers to the accuracy between what the study intends to measure in relation to what it actually does measure, while reliability indicates the consistency of a study's results. In the case of this research design, it refers to whether the two authors, in their data analysis, observe and interpret the acquired empirical data without too much variance (Sekaran & Bougie, 2016).

According to Guba and Lincoln (1994) in Bell, Bryman & Harley (2019), the characteristics of qualitative data should instead be assessed in terms of authenticity and trustworthiness, this due to the semantic suggestion that an absolute or objective truth could be deduced from the results. Ensuring that the interviewees' perspectives and beliefs are represented fairly and in such a way that it also, after data has been reduced, displayed, and interpreted by the researchers, conveys the same undistorted meaning as when it was uttered. In this study, during the analysis of data, it has been taken into special account that interviews about topics that the interviewee does not necessarily reflect upon on a daily basis could potentially be influenced by the authors interpretation. At the time of the study, both researchers could be said to be familiar with the subject and thus potentially more inclined to analyse the meaning of the content more deeply than perhaps expected by the person stating it. Whereas full objectivity by the researcher is impossible, one must still take measures to ensure that personal values and theoretical dispositions are not contaminating the results (Bell, Bryman & Harley, 2019). To prevent this, both researchers read the transcripts and revisited the recorded material multiple times to ensure that nothing had been distorted during the process. Further, the authors aimed to keep the research process as transparent as possible. Both researchers had access to each other's research notes, and the transcribed interviews were also held available for review in case of an audit of the research process or findings would be requested.

Since qualitative research often tends to have a smaller scope of research objects, which are also studied more in-depth compared to quantitative designs, it can be seen as a limitation in terms of the transferability or generalizability of the results (Bell, Bryman & Harley, 2019). The results

gained from the 12 participants in this study cannot be said to constitute a foundation upon which generalizations on a larger population can be made. Instead, the results of the study are intended solely to constitute a nuanced description of the interviewees' own perceptions on the different topics addressed. However, the responses should be perceived as a subjective representation of the participants' current perceived reality and thus not possible to describe as part of a universal truth. All knowledge gained from the elaborate descriptions of the interviewees can only be perceived as specific to the related company. Any similarities, regardless of if parallels have been drawn in discussing the results, must be assumed to end in the results and cannot, using this design, simply be compared with others (Bell, Bryman & Harley, 2019; Robson & McCartan, 2016). This outlook was also emphasized in the formulation of the study's research questions to highlight the empirical data's subjectivity further.

3.8 Ethical considerations

Several ethical considerations need to be addressed when conducting research. This is done to ensure that the research is not harmful or invading the privacy of the participating individuals or in any other way is misleading regarding the purpose or how data is being used (Bell, Bryman & Harley, 2019; Robson & McCartan, 2016). Before conducting the interviews, the respondents were informed about what type of questions would be asked, the purpose of the study and that all material was to only be used for this research project. Further, they were informed that participating was completely voluntary and that it was possible to withdraw from the study at any time. In addition to this, the authors stated that all participants were to be granted confidentiality; doing this might lower the context, which in qualitative research often is valuable since context often is an important part of understanding a person's motives. (Robson & McCartan, 2016). This trade-off was thoughtfully considered; however, as confidentiality was also expected to lower the risk of having the participants answer untruthfully, in attempting to portray their company in a better way, it was decided not to collect this kind of details. No information such as the name of the interviewee and the company was therefore reported, nor anything else that could be used to disclose the source of information. The interviews were either recorded directly via the video conference software or by using an external sound recorder for data collection purposes. The interviewee was informed about this and had to express explicit consent before the recording was

started. The recordings will be deleted when the thesis has been handed in and graded and will thus not be used for any other purposes or shared with anyone apart from the authors and, if requested, by the thesis supervisor. All data was anonymized, using only descriptives such as role, industry, and the number of employees.

3.9 Methodology discussion

A quantitative approach would not have given the depth in answers and ability to ask follow-up questions and clarifications as will be needed to answer the research questions accurately. Therefore, the decision to use a qualitative approach was made. As with every research project, choices had to be made in regard to limiting the research to be able to finish on time. A mixed-method approach would have given another dimension of the research questions and also the possibility to have additional research questions. Furthermore, if the authors had been able to make a longitudinal study (Sekaran & Bougie, 2016), they would have the chance to see the impact their different approaches had in for example growth, revenue, and employee turnover. In further research, a suggestion would be to make a mixed-method approach to find out how employees feel regarding engagement and content with their work. A quantitative study in what leadership traits the manager/CEO had could also have provided an interesting dimension to the research. A more in-depth analysis on further research can be found in chapter 6.3.

As it is in the nature of a very diverse SME supply, replicability of the study, interviewing SMEs with the same research design will be possible. However, only the method and the interview questions can be used again as no company will be the same. The business field is complex and ever-changing, especially due to the ongoing pandemic. Therefore, it is unlikely that the study can be redone with other companies with the same result.

Interviews online have both advantages and disadvantages. It allows the researchers to widen the net of interviewees since the interviewee's location became of no importance as long as there was a working internet connection. However, online interviews make the design of the questions of great relevance since video interviews can make it more challenging to build a relationship of trust between the interviewer and the interviewee.

Due to the relatively short time frame for the thesis, the authors had to settle with fewer interviews than would have been desirable. Certain boundaries were also enforced on what companies would be investigated. Confounding variables could be variables such as that the people being interviewed found competence development very interesting themselves and therefore really liked to talk about it, and thereby were more open to take part in the research project. One CEO, who declined to be interviewed, gave the reason that they did not work with competence development at that company claiming to see no need for it. An interview with that CEO could have provided an interesting aspect. Another potential limitation could have been differences in the process of when the interviews were conducted. The authors learned a lot on the way and therefore were able to ask better follow-up questions by the end of the data collection period.

Another potentially confounding factor is that the interviews were held in Swedish. This made sense since the companies investigated were Swedish, and it was, therefore, a possibility to interview them in their and the researchers' native language. This, however, leads to the need for translation of all responses potentially losing details or nuances in translation. There was a need to choose between having the interviews in a language that the interviewees were comfortable speaking or translating the gathered data. The other option would have been to conduct the interviews in English. However, there was then a chance that the conversation would not flow as freely. In the end, it was decided that the advantages of having the interviews in Swedish outweighed the potential disadvantages.

