

Information Booklet

# Business Management



# 4



## Managing and Developing Human Resource for SMEs

## Introduction

**Small and Medium Enterprises Development Authority (SMEDA)** works under the Ministry of Industries and Production, Government of Pakistan and was established in 1988 with the objective to propel economic growth through development of SMEs. SMEDA serves as an SME strategy-advisory body for the Government of Pakistan and facilitates partners in meeting their SME development agendas.

SMEDA envisions growth of a globally competitive SME sector, through creating an enabling environment and support services for increase in the national economy. SMEDA strives to achieve this vision by providing assistance in employment generation and value addition to the national income, through development of the SME Sector, by helping increase the number, scale and competitiveness of SMEs.

National Business Development Program for SMEs (NBDP) is a project of SMEDA which intends to provide hands-on support services to SMEs. The aim of this business development support provided by NBDP is to advance new businesses and improve efficiencies in existing SME value chains to empower them to contend in global market. NBDP expects to facilitate around 314,000 SME beneficiaries over the period of five years.

## Disclaimer

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## Objective

- To develop and manage human resource for creating a healthy workspace.

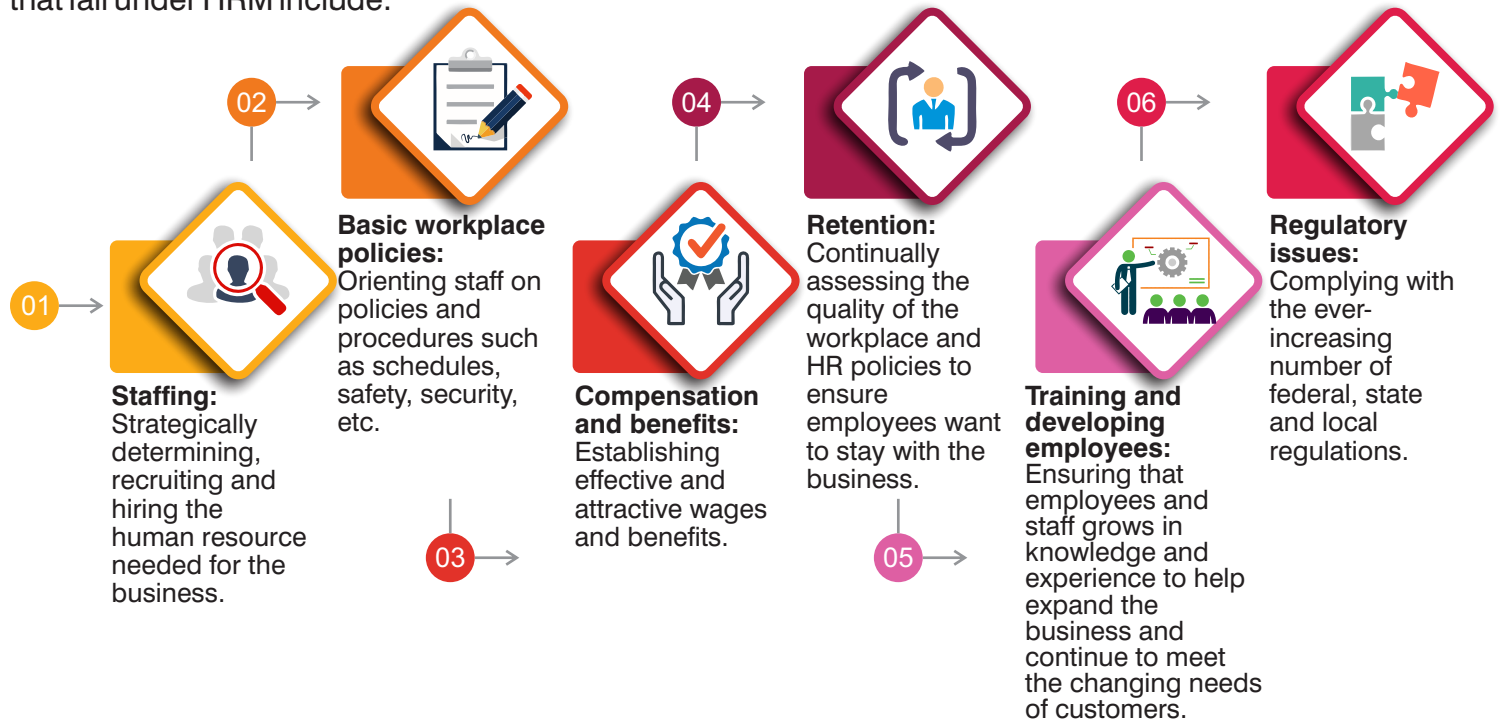
## Table of Contents

a	Need and Importance of Human Resource .....	1
b	Recruitment, Selection and Legal Obligations .....	2
c	Staff Training and Development .....	4
d	Employee Protection Policies .....	6
e	Developing an Effective Human Resource Plan .....	8

