Decisive Role of the Manager and Competent Human Resources Management in Small Businesses

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Abstract— *This article examines the factors that contribute to the success of small businesses in the IT sector, the common pitfalls that lead to their failure, and practical strategies for effective human resource management. Emphasis is placed on establishing clear roles, fostering professional communication, and maintaining employee motivation, highlighting the critical role of skilled management in achieving long-term business sustainability.*

Keywords— *Small businesses, human resource management, IT sector, startup culture, employee motivation, role definition, professional communication, management strategies*

I. INTRODUCTION

Although the successes of large corporations are more easily replicated in the media, it is small businesses that form the backbone of the American economy and also play a significant role in creating jobs. For example, according to the U.S. Small Business Administration (SBA) 2023 data, 99.9% of all businesses, or 33.3 million businesses in the United States, qualify as small businesses [1]. And while small enterprises growth trends can be seen around the world, the U.S. is where this number is highest. Other numbers are also noteworthy. For example, according to the same data, 16% of small businesses have between 1 and 19 employees. This means that 5.4 million businesses in the United States alone are organized into small teams, each unique in its own way. We see this phenomenon most often in technology companies, as this sector is attractive to startups and small development teams. Here are some factors that influence the proportion of small companies in the IT sector:

- Startup culture. The IT sector attracts entrepreneurs and innovators due to its low entry threshold and high level of innovation. The development of business incubators and investment activity contributes to the emergence of many startups and small companies seeking to develop new products and technologies.
- Technical capabilities. With the development of Internet and cloud computing technologies, many IT projects can be launched with minimal investment in infrastructure. This favors small teams with small budgets and few employees.
- Globalization. Modern technology allows small companies to operate in a global market with lower expansion costs. This opens up opportunities for smaller players to compete with larger companies and attract customers from different countries.
- Specialization. Many small IT companies specialize in highly specialized services or products, making them competitive in their niches. This also contributes to the increasing share of small companies in the overall industry structure.
- Flexibility and innovation. Small companies tend to be more flexible and responsive to market changes. They can make decisions more quickly and innovate without unnecessary bureaucracy, making them attractive to customers and investors.

II. CHALLENGES AND STRATEGIES FOR EFFECTIVE HUMAN RESOURCE MANAGEMENT

Suppose you have a unique business idea and you are determined to make it happen. You have thought it through and are planning to start your own company, or have already done so, attract like-minded people and investors, and create a unique product. But before you do, consider the following statistics, which reflect a harsh reality: 20% of businesses fail in their first year, 30% in their second year and 50% in their fifth year. As you can see, the first five years are the most critical for businesses. The most common reasons for failure are:

- Lack of capital or lack of effective resource management to reach and attract the target market;
- Insufficient market demand or lack of market need;
- Lack of people or poor human resource management.

And while the first two are more technical and should be scrutinized in the early stages of building a business, human resource management is an ongoing process. Lack of a favorable climate, incompetence, and disorientation can be the cause of the demise of any company, regardless of its seed capital and innovativeness. Let's take a closer look at this issue.

III. PERSONNEL MAKE ALL THE DIFFERENCE

In large IT organizations, the implementation of proper interaction between management and subordinates is organized through various departments and roles that specialize in managing people, developing corporate culture, and ensuring an effective communication process. These departments and roles usually work closely together to ensure the most effective people management. Here are some of the key departments and roles that may be responsible:

- Human Resources (HR) Department. This department is responsible for developing and implementing policies, procedures, and programs to manage the company's human resources. HR professionals may train managers in

leadership, communication, and conflict management. They also monitor employee satisfaction, conduct surveys, and analyze feedback to identify problems and opportunities for improvement.

• Corporate Communications Department. This department is responsible for developing and implementing communication strategies within the company. Corporate communication specialists create internal communication channels, organize meetings, write newsletters and reports to ensure transparent communication between management and employees.

• Training and Development Department. This department is responsible for designing and implementing training programs and employee development initiatives. Learning and development specialists may conduct training sessions, webinars, and other educational events for managers on how to communicate effectively with subordinates.

• Change Management Department. This department is responsible for planning, coordinating, and implementing changes in the organization. Change management professionals help managers adapt to new situations, implement new policies and processes, and manage employee responses to change.

• Supervisors and Managers. Supervisors and managers are the primary implementers of the strategies and policies developed by Human Resources and Corporate Communications. They must ensure effective interaction with their subordinates, maintain open communication, provide feedback and conduct regular individual and group discussions.

Of course, small companies cannot afford such vertical interaction. Moreover, many of the features of large companies are unacceptable for small teams and will do more harm than good. Let's look at what a small business owner can do to effectively manage their most valuable resource - their people. The following tips are based on my personal experience. I could have saved several hundred thousand dollars and a lot of wasted time if I had applied them from the beginning.

IV. CHALLENGES TO EFFECTIVE MANAGEMENT. PRACTICAL TIPS

In smaller companies, the manager often manages subordinates directly, and this creates unique interaction problems. While there are many more such challenges, let's look at three that I've personally had to deal with.