Another potential confounding factor could be in the scale of SME. Comparatively, some would argue that the difference between four and 249 is too great, and the study could benefit from more granularity. In the end, there was also a company with one employee, however that company was deemed to fit into the research, since the CEO both had owned companies before, as well as had a few people hired on a 'gig basis'. The reason for the considerable gap was that those are the limitations considered being an SME or a large company (OECD, 2005; Tillväxtverket, n.d.a). There was a risk that there could be a gap of up to 245 employees in this study. However, in the end, the difference in company size was 79, with the smallest company having only one person working there and the largest employing 80 people. With this gap, the characteristics of the

companies are bound to differ. Due to time restraints for this thesis this was accepted, since the aim of the study was to explore how these companies and their managers view and work with competence development in their small- or medium-sized organisations.

4. Empirical result and Analysis

This chapter begins with reporting the empirical findings. Firstly, characteristics of the participating organisations are presented, allowing for an overview of the study's results. This is followed by a representation of the empirical findings drawn from the conducted interview. These are structured based on the identified themes, View on Competence Development, Competence Development practices, Employee Responsibilities, HR functions.

4.1 Organisational characteristics

There was a vast difference between the companies interviewed. The company with the fewest full-time employees (Company F) with one employee only hired consultants on a 'gig-basis', while the others had a more traditionally employed workforce. The company structures were also very different. When companies B, E, G, K, and L had a typical CEO and management team decision-making structure, Company J was organised through a distributed leadership. The table below shows the individual characteristics of the participating organisations. To see a comparison of the different organisational structures, see table 3. Other organisational descriptives, such as industry, number of employees and age, have been added for context.

Table 3 - Decision making structure within participating companies

Name	Industry	Interviewee	No. Employees	Founded/ acquired	Organisational decision- making structure
Company A	Health care	Head of practice	8	1998	One Head of practice, rest employees
Company B	Tech	CEO	24	2007	CEO + management team
Company D	Beauty	CEO & Partner	7	2019	CEO
Company E	Real estate	Head of HR	80	1951	External board, CEO + management team
Company F	Consultancy	CEO & Founder	1	2009	CEO
Company G	Manufacturing	CEO	66	1974	External board, CEO, management team
Company H	Manufacturing	CEO	36	1919	Group of 6 companies
Company I	Education	CEO	14	2012	CEO, Principal, all employees part of management team
Company J	Consultancy	Partner	20	1996	Distributed leadership
Company K	Tech	CEO	31	2010	Group of 4 companies, CEO + management team
Company L	Tech	CEO & Founder	20	2017	CEO, External owners
Company M	Tech	Head of Growth, Partner	15	2012	CEO, Founders

4.2 Human Resources

Out of the 12 companies interviewed, only three companies said they did have a designated HR function, either outsourced or part of an employee’s work tasks. Figure 2 shows the distribution between the respondents in regard to having or considering getting a designated HR function. Only one, Company E (which was also the only HR professional interviewed) had a specific employee working with Human Resources as their primary responsibility. Most companies did not have any designated HR function, and the most common reason for this was said to be the overall size of the company or the size of the company administration. All respondents were optimistic about HR as a concept, however hesitant to employ someone having HR as their primary task.

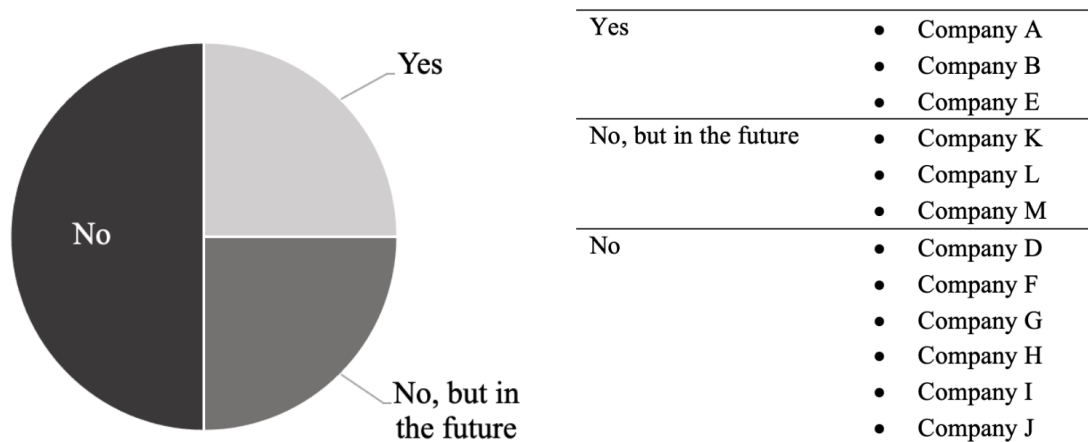


Figure 2 – Participating companies with a designated HR function

There were, in total, three companies that currently did not have any HR function that said they would consider it given certain conditions, such as future expansion. The CEO of Company K said: “It is possible, if we acquire another company and therefore will grow, then we will be in a position to get an HR function”. An exception was the CEO of Company H, who was very adamant and said, “In a workplace with adults, there is no need for an HR function”. Apart from this, the most common answer was that there was not a legitimate reason to put monetary funds toward an HR function when the current practices with the responsibility of the CEO were working. As the CEO of Company H said: “We are not in a financial position to do so.” Similar replies came from the other companies, with the CEO from Company M saying: “No, but I can give you a key figure [...] in Sweden for every 66th employee, there is one HR professional.”. Two companies currently outsourced their HR function, while only two (Company E & Company B) had employees working specifically with HR issues, and by that having an HR function. Out of these two, only one company (Company E) had someone working full time. A visual representation on participating companies’ presence of a designated HR function, ranked by number of employees, can be found in figure 3.

