

Human Resource Management, 15e (Dessler)

Chapter 18 Managing Human Resources in Small and Entrepreneurial Firms

1) Human resource management in small firms is unlike HR management in large firms for all of the following reasons EXCEPT _____.

- A) size
- B) industry
- C) priorities
- D) informality

Answer: B

Explanation: B) Managing human resources in small firms is different from HR management in large firms for four main reasons: size, priorities, informality, and the nature of the entrepreneur. Small and large firms exist within the same industry.

Difficulty: Moderate

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

2) Approximately what percentage of people working in the U.S. are employed by small businesses?

- A) 10%
- B) 25%
- C) 50%
- D) 75%

Answer: C

Explanation: C) More than half the people working in the United States—about 68 million—work for small firms.

Difficulty: Easy

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

3) Which of the following is a true statement regarding HR management at small businesses?

- A) Owners of firms with less than 100 employees usually handle HR tasks.
- B) Firms with less than ten employees do not have any human resources tasks.
- C) In most cases, firms with at least 30 employees can afford an HR specialist.
- D) Human resources activities in small firms tend to be extremely formal.

Answer: A

Explanation: A) It's not until a company reaches the 100-employee milestone that it can afford a human resources specialist, so owners conduct most HR tasks. All businesses have HR tasks no matter the size, but small firms focus more on finance, production, and marketing issues. HR at small firms tends to be informally handled.

Difficulty: Hard

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

4) In most small businesses, which of the following is the lowest priority for managers?

- A) sales
- B) finance
- C) production
- D) HR management

Answer: D

Explanation: D) It's not just size, but the realities of the entrepreneur's situation that drives them to focus on non-HR issues. Studies indicate that the lack of resources in terms of time, money, people, and expertise forces managers to focus on finance, production and marketing with very little energy given to HR.

Difficulty: Easy

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

5) At most small businesses, human resource management activities can best be described as _____.

- A) formal and standardized
- B) informal and flexible
- C) competitive and brief
- D) nonexistent

Answer: B

Explanation: B) Human resource management activities tend to be informal in smaller firms because entrepreneurs must be able to react quickly to changes in competitive conditions. Given that, there's some logic in keeping things like compensation policies flexible.

Difficulty: Moderate

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

6) Which of the following terms refers to people who create businesses under risky conditions?

- A) investors
- B) developers
- C) entrepreneurs
- D) visionaries

Answer: C

Explanation: C) Entrepreneurs are "people who create businesses under risky conditions," and starting new businesses from scratch is always risky. Entrepreneurs therefore need to be highly dedicated and visionary.

Difficulty: Easy

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

7) According to research, which of the following characteristics is most associated with entrepreneurs?

- A) creative
- B) indifferent
- C) controlling
- D) personable

Answer: C

Explanation: C) Entrepreneurs need to be dedicated and visionary. Researchers therefore believe that small firms' relative informality partly stems from entrepreneurs' unique personalities. Entrepreneurs tend to be somewhat controlling.

Difficulty: Moderate

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

8) Which of the following is a common characteristic of HR at most small businesses?

- A) dedicated HR manager responsible for recruiting
- B) strict oversight of compensation regulations
- C) intranet-based employee benefits enrollment
- D) duplication of employee data in paperwork

Answer: D

Explanation: D) For small businesses, many of which don't use human resource information systems, employee data (name, address, marital status, and so on) often appears on multiple human resource management forms. This leads to duplication and inefficiencies. The other choices are not characteristics of most small businesses.

Difficulty: Hard

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

9) All of the following HR activities are associated with successful high-growth SMEs EXCEPT _____.

- A) emphasizing training and development
- B) conducting regular performance appraisals
- C) providing job sharing options for employees
- D) offering competitive recruitment packages

Answer: C

Explanation: C) Job sharing is not likely to be an option among SMEs. Research concluded that successful high-growth SMEs place greater importance on training and development, performance appraisals, recruitment packages, maintaining morale, and setting competitive compensation levels than do low-performing firms.

Difficulty: Hard

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

10) Approximately one-third of people working in the U.S. are employed by small firms.

Answer: FALSE

Explanation: More than half the people working in the United States—about 68 million out of 118 million—work for small firms.

Difficulty: Moderate

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

11) In most cases, when a company has at least 100 employees, it can afford to hire an HR specialist to handle recruiting, training, and compensating employees.

Answer: TRUE

Explanation: It would be very unusual to find a really small business—say, fewer than 90 or so employees— with a dedicated human resource management professional. The rule of thumb is that it's not until a company reaches the 100-employee milestone that it can afford an HR specialist.

Difficulty: Moderate

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

12) Human resource management activities, such as training, appraisals, and hiring, are typically formal at small firms but informal at large firms.

Answer: FALSE

Explanation: Human resource management activities tend to be more informal in smaller firms. Training, for example, tends to involve co-worker and supervisory on-the-job training rather than the formal training programs used by large firms.

Difficulty: Easy

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

13) Research indicates that entrepreneurs tend to crave control.

Answer: TRUE

Explanation: Entrepreneurs tend to be somewhat controlling: "Owners tend to want to impose their stamp and personal management style on internal matters, including the primary goal and orientation of the firm, its working conditions and policies, and the style of internal and external communication and how this is communicated to the staff."

Difficulty: Moderate

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

14) How does HR management differ in small and large firms?

Answer: Managing human resources in small firms is different for four main reasons: size, priorities, informality, and the nature of the entrepreneur. Few small firms have a dedicated human resource management professional. The priorities of a small firm are focused less on HR and more on financing, production, and marketing. HR management activities tend to be more informal in smaller firms. Such informality isn't just due to a lack of expertise and resources; it's also partly a "matter of survival." Entrepreneurs must be able to react quickly to changes in competitive conditions. Very small employers (say, with ten employees or less) will probably start with a manual human resource management system. From a practical point of view, this generally means obtaining and organizing a set of standardized personnel forms covering each important aspect of HR—recruitment, selection, training, appraisal, compensation, safety process—as well as some means for organizing all this information for each of your employees. As the small business grows, it becomes increasingly unwieldy and uncompetitive to rely on manual HR systems. For a company with 40 or 50 employees or more, the amount of management time devoted to things like attendance history and performance appraisals can multiply into weeks. It is therefore at about this point that most small- to medium-sized firms begin computerizing individual human resource management tasks.

Difficulty: Hard

Chapter: 18

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 18.1 Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

15) Which of the following agencies offers small businesses the use of "*FirstStep* Employment Law Advisor"?

A) Department of Commerce

B) Department of Justice

C) Department of Labor

D) Department of the Treasury

Answer: C

Explanation: C) The U.S. Department of Labor's "*FirstStep* Employment Law Advisor" helps small employers determine which laws apply to their business.

