

The Small Business and Its Inherent Human Resources Shortfalls

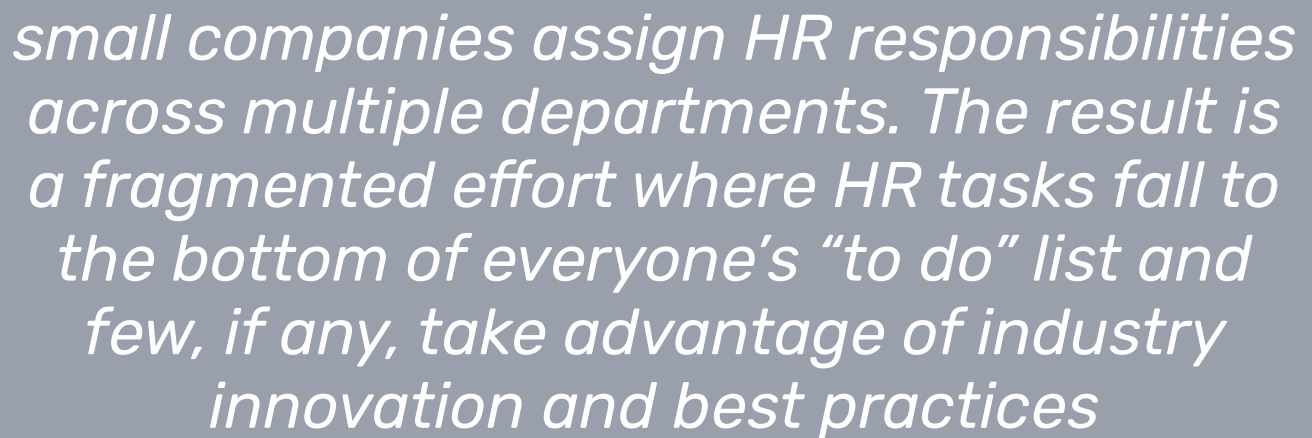
Small companies encounter five fundamental challenges in caring for their most important assets – their people. Here's how they can face down and overcome those obstacles

WHITE PAPER

Small business owners are some of the busiest people on the planet. Running companies of up to 50 employees, they have few resources and never-ending demands, which means they usually have only themselves and a few other key company leaders to rely on for meeting immediate deadlines, building out their products or services and generating sales.

Out of necessity, small business owners educate themselves on the imperatives, like finances and quality control, required to keep their companies running. What often falls by the wayside are the more specialized tasks vital for growth and long-term success, including the care of every business's most important asset: its people.

Often, not having the financial means to hire a full-time human resources staff member, small companies assign HR responsibilities across multiple departments. The result is a fragmented effort where HR tasks fall to the bottom of everyone's "to do" list and few, if any, take advantage of industry innovation and best practices.



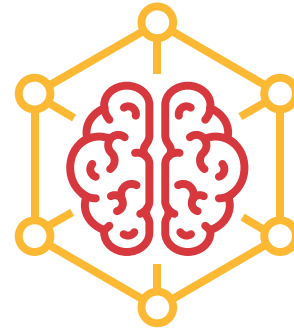
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Five fundamental deficits are common across small businesses.

1. The knowledge deficit

Even when a small company has an internal HR specialist, it still faces challenges:

- **Limited experience:** Lacking deep pockets, a small business rarely can afford to hire an internal HR pro who has a decade or more of experience. Without that seasoning, the staff member the company can afford to hire will be less aware of factors shaping today's workplace, including technological advances and a millennial generation that expects a more employee-focused culture than ever before. Adding to the challenge is finding an experienced staff member with HR proficiency in the small company's specific industry.






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- **Limited HR and safety processing knowledge:** It's virtually impossible for a solo internal practitioner to have all the skillsets required to effectively meet a small company's range of HR needs. From an employee relations standpoint alone, every small business needs access to expertise in:

- ✓ Hiring, onboarding, exit interviews and terminations;
- ✓ Providing ongoing employee training;
- ✓ Managing performance issues and problem employees; and
- ✓ Handling claims of harassment, discrimination or retaliation.

In industries where employees perform tasks that demand heightened attention to [safety](#), the company's HR requirements extend to:

-  Knowing and complying with [OSHA](#) and other safety regulations;
-  Providing regular safety training and maintaining a safe workplace; and
-  Performing drug testing and enforcement.