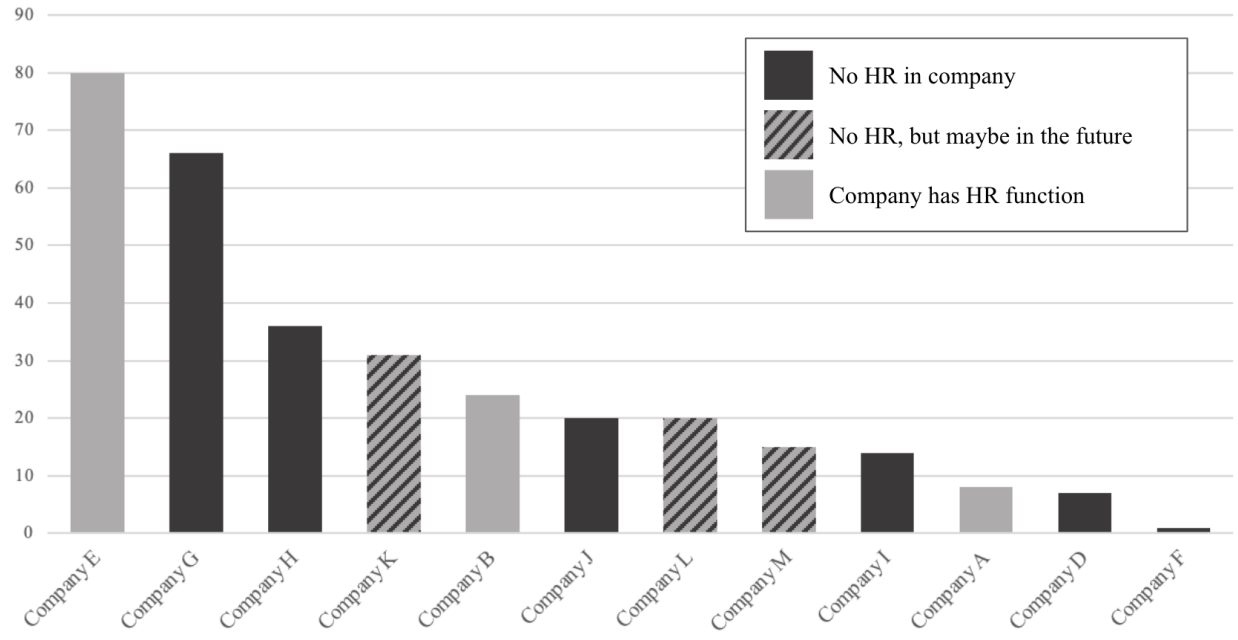


Figure 3 – Presence of HR function in regard to number of employees

4.2.1 Turnover

All companies reported a low employee turnover. The company where employees stayed the shortest was still longer than the Swedish mean of how often people change workplace, being every 5 years, and company K's employees stayed around 6-7 years before changing workplace. The companies younger than 7 years (Company D & Company L) had never had an employee leaving the workplace. This was reported as a problem for some of the older companies (Company A & Company E), expressing a desire for a bit higher turnover, in order to get some new views and fresh eyes into the company. This goes in line with what Andrews & Mohammed (2020) claims, that some turnover can be a good thing. Other companies said they preferred to have employees staying all the way up until retirement. Company E also pointed out that it can also be good for the employee to change workplace. One of the main reasons that the interviewed companies can engage in the type of competence development they do could be related to the low employee turnover they experienced. Not seeing the turnover rate as an issue could work as an incentive for investing resources in developing the existing workforce.

4.2.2 Recruitment

All companies but one had been recruiting within the last few years. In terms of competence and traits they were looking for in new hires, all answered that formal competence to get the job done and expressed that soft values, such as personality, interest, and fitting into the team, were important.

4.3 Views of Competence Development

Independent of company size, structure, or industry, all companies interviewed stated that they worked, in different capacities and different ways, with competence development. All participants emphasized the importance of competence and competence development for the stability of the organisation. It is said to be important for the company's operational capability, competitiveness, compliance, and quality assurance.

However, benefits were not limited to increased knowledge in itself, instead further described as a positive factor on employee engagement and enthusiasm, mainly towards work tasks in which the new competence could be applied but also for general work engagement. Company K stressed that the individual employee who had undergone a competence development activity shows enthusiasm to demonstrate and prove what the person has learned and highlights this as a clear individual benefit that also benefits the workplace at large. Company E, being one of the interviewed companies that has the largest distribution between blue and white-collar workers, claimed that there was a significant difference within the workforce in the motivation to competence develop and apply the acquired knowledge in daily work.

Another outcome of competence development, mentioned by Company A and Company D, points to the benefit of it being a break in the daily work tasks and that it is experienced as beneficial for gaining new perspectives and perhaps temporarily switching the static work environment for something new. Company A mentioned longer training as not only a competence developing activity but also an opportunity for team building.

Company H instead talks about it from the side of negative reinforcement, the uncomfortable feeling of not having enough expertise in an area that one is expected to master. Company F, a heavily knowledge-based organisation, described competence development as "the plan you have for continuously being able to do your job". Another overarching theme was *who* or *what* the managers were talking about when asked about competence development. The majority of them said that it was individual, that you could not take the back seat in your own learning. None of them mentioned specific learning initiatives started by them, apart from creating a good learning environment.

4.3.1 Company learning culture

From what could be deducted, all companies except potentially Company M expressed having an open and transparent learning culture. Company M's attitude towards learning rather was described as a form of onboarding and a means to an end to learn the product and thereby how to do the job, without any defined plan on how to keep learning after those initial onboarding initiatives.

The research indicates that there indeed is a misconception that SMEs do not work with or engage in competence development. However, Fasth, Wikhamn & Wikhamn (2020) point in the same direction as the study's results, that even if SMEs do not have a designated HR function, that does not mean that they do not work with HR issues. From this entire project, there has only been one indication that a company is not working with competence development; this was when approached for participation, one CEO of an SME declined, stating that they saw no point in participating since they did not work with competence development at all.

Resources or a lack of these are mentioned as one reason that SMEs do not focus as much on competence development in literature (Sheehan, 2014). However, the SMEs interviewed gave numerous alternatives to where to get competence development. One was courses provided by retailers, suppliers, or companies producing certain products the interviewed companies were using. These courses could either be paid for by the participating company or subsidized by the supplier. Another way was by taking part in different networks regarding the employee's own work tasks. A third way was by getting taught by a colleague who had the necessary skills already. Some

of the companies also stated that they did have the resources to send their employees to the necessary external courses.

4.4 Competence Development practices

4.4.1 Current practice

All participating companies do competence development differently and with a different starting point. Industry-specific training is said to be important for all of them since it is what makes them competitive also due to competitiveness in the industry, compliance, and staying relevant in their business segment. However, soft skills or other skills that are not directly related to the specific industry or work tasks are also said to be of importance as employees were said to work better if they were feeling better. Language skills was highlighted as an example as being able to participate and understand what is being said during weekly CEO briefings is valuable, not only for acquiring the information and making use of it but also as it makes the individual part of the workgroup, belonging and friendship. Company G also sees the value in that competence development targeted on non-work specific such as personal finance training contributes to eliminating that potential external stressor connected to this but also affecting the individual when at work.

There is some distinction between internal and external forms of competence development. Company I and Company F claim to almost exclusively work with internal competence development, and Company L only applies internal, which is justified by saying that external competence development implies that you want someone else to give you the knowledge. In contrast, the interviewee from Company L wants the individual employee to look up the desired knowledge by themselves.

The following keyword themes were detected (translated from Swedish): Courses external, courses internal, learning by doing/trial and error, networking/knowledge-sharing, self-study/reading and reflection. For clarity, similar keywords have been matched within themes. For example, courses external means all types of external courses, such as commissioned training, courses given by

suppliers of products the company uses, etc. Another example is that reflection can refer to both an employee's own reflection or conducted together with a colleague or a manager. In table 4 a visual representation on what company responded to what kind of competence development practises can be found.

