

WORKING HR  
FOR  
PRIVATE BUSINESS

A FUNCTIONAL REFERENCE GUIDE

BY

**Jay Lumbert**



**Shaksper Books**

**USA**

# **Working HR For Private Business**

## **A Functional Reference Guide**

**Copyright © 2012**

**by Jay Lumbert**

**All rights reserved. No part of this book may be used or reproduced by any means, graphic, electronic, or mechanical, including photocopying, recording, taping or by any information storage retrieval system without the written permission of the publisher except in the case of brief quotations embodied in critical articles and reviews.**

**Working HR For Private Business was developed in conjunction with James J. McSweeney. James has published a similar book under his own name.**

**Shaksper books may be ordered through booksellers everywhere, or by contacting:**

**Shaksper Books.**

**[www.shaksperbooks.com](http://www.shaksperbooks.com)   [admin@shaksperbooks.com](mailto:admin@shaksperbooks.com)**

**ISBN -13: 978-0-9827068-2-4   (hrd cvr)**

**ISBN -13: 978-0-9827068-3-1   (pbk)**

**ISBN -13: 978-0-9827068-4-8   (ebk)**

**Printed in the United States of America**

This book is dedicated to private business. You are the financial engine that employs America and keeps this country great.

I would like to thank my former business partners. In particular — Randy Swartz, Edward Wilson, Fred Prella, Bill Cooley, Frank Norton, Bob Stearns, A. J. Walker, Bill Walker, Terry Holland, Eileen Holland, Jim McSweeney & Paul Corrigan. Nobody can succeed alone. I have been lucky to know you.

## Author's Note:

I have been a business owner for more than thirty years. During that time, I have started several successful companies and employed hundreds of individuals. While I do have a Master's degree, I don't have an MBA. Most of my business training came from the entrepreneurial school of hard knocks. I have learned much from my many mistakes.

Running a private business is an enormous challenge. Competition is fierce. Capital is scarce. Government regulations are an ever-changing minefield.

Before writing this book, I searched the literary marketplace to see if I could find a good, easy-to-use guide that simplified private business HR functions. Why write a book that already exists? I could not find one.

I can't say that this is the perfect HR manual. That book will never exist. I do think that these pages contain nuggets of value that can make your HR life easier, more profitable and a bit safer from regulatory harm.

# CONTENTS

## PART ONE

### THE BIG PICTURE

	PAGE
1 Mission Statement	9
2 Develop a Personnel Template – What Should Your Company Look Like?	12
3 Recruit Everywhere – The More You Search, The More You’ll Find	15
4 Attract & Retain	17
5 Create Specific Job Descriptions	20
6 Train To Be Great	21
7 A Successful Corporate Culture	22
8 Encourage Excellence & High Performance	24
9 Know The Laws & Be Proactive	26
10 Harness Technology	27
11 Communicate Effectively	29
12 Evolve Constantly & Manage Change	31
13 Organize	32

*CONTENTS*

**PART TWO**  
**PEOPLE**

14	Building A Staff	33
15	How To Hire	37
16	Before The Interview	42
17	Interview Strategies	48
18	Evaluating Candidates	64
19	Using The Internet	70
20	Testing & Pre-employment Screening	72
21	The Job Offer	77
22	Setting The Ground Rules	80
23	Policies & Procedures	87
24	Employee Communication & Teamwork	92
25	Undercover Boss	96
26	Permanent Or Temp	97
27	Training & Development	102

## PART THREE

### ATTRACT & RETAIN

28	Work Environment	116
29	What To Pay & How To Figure It Out	119
30	Your Corporate Hierarchy	133
31	Employee Communication	134
32	Employee Advancement	137
33	Employee Relations	139
34	General & Selective Benefits	144
35	Awards & Recognition	147

## PART FOUR

### PERFORMANCE MANAGEMENT

36	Goal Setting	150
37	Performance Assessment	152
38	Employee Motivation	160
39	Conflict Management	165
40	Performance Appraisal Meetings	173
41	Corporate Wellness	177
42	It's All About Sales & Marketing	178
43	Build A Winning Sales Team – Attitude, Training & Execution	180

*CONTENTS*

**PART FIVE**

**BENEFITS MANAGEMENT**

44	Defining Your Budget	187
45	Maximizing Your Benefit Dollars	191
46	Cost Management Strategies	193
47	Tax Strategies	196

**PART SIX**

**THE BENEFITS LANDSCAPE**

48	Qualified & Nonqualified	197
49	Health Insurance	201
50	Voluntary Benefits	215

**PART SEVEN**

**RETIREMENT PLANS**

51	Retirement Plan History	219
	ERISA	
52	Defined Benefit Pensions	227



53	Money Purchase Pensions	231
54	Cash Balance Plans	232
55	Profit Sharing Plans	233
56	401(k)	234
57	401(k) Rules	239
58	Integrated Plans	243
59	Age-Weighted Profit Sharing Plans	244
60	New Comparability/Cross-Tested Plans	249
61	Plan Design: A Comparative Example	252
62	Defined Benefit Pensions For Small Business	259
63	412i	261
64	ESOPs	262
65	Solo 401(k)	264
66	Stock Bonus Plans	266
67	457 Plans	268
68	403(b) Plans	270
69	Roth 401(k)	272
70	IRAs	274
71	Roth IRA Summary	278
72	SIMPLE IRAs	279
73	Simplified Employee Pensions (SEPs)	281
74	The Department of Labor (DOL) On Retirement Plans — A Summary	282

*CONTENTS*

**PART EIGHT**

**NON-QUALIFIED PLANS**

75	Types Of Nonqualified Benefits	284
76	Nonqualified Deferred Compensation	295
77	Deferred Compensation & Section 409A	300
78	Split Dollar Life Insurance	304

**PART NINE**

**QUALIFIED & NON-QUALIFIED**

**SUMMARY**

79	Which Benefits Are Right For Your Company	308
----	---	-----

**PART TEN**

**BUSINESS OWNER PLANNING**

80	Business Owner Planning	312
81	Wills & Trusts	313
82	Transition Strategies	315
	• Death	
	○ Buy-Sell Agreement	

	<ul style="list-style-type: none"><li>• Disability</li><li>• Retirement</li></ul>	
83	Business Protection Strategies	319
	<ul style="list-style-type: none"><li>• What Is Your Business Worth</li><li>• Key Person Insurance</li><li>• Disability Insurance</li><li>• Disability Buy-Sell</li><li>• Office Overhead</li><li>• Buy/Sell</li></ul>	
84	Children In The Business	323

