

HUMAN RESOURCES MANAGEMENT

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Emerging Business Series

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INTRODUCTION

All small businesses must staff their operations. This involves bringing new people into the business and making sure they are productive additions to the enterprise. Effective human resource management matches and develops the abilities of job candidates and employees with the needs of the firm. A responsive personnel system will assist you in this process and is a key ingredient for growth.

Human resource management is a balancing act. At one extreme, you hire only qualified people who are well suited to the firm's needs. At the other extreme, you train and develop employees to meet the firm's needs. Most expanding small businesses fall between the two extremes -- i.e., they hire the best people they can find and afford, and they also recognize the need to train and develop both current and new employees as the firm grows.

The first section of this publication explains how to hire and train the right people and addresses the characteristics of an effective personnel system, such as

- Assessing personnel needs.
- Recruiting personnel.
- Screening personnel.
- Selecting and hiring personnel.

- Orienting new employees to the business.
- Deciding compensation issues.

The second section of this publication addresses the training and development side of human resource management. The third section discusses how the personnel system and the training and development functions come together to build employee trust and productivity. These three sections stress the importance of a good human resource management climate and provide specific guidelines for creating such a climate. The appendixes include a self-assessment questionnaire to assist you in evaluating the effectiveness of your personnel system and a list of general information resources.

DEVELOPING A RESPONSIVE PERSONNEL SYSTEM

Assessing Personnel Needs

The small business owner should base the firm's personnel policies on explicit, well-proven principles. Small businesses that follow these principles have higher performance and growth rates than those that do not follow them. The most important of these principles are

- All positions should be filled with people who are both willing and able to do the job.
- The more accurate and realistic the specifications of and skill requirements for each job, the more likely it is that workers will be matched to the right job and, therefore, be more competent in that job.
- A written job description and definition are the keys to communicating job expectations to people. Do the best job you can! is terrible job guidance.
- Employees chosen on the basis of the best person available are more effective than those chosen on the basis of friendship or expediency.
- If specific job expectations are clearly spelled out, and if performance appraisals are based on these expectations, performance is higher. Also, employee training results in higher performance if it is based on measurable learning objectives.

The first step in assessing personnel needs for the small business is to conduct an audit of future personnel needs. Ask yourself

- Can the workload you visualize be accomplished by the present work force? Will more or fewer employees be needed? Consider seasonal patterns of demand and probable turnover rates.
- Can any jobs be eliminated to free people for other work?

- What balance of full-time or part-time, temporary or permanent, hourly or salaried personnel do you need?
- What does the labor supply look like in the future?
- Will you be able to fill some of the jobs you've identified? How easily?
- What qualifications are needed in your personnel?

Develop a method to forecast labor demand based on your answers to these questions. Once your needs are estimated, determine strategies to meet them.

The process of selecting a competent person for each position is best accomplished through a systematic definition of the requirements for each job, including the skills, knowledge and other qualifications that employees must possess to perform each task. To guarantee that personnel needs are adequately specified, (1) conduct a job analysis, (2) develop a written job description and (3) prepare a job specification.

Job Analysis

Job analysis is a systematic investigation that collects all information pertinent to each task performed by an employee. From this analysis, you identify the skills, knowledge and abilities required of that employee, and determine the duties, responsibilities and requirements of each job. Job analysis should provide information such as

- Job title.
- Department.
- Supervision required.
- Job description -- major and implied duties and responsibilities.
- Unique characteristics of the job including location and physical setting.
- Types of material used.
- Types of equipment used.
- Qualifications.
- Experience requirements.
- Education requirements.

- Mental and physical requirements.
- Manual dexterity required.
- Working conditions (inside, outside, hot, cold, dry, wet, noisy, dirty, etc.).

Job Description

The job analysis is used to generate a job description, which defines the duties of each task, and other responsibilities of the position. The description covers the various task requirements, such as mental or physical activities; working conditions and job hazards. The approximate percentage of time the employee should spend on each activity is also specified. Job descriptions focus on the what, why, where and how of the job.

There are two excellent resources the small business owner can use to develop job descriptions. First, ask employees themselves to describe their jobs. A good employee may know more about the job than anyone else. Second, consult the *Dictionary of Occupational Titles*, published by the Government Printing Office, which contains over 20,000 job descriptions.

Job Specification

The job specification describes the person expected to fill a job. It details the knowledge (both educational and experiential), qualities, skills and abilities needed to perform the job satisfactorily. The job specification provides a standard against which to measure how well an applicant matches a job opening and should be used as the basis for recruiting.

Recruiting

As a small business owner-manager, you should be aware of the legal environment in which you operate. This is especially true when it comes to recruitment. Being aware of legislation that will affect your business is extremely important to efficient recruiting.

Congress has passed several laws that deal with discrimination in the workplace. The Civil Rights Act of 1964 and the Equal Employment Act of 1972 are two that small businesses owners should be especially aware of. The Equal Employment Opportunity Commission (EEOC), is charged with enforcing federal law against discrimination based on

- Race.
- Color.
- National origin.
- Sex.

- Age (between 40 and 70).
- Disability.
- Veteran status.
- Handicap.
- Religion.

Another law to be aware of is the 1963 Equal Pay Act, which requires that men and women receive equal pay for equal work.

