

11. PERSONNEL MANAGEMENT

Every small business manager is a personnel manager in the sense that work is done through people, with people and for the people. Consequently, the owner manager should be personally capable of handling employee relations until the company becomes large enough to afford a personnel manager. Planning personnel requirement, developing sources from which new employees can be recruited, choosing (recruiting) the needed people, training and developing them into productive workers, evaluating their performance, compensating them and dealing with various personnel relationship, including industrial relation.

Staffing

Staffing is a critical function of organizing and managing a successful business. All companies, whether large or small, are involved in the staffing process. All businesses run the same risk every time they hire a new employee. The staffing function is generally divided into four major categories (1) staffing needs, (2) acquisition, (3) motivation, and (4) retention.

Planning Personnel Requirements

As both quantity and quality of work force are important, personnel planning should be complete and detailed, but flexible and updated at least half-yearly. The following statement is frequently made that one should organize around 'what is to be done' rather than 'who is to do it'.

Job specification are written statements covering duties, authority, responsibility and working conditions of the job and of qualifications required for a person to perform the job successfully. The use of job specification will help the manager to match the person to the job to be filled up.

Finding new employees

There are two basic sources, one from the firm through promotion, upgrading or transfer; and the other from outside the company through promotion, upgrading or transfer; and the other from outside the company through recruitment and selection. More specifically, there are four sources usually used by managers of independent business. They are:

1. Qualified people from within the organization
2. Personnel from competing firms in the industry
3. Organization outside the industry
4. Educational institutions

There should be a balanced policy of promotion from within and recruitment from outside when the need arises.

Filling jobs from within the firm

There are three methods of securing employees internally; upgrading the employees' holding position, promoting an employee from a lower level job and transferring an employee from a similar position elsewhere in the organization. The **advantage** is the concerned person's capabilities are strengthened and their morale is built up. The **disadvantage** is non-availability of capable person, possibility of inbreeding development.

Recruitment

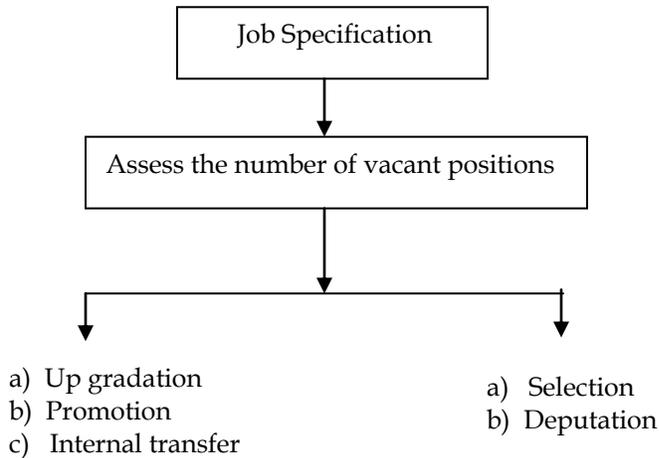
To recruit means to obtain fresh supplies or restore and replenish. Recruitment may be described as an activity that aims to bring job seekers (applicant) and job giver (employer) in contact with one another.

Selection

Selection of candidates begins after completion of recruitment process. In other words, the process of selection begins only after an adequate number of applications have been secured through different sources of recruitment - internal and or external. Selection involves a careful screening and testing of candidates who have put in their applications for any job in the enterprise. This is necessary for two reasons, first, many of the applicants may not really be suitable for employment in the enterprise, secondly, even where applicants are duly qualified and experienced, the enterprise, secondly, even where

applicants are duly qualified and experienced, the enterprise may not have adequate number of vacancies to accommodate all of them.

Recruitment and Selection



Reasons for using external sources

- At least lower level jobs be recruited from outside.
- New blood is to be infused into an organization to prevent inbreeding, conformity and stagnation.
- Mechanization and automation requires new skilled workers.

External sources

1. Former employees
2. Friends and relatives of employees
3. Personal application received in person or through mail
4. Competing firms
5. Labour organization
6. Employment agencies either public or private
7. Educational institutions
8. Leased manpower- deputation
9. Paper advertisement
10. **Job posting:** Posting available job opportunities on a notice board to give present employees a chance to bid for them.

Selection procedure involves two things, namely, recruiting or attracting a group of employees, then selecting the needed person.

Recruiting new employees

- 1) Campus selection
- 2) Advertising using trade journals, newspaper, radio, Television, bill boards, window displays etc.
- 3) Private and public employment agencies
- 4) Employee referrals

Selecting employees for a given job

Mistakes in selecting and placing personnel in the firm can be greatly reduced, if an orderly and systematic procedure for choosing the right person is used. One such procedure for effective filling up of position is given below.

1. Reviewing the job specification for the position.
2. Considering the present employees for one of them may be able to perform the job acceptably or become qualified if his abilities are upgraded.
3. Looking outside the company and recruit applicants if none of the present employees can fill up the job.

4. Using an application bank gathering information from applicants.
5. Preparing for the interviews with applicants by using the points to be covered.
6. Conducting interview.
7. Using psychological tests to determine the applicant's knowledge, skills and attitudes.
8. Check on qualified applicants with their employers.
9. Arrange for the applicant to take physical examination.
10. Decide whether the applicant should be hired on trial basis.
11. Conduct an orientation programme for new employee.
12. Decide whether the employee should be retained after a pre-arranged probationary period.