Table 4 - Keywords from interviews regarding competence development practices

Name	Courses external	Courses internal	Learning by doing /Trial and error	Networking /Knowledge-sharing	Self-study /Reading	Reflection
Company A	X	X		X		
Company B	X	X		X		
Company D	X					
Company E	X					
Company F				X	X	X
Company G	X	X				
Company H	X		X		X	
Company I	X			X		X
Company J	X			X		X
Company K	X					
Company L			X	X		X
Company M		X				

4.4.2 Motives behind current practice

All companies were conducting competence development activities, although there were differences among them. In Company A, there was an organisational expectation that continuous competence development takes place in order to uphold requirements, in this case, the safe care of patients. Company G highlighted the importance of not only conducting industry- or job-specific competence development but instead also offer training in for example language practice and personal finance. This was said to contribute to workplace social well-being as well as increased efficiency due to removing misunderstandings or comprehension due to language barriers.

Company E, the only HR practitioner that was interviewed, mentioned that much of the competence development is the responsibility of the individual employee. The standpoint was said to be that as long as the suggested training is related- or relevant for the work tasks, they will likely support such initiatives. Many managers emphasized creating a competence development culture through reading, networking, or reflection as important and were to be encouraged. The manager of Company K had experienced it to be difficult to establish a culture of continuous knowledge sharing due to the variance of individual preferences in what-, and how to best acquire knowledge.

4.4.3 Expectations from competence development

All companies that sent people to formal courses expected that their investment would be returned in the way of the individual being better able to perform their job, take on new work tasks, or having less stress from personal matters in the workplace. In some cases, for example Company B, they paid for a very expensive education stretching over a longer time, and therefore also entered an agreement with the employee that they had to remain with the company for at least two years after the program was finished.

A general goal and aim with competence development were both to grow the individual as a person but also engage in the development of the company by filling in knowledge gaps or enhancing already existing knowledge. Such as with the intention of being able to relieve colleagues in their work tasks. Company L did not notice any changes in market or production during the pandemic since all staff was trained to work independently of each other, effectively creating resilience towards sudden changes, such as the pandemic. Company G also said that one of their aims was that if they ever had to let an employee go, that employee would be well equipped to get another job. The companies did use their competence development practices in different ways. While Company D used it for competitiveness among other beauty professionals, Company G stressed the long-term benefits of teaching soft skills, leading to a tighter and efficient workforce.

Company G brought up another perspective, namely that if they need to let people go, competence development investments also give the employee a good foundation of knowledge to use also after leaving the company. The economy could change, and therefore it is essential to view it long-term

and broadly. Another view was the one of Company H who saw it as that their long-term perspective was due to long warranty agreements where employees need to be up-to-date and knowledgeable on relevant technologies and products for the entire duration of that time, as already mentioned, Company H exclusively focused on work specific forms of competence development, such as technical knowledge of the specific products. There is no universal way to conduct competence development. Even if none of the companies mentioned either working agile or with the 70:20:10 framework, they did have an overbalance towards informal learning (Longmuß, J. & Höhne, 2017) and also incidental learning (Moon & Na, 2009).

4.5 Employee responsibilities

Many different practices were identified for competence development, a minority of which was done by the initiative of the company. Company L does not work with courses or formal training but instead encourages employees to search for knowledge by themselves, explained as: “One should not take the backseat in your own personal development”. Ten out of the twelve respondents highlighted that much of the conducted competence development is made based on the initiative of the individual employees and not by order of the company. This can be interpreted as the company, rather than the employee, is taking the backseat in its employees’ competence development. Table 5 shows the interviewees response to who in the company was responsible for initiating competence development in the company. The four tech companies have been highlighted to clarify the similar results presented in Table 5 presented below.

Many, for example, Company J and Company M, highlight that learning and competence development are always available upon request when asked for, but that one cannot force it upon someone as that will defeat the purpose of competence development in the first place. This is because ordering learning does not lead to the same amount of enthusiasm for the activity and is, therefore, more seen as a work task than an incentive.

Table 5 - Descriptives of responsibility of competence development (sorting based on Responsibility for CD)

Name	HR	Growth ambition	no of employees	Responsibility for CD	Mapping of competences	Industry
Company G	no	no	66	Employer	Yes	Manufacturing
Company A	yes	no	8	Employee and employer	Yes	Health care
Company D	no	no	7	Employee and employer	Yes	Beauty
Company E	yes	no	80	Employee and employer	Yes	Real estate
Company I	no	possibly	14	Employee and employer	Yes	Education
Company B	yes	yes	24	Employee and employer	Yes	Tech
Company K	in the future	possibly	31	Employee	Yes	Tech
Company L	in the future	yes	20	Employee	No	Tech
Company M	in the future	yes	15	Employee	No	Tech
Company F	no	no	1	Employee	N/A	Consultancy
Company H	no	no	36	Employee	No	Manufacturing
Company J	no	no	20	Employee	Yes	Consultancy

During the interviews and when comparing the results, some similarities were noticed between companies based on who the interviewee considered being responsible for competence development, the employer, the employee or a mix of both. Both researchers, independently, coded the responses provided by companies in the tech industry to be in favour of letting the employees themselves be responsible for their own competence development. With the exception of Company B, who also stressed the importance of the company being involved, all participants from the tech industry clearly expressed concern in taking competence development decisions on behalf of the employee. This was in general perceived as more effective, having the interests and ambitions of the employee being the driving force behind why and what competencies to develop.

4.6 HR functions

No company without a designated HR function considered it to be a problem; HR-related issues were handled by senior managers or the CEO. Company B, who recently hired a part-time HR

employee, expressed that the tolerance for inconsistencies in smaller companies is higher but that it comes to a point in all organisations when employees start to expect things to be in order, such as access to functioning HR resources. Company M highlighted their own data, that in their experience, companies tend to have one designated HR professional per 66 employees. Company J did not have an HR function due to having a distributed leadership structure in the company. While Company H seemed to be the only company explicitly saying that they did not need an HR function due to their workforce being “mature enough”. One of the reasons they could be against could also be the same as Sheehan (2014) claims; that if you do not see the benefit of HR, and especially over-use of policies, and therefore prefer to down-prioritize the HR-function as unnecessary, and just another thing to have for the sake of having it. On the other hand, formal HR practices seem to be more uncommon in small companies since there is more dialogue between employees on different levels in the company (ed. Bagnasco & Sabel, 1995). The CEO of Company F said that companies usually realize too late that they need an HR function. From what can be deducted from the interviewees’ answers, there are a few reasons for getting an HR function:

- To relieve the CEO (Company B, Company F)
- Due to expectations from the employees (Company B)
- If there is a significant expansion (Company A, Company K, Company L, Company M)
- The company has 66 employees or more (Company M)

4.6.1 Employee appraisals

In a majority of cases, the CEO or the closest manager was responsible for conducting formal employee appraisals. However, there was a large variance between how often these types of conversations took place, ranging from sporadically to 2 times a year.