Box 1 is a list of *illegal* questions that are often asked during the recruitment process. Review them carefully to ensure that you avoid asking them when interviewing applicants.

**Box 1 - Often Asked (but Illegal)
Questions in the Recruitment Process**

- How old are you?
- Are you married?
- Do you have any children?
- How will you care for your children during work hours?
- Where do you attend church/synagogue?
- How old are your children?
- Do you receive alimony or child support?
- Are you Puerto Rican? (etc.)
- Are you pregnant?
- Send in a picture with your job application.
- How much do you weigh?
- What is your maiden name?

- What is your father's surname?
 - Where were you born?
 - What clubs do you belong to?
-

Sources of Employees

Effective recruiting requires that you know where and how to obtain qualified applicants. It is difficult to generalize about the best source for each business, but a description of the major sources follows.

- *Present employees* -- Promotion from within tends to keep employee morale high. Whenever possible, current employees should be given first consideration for any job openings. This practice signals your support of current employees.
- *Unsolicited applicants* -- Small businesses receive many unsolicited applications from qualified and unqualified individuals. The former should be kept on file for future reference. Good business practice suggests that all applicants be treated courteously whether or not they are offered jobs.
- *Schools* -- High schools, trade schools, vocational schools, colleges and universities are sources for certain types of employees, especially if prior work experience is not a major factor in the job specification. Schools also are excellent sources for part-time employees.
- *Public employment offices* -- The Employment Service of the U.S. Department of Labor works with state employment offices to provide no-cost brokerage of applicants who are seeking employment. Local offices will provide small businesses with applicants who have been screened on the basis of work experience, education and some psychological testing. They also have an up-to-date file on potential employees who possess a wide range of skills.
- *Private employment agencies* -- These firms provide a service for employers and applicants by matching people to jobs in exchange for a fee. Some fees are paid by the applicants, and there is no cost to the employer; for highly qualified applicants in short supply, the employer sometimes pays the fee.
- *Employee referrals* -- References by current employees may provide excellent prospects for the business. Evidence suggests that current employees hesitate to recommend applicants with below average ability. Word of mouth is one of the most commonly used recruiting sources in the small business community.
- *Help Wanted advertising* -- Letting people know that the business is hiring is a key element in gaining access to the pool of potential employees. At its simplest, this type

of advertising may take the form of a Help Wanted sign in the window. More sophisticated methods involve using local media, primarily print sources such as daily and weekly newspapers. The classified pages of newspapers are frequently consulted by active job seekers, including currently employed individuals who may be tempted by a more attractive position. Other advertising media include radio and television. These tend to have a wider appeal than the newspaper; however, the price of an advertisement is correspondingly higher.

Specialty media publications, such as trade association magazines and newsletters, may also produce quality job applicants. There are efforts in some parts of the country to offer small business employers access to cable television community bulletin boards. Another high-tech opportunity is to list positions on computer network bulletin boards.

Prices for help wanted advertising vary and the small business owner approaches them with caution. A well-placed, high-quality advertisement will attract good people, whereas, an expensive advertisement in the wrong medium may get no results. Some experimentation is worthwhile to most small businesses. Another suggestion is to ask other small business people in the area about their success with help wanted advertising. Learn from others' successes and mistakes.

Screening

The screening process provides information about an individual's skills, knowledge and attitudes, enabling a potential employer to determine whether that person is suited to, and qualified for, the position. Experience has shown that hiring an overqualified person can be as harmful as hiring an underqualified person. The application form is the place to begin screening candidates for a job. It provides information on the person's background and training and is the first means of comparing the applicant with the job description. This will ensure that you don't waste time on applicants who clearly do not meet the minimum requirements for the job.

Generally, the following information is asked on an employment application form: name, address, telephone number, social security number, kind of work desired, work experience, military service, education and references. See the sample application form in Box 2.

Box 2 – Sample Application Form

Date _____

Name _____

Social Security Number _____

Address _____

Telephone Number _____

Position desired _____

EDUCATION

EMPLOYMENT RECORD:

Name and address of company, position, dates employed and reason for leaving:

MILITARY SERVICE:

Branch _____ from _____ to _____

Rank Achieved _____ Type of discharge _____

REFERENCES:

The personal interview is the second step in the screening process. During the interview, the manager learns more about the applicant through face-to-face contact, including observation of personal appearance. The interview should be guided, but not dominated, by the manager as it is important to let the candidate speak freely. Whenever possible, the interviewer should ask questions that are directly related to the job. Devise a list of questions that will adequately assess the applicant's qualifications while meeting the specifications for the job. Three major errors often committed in the personal interview are

- Failure to analyze the requirements of the job in sufficient detail to generate valid questions.
- Failure to ask candidates the right questions to determine their strengths and weaknesses, and their fit with the job.
- Too much reliance on gut reaction instead of objective evaluation of candidates based on criteria established in the job specification.

Interviewing makes the selection process more personal and gives the interviewer an overall idea of whether the applicant is appropriate for the job. The following list of techniques in Box 3 will help you select the right applicant for the job.

Box 3 - Interviews

1. Review the job description before the interview.
2. Break the ice -- establish a friendly atmosphere.
3. Develop an interview time plan and stick to it.
4. Keep an open mind, i.e., don't form an opinion too early.
5. Give the candidate time to tell his or her story; don't talk too much.
6. Present a truthful picture of the company and the job.
7. Listen carefully, concentrate and take notes.
8. Avoid detailed discussion of salary too early in the interview.
9. Be courteous.
10. Don't leave the candidate hanging -- discuss the next step in the hiring process and the timing.