**a**

## Need and Importance of Human Resource

Human Resource Management (HRM) pertains to the decisions, activities and processes that must meet the basic needs of employees and support the work performance of employees. The most common areas that fall under HRM include:



## Importance of Human Resource Management



### Fulfil the Human Resource Requirement:

Human resource management fills in the gap between the vacancies and the suitable candidates for such positions.



### Employee Retention:

HRM not only functions to acquire the manpower but also concentrates on the maintenance and retention of human capital.



### Enhance the Quality of Work Life:

It focuses on the continuous enhancement of job facilities, hence improving the quality of employee's work life.



### Redressing Grievance and Conflict:

HRM addresses the problems among employees or with the management as it is essential for any business to resolve internal conflicts and grievances to ensure a sound and co-operative work environment.



### Achieving Organizational Goals:

To reach set objectives and targets on time it is necessary to direct the employee's efforts towards business goals, which can only be ensured through effective human resource management.



### Long-term Existence in the Market:

Effective HRM ensure market competitiveness by enhancing employee performance and developing their competencies.



### Developing Team Spirit:

It brings together different employees as a team to accomplish set goals. HRM also makes the employees feel valuable to the business.



### Employee Satisfaction and Welfare:

HRM works for the welfare, safety and security of the business. It is primarily concerned about the level of satisfaction derived by an employee from his/her job.

**b**

## Recruitment, Selection and Legal Obligations



### Recruitment

- Recruitment refers to the process of attracting and finding suitable candidates for a job.
- The basic purpose of recruitment is to create a pool of eligible candidates for the purpose of selection.
- It takes place before selection.



### Selection

- Selection involves a series of steps by which candidates are screened for selecting the most suitable individuals for vacant positions.
- The basic purpose of the selection process is to choose the right candidate to fill a particular position(s).
- It takes place after recruitment.



### Types of Recruitment Needs

**Planned Need:** When a new employee needs to be hired due to a known reason and the business is prepared for the same in advance, it is a planned need.

e.g. retirement of an employee.

**Anticipated Need:** Anticipated needs are majorly controlled by internal and external environmental factors. Such requirements can be predicted by the business owners with the help of past experiences and news updates etc.

e.g. technological advancement, expansion, merger, acquisition etc.

**Sudden Need:** Sometimes, the need for recruiting personnel arises due to an unexpected reason.

e.g. employee walkouts, accident, demise, sickness.