Problem 1: Lack of explicit structure and role boundaries

Smaller companies, especially startups or family-owned businesses, often lack a clear organizational structure and role definition. This can be compared to a car with multiple drivers, each driving a wheel. This can lead to conflicts and misunderstandings between the manager and subordinates, as each may have different ideas about their responsibilities and authority. The manager often has to balance between micromanaging and delegating tasks, which can create tension in the relationship. It is a common mistake for a manager to assume that all employees have the same understanding of work processes and a clear vision of the end product. Even if an employee is a professional in their field, this does not mean that they do not need a clear understanding of their role in the organization and a detailed list of tasks in their area of responsibility. What can be done? Here are some effective approaches a manager can take:

• Establish goals and responsibilities. The manager should clearly define the goals and objectives for each employee. This will help them understand how they are expected to contribute to the company and clearly define their role. Be sure to document these goals and objectives in detail and make them available to all employees, including those who join later.

• Delegate tasks. A manager should learn to delegate tasks to employees by giving them specific roles and responsibilities. This will help distribute responsibility and increase efficiency. When delegating tasks, avoid the common mistake of expecting an employee to do the same things you would do yourself. It is important that employees have room to be creative and use their strong skills. Giving employees the opportunity to prove themselves is also a powerful motivator. For example, Netflix uses the practice of "freedom and responsibility," where employees have the freedom to choose their work methods, but are fully responsible for the results of their work [2]. Use modern and proven methods to organize business processes.

• Establish clear role boundaries. The manager should clearly define not only the goals and responsibilities, but also the roles and responsibilities of each employee. This will help avoid confusion and conflict in the workplace and increase efficiency in achieving common goals. Even in a small team, there should be people who are empowered to make decisions in their area of expertise and are held accountable for those decisions.

• Continuous improvement. It is important to continually analyze team performance and make adjustments to the organizational structure and role boundaries as needed. This allows the organization to effectively adapt to changing conditions and market demands.

Problem 2: Lack of professional communication

In smaller organizations, the manager often acts as the primary communicator, ensuring communication between all team members. A lack of structured communication processes can lead to information gaps, misunderstandings, and dissatisfaction. A manager should focus on developing communication skills and establishing effective feedback processes. Here are some tips on how to do this:

• Create an open and supportive atmosphere. A manager should create an atmosphere in which employees feel comfortable expressing their thoughts, ideas, and

experiences. This may include holding regular, open discussions where every team member has a chance to speak up. It is especially important for a manager to learn to listen to their employees, to take their ideas and suggestions into consideration, and to remember to thank them for their active contribution to the future of the project and the company. For example, LinkedIn regularly organizes events and workshops to develop communication skills. In addition, the company practices the "Coffee with Jeff" system, where employees can casually communicate with top management and express their thoughts and suggestions [3].

- Establish clear lines of communication. It is very important to establish effective communication channels between the manager and employees. These can be regular meetings, daily briefings, emails, chats, or one-on-one conversations, depending on the specifics of the team. Be prepared for some communication methods to be ineffective in practice. The best approaches are often discovered through trial and error. In addition, the manager should encourage constructive feedback from the team. This will help identify communication problems and ways to solve them.

- Model leadership in communication. The leader should model effective communication. He or she should demonstrate openness, honesty, and clarity in his or her communication actions. This is one of the advantages of small companies. It is the leader who sets the general atmosphere of cooperation in the team. The leader should never isolate himself from the rest of the team for long periods of time.

Problem 3: Lack of development and motivation

Smaller companies often have limited opportunities for career growth and professional development for employees. It can be difficult for managers to keep their subordinates motivated, especially if the organization lacks incentive and reward systems. Employee dissatisfaction with their growth opportunities can lead to loss of motivation and low productivity. Here are some effective steps to address this issue:

- Have one-on-one conversations. A manager should have one-on-one conversations with each employee to identify their developmental and motivational needs. This will help them understand what they want from work and what their goals are.

- Feedback and support. It is important to provide regular feedback to employees on their performance and results. The manager should be available to provide support and assistance when needed to help employees feel confident in their roles. The importance of feedback becomes even more apparent as product development lags and work processes become complex or routine.

- Professional Development. A manager should support the professional development process of his employees by providing them with access to training materials, training,

and courses that will help them improve their skills and knowledge. It is worth noting that this is often neglected in small companies, as additional training for employees means additional costs. However, even in small teams, the manager should help employees develop career development plans and provide opportunities to implement them.

- Participate in decision making, reward and recognize performance. It is important to involve employees in decision-making processes, especially those that affect their area of expertise. This makes them feel more engaged and a valued member of the team. Recent studies have shown that an employee's awareness of his or her importance in the organization, an understanding of the potential benefits to society of the work being done, and a holistic view of the organization's ultimate goals are powerful factors that increase employee motivation. A manager should show appreciation and reward employees' efforts to make them feel valued and motivated.

- Support work-life balance. The manager should be sensitive to the work-life balance needs of employees. This may include flexible work schedules, remote work options, and other supportive measures.

V. CONCLUSION

It is obvious that the future of the world economy lies with small businesses. The simplicity and incredible maneuverability of small companies allow them to achieve their goals faster, avoiding bureaucratic delays. On the other hand, small companies experience shocks and challenges more acutely on this difficult path, just as a small ship is harder to weather a storm. In such a case, a lot depends on the actions of a skillful manager. In this article, we have considered that with the right management approach and strategies, these challenges can be overcome. Managers who pay proper attention to this issue and take steps to create a supportive and motivating environment for their employees can achieve long-term prosperity and sustainability for their business.

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