Difficulty: Easy

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

16) The purpose of the Web site of "*FirstStep* Employment Law Advisor" is to help small employers to _____.

- A) determine which state regulations are relevant to their business
- B) file their tax forms and pay their federal and state taxes
- C) realize which federal laws apply to their business
- D) receive legal advice for specific HR problems

Answer: C

Explanation: C) The U.S. Department of Labor's "*FirstStep* Employment Law Advisor" helps small employers determine which laws apply to their business.

Difficulty: Hard

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

17) Fred Landon owns a lawn care business and employs 35 people. Fred is unsure whether federal rules regarding employee discrimination apply to his small business. The Web site of which of the following agencies would be the most useful to Fred?

- A) Small Business Administration
- B) Employee Benefits Security Administration
- C) Equal Employment Opportunity Commission
- D) Occupational Safety and Health Administration

Answer: C

Explanation: C) The EEOC Web site contains information regarding how EEOC laws regarding discrimination apply to small businesses. The EEOC administers Title VII of the Civil Rights Act of 1964 (Title VII), the Age Discrimination in Employment Act of 1967 (ADEA), Title I of the Americans with Disabilities Act of 1990 (ADA), and the Equal Pay Act of 1963.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Application of Knowledge

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

18) Elliot owns a catering business and employs 30 people. Elliot is uncertain about when to pay overtime and how to calculate overtime wages. The Web site of which of the following would be the most useful to Elliot?

- A) Office of Personnel Management
- B) Department of Labor
- C) Department of Commerce
- D) Equal Employment Opportunity Commission

Answer: B

Explanation: B) The U.S. Department of Labor's "*FirstStep* Employment Law Advisor" helps small employers determine which laws apply to their business. A linked DOL site provides information on the Fair Labor Standards Act (FLSA). It contains several specific "elaws advisors." Each one provides practical guidance on questions such as when to pay overtime.

Difficulty: Easy

Chapter: 18

Objective: 2

AACSB: Application of Knowledge

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

19) Mark owns a small business that provides engineering consulting services. Mark is new to business ownership, and he has a list of questions he would like answered. Mark has logged on to the EEOC Web site to search for answers. Which of Mark's questions is LEAST likely to be addressed on this Web site?

- A) What employees are exempt from overtime pay?
- B) How do I know if EEOC laws apply to my business?
- C) What should I do if someone files a charge against my firm?
- D) What constitutes unfair treatment in the workplace?
- E) How would I resolve a discrimination charge without facing a lawsuit?

Answer: A

Explanation: A) The DOL Web site rather than the EEOC Web site would most likely provide information regarding overtime pay. The other questions address issues regarding discrimination and would likely be answered on the EEOC Web site.

Difficulty: Hard

Chapter: 18

Objective: 2

AACSB: Application of Knowledge

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

20) Jana owns a dry cleaning business and employs 25 people. She needs a safety and accident checklist that is specific to the dry cleaning industry. Jana would most likely find the information she needs on the _____ Web site.

- A) SBA
- B) O*NET
- C) EEOC
- D) OSHA

Answer: D

Explanation: D) OSHA's site provides, among other things, easy access to the *OSHA Small Business Handbook*. This contains practical information for small business owners, including industry-specific safety and accident checklists.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Application of Knowledge

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

21) Small business owners can use O*NET when they need help with _____.

- A) writing job descriptions
- B) filing accident reports
- C) testing job applicants
- D) filing business taxes

Answer: A

Explanation: A) The Department of Labor's O*NET has an online wizard that enables business owners to quickly create accurate and professional job descriptions and job specifications.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

22) Kate is applying for a job at Logan Electronics, a small firm. Kate has been asked to take the Wonderlic Personnel Test. What is Logan Electronics most likely trying to measure?

- A) honesty and ethics
- B) psychological status
- C) general mental ability
- D) personality traits

Answer: C

Explanation: C) The Wonderlic Personnel Test measures general mental ability. With questions somewhat similar to the SAT, it takes less than 15 minutes to administer the 4-page booklet.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Application of Knowledge

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

23) The Wonderlic Personnel Test is especially appropriate for small businesses because it is

- _____.
- A) useful for training new hires
 - B) equivalent to the GRE test
 - C) developed by the EEOC
 - D) easy to administer

Answer: D

Explanation: D) Some tests are so easy to use they are particularly good for smaller firms. One is the Wonderlic Personnel Test, which measures general mental ability. With questions somewhat similar to the SAT, it takes less than 15 minutes to administer the 4-page booklet.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

24) When Hank applied for a job with Morton Consulting, he was given the Predictive Index. What was Morton Consulting least likely attempting to measure with the Predictive Index?

- A) dominance
- B) extroversion
- C) reading level
- D) blame avoidance

Answer: C

Explanation: C) The Predictive Index measures work-related personality traits, drives, and behaviors—in particular dominance, extroversion, patience, and blame avoidance—on a two-sided sheet. The test is focused on personality rather than specific skills like reading ability.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Application of Knowledge

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

25) Which of the following is the primary benefit for a small firm that uses the online services provided by testing vendors such as Wonderlic?

- A) reduced testing fees
- B) increased pool of applicants
- C) highly accurate job specifications
- D) more applicant background checks

Answer: B

Explanation: B) Online options with testing vendors have many benefits, beyond just saving the time the owners' employees might have to spend testing employees. For example, because it's available 24/7, prospective candidates can log in and apply anytime, wherever they are. That means a larger potential pool of applicants, and hopefully more likelihood of getting an outstanding employee.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

26) What is the primary reason that small firms use the Internet for employee training programs?

- A) relatively low costs
- B) OSHA guidelines
- C) SBA requirements
- D) guaranteed results

Answer: A

Explanation: A) Although small companies can't compete with the training resources of giants like GE, Internet training can provide, at a relatively low cost, the sorts of professional employee training that was formerly beyond most small employers' reach. Training is offered by the SBA as well as private vendors that often specialize in OSHA-related courses.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

27) All of the following are options for small businesses looking for online training programs to improve their employees' skills EXCEPT _____.

- A) National Association of Manufacturers
- B) Small Business Administration
- C) American Management Association
- D) Equal Employment Opportunity Commission

Answer: D

Explanation: D) NAM, SBA, and AMA all provide online training programs. The EEOC is a good source for employers to learn about EEOC laws but not for online employee training programs.

Difficulty: Easy

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

28) The owner of A-1 Construction paid more in workers' compensation costs than salaries last year. Which of the following would most likely help the owner of A-1 Construction?