Other screening techniques include employment tests and physical examinations. Some employment tests measure aptitude, achievement, intelligence, personality and honesty. A physical examination determines if the applicant meets the health standards and physical demands of the job.

Selecting and Hiring

If the screening process is thorough, selecting the best applicants for the job is easy. However, before making the final selection, one last step should be taken: the top candidate's references should be checked for accuracy and input. You should be aware of the tendency of references to give a rose-colored picture of applicant's character and ability. Despite this potential bias, a careful check with former employers, schools and other references can be most constructive. At a minimum, checking can determine whether or not the applicant was truthful about his or her employment history.

Orienting New Employees to Your Business

An employee handbook communicates important information about the company to the employee. The handbook should cover topics such as company expectations, pay policies, working conditions, fringe benefits and the company philosophy toward customers (see Box 4).

Box 4 -- Employee Handbook Topics

Welcome from the owner	Personal appearance
History of the company	Use of telephones
Introduction to the company	Prohibited acts
Company products and services	Absence from work and reporting policies
Hours of work	Weather emergencies
Holidays	Pay policies
Insurance	Disciplinary procedures and appeals
On-the-job injury	Termination
Jury duty	Vacation policy
Military Leave	Sick leave
Parking rules	Parental leave

Once an individual is hired, he or she should receive a comprehensive orientation on the general policies of the company and on the specific nature of the job. Rules should be explained in detail, job expectations agreed upon and any questions answered before the new employee begins work. New

employees should be introduced to other employees and made to feel welcome.

Compensation Issues

Compensation takes two forms: (1) direct compensation (wages and salaries) and (2) indirect compensation (fringe benefits).

Direct Compensation

Wages and salaries are the compensation people receive on a regular basis (monthly, biweekly or weekly). Workers are paid on the basis of time (by the hour, day, week or month) or on the basis of output (an incentive plan).

Some of the legal issues regarding wage and salary compensation include

- *Wages and hours* -- The Fair Labor Standards Act of 1938 introduced the minimum wage and the 40-hour work week. As of April 1, 1991, the minimum wage is \$4.25 an hour. The law also specifies that workers must receive time-and-a-half pay for time spent on the job in excess of 40 hours. (Not all employees are covered by this act; managers, professionals and sales personnel may be excluded.)
- *Eligibility to work* -- The Immigration Reform Control Act of 1986 was intended to reduce the number of illegal immigrants seeking jobs in the United States. Under the law, employees hired after November 6, 1986, must show proof of their identity and eligibility to work. There are sanctions against employers who do not comply with this act.
- *Child labor* -- The minimum age for children in most jobs is 16 years old. Fourteen- and 15-year-olds are restricted to a few jobs, such as filing and sales. Persons under 14 years of age may work only under certain conditions.
- *Social Security* -- The Social Security Act passed in 1935 provides a minimum guaranteed income to retired and disabled persons. This system is funded by a tax on both employees and employers. In 1990 employees were required to pay the system an amount equal to 7.65 percent of the first \$51,300 earned. Employers are required to match that amount.
- *Unemployment benefits* -- Each state has a program for providing protection for those who lose their jobs (usually through no fault of their own). While programs vary from state to state, each program must comply with certain federal guidelines. Employers pay a tax to the state, which maintains these funds for use by the unemployed.

Indirect Compensation

Fringe benefits are an important part of the overall compensation package in most small businesses. Employee benefits now account for about 40 percent of payroll costs. The profitability of the small firm

is one of the primary determinants of what benefits are offered by the firm.

Box 5 is a list of options to consider when deciding which fringe benefits to offer employees.

Box 5 -- Fringe Benefits

Old age payments	Paid vacations
Survivor payments	Payment for jury duty, National Guard or reserve duty
Disability and health insurance	Profit sharing
Pension plans	Bonuses
Life insurance	Education payments
Dental insurance	Worker's compensation
Accident insurance	Unemployment compensation
Discounts on goods/services purchased from the company	Child care
Employee meals	

Cafeteria Planning

One successful approach to providing benefits to employees of a small business is to allocate a certain amount of money per employee for benefits. Each employee then chooses the package of benefits that suits his or her current needs. This approach is called cafeteria planning because it is similar to going down a cafeteria line, where each customer chooses what he or she wants to eat. It has been suggested that employees perceive this approach as highly equitable because it (1) allows freedom of choice and (2) does not impose a single package of benefits on all employees.

For example, a young employee with several small children may be interested in dental insurance for his family. He is not really interested in or motivated by a pension plan at this time in his life. Another employee in this same company is in her late forties, has no dependent children and is planning for retirement. To force the same benefit on these two employees is not an effective use of benefit money. To allow some choice on the part of participants is a major advantage of the cafeteria approach to benefit planning.

Small businesses face difficult challenges when they try to match benefits with big firms. Nevertheless, the small firm can enjoy the benefits of greater flexibility and innovativeness by offering a cafeteria plan.