## PART ELEVEN

## COMPLIANCE & REPORTING

## SUMMARY

85	Compliance & Reporting Outline	327
86	<b>SECTION ONE</b> <b>HEALTH AND WELFARE</b>	331

Form 5500

Group Term Life Insurance Imputed Income

Taxability Of Disability Benefits

Domestic Partner / Same Sex Marriage (Income Tax Treatment)

## CONTENTS

Fringe Benefits (IRS Publication 15-B)  
Health Care Reimbursement Accounts (HCRA) (IRS Section 125)  
Dependent Care Reimbursement Accounts (DCRA) (IRS Section 125)  
Section 125 Plan Grace Period  
Qualified Transportation Benefit Limits  
Health Reimbursement Arrangement  
HSA Limits For 2012  
Mileage Reimbursement  
Educational Assistance  
Medicare Prescription Drug Plans For 2006 & Beyond  
Medicare Secondary Payer Mandatory Insurance Reporting  
HIPAA Privacy  
HIPAA Security  
HIPAA Portability Requirements  
Business Associate Agreements  
HITECH/ARRA (American Reinvestment and Recovery Act)  
Children's Health Insurance Program (CHIP)  
HIPAA Rules For Wellness Incentives  
Genetic Information Nondiscrimination Act (GINA)  
Mental Health Parity Act  
Michelle's Law To Extend Health Coverage For Students On Medical Leave

## 87 SECTION TWO 351 STATE COMPLIANCE REQUIREMENTS (MASSACHUSETTS)

Domestic Partner / Same Sex Marriage (Income Tax Treatment)  
MA Health Care Reform Act – Chapter 58  
Fair Share Contribution (FSC) Requirement  
Free Rider Surcharge

Filing Schedule  
Documentation Requirements  
Health Insurance Responsibility Disclosure Form  
Cafeteria Plans  
Reporting On Form 1099-HC  
Dependent Coverage  
Dependent Eligibility  
Imputed Income  
Minimum Creditable Coverage  
Mental Health Parity  
Standards For The Protection Of Personal Information For Residents Of The Commonwealth

88 **SECTION THREE** 361  
**RETIREMENT PLANS & DEFERRED**  
**COMPENSATION**

The Pension Protection Act Of 2006  
Corporate Owned Life Insurance  
Retirement Savings For Individuals  
Age 70 ½ Required Distributions  
Distributions To Terminated Participants With An Account Balance Less Than \$5,000  
Taxable Income On Defaulted Loans  
Distribute A Summary Annual Report  
Annual Non-Discrimination Testing (ADP/ACP Testing)  
401(k) Plan Safe Harbor Notice  
QDIA Annual Notice  
2012 Retirement Contribution Limits  
Restatement for EGTRRA

89 SECTION FOUR 370  
MAJOR LAWS: DEPARTMENT OF LABOR

- The Age Discrimination In Employment Act Of 1967
- The Americans With Disabilities Act Of 1990
- The Civil Rights Act Of 1964 (1968 & 1991)
- Equal Employment Opportunity (EEO) Laws
- The Fair Credit Reporting ACT (FCRA)
- The Federal Fair Labor Standards Act Of 1938 (FLSA)
- The Women’s Health & Cancer Rights Act (WHCRA)
- The Newborns’ & Mothers’ Health Protection Act
- The Uniformed Services Employment & Reemployment Rights Act
- The National Defense Authorization Act Of 2008
- Caregiver Leave
- The HEART Act Of 2008
- The Occupational Safety & Health Act (OSHA)
- Workers’ Compensation Insurance
- The Employee Retirement Income Security Act (ERISA) Insurance
- The Employee Benefit Security Organization (EBSA) Liability & Disclosure
- The Employee Polygraph Protection Act
- Garnishment Of Wages
- The Family & Medical Leave Act
- Plant Closings & Layoffs

90 Common Acronyms & Definitions 389

91 PART TWELVE

PAYROLL ISSUES 392

- Payroll Processing
- Recordkeeping
- Combined Annual Wage Reporting

## PART THIRTEEN

### SAFETY & LOSS CONTROL

92	OSHA Compliance	396
93	Violence In The Workplace	403

## PART FOURTEEN

### HR RESOURCES

94	HR Resources	412
	• Associations & Organizations	
	• Websites	
	• Publications	

## PART FIFTEEN

### SUMMARY

95	Functional HR Summary	416
----	-----------------------	-----

## INDEX

417
-----

*CONTENTS*

# WORKING HR FOR PRIVATE BUSINESS



## INTRODUCTION

If you are like most small to medium sized business managers you want to:

- Save Time
- Save Money
- Make Money
- Get Things Done

I am going to try to help you do that.

I understand that you are overwhelmed with your HR duties. Unlike large companies, you can't assign specialists to handle each of the critical functions — hiring, training, firing, health and retirement benefits, COBRA, payroll, tax structuring, etc. You can't attend seminar after seminar to learn how to do things most effectively. You don't have time to earn a Master's Degree in Human Resources. You don't have a team to deal with all of the government regulations that can cause problems for a business — sexual harassment training, OSHA regulations, ERISA filings, etc. You do all this yourself, or with just a small group of key employees.

What you *do* have is experience. Experience is far more important than anything learned from a book or a seminar. It is a well-worn path that leads to your HR destination.

Unfortunately, a path may not be the most direct way to get there. Sometimes a road works better.

The purpose of this book is to be your road. Stay on your path, but use the road where your path gets too rough and slow.

This book will not teach you how to do your job; you do it better than I ever could. You helped build the company. You are the one fighting the competition. You know your product or service better than anyone else. You know the marketplace and you know your people. This book will teach you how to do your job more effectively.

## A TEMPLATE

The purpose of this book is to give you an easy-to-follow HR template, a reference manual that will save you time and make more money. It is designed to give quick access to important information that will help you conduct your business more effectively. It hits the highlights, the key factors to improve your performance in the shortest time, with the least amount of effort. You can read it from cover-to-cover, or you can pinpoint specific areas of opportunity and focus your attention there.

## THE 80/20 ZONE

The Pareto Principal tells us that we can accomplish 80% of our goals in 20% of our time. Some argue that this ratio has grown to 90/10. Incremental gains beyond the efficient point come at a steep cost, in both time and resources.

Small to mid-sized company managers are forced to live within the boundaries of the Pareto Principal. They wear so many hats that they must achieve maximum efficiency in everything they do. As a result, most of what gets accomplished must take place within this 80/20 Zone. We are forced to do more with less.

With this in mind, I will try to give you the most useful information in a manner that allows you to minimize the time it takes to accomplish your most important HR functions. If you have critical needs in any one area, you can drill down and learn more.