- A) taking online courses through the SBA
- B) screening employees with the Predictive Index
- C) requesting a consultation with an OSHA safety expert
- D) referring to the "*FirstStep* Employment Law Advisor" for assistance

Answer: C

Explanation: C) OSHA provides free on-site safety and health services for small businesses. This service uses safety experts from state governments who provide consultations, usually at the employer's workplace. Employers with a high number of workers' compensation claims obviously have safety issues, so an OSHA consult would be beneficial.

Difficulty: Hard

Chapter: 18

Objective: 2

AACSB: Application of Knowledge

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

29) Which of the following is an aspect of the OSHA Sharp program?

- A) free tools for attracting more job applicants
- B) legal advice for all business aspects
- C) certification process that employers have commendable levels of safety awareness
- D) Employers receive visits from inspectors after every workers' compensation claim is filed.

Answer: C

Explanation: C) The OSHA Sharp program is a certification process through which OSHA certifies that small employers have achieved commendable levels of safety awareness.

Difficulty: Hard

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

30) Without tools like Web-based recruiting and computerized testing, small businesses are at a competitive disadvantage against large firms.

Answer: TRUE

Explanation: Small business owners run the risk that their relatively rudimentary human resource practices will put them at a competitive disadvantage. Big firms use practices such as Web-based recruiting, computerized testing, and intranet-based employee benefits enrollments to reduce the resources they must spend on them. A small business owner not using tools like these is probably deriving inferior results than (larger) competitors.

Difficulty: Easy

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

31) While most small firms are affected by the Fair Labor Standards Act and the Occupational Safety and Health Act, only large firms need to be familiar with the Consumer Credit Protection Act.

Answer: FALSE

Explanation: For a typical small firm, laws that affect them include the Consumer Credit Protection Act, Employee Polygraph Protection Act, Fair Labor Standards Act, Immigration and Nationality Act, Occupational Safety and Health Act, Uniformed Services Employment and Reemployment Rights Act, and Whistleblower Acts.

Difficulty: Easy

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

32) A small business employer who is unsure what to do when faced with a discrimination charge would most likely find useful information on the EEOC Web site.

Answer: TRUE

Explanation: The EEOC Web site contains important and practical information regarding EEOC matters.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

33) Since Internet job boards are limited to large firms, small business owners are forced to recruit through local newspapers.

Answer: FALSE

Explanation: Small business owners can post positions on Internet job boards such as Careerbuilder.com and Monster.com, on the sites of professional associations, or on the sites of local newspapers.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

34) The Wonderlic Personnel Test measures personality traits and behaviors, while the Predictive Index measures general mental ability.

Answer: FALSE

Explanation: The Wonderlic Personnel Test measures general mental ability, and the Predictive Index measures personality traits, drives, and behaviors.

Difficulty: Easy

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

35) Online employee testing and training programs are frequently used by small businesses because such tools save both time and money.

Answer: TRUE

Explanation: Online testing saves small business owners the time it takes to administer tests and are not very expensive. Similarly, online training programs allow small firms to offer employee training much like large firms do but at very low costs.

Difficulty: Easy

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

36) In addition to offering employers courses in writing job descriptions and interviewing job candidates, the Small Business Administration also offers free job postings for small business owners looking for qualified applicants.

Answer: FALSE

Explanation: The federal government's Small Business Administration provides a virtual campus that offers online courses, workshops, publications, and learning tools aimed toward supporting entrepreneurs. However, the site does not post jobs for small businesses.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

37) Small business owners can contract with private vendors for training workers, testing applicants, and appraising employees.

Answer: TRUE

Explanation: Online training and testing is available through private vendors. Small business owners can also use online services to aid with performance appraisals and compensation.

Difficulty: Easy

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

38) Appropriately compensating employees is difficult for small businesses because of the lack of access to salary surveys.

Answer: FALSE

Explanation: Lack of easy access to salary surveys once made it difficult and time-consuming for smaller businesses to fine-tune their pay scales. Today, sites like www.salary.com make it easy to determine local pay rates.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

39) Research indicates that the majority of workplace accidents, especially serious accidents, occur in firms that employ less than 50 workers.

Answer: TRUE

Explanation: Safety is an important issue among small employers. One European study found that the majority of workplace accidents and serious workplace accidents occur in firms with fewer than 50 employees.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

40) For a fee, a small business can receive an on-site safety consultation with an OSHA safety expert to help improve the health and safety systems at the worksite.

Answer: FALSE

Explanation: OSHA provides free on-site safety and health services for small businesses. This service uses safety experts from state governments who provide consultations at the employer's workplace.

Difficulty: Moderate

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

41) What risks are faced by most small business owners regarding laws, litigation, and safety? What government tools are available to assist small businesses with these risks?

Answer: The smaller firm is probably not adequately addressing potential workplace litigation. Most small business owners are well aware of the threat of employment related litigation.

However, their size and lack of HR expertise makes it unlikely that they'll address the problem.

For example, most don't provide adequate (or any) employment discrimination or sexual harassment training. The small business owner may not be fully complying with compensation regulations and laws, such as paying compensatory time for overtime hours worked, and distinguishing between employees and independent contractors. Violations have serious consequences. Many government tools are available to small businesses. The U.S. Department of Labor's "*FirstStep* Employment Law Advisor" helps small employers determine which laws apply to their business. The U.S. Equal Employment Opportunity Commission (EEOC) administers Title VII of the Civil Rights Act of 1964 (Title VII), the Age Discrimination in Employment Act of 1967 (ADEA), Title I of the Americans with Disabilities Act of 1990 (ADA), and the Equal Pay Act of 1963 (EPA). Its Web site contains important information and practical advice regarding EEOC matters. The DOL's Occupational Safety and Health Administration site similarly supplies guidance for small business owners. This contains practical information for small business owners, including industry-specific safety and accident checklists.

Difficulty: Hard

Chapter: 18

Objective: 1, 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

42) How has the Internet changed how small businesses compete with large businesses in regards to HR-related issues?

Answer: Internet resources can make small business owners almost as effective as their large competitors at writing job descriptions and building applicant pools. For example, the Department of Labor's O*NET enables business owners to quickly create accurate and professional job descriptions and job specifications. Small business owners can use online recruiting tools like Internet job boards to post positions. For businesses with their own company Web sites, the dot-jobs domain can be effective. Although small companies can't compete with the training resources of giants like GE, Internet training can provide, at a relatively low cost, the sort of professional employee training that was formerly beyond most small employers' reach. We've seen that even small employers now have easy access to computerized and online appraisal and compensation services. For example, small employers can contract with vendors that enable them to do performance appraisals online.

Difficulty: Hard

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

43) In a brief essay, discuss the Wonderlic Personnel Test and the Predictive Index for screening employees. What are the advantages and disadvantages of each for small businesses?