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2. The process development deficit

For small businesses that are working to grow, developing processes, procedures and standards saves time and money by increasing efficiency. Clear, well-thought-out processes help staff teams manage repetitive activities quickly and consistently. Owners and managers spend less time answering basic questions and navigating differences of opinion about how tasks should be handled, and quality product and service delivery becomes the norm.

Unfortunately, small businesses rarely have process development experience. As the company grows, a lack of structure becomes increasingly detrimental. Even when they recognize the need for processes, and for documents that support the relevant procedures, small business leaders typically don't have experience developing them and may not know where to go for help. They also may not know what tools and forms they need, which may include, among others:

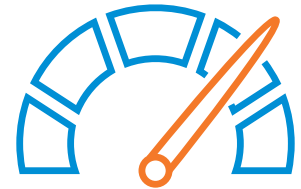
- I-9 and H1B forms for payroll;
- HR posters that remind employees of proper workplace behaviors and safety procedures;

- Safety incident documentation forms; and
- Forms that document poor performance or employee complaints.

Owners and managers may further be challenged to know the circumstances under which certain forms should be used and how they should be implemented.

3. The capacity deficit

Without a dedicated staff team fully focused on the company's human capital, small business managers end up spending too much of their own time on HR administration. The company also is at risk because it lacks:



- **Redundant capacity:** If someone with even limited HR knowledge leaves the organization, no one else knows how to carry out the tasks that staff member handle
- **Checks and balances capacity:** Mistakes may go unnoticed and uncorrected. The company is at risk for mismanagement of [payroll](#), safety procedures, regulatory reporting or other critical issues in a way that draws a visit from an oversight agency or motivates an employee to file a claim against the business.

4. The data security deficit

In the course of doing businesses, small companies necessarily collect and maintain private information on their employees. For example, their files typically hold medically sensitive employee information given to health

insurance providers and payroll records that detail Social Security numbers, names, home addresses, pay rates and bank accounts for direct deposits.



[Keeping paper-based files](#) secure may be as simple as putting a lock on the file cabinet where they're housed. But in today's digital world, almost all companies engage in at least some electronic record keeping, and many organizations have adopted cloud-based storage. Maintaining data in the cloud can be as secure as keeping it on the company's own servers – if the business has taken appropriate security measures.

Among the most common mistakes organizations of all sizes make are a failure to classify their data into categories, establish handling practices for each category and understand where each piece of data is stored. These errors make the company's online accounts and employees' personally identifiable information vulnerable to breaches or data theft.

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5. The benefits cost deficit

The inordinately high cost of employee health insurance may be small businesses' most challenging HR problem. Employees often consider health insurance a must-have because of the difference it can make in their financial situations. For smaller employers, offering a health plan can be advantageous in [recruiting and retaining high-caliber talent](#).



Yet, persistent health care cost increases have plagued smaller companies for years, with no end in sight. Premiums are calculated on the size of the employee pool, so the small business has limited ability to negotiate lower rates. Employees and the owner end up paying more, or, as increasingly has been the case in recent years, small companies give up and do away with benefits altogether.

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Overcoming the small business deficits

The challenges are a real fact of life for small business owners. Fortunately, there's a solution: A professional employer organization can seamlessly become the organization's experienced, go-to source for overcoming inherent HR obstacles.



The PEO steps in as the small business's complete HR and safety department, relieving owners and managers of administrative and regulatory burdens, including recruiting and hiring, payroll, regulatory [compliance](#), benefits management, testing, training and risk management.

The PEO saves costs for the small organization, not only in the areas above, but also in health insurance coverage. The company's employees become part of the PEO's much larger employee pool, and the PEO then negotiates more favorable premiums than the small company could do on its own.

To maintain a quality workforce and eliminate the administrative HR tedium, a PEO can be a [small employer's greatest ally](#). Partnering with a PEO gives a business owner and other key managers real freedom – perhaps for the first time – to focus completely on growth and long-term success.



About Axcet HR Solutions

Axcet HR Solutions is an IRS-certified PEO serving the Greater Kansas City Metro area since 1988. We provide professional Human Resources, benefits, payroll, safety, and workers' compensation services to small- to medium-sized business. Our mission is to empower small business owners with the time, confidence, and security to focus on their core business, and relieve them of the burdensome and time-consuming HR tasks.

For more on Axcet HR Solutions visit **www.axcethr.com**



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