



# **B A 250: SMALL BUSINESS MANAGEMENT**

## ***Lesson 10: Staffing and Leadership/Strategies for a Family Business***

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Introduction (1 of 9)

# Staffing and Leadership/Strategies for a Family Business

Human capital is a valuable resource in any business. Quality leaders and quality employees contribute to business success. This lesson will look into the qualities of effective leaders as well as the hiring and inspiring of employees.

A majority (around 80% to 90%) of all companies in the United States are family businesses (Family Business Alliance, 2014, para. 1). There are large and small family businesses. This lesson will also explore the pros and cons of working in a family business, along with the need for a succession plan and risk management.

## Learning Objectives

The readings and questions in the lesson should help you to do the following things:

- Define leadership and list leader-like behaviors.
- State reasons for poor hiring decisions and the factors to consider in order to hire the best employees.
- Discuss how culture and leadership can promote the mission and goals of a business and motivate its employees.
- State the pros and cons of a family business.
- Explain how an owner can exit the business or transfer the business to subsequent generations.
- Define risk and ways to manage risk, including insurance.

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Key Terms/Concepts (2 of 9)

## Key Terms/Concepts

### **company culture**

the unwritten set of guidelines that inform employee behavior, attitudes, and interactions

### **compensation**

the wages, salary, and benefits used to compensate employees for the work performed

### **employee benefits**

also known as "fringe benefits," these are the rewards and services provided to workers in addition to earnings

**employee orientation**

activities used to introduce new employees to an organization, along with its policies, procedures, and other employees

**employee stock ownership plan**

a benefit or retirement plan designed so that employees can buy partial or total ownership of the company for which they work

**human resource management**

the process of evaluating needs, finding employees, filling positions, and maximizing work performed to complete organizational objectives

**job description**

a summary of job duties, responsibilities, skills required, and working conditions

**job specifications**

a written summary of the qualifications required for workers to do a particular job; the translation of job duties into necessary qualifications

**leadership**

creating vision, values, and ethics to influence others in an organization to achieve goals and objectives efficiently and effectively

**motivation**

an inner drive, desire, and excitement about work

**pay-for-performance**

pay depends on how well employees perform their jobs

**performance appraisal**

an evaluation of performance against set standards; used to make decisions about compensation, promotion, training, and so on

**recruitment**

the activities used to attract a sufficient number of people for review and selection in order to meet the business's needs

**risk management**

the process of protecting assets by minimizing the potential for loss

**selection**

the gathering of the information needed to decide who should be hired to fill a position

Road Map (3 of 9)

## Road Map

<b>Readings:</b>	<ul style="list-style-type: none"> <li>• Complete the readings for Lesson 10 listed in the <a href="#">course syllabus</a>.</li> <li>• Read the online commentary for Lesson 10.</li> </ul>
<b>Assignments:</b>	<ol style="list-style-type: none"> <li>1. View the video linked in the Lesson 10 assignments.</li> <li>2. Complete Service Learning Essay 2: Management, Operations, and Innovation.</li> </ol>

Human Resources (4 of 9)

## Human Resources

We have all heard it said that people are the most important asset of any business or organization. This is true, because without people no business can operate. For a small business, the people or human resources are vital. No owner/entrepreneur can successfully perform all the tasks it takes to run a company for very long.

The operation of a business requires the assistance of outside resources. Just who these resources are, what their abilities are, and what their motivations are can be key factors in determining the business's success or failure.

Effective entrepreneurs recognize the importance of both leadership and management skills in the creation of a sustainable business. Successful small businesses are led by managers who can create and inspire a vision in all stakeholders, as well as apply management strategies in order to implement this vision and monitor the results. Managers are constantly required to communicate. It is critical that they create an organizational environment that encourages two-way communication among all employees and managers.

In the small business, each employee carries a larger portion of the responsibility for business functions. The functions and activities of a small business are the same as for a large business, but on a lesser scale. For example, a small business needs to concern itself with public relations, just like a large corporation. The difference is the extent of public contact associated with the size of the business: For a large corporation, there is most likely a group of employees or a department that specializes in public relations, providing guidance for employees, whereas in the small business, public relations is a major component of each person's job—each employee needs to understand the impact he or she can make with just a few words spoken in the community. In other words, the



Source: Fuse/Thinkstock

actions or words of a single small business employee can have a greater influence on the success or failure of the business than the actions or words of a single employee from a large corporation. This points to the need for small business owners to invest the time and resources needed to hire the right people.

