Overview

Most people seek a sense of meaning, identity, creativity, independence, and achievement in their work and in their lives. One of the best ways to find it is to become the owner or manager of a small business. Managing such a business is a complex, challenging, and sometimes frustrating occupation. Success requires knowledge, desire, and hard work on your part, plus a certain amount of luck.

This course takes a practical, down-to-earth approach to planning, organizing, and managing a small business. The information needed to achieve this goal is presented in the textbook entitled Small Business Management: An Entrepreneur’s Guide to Success and this study guide. The textbook was written by William Megginson, Mary Jane Byrd, Charles Scott, and Leon Megginson and was published by Irwin in 1994. It explores the role of small business and its growing importance. It also discusses the reasons for and against owning small firms and stresses up-to-date thinking in planning, starting, organizing, and operating a small business. It explains how to achieve optimum benefits from limited resources available to small firms and how to plan for growth and succession. The study guide, which was written by staff at The Hadley School for the Blind, summarizes each chapter and includes assignments designed to measure your understanding of the material.

Although the textbook is divided into seven parts, this course only includes six. Each part is divided into chapters. Part I, The Challenge of Owning and Managing
a Small Business, covers the important role of small business, the characteristics of small business owners, reasons why you should or should not own a small business, some current opportunities and challenges in small business, and the legal forms you can choose for your business. Part II, Planning for and Organizing a Business, discusses how to become the owner of a small business, how to do strategic and operational planning, how to prepare and present a winning business plan, and obtaining the right financing for your business. Part III, Marketing Goods and Services, discusses how to develop marketing strategies for a product, and how to distribute, sell, and promote that product. Part IV, Organizing and Managing the Business, tells how to recruit, select, train, compensate, motivate, and maintain favorable relationships with employees—and their union, when one is involved. Part V, Operating the Business, is not included in this course. Part VI, Financial Planning and Control, explains how to plan for profit, how to budget and control operations, how to deal with taxes, and how to use the computer and management information system to do these things more effectively. Part VII, Providing Present and Future Security for the Business, tells how to use insurance and crime prevention for better risk management, and how to deal with laws, social responsibility, and business ethics. The Workbook for Developing a Successful Business Plan is at the end of the textbook. It is included for your personal development only. Though encouraged to read it, you are not required to complete it.
No prerequisite courses are needed before starting this one. To complete this course, you will need the materials that The Hadley School for the Blind has provided, and materials for completing assignments in the medium of your choice. If you are using the recorded version of the text or this study guide, you will also need a cassette player. For your convenience, each cassette is tone indexed. When fast-forwarding or rewinding, new parts are identified by double tones; new chapters with a single tone.

The study guide is designed to lead you through the textbook. Before you read a textbook chapter, read its corresponding chapter in the study guide. The study guide chapter not only summarizes the textbook chapter, but also includes a list of key terms, a self-correcting quiz, and an assignment. Every topic heading in the study guide matches a section in the textbook. Previewing the study guide before you read the textbook is a more efficient way to study.

Each chapter of the study guide includes an assignment, which you are required to submit. These assignments are the same as the case studies that appear at the end of each chapter in the textbook. They are reproduced for your convenience so that you don’t have to return to the textbook. They enable your instructor to measure your ability to apply the information you have gained from the chapter. Once you finish a chapter, complete its assignment in the medium of your choice.

As you complete each assignment, mail it to your instructor at The Hadley School for the Blind, 700 Elm Street, Winnetka, IL 60093. If you are blind or visually
impaired, you may send your assignments in an envelope labeled “Free Matter for the Blind” provided they are in braille or large print (14 point or larger) or on cassette or computer diskette. If you are sighted, your assignments require adequate postage. If you prefer to fax your assignment, use the cover page that was included with the welcome letter. If you would rather send your assignment electronically, contact your instructor for an e-mail address.
Chapter 13:
Managing Human Resources
in Small Firms

The challenges of owning and managing a small business were introduced in Part I. In Part II, you familiarized yourself with the many elements involved in planning and organizing a business venture. Specific concepts for marketing goods and services were described in Part III. Part IV addresses issues concerning the organization and management of the business from a human resources standpoint.