I have included an *Employer Checklist* — to outline the areas where a little bit of your effort can bring about the most results.

## BUSINESS DARWINISM

Herbert Spencer coined the phrase, “survival of the fittest,” after reading Charles Darwin’s book, *On the Origin of Species*. Using this quote, Spencer drew parallels between his own *economic* theories and Darwin’s *biological* ones.

Darwin focused upon animals. Spencer focused on business and

economics. Both centered their studies on the power of adaptation and evolution. *If we don't evolve, we become extinct.*

Welcome to the jungle. My goal is to help you manage your business evolution and thrive in today's ultra-competitive world.

### **Embrace Evolution**

Virtually every business sector is evolving rapidly. Some of this evolution comes from within — innovation. If we innovate, we thrive.

Most business evolution is out of our control; it is literally forced upon us. Some evolution occurs through the innovation of competitors within our own industry. Some occurs through innovation in other business areas. Some comes through economic conditions. Still more is thrust upon us by regulations and other outside forces.

Technology is moving at an increasingly rapid pace. Laws keep changing, usually not for the better. Regulations and restrictions appear without warning. Social trends are dramatically altering where and how we work. Some costs are growing faster than revenues. Many of these challenging issues fall squarely upon the shoulders of the HR manager.

An HR manager must develop a business framework that reacts positively to change, but also maximizes profitability in every area possible.

## **HR: THE FRONT LINE OF PROFITABILITY**

For many years, human resources managers were second-tier players at the executive conference table. Hiring employees was considered a mere numbers game. Employee benefits were easy to manage. Training needs were minimal. Federal laws wouldn't send us to court, jail, or kill our business.

The changing workplace and the soaring cost of benefits have now put human resources near the head of the executive table. Decisions made at the HR level have a dramatic impact on the profitability and the viability of every company. This presents a challenge to many small to mid-sized businesses, because smaller companies

don't have the manpower of larger corporations, or specific, concentrated training in most of these areas.

I hope that his book will give you the tools you need to manage your HR duties most efficiently.

## COMPANY CULTURE

Every company has a personality, a dominant corporate culture. A technology firm develops an entirely different culture than a law firm, a government organization or a factory. Even companies within the same industry can be very different from one another.

**Reason 1.** A big determinant of corporate culture is the set of skills required to accomplish company goals. An artist may not thrive as a factory worker. A factory line worker might not enjoy working at a literary magazine.

**When you hire and train your employees, you must be keenly aware of the demands and requirements of your industry, as well as your specific company.** We will spend some time working on how to determine the skill sets most appropriate for your company a little bit later in this book.

**Reason 2.** The other area that affects corporate culture is the environment that management creates. If a company builds an on-site daycare center, it may find more young mothers in its workforce. If a company requires suits and ties, certain people may opt out. If you monitor every phone conversation and email transmission, or test for drugs, certain employee types may choose to work elsewhere. If you encourage daily prayer meetings or *rah rah* cheering sessions, some people may just not fit in.

Management-created *personality* starts with the CEO and works down to the basic rank and file. Large companies develop mini-cultures within departments or locations. They are able to support a diverse corporate culture with relative ease.

With smaller companies, diversity tends to bend at the edges, with employees conforming to the dominant culture, as set by its

leaders. The smaller the company, the more personalities tend to mirror that of its CEO.

**If you are the one person who can bend a company, you must look at yourself in the mirror and determine if the personality *you* are setting for *your* company is the right one, or if it can be improved.**

If you answer to the CEO, you probably adjust your behavior to become more in line with him or her.

As the HR director, you may actually need to help your CEO change (evolve) for the good of the company. You may have to evolve yourself.

### **Diversity**

Too much conformity to a CEO's viewpoint, too many "yes men" and "yes women," can prevent the constant innovation and evolution that is often essential in business today.

If you are the CEO, or work in a company where the CEO is a dominant personality, you must remain hyper-vigilant to make sure that the CEO's shadow does not stunt the growth of your organization.

Diversity is important and it should be encouraged. Large companies use it to enormous advantage, building mini-cultures within their various departments.

Small to mid-sized businesses usually don't have the luxury of creating diverse corporate cultures. This can become a problem if not managed properly.

With fewer employees, too much diversity can create conflict and inefficiencies.

Small businesses must cultivate team members that work *together* toward common goals.

**The challenge for small business HR is to hire (and train) team members who fit the physical and emotional criteria that are critical to thriving in specific jobs.**

You must hire people who will enjoy the culture created by management. Employees must be diverse enough, and independent enough, to allow innovation to thrive, without creating corporate conflict and disharmony.

You must determine the best people to employ, what you want to teach them, and the behaviors you want to encourage and reward. To do this most effectively, you must fully understand your corporate culture. You must determine the specific skill sets needed to accomplish each job. You must then find people that fill these requirements and also work well within your unique company culture.

My goal is to help you do that.

## EMPLOYER CHECKLIST

In order to maximize the value of your time, I have included an employer checklist for you to use with this book. As you read through each chapter, refer to the checklist and complete as many items as you can.

No one person can do everything. Few private companies have the resources to employ every HR concept to its fullest potential.

If you spend your time addressing the issues that make the most impact, you can accomplish 80% of your needs with 20% of your time.

This list outlines the key concepts that HR professionals have found most effective for improving business productivity, as well as tools that can help you implement your HR practice efficiently.

Some of the items on this list are covered in detail. Others receive less attention. I had to make concessions, using my own 80/20, as I tried to manage the size of this book. If you need further help, there are resources available. Some are noted throughout the book.

The checklist begins by addressing the fundamentals that should provide the foundation for *every* business. If you master the fundamentals, you are on your way toward excellence. Don't ignore them.

Keep your checklist in a three-ring binder, or its computer equivalent, so you can refer to it at any time. Each item on the list should have its own tab in this binder. As you address an issue, put your work in the binder. This will keep you focused and efficient.

### EMPLOYER CHECKLIST

Mission Statement

Darwinism – How Do You Compete?

Define Your Corporate Culture – What makes you great?