EMPLOYEE TRAINING AND DEVELOPMENT

An Effective Training Program

The quality of employees and their development through training and education are major factors in determining long-term profitability of a small business. Hiring and keeping good employees is the key to the first factor. (Hiring has been discussed in the first section and retaining employees will be discussed in the third section.) If you hire and keep good employees, it is good policy to invest in the development of their skills, so they can increase their productivity.

Training often is considered for new employees only. This is a mistake because ongoing training for current employees helps them adjust to rapidly changing job requirements.

Purpose of Training and Development

Reasons for emphasizing the growth and development of personnel include

- Creating a pool of readily available and adequate replacements for personnel who may leave or move up in the organization.
- Enhancing the company's ability to adopt and use advances in technology because of a sufficiently knowledgeable staff.
- Building a more efficient, effective and highly motivated team, which enhances the company's competitive position and improves employee morale.
- Ensuring adequate human resources for expansion into new programs.

Research has shown specific benefits that a small business receives from training and developing its workers, including:

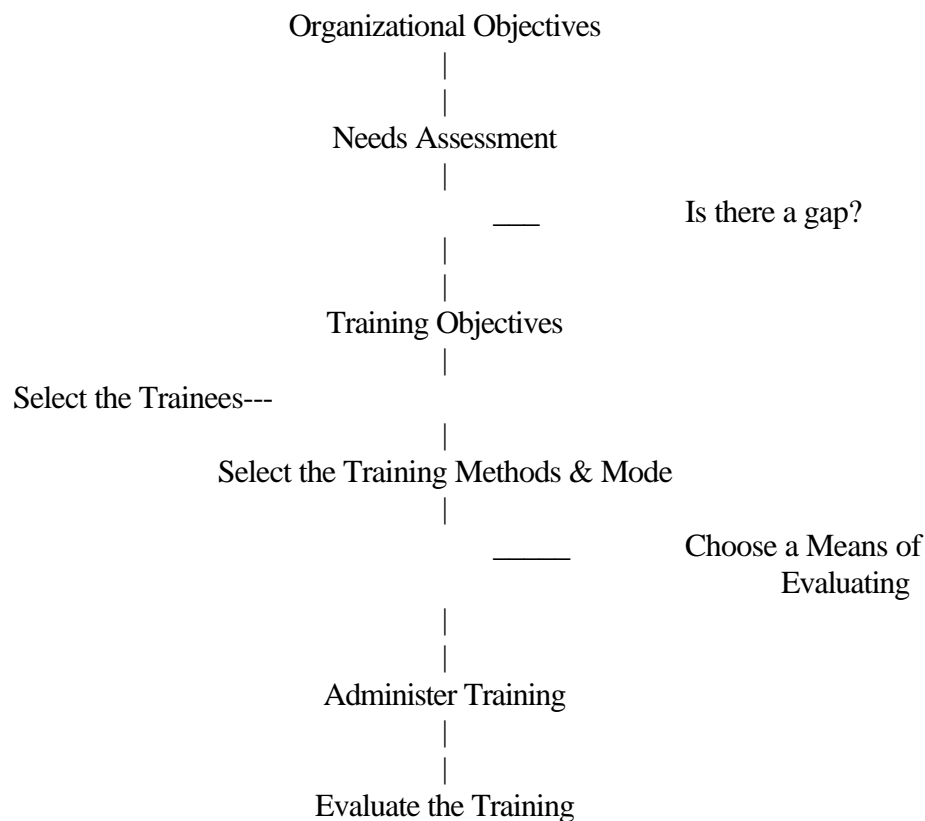
- Increased productivity.
- Reduced employee turnover.
- Increased efficiency resulting in financial gains.
- Decreased need for supervision.

Employees frequently develop a greater sense of self-worth, dignity and well-being as they become more valuable to the firm and to society. Generally they will receive a greater share of the material gains that result from their increased productivity. These factors give them a sense of satisfaction through the achievement of personal and company goals.

The Training Process

The model in Chart 1 traces the steps necessary in the training process.

Chart 1 - Steps in the Training Process



Your business should have a clearly defined strategy and set of objectives that direct and drive all the decisions made -- especially training decisions. Firms that plan their training process are more successful than those that do not. Most business owners want to succeed, but do not engage in training designs that promise to improve their chances of success. Why? The five reasons most often identified are

- *Time* -- Small businesses managers find that time demands do not allow them to train employees.
- *Getting started* -- Most small business managers have not practiced training employees. The training process is unfamiliar.
- *Broad expertise* -- Managers tend to have broad expertise rather than the specialized

skills needed for training and development activities.

- *Lack of trust and openness* -- Many managers prefer to keep information to themselves. By doing so they keep information from subordinates and others who could be useful in the training and development process.
- *Skepticism as to the value of the training* -- Some small business owners believe the future cannot be predicted or controlled and their efforts, therefore, are best centered on current activities -- i.e., making money today.

A well-conceived training program can help your firm succeed. A program structured with the company's strategy and objectives in mind has a high probability of improving productivity and other goals that are set in the training mission.

For any business, formulating a training strategy requires addressing a series of questions.

- Who are your customers? Why do they buy from you?
- Who are your competitors? How do they serve the market? What competitive advantages do they enjoy? What parts of the market have they ignored?
- What strengths does the company have? What weaknesses?
- What social trends are emerging that will affect the firm?

The purpose of formulating a training strategy is to answer two relatively simple but vitally important questions: (1) What is our business? and (2) What should our business be? Armed with the answers to these questions and a clear vision of its mission, strategy and objectives, a company can identify its training needs.