However, informal conversations concerning the subject were said to be conducted by all interviewed companies on a more frequent basis, covering some of the subjects typically explored in formal employee appraisals. The most significant example of structure was reported from Company I, conducting group reflection sessions every week and individual reflection sessions between manager and employee at least on a monthly basis. Even if this is not the same as an

employee appraisal, it is still different from other interviewed companies and could be seen as falling under the category of the same type of conversation as an employee appraisal.

4.6.2 When is a good time for a company to introduce a designated HR-function?

Research on large organisations clearly shows that there is a need for HR, regardless of the existing bias (Bethke-Langenegger, Mahler & Staffelbach, 2011). Nowhere in research or the empirical data of this study shows that having HR would be disadvantageous; however, there is a time and place for it, and smaller organisations might not receive the same benefits from it if it is not needed or prioritized over other forms of organisational or structural investments. The assumption could be not *when* to get HR but instead, based on the organisational complexity, at *what* point is HR required to meet the aims and expectations of the organisation.

As stated by Company M, in general there is one HR employee per 66 employees, even if the results of this study allow for no such conclusions. Company G has exactly 66 employees but said to have no intentions to hire any, and Company B did not report any number at all and instead saw it as that after a certain number of employees, people expect certain functions to be present. It is rather likely that statements like this are a disservice to SMEs by equating a designated HR professional in a company with having a functioning HR practice. This suggests that having a designated employee handling HR in itself would be necessary, regardless of whether another individual, such as a manager, could perform the same tasks. It is possible that this is a reminder from research on larger organisations which due to more resources and many times significantly higher complexity and since a long time has left the times when the company could operate without such competence present. Table 6 displays the companies' presence of HR and growth ambition. For clarity, the companies from the same industries have been grouped together and highlighted.

Table 6 - Display of industry, HR and growth ambition (Sorted based on growth ambition)

Name	Industry	Want to/have/will get HR	Growth ambition	No. of employees
Company G	Manufacturing	No	No	66
Company H	Manufacturing	No	No	36
Company A	Health care	Yes (outsourced)	No	8
Company D	Beauty	No	No	7
Company E	Real estate	Yes	No	80
Company F	Consultancy	No	No	1
Company J	Consultancy	No	No	20
Company I	Education	No	Possibly	14
Company K	Tech	No, but in the future	Possibly	31
Company L	Tech	No, but in the future	Yes	20
Company M	Tech	No, but in the future	Yes	15
Company B	Tech	Yes (part-time)	Yes	24

4.6.2.1 Interesting findings

The tech companies were the ones with the largest will to grow and were also the ones (apart from Company B that already had part-time HR) that saw a possibility to get a designated HR function in the future. The other companies within the same industries (manufacturing and consultancy) gave similar answers to all questions: They did not express a growth ambition and also no intention or saw no need for an HR function. Important to remember is that the consultancy firms (Company F and Company J) both had the most different company structures compared to the others. Company F was working on a ‘gig-basis’ with their workforce, and Company J practiced distributed leadership. This could be a reason for both lack of wanting to get HR, and not having a will to grow.

4.6.3 Competence development compared with onboarding

Out of twelve companies asked, eleven said to work with competence development continuously. The twelfth, Company M, said to be working with it more sporadically. While they still put much

effort into onboarding, after that, the competence development culture seemed a bit more tilted towards staying within the field of their business rather than more generalizable knowledge and competencies. Even if it was not necessarily in their company culture to have continuous learning, they were in no way against it. “However”, as Company M said, “if someone wants to do some competence development and come to us, we will of course support it”.

5. Discussion

This chapter takes the main findings from the conducted interviews and puts them in relation to the presented theoretical background presented in the literature review. This is followed by a discussion covering the results in relation to the contextual conditions of the participating companies.

5.1 Overvaluing HR?

A research shift has been identified, previously speaking of HR practice, focusing on the HR related activities, to HR practitioners, emphasizing the importance of designated staff working with such. Comparing the findings, contemporary research could be overvaluing the need for a designated HR function, as this study could not find any indications that this would be perceived as a problem in the interviewed companies. Even if this would have been measured, for instance quantitatively, the turnover rate in the interviewed companies is lower than the Swedish mean, all companies claim to be doing well, even considered the Covid-19 pandemic, and they have with few exceptions, been in business for many years.

In larger companies, HR calls for a more top-down structure of competence development and with less individual responsibility in favour of company conformity. Even if no generalized conclusions could be drawn from twelve SMEs in a population of 1.1 million in Sweden (Tillväxtverket, n.d.a) alone, it can be seen as at least an indication that research based on large corporations misses a lot of the nuance found in a population of all companies. It can reduce all employees, regardless of organisation size, to workers lacking interest or capability to develop and engage in competence

development. Therefore, this critique is directed towards the perspective and message of existing research rather than towards the practices of larger companies. With increased organisational complexity, a greater need for HR naturally emerged.

This leads to the somewhat paradoxical question; when is the right time to get an HR function? The CEO of Company F said that companies usually realize too late that they need an HR function. What can be deduced from the interviews, there are some reasons to get an HR function. While companies gave differing reasons for getting an HR function, such as a relief for the CEO or that the employees had come to a point when they just expected a certain standard for handling HR related questions, only one of them (Company M) specified an exact number of employees. Even so, Company M admitted that they probably would get an HR function earlier than 66 employees, due to finding it important. Therefore, even if there is an arbitrary 'golden number' of when to get an HR function, it seems to be of less importance than other variables, such as the CEO's workload and if the company would have a drastic change in size or complexity. It seems as if a steady growth cannot be the only reason for getting an HR function. However, if other pressing matters, such as the need for the CEO to prioritise other things or getting a sustainable workload or growth spurts, that could be a reason to get an HR function. Fasth, Wikhamn & Wikhamn (2020) states that the first HR employee is hired at 18, 20, 30 employees, however, no support for this claim can be found in the results of this study. In general, the enormous amount of variation in the population of SMEs likely makes the search for particular numbers rather difficult.

