

BUSINESS SENSE

Next Level Tools for Entrepreneurs & Small Business Owners



HUMAN RESOURCES SERIES

Overview

Why is this important?

Effective Human Resources (HR) is essential to the success of a business, regardless of its size. Your human resource practices and policies should align with your company's values and positively impact your company culture, as well as your bottom line.

From improving company morale and developing methods to ensure high performance standards to resolving conflicts among employees and ensuring a company stays within its compensation budget, there are many reasons why HR is important for business success.

Your employees are your most valuable resource—holistically caring for their employment experience, and taking care of their well-being, must be a top priority.



Vermont Sustainable Jobs Fund

As a small business owner you find yourself wearing many hats. Not only are you responsible for strategic direction, oversight and leadership of your business, you're also heavily involved in day-to-day tasks, especially when it comes to caring for the organization's valuable human resources.

The scope of HR (human resources) functions, even for a small business, is vast. Human Resources encompass the processes, policies, and practices that support and manage an organization's employees to effectively meet an organization's goals. The HR function can quickly overwhelm your time and derail your focus from business development and growth to handling employee relations needs to myriad administrative tasks.

That's why the need to identify and delegate your organization's HR needs—either to another person, a team within your organization or to an outside resource—inevitably arises.

But how do you know when it's the right time to do this? And how do you set up a dedicated HR person or team, or find a more cost-effective outsourcing option?

Whatever your structure/approach, an HR team is ultimately responsible for all aspects of the employee lifecycle, from hiring through separation of employment—and everything in between.

The **Human Resources Series** addresses the following topics and the key role they have on your business success.

- **The Importance of Recruitment**
- **Compensation and Benefits Management**
- **Employment Laws and Employee Policies**
- **Workplace Culture**
- **Leading at the Speed of Effective Communications**

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When is the right time for a dedicated HR professional?

The right time largely depends on your business' circumstances, including budget, projected growth, and size.

Many HR pros suggest formalizing, and delegating HR functions when your organization grows to more than 10 employees. At this point, managing HR can become too much for a small business owner, especially where administration and compliance are concerned, due to the time and complexity involved. Understanding the current state of HR within your organization helps you identify needs and provides a framework for building an HR function, whether wholly in-house or outsourced.

It's important to note that a significant component of HR is record keeping for compliance and audit purposes (i.e., payroll information, training records, recruitment documents, employment eligibility forms, performance

improvement plans (PIPs), disciplinary action, and termination records). As such, selecting software to automate daily tasks and streamline HR processes is essential.

Whether you have an internal HR resource, or use an external professional service, key performance indicators (KPIs) are essential to measuring effectiveness of your HR functions. HR KPIs include time to fill a position; employee satisfaction; employee training costs; workforce productivity, absenteeism or turnover; and internal promotion rates.

Setting KPIs helps you review the performance of your HR person or team and their contribution to your overall business strategy. In the



meantime, KPIs can also guide HR decision-making and problem-solving.

Finally, HR decision-making is guided by your budget. Allocating financial resources to your HR team, whether internal or outsourced, helps prioritize spending and ensure HR functions run efficiently and effectively. Your HR budget needs to cover essential functions such as wages, benefits, diversity, equity and inclusion training, employee safety and well-being, as well as recruitment, HR technology, and other training and professional development.

NOTE TO READER

The information contained herein is based upon sources believed to be accurate and reliable. While we have exercised reasonable care to ensure the accuracy of the information contained here, no representation or warranty is made as to such accuracy. Readers should check primary sources where appropriate and use traditional research techniques to make sure that the information has not been affected or changed by recent developments.

The author of this information does not render any legal, accounting or other professional service through publication of this document. Due to the rapidly changing nature of the law, information contained in this document may become outdated. Readers are encouraged to seek legal or other professional advice for their particular needs.

Business Sense is a no-fluff source of information that gets right to the heart of what small business owners need: essential tools and informational resources to help their businesses grow. Written by our team of business coaches, this series shares their decades of experience in areas such as financials, operations, sales and marketing, human resources, leadership, and governance. Business Sense is designed to provide entrepreneurs and small business owners in various sectors, including agriculture, forestry, waste management, renewable energy, and environmental technology, with recommendations and practical advice to help their businesses not only survive but thrive.

Our business management coaching and Business Sense Resource Guide are designed to accelerate the growth of the enterprises we work with and expand the leadership capacity of the entrepreneurs who own and manage these businesses.

Let Us Help You and Your Business

The Vermont Sustainable Jobs Fund provides tailored business management coaching, entrepreneurial support, and training to position Vermont-based entrepreneurs and small business owners in our designated market sectors for growth and long-term success. We partner with state government, private sector businesses and nonprofit organizations to build a thriving economic, social and ecological future for Vermont. Learn more at [VSJF.org](https://www.vsjf.org)



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Accelerating Sustainable Economic Development

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