Answer: For the small business, one or two hiring mistakes could wreak havoc. Some tests are so easy to use they are particularly good for smaller firms. One is the Wonderlic Personnel Test, which measures general mental ability. With questions somewhat similar to the SAT, it takes less than 15 minutes to administer the 4-page booklet. Comparing the person's score with the minimum scores recommended for various occupations shows whether the person achieved the minimally acceptable score for the type of job in question. The Predictive Index measures work-related personality traits, drives, and behaviors—in particular dominance, extroversion, patience, and blame avoidance—on a two-sided sheet. A template makes scoring simple. The Predictive Index program includes 15 standard benchmark personality patterns. Both tests are available in online versions. Online arrangements like these have many benefits, beyond just saving the time the owners' employees might have to spend testing employees. For example, because it's available 24/7, prospective candidates can log in and apply anytime, wherever they are. That means a larger potential pool of applicants, and hopefully more likelihood of getting an outstanding employee. There are low-tech and costless things a small business can do to improve its selection process, such as work sampling tests.

Difficulty: Hard

Chapter: 18

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 18.2 Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

44) According to the text, what are the three tools that small businesses can use to improve their HR management practices?

- A) informality, adaptability, and reliability
- B) flexibility, familiarity, and informality
- C) creativity, flexibility, and adaptability
- D) familiarity, formality, and flexibility

Answer: B

Explanation: B) Smallness should translate into personal familiarity with each employee's strengths, needs, and family situation. And it should translate into the luxury of being able to be relatively flexible and informal in the human resource management policies and practices the company follows.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

45) According to research, a small business owner's familiarity with employees leads to greater

- A) flexibility with HR policies
- B) financial profits and rewards
- C) clarification of expectations
- D) creativity in recruiting practices

Answer: A

Explanation: A) Because small businesses need to capitalize on their strengths, they should capitalize on their smallness when dealing with employees. Smallness should translate into personal familiarity with each employee's strengths, needs, and family situation. And it should translate into being relatively flexible and informal in the human resource management policies and practices the company follows.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

46) At a small business, what is the most likely benefit of a flexible, informal, and familiar work environment?

- A) gaining market share quickly
- B) offering extensive benefits packages
- C) providing regular, online training courses
- D) knowing employees' strengths and needs

Answer: D

Explanation: D) Being familiar with employees means that employers are aware of their workers' strengths and needs. Large firms offer more extensive benefits packages than do smaller ones.

Difficulty: Hard

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

47) Which of the following is a work-life benefit offered almost exclusively by small businesses?

- A) professional development seminars
- B) disability and life insurance benefits
- C) compressed workweeks during the summer
- D) job rotation and job enrichment opportunities

Answer: C

Explanation: C) Unlike large firms, small businesses can offer employees compressed workweeks or three-day weekends during the summer. Job enrichment is easier to accomplish at a small firm, but job rotation can occur at either. The other choices are offered by both small and large firms.

Difficulty: Hard

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

48) With the Streamlined Interviewing Process, which of the following is NOT one of the 4 basic required factors?

- A) motivation
- B) personality
- C) teamwork skill
- D) intellectual capacity

Answer: C

Explanation: C) The four basic required factors are knowledge and experience, motivation, intellectual capacity, and personality.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

49) Approximately what percentage of small firms offer retirement benefits to employees?

- A) 15%
- B) 35%
- C) 50%
- D) 75%

Answer: B

Explanation: B) Access to retirement benefits is more prevalent in large firms than small ones. Roughly 75% of large firms offer such benefits, while about 35% of small ones do.

Difficulty: Easy

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

50) The Pension Protection Act of 2006 is available to employers with no more than _____ employees.

- A) 100
- B) 250
- C) 500
- D) 750

Answer: C

Explanation: C) The Pension Protection Act of 2006 contains a provision for a new type of retirement benefit that combines traditional defined benefit and 401(k) plans. Only available to employers with fewer than 500 employees, this provision exempts employers from the complex pension rules large employers must adhere to.

Difficulty: Easy

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

51) The Pension Protection Act of 2006 primarily benefits small business employers by _____.

- A) allowing them to defer tax payments
- B) eliminating fees linked to retirement plans
- C) exempting employers from complex pension rules
- D) making contributions for employers and employees into IRA plans

Answer: C

Explanation: C) Only available to employers with fewer than 500 employees, the Pension Protection Act of 2006 exempts employers from the complex pension rules large employers must adhere to.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

52) Charles Brown owns a small business with 60 employees. Currently his business does not have a retirement plan. He wants an easy method of offering retirement benefits to his employees. Which of the following would most likely be Charles' best option?

- A) SIMPLE IRA plan
- B) Roth IRA plan
- C) stock options
- D) 401(k) plan

Answer: A

Explanation: A) Probably the easiest way for small businesses to provide retirement benefits is through a SIMPLE IRA plan. With the SIMPLE (for Savings Incentive Match Plan for Employees) IRA, employers must (and employees may) make contributions to traditional employee IRAs. These plans are for employers or small businesses with 100 or fewer employees and no other type of retirement plan.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Application of Knowledge

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

53) Which of the following is a true statement regarding SIMPLE IRAs?

- A) SIMPLE IRAS require employees to make contributions each month.
- B) Employer contributions to SIMPLE IRAS are not tax deductible.
- C) Employers usually handle the IRS paperwork for SIMPLE IRAs.
- D) SIMPLE IRAs have low administrative costs.

Answer: D

Explanation: D) The plan has very low administrative costs. Employer contributions are tax deductible. With a SIMPLE IRA, the employer must contribute and employees may contribute. The financial institution usually handles the IRS paperwork.

Difficulty: Hard

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

54) All of the following are employee recruitment tools used by most small firms EXCEPT _____.

- A) professional association Web sites
- B) local newspaper ads
- C) Internet job boards
- D) assessment centers

Answer: D

Explanation: D) Assessment centers are costly to develop and administer and are likely to be used by large rather than small firms. Small firms rely on Internet postings, newspaper ads, and the Web sites of professional associations for recruiting applicants.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

55) Training programs at most small firms can best be described as _____.

- A) systematic
- B) nonexistent
- C) expensive
- D) informal

Answer: D

Explanation: D) Small companies typically take a more informal approach to training and development. Most small firms don't systematically monitor their managers' skill needs, but training does exist.

Difficulty: Easy

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

56) Approximately what percentage of small businesses have career development programs?

- A) 12%
- B) 50%
- C) 72%
- D) 90%

Answer: B

Explanation: B) For small firms fewer than 50% (as opposed to 70% of large firms) had career development programs.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

57) Which of the following is NOT an informal training method suggested for small businesses?

- A) internal sales seminars
- B) offer to cover the tuition for special classes
- C) provide a library of tapes and DVDs for systematic, disciplined learning during commute times
- D) encourage the sharing of best practices among associates

Answer: A

Explanation: A) Internal sales seminars was not suggested for small business, and such internal training is more likely to occur in large organizations.