Chapter 13 presents the myriad aspects of managing human resources, which leads to an understanding of personnel functions whether you establish a new business, enter an ongoing one, or elect to operate a franchise. Particular attention is given to the important topic of recruiting and selecting the right employees, while complying with equal employment laws. Familiarizing yourself with this information will help you attain your goal of planning, organizing, and managing a small business.

Objectives

After completing this chapter, you will be able to
a. explain how small business managers plan personnel needs;
b. describe how to select employees;
c. explain how to train employees;
d. explain how selecting managers differs from selecting nonmanagerial personnel;
e. discuss the U.S. laws that affect personnel recruiting, selection, and development.

**Key Terms**

Review these new terms and listen for them on the news. They apply to management and personnel issues for the most part. Pay particular attention to the acronyms and abbreviations.

*Job specifications:* Detailed written statements of work assignments and the qualifications needed to do the job acceptably.

*Job description:* A list of duties and responsibilities of a given job.

*Upgrading:* Involves retraining workers so they can do increasingly complex work.

*Transferring:* Moving an employee from one job to another, without necessarily changing title or pay.

*Promoting:* Moving an employee to a higher position, usually with increased responsibilities, title, and pay.

*Leased person power:* This refers to employees obtained from an outside firm that specializes in performing a particular service. Referred to as manpower in the text.

*Recruitment:* Reaching out to attract applicants in order to choose one to fill a job vacancy.

*Selection:* Involves choosing the applicant who has the qualifications to perform the job.

*Polygraph:* An instrument for simultaneously recording variations in several different physiological variables.
On-the-job training (OJT): The worker actually performs the work, under the supervision of a competent trainer.

Apprenticeship training: Blends on-the-job training with learning of theory in the classroom.

Internship training: Combines on-the-job training with learning at a cooperating school or college.

The Americans with Disabilities Act (ADA): Requires the removal of many social and physical barriers to employing the disabled.

The Equal Employment Opportunity Commission (EEOC): The federal agency primarily responsible for enforcing equal employment opportunity (EEO) laws.

Affirmative action programs (AAPs): Provide guidelines to help firms eliminate discrimination against women and minorities.

Employment at will: Employers may hire or fire workers with or without cause.

Planning for Personnel Needs

The process of assembling a reliable staff involves planning for, recruiting, selecting, as well as training and developing competent employees. Large or small, organizations must determine their personnel requirements and explore recruitment sources. Today, many small businesses face labor shortages because of a declining work force, in the 16-to-24-years-of-age range in particular. To overcome the problems caused by this declining supply, small businesses use new methods to attract applicants, such as providing attractive workplaces
and innovative benefits or other incentives. In certain cases, increased automation and subcontracting present viable alternatives to hiring.

This section also examines determining the types of employees needed. Efficient organizations document job specifications in writing, with a detailed outline of work assignments and necessary qualifications. Job specifications should include a job description, which lists duties, responsibilities, and working conditions, as well as relating the job in question to other positions within the organization. Job specifications form the basis for recruiting and selecting employees. As you consider possible applicants, remember not to ask for more than what is required to do the job properly.

Additional employees may be obtained using either internal or external sources. This section presents the advantages of filling vacancies with present employees, such as improved morale, increased motivation, and probable savings in time, effort, and money. To upgrade members of your staff, you need to consider the training involved in doing increasingly complex work. Transferring employees from one job to another does not always involve a change in title or pay, but since promoting individuals represents an upward move, it customarily entails increased responsibilities, title, and remuneration.

External sources might be necessary to provide new ideas or to obtain needed skills. In such cases, consider former employees, and even friends or relatives of present workers. Refer to applications that have come in either through the mail or in person. Consider workers involved in other businesses. Social and professional organizations
might be contacted, as well as schools and colleges. Depending on the job specifications involved, look into the migrant working force, immigrants, retirees, and workers with disabilities. Sometimes part-time or temporary help may be the answer to your staffing problems. Depending on the type of your enterprise, you might refer to certain firms that offer leased manpower to perform specialized services. In recent years of moderate economic growth, the market has witnessed a reshaping of the work force, with a smaller core of permanent employees surrounded by a flexible buffer of temporary and part-time workers.

Soon you will be directed to read Chapter 13 of the textbook. When you read this section, examine your personnel needs and your short- and long-term plans for acquiring and maintaining productive workers.

**Recruiting and Selecting Employees**

Whether you need just a few or many more employees to operate successfully, recruitment involves reaching out to attract applicants. Usual methods for recruiting personnel include advertising, using employment agencies, using referrals, and scouting.

This section also presents suggestions to help you select the right applicant who possesses qualities that match the job specifications. During the interview process, examine past achievements in order to gauge future performance, while pinpointing obvious elimination factors to narrow down your choice. Application forms, résumés, and school records, to name a few, provide initial biographical information.
If you are considering testing candidates, refer to a 1971 U.S. Supreme Court ruling that established parameters and limits employers to job-related testing only. At the same time, familiarize yourself with other personnel-related laws, such as the one that bars most polygraph tests. Instead, written and computerized tests may be used to assess employee honesty. Once you have a pool of possible applicants, make it a point to check references, whether personal, academic, or past employment. Most employers consider some kind of physical examination to screen for communicable disease, the ability to do the work, and even drug usage.

Once you have identified the ideal candidate, make a job offer that clearly outlines working conditions, duties, and responsibilities. Protect yourself and your business by putting job offers in writing and requiring the applicant’s signature. Your responsibilities as employer do not end here. Orienting new employees is very important, as new jobs are often fraught with difficulties and frustrations. An effective employee orientation includes time to introduce the newcomer to existing co-workers, and offers an overview of the history, policies, and benefits of the business. Close monitoring, at least initially, ensures that both you and your new employee are adjusting well. Interestingly, statistics indicate that more employees leave an organization during the first pay period than during any other time.

When you read this section of the text, weigh the pros and cons of tapping internal sources versus external ones when you need to hire additional employees.
Training and Developing Employees

The continued effectiveness of your business, from a human resources perspective, will depend on your ability to accurately gauge the caliber of your employees, ensure their continued development, and provide incentives to motivate them. Present employees may require training and upgrading, which gives them the knowledge to adjust to evolving job requirements. At the same time, training and development will likely increase productivity and stability, as well as provide increased earnings. It may sometimes allow you to decrease materials costs. Finally, your staff will require less supervision and will experience improved job satisfaction, if you implement steps for ongoing development.

The type of business you operate can dictate the best method to use to train nonmanagerial employees. On-the-job training, commonly referred to as OJT, is quite universal and has the worker performing the work, under the supervision of a competent trainer. If you choose OJT, you should weigh advantages, such as low costs and uninterrupted output, against waste brought on by mistakes. Surprisingly, the business owner is not necessarily the most desirable individual to conduct on-the-job training. In the case of skilled or craft-type work, apprenticeship is ideal, as the training period blends theoretical learning with technical practice.

Another method to consider is internship training, which typically combines OJT with traditional learning at a cooperating school, college, or institute. This is used mostly for students who are prospective employees for
marketing, clerical, technical, or managerial positions. Internship benefits both employer and employee, which may eventually translate into savings, since it gives students an opportunity to retreat if they do not like the job, while you evaluate future employees before they join the business full time.

Furthermore, you may seek outside help for training programs. The National Apprenticeship Act of 1937 sets policies and standards for U.S. apprenticeship programs. Explore the many opportunities provided by vocational-technical or business schools, as well as nearby junior colleges. Certain private firms offer regular or custom-made classes to better suit your needs.

When you read this section of the text, lay out standards and procedures to follow for employee training and development at your business.

**Selecting and Developing Managers**

As your business expands, you may have to select managers. First off, acknowledge that a good nonmanagerial performer might not have the inherent ability to be a good manager. Small firms usually promote from within, however, and you should consistently evaluate your work force for possible candidates. Many businesses also hire college graduates for management trainee programs, which give you the opportunity to develop the characteristics that produce good managers, such as creativity, self-motivation, and drive, to name just a few.
In addition to the usual methods of developing employees, this section will also describe other techniques to use for developing managers, which include coaching, planned progression, job rotation, and executive development programs.

When you read this section of the text, make a list of the characteristics managers should possess, and examine your choices for developing good managerial skills among your employees.

**Complying with Equal Employment Opportunity (EEO) Laws**

The Americans with Disabilities Act of 1992 changes the way employers deal with people with physical or mental disabilities, and mandates the removal of social and physical barriers against disabled individuals. Specifically, this legislation targets enterprises of 25 or more employees. Under EEO laws, all employees are entitled to equality in all conditions of employment, which would include posting available positions to give present employees an opportunity to bid on them. Concurrently, rates of pay, including pensions, must be equal, as no discrimination is tolerated. The Equal Employment Opportunity Commission is the agency that is primarily responsible for enforcing EEO laws.

In addition, if your business involved government contracts, you would be required to have affirmative action programs by the Office of Federal Contract Compliance Programs. Affirmative action programs, sometimes known
as AAPs, provide guidelines to assist firms in eradicating discrimination against women and minorities.

The process involved in terminating employees has evolved over a period of time from the concept of “employment at will” to “good faith and fair dealing.” The former meant that employers could hire and fire workers with or without cause. Now, however, courts apply the latter concept, whereby terminations must be based on reason, rather than arbitrariness.

When you read this section of the text, familiarize yourself with the U.S. laws and regulations that govern employment practices. Although you may start out with a small number of employees, your business venture could rapidly reach the number where EEO laws become a factor.

**Reading Directions**

Now that you have an overview of it, read Chapter 13. (On cassette, Chapter 13 can be found at the single tone on side 11.) Once you have finished reading the chapter, return to this study guide to complete the self-quiz and Assignment 13.

**Self-Quiz**

Test your knowledge of the material in this chapter by completing the following self-quiz. Compare your answers with those that follow the quiz.

Are the following statements true or false?
1. Job descriptions and job specifications are different names for the same document.
2. Since 1971, when the U.S. Supreme Court ruled that employment tests must be job related, most small firms have minimized their use because of the cost involved and the possible legal hassles.
3. The primary advantages of on-the-job training are that it results in low out-of-pocket costs, and production is carried on during training.
4. Two of the characteristics that good managers need to develop are creativity and good communication skills.
5. Most courts now apply the employment at will concept in determining whether a termination was fair.

Select the item that best answers each of the following questions:

6. The best time to begin planning your personnel needs is
   a. when an employee resigns
   b. when a new employee is needed
   c. before any employees are needed
   d. after an employee has actually left the firm

7. The most valued references for a potential employee are those from
   a. personal friends
   b. academic references
   c. former employers
   d. physicians
8. The training method used for workers in skilled, craft-type jobs is
   a. apprenticeship training
   b. on-the-job training
   c. internship training
   d. management development programs
9. Which act, passed in 1992, mandated the removal of social and physical barriers against the disabled?
   a. Age Discrimination in Employment Act
   b. Americans with Disabilities Act
   c. Civil Rights Act, as amended
   d. Vocational Rehabilitation Act
10. Which act prohibits employment decisions based on race, color, or national origin?
    a. Age Discrimination in Employment Act
    b. Americans with Disabilities Act
    c. Civil Rights Act of 1964, as amended
    d. Vocational Rehabilitation Act

Answers to the Self-Quiz

1. False. Job specifications are statements of the qualifications required to do the job, while a job description lists the duties, responsibilities, and working conditions of the job.
2. True. Since 1971, when the U.S. Supreme Court ruled that employment tests must be job related, most
small firms have minimized their use because of the cost involved and the possible legal hassles.

3. True. The primary advantages of on-the-job training are that it results in low out-of-pocket costs, and production is carried on during training.

4. True. Two of the characteristics that good managers need to develop are creativity and good communication skills.

5. False. The employment at will concept is being replaced in courts and legislatures with the good faith and fair dealing concept.

6. The correct answer is C. The best time to plan personnel needs is before employees are needed.

7. The correct answer is C. For an applicant with any work history, past employment references are most valuable.

8. The correct answer is A. Apprenticeship training blends the theory of learning with practice in the techniques of the job, making it the training method of choice for workers in skilled, craft-type jobs.

9. The correct answer is B. The Americans with Disabilities Act of 1992 changed the way employers must deal with people who have physical or mental disabilities.

10. The correct answer is C. The Civil Rights Act of 1964, as amended, prohibits employment decisions based on race, color, or national origin.

Remember, this self-quiz is included for your personal development only. So do not mail your answers to your Hadley instructor. You can always contact your instructor.
to discuss your answers, however. To do so, just call 1-800-323-4238 any weekday, between 8 a.m. and 4:30 p.m. central time.

**Assignment 13**

Apply the information you have gained in this chapter by answering the questions that follow the case study entitled Supreme Plumbing and Heating Company: Where Are the Workers? Answer these questions on a separate cassette, computer disk, or sheet of paper. Begin by writing or saying your full name, student ID, address, and phone number. Also mention the name of this course, Assignment 13, your instructor’s name, and the date you plan to mail this assignment to the Hadley School. For your convenience, the case study and its questions are repeated here.

**Supreme Plumbing and Heating Company: Where Are the Workers?**

In the late 1950s, two friendly competitors formed the Supreme Plumbing and Heating Company as a partnership in a rapidly developing industrial area southwest of Houston, Texas. At first, the partners did most of the work themselves, including plumbing, heating, and wiring for both commercial and residential buildings. The business grew rapidly, and several craftsmen and other employees were added. This left the partners devoting almost all of their time to managing the business rather than doing the work themselves.
Supreme competed with six other companies within a 50-mile radius both for business and for the best craftsmen. This became difficult in the 1960s when the Lyndon B. Johnson Space Center was built nearby. Most of the area’s skilled workers left their jobs with the companies to work at the center for better pay and benefits, causing a great shortage of craftsmen in the area. At the same time, demand for plumbing, heating, and wiring was increasing. It would have been a good opportunity for Supreme to expand its operations—if the needed workers could have been found.

The partners decided that the only way to have an adequate supply of trained craftsmen was to do their own training, so they started an apprenticeship program. The plan was to hire high school graduates or dropouts to work with some of the older craftsmen as apprentice plumbers and electricians, at the prevailing wage rate, until they learned the trade. When they finished their training, they would train others so there would be a continuous training program.

Although the program gave the young people an opportunity to learn a trade that would be valuable to them in future years, the plan didn’t work. The trainees would work for Supreme just long enough to be trained; then they would quit to take another job, go into the armed services, or go back to school. The partners had to reduce the amount of construction work they bid on because of their limited work force. To compensate for this loss of revenue, they started a wholesale plumbing, heating, and electrical supply business.
The worker shortage at Supreme continued until there were only three plumbers, three plumber’s helpers, two electricians, and two electrician’s helpers left. Because the craftsmen were nearing retirement age and the helpers weren’t interested in learning the trade, the owners had to go on with the wholesale business, although they would have preferred to continue in construction.

Questions
1. Supreme Plumbing and Heating Company limited itself to hiring only high school graduates and even dropouts. What type of preliminary screening should there have been for this type of job, if any? Explain.

2. What types of recruiting methods could have been implemented by the two partners?

3. When the new Space Center was built nearby, what kind of actions should the partners have taken?

4. Although the apprenticeship program seemed to be the route to take, what other options were there?

Mail your assignment to your instructor at The Hadley School for the Blind, 700 Elm Street, Winnetka, IL 60093 in an envelope labeled “Free Matter for the Blind.” Or, if you prefer, fax your assignment or send it via e-mail.