Identifying Training Needs

Training needs can be assessed by analyzing three major human resource areas: the organization as a whole, the job characteristics and the needs of the individuals. This analysis will provide answers to the following questions:

- Where is training needed?
- What specifically must an employee learn in order to be more productive?
- Who needs to be trained?

Begin by assessing the current status of the company -- how it does what it does best and the abilities of your employees to do these tasks. This analysis will provide some benchmarks against which the effectiveness of a training program can be evaluated. Your firm should know where it wants to be in five years from its long-range strategic plan. What you need is a training program to take your firm

from here to there.

Second, consider whether the organization is financially committed to supporting the training efforts. If not, any attempt to develop a solid training program will fail.

Next, determine exactly where training is needed. It is foolish to implement a company-wide training effort without concentrating resources where they are needed most. An internal audit will help point out areas that may benefit from training. Also, a skills inventory can help determine the skills possessed by the employees in general. This inventory will help the organization determine what skills are available now and what skills are needed for future development.

Also, in today's market-driven economy, you would be remiss not to ask your customers what they like about your business and what areas they think should be improved. In summary, the analysis should focus on the total organization and should tell you (1) where training is needed and (2) where it will work within the organization.

Once you have determined where training is needed, concentrate on the content of the program. Analyze the characteristics of the job based on its description, the written narrative of what the employee actually does. Training based on job descriptions should go into detail about how the job is performed on a task-by-task basis. Actually doing the job will enable you to get a better feel for what is done.

Individual employees can be evaluated by comparing their current skill levels or performance to the organization's performance standards or anticipated needs. Any discrepancies between actual and anticipated skill levels identifies a training need.

Selection of Trainees

Once you have decided what training is necessary and where it is needed, the next decision is who should be trained? For a small business, this question is crucial. Training an employee is expensive, especially when he or she leaves your firm for a better job. Therefore, it is important to carefully select who will be trained.

Training programs should be designed to consider the ability of the employee to learn the material and to use it effectively, and to make the most efficient use of resources possible. It is also important that employees be motivated by the training experience. Employee failure in the program is not only damaging to the employee but a waste of money as well. Selecting the right trainees is important to the success of the program.

Training Goals

The goals of the training program should relate directly to the needs determined by the assessment process outlined above. Course objectives should clearly state what behavior or skill will be changed as a result of the training and should relate to the mission and strategic plan of the company. Goals should include milestones to help take the employee from where he or she is today to where the firm wants

him or her in the future. Setting goals helps to evaluate the training program and also to motivate employees. Allowing employees to participate in setting goals increases the probability of success.

Training Methods

There are two broad types of training available to small businesses: on-the-job and off-the-job techniques. Individual circumstances and the who, what and why of your training program determine which method to use (see Box 6).

Box 6 - Training Techniques and Activities

	Orienting new employees	Special skill training	Creative technical and professional education,	Sales, administra- tive, supervisory and manager- ial education
On-the-job				
Orientation	X			
Apprentice	X	X	X	X
Internship		X	X	X
Job rotation	X			
Off-the-job				
Lecture	X	X	X	X
Films	X	X	X	X
Television	X	X	X	X
Conferences	X		X	X
Role playing			X	
Simulation	X	X	X	
Programmed	X	X	X	X
Laboratory			X	

Source: Adapted from B. M. Bass and J. A. Vaughan, *Training in Industry: The Management of Learning*, Copyright 1966.

On-the-job training is delivered to employees while they perform their regular jobs. In this way, they do not lose time while they are learning. After a plan is developed for what should be taught, employees should be informed of the details. A timetable should be established with periodic evaluations to inform employees about their progress. On-the-job techniques include orientations, job instruction training, apprenticeships, internships and assistantships, job rotation and coaching.

Off-the-job techniques include lectures, special study, films, television conferences or discussions, case studies, role playing, simulation, programmed instruction and laboratory training. Most of these techniques can be used by small businesses although, some may be too costly. Box 7 shows the range

of costs for different types of training. Choose the techniques that meet your needs and fit your budget.

**Box 7 Relative Expense of Various Training Techniques
(from least to most expensive)**

	Range*	
	Low	High
Orientation	\$0	\$ 5
Lecture (in house)	0	10
Role playing	0	25
Films	5	25
Television	5	50
Job rotation	25	500
Simulations (computer)	125	1000
Apprenticeships	350	1500
Internships	350	2500
Programmed instruction (computer)	100	3500
Conferences (off site)	500	3500
Laboratory training	1000	5000+

*Per participant per period. Note: The range of expenses should be taken as examples only and were obtained by a telephone survey of small businesses and trainers in a large metropolitan area. Costs vary widely by the content of the training the location and the source.

Orientations are for new employees. The first several days on the job are crucial in the success of new employees. This point is illustrated by the fact that 60 percent of all employees who quit do so in the first ten days. Orientation training should emphasize the following topics:

- The company's history and mission.
- The key members in the organization.
- The key members in the department, and how the department helps fulfill the mission of the company.
- Personnel rules and regulations.

Some companies use verbal presentations while others have written presentations. Many small businesses convey these topics in one-on-one orientations. No matter what method is used, it is important that the newcomer understand his or her new place of employment. The importance of an employee handbook for imparting rules and culture was discussed earlier, with specific suggestions for what should be included in the employee handbook.