Difficulty: Easy

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

58) Which of the following is NOT an employee benefit that fits better with small businesses?

- A) make them feel like owners
- B) consistent schedules
- C) make sure they have what they need to do their jobs
- D) constantly recognize a job well done

Answer: B

Explanation: B) Many small businesses cannot offer consistent schedules as they have small workforces that need to work as issues and customer needs arise.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

59) Training programs at most small firms tend to focus on _____.

- A) specific competencies needed at the firm
- B) long-term management skills
- C) strategy needs at the firm
- D) marketing and finance

Answer: A

Explanation: A) Research shows that smaller firms tend to focus any management development training on learning specific firm-related competencies (such as how to sell the firm's products). They generally downplayed developing longer-term management skills due to a reluctance to invest too much in managers who may then leave.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

60) All of the following are informal training methods recommended to small businesses EXCEPT _____.

- A) paying tuition for specialized courses
- B) arranging weekly classes led by paid experts
- C) providing a library of learning-based DVDs
- D) sending employees to association meetings

Answer: B

Explanation: B) Weekly classes for all employees would be too costly and formal for most small firms. The other choices are recommended informal training methods for small businesses.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

61) Which of the following is a recommended method for establishing fairness at a family business?

- A) requiring family members to telecommute
- B) avoiding the hiring of family members
- C) eliminating privileges for family members
- D) promoting only non-family members

Answer: C

Explanation: C) Family members should come in earlier, work harder, and stay later than other employees do to make it clear that family members earned their promotions. Discord among family members at work is distracting, so issues should be confronted.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

62) Which of the following is the most likely result of treating family and non-family employees at a small business differently?

- A) communication difficulties
- B) benefits discrepancies
- C) union involvement
- D) poor morale

Answer: D

Explanation: D) Treating inequitably family and nonfamily employees can undermine perceptions of fairness, as well as morale. It is less likely that fairness issues would lead to communication problems, benefits discrepancies, or union involvement.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

63) John owns a family business and wants to avoid any appearance that family members are benefiting unfairly from the sacrifice of others workers. This represents the fairness step of:

- A) confront family issues
- B) treat people fairly
- C) set the ground rules
- D) family first

Answer: B

Explanation: B) Treating people fairly involves working hard to avoid "any appearance that family members are benefiting unfairly from the sacrifice of others."

Difficulty: Hard

Chapter: 18

Objective: 3

AACSB: Application of Knowledge

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

64) Roberto makes sure that all non-family member hires at his organization know what their responsibilities are and their potential ability to be promoted. Roberto is engaging in the small business fairness step of:

- A) quick, scheduled meetings
- B) confront family issues
- C) set the ground rules
- D) erase privilege

Answer: C

Explanation: C) In setting the ground rules, during the hiring process the applicant should be informed as to whether he or she will be essentially a placeholder, or whether there will be potential for promotion. At a minimum, make the expectations clear regarding matters such as the level of authority and decision-making the person can expect to attain.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Application of Knowledge

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

65) Rob, the owner of A-Tech, a small software firm, plans to use the streamlined interview process to interview candidates for a programming position at the company. Rob should first _____.

- A) ask questions about significant areas in a candidate's life
- B) probe specific factors during the interview
- C) devise a plan for the interview
- D) prepare for the interview

Answer: D

Explanation: D) The first step in the streamlined interview process involves preparing for the interview by considering the skills and traits required for the job.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Application of Knowledge

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

66) Managers who prepare for an interview using the streamlined interview process should focus on all of the following factors about a candidate EXCEPT _____.

- A) personality
- B) age and skills
- C) work motivation
- D) knowledge and experience

Answer: B

Explanation: B) Personality, motivation, intellectual capacity, and personality are factors that should be considered. It is illegal to discriminate for or against an applicant because of age.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

67) Unlike large organizations, small businesses benefit from familiarity with employees and flexibility and informality in HR management.

Answer: TRUE

Explanation: Small businesses need to capitalize on their strengths, so in dealing with employees they should capitalize on their smallness. Smallness should translate into personal familiarity with each employee's strengths, needs, and family situation. And it should translate into flexibility and informality in the HRM policies and practices the company follows.

Difficulty: Easy

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

68) In order to recruit top-quality employees, the majority of small businesses offer retirement benefits.

Answer: FALSE

Explanation: Access to retirement benefits is more prevalent in large firms than small ones.

Roughly 75% of large firms offer such benefits, while about 35% of small ones do.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

69) Rudimentary human resource practices may put small business owners at a competitive disadvantage.

Answer: TRUE

Explanation: Small businesses cannot just attempt to deal with HR issues in the same way large organizations do. They need to leverage their unique advantages and understand the limitations that can come with their size.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

70) The simplicity of SIMPLE IRAs makes them appropriate for small businesses with 100 or fewer employees.

Answer: TRUE

Explanation: SIMPLE IRA plans are for employers or small businesses with 100 or fewer employees and no other type of retirement plan.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

71) Although employer contributions to SIMPLE IRAS are tax deductible, the plans have fairly high administrative costs.

Answer: FALSE

Explanation: SIMPLE IRAs have very low administrative costs. Employer contributions are tax deductible.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

72) Small businesses typically do not provide employee training that emphasizes long-term management skills because of concerns regarding employee turnover.

Answer: TRUE

Explanation: Small firms usually focus any management development training on learning specific firm-related competencies (such as how to sell the firm's products). They generally downplay developing longer-term management skills due to a reluctance to invest too much in managers who may then leave.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

73) Compressed work weeks, flexible work schedules, and occasional free meals are work-life benefits that small firms use to retain good employees.

Answer: TRUE

Explanation: Small firms benefit from flexibility, so they are able to offer employees compressed work weeks, flexible schedules, and free meals to show appreciation.

Difficulty: Easy

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

74) What are the strengths of small businesses? How can small businesses use these strengths to improve their HRM practices?

Answer: Small businesses need to capitalize on their strengths, so in dealing with employees they should capitalize on their smallness. Smallness should translate into personal familiarity with each employee's strengths, needs, and family situation. And it should translate into the luxury of being able to be relatively flexible and informal in the human resource management policies and practices the company follows. Smaller businesses often need to adapt quickly to environmental realities like competitive challenges. This often means that entrepreneurs tend to conduct matters such as raises, appraisals, and time off "on an informal, reactive basis with a short time horizon."

Difficulty: Hard

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

75) What work-life benefits are offered by small firms that are not available with large firms? If given a choice, would you rather work for a small or a large firm? Use specific details to support your argument.

