

# 18 Managing Human Resources in Small and Entrepreneurial Firms



# Learning Objectives

1. Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.
2. Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.



# Learning Objectives

3. List five ways entrepreneurs can use their small size to improve their HR processes.
4. Discuss how you would choose and deal with a professional employee organization.
5. Describe how you would create a start-up human resource system for a new small business.



# **Why HRM is Important to Small Businesses and How Small Business HRM is Different from that in Large Businesses**



# The Small Business Challenge

- How small business HRM is different
  - Size
  - Priorities
  - Informality
  - The entrepreneur
  - Implications
- Why HRM is important to small businesses



# Review

- Size
- Priorities
- Informality
- The entrepreneur
- Importance



# **Four Examples of How Entrepreneurs Can Use Internet and Government Tools to Support the HR Effort**



# Using Internet and Government Tools to Support the HR Effort

- Complying with employment laws
  - DOL [www.DOL.gov](http://www.DOL.gov)
  - EEOC [www.EEOC.gov](http://www.EEOC.gov)
  - OSHA [www.OSHA.gov](http://www.OSHA.gov)
- Employment planning and recruiting
  - Web-based recruiting





# Using Internet and Government Tools to Support the HR Effort

- Selection
  - Complying with the law
- Training
  - Private vendors
  - The SBA and NAM <http://www.sba.gov/>  
<http://www.nam.org/>
- Appraisal and compensation
- Safety and health



# Review

- Employment laws
- Planning and recruiting
- Selection
- Training
- Appraisal and compensation
- Safety and health



# **Five Ways Entrepreneurs Can Use their Small Size to Improve their HR Processes**



# Leveraging Small Size:

## Familiarity, Flexibility, Fairness, Informality, and HRM

- Simple, informal selection
- Streamlined interviews
  - Preparing
  - Specific factors to probe
  - Conducting the interview
  - Matching the candidate to the job



# Leveraging Small Size:

## Familiarity, Flexibility, Fairness, Informality, and HRM

- Work-sampling tests
- Flexibility and the four-step training process
  - Job description
  - Task analysis record form
  - Job instruction sheet
  - Prepare training program
- Informal training methods



# Leveraging Small Size:

## Familiarity, Flexibility, Fairness, Informality, and HRM

- Flexibility in benefits and rewards
  - A culture of flexibility
  - Work–life benefits
  - Recognition
  - Small business benefits for bad times
  - Simple retirement benefits



# Leveraging Small Size:

## Familiarity, Flexibility, Fairness, Informality, and HRM

- Improved communications
  - Newsletter
  - Online
  - The huddle
- Fairness and the family business



# Review

- Informal selection
- Streamlined interviews
- Work-sampling tests
- Training
- Flexibility in benefits and rewards
- Communications
- Fairness





# **How You Would Choose and Deal with a Professional Employee Organization (PEO)**



# Using Professional Employer Organizations

- How do PEOS work?
- Why use a PEO?
  - Lack of specialized HR support
  - Paperwork
  - Liability
  - Performance
- Caveats
  - Warning signs



# Review

- The use of PEOs
- Reasons for using PEOs
- Caveats



# **How You Would Create a Start-up Human Resource System for a New Small Business**



# Managing HR Systems, Procedures, and Paperwork

- Basic components of manual HR systems
  - Basic forms
  - Other sources <http://www.hrdirect.com/>
  - <http://gneil.hrdirect.com/>
- Automating individual HR tasks
  - Packaged systems <http://ihrim.org/>



# Managing HR Systems, Procedures, and Paperwork

- Human resource information systems (HRIS)
- Improved transaction processing
- Online self-processing
- Improved reporting capability
- HR system integration
- HRIS vendors
- HR and intranets



# Review

- Manual HR systems
- Automation
- HRIS
- Online transaction and self-processing
- Reporting and system integration
- HR and intranets