Organizational Hierarchy Chart – Position and Duties

Competency Models

Skills Inventory

Build Employee Templates

Job Descriptions

Creating a Hiring Framework

Make People Great  
Training Plan  
Your Communication Policy  
Compliance Checklist  
Interview Questions  
Off-Limits Question Form  
Blank Interview Evaluation Form  
Candidate Evaluation  
Candidate Rating  
Reference Check Letter  
Employment Inquiry Release  
Consent to Criminal Background Check  
Background Check Permission  
Consumer Report Disclosure  
Fair Credit Reporting Act Rights  
Receipt Confirmation For Fair Credit Reporting Act  
Disclosure Of Adverse Action Based Upon Fair Credit  
Offer Letter  
Rejection Letter  
Employment Agreement  
Employee Review Sheet (After Orientation)  
Policy & Procedures Manual  
Team Checklist  
Sample Training Program  
Employee Survey For Training  
Employee Training Assessment Form  
Compensation Philosophy Form  
Wage & Salary Data As Percentage Of Revenues By Industry  
Job Rating Checklist  
Performance Evaluation Meeting.

List Every Job:

- Relate job to Mission
- Indispensable?
- Difficulty?
- Generate Revenue?
- Other factors?



# Chapter One

## HR

---

### The Big Picture



## MISSION STATEMENT

**Every company should have a mission statement.** This is your company's reason for being. It outlines the fundamental goals of your organization — in a way that all employees can understand.

Every employee should know your mission statement by heart, because it is the prime directive of employment with your company.

A mission statement shouldn't be long. It should be concise and to the point.

If you do not have a mission statement for your company, then you need to put it at the top of your priorities list. It is that important.

Here are a few examples of concise mission statements for major companies:

- 3M - “To solve unsolved problems innovatively.”
- Mary Kay Cosmetics - “To give unlimited opportunity to women.”
- Merck - “To preserve and improve human life.”
- Wal-Mart - “To give ordinary folk the chance to buy the same thing as rich people.”
- Walt Disney - “To make people happy.”

## CORE VALUES & PRINCIPLES

Mission statements should be followed by a list of core values & principles which further refine the mission. For example, Walt Disney includes the following:

- No cynicism
- Nurturing and promulgation of “wholesome American values”
- Creativity, dreams and imagination
- Fanatical attention to consistency and detail
- Preservation and control of the Disney “magic”

Every employee at Disney understands that the prime directive of the company is to make people happy.

The mission for Starbucks Coffee is *to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.*

Starbuck’s mission statement is followed by a set of core principles that are easy to understand and communicate to employees and deliver to customers. These can be found at

<http://www.starbucks.com/about-us/company-information/mission-statement>.

## REVIEW YOUR MISSION STATEMENT

What is your mission statement? Is it simple and powerful enough for every employee to understand and internalize? Does it help you drive the type of organization you wish to become? If not, you need to make one now. Get your top people in a room for lunch one day and discuss the most important goals and features of your company.

Once you have an appropriate mission statement, put it on a clear coated business card and make sure that each employee carries one at all times.

If you would like to learn more about mission statements, I recommend the following website: [www.businessplans.org](http://www.businessplans.org).

## Chapter Two

### HR

---

## The Big Picture

### BUILD AN EMPLOYEE TEMPLATE

It is not enough to hire good people. A business needs to hire the right people. This begins with understanding the specific needs of your company culture, as well as your own personal bias.

We often want to hire people “just like us.” This creates problems. Unless you are hiring someone for *your* job, the people best for positions in your company probably won’t be just like you.

Clones are copies. A copy is never as good as the original. Make sure that you hire people with the proper skill set, values and attitude for the position and your company.

### SKILL SET

Once you define your dominant corporate culture, you will have a better idea of what types of people will fit best within your organization, and how they will blend together to support each other.

### DEFINED ROLES

You must create clearly defined roles for each position. Each role will demand a specific skill-set, which should be built into the job description (discussed later) for each position. This begins with clear definitions of the **core competencies** needed for each role. In some cases, you will have a good idea what these might be. In others, you must rely on your employees or advisors to create the template for each key role within your company. Send out an email or letter.

Ask each employee to tell you the key functions of their job. You will be surprised by many of the responses. This also communicates to employees that you are listening to their needs.

The following is a simple employee template that might be used with a firm that sells insurance and investments on a retail level. It starts by listing the attributes that are important to the dominant corporate culture. It continues with the attributes that are important for the job itself.

## EMPLOYEE TEMPLATE EXAMPLE: *INSURANCE & INVESTMENTS*

### DOMINANT CORPORATE CULTURE PREFERENCES

- Honest
- Highly Ethical
- Friendly
- Embrace Improvement
- Willingness to Accept Constructive Criticism
- Comfortable in Business Attire
- Respectful of Traditions
- Family is Important
- Desire for Knowledge

### JOB SPECIFIC: SALES

- Tenacious
- Attention to Detail
- Customer is King
- Good Organizational Skills
- Experience Selling Insurance & Investments
- Core Competencies (PowerPoint, Contact Manager, Spreadsheets)
- Willingness to Learn (Our way)

Think about your own business and try to determine the elements that define your dominant corporate culture. These are the things that will keep the members of your organization working effectively. For each specific job, you must determine the attributes that lead to the successful fulfillment of its duties. Use these attributes to develop a useful template for every position in your company.

## Chapter Three

### HR

---

## The Big Picture

### RECRUIT EVERYWHERE

Recruiting is expensive — in both time and money. Most smaller businesses don't have the resources to maintain full-time human resources personnel, or hire outside consultants to execute this important function. The person doing the hiring may also be the CEO, the sales manager, or the CFO.

Hiring new personnel can be seen as an unwanted diversion from the “essential” duties of the recruiter's other jobs. Because of this, many executives take short-cuts. Executives interview a couple of candidates, and then hire one. They hire a friend's child or the friend of a friend. In doing so, they sacrifice one of the most powerful tools in business productivity — the right employees.

**Taking extra time to hire the right person at first can save enormous amounts of time (and money) in the future.**

Hiring well makes for a successful company. Think of it as laying a proper foundation before building a home. If a home's foundation is weak, the home can't be structurally sound. If the foundation is strong, the home can be made strong. The same holds true in business. If you hire correctly, your business your business foundation will be strong, and your business can be made strong.

When you have few choices while filling positions within your company, you will hire mediocrity. A large talent pool will give you a strong employee foundation. This is why it is important to recruit **everywhere**. Use every available outlet that you can find. Here are some (but not all) of the places you may find good potential employees:

- Recruit from within
- Employee referrals
- Classified ads
- Internet job boards (Monster, CareerBuilder, etc.)
- Recruiters
- On-campus recruiting
- Open houses
- Job fairs
- Professional associations
- Government employment services
- Your own website



## Chapter Four

### HR

---

## The Big Picture

### ATTRACT & RETAIN

With small and mid-sized businesses, every dollar counts. One of the most efficient uses of capital is to make sure that you **attract** the **right** people and **keep** them.