Answer: Small firms can offer employees work–life benefits that large employers usually can't match. Here are some examples:

- Extra time off. For example, some small business owners offer Friday afternoons off in the summer.
- Compressed workweeks. For example, in the summer, offer compressed workweeks that allow employees to take longer weekends.
- Bonuses at critical times. Small business owners are more likely to know what's happening in the lives of their employees. They often use this knowledge to provide special bonuses, for instance, if an employee has a new baby.
- Flexibility. Small businesses should excel at helping employees deal with the demands of personal issues like child care and elder care.
- Sensitivity to employees' strengths and weaknesses. The relative intimacy of the small business should enable the owner to be better attuned to his or her employees' strengths, weaknesses, and aspirations.
- Help them better themselves. For example, pay employees to take a class to help them develop their job skills.
- Feed them. Provide free meals every now and then, perhaps by taking your employees to lunch.
- Make them feel like owners. For example, endeavor to give your employees input into major decisions, let them work directly with clients, get them client feedback, share company performance data with them, and let them share in the company's financial success.
- Make sure they have what they need to do their jobs. Having motivated employees is only half the challenge. Also ensure they have the necessary training, procedures, computers, and so on.
- Constantly recognize a job well done. Capitalize on your day-to-day interactions with employees to "never miss an opportunity to give your employees the recognition they deserve."

Difficulty: Hard

Chapter: 18

Objective: 3

AACSB: Reflective Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

76) According to Stephen Covey, what can small businesses do to provide job-related training without actually establishing expensive formal training programs?

Answer: Some informal methods that small businesses can do include these:

Offer to cover the tuition for special classes

Identify online training courses

Provide a library of tapes and DVDs for systematic, disciplined learning during commute times

Encourage the sharing of best practices among associates

When possible, send people to special seminars and association meetings for learning and networking

Create a learning ethic by having everyone teach each other what they are learning.

Difficulty: Moderate

Chapter: 18

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 18.3 List five ways entrepreneurs can use their small size to improve their HR processes.

77) Which of the following terms refers to an outside vendor that manages HR functions for small businesses?

A) professional employer organization

B) human resource outsourcer

C) employee leasing firm

D) all of the above

Answer: D

Explanation: D) Many small business owners look at all the issues involved with managing personnel, and decide to outsource all or most of their human resource functions to outside vendors. Such vendors are called professional employer organizations (PEOs), human resource outsourcers (HROs), or sometimes employee or staff leasing firms.

Difficulty: Easy

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

78) A small business owner would most likely use a professional employer organization in order to _____.

- A) network with industry professionals
- B) automate succession planning
- C) handle HR activities like payroll
- D) conduct organized labor activities

Answer: C

Explanation: C) PEOs handle a firm's HR management requirements like payroll.

Difficulty: Moderate

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

79) Jill Roberts owns a flower shop and employs 20 people. Jill lacks the time and knowledge to efficiently handle HR tasks like payroll and benefits management. Which of the following would be most appropriate for Jill in this situation?

- A) filing with COBRA
- B) finding an HMO
- C) creating a PAQ
- D) hiring a PEO

Answer: D

Explanation: D) Professional employer organizations (PEOs) are outside vendors that handle a firm's HR management requirements like payroll, benefits, and tax form filing.

Difficulty: Moderate

Chapter: 18

Objective: 4

AACSB: Application of Knowledge

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

80) Which of the following is a characteristic of a PEO?

- A) PEOs become co-employers of record for the firm's employees.
- B) PEOs usually work for firms with at least 100 employees.
- C) Most PEOs charge 8% to 10% of a firm's total payroll.
- D) PEOs are legally limited to payroll tasks.

Answer: A

Explanation: A) By transferring the client firm's employees to the PEO's payroll, the PEO becomes the co-employer of record for the employer's employees. The PEO usually handles HR activities such as recruiting, hiring, payroll, and taxes. Most PEOs focus on employers with less than 100 employees and charge fees of 2% to 4% of a company's payroll.

Difficulty: Hard

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

81) Which of the following is NOT one of the primary reasons that small businesses use PEOs?

- A) managing overwhelming personnel-related paperwork
- B) fulfilling personnel-related legal responsibilities
- C) supporting the HR department temporarily
- D) acquiring affordable insurance and benefits

Answer: C

Explanation: C) Up to 100 or so employees, small firms typically have no dedicated HR managers or specialists, so PEOs are not hired to support an HR department temporarily. Instead, PEOs are hired to manage paperwork, stay in legal compliance, and gain affordable insurance.

Difficulty: Hard

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

82) A _____ can help a small business eliminate extensive HR-related paperwork, stay in compliance with Title VII, OSHA, and pension plan rules, and attain low-cost insurance.

- A) professional employer organization
- B) human resource information system
- C) management information system
- D) transaction-processing system

Answer: A

Explanation: A) PEOs handle the HR-related paperwork of small firms and also ensure that firms stay in compliance with various federal and state laws. PEOs also help small firms acquire insurance at a lower rate than they could attain on their own. Information systems help eliminate paperwork, but they are not involved in attaining low-cost insurance.

Difficulty: Easy

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

83) David owns a small architecture firm with 75 employees. He wants to use a PEO to handle his firm's HR activities. David is in the process of investigating Assure Group, a PEO. Which of the following best supports the argument that David should use Assure Group?

- A) The Assure representative explains that the PEO has been in business for one year.
- B) The Assure representative does not ask David about his company's current HR policies.
- C) The Assure representative promises David that his company will see substantial savings.
- D) The Assure representative asks David many questions about his company's safety policies.

Answer: D

Explanation: D) A reputable PEO will question an owner extensively about the firm's workplace safety and human resource policies and practice because the two will be sharing liability. Promises of big savings, short time doing business, and disinterest in HR policies signal problems.

Difficulty: Hard

Chapter: 18

Objective: 4

AACSB: Application of Knowledge

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

84) David owns a small architecture firm with 75 employees. He wants to use a PEO to handle his firm's HR activities. David is in the process of investigating Assure Group, a PEO. Which of the following undermines the argument that David should use Assure Group?

- A) Assure lacks a clear credit history due to a recent corporate name change.
- B) Assure's Web site indicates that customers experience only modest savings.
- C) Assure requires business owners to complete questionnaires about workplace safety.
- D) Assure provides payroll, recruiting, and screening services to customers.

Answer: A

Explanation: A) An unclear credit history and a recent name change suggests that the PEO may have had problems in the past. A reputable PEO will question an owner extensively about the firm's workplace safety and human resource policies and practice because the two will be sharing liability. Reputable PEOs will acknowledge that savings will be minimal and will belong to a national association.

Difficulty: Hard

Chapter: 18

Objective: 4

AACSB: Application of Knowledge

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

85) David owns a small architecture firm with 75 employees. He wants to use a PEO to handle his firm's HR activities. David is in the process of investigating Assure Group, a PEO. Which of the following questions is LEAST relevant to David's decision regarding whether or not to hire Assure?