## Process of Recruitment

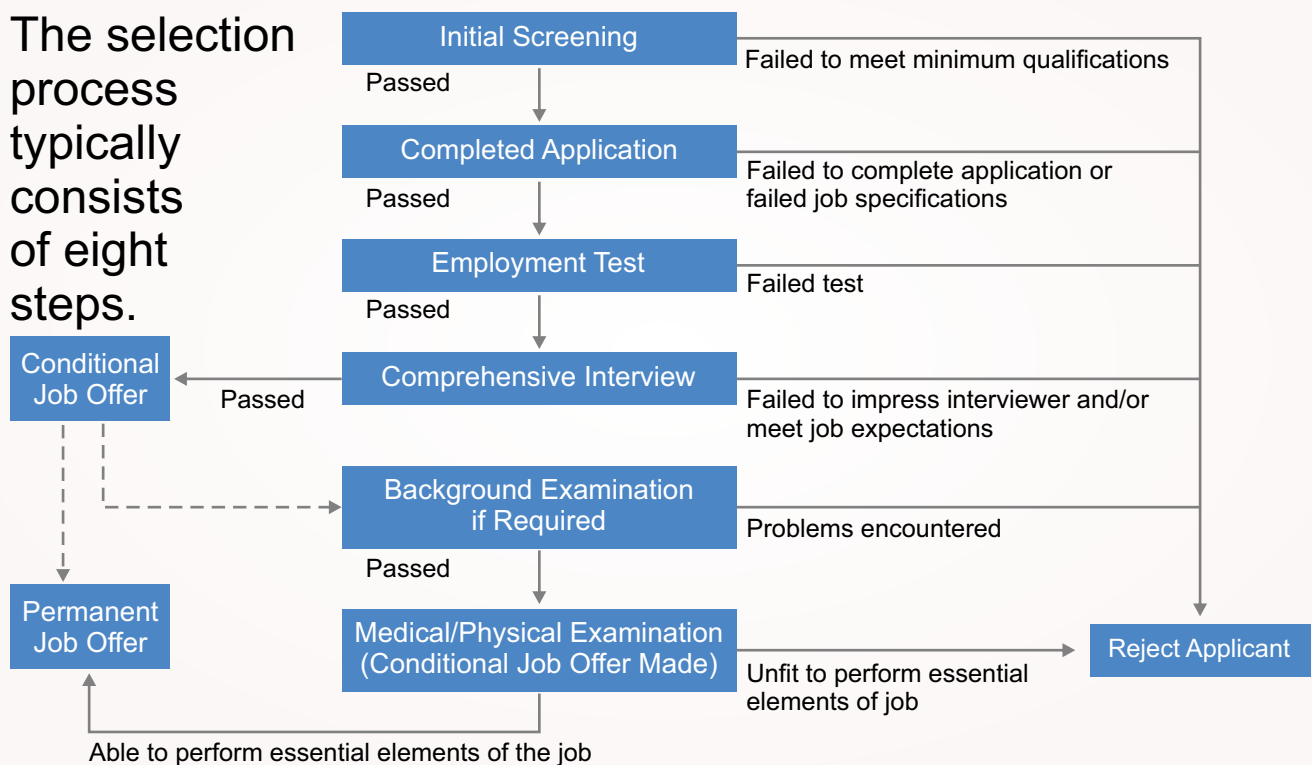
- 1 Identifying Job Requirement
- 2 Preparing Job Description and Job Specification
- 3 Advertising the Vacant Position
- 4 Attracting Candidates to Apply for Job
- 5 Managing Applications
- 6 Scrutinizing Applications
- 7 Shortlisting Candidates

## The Selection Process

The selection process comes after the recruitment process and it involves a series of steps before the final selection is made. The procedure of selection may vary from business to business and each business may design its own selection process keeping in view the urgency of hiring and the prerequisites for the vacancy. Broadly, the process can be summarized as follows:

