

Role of HRM in Small & Emerging Organisations

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Abstract—

Knowledge, expertise and human resource techniques which are used in large organization can be used in small or emerging enterprises or organizations but evidence suggests that new and short ventures are different from the existing ones and management of people in them also may not match with the established ones. The paper reviews how the human resources are managed in the small and emerging organizations and questions that are still not addressed. Since, as a researcher, my knowledge of HR practices in small organizations is limited; this will be evident from my review. Though I have been able to understand how the employees are hired, rewarded and motivated, I lack the theory and data required to know how the employees are trained, promoted or how the organizations respond to labour related problems, etc. The existing literature tells the issues that are important to the small organizations for their effective functioning but it is very important to understand how the HR departments functions and how the HR decisions made by the department affects the organization in the long run. Small businesses are more numerous, have more employees, and contribute more to the economies of nations throughout the world than do large organizations.

Keywords— Human Resource Management, Emerging Organisation, Small Organizations, Human Resource Manager, Human Resource Practices.

I. INTRODUCTION

Employees are very important components or assets of an organization and this is the main reason why an organization must do human resource management. They need to be managed successfully needful of the size of the organization because the employees contribute to the delivery of products and services (ref.5). Even an organisation having two to three employees can face challenging resource management issues. An employee's abilities, loyalty and commitment can be boosted through effective HR management. Every business enterprise need loyal, efficient and hard working employee. "most small business employers have no formal training in how to make hiring decisions," noted Jill A. Rossiter in *Human Resources: Mastering Your Small Business*. "Most have no real sense of the time it takes nor the costs involved. All they know is that they need help in the form of a 'good' sales manager, a 'good' secretary, a 'good' welder, or whatever. And they know they need some-one they can work with, who's willing to put in the time to learn the business and do the job. It sounds simple, but it isn't. (ref.3)" Small and new enterprises need to document the policies and procedures followed for managing human resources. The owner can take help of the employees for making a rule book or the personnel manual to ensure that the owner and the employees are on the same page. These records come handy in case of any legal proceeding.

II. FUNCTIONS OF HRM IN SMALL ORGANISATIONS

Human Resource Department or Human Resource Manager of an organisation has to perform certain functions to justify their presence in an organisation. These functions are more or less same for most organisations irrespective of their size. HR manager has to stay abreast with standard business practices and should have proper knowledge of best HR practices. HR managers in small organisations have to perform following functions on regular basis (ref.8, 6 & 4):

A. Adherence to rules & regulations

It is important for the Hr department in all the organizations to follow the rules and regulations which have impact on human resources from hiring them through their termination, which includes their safety, benefits, etc. even very small companies having one to fourteen employees should also comply with fair labour standards, equal pay, etc.

B. Benefit Administration

Administration is involved in all sizes & types of companies. HR management can help the small organizations by doing the research to find out which benefits can be most cost-effective for the organization and how the provisions of these benefits will be managed which will need a lot of administrative work. HR can also benefit a company by being in tune with the employees and getting to know what benefits employees value most.

C. Various hiring practices

HRM department provides effective hiring practices to an organization. A good hire is one where the required skills, abilities and know-how required by a job matches the person hired for the job and the culture of the small organization.

Hr management can help a small organization by removing the odds in hiring and HR departments also helps in managing the risks involved in hiring like – reference check, discrimination claims and inappropriate questions asked during the interviews.

D. Training & Development

Since small firms have less number of people working with them so it is more important for them to provide cross-training to the employees to cover more than one job function or task. HR management can provide the small organizations with effective and low cost training techniques.

E. Employee Recognition

Small enterprises have limited number of employees and low budgets for employee benefits so the HR management can help in terms of employee recognition programs that value employees and keep them committed to the organization. Employees can also give their views during such programs and when their ideas are implemented then it acts as a morale booster which in turn reduces employee turnover.

F. Global Human Resources

Small businesses are also tapping global markets these days. It is the responsibility of HR manager to develop capable staff with cultural fluency for initiating and sustaining overseas relationships. Small enterprises have limited resources so the HR manager has to keep this in mind while hiring suitable employee for placement in foreign office.

