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**Human Resource Management:  
Small Business Considerations**

Source: Entrepreneurial Small Business, Katz & Green, 2e  
McGraw-Hill/Irwin

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**Chapter 19**

**Hiring Employees**

- No decision is as important or complex as the decision to hire an employee
- Of the 25.4 million businesses in the United States in 2004, over 19.5 million had no employees
- Adding employees increase amount of work that can be done – serving more customers, staying open longer

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**Chapter 19**

- Owner and business become responsible for safety and well-being of the employee
  - Legal requirements as an employer
- What kind of work needs to be done?
  - You can hire either part-time or full-time employees
  - Many additional expenses
    - Carefully balance the ledger

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## Chapter 19

- Employee fit: the match between the needs, expectations, and culture of the small business with the expectations and the skills of the individual employee
  - Let an applicant work part-time for a while so you can see if he/she fits
- Probationary period: trial period in which an employee has temporary status before a formal offer to work full time is presented

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## Chapter 19

### Attracting Employees

- Tends to be **expensive**, so consider less expensive **alternatives**
  - Networking
  - Internet recruiting
  - Employee referral
  - Company websites
  - Career service offices

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## Chapter 19

- **Sources: cont.**
  - Professional groups
  - Outsourcing
  - **Non-traditional methods:**
    - Local churches and pastors
    - Visit local high school for entry-level jobs
    - State unemployment offices

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## Chapter 19

### Example

#### Hiring Your First Employees

- Great people are attracted to work for great leaders and great companies
- Worst thing you can do is hire the best of a bad bunch, or put someone on staff simply because they're related to you
- Maximize three personal qualities:
  - Mind
  - Heart
  - Spirit

<http://www.entrepreneur.com/startupbusiness/startupbasics/startupbasicscolumnistbradugars/article171066.html>

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## Chapter 19

### Matching the Work to the Worker

- **Writing a job description:** define and discuss all the essential knowledge, skills, and abilities
  - **Craft a job analysis:**
    - Reason the job exists
    - Mental or physical tasks involved
    - How the job will be done
    - The qualifications needed

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## Chapter 19

### • Crafting a Job Description:

- Start with a title
- Give a job overview (or a summary of the job)
- Define the duties and responsibilities
- Knowledge, skills, and abilities
- Credentials and experience
- Special requirements

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## Chapter 19

- **Evaluating job prospects:** is an individual the right match for the position and your small business
  - Create some specific questions you will ask of all candidates
  - Ask that person to demonstrate their skills
  - Consider involving one or two other interviewers
  - Never hire a moderately qualified just because you need someone now

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## Chapter 19

### Training Your Employees

- **Assess your firm's training needs**
  - **Where** is training needed? What key areas need the most attention?
  - **What** specifically must an employee learn in order to be more productive?
  - **Who** needs to be trained?

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## Chapter 19

- **Two broad types of training:**
  - **On the job:**
    - Delivered to employees while they perform their regular jobs
    - Orientations, job instruction training, apprenticeships, internships and assistantships, job rotation, and coaching
  - **Off the job:**
    - Lectures, special study, videos, television conferences, case studies, role-playing, simulation, programmed instruction, and laboratory training

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## Chapter 19

- **Three Guidelines for Training:**
  - Give your employees opportunities to use their new skills
    - Owners often hesitate to train employees because afraid they will leave for better job
  - Make training an ongoing process
    - Good employees want to learn
  - Think of training as an investment (as opposed to an expense)
    - Results of sink-or-swim method include costly mistakes, unhappy workers, and low productivity

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## Chapter 19

### Example

#### SCORE's Top Training Tips

- Recognize that formal training programs are only part of the picture. Most real training occurs on the job
- When a product is complicated, do on-site training with sales associates
- Be clear about expectations. Focus on the behavioral changes or improvements that you're looking for
- Make sure newcomers are introduced to all their co-workers

<http://www.entrepreneur.com/story/business/score/resources/top5tips/article1268.html>