### The Selection Process

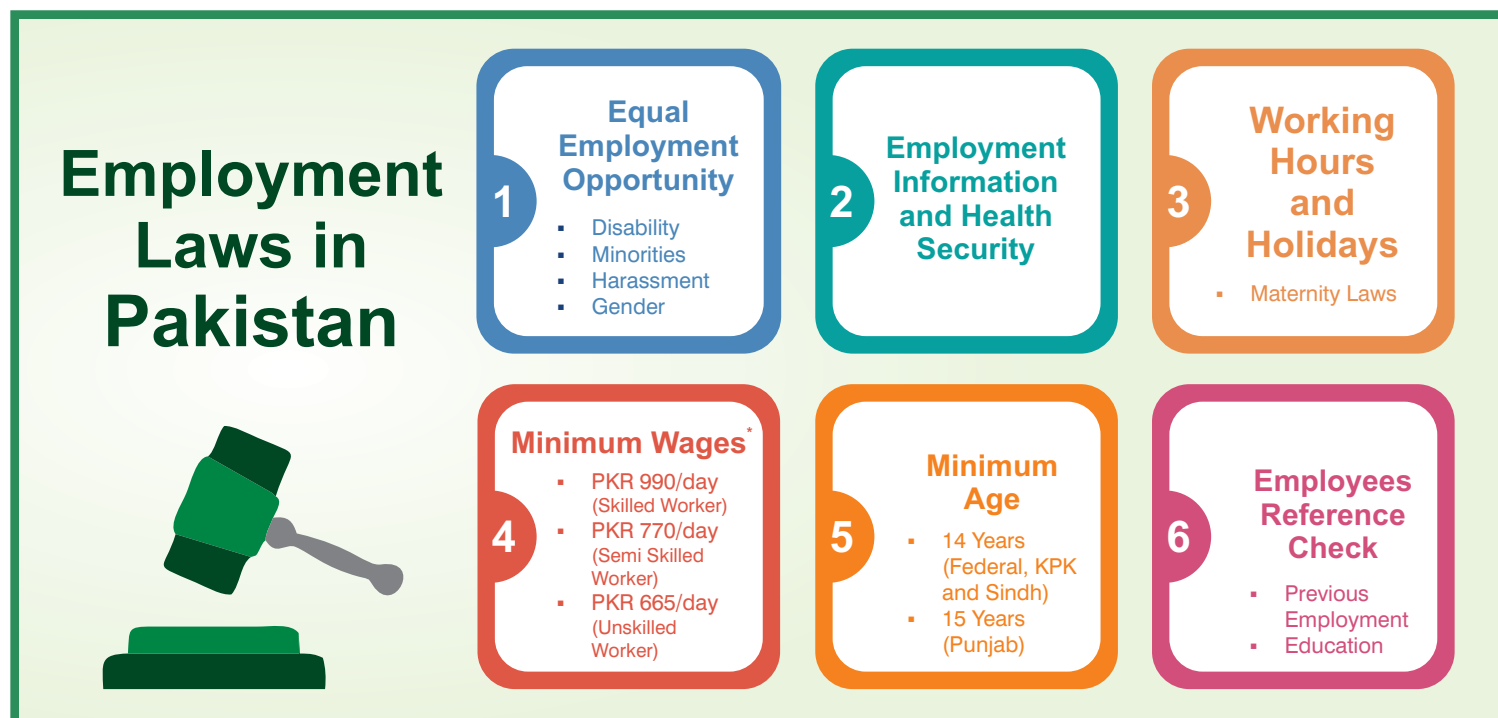
The selection process typically consists of eight steps.



## Legal Obligations

HR policies are a written description of rights and responsibilities of employers and employees. There are certain HR policies that are required by law and it should be maintained in written form. If a policy is well developed and clearly written, it helps communication with employees, clarifies expectations and makes sure that everyone is treated in a consistent and fair way.

If an employer has five or more employees, a written health and safety policy is mandatory. This policy deals with a number of health and safety workplace issues, including accident reporting and what to do in case of a fire. The policy must set out the employer's commitment to reduce risks and observe legal duties relevant to the workplace and its business. It will also set out what employees' duties are in relation to health and safety and how they can meet these obligations. Similarly, a data protection and security policy needs to be developed as well.



## C

### Staff Training and Development

Employee training and development refers to the continued efforts of a business to boost the performance of its employees. Businesses aim to train and develop employees by using different educational methods and programs.

Training presents a prime opportunity to expand the knowledge base of all employees. Training and development provides both the individual and business as a whole with benefits that make the cost and time of training a worthwhile investment.



\*Chief Commissioner Directorate of Industries & Labor ITC, Islamabad.



Training and development can be initiated for a variety of reasons for an employee or group of employees, such as follows:

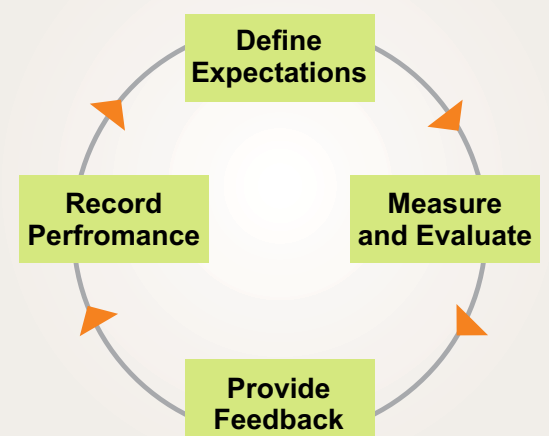
- 1 When a performance appraisal indicates performance improvement is needed.
- 2 To "benchmark" the status of improvement so far in a performance improvement effort.
- 3 As part of an overall professional development program.
- 4 As part of succession planning to help an employee be eligible for a planned change in his/her role in the business.
- 5 To "pilot", or test, the operation of a new performance management system.
- 6 To train employees about a certain topic such as communications, computer skills, customer service, diversity, ethics, human relations, quality control initiatives, safety and sexual harassment.