G. Multigenerational Diversity

HR manager has to deal with multiple generations in one organisation. One generation may be tech savvy while the other may prefer face to face interaction. In small and emerging enterprises, due to lack of resources and know how, the manager has to find a way to bridge the gap between these various generations.

H. Strategy

HR manager's strategic role concentrates on building partnerships with other departments. This involves identifying the kind of resources needed by the business. This can be done by defining jobs clearly, recruiting the right people for right jobs. Thus HR acts in a strategic capacity. HR manager develops new policies and procedures for the emerging business practices, like use of social media technology for providing marketing and customer service.

I. Change

Companies sometimes have to change due to market conditions, mergers, acquisitions or leadership departures, etc. HR manager has to manage this change effectively. HR manager helps everyone to understand the need for change and prepares them for the transition and implements new policies and procedures. HR manager has to conduct surveys and hire new staff to meet changing needs of the organisation. Effective leaders should be able to build strategic partnerships so that there are fewer disruptions, objections and anxiety.

J. Employee Relations

Labour and employment laws are very complex so the HR manager is expected to have specialized skills, knowledge and expertise to adhere to these laws and regulations. As companies compete in the global market, HR managers have to manage programs to promote diversity, improve collaboration and maximize productivity. An effective HR manager can lead to the increase of small business growth and can reduce the small business failure has. This will result in high levels of employee satisfaction and good employee relations.

III. HRM CHALLENGES AND THEIR SOLUTIONS FOR SMALL ORGANIZATION'S

In small organizations the HR manager has to single handily be involved in human resource management all the time. It can be single largest consumer of his time and energy. Some of the issues like sourcing and recruiting visionary personnel are also emerging because of globalisation. Some of the issues which needs attention of the HR manager are mentioned below (ref.2, 7 & 3):

A. Making a staffing plan

The HR manager must have a staffing plan ready before starting up with the hiring process for a small or new business. He needs to know the number of employees required to be hired, type of employees, required qualification for the job, how the employee expenses will be covered, and what value addition is expected from the new employees. Most importantly, this staffing plan must co-ordinate with the overall business objective.

Solution: The staffing plan need not be very lengthy. It has to just address the key issues and long and short term objectives in order to take wise management decisions. It should be able to provide a vision. In the absence of a vision, the planning can go nowhere. A staffing plan should be such that it should be able to let the lenders and employees know about what kind of organisation is being created.

B. Finding suitable employees

The HR manager should be able to find a right kind of employee for the right post. The organisation culture comes into picture for employee selection. The manager should be able to find an employee whose culture should match with organisation's culture. Finding high value employees require a lot of time and effort as efficient people will already be employed with other organisation and it's tough to uproot them as their employers won't let them go moreover extracting such employees can prove to be a costly affair.

Solution: A manager has to spend lot of time in finding high value employees; he can opt out of various ways of hiring like ads in publications, campus placements, employee referrals, professional recruiters, by word of mouth, etc.

C. Screening potential candidates

The source of recruitment has to be chosen very carefully. A small organisation can't expect employees of large organisations to join their business who reward lavishly. The manager has to find suitable yet efficient employees who should be able to provide results and create value to the organisation and they should be cost efficient as well.

Solution: The HR manager should study the employment history of the potential employee properly. He should make a note of which organisation is he working in and see if the resume reflects the character of the employee, if he's result oriented, aggressive, loyal, committed, etc. Only potential candidates should be called for the interview as it is a time consuming process and the manager should value his and others time.

D. Interview & personal Interaction

The HR manager in small organisations has to be precise during the interview process. Since whole responsibility of the recruitment process rests on his shoulders so he has to decide the duration, questions to be asked during the interview, what kind of interview should be conducted – written test or personal interaction or both. The manager or the owner of the enterprise should have a plan ready as to what kind of interview will be conducted and he should be ready to face the challenges during the interview process.

Solution: The manager should spend adequate time with the applicant. He should ask him open ended questions should take his time to analyse and assess the person. He should discuss the job role and other points like benefits, job relocation, flexibility, etc with the applicant and should discuss compensation only with the prospective employee and shouldn't sell the company to the applicant. In the end he should discuss the resume details with the applicant.