While this sounds very basic, putting this into practice is far from basic. Attracting and retain employees requires a good deal of conscious thought and continual attention to critical details.

#### ATTRACT

Other than a salary, what is it that you offer to prospective employees?

- Have you taken as much time creating your “presentation” to prospective employees as you have with the presentation that you give to prospective customers?
- Have you framed your company in the best possible (but still accurate) light?
- Have you created a persuasive *value proposition* that will make the most desirable candidates want to give serious consideration to your company?

Unfortunately, many HR executives with private companies do

not understand the critical nature of “selling” their company to prospective employees, in the same way that they sell to prospective clients and customers.

You need to think of the hiring process as one where you:

- Attract enough prospective employees to consider working for your company.
- Evaluate appropriate and attractive candidates.
- Sell them on the idea that your company is the best place to fulfill their dreams.

Top candidates often have choices of where to work. You don’t want to lose the best ones. You want the best candidates to work for you. This takes planning.

Take a look at the “careers” section on the website for any major company. On that site, you will see that company’s value proposition on full display — with videos, brochures, testimonials and a list of benefits.

Big companies understand that efficiency and profitability begin with hiring the best employees. They sell the benefits of their company to prospective employees, long before they have entered the company door.

When you set out to hire someone, you must convince them that your company is a great place to work. This should be a well-thought-out process, not simply a statement like, “this is a great place to work” during an interview.

## RETAIN

Once you have hired good employees, you need to retain them. After all the expense of hiring and training, why would you want to lose a good employee? You don’t. You can’t afford it.

Paying competitive salaries is just the start of a good employee retention program. Many other factors should contribute to making

sure that your employees remain productive members of your workforce. Some of these require significant expenditures, such as health insurance. Others, like making employees feel appreciated, can come at a far lower cost. Sometimes all it takes is a little praise or recognition to keep an employee happy and content with your company.

Make liberal use of the inexpensive ways to keep employee morale and productivity high. I explain the process in the Attract & Retain section of this book.

## Chapter Five

### HR

---

## The Big Picture

### CREATE JOB DESCRIPTIONS

Every company should have job descriptions for each role within the organization. Job descriptions keep employees on task. They prioritize functions. They allow for effective performance evaluation and set standards that must be met or exceeded.

Job descriptions should be **written** and **specific**. Every employee should know their own job description by heart.

Specific job descriptions help in other ways:

- They help with successful recruiting, because prospective employees want to know their roles.
- They increase productivity and profitability. Employees who understand their specific duties will perform more efficiently.
- They allow managers to hold employees accountable and provide a tool for improving performance.
- They avoid duplication of tasks, and keep employees focused on what they *need* to do, not what they may *want* to do.

## Chapter Six

### HR

---

## The Big Picture

### TRAIN TO BE GREAT

If you have ever worked for a large employer, you have been exposed to training programs. The bigger the company, the bigger they are on training.

Ask yourself this: Do large companies train because they are big? Or, are they big because they train?

Too many companies ignore the critical nature of ongoing training. Too many new employees only get only a quick lesson on the essential skills of their job. Too many existing employees are left alone, causing their skills to rust like tools left out in the rain.

Every company needs to train for greatness. This means having an internal training program for each job in your company. It means encouraging employees to utilize outside resources to improve their skills and learn new things.

There is an old business adage that you always need to “sharpen the saw.” If you have ever cut wood, or a Thanksgiving turkey, you know what I mean. A dull blade doesn’t cut very well. A sharpened blade makes the work easy. You want to make your employees’ lives easy — not hard. Training will do that.

## Chapter Seven

### HR

---

## The Big Picture

# SUCCESSFUL CORPORATE CULTURE

Every successful organization has a dominant personality. IBM became famous for its blue suits. Apple employees work without ties, including their CEO. FBI field agents wear aviator sunglasses.

A company's culture is initially forged by its management team. This culture then takes on a life of its own, shaping employees in an ever-changing way.

Within large companies, there are many sub-cultures. Salespeople are different than the accounting staff, who are different than those in IT. Even so, successful organizations do maintain a dominant theme throughout the company. Just read their mission statements.

Managers in smaller, private businesses must give serious thought to the dominant culture they wish to have in their company.

What are the dominant traits that will make *your* company great?

Write your company's dominant traits out like the Ten Commandments. These traits help form the foundation of your company.

For example:

Technology companies must constantly innovate. Therefore, the

dominant culture of a technology company must encourage creativity, not stifle it. Large technology companies are famous for their playrooms, where employees can go at any time to “clear their heads” and remain productive.

A contracting company does not have the same requirements as a technology company. If a plumber takes two hours to play video games in the middle of the day, money is lost.

Once you understand the corporate culture that gives your company its best chance to thrive, you need to do everything you can to nurture that culture. Make your company a great place to work, by catering to the needs of your culture. Advocate for your employees. Give them as many options as you can.

If you employ a lot of young working mothers, make accommodations that help them manage the challenges of work and motherhood. Flex hours or a daycare center (perhaps shared with other close-by employers) might help improve productivity.

If you employ a lot of single men and women, perhaps an after-hours bowling league or softball team can help maintain good communication, teamwork, and productivity within your company.

Think of what you can do to enhance the lives of your employees — making your company a great place to work.

## Chapter Eight

### HR

---

## The Big Picture

# ENCOURAGE EXCELLENCE AND HIGH PERFORMANCE

If you have ever stood at the counter of any McDonalds restaurant, you have seen a picture of the “Employee of the Month.” The picture is never one of the franchise-owner, but one of a fry cook or a counter worker.

McDonalds’ management is famous for understanding that the job is *not* the person. Great people often work in not-so-great jobs.

McDonalds’ managers also understand that *every job is important to the company*. McDonalds values excellence, regardless of where that excellence occurs.

Many a fry cook has graduated to “Hamburger U” and become a millionaire franchise owner. Many a Fortune 500 CEO once repeated the words, “Would you like fries with that?”

In your management role, you must learn to value people in a manner that is not based upon their job classification. You must view every employee as a valued person and encourage them to achieve to the best of *their* abilities.

Every person wants to feel appreciated. Every employee wants to feel needed. Every individual wants to improve their station in



life, regardless of where they start.

Employees work harder and more efficiently when they feel that management appreciates what they do.

If you drive along the highway, you will see dozens of bumper stickers saying things like: *My child is Student of the Month*, or *Proud Parent of a Boy/Girl Scout*, or *I ♥ my Soccer/Football/Hockey Player*, or *Have You Hugged Your Child Today?* The list is endless, and changes with our stages in life. It graduates from honor student to college stickers and armed forces stickers.