Lectures present training material verbally and are used when the goal is to present a great deal of material to many people. It is more cost effective to lecture to a group than to train people individually.

Lecturing is one-way communication and as such may not be the most effective way to train. Also, it is hard to ensure that the entire audience understands a topic on the same level; by targeting the average attendee you may undertrain some and lose others. Despite these drawbacks, lecturing is the most cost-effective way of reaching large audiences.

Role playing and *simulation* are training techniques that attempt to bring realistic decision-making situations to the trainee. Likely problems and alternative solutions are presented for discussion. The adage there is no better trainer than experience is exemplified with this type of training. Experienced employees can describe real world experiences, and can help in and learn from developing the solutions to these simulations. This method is cost effective and is used in marketing and management training.

Audiovisual methods such as television, videotapes and films are the most effective means of providing real world conditions and situations in a short time. One advantage is that the presentation is the same no matter how many times it's played. This is not true with lectures, which can change as the speaker is changed or can be influenced by outside constraints. The major flaw with the audiovisual method is that it does not allow for questions and interactions with the speaker, nor does it allow for changes in the presentation for different audiences.

Job rotation involves moving an employee through a series of jobs so he or she can get a good feel for the tasks that are associated with different jobs. It is usually used in training for supervisory positions. The employee learns a little about everything. This is a good strategy for small businesses because of the many jobs an employee may be asked to do.

Apprenticeships develop employees who can do many different tasks. They usually involve several related groups of skills that allow the apprentice to practice a particular trade, and they take place over a long period of time in which the apprentice works for, and with, the senior skilled worker. Apprenticeships are especially appropriate for jobs requiring production skills.

Internships and assistantships are usually a combination of classroom and on-the-job training. They are often used to train prospective managers or marketing personnel.

Programmed learning, computer-aided instruction and *interactive video* all have one thing in common: they allow the trainee to learn at his or her own pace. Also, they allow material already learned to be bypassed in favor of material with which a trainee is having difficulty. After the introductory period, the instructor need not be present, and the trainee can learn as his or her time allows. These methods sound good, but may be beyond the resources of some small businesses.

Laboratory training is conducted for groups by skilled trainers. It usually is conducted at a neutral site and is used by upper-and middle-management trainees to develop a spirit of teamwork and an increased ability to deal with management and peers. It can be costly and usually is offered by larger small businesses.

Trainers

Who actually conducts the training depends on the type of training needed and who will be receiving it. On-the-job training is conducted mostly by supervisors; off-the-job training, by either in-house

personnel or outside instructors.

In-house training is the daily responsibility of supervisors and employees. Supervisors are ultimately responsible for the productivity and, therefore, the training of their subordinates. These supervisors should be taught the techniques of good training. They must be aware of the knowledge and skills necessary to make a productive employee. Trainers should be taught to establish goals and objectives for their training and to determine how these objectives can be used to influence the productivity of their departments. They also must be aware of how adults learn and how best to communicate with adults. Small businesses need to develop their supervisors' training capabilities by sending them to courses on training methods. The investment will pay off in increased productivity.

There are several ways to select training personnel for off-the-job training programs. Many small businesses use in-house personnel to develop formal training programs to be delivered to employees off line from their normal work activities, during company meetings or individually at prearranged training sessions.

There are many outside training sources, including consultants, technical and vocational schools, continuing education programs, chambers of commerce and economic development groups. Selecting an outside source for training has advantages and disadvantages. The biggest advantage is that these organizations are well versed in training techniques, which is often not the case with in-house personnel.

The disadvantage of using outside training specialists is their limited knowledge of the company's product or service and customer needs. These trainers have a more general knowledge of customer satisfaction and needs. In many cases, the outside trainer can develop this knowledge quickly by immersing himself or herself in the company prior to training the employees. Another disadvantage of using outside trainers is the relatively high cost compared to in-house training, although the higher cost may be offset by the increased effectiveness of the training.

Whoever is selected to conduct the training, either outside or in-house trainers, it is important that the company's goals and values be carefully explained.

Training Administration

Having planned the training program properly, you must now administer the training to the selected employees. It is important to follow through to make sure the goals are being met. Questions to consider before training begins include

- Location.
- Facilities.
- Accessibility.
- Comfort.
- Equipment.
- Timing.

Careful attention to these operational details will contribute to the success of the training program.

An effective training program administrator should follow these steps:

- Define the organizational objectives.
- Determine the needs of the training program.
- Define training goals.
- Develop training methods.
- Decide whom to train.
- Decide who should do the training.
- Administer the training.
- Evaluate the training program.

Following these steps will help an administrator develop an effective training program to ensure that the firm keeps qualified employees who are productive, happy workers. This will contribute positively to the bottom line.

Evaluation of Training

Training should be evaluated several times during the process. Determine these milestones when you develop the training. Employees should be evaluated by comparing their newly acquired skills with the

skills defined by the goals of the training program. Any discrepancies should be noted and adjustments made to the training program to enable it to meet specified goals. Many training programs fall short of their expectations simply because the administrator failed to evaluate its progress until it was too late. Timely evaluation will prevent the training from straying from its goals.

