
WHITE

PAPER

SETTING UP AN HR DEPARTMENT IN A SMALL COMPANY

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Being charged with establishing a Human Resources Department in a small business can be both a challenge and a dilemma. The first of these is how to get started. The key to success, as with most things, is to begin by listening, observing and learning about the organization. Finding out what the expectations are for your new job and the human resource function as a whole is critical. What was the purpose for creating this new function? Whose idea was it to create your position, who can help you understand the inner workings of the company, and who will be making the decisions that will affect your work? What is the culture of the company, by whom, and how were human resource activities handled before you arrived? Answers to these questions can best be gathered by conducting a needs assessment through informal interviews with key staff members and management, along with your own assessment of the human resource functions currently in place. Don't forget to review the business plan for the company as a part of your information gathering process. Pretty basic stuff, but critical to getting off on the right foot.

Your next step should be to create your game plan and share it with senior management to gain their input and, most importantly, buy in. List what needs to be done based on what you learned from your assessment. Provide a time line for action, cost projections, why the tasks need to be done in business terms, and what the end results will be. When making your presentation to senior management be prepared; make your presentation brief, to the point and professional; anticipate questions and objections; and be sure to allow enough time for your presentation so you won't be rushed. Don't forget the bottom line ... how will the company's business benefit from a human resource function?... profit, productivity, increased business, employee satisfaction ... to name a few.

Now the work begins. Start with a review of the personnel files. Are all the necessary documents there? Are any of the documents creating any legal liability for the company? If you are unsure, purchase a good desk reference guide to help you with this process, then centralize the files and maintain them in fire-proof, locked file cabinets.

What about an employee handbook? Does one exist? Is it a time bomb waiting to explode? Carefully review the content and decide if it's best to update the current one or write a completely new one. Obtain samples from similar companies or purchase samples. Once you have a draft, have managers review it for input. Then have senior management review it to ensure it matches their expectations. Finally, invest in a thorough review by your company attorney. Give each employee a copy, have them sign an acknowledgment of receipt, and retain this important document in their personnel file.

What about payroll and benefits? If you have responsibilities for payroll, research local payroll processing companies who can assist you in this important task. There is a difference in services provided and quality of customer service, so do your homework and practice good interviewing skills. What about a human resource information system? Most payroll services can help you in this area, too. If this doesn't work for your company, consider purchasing software to use in your department. The level of expertise and staff available will help you determine what is the best option for your company.

Benefit offerings are another area where you can make a difference in quality coverages for employees and cost to the company. Evaluate your current providers and seek external help from consultants and brokers to obtain the best coverages while controlling costs. Create a competitive bid process, allow for elective benefits, and be creative with plan design and contribution methods. Consider offering a Section 125 plan to help offset the cost of benefits for your employees and provide tax savings for your company. What about a retirement plan? Do you have one? Does it need a "shave and a hair cut"? This is another area where you may want to seek outside assistance from your plan administrator or investment provider. Finally, what about an employee assistance program or a wellness program? Offering options and value added benefits can help you attract and retain quality employees to help your company meet its current and future business objectives.

What about the company's compensation plan? Is it working? Is it being administered consistently? This may be an area where you spend a great deal of time putting together a pay structure that supports the business climate and culture of your new company. It may also be an area where you seek the assistance of an outside compensation specialist.

Finding and keeping quality employees will continue to be a challenge for small businesses. Recruiting and selecting the right people to match the needs of a small company can be difficult in any job market. Gone are the days of the "right person" waiting at the door for you to open it and usher them in. The talent and skills needed by small businesses to succeed starts with the right selection. This is an area where partnering and training with managers will be key to your success. This is also a human

resource activity that is measurable and easily taken to the bottom line.

What about written policies and procedures? Once again legal compliance should be your concern. Comprehensive policy manuals are available for purchase to use as samples in adopting your own. Policies to consider include ADA, FMLA, Workers' Compensation, problem resolution, disciplinary procedures, recruitment, safety, separation procedures, disaster preparedness, compensation, benefits, performance evaluations, EEO and time keeping procedures.

Next, begin to think about new employee orientation. How often should it be done and in what format? Who should be involved, and where should it be located? Most importantly, what information do you need to convey to new employees to get them off to a good start? This step is vital to their and your new company's future success.

One of the keys to success in today's business market is a well trained staff. This includes giving them the tools they need to be successful in their current and future positions. It is also critical to provide training to your managers to help them motivate and direct their staff. Whether formal or informal, training is necessary to help you establish and maintain a quality workforce with strong, capable leaders. This can be accomplished with formal classes, staff meetings, mini workshops, written materials, off-site classes, etc. It is important that in your human resource plan you provide for the conduit to allow this training and professional growth to happen.

The last and certainly not the least important piece of your plan needs to be communications. How can you keep your employees and managers informed? An employee newsletter is one way. First make it FUN and interesting, yet business related and professional. Publish it on a regular basis. It doesn't have to be long, and there are many local agencies including your benefits providers and human resource product vendors who can help you. A newsletter can be a wonderful source to publicly recognize your employees for the work they do.

The second piece of the communications process is with management. Is human resources contributing to the bottom line? Are we making a difference? Report on turnover and retention, exit interview analysis data, benefit and compensation costs, absenteeism, nonproductive time use and costs, promotions, training costs and results, to name a few. Our role as human resources professionals is to help others see the measurable bottom line contribution that human resource management makes.

In a paper such as this, it is impossible to provide a comprehensive guide to setting up a Human Resources Department in a small business. Hopefully this has provided the reader with some food for thought and a good jumping off point. Professional education and development, as well as networking with your peers, will be the final piece of the puzzle that will help you set up a successful Human Resources Department in a small business.

Dedicated to the memory of Patricia Delaney, Las Vegas, Nevada.

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SHRM thanks Nina Drake, SPHR, of the SHRM Employment Committee, for contributing this paper. It is intended as information, and is not a substitute for legal or other professional advice.