Successful companies do the same for their employees. They make them feel appreciated. This makes them better workers, which makes for a better company.

Successful companies encourage excellence. They promote from within. Successful companies reward initiative — emotionally and financially. Employees who receive rewards for excellence will achieve it. Those who feel that their work goes unnoticed will perform poorly.

So, make your place of work one of excellence.

## Chapter Nine

### HR

---

## The Big Picture

### KNOW THE LAWS

### BE PROACTIVE

Nothing can ruin your business faster than breaking the law.

Today's regulations are so complex that it is difficult to keep abreast of them. We routinely break the rules laid out by the regulating agencies without even knowing it.

Minor laws may be broken with relative impunity. Breaking major laws, like not paying your taxes, may send you to jail. Breaking others, like asking the wrong question in an interview, may cause embarrassment, get you fined, or result in a lawsuit.

The challenge for today's small or mid-sized business is to:

1. Understand all of the laws; and
2. Put a system into place that keeps the business in compliance and out of trouble.

Many regulations are a nuisance. But they exist for serious reasons, with big teeth to see that you obey them. In the compliance section, I will outline many of the major laws, and highlight the key regulations you need to understand about them.

Don't ignore regulations. They won't go away. Learn how to manage them on your own, or hire someone to do that for you.

## Chapter Ten

### HR

---

## The Big Picture

### HARNESS TECHNOLOGY

If you are going to thrive in today's business world, you should make technology into your new best friend. By embracing technology wisely, you will enhance productivity. It will save you time. It will make you money. This does *not* mean that you should routinely purchase all of the latest technology. Know *what* you are getting and *why* it makes good economic sense.

### EXPENSE

Executives in every business are challenged with the expense of new technology. These expenses come in two forms — money and time.

Implementing certain technologies requires significant *capital* outlay. Implementing others requires enormous amounts of *time* in retraining an organization. Some technologies take both. You will need to evaluate the costs versus the benefits of *every* technological decision.

Many productive technologies require little expense. Using all of the features of a Blackberry is a good example. Electronic email and texting is a no-brainer. Businesses integrate free technologies such as Twitter, YouTube or Facebook with their websites and advertising campaigns.

Too many small businesses fail to put these inexpensive technologies to good use, let alone the costly ones. This leads to lost op-

portunities, lower profits and ultimately shutting the doors.

## COMFORT ZONE

We have all had the experience of being with a group of people near the cold waters of the ocean, a lake or a pool. Some of us jump right in to get beyond the initial shock. Some of us wade slowly into the water, marshaling our nerve to take that final dive once the water reaches our waist. Some of us decide that the water is just too cold. We take a pass and remain outside; we take the safer, more comfortable route.

## JUMP IN

To be successful in business, we cannot always do what is safe and comfortable. Sometimes we must jump right into the water, whether we want to or not.

## EMBRACE TECHNOLOGY

Don't be afraid to step out of your technological shell. Embrace the new world of business. Try new things and demand them of others. Remember — business is survival of the fittest. You need to adapt to the changing technological world. It won't slow down for you.

## Chapter Eleven

### HR

---

## The Big Picture

### COMMUNICATE EFFECTIVELY

Information is the lifeblood of any business. Conveying important information requires effective communication.

Effective communication takes many forms. It can come in the form of individual face-to-face meetings, large or small meetings, emails, bulletins, your website, daily briefings, etc.

The more information you share with your employees, the more they will share your vision and embrace your culture.

Communication should include such items as:

- Your mission statement
- Your short and long-term business strategies
- Sales figures
- Competitor stats
- Challenges and opportunities in the marketplace
- Employee surveys
- An electronic (or manual) suggestion box

As you share information with your employees, they will share information with *you*. Make sure that you listen to what they say. Acknowledge good ideas and suggestions with regularity. You might even find your Employee of the Month in your suggestion box.

## Chapter Twelve

### HR

---

## The Big Picture

### EVOLVE CONSTANTLY

### MANAGE CHANGE

There is an old saying that goes like this: “As long as you’re green, you’re growing. As soon as you’re ripe, you begin to rot.”

To remain competitive, a business must evolve. Constantly. If you don’t, you run the risk of being left behind on the business highway, fluttering into the wind like an old dandelion.

Some of your changes will be driven by the business marketplace — by what your competitors do, or what technologies evolve. Others will be driven socially. Some changes will radically affect the core of your business model, while others will evolve over time, just as the society slowly morphs around us.

It is critical that you build a corporate culture that accepts change as normal. You must embrace the natural evolution of business. You must think proactively, and learn to anticipate change, not simply react to it. This way, you won’t waste time making changes that you must later undo.

### PLAN YOUR CHANGES

Don’t make changes in a knee-jerk fashion, just because you read about something in an article, or an employee makes a demand. While you must continually evolve, you don’t want to make changes that you must reverse a month later. Take your time. Think things through. Commit to the change and then do it.

## Chapter Thirteen

### HR

---

## The Big Picture

### ORGANIZE

This may seem like an odd topic to include in an HR book, but good organization is essential in all phases of business.

Potential employees will be turned off by an unorganized interview, just as they will be impressed by an orderly interview process. Existing employees will be more efficient when their tasks are clearly defined and an organizational infrastructure is in place to help them maximize their time.

Organizational consultants tell us that the average employee can lose up to one full week of productivity per year, simply by looking for things that are lost or out of place.

I have tried to structure this book in a way to help you organize your business around the key HR issues — with the least amount of time and effort on your part.

There may be topics you need to address in more depth than I cover in this book, or details I have skipped as I limited the scope of this book along the lines of 80/20. I give references to other sources, but you should always be on the lookout for ways to improve your organizational skills.



## Chapter Fourteen

---

### HR

---

## People



### BUILDING A STAFF

As a general rule of thumb, a productive employee represents \$50,000 to \$100,000 in value to a company. There are many exceptions to this rule, but a profitable business with fifty employees could be worth about \$5,000,000. Five employees might be worth a quarter million; a hundred employees could be worth ten million.

What sort of attention would you give to a \$100,000 piano? How well would you protect a piece of jewelry worth fifty or a hundred grand? This is the kind of value that you are managing with every employee in your company.

### EACH PIECE HAS VALUE

The effectiveness of your staff, and the value of your company, is entirely dependent upon how well you put the pieces together. Before you hire a staff, you must have a clear idea of the role each person must play within your organization.

Look at your hierarchy chart. If you don't have one, make one. Every essential function/position in your company should be listed on this chart. Put your company CEO (or chairman) at the top and work down from there. Executives that are under the direction of the CEO should be in the second tier of your chart, and so on. You should detail the personality traits and skill set needed for each position in your company. This information is derived from your competency models.