BUILDING EMPLOYEE TRUST AND PRODUCTIVITY

The most effective way to build trust in the workplace is to work together. There are no magic gimmicks or other simple solutions. Trust cannot be created by excessive wages, great company picnics or wonderful working conditions; it can only be generated through teamwork, honesty and fairness. Although trust and productivity are complex issues and represent only part of the total fabric of interpersonal relationships in small businesses, three attributes appear to have a positive effect on trust in successful small businesses:

- The owner-manager of the small business is open and honest about the day-to-day business operations.
- The owner-manager of the small business is consistent and fair about personnel policies.
- The owner-manager spends a great deal of his or her time concentrating on good communications with those working in the firm.

Honesty

Secrecy breeds suspicion. Whenever information is kept on close hold, the context becomes open to misinterpretation. Total quality improvement is based on the concept that workers care as much about the success of the small business as the owners do. Studies of small businesses indicate that employees tend to overestimate profits by substantial amounts. These same studies indicate that when true financial information is shared with employees, substantial cost controls are voluntarily initiated by all members of the work force.

Whenever in doubt concerning the amount of information to share with employees, experience indicates that too much is better than not enough. Never lie to workers about human relations issues. Institutional memory is long term; any deceit will be remembered for many years. Note that employees talk with each other and inconsistencies will be quickly detected and brought to the surface -- frequently to your embarrassment. The following are suggestions on how to avoid this dilemma:

- Take time to talk with your workers.
- Find out what they're thinking.
- Find out what they'd like to know and tell them whenever possible.
- Don't tell only good things.

- Allow employees an opportunity to provide you, the owner, with information, questions and suggestions. In this way, communications are two way.

Fairness

Fairness ranges from consistency in personnel actions and fair market practices to adherence to the various laws governing the workplace. The concept of due process requires that a small business follow its own rules and policies. Employees must be treated the same when it comes to personnel issues.

Each worker should have an equal chance to perform at his or her best. Decisions concerning rewards, promotions and advancement should always be based on performance, and good performance should be spelled out in the job description. When performance is equal among employees, seniority should be used to break ties.

The key to healthy work relations is managing communications within the firm. Most of the communication will flow as orders and instructions to employees. Nevertheless, communicating (and honesty and fairness) is a two-way process. It is difficult for employees to be intelligent and enthusiastic teamworkers if they do not know the reasons behind orders and instructions. Perhaps even more important is giving employees the opportunity to contribute ideas and opinions before the manager-owner makes a decision. This adds dignity and meaning to the job in the eyes of most employees and their families.

Communicating includes telling employees where they stand, how the business is doing and what future plans are being developed. Negative feedback may be necessary at times, but positive feedback should be the primary tool for establishing good human relations. Never forget that employees are people, and that they will quickly detect insincerity. They also will respond to honest efforts to treat them as mature, responsible adults. Some practical human relations techniques that stimulate two-way communications include

- Periodic performance review sessions (every three months).
- Bulletin boards.
- Suggestion boxes.
- Newsletters.
- Regular open meetings.

The Legal Environment

Small businesses operate in a complex legal environment that places many constraints on recruitment, selection, placement and other personnel practices. Laws may specify what is required, what is acceptable or what is prohibited. Every personnel system must consider the statutes relating to these

issues. One of the most important laws the small business owner should be aware of is the Occupational Safety and Health Act (OSHA 1970). This law is aimed at reducing the number of safety and health hazards in the American workplace. Businesses must comply with health and safety standards set by the U.S. Department of Labor for individual industries.

The past sixty years have been characterized by laws that encourage collective bargaining and that try to bring about a better balance between management and labor. Many of these laws apply to small businesses:

- Norris-LaGuardia Act (1932) -- Protects the rights of unions to organize. It also prohibits yellow-dog contracts -- an employment practice where the firm requires employees to promise they will not join a union if hired by the company.
- Wagner Act (1935) -- Guarantees workers the right to engage in union activities, to organize and to bargain collectively without interference from employers. A small business manager may not prohibit employees from union activity.

See the discussion of other applicable laws in the first section under Recruiting and Compensation Issues.

The Personnel Manager

Many small businesses cannot afford a full-time specialist to deal with human resource problems. However, as a business grows, its structure becomes more complex and personnel problems increase in number and potential cost. At a certain point in the typical small business, it becomes apparent that a full-time or part-time personnel manager is needed. Conditions that indicate the necessity of a personnel manager include

- The firm has more than 100 employees.
 - Employees are represented by a union.
 - Turnover is very high (and costly).
 - The need for skilled or semiskilled labor creates problems in recruitment or selection.
 - Employee morale is low.
 - Competition for good personnel is especially keen in the market area.
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CONCLUSION

All small businesses must staff their operations, by bringing in new people and by training new and current employees. Effective human resource management matches and develops the abilities of job candidates and employees with the needs of the firm. A responsive personnel system will help you manage this process and is a key ingredient for your business's growth.

Human resource management is a balancing act: hiring qualified personnel who are well suited to the firm's needs and training and developing employees to meet the firm's needs are the endpoints of the continuum. Most expanding small businesses fall in the middle of this continuum -- i.e., they hire the best people they can afford, but they also recognize the need to train and develop current employees as the firm grows. This publication should provide you with an increased awareness of the importance of creating a good human resource management climate within the firm, and specific guidelines on how to create such a climate.

