



## Don't miss out: Small business remains an untapped HR market

By Laura Reid, originally published in PeopleTalk Magazine Spring 2006

*Why haven't HR professionals made their skills better known to small-business owners? We need greater mutual awareness.*

In an informal survey of small business of 10 or fewer employees in BC, not one has used an HR company to find hired help. Instead, they choose classified ads or personal contacts as their top two methods. Asked whether they would ever consider using an HR company, only 12.5 per cent answered "yes". Those 12.5 per cent give compelling reasons for using HR services, such as "The time the HR company may save me in checking references and doing initial short lists would well be worth the cost". Another responder states: "They find the most qualified person and reduce conflicts which may arise when you hire someone you know". The 87.5 per cent who state they would not seek hired help through an HR company list several reasons. The biggest one? "Too expensive." Others prefer to go through referrals. Another dismisses HR help as "overkill for unskilled labour jobs." Perhaps the most important reason given is the following: "I feel I can get a better read on who will fit here than somebody outside the company."

### **Why don't they use HR services?**

When you think of companies needing and using HR services, the image of the small business probably does not come to mind. It should, yet many HR professionals do not have small businesses on their radar screens. Even worse, most small businesses do not have HR professionals on their radar screens. Many don't even know what an HR professional does. That's not their fault; it's ours for keeping such a low profile in such a high-profile market segment.

Small business need people, whether full-time staff, part-time or temporary help. The small business community is a huge market for what HR professionals do. Then why don't they often use us? Small business work hard at establishing relationships and alliances and usually remain very loyal to these relationships. They often hire people they already know or contact an ally as needed – and they usually do the hiring themselves. However, this tight network of business offers a large opportunity for an HR inroad for those willing to work establishing relationships with key players.

Most of the highly successful small businesses run with the same crowds at the same networking functions and have established a level of comfort within these circles. Friendships and business opportunities develop in those meetings and their referral is huge. However, you may not see many HR professionals, recruiters or headhunters attending Chamber of Commerce functions or attending business referral groups or meetings. Those that are ahead; they not only make successful business relationships but also stay in the forefront of the minds of people who always receive questions about where to find good people.

### **Small businesses need HR awareness**

As human resources professionals, we need to do a better job of informing the small business world what we do. As shown in our informal survey, small businesses are very dollar conscious; since all expenses come directly out of their pockets, they often look only at the cost of hiring us. Therefore, they often do not investigate the cost of not hiring us. We must help them understand the risks they take by doing it themselves.

At first glance, the cost of hiring an HR professional might seem prohibitive to an entrepreneur, but even an hour or two of consultation could save thousands in legal fees and possible fines later on. Small businesses often overlook the pitfalls of the Employment Standards Act and are sometimes found to contravene it. They often do not follow Workers' Compensation Board regulations due to lack of awareness. Most consider taxable benefits a foreign concept and face a hefty tax bill when the auditors come.

Using referrals to hire can indeed prove effective; businesses of all sizes do this. Small business owners often consider it less risky to hire someone referred to them by a trusted source. However, companies face pitfalls when these referrals do not work out and they have to let the person go. Conflicts often arise between the company and the person who made the referral. Legal issues could result if the business did not take proper steps at the outset of hiring.

### **Small businesses seek "the right fit"**

Perhaps the most credible concern of small businesses is getting "the right fit". This puts the onus on the HR professional to ensure that the candidate will fit in with the company. We need to make sure we understand the culture of the companies who hire us and the values of the person we want to send them. If the match is not there, it won't work out and we'll look incompetent.

When we asked small businesses what they thought an HR company does, some gave detailed and aware answers, which is terrific. However, most responded with variations of "hiring and firing" or "don't know". Small business owners definitely show an acute lack of awareness of what we do. They generally do not know that we navigate employee relationships; provide advice; coach; resolve disputes, both internal and external; training; consult; assist with contract issues; write policy manuals; write hiring standards; and so on.

We, as HR professionals, need to better articulate our dollar value to the small business world. Our survey results suggested that HR companies put together a small business package that offers one price for startup advice, manuals, regulations, and a certain number of hours.

Remember, as already stated, that the small businessperson relies on his or her network of individuals above all others. They also live and die by the bottom line. We need to be sensitive to these two key areas if we hope to make inroads and join the small business revolution.