When you hire a new employee, that employee's traits and skills should match the attributes detailed in your chart. At times, you may need to adjust employee functions based upon the individual characteristics of your existing and prospective employees. In other words, you need to hire people based upon the specific needs of the company, not the specifications of each job. The specifications of each job must be modified based upon your personnel. Remember, you must continually adapt for your business to thrive.

Small employers often fudge this process. They hire each person in the same way. They don't adjust the job descriptions based upon their existing or prospective talent pool.

Imagine a professional football coach that keeps his offensive players on the field to play defense. Imagine Tom Brady trying to cover a wide receiver. Brady throws the ball better than anyone. If you ask him to run fast, only bad things will happen.

You need to manage the talent on your business roster in much the same way. Hiring all employees to the same criteria won't win you many games. You won't stay in business for long.

## COMPETENCY MODELS

The best way to become more efficient at hiring and managing is to build Competency Models. Your models should be based upon the specific skill set and personality traits that are needed for superior performance in each role within your company.

## HOW TO BUILD A COMPETENCY MODEL

Spend some time with your staff, particularly your top performers.

- Ask them what makes them successful.
- Have them detail the specific skill set they need to perform their job well.
- Make an inventory of each top performer's personality traits.
  - This includes their work ethic, their way of dealing with others and their value system.

Speak with your customers. Ask them about the service they are receiving from your company.

- What is it they like?
- What could be improved?
- Who do they like working with the most?
- Who do they dislike?

You will be amazed at the responses you receive, and it will help you with your staffing decisions.

You should create a current **SKILLS INVENTORY** for your company. This is a list of the combined attributes that exist within your organization. This includes the experience, credentials and the skill sets of each of your employees. You may have much of this information in your head, or within each individual personnel file. If you compile a combined skills inventory, you will have a good idea of what you've already *got*. This will help you determine what you *need*.

## Employee Skills Questionnaire

Employees know the skills that are required to accomplish each job in a company. Create a simple employee questionnaire and send it out to your employees. It might look like this:

We would like to improve your experience in working with our company. We are seeking to evaluate the skills that are required for each job. This will help us understand your needs and develop new training. It will also help us evaluate employees for evolving and expanding roles within the company. Would you please describe:

- Your role in the company.
- Your educational background.
- What tests you have taken.
- Your licenses & credentials.
- Your prior training.
- Your experience — within our company and with others.
- Your skills.
- Your areas of knowledge.

Please return this form to \_\_\_\_\_. Your responses will be helpful, as we strive to compete in today's challenging business climate.

Take this information and use it to help build a framework for every key role in your company.

## Chapter Fifteen

### HR

---

### People

## HOW TO HIRE

Private businesses cannot afford to hire the wrong people. It's that simple. One or two bad hires can hold a company back for years. Therefore, it is critical that you plan your hires well in advance, and give careful thought to far more than the "job" itself.

Look back to your Employer Checklist. By now, you should have addressed the following:

Mission Statement

Darwinism – How Do You Compete?

Define Your Corporate Culture – What makes you great?

Organizational Hierarchy Chart – Position and Duties

Competency Models

Skills Inventory

Build Employee Templates

Job Descriptions

You have focused your company's mission to a few short sentences. You understand what your company must do in order to compete, today and in the future. You have a better idea of your dominant corporate culture, and the culture that you are trying to create. You have created a hierarchy chart, which details the specific duties that each employee should be accomplishing. You have created competency models for your company and determined the specific skills inventory of your existing people. You have built employee templates and written out detailed job descriptions.

## CREATING A HIRING FRAMEWORK

Now it is time to create a hiring framework. In order to be most effective at hiring, you need to:

- Have a firm and detailed picture of your ideal candidate.
- Know how to find that person; and
- Evaluate him/her appropriately.

**Once you have found this person, you need to be able to make him or her want to work for *you*.**

This is all fairly simple, yet few private employers follow a systematic process that achieves optimum results. Too many companies “fly by the seat of their pants.” They put a few ads in the paper, maybe post something on the Internet, ask a few friends. They conduct a few interviews, often as few as possible, because they are busy. Then they hire someone and hope things work out. Sound familiar?

**If you lack the right hiring framework, it could cost you tens of thousands of dollars (if not more) each year.**

Hiring should be a process that helps you find the best possible candidates for each job, and get them to want to work for you.

Here are the essential tasks that you must complete:

- **Review your mission statement:** Every employee should be advancing your company’s mission. You will need to share this with your candidates, so *you* should know it by heart.
- **Review your corporate culture:** You need to have a good grasp of your company’s culture, or the sub-culture of the department where your new hire will be working. If you hire outside far your culture, you are asking for trouble.
- **Review your hierarchy chart:** You should review your hierarchy chart and know where each new employee will fit on the chart. This may help you see any “holes” in your organization that can be filled by your new employee.
- **Review your company skills assessment:** Do

this as you review your hierarchy chart. Remember, you are not just looking for a salesman or a bookkeeper; you are looking for the *best possible candidate to enhance your overall company*. Sometimes, employees hired for one job end up performing in others within the company.

- **Review your job descriptions, particularly the one for each new hire:** You need to have a concise picture of the person you want to hire. You must be able to convey this vision to potential employees. Nobody wants to go work for a company that is disorganized, or commit to a position with nebulous duties. If you can't present a detailed job description, you may lose your best candidates. This wastes valuable time and money.

- **Interview your current employees:** Before making a new hire, you should take the time to speak to your current employees about the requirements of the job. In doing this, you will often learn valuable information that will enhance the hiring process.

- **Determine the specific needs & skill set required and desired:** Many private employers do not take the time to write out the specific qualities they are looking for in a candidate. Take a few minutes to write down the precise skills you are looking for in a candidate. This can help you set up a simple scoring system to use with potential employees. Set your standards high. You will always get enough candidates with lesser qualifications.

- **Determine the personal qualities desired:** Once you have determined the skill set that your new employee should possess, you should then make a list of the intangible qualities that you would like to see in your new employee. This might be as simple as jotting down a few characteristics like "team player," "detail oriented," or "sunny disposition."

- **Develop specific interview questions:** If you

are going to interview a number of candidates, you will need a scoring system. If you prepare a question track in advance, you will be able to categorize each candidate's answers in a way that will help you make a final decision. Also, an organized interview gives the right impression to the best candidates when they are deciding whether or not to work for you.