E. Hiring

Hiring is always done by giving an offer letter to the applicant in any kind of organisation. The HR manager has to decide about the contents and clauses to be included in the offer letter. This has to be done very carefully by keeping in mind the company policy, rules and regulation. The HR manager has to make the package attractive yet cost effective. So it's a tricky task to decide the contents of an offer letter.

Solution: The offer letter should contain details regarding the compensation, benefits, probation period, reporting authority, leave details, job description, job responsibility, job location, joining date, etc. It is always better to document all the details in advance in order to avoid any conflict later on.

F. Retaining Employees

After hiring suitable employees, the HR manager has to take care that these employees are retained in the organisation and they like their work. It is very difficult to hire frequently especially for a small and new organisation as it can prove to be an expensive process. One can't afford to carry on recruitment process on a regular basis as it also hampers the day to day functioning of the firm and it can also stress the existing employees and can lead to frequent employee turnover.

Solution: The pull technology should be used and efforts should be made to retain the employees. Their needs should be accessed and the reasonable ones should be fulfilled in order to motivate them to stick to the organisation. The manager should keep inducing the employees with fresh assignments and ideas to keep their interest intact. Regular interaction with the employees should be done and their ideas should be appreciated and deployed.

G. Employee Performance Appraisal

After the employees are selected, employed and retained, the HR manager is faced with the challenge of appraising the employees. He has to decide on to the method to be used for the employee's performance appraisal. There are many methods like straight ranking method, paired comparison, grading system, forced distribution, check list method, critical incident and free essay method. He has to see all employees as team members working towards achieving a common organisational objective. So, the appraisal should be free of bias.

Solution: The HR manager has to find out poor performers and good performers. He should keep in mind that efficient & committed workers should get their share of appreciation and incentives accordingly because if they are not recognised then they'll feel deprived of their rights. Most importantly, a cost effective method of evaluation should be opted.

H. Legal Issues

Small and new firms have lesser resources as compared to large firms. In the start up phase, when organisations battle to survive, the owners ignore the need of legal counsel and they tend to postpone hiring a legal counsel. There are issues like unemployment insurance, compensation, social security issues, tax related issues requiring legal assistance. The HR manager is faced with the challenge of hiring a suitable attorney for the organisation.

Solution: The owner should seek advice from other small business owners regarding the hiring of the attorney. He should seek referrals from small firms instead of hiring a big firm as his attorney because the fees charged by these firms is too high and small & new firms won't be able to afford it. The person or firm chosen should be cost effective but competent and knowledgeable. HR manager should continually maintain its expertise and know how related to emerging legal issues.

I. Health & Safety Issues

The rate of workplace injury or ill health is twice as high in small scale organisation as in a large organisation. But this varies with the nature of the organisation. So, the HR manager is burdened with making efficient safety policies and provides the employees with good health related schemes. He should be able to keep the organisation a safe and employee friendly place for work. This would also cover the interpersonal relations among the employees.

Solution: Safety training should be provided to the employees while joining the organisation and records of such training should be maintained. Old and obsolete machinery should be replaced and recorded. Employees should be provided with safety insurance covers in case of any mishaps. Organisation should encourage good relations among employees.

IV. CONCLUSIONS

It's found that growing importance of small enterprises has become a global trend which has derived productivity, innovation and employment growth in both developed and developing nations. But their increased importance has failed to reduce the challenges and obstacles being faced by them. 30 to 50 percent of the small and new enterprises fail every year. There are many reasons for this failure such as lack of planning and organization, lack of knowledge or experience, lack of both financial and human resources, etc. Human resource management in small enterprises is still in exploratory stage and they use less sophisticated HRM practices which may be because of lack of funds. The owners also have a great impact on the HR policies followed by the companies and HR managers lack in their action under this influence. Small firms provide lower wages to the employees as compared with their large counterparts and they also tend to provide less training facilities to their employees. But they have a behavioral advantage in managing employee relationships due to lack of formal or professional policy towards employee management. HRM patterns come in two different forms in Small organizations which are (a) written procedures, documents, roles and instructions, and (b) informal procedures or ways of doing things. The patterns can establish in any of the community members mind and they become routine and others start following it. Small and emerging enterprises should document policies regarding human resources issues and they need to consider the training and development needs for their employees. They should spend on training only if required. The owner should maintain a productive atmosphere to make the employees contribute more toward achieving the common business objective.

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