In the small business, a good plan is necessary for acquiring, keeping, and motivating important human resources. The owner must evaluate

- the needs of the business in terms of the number of employees and the skills required,
- the best ways to attract likely candidates for positions,
- the methods of selection,
- the forms of compensation and reviews to monitor performance, and
- the techniques to be followed to maintain and retain motivated, effective, and efficient employees.

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Human Resources Management: An Ongoing Process (5 of 9)

## Human Resources Management: An Ongoing Process

The goal of human resources management is to hire the right employees to help your small business. The hiring plan is not a stagnant, one-time planning process—nor is its implementation. The business operates in an ever-changing economic, social, and legal environment with the needs and wants of its vital human resources changing even more frequently. Each person is different, with different needs and wants that routinely change with time, task, and circumstance. The business owner must be constantly adapting his or her practices to meet these many changes. He or she must have a plan for expansion and growth, as well as a plan for replacing a key employee who has chosen to move on or dismissing an employee who is not meeting the business's needs.

The creation of an effective and high-performing workforce to support a growing small business's needs is complex and requires an understanding of interviewing processes, compensation systems, and performance feedback. Once the hiring process is complete, the important work of training and coaching begins.

The following video (Hire Well Now, 2011) outlines effective strategies to use in the hiring process.

### Video 10.1. Making Better Hiring Decisions Webinar



Time: 00:13:28

No transcript available.

The owner of a small business must manage the activities associated with human resources management and the psychological aspects of leading and motivating. Being able to write a job description, prepare a performance appraisal, and read an employee's emotional needs and wants are all human resources activities. The broad scope of these activities requires a person with exceptionally good judgment who knows and understands people. Combining these skills with effective planning provides a small business owner with a greater chance to successfully manage the human side of the business, which is by far one of the most (if not the most) financially costly aspects. Not only are your employees vital for the creativity, responsibility, and influence they have on your small business, but they are also one of the most expensive costs every business incurs. They must be treated with the respect and care that their relationship with your business demands.

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Success Planning (6 of 9)

## Succession Planning

A majority (around 80% to 90%) of all companies in the United States are family businesses (Family Business Alliance, 2014, para. 1). Currently, small- and medium-sized family-owned businesses are leading the rest of the business community in economic growth and job creation.

Most family-owned businesses do not plan for the management succession of the business. Recent statistics show that "more than 30% of all family-owned businesses survive into the second generation"; about 12% make it into the third, and approximately 3% make it into the fourth generation and beyond (Family Business Alliance, 2014, para. 6).



Source: mangostock/iStock/Thinkstock

The founders of family businesses tend to take many things for granted:

- They are so involved in the business that they assume it's as important to other family members as it is to them.
- They expect that their children will carry on the business with the same vision and values as they have.

In reality, many conflicts result when the business passes to a family member who is uninterested, does not have the ability to operate the business, does not operate the business in the same manner as the founder, or experiences the founder's reluctance to let go of the reins when the hand-off has supposedly taken place.

To ease these succession difficulties, a business owner/manager should separate his or her family life from the business, evaluating its continuation early on with an analytical, logical approach. Most importantly, the business founder must accept that his or her children may have no interest in the business and, for those who do, a long-term training process should be followed before the reins are handed over.

A systematic approach to succession planning is critical. Small business owners must be realistic in their decision-making about the continuation of their businesses and should be prepared to evaluate such options as employee purchases, cash sales, or leveraged buyouts.

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Risk Management (7 of 9)

## Risk Management

*Risk* is considered a dirty word by many, but for the entrepreneur it is a common and routine part of life. In fact, entrepreneurs typically thrive on some measure of risk; otherwise, they would never have started the business venture in the first place. But after the hard work of establishing and growing the business, it only makes sense to review the business risks and evaluate whether some can be avoided, prevented, assumed, or transferred.

Potential losses may include

- fire,
- weather damage,
- theft,
- lawsuits, and
- business downturns.

These areas of vulnerability and others should be reviewed and addressed so that the impact of the loss on the business, if it does occur, is mitigated.

There are many ways to cope with risk; the methods chosen will depend on the type of risk being faced. For example, the potential for lawsuits by injured workers can be mitigated by providing training sessions and security measures that will prevent or reduce the potential for injury.

One of the most common ways of dealing with risk is to transfer consequences to an outside insurance company. There are many types of insurance available from various insurance companies, but they all have one thing in common—a fee.



Source: Stocktrek Images/Thinkstock

Insurance can be costly, so it is important that the owner/manager evaluate the need and the supplier before buying. After all, purchasing flood insurance for a building that is situated on the highest hill in the community may not be a wise use of company funds, whereas fire insurance and liability insurance are essential for preventing catastrophic losses.

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References (8 of 9)

## References

Family Business Alliance. (2014). *Facts and figures*. Retrieved from [http://www.fbagr.org/index.php?option=com\\_content&view=article&id=117&Itemid=75](http://www.fbagr.org/index.php?option=com_content&view=article&id=117&Itemid=75)

Hire Well Now. (2011, February 21). Make better hiring decisions webinar [Video file]. Retrieved from <https://www.youtube.com/watch?v=mvagv4eLwm4>

jjbpaca. (2011, February 10). The essence of leadership [Video file]. Retrieved from <https://www.youtube.com/watch?v=ocSw1m30UBI>

Schmidt, B. (2009, December 20). Leadership is...[Video file]. Retrieved from <https://www.youtube.com/watch?v=Nz3xP1tMbIE>

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Lesson Assignments (9 of 9)

## Lesson 10 Assignments

Complete all of the following tasks and readings by the due dates listed in the [Course Syllabus](#):

### Online Videos

Watch the following online videos. They will provide background for this lesson.

This first video features Desmond Tutu, Jack Welch and John Chambers discussing leadership.

#### **Video 10.2. A Leader Is....**



Time: 00:03:55

No transcript available.

### **Video 10.3. The Essence of Leadership**

The following video features General Colin Powell answering questions about leadership.



Time: 00:02:42

No transcript available.



## **Service Learning Essay 2: Management, Operations and Innovation**

You are volunteering in a small business to learn about the business. Please reflect on your experiences with a focus on the management, operational efficiency, and innovation practices of that business. Write a two-page paper discussing these areas of the business and your suggestions for improvement. Provide your opinion of their operational efficiency and reflect on the areas that you see a need for improvement. The rubric for your essay may be found under [Service Learning Project Guidelines](#) in the syllabus.

The following questions may help you prepare your paper:

### **Management:**



- Is the manager considerate of the employees?
- Does the manager consider both the task and the employees?
- Does the manager respect the employees?
- Does the manager make good decisions?
- Does the manager delegate responsibility?
- Does the manager prepare budgets?
- Who is planning for the future of the business?

### **Innovation:**

- Does the company encourage new ideas?
- Do they welcome change?
- Do they look for continual improvement?
- Do they measure customer satisfaction?

### **Operational Efficiency:**

- What are the strengths of this business?
- What are the weaknesses of this business?
- What are the opportunities for this business?
- What are the threats for this business?
- How do they compare with the competition?
- Do they manage inventory well?
- Are they energy efficient?
- Are they fiscally sound?

### **Suggestions for Improvement:**

- Do you have suggestions for the physical plant?
- Do you have suggestions for the way they manage their employees?
- Do you have suggestions for their customer relationships?
- Do you have suggestions for their security procedures?

The paper should be double spaced with 1" margins and submitted to *both* of the following:

- **Service Learning Essay 2 Drop Box** (<https://cms.psu.edu/section/content/default.asp?WCI=Goto&WCU=CRSCNT&MATCH=Service+Learning+Essay+2>) (This copy of the file will go to your instructor only.)
- **Management, operational efficiency, and innovation** (<https://cms.psu.edu/section/content/default.asp?WCI=Goto&WCU=CRSCNT&MATCH=Management,+operational+efficiency,+and+innovation>) team discussion forum. (This copy of the file will be shared with your team.)

Upload your file when you start a thread within this discussion forum. **You are expected to read and comment on each of your team member's Service Learning Essay 2. Please remember that a quality response to a discussion board must be meaningful feedback about the Service Learning Essay 2 paper submitted.**

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Please direct questions to the [World Campus HelpDesk](http://student.worldcampus.psu.edu/student-services/helpdesk) (<http://student.worldcampus.psu.edu/student-services/helpdesk>) |

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