- **Prepare to present/sell your company:** Always remember; you want to hire the best people for your company. As discussed earlier, your most qualified candidates may be interviewing with several companies. You want to give them the most compelling reasons to work for *you*. You cannot simply present a job description, salary and benefits and expect the best candidates to begin lining up at your door. You need to present candidates with a compelling reason to work for you. This means sharing your company vision (mission statement) and letting them see what their role within this vision might be and become. This means delivering materials to your candidates that present your company in its best possible light. Give them a folder that highlights your company's mission. Include brochures, testimonials, and comments from your employees, anything that will make the candidate feel pride in working for your organization.

- **Recruit everywhere:** Once you are ready to begin your interview process...Once you know your ideal candidate...Once you have prepared for your interview and rehearsed selling candidates on your company, you are ready to begin looking for your new employee. As you do this, you should be prepared to recruit everywhere.

- Get referrals from existing employees.
- Use social media.
- Use the print media and Internet in every capacity you can.



- Utilize job boards and association listings.
- Network with other businesses in the area, even your competitors.
- You have set your standards high, so you need to cast a wide net to make sure that every top candidate will hear about your company. Don't stop recruiting until you have a good number of qualified candidates. This may take a little extra time and money, but it will come back to you many times over.
- **Avoid the “same” syndrome:** We often like to hire people just like us. The ideal candidate won't be just like you. Beware of hiring someone because you like them, or because they share the same interests. Stick to the script. You know what you are looking for. Don't get distracted by less important criteria, like a great smile, attendance at the same high school, or nice shoes.
- **Share your ideas & candidates with current employees:** Before you make a new hire, you should have this person interview with others in your company, particularly the employees with whom this person will be working. Share your ideas and get lots of feedback. This can act as a failsafe against hiring for the wrong reasons.
- **Make your final decision and then *sell* it:** Remember; you want to hire the best candidate and pay them as little as possible at first. You can always increase someone's pay, give a bonus or a promotion. You do not want to be in the position of having to overpay someone, simply because you haven't invested the time to find enough good candidates. You also don't want to make your best prospects feel like they aren't wanted. Make candidates feel special, because they are.

## Chapter Sixteen

### HR

---

### People

## BEFORE THE INTERVIEW

There are many things that should be done before you begin to interview candidates to work with your company. Some of these tasks are critical, especially when they are meant to help you navigate the law. Others are designed to help you become more efficient in your hiring process.

## THE JOB APPLICATION & RESUME FORM

A job application is standard operating procedure for almost any company. You want to ask questions that help you screen candidates, so that you interview only those who meet the minimum requirements of the job. You should also ask for a cover letter.

Unfortunately, there are many seemingly innocuous questions that cannot be asked on a job application (or in an interview) without inviting litigation.

Many generic job applications are available to employers. Most of these will help you obtain the information that you need — and will keep you out of trouble. Type “generic job application” into a Google search and you will get some examples.

If you want to avoid litigation and fines, why not go to the source? The U.S. government has many useful websites to help ed-

ucate employers about the law. The following site provides a compendium of employment law information:

<http://www.dol.gov/compliance/guide/index.htm>.

As you will see, the laws are daunting, with danger lurking everywhere.

## WHAT YOU CANNOT ASK

Here is a quick primer on what you cannot ask potential employees. You cannot inquire about a potential employee's:

- Sex
- Race
- Religion
- Age
- Marital Status (including maiden name or a spouse's maiden name)
- Height & Weight
- Military Service
- Political Affiliations
- Disabilities or Handicaps
- Criminal Records
- Home Ownership or Rental Status

This list has caused many a private employer to shake their head, wondering how they can make an informed determination regarding a candidate's fit for a job.

## PROTECTING RIGHTS

Answers to the above questions would provide you with useful information, particularly in regards to a candidate's character, and how they might mesh with your company culture. These questions are banned because employers are prone to discriminate, by making snap-judgments regarding this information, rather than examining the whole of a candidate. You will have to learn about your candidates in some other way.

## WHAT YOU CAN ASK

A job application can (and should) ask for the following information:

- Name & Address, including email address
- Personal Background Information
  - This includes skill sets & core requirements
- Educational Background (except dates)
- Work History

## HOW TO ORGANIZE

You should use the job application to screen potential employees for the minimum qualifications of the job. I recommend setting up **three folders**.

- The first folder should hold the applications of those that exceed your minimum qualifications by a significant margin. This is your "A" list.
- The second folder should contain applications from those that meet the qualifications of the job, but don't stand out as high quality candidates. This is your "B" list. You will interview individuals from this

grouping, only if you don't have success with your A list.

- Your "C" list folder will contain the names of those that do not meet the requirements of the position.

You should review your B and C candidates to see if they have qualifications that might be appropriate for some other position within your company.

You may wish to create additional, job specific folders, in which to keep these applications for the next time you are looking to fill a spot.

## WHAT TO DO WITH YOUR "A" LIST

Once you have narrowed your search to the top candidates, you should spend time drilling down through the applications/resumes for clues indicating the true *quality* of each candidate. Let's face it; every resume makes a candidate look like they could be your next CEO. Here is what you should do:

- Evaluate the cover letter for the communication skills of the candidate. Beware; many cover letters are prepared by professionals or taken from other sources. A good cover letter should be grammatically correct and well-conceived. A detailed letter also indicates that a candidate is interested in your company.
- Look for details. A good rule of thumb is: The more details you receive in the application or resume, the more valid the information.
- Give weight to a history of stability and advancement. Good employees are hard to find and expensive to train. Long tenures with prior employers bode well for a candidate's tenure with your company.

## RED FLAGS

You should always look for red flags; they are easy to spot. Look for areas of inconsistency, quality or lack of clarity. When you find red flags, you should place these candidates to the bottom of your A list, or even move them into your B or C folder.

The following are signs that a candidate may be misrepresenting themselves (which is obviously bad), or that they didn't write their own resume (which may or may not be a deal-breaker).

### CLARITY

- **Amorphous job descriptions.** If a candidate cannot be specific about what they've done, they probably didn't do it.
- **Participation trophies.** The words "participated in" or "helped with" are often clear signs that someone is riding the coat tails of others. Look for words like "headed" or "led" or "delivered."

### CONSISTENCY

- **Large gaps in employment chronology** are a definite red flag. Get them explained. "Unemployed" is not necessarily a bad thing. Many good candidates have been unemployed while looking for work. "Consultant" is a traditional code word for unemployed.
- **Short employment stints** are another area of concern. This may mean that an employee cannot get along with others, or that their job performance is not up to expectations.
- **Lack of advancement** is also a potential concern. It may represent a lack of motivation.

## QUALITY

If a candidