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Research Paper History

The Strategies of Human Resource Planning and Policy Development for Small Businesses

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ABSTRACT

Human Resource Planning (HRP) is the process used by organizations to analyze business plans to establish future human resource requirements, to estimate future human resource availabilities, to reconcile future human resource requirements and future human resource availabilities and to formulate action plans to remove the gap of human resources. Small business owners and managers are notorious for their lack of human resource (HR) planning and policy development. But, it does not have to be this way. This paper outlines the steps small employers may take to develop an HR strategy and a Human Resources Policies and Procedures Manual. Spending time developing an HR strategy can reduce the overall amount of time spent when faced with human resource management (HRM) issues. The existence of a Human Resources Policies and Procedures Manual for managers to follow helps the small business maintain consistency in dealing with employee problems as they arise. Ultimately, being proactive in the HR strategy and policy development processes may lead to an effective and efficient organization.

KEYWORDS: Human Resource Planning, Policy development, Small business & Organization

Introduction

Human Resource Planning (HRP) is the process used by organizations to analyze business plans to establish future human resource requirements, to estimate future human resource availabilities, to reconcile future human resource requirements and future human resource availabilities and to formulate action plans to remove the gap of human resources. Organizations have been good in developing manufacturing, marketing and financial plans (Ismail & Velnampy.T, 2012). HR Units need to address the lack of clarity within departments in relation to their function. They need to communicate to their colleagues that their role is to develop a strategic approach in the key areas noted above, with the aim of enhancing organization performance - rather than the provision of equipment, the monitoring of flexi-time and the filling of vacancies, which in many departments is the current perception of their role. Human resource management (HRM) is the performance of all the managerial functions involved in planning for recruiting, selecting, developing, utilizing, rewarding, and maximizing the potential of human resources in an organization (Megginson, Franklin, and Byrd, 1995,).Small and large employers often perform the HRM functions differently. This is primarily due to the size and nature of the firms. As a result, questions often arise relating to what is a small employer and what is a large employer? Depending on the context of the discussion, there are varying definitions for small employers and large employers. Under the standards established by the United States Small Business Administration (2002), businesses generally are classified as small if they have fewer than 500 employees, except that businesses in the wholesale trade industry are classified as small if they have fewer than 100 employees. For the purposes of this paper, the term "small business" implies organizations with fewer than 100 employees. A number of studies showed about 80 % of the middle sized and larger companies now do HRP on a regular basis. These planning processes have comprehensive and sophisticated techniques (Dyer, L. 1985). There a number of similar or same weaving factories who have sales people. There are high chances for salespeople shift from one weaving factory to another easily. There are a number of competitive weaving factories in the industry. If one salesperson got dissatisfied with an existing weaving factory he will easily join as sales people for some other weaving factories.

What is strategic Human Resource:

Over the last two decades there has been a significant shift in thinking regarding the role that people play in the success of businesses. Increasingly, it is recognized that people are a key organizational resource. Central to this view is the importance of strategic Human Resource Management. In effect this implies an integrated approach to HRM policy and practice. Gratton (1999) suggests that this integration needs to take place at two levels - horizontal (the need for integration between the various HR interventions) and vertical integration (the need for integration between business strategy and HR strategy). In practice, this means that HR units need to assess the knowledge, skills and abilities required by the organization to operate successfully, and institute staffing, performance management, reward, training and development policies to meet those needs (Holbeche, 2001). In a strategic HR approach the priorities of HR should be the same as those of the business in general rather than a separate set of objectives. It is maintained that this approach leads to employees being better-managed and as a result better organizational performance. Translating business objectives into HR objectives can initially prove challenging for organizations. Areas likely to prove relevant include the attraction, development and retention of talent, the promotion of quality management and enabling high performance across the organization.

How HR Operates Within Organizations Matters to Business Strategy:

Human resources include a myriad of functional areas, encompassing responsibilities from recruitment and staffing to compensation and benefits or training and development. The human resource profession has evolved during the past 20 years and continues to change, from the collective demographics of HR professionals and the ways that practitioners enter the profession to the functions and roles served by HR and the value it brings to organizations. HR is increasingly mobilized to offer much more to organizations than record-keeping, payroll and employee benefits administration. In fact, many of the transactional functions that traditionally formed the core of HR departments' responsibilities are now often outsourced so that organizations can focus on business strategy through talent management and leadership development activities. Yet, it is argued that HR functions and departments in many organizations are not engaged in strategic roles. What factors contribute to how HR's role is viewed within the organization? Human resource functions and departments are typically bound by a number of organizational factors, not the least of which is the staff size of the organization. How do organizations determine which functional areas are critical to the organizational strategy, the priority of critical functions and how to best develop and assign HR staff to those functions? While organization staff size clearly has an influence on the headcount and budget within the organization's HR function and/or department, there may be other factors contributing to decisions about HR responsibility and functional area staffing. How much control do HR professionals have over the functional areas to which they are assigned and/or the scope of their responsibilities? To what extent are HR professionals receiving mentoring about strategic contributions to the organization, including from organization leaders in non-HR functions? Understanding how HR is approached in the context of the organization in which it operates is crucial to understanding how HR contributes to business strategies and the value that it is poised to bring to the organization. Moreover, it adds to the overall picture of HR professionals' career progression expectations as well as non-HR business leaders' perceptions of and mentoring involvement with HR. (HRM, 2008).

Research terms of reference and approach:

The terms of reference for this study were agreed as follows:

Enhance understanding of the implications of developing a strategic approach to HR in a public sector context.

1. Explore key issues in relation to the implementation of strategic HR
2. Give a range of good practice examples - instances in departments and the wider public service - where a strategic approach to HR has been adopted
3. Provide good practice guidance in relation to how strategic HR might be further developed within the civil service. To deliver on these terms of reference the study methodology would include:
4. A review of relevant national and international literature, research and other evidence.
5. Consultations with key informants within the civil service
6. An overview of the degree to which individual departments have implemented a strategic approach to HR.
7. A range of good practice examples from the civil service and the wider public service
8. Good practice guidance in respect of the further implementation of strategic HR.

Developing a Human Resource Strategy:

The fast pace of business today demands small businesses must have flexible, well trained, and self-directed employees. Employee retention is essential for remaining competitive. Developing a human resource (HR) strategy can eliminate the redundant efforts that occur each time a hiring, promotion, training, compensation, or other HRM issue occurs. An HR strategy also helps management get a clear picture of what to expect from the firm and its employees, develop benchmarks for goal setting, and create a vision for employees. Ultimately, the development of an HR strategy should lead to the development of a Human Resources Policies

The first step is to look at the business strategy and decide what key forces affect the firm. These could be issues like new technology, competitors, or changing markets. How do these forces affect employees? How do the contributions of employees contribute to the success or failure of the business? Are some areas more important than others? Are there some skilled employees who would be hard to replace?

From the Human Resources Policies and Procedures Manual to an Employee Handbook:

In an ideal work environment, an Employee Handbook is the outgrowth of the Human Resources Policies and Procedures Manual. An Employee Handbook provides employees a reference source for organizational policies and rules and may be a positive tool for effective management of human resources (Mathis and Jackson, 2003). Specifically, it answers the employees' most frequently asked questions and serves the needs of employees. All organizations should have an Employee Handbook, even if the company only has one or two workers (Carey, 1995). Although it may be time consuming and costly, especially for a small organization, to prepare and write, not having a handbook may be more costly in litigation and out of court settlements (Mathis and Jackson, 2003). The Employee Handbook should contain sections on the organization, specific policies and procedures, employee benefits, and grievance procedures. It typically begins with a section on the history, philosophy, and mission of the company. This is included in order for the employees to understand the company's goals and objectives. Additional sections often parallel the information found in the Human Resources Policies and Procedures Manual, written with the employee in mind. At times, this means summaries on policies and procedures with some detailed information for management being excluded. At other times, the policies and procedures completely parallel those found in the Human Resources Policies and Procedures Manual. These decisions are at the discretion of the small business owners(s) and manager(s).

Conclusion

Dealing with employees may be a dream or a nightmare for small businesses, depending upon the management of the HRM functions. Once an organization develops its HR strategy, management should create a Human Resources Policies and Procedures Manual, detailing organization values, hiring procedures, compensation and benefits, employee rules and regulations, disciplinary procedures, termination procedures, etc., for use by all managers. Fortunately, a variety of external resources exist to provide support for small employers. The important thing is not to ignore the creation of solid HRM policies and procedures until it is too late and the company becomes involved in litigation. A single employee lawsuit could mean the end to a small firm. Thus, being proactive in the HR strategy and policy development processes may lead to an effective and efficient organization.

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