## Performance Appraisals

Performance appraisal/performance review is a method by which the job performance of an employee is documented and evaluated. Performance appraisals are an integral part of career development and consist of regular reviews of employee performance within the business. It enables employees to form an outline of their anticipated goals in much clearer terms thereby helping them execute their goals with best possible efforts.

A small business with a few employees or one that is just starting to appraise its staff may choose to use a prepackaged appraisal system consisting of either printed forms or software. Many businesses choose to develop their own appraisal form and system in order to accurately assess and document an employee's performance in light of the business's own unique goals and culture.

### Components of Performance Appraisal





## Types of Performance Appraisals

- 1 The 360-Degree Appraisal
- 2 General Performance Appraisal
- 3 Manager Performance Appraisal
- 4 Technological Performance Appraisal
- 5 Employee Self-Assessment
- 6 Project Evaluation Review
- 7 Sales Performance Appraisal



## Types of Appraisals & Assessment Terms:

### 1. The 360-Degree Appraisal

It allows other employees to provide feedback about their experience with a specific employee. This feedback of peers can be reviewed by manager and considered for the appraisal process.

### 2. General Performance Appraisal

It is an ongoing communication between the manager and the employee throughout the year. At the end of the year, it is determined if the pre-set goals and objectives were met, provide feedback and set new goals.

### 3. Technological/Administrative Performance Appraisal

It assesses technical expertise/capabilities of an employee.

### 4. Employee Self-Assessment

The employee assesses himself/herself and it is finally compared with the manager's completed assessment results. It is followed by discussions and if there are differences, manager speaks to the employee about it.

### 5. Manager Performance Appraisal

Managers go through the appraisal process. It is the role of the manager that is very crucial handling both the team and the customer. Manager has to satisfy the clientele without disrupting the (team's) employee morale. Most often manager appraisal process involves feedback from the respective team members and sometimes from the customer as well.

### 6. Project Evaluation Review

This is one of the best ways to identify how good an employee is at work. Rather than to wait to review an employee end of the year, it helps evaluating employees end of each project.

### 7. Sales Performance Appraisal

A salesperson is judged by the goals he/she has set versus his/her results. Salesmen are closely held to the financial goals of any organization. The manager and salesperson must find out ways to achieve goals prior to which they must set realistic goals.

## d Employee Protection Policies

### Labour Rights in the Constitution

The Constitution of Pakistan contains a range of provisions with regards to labour rights found in Part II: Fundamental Rights and Principles of Policy.

#### Article 11

Article 11 of the Constitution prohibits all forms of slavery, forced labour and child labour;

#### Article 17

Article 17 provides for a fundamental right to exercise the freedom of association and the right to form unions;

#### Article 18

Article 18 proscribes the right of its citizens to enter upon any lawful profession or occupation and to conduct any lawful trade or business;

#### Article 25

Article 25 lays down the right to equality before the law and prohibition of discrimination on the grounds of sex alone;

#### Article 37(e)

Article 37(e) makes provision for securing just and humane conditions of work, ensuring that children and women are not employed in vocations unsuited to their age or sex, and for maternity benefits for women in employment.

## Some employee protection policies as per the law of Pakistan are as follows:

1

Every employer in an industrial or commercial establishment is required to issue a formal appointment letter at the time of employment of each worker. The obligatory contents of each labour contract, if written, are confined to the main terms and conditions of employment, namely nature and tenure of appointment, pay allowances and other fringe benefits admissible, terms and conditions of appointment.

2

The services of a permanent worker cannot be terminated for any reason other than misconduct unless one month's notice or wages in lieu thereof has been furnished by the employer or by the worker if he or she so chooses to leave his or her service. One month's wages are calculated on the basis of the average wage earned during the last three months of service. Other categories of workers are not entitled to notice or pay in lieu of notice. All terminations of service in any form must be documented in writing stating the reasons for such an act.

3

Pakistan Factories Act, 1934 and Section 8 of the West Pakistan Shops and Establishments Ordinance, 1969 restricts weekly work hours at 48 hours.

4

As provided in the Factories Act, 1934, every worker who has completed a period of twelve months continuous service in a factory shall be allowed, during the subsequent period of twelve months, holidays for a period of fourteen consecutive days.