- A) Will employee benefits be fully insured or partially self-funded by Assure?
- B) What HR and legal expertise is available from the Assure staff?
- C) What is the process that Assure uses to handle HR-related legal issues?
- D) How does Assure effectively communicate HR needs with its employees?

Answer: D

Explanation: D) The manner in which Assure communicates with its own employees is least relevant to David's decision. David needs to ask how benefits are funded and about Assure's expertise and processes before he can make a sound decision.

Difficulty: Hard

Chapter: 18

Objective: 4

AACSB: Application of Knowledge

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

86) All of the following are recommended activities for small business managers who are in the process of selecting a professional employer organization EXCEPT _____.

- A) analyzing how the employee benefits are funded
- B) checking the professional rating assigned to the PEO
- C) assessing the PEO's staff for experience and depth
- D) asking how the PEO will provide its services

Answer: B

Explanation: B) No rating system exists for PEOs, although there are professional organizations. Firms should check how benefits are funded, assess the staff, and ask how the PEO will provide services.

Difficulty: Hard

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employer organization.

87) Human resource outsourcers handle a firm's HR functions on an administrative level, so the client firm's employees are not added to the HROs payroll.

Answer: TRUE

Explanation: By transferring the client firm's employees to the PEO's payroll, PEOs become co-employers of record for the employer's employees. In contrast, HROs usually handle HR functions on an "administrative services only"—they're a client's "HR office." A client's employees still work for the client rather than for the HRO.

Difficulty: Moderate

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employer organization.

88) A PEO handles a client's payroll, Social Security payments, and unemployment insurance, but recruiting and hiring remain the responsibility of the client.

Answer: FALSE

Explanation: The PEO usually handles employee-related activities such as recruiting, hiring (with client firms' supervisors' approvals), and payroll and taxes (Social Security payments, unemployment insurance, and so on).

Difficulty: Moderate

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employer organization.

89) Small businesses frequently use PEOs because they lack dedicated HR managers.

Answer: TRUE

Explanation: Up to 100 or so employees, small firms typically have no dedicated HR managers, and even larger ones may have few specialists. That means the owner has all or most of the human resource management burden on his or her shoulders and needs the help of a PEO.

Difficulty: Easy

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

90) In most cases, a PEO shares liability with its clients, which encourages the PEO to ensure that its clients comply with COBRA, Title VII, and OSHA.

Answer: TRUE

Explanation: Staying in compliance with pension plan rules, Title VII, OSHA, COBRA, the Fair Labor Standards Act, and other personnel-related laws can be distracting. PEOs generally share liability with clients and have a vested interest in preventing workplace injuries and employee lawsuits.

Difficulty: Moderate

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

91) PEOs enable small businesses to attain insurance and other benefits at lower costs because the PEO absorbs the small company's employees into a larger insurable group.

Answer: TRUE

Explanation: The PEO becomes the legal employer of a small firm's employees, and the employees are absorbed into a much larger insurable group. As a result, a small business owner may be able to get insurance (as well as benefits like 401(k)) for its people that it couldn't otherwise.

Difficulty: Moderate

Chapter: 18

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

92) What types of HR-related risks are faced by most small businesses? How can PEOs help small firms with these risks?

Answer: A lack of attention and expertise regarding HR means that most small businesses face certain risks. First, small business owners run the risk that their relatively rudimentary human resource practices will put them at a competitive disadvantage. Second, there is a lack of specialized HR expertise. In most larger small businesses, there are at most one or two dedicated human resource management people responsible for the full range of HR functions, from recruitment to compensation and safety. This makes it more likely that they'll miss problems in specific areas. Third, the smaller firm is probably not adequately addressing potential workplace litigation. Fourth, the small business owner may not be fully complying with compensation regulations and laws. Fifth, duplication in paperwork leads to inefficiencies and data entry errors. A professional employer organization (PEO) can minimize risks for small firms. These vendors range from payroll companies to those that handle all an employer's human resource management requirements, such as paperwork, benefits, and legal compliance.

Difficulty: Hard

Chapter: 18

Objective: 1, 4

AACSB: Analytical Thinking

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

93) You are the owner of a small business and feel overwhelmed by the paperwork. You have decided to use a PEO. What are the issues you must address to determine which PEO is best for your company?

Answer: Small business managers need to choose and manage the PEO relationship carefully. You should conduct a needs analysis so that you'll know ahead of time exactly what human resource and risk management concerns your company wants to address. You should review the services of all PEO firms you're considering and determine if the PEO is accredited. Check the provider's bank, credit, and professional references. Make sure to demand specifics on things like insurance providers and creditors. Understand how the employee benefits are funded. Is it fully insured or partially self-funded? Who is the third-party administrator or carrier? Confirm the participating employers will receive first-day coverage. See if the provider contract assumes the employment law compliance liabilities in the applicable states. Review the service agreement carefully. Investigate how long the PEO has been in business. The vendor should show a history of staying power to show that it's well-managed. Check out the prospective PEO's staff. Periodically get proof that payroll taxes and insurance premiums are being paid properly and that any legal issues are handled correctly.

Difficulty: Hard

Chapter: 18

Objective: 4

AACSB: Application of Knowledge

Learning Outcome: 18.4 Discuss how you would choose and deal with a professional employee organization.

94) Which of the following risks commonly associated with small businesses can most likely be minimized by an HR information system?

- A) data entry errors
- B) personality testing
- C) college recruiting
- D) discrimination lawsuits

Answer: A

Explanation: A) For small businesses that don't use human resource information systems, any change to employee data requires manually changing all forms. This is not only time-consuming and inefficient, but can precipitate errors. HRISs automatically update an employee's information on all forms when a change is made to one form.

Difficulty: Moderate

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

95) Beth recently opened an embroidery business and has four employees who work full-time for her. Which of the following will Beth most likely use to manage her company's human resources tasks?

- A) manual HR system
- B) automated HR system
- C) HR outsourcer system
- D) HR scorecard system

Answer: A

Explanation: A) Very small employers (with 10 employees or less) will probably start with a manual human resource management system.

Difficulty: Easy

Chapter: 18

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

96) Julie has a small accounting firm with only six employees, so she handles HR tasks manually. Julie recently hired a new employee. Which of the following forms will Julie most likely need on the worker's first day of employment?

- A) reference check form
- B) employment agreement form
- C) vacation request form
- D) absence report form

Answer: B

Explanation: B) Julie will most likely need an employment agreement form on the first day. Prior to hire, she would have needed the reference check form. When the employee requests vacation or is absent, Julie will need to acquire those forms.