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## Chapter 19

### Rewarding Employees

- **5 factors** are most valuable to employees:
  1. **Teamwork:** allows people to interact
  2. **Recognition:** showing appreciation, giving credit, incorporate a reward system
  3. **Training:** providing learning opportunities
  4. **Empowerment:** allow employees to use their judgment
  5. **Contribution:** they make a difference

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## Chapter 19

Table 19.3 23 Rewards Offered Employees of Small Businesses	
Factors	Psychological Contract Items
Autonomy and Growth	<ul style="list-style-type: none"> <li>Meaningful work</li> <li>Challenging and interesting work</li> <li>Participation in decision making</li> <li>Freedom to be creative</li> <li>Opportunity to develop new skills</li> <li>Increasing responsibilities</li> <li>A job that provides autonomy and control</li> <li>Recognition of my accomplishments</li> <li>Career guidance and mentoring</li> </ul>

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## Chapter 19

Table 19.3 23 Rewards Offered Employees of Small Businesses	
Factors	Psychological Contract Items
Benefits	<ul style="list-style-type: none"> <li>Health care benefits</li> <li>Vacation benefits</li> <li>Retirement benefits</li> <li>Tuition reimbursement</li> </ul>
Rewards and opportunities	<ul style="list-style-type: none"> <li>Opportunities for promotion and advancement</li> <li>Opportunities for personal growth</li> <li>Pay and bonuses tied to performance</li> <li>Job training</li> <li>Continual professional training</li> </ul>

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## Chapter 19

Table 19.3 23 Rewards Offered Employees of Small Businesses	
Factors	Psychological Contract Items
Job security and work responsibility	<ul style="list-style-type: none"> <li>Well-defined job responsibilities</li> <li>A reasonable workload</li> <li>Job security</li> </ul>
Work facilitation	<ul style="list-style-type: none"> <li>Adequate equipment to perform job</li> <li>Enough resources to do the job</li> </ul>

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## Chapter 19

- **Reviewing employees' performance**
  - **Performance review:** once a year to monitor your employee's job satisfaction, overall performance, and set career objectives
    - Recognize performance, set goals, and set direction
  - **Pay review:** reward your employees if they have performed all duties and met general requirements

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## Chapter 19

### Compensation and Benefits

- **Determine the organization's salary philosophy:**
  - Find comparison factors for salary
  - Research salary range
  - Determine whether you are competitive
  - Salary.com: or on <http://hotjobs.yahoo.com>

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## Chapter 19

- **Bonuses and long-term incentives:** single lump at end of year
  - Profit-sharing plans, stock options, or stock grants
- **Health insurance:** not always affordable
  - Sends the message that you care about their health
  - Consider having employees pick up part of the tab

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### Chapter 19

- **Retirement plans:** 401(k) plans have become popular because they are relatively easy to administer
- **Other incentives:**
  - Time off
  - Flexible schedules
  - Sick days / personal days
  - Vacation days

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### Chapter 19

- **Entrepreneurial Leadership:** leadership really means administration
  - Two key factors: Task and Person
- **Essential to grow any business**
  - 75% of businesses in U.S. consist of only the owner; no employees
- **Looks at how you operate as chief executive - 3 components:**
  - Innovation
  - Operation
  - inspiration

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### Chapter 19

#### Human Resource Issues in Family Business

- Estimated 95% of businesses are family businesses
- Two key HR management issues that surface:
  - Striking a balance between nepotism and meritocracy
  - Managing privilege

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### Chapter 19

- **Nepotism:** a management philosophy of selecting and promoting people based on family ties
- **Meritocracy:** a management philosophy of selecting and promoting people based solely on their being the most capable person for the job

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### Chapter 19

- **Good HR Practices for All Businesses**
  - Key elements of a good HR approach
    - Transparent procedures with consistent application
    - Job basics
    - Job metrics
    - Task repair
    - Lines of communication
    - Clear termination rules
    - Line of appeal

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### Chapter 19

#### Dividing up ownership and dividends

- Owners of corporations often receive the base of their compensation as a salary
  - Also receive dividend from the corporation
- Family members receive similar packages
  - Higher than non-family members
  - Create profit sharing plans or bonus system for non-family members

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**Chapter 19**

Summary

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