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APPENDIX A: HUMAN RESOURCE MANAGEMENT AUDIT QUESTIONNAIRE

1. Does the business have a plan for forecasting long-term personnel needs?
2. Are there guidelines for hiring personnel, or are employees hired based on gut feelings?
3. Are there job descriptions for all positions?
4. What do employees like about their jobs?

5. What do employees dislike about their jobs?
 6. Why do employees leave the organization?
 7. Is there an active training program? Is it based on an assessment of where the firm is now or where it should be in the future?
 8. Are a variety of training programs available?
 9. How is morale in the firm?
 10. Do employees really believe what you have to say?
 11. Are all employees treated fairly?
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APPENDIX B: INFORMATION RESOURCES

U.S. Small Business Administration (SBA)

The SBA offers an extensive selection of information on most business management topics, from how to start a business to exporting your products.

This information is listed in The Small Business Directory. For a free copy contact your nearest SBA office.

SBA has offices throughout the country. Consult the U.S. Government section in your telephone directory for the office nearest you. SBA offers a number of programs and services, including training and educational programs, counseling services, financial programs and contract assistance. Ask about

- **Service Corps of Retired Executives (SCORE)**, a national organization sponsored by SBA of over 13,000 volunteer business executives who provide free counseling, workshops and seminars to prospective and existing small business people.
- **Small Business Development Centers (SBDCs)**, sponsored by the SBA in partnership with state and local governments, the educational community and the private sector. They provide assistance, counseling and training to prospective and existing business people.
- **Small Business Institutes (SBIs)**, organized through SBA on more than 500 college campuses nationwide. The institutes provide counseling by students and faculty to small business clients.

For more information about SBA business development programs and services call the SBA Small Business Answer Desk at 1-800-U-ASK-SBA (827-5722).

Other U.S. Government Resources

Many publications on business management and other related topics are available from the Government Printing Office (GPO). GPO bookstores are located in 24 major cities and are listed in the Yellow Pages under the bookstore heading. You can request a Subject Bibliography by writing to Government Printing Office, Superintendent of Documents, Washington, DC 20402-9328.

Many federal agencies offer publications of interest to small businesses. There is a nominal fee for some, but most are free. Below is a selected list of government agencies that provide publications and other services targeted to small businesses. To get their publications, contact the regional offices listed in the telephone directory or write to the addresses below:

Consumer Information Center (CIC)

P.O. Box 100

Pueblo, CO 81002

The CIC offers a consumer information catalog of federal publications.

Consumer Product Safety Commission (CPSC)

Publications Request

Washington, DC 20207

The CPSC offers guidelines for product safety requirements.

U.S. Department of Agriculture (USDA)

12th Street and Independence Avenue, SW

Washington, DC 20250

The USDA offers publications on selling to the USDA. Publications and programs on entrepreneurship are also available through county extension offices nationwide.

U.S. Department of Commerce (DOC)

Office of Business Liaison

14th Street and Constitution Avenue, NW

Room 5898C

Washington, DC 20230

DOC's Business Assistance Center provides listings of business opportunities available in the federal government. This service also will refer businesses to different programs and services in the DOC and other federal agencies.

U.S. Department of Health and Human Services (HHS)

Public Health Service

Alcohol, Drug Abuse and Mental Health Administration

5600 Fishers Lane

Rockville, MD 20857

Drug Free Workplace Helpline: 1-800-843-4971.

Provides information on Employee Assistance Programs.

National Institute for Drug Abuse Hotline: 1-800-662-4357. Provides information on preventing substance abuse in the workplace.

The National Clearinghouse for Alcohol and Drug Information: 1-800-729-6686 toll-free. Provides pamphlets and resource materials on substance abuse.

**U.S. Department of Labor (DOL)
Employment Standards Administration**

200 Constitution Avenue, NW
Washington, DC 20210

The DOL offers publications on compliance with labor laws.

**U.S. Department of Treasury
Internal Revenue Service (IRS)**

P.O. Box 25866
Richmond, VA 23260
1-800-424-3676

The IRS offers information on tax requirements for small businesses.

**U.S. Environmental Protection Agency (EPA)
Small Business Ombudsman**

401 M Street, SW (A-149C)
Washington, DC 20460
1-800-368-5888 except DC and VA
703-557-1938 in DC and VA

The EPA offers more than 100 publications designed to help small businesses understand how they can comply with EPA regulations.

**U.S. Food and Drug Administration (FDA)
FDA Center for Food Safety and Applied Nutrition**

200 Charles Street, SW
Washington, DC 20402

The FDA offers information on packaging and labeling requirements for food and food-related products.

For More Information

A librarian can help you locate the specific information you need in reference books. Most libraries have a variety of directories, indexes and encyclopedias that cover many business topics. They also have other resources, such as

□ **Trade association information**

Ask the librarian to show you a directory of trade associations. Associations provide a valuable network of resources to their members through publications and services such as newsletters, conferences and seminars.

□ **Books** -- Many guidebooks, textbooks and manuals on small business are published annually. To find the names of books not in your local library check Books In Print, a directory of books currently available from publishers.

- **Magazine and newspaper articles** -- Business and professional magazines provide information that is more current than that found in books and textbooks. There are a number of indexes to help you find specific articles in periodicals.

In addition to books and magazines, many libraries offer free workshops, lend skill-building tapes and have catalogues and brochures describing continuing education opportunities.