It is straightforward to foresee a significant company expansion, such as an acquisition. However, a CEO's work tasks stretch over so much more than the formal work duties. Most of the interviewees answered that they conducted a lot of informal tasks besides their formal tasks as well. These can be harder to define and almost need an outsider that says enough is enough. There may be an emotional bond to the company and also a feeling of responsibility from the founder. It is possible to ask in, for example, employee surveys if they think that personnel issues are handled adequately, but that is not something that has been further investigated in this research. All of these findings go against Fasth, Wikhamn & Wikhamn's (2020) claims that a company gets its first designated HR professional at 18, 20 or 30 employees. Based on the findings, it has much more to do with the complexity of the organisation and its surroundings and how time- and thought

consuming it is for the CEO, or equivalent manager, to handle personnel issues and queries. Some of the interviewees also contradicted each other, when the respondent from Company M said that when you have 66 employees you get a designated HR person, while Company G already had 66 employees but no intention of getting a designated HR person. Instead, based on the evidence in the different structures of the companies participating in this study, it is suggested avoiding searching for definite numbers and instead focusing on factors such as organisational complexity, managerial experience, competence to handle HR-related issues, and expectations from employees. As long as there are functioning HRM practices in place (Sheehan, 2014), whether or not it is a designated HR professional or the CEO or similar, it appears to be of lesser importance.

5.2 Strategy

Competence development in an organisation with a lower turnover becomes that much more important. Not only is it cheaper than recruiting (Fath, Wikhamn & Wikhamn, 2020; Festing, Harsch, Schäfer & Scullion, 2017), but it can also be the only way to get new knowledge into the organisation when there is not a natural new source of knowledge in the way of new employees joining. It is imperative for any company, regardless of size to stay relevant and competitive in its market segment (Maurer, Weiss & Barbeite, 2003). There is always a risk for the knowledge getting stale, or group think to appear when a smaller group has worked together for a longer time. There will always have to be a balance between keeping employees, having a healthy turnover, the financial side of both competence development and recruitment, as well as being a good employer.

As Andrews & Mohammed (2020) stated, some turnover can be good for a company. Even if there are different costs attached to different measures, a mix could be good to consider. This is in line with some of the findings. Company E, the only HR professional in this study, said that some turnover is always good to get new viewpoints into the company, and also for the employee's sake. The HR professional from Company E also pointed out that it can be good for a person to change workplace. Not all companies agreed that a higher turnover would be better. It is possible that one of the reasons Company G wanted employees to stay for a long time was because it was a family business, or that tasks in manufacturing are rather perfected over time and therefore an employee

gets more and more efficient the longer they are there. The authors of this thesis do not have enough knowledge of the manufacturing industry to say if the latter is an influencing factor.

5.3 Complexity of company vs. number of employees

There seems to be a quest for the ‘golden standard’ of when to get a designated HR function. 18, 20, 30 (Fasth, Wikhamn & Wikhamn, 2020) or 66 (Company M) employees have been given as suggestions. However, looking at the numbers of the companies interviewed, neither of these numbers could be proved empirically. In this study, the companies with greater complexity tended to get a designated HR-function earlier, see for example Company B. Even due to their relatively low number of employees, they had already started with a part-time HR, since as the CEO said, “There comes the point when everybody just expects these things to work”. It was also lifted that it was a way of relieving the CEO from the extra work tasks, to be able to focus on other tasks instead. Company G, with 66 employees, saw no need to get a designated HR function due to it “being of no use”. Therefore, an assumption to make is that it is rather the complexity of the company that indicates when to get an HR function.

5.3.1 The responsibility of employees

The way of letting employees take responsibility for their own learning goes more in the mindset of Agile learning (Longmuß, J. & Höhne, 2017). Agile learning has previously been intricately connected to tech companies. It is a possibility that parts of the practice of agile learning has spread from tech companies to be a more common practice than it has been given credit for. It seems as if other companies are using the parts from agile learning applicable to their specific ways of working. Thus, even if it does not make sense for a health professional to do a ‘sprint’ with a learning goal, more responsibility is put on the employee to themselves set goals for competence development. As Flanagan, Baldwin, Clark (2000) concludes in their article the importance of work-based learning, it is very important that people are motivated to learn. That could, therefore, be a factor in why this culture is working.

5.3.2 Talent leadership by line managers

Even if there are limitations to Finkelstein's (2016; 2018) research, for example, that only large companies once again were studied, he highlighted that managers also could perform the HR duties. The results of this study can neither confirm nor deny that the managers interviewed are to qualify as 'superbosses'; however, it is plausible. Even if it cannot be determined if the leaders are 'superbosses', what they say is that they have built a structure that promotes the finding of talent, as Finkelstein refers to, and let the employees grow within the company, despite the lack of formal HR presence. However, most managers showed traits that Gering & Conner (2002) states are traits of the best managers: they were able to satisfy the needs of employees and exhibit the value of each individual in the company. Gering and Conner (2002) also bring up that great managers carry out management processes that provide daily growth and commitment for employees (Gering & Conner 2002), which was also something that the managers were pressing on in their interviews. However, they possess some kind of HR qualities that in previous literature only have been attributed to HR-practitioners (specialists); it varies and is more dependent on the individual qualities and fields of interest of the manager in focus.

5.4 Competence development practices

The keywords detected from asking questions regarding competence development practises can be found in table 4. The following keywords (translated) were detected: courses external, courses internal, learning-by-doing/trial-and-error, networking/knowledge-sharing, self-study/reading and reflection. It is important to point out that these keywords are a translation from Swedish interviews. They have also been grouped together in larger themes.

5.4.1 Different types of learning in the companies

The interviews conducted showed that all companies are working with competence development, as well as consider it to be of high importance. There were no discernible differences with companies with or without a Human Resources function. This is not in line with several sources.

For example, both Lucia (2018) and Johnson, Blackman & Buick (2018) claim that it has to be an HR professional conducting competence development initiatives. However, the results from the interviews showed that both formal and informal learning took place. While some, for example Company A and Company B, relied heavily on formal learning through courses, Company L did the opposite with a more informal learning approach.

The HR-professional in Company E continuously talked about different courses offered to the employees. There is a possibility that the reason the HR professional only spoke about courses was that those were the questions that HR in that company were handling, and that it instead was other managers within Company E who dealt with informal learning. A third of the companies discussed, in line with Tynjälä's (2013) claims, the importance of reflection in learning. This is interesting, due to the generally low interest in employee reflection from other researchers, such as Ellström & Kock (2008) and Maurer, Weiss & Barbeite (2003). The four companies that mentioned reflection also pointed out, again in line with Tynjälä (2013) and also Evans & Waite (2010) the importance of networking and knowledge-sharing.

