

# Four reasons SMEs should care about HR Management

By [Anja van Beek](#)

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One of the most common misperceptions that we run into in our work with small businesses is that they don't need a formal human resources (HR) strategy or proper HR business processes.



However, any business can benefit from putting appropriate HR systems, processes and policies in place. Even if you employ just three or five people, they are the pillars on which you will build your future success.

Your employees are partners in the growth of your company, but there are also many risks in employing staff that you need to manage.

So, a key component of HR is about maximising your returns on your investments on your employees while reducing the risks.

Here are four reasons you need an HR strategy:

## 1. Recruitment

We often see the owners or managers in a small business recruit in a panic in response to growth or new opportunities. Often, the result is that they bring the wrong person on board and face a struggle in training them up for the job or letting them go because it didn't work out.

If you have a proper HR strategy and it is aligned with your business plan, you can handle your recruitment in a more strategic way. You can think about what skills you need and where you can find them.

But even more importantly, you can give serious thought to the personal qualities of the first employees you want to hire. This is about the culture you want to create in your business from its very beginning and finding people who will align with your vision and purpose for your company.

## **2. Labour relations and compliance**

South Africa has stringent labour laws, so you can't hire and dismiss without following the proper processes. When you're bringing people on board, you need to ensure that you cover basics such as the employment contract.

This should encode your basic terms and conditions of employment, including leave, working hours, remuneration and rewards, workplace conduct and a disciplinary code. It must be aligned with the minimum conditions as set out in the Basic Conditions of Employment Act.

The real challenge for many SMEs comes in when they need to discipline or even dismiss an employee. South African labour law sets out procedures for disciplining an employee and you must follow them to the letter.

You should also document the procedures you follow in case the employee wants to challenge your decision at the Commission for Conciliation, Mediation and Arbitration (CCMA). This all demands that you have clear policies and paperwork in place - another reason to have a proper HR plan.

## **3. Performance management**

Once you have hired someone, you need to ensure that you are getting the best possible performance from them. You should be thinking about how you will keep employees motivated and what training and development they might need to do their jobs better.

In addition, you should help them set career goals, correct any performance issues, and ensure they have the tools they need to do their work. In a small company, performance management doesn't necessarily need to be as formal as in a bigger business, but you should have a clear and consistent policy in place.

## **4. Retention**

You've hired a star employee and come to depend on his or her skills. Now, the question is, "How do I hold onto this great employee when his or her skills and achievements are so attractive to other companies?" A formal Employee Loyalty and Retention plan, that is part of the HR strategy, can help you to retain key staff because you are engaged with them and are helping them to build a future with your business.

HR management is a specialist field, with many laws and regulations to navigate. If you don't have a background in this field and can't afford to hire a full-time HR specialist, consider outsourcing this function.

## ABOUT THE AUTHOR

Anja van Beek, is the HR Director for Sage HR & Payroll and Chief People Officer for Sage AAMEA (Africa, Australia, Middle East and Asia).

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