The personnel development may be defined as an attempt to increase employee's productive capacity up to highest level of the job to be performed.

Need for training

Not only new employees be trained, but also the present employees must be trained in order to adjust to rapidly changing job requirements. This would result in increased productivity, less supervision and higher morale.

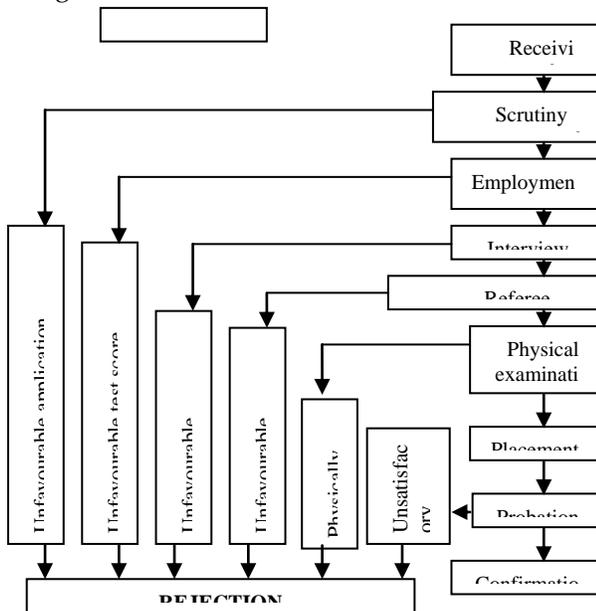


Fig. 11.1 Recruitment and Selection

Methods of training

Various methods of training to non-managerial employees are

1. On the job training
2. Apprenticeship
3. Internship
4. Outside Training

On the job training is a programme in which employees get training while they perform their jobs. Thus, they are both producers and learners.

The purpose of **apprenticeship** training is to develop well trained individuals who are capable of performing a variety of jobs. It involves learning a variety of skills that when combined, qualify one to practice a trade. The programme is usually a long – term process covering from two to seven years and a union is often involved in administering it.

Internship training is a combination of school and on the job training. It is usually used with employees who are aspiring for marketing or clerical positions or who are being prepared for management positions.

In the **outside training**, the employees receive training at schools outside the company. Usually the company reimburses the employees for all or part of their tuition expenses.

Performance Appraisal

Performance appraisal is a form of counseling and coaching employees. Performance appraisal is the process by which owners gather information about each employee's performance effectiveness and communicate this information to them. Evaluating employee performance is essential if managers wish to help their employees raise their level of performance. In the small business, Managers do not spend much time on employee appraisal because they are usually occupied with the daily matters of trying to get the product or service to the customer.

Performance appraisal includes (1) establishing standards, (2) recording performance, (3) reviewing performance in accordance with standards, and (4) taking corrective action where and when necessary.

Employee's performance in the small business is evaluated daily by owners on an informal basis while working directly with employees. However, there should be a regular schedule for performance reviews, such as once or twice a year. When the company is small, the owner- manager does the evaluation. However, as the company grows, the employees should be evaluated by their immediate supervisor and owner. These appraisals enable the owner to chart employees' progress and suggest areas that need improvement. The following guidelines are recommended for anyone conducting performance reviews.

1. Decide in advance on the purpose of your performance reviews; evaluation, criticism, training, coaching, morale building.
2. Don't wait until the review occurs to let your staff know what you expect from them. Tell them early on exactly what the job requires; what specific goals, standards, and deadlines, you expect them to meet; and how you plan to evaluate and reward their performance.
3. Keep a written record of your subordinates' performance throughout the year so that you can cite specific examples to back up any criticisms or comments you make during the review.
4. The review should not be a one - way process. Let the employees participate, and listen to what they say.
5. Go over the evaluation with each employee. They don't have to agree completely with your ratings, but if they strongly disagree, they are not likely to try to improve.
6. When criticizing an employee's performance, make sure you also do some "stroking". Reinforce the good habits with praise.
7. Be specific and constructive in your criticism. Don't just tell someone (s) he is not productive enough. Tell him or her how (s) he has fallen short and what you expect in the future.

Purpose of performance appraisal

The success of performance appraisal and follow-up counseling depends on whether employees comprehend and accept the purposes of the review. By observing the guidelines listed, a number of important functions can be served by the appraisal.

1. Evaluation of performance over a specific time.
2. Motivation of employees by providing them with relevant feedback of job performance.
3. Evaluation of potential for growth and development of each employee, such as the potential for promotion to a position of more authority and responsibility.
4. Accumulation of data for decisions concerning the distribution of rewards for outstanding performance, such as merit increases.
5. Accumulation of information for decisions concerning transfers and terminations.
6. Evaluation of effectiveness of training programmes and training needs.
7. Effective method for communicating the goals of management.

The results of the appraisal should be communicated each employee. Because most people are apprehensive about any type of evaluation, the owner should create an atmosphere that will put

employees at ease throughout the counseling session. If the evaluation reveals that a worker's performance is below standard, steps are taken to improve performance, such as giving the employee additional training. If standards have been met, the employee should be recommended; if standards have been exceeded, employees should be rewarded, such as with a bonus or merit rise.