5.4.2 Objectives of the competence development

As previously mentioned, Company M said, "if someone wants to do some competence development and come to us, we will of course support it". When comparing this to Szczepańska-Woszczyńska's (2014) claims about the importance of a manager's individual skills in regard to the competitiveness of the SME, Company M seemed to still be in a start-up state-of-mind, despite having been in business since 2012. Perhaps one of the reasons they were still mainly thinking of onboarding, was that they still have the mindset of a start-up company, where, according to Salgado, Flegl & Fejfarova (2020), even if training is important, there are other equally important factors, such as work-life balance.

5.4.3 Indicators showing a need for HR and competence development

When starting this project, the initial expectation was that few SMEs would work strategically or structured with competence development. Existing research explicitly said that an HR practitioner more or less was required in order to work with competence development (Lucia, 2018; Johnson, Blackman & Buick, 2018). This could be one reason why this research is the foundation for all research, a self-fulfilling prophecy. The findings have shown that all interviewed companies are in one way or another working with competence development. No proof of it being dependent on having an HR function or not has been found when conducting this research.

5.5 Result discussion

One explanation for why the result of this study looks the way they do could also be due to the fact that the managers being interested in these types of questions are more likely to contribute to such research. Further, it is reasonable to assume that the interviewees, often also being the founder of the company, tend to downplay negative aspects and highlight mainly the company's strengths and competitive advantages. The general impression from conducting the interviews was however that truthfulness in the respondents' answers was high. A majority of them also seemed to enjoy being asked questions regarding their practice on the subject, leading to new insights, perspectives and ways of thinking.

Even if smaller companies do not have a designated HR function, that by no means implies that they do not work with HRM. All companies had some sort of HR practices even without having a designated HR function. No indication has been found, neither in empirical data nor the literature review, that a small company would perform less well without HR than with one. It is contextual and depends on the organisational needs, as a lack of HR when in fact needed is likely to be negative. Comparing the results to the research conducted by Finkelstein (2016; 2018) regarding talent leadership by line managers; the managers in this study operating without a designated HR function seem to have a well-functioning talent leadership also when facilitated by managers.

HR as a concept is largely an umbrella concept. Just because smaller companies do not use the term in the same way that an academic scholar or HR professional would, does not necessarily mean that such questions are not prioritized or handled within the companies, it is hard to measure and can express itself in other ways than the schoolbook definition. When asking about what Human Resources tasks a company is conducting, there is a much larger chance to get a defined answer than if the question would have been: How does HR work with these questions? This is partly a critique towards the current research getting exactly the answers they are asking for.

HR issues are important in SMEs, but an HR practitioner is not necessarily as important. Things that may have an impact on when and why a company either got a designated HR function or could imagine getting one was due to:

- The managers' interest in HR issues
- How much time the managers had themselves to handle HR issues
- The complexity of the company
- Demand from the employees

As a notion regarding the theory and a thought for the future is that the interviewees will always answer the questions asked. Therefore, if the questions are about problems rather than solutions, there will always be something to find, always something that can be improved. That may be a reason current research is the way it is - the questions asked were ones of problems rather than of solutions. Therefore, the interview questions in this study, have been designed as neutral in regard to different practises.

6. Conclusion

The conclusion chapter of this thesis provides a summary of the results in relation to the research questions. Further it comprises the key conclusions drawn from conducting the study as well as reviews the identified limitations of the study together with suggestions on future research on-, or related to the subject.

6.1 Answering the research questions

The purpose of this thesis was to answer these three research questions:

RQ 1: How is competence development used, perceived and prioritized in SMEs today?

RQ 2: How do SMEs facilitate competence development with or without a designated HR-function?

RQ 3: Does current research give a picture in line with how Human Resources and competence development is managed and facilitated in SMEs?

Already while starting to analyse the results, it was evident that this was only scratching the surface of the world of small- and medium-sized companies. Due to their vastly different characteristics, it is important to once again point out that the conclusions drawn in this thesis, is based on a small sample in comparison to the entire population of SMEs, also in comparison to the combined number of SMEs in Sweden.

RQ 1: How is competence development used, perceived and prioritized in SMEs today?

It is used as a way to stay relevant, as a way to keep employees up to date with industry compliance, to let employees grow as people, as well as a way to make work more effective or advanced. All companies stated that competence development is essential to stay competitive and an attractive workplace. As companies with few employees and a need for a broad competence base, there was therefore a need to prioritize between parts of the business. However, such investment of resources (time and money) in competence development usually paid off. The perception of competence development has in this study been shown to be positive, and are also highlighting its importance, especially as a way to supply new knowledge during low turnover. It was also seen as a method for increasing employee well-being and engagement. Small and medium-sized enterprises mainly put competence development in different forms as perhaps not their top priority, but the results show no indications that competence development in any way is forgotten.

RQ 2: How do SMEs facilitate competence development with or without a designated HR-function?

This research concludes that the interviewed companies handled competence development based on the independence and request of the employees, no matter if they had an HR function or not. Competence development could look very different depending on the company if it were formal courses, networking, or collegial learning, as well as conducted through formal and/or informal learning. Only one of the participating companies rather worked with onboarding than competence development. Different ways of competence development discovered were, external and internal courses, learning-by-doing/trial-and-error, networking/knowledge-sharing, self-study/reading and reflection. This study has not found any indication that competence development is more or less prioritized with or without a designated HR-function.

RQ 3: Does current research give a picture in line with how Human Resources and competence development is managed and facilitated in SMEs?

When comparing the results of this study with current research within competence development and Human Resources, these results do not align. This conclusion is based on the fact that current research almost exclusively deals with larger corporations and pushes for the notion that having an HR function is crucial for competence development success. The participating companies interviewed in this study that did not have an HR function were said to be functioning well and seemed to have satisfactory competence development processes in place. Even if a generalized conclusion is not possible, this study has indicated an important point. The assumption that HR is a requirement to competence development success is not in line with the findings of this study. Perhaps, the notion that only HR professionals can plan and perform these activities is due to societal demands or expectations of increased specialization when it comes to any profession within a company, and therefore the researchers have followed society's beliefs rather than looking for what is really there.

6.2 Practical implications

For the timeframe of this project, it would have been impossible to go through all the existing research regarding competence development. Thus, it is not possible to claim that *all* research is

biased towards the need for an HR professional. However, it is peculiar that so much research takes HR for granted. Competence development can be conducted in many ways, and managers have a considerable impact on the learning culture of a workplace. Clearly, competence development can be conducted without an HR function generating satisfactory results, at least according to the managers. Therefore, letting go of the notion that an HR function is required, will both highlight all the good practises that are currently in use as well as give other SMEs, and larger companies, alternative ways to conduct competence development.