Difficulty: Moderate

Chapter: 18

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

97) All of the following tasks can be managed with most HR software programs EXCEPT

- _____.
- A) payroll
 - B) attendance
 - C) outplacement
 - D) benefits management

Answer: C

Explanation: C) Most HR software packages are capable of handling tasks associated with payroll, attendance, and benefits. Outplacement counseling for laid off employees would not likely be managed by an HR software program.

Difficulty: Moderate

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

98) Which of the following terms refers to the interrelated people, data, technology, and organizational procedures a firm uses to collect, process, store, and disseminate information?

- A) talent management system
- B) human resources information system
- C) competency model
- D) strategy map

Answer: B

Explanation: B) The term human resources information system (HRIS) refers to the interrelated people, data, technology, and organizational procedures a company uses to collect, process, store, and disseminate information. Information systems may or may not be computerized.

Difficulty: Easy

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

99) A(n) _____ system provides a firm's managers and accountants with detailed information about short-term, daily activities, like accounts payables and order status.

- A) transaction-processing
- B) executive support
- C) management information
- D) employee assistance

Answer: A

Explanation: A) Transaction-processing systems provide the company's managers and accountants with detailed information about short-term, daily activities, such as accounts payables, tax liabilities, and order status.

Difficulty: Easy

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

100) A human resources information system helps managers make effective decisions by _____.

- A) providing detailed information about tax liabilities
- B) automatically updating employee records and data
- C) regularly generating standardized, summarized reports
- D) providing data about a firm's customer orders and returns

Answer: C

Explanation: C) Human resources information systems (HRIS) are interrelated components working together to collect, process, store, and disseminate information to support decision making, coordination, control, analysis, and visualization of an organization's HR activities.

Difficulty: Easy

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

101) _____ processing allows for employees to self-enroll in all their desired benefits program over the Internet at a secured site.

- A) Improved-Transaction
- B) Improved Reporting
- C) HR system integration
- D) Self

Answer: D

Explanation: D) As a company grows, a more comprehensive system becomes necessary. There are several reasons for installing an HRIS. Online Self Processing lets employees self-enroll in all their desired benefits programs over the Internet at a secure site.

Difficulty: Easy

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

102) Which of the following terms refers to interrelated components working together to collect, process, store, and disseminate information to support a firm's human resource management activities?

- A) transaction-processing system
- B) high-performance work system
- C) human resource information system
- D) electronic performance support system

Answer: C

Explanation: C) As companies grow, they also often turn to integrated human resource information systems (HRIS). We can define an HRIS as interrelated components working together to collect, process, store, and disseminate information to support decision making, coordination, control, analysis, and visualization of an organization's HRM activities.

Difficulty: Easy

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

103) All of the following are reasons that firms install human resource information systems EXCEPT _____.

- A) worker performance monitoring
- B) online self-processing
- C) transaction processing
- D) system integration

Answer: A

Explanation: A) HRIS enables firms to improve transaction processing, offer self-processing options, integrate HR functions, and generate reports. An HRIS is not used to monitor the performance of employees.

Difficulty: Moderate

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

104) Which of the following makes it possible for employees to self-enroll in a firm's benefits program through a secure Internet site?

- A) executive support system
- B) management information system
- C) human resources information system
- D) electronic performance support system

Answer: C

Explanation: C) HR information systems make it possible to make the company's employees part of the HRIS. Employees can self-enroll in all their desired benefits programs over the Internet at a secure site with firms that have HRISs.

Difficulty: Easy

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

105) An HRIS increases the reporting capabilities of managers because an HRIS _____.

- A) allows a firm to plan its HR activities
- B) integrates separate HR tasks
- C) processes a firm's payroll
- D) works on a firm's intranet

Answer: B

Explanation: B) Because the HRIS integrates numerous individual HR tasks (training records, appraisals, employee personal data), installing an HRIS boosts HR's reporting capabilities.

Difficulty: Moderate

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

106) Which of the following is NOT a benefit of cloud-based human resource management systems?

- A) Employees can easily access the information from wherever they are.
- B) Company information is kept internally.
- C) The owner can easily access the information from wherever they are.
- D) Vendors can more easily update them with the latest features.

Answer: B

Explanation: B) Cloud-based HRM systems offer many benefits, but they require some company information to be stored on the cloud rather than secure internal servers. This can be problematic if there are data breaches on the cloud server.

Difficulty: Moderate

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

107) A small firm usually begins with a manual human resource management system before shifting to an automated system.

Answer: TRUE

Explanation: Most small firms with less than ten employees can manage their HR manually. However, once a firm grows, manual systems are usually replaced by automated systems.

Difficulty: Easy

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

108) An integrated human resource information system (HRIS) is interrelated components working together to collect, process, store, and disseminate information to support decision making, coordination, control, analysis, and visualization of an organization's human resource management activities.

Answer: TRUE

Explanation: An integrated human resource information system (HRIS) is interrelated components working together to collect, process, store, and disseminate information to support decision making, coordination, control, analysis, and visualization of an organization's human resource management activities.

Difficulty: Easy

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

109) One study found that 31% of HR employees' time was devoted to transactional tasks like checking leave balances, maintaining address records, and monitoring employee benefits distributions.

Answer: FALSE

Explanation: One study found that 71% of HR employees' time was devoted to transactional tasks like checking leave balances, maintaining address records, and monitoring employee benefits distributions.

Difficulty: Moderate

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.

110) What are the basic elements and steps involved in a manual HR system? What are the benefits of using an automated HR system?

Answer: Very small employers (say, with ten employees or less) will probably start with a manual human resource management system. From a practical point of view, this generally means obtaining and organizing a set of standardized personnel forms covering each important aspect of HR—recruitment, selection, training, appraisal, compensation, safety process—as well as some means for organizing all this information for each of your employees. As the small business grows, it becomes increasingly unwieldy and uncompetitive to rely on manual HR systems. For a company with 40 or 50 employees or more, the amount of management time devoted to things like attendance history and performance appraisals can multiply into weeks. It is therefore at about this point that most small- to medium-sized firms begin computerizing individual human resource management tasks. An integrated human resource information system (HRIS) has interrelated components working together to collect, process, store, and disseminate information to support decision making, coordination, control, analysis, and visualization of an organization's human resource management activities. Packaged systems provide software solutions for virtually all personnel tasks, ranging from benefits management to compensation, compliance, employee relations, payroll, and time and attendance systems. Software is available for controlling attendance, employee record keeping, writing job descriptions, writing employee handbooks, and conducting computerized employee appraisals. Most systems enable management to produce standard reports on matters such as attendance, benefits, and ethnic information.

Difficulty: Hard

Chapter: 18

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 18.5 Describe how you would create a start-up human resource system for a new small business.