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Human Resource Management: Small Business Considerations

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

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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- 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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- **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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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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- **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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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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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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- **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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- **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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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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- **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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- **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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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/scoresources/top5tips/article81268.html>

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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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Table 19.3 23 Rewards Offered Employees of Small Businesses	
Factors	Psychological Contract Items
Autonomy and Growth	Meaningful work Challenging and interesting work Participation in decision making Freedom to be creative Opportunity to develop new skills Increasing responsibilities A job that provides autonomy and control Recognition of my accomplishments Career guidance and mentoring

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Table 19.3 23 Rewards Offered Employees of Small Businesses	
Factors	Psychological Contract Items
Benefits	Health care benefits Vacation benefits Retirement benefits Tuition reimbursement
Rewards and opportunities	Opportunities for promotion and advancement Opportunities for personal growth Pay and bonuses tied to performance Job training Continual professional training

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Table 19.3 23 Rewards Offered Employees of Small Businesses	
Factors	Psychological Contract Items
Job security and work responsibility	Well-defined job responsibilities A reasonable workload Job security
Work facilitation	Adequate equipment to perform job Enough resources to do the job

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- **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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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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- **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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- **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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- **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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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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- **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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- **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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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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Summary

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