5

The Maternity Benefit Ordinance, 1958 stipulates that upon the completion of four months employment or qualifying period, a worker may have up to six weeks prenatal and postnatal leave during which she is paid a salary drawn on the basis of her last pay. The Ordinance is applicable to all industrial and commercial establishments employing women excluding the tribal areas. It also places restrictions on the dismissal of the woman during her maternity leave.

6

Article 11(3) of Pakistan's Constitution expressly prohibits the employment of children below the age of fourteen years in any factory, mine or other hazardous employment

7

As per the Protection Against Harassment of Women at the Workplace Act of 2010, sexual harassment<sup>1</sup> of women at workplace is a criminal offence with a maximum punishment for perpetrator from one to three years.

<sup>1</sup>Sexual harassment includes but is not limited to:

- i. Making unwelcome sexual advances
- ii. Verbal harassment or abuse, verbal or written communication (it includes narration of sexual incidents, emailing or messaging or showing explicit sexual content in print or electronic form (SMS, Email, Screensavers, Posters, CDs etc.)
- iii. Request for sexual favors (invitations for sex, requests for going out on dates)
- iv. Physical conduct (like touching, kissing, patting, pinching, physical assault like rape etc.)
- v. Sexually demeaning attitude (leering or staring at a person's body)

A human resource management plan can be developed following these six steps:



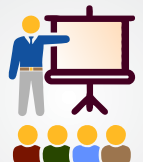
**Determine human resource needs.** Anticipate the growth or decline expected in the business; ask how will this impact the workforce? Factor in the economic situation and the forecasted sales for next year.

**Determine the recruiting strategy.** Once the plan is in place, it is necessary to write down a strategy addressing how the right people will be recruited at the right time.



**Select employees.** The selection process consists of the interview and hiring process.

**Develop training.** Based on the strategic plan, assess the arising training needs. Ask questions such as, is there new software that everyone must learn? Are there problems in handling conflict? Whatever the training topics are, the HR manager should address plans to offer training in the HRM plan.



**Determine compensation.** The manager must determine pay scales and other compensation such as health care, bonuses and other perks.

**Appraise performance.** Sets of standards need to be developed to know how to rate the performance of employees and continue with their development





## Conclusion

Managing and developing human resource is a strategic management area for any business. It involves recruitment and selection of right persons for right responsibilities, identifying their training needs, developing their knowledge, skills and abilities as well as establishing policies, practices and administrative structures that focus on a business's workforce and its effective management. For SMEs, effective human resource management plays an important role in increasing staff performance and productivity, enhancing competitive advantage and contributing directly to success and growth of a business.



## HEAD OFFICE



**Address:** 3<sup>rd</sup>/4<sup>th</sup> Floor, 3<sup>rd</sup> Building, Aiwan-e-Iqbal Complex, Egerton Road, Lahore  
**Tel:** (042) 111-111-456, 99204701-12  
**Fax:** (042) 36304926-27  
**Email:** [helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

## REGIONAL OFFICES

### Balochistan

**Address:** Bungalow No. 15-A, Chaman Housing Scheme, Airport Road, Quetta  
**Tel:** (081)-2831623 - 2831702  
**Fax:** (081)-2831922  
**Email:** [helpdesk.balochistan@smeda.org.pk](mailto:helpdesk.balochistan@smeda.org.pk)

### Punjab

**Address:** 4<sup>th</sup> Floor, 3<sup>rd</sup> Building, Aiwan-e-Iqbal Complex, Egerton Road, Lahore  
**Tel:** (042)-111-111-456  
**Fax:** (042)-36304926, 36304927  
**Email:** [helpdesk.punjab@smeda.org.pk](mailto:helpdesk.punjab@smeda.org.pk)

### Khyber Pakhtunkhwa

**Address:** Ground Floor, State life Building, The Mall, Peshawar  
**Tel:** (091)-111-111-456, 091-9213046-7  
**Fax:** (091)- 5286908  
**Email:** [helpdesk.KhyberPakhtunkhwa@smeda.org.pk](mailto:helpdesk.KhyberPakhtunkhwa@smeda.org.pk)

### Sindh

**Address:** 5<sup>th</sup> Floor, Bahria Complex II, M.T. Khan Road, Karachi  
**Tel:** (021)-111-111-456  
**Fax:** (021)-35610572  
**Email:** [helpdesk.sindh@smeda.org.pk](mailto:helpdesk.sindh@smeda.org.pk)