Another practical implication is the amount of freedom and responsibilities the employees get in their own learning and competence development. This is an important learning for the future and may change the way companies see their employees; not as passive bystanders that simply receive the competence development being given to them, but rather an active part in both doing, implementing and improving competence development and learning in the workplace. The employees themselves are an important part of any company and can therefore be treated as responsible for their personal development as well.

6.3 Limitations and future research

Just like any study, this study also has its limitations. In the following section, the major limitations are presented in addition to suggestions of future research on the topic.

6.3.1 Limitations concerning research design and interviewees

As previously mentioned, one of the most prevalent limitations was the timeframe of the project. This resulted in both a smaller sample than desired as well as a simplified research design. If future research on the topic were to be conducted, it is suggested to examine SMEs over a longer time, and preferably also having a larger sample of participants. Ideally, such a study could use a mixed-method approach, utilizing the quantitative part in order to get potentially valuable insights into company policies, life cycle and entrepreneurial approach, as well as turnover rate. A deeper

qualitative analysis of previous research would also have been valuable since there appears to have been a shift in research regarding competence development.

Secondly, since this research only focused on interviewing managers, this resulted in a top-down view of competence development. While CEOs, founders and HR professionals may have intricate knowledge about the company, employees' opinions can many times significantly differ from the perspective of company management. Leading to the results becoming subjective and therefore potentially also making it difficult to identify other possible confounding variables.

Thirdly, it should not be underestimated that the interviews were conducted in another language than English, having both advantages and drawbacks. It adds an extra step of interpretation where the authors are required to translate quotes and practices into another language before communicating this to the reader. There is always a risk of losing details and nuances in such a process. An obvious advantage, and what justifies using this procedure, is that the interviews were held in the managers' and authors' native language, meaning that thoughts and conversation could flow more easily.

Finally, there was great variation in the size of the participating companies. Although the difference in the end was 79 employees between the largest and smallest company, this still constitutes a fairly large gap. With such a large gap, it is inevitable that the companies will differ, which certainly leads to difficulties in making direct comparisons but which, based on the purpose of the study, must be considered to have generated valuable results.

6.3.2 Suggestions for future research and remedies

To remedy these limitations, is to firstly give this research its proper time. Competence development in SMEs have barely been researched before and it could therefore be argued that such research deserves more resources than a 15 ECTS project. There are certain research designs that could give research like this more dimensions. For example, this could include making a longitudinal study where competence development initiatives were followed up, and could be compared to different measures of success, for example revenue, growth, sales or employee well-

being. More time would both give the researchers a chance to do a mixed-method research design, as well as a more comprehensive research on all levels of the organisation, both employees, managers and CEOs.

If this research would be carried out under such time constraints again, a complementary quantitative study could be made regarding policies, perceived attitudes to competence development from both an employee and an employer perspective. To achieve more granularity, in future research, a possibility is to investigate companies with a closer span of number of employees. This could give more insight into if there actually is a tipping point in regard to the number of employees when SMEs consider getting a designated HR function.

Lastly, in the future, more research on competence development *without an HR function* should be conducted as there is much to be learned from such companies and their practices. This study concludes that competence development without an HR function is both working well and is ongoing. To further this research would therefore give valuable information to how to keep practises alive regarding many more parts of the HRM area in companies that lack the resources to have a designated HR function. Disregarding the size bias in business research, can surely give a broader and more diverse field of research, and a more accurate representation of the broad group of companies with 249 or less employees, with or without a designated HR function.

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Appendix

Appendix 1

Interview questions

Formalities	
Question	Purpose
All interviewees in this study are anonymous, in addition to this we will not disclose the name of your company. Only describe what type and industry the company is operating in as well as the approximate size of the organisation (e.g., number of employees, locations etc.) We will not disclose any information that can be tacked back to you or the company.	Information to comply with Ethical statement
We would however like to ask if you consent to us using your professional title for describing your role in the company?	
Do you allow us to quote your statements in order to make the results more vivid?	
Do you allow us to voice record this interview? This is done to prevent us from missing any important information and for making analysing the material easier. The recording will be deleted after the research has been published.	
Company data	
Question	Purpose
What type of organisation is this?	Building report as well as collecting some statistical data about the company.
When was this company founded?	
How many people are employed?	
Who is responsible for strategic questions in your SME? (Only the manager or also employees?)	

Demographics	
Question	Purpose
For how long have you been part of this organisation?	Building a relationship with the interviewee, as well as getting a brief summary of the professional background of the interviewee. This section also gives intel on the interviewees current work tasks.
What is your work title and what is your role in this company? <ul style="list-style-type: none"> ○ Formal ○ Informal 	
Can you tell us about your previous work-experience?	
What is your educational background?	
What drives you to work here? Be an entrepreneur?	
What drives you to work in this type of company? (Business owner, SME-manager)	
View of Human Resources	
Question	Purpose
What does Human Resources mean to you?	To get an overview of current views of Human Resources as a concept. Used to get data to answer Research Questions 2 and 3
Does your company have a designated HR-function/professional? If YES: <ul style="list-style-type: none"> ○ What is the reason behind this? ○ For how long have you had this? If NO: <ul style="list-style-type: none"> ○ What is the reason behind this? ○ Who in the company is responsible for HR-related questions? (e.g., recruiting, competence development, labor-law, compensation, sick-leave etc.) ○ Do you plan on getting an HR-function/professional? <ul style="list-style-type: none"> ▪ Do you want one? Why? 	

View on Employees/Talents	
Question	Purpose
How long does a typical employee stay with the company?	To get a background both in how the talent retention is within the company, but also the views on employees in general. To get more data on how the company's working environment is.
Would you like them to stay longer than this?	
What is a typical reason for employees to leave the company?	
What skills are you looking for in new hires?	
Company HR practices	
Question	Purpose
<p>What types of HR-related conversations do you have with your employees? [Clarify or give some examples if necessary]</p> <ul style="list-style-type: none"> ○ Feelings about their work, their employment and the company? ○ Their performance and ability to perform job tasks? ○ Need- or room for development? ○ Compensation and negotiating salaries? ○ Feedback? ○ Personal goals? 	To collect data to answer Research Questions 1, 2 and 3
Do you have this type of conversation on a frequent and/or regular basis?	
Do you have any HR/CD framework?	
Competence development	
Question	Purpose
What does Competence mean to you?	To collect data to answer Research Questions 1, 2 and 3.
What does Competence development mean to you?	
Do you work with this in the company?	
How do you work with this?	

Are you making any efforts to improve employee's competence? <ul style="list-style-type: none"> ○ What? ○ Why? 	
What benefits do you see from competence development?	
Do you map what competences are in your company?	
Wrapping up	
Question	Purpose
That was all the questions we had; do you have any questions for us?	
Thank you so much for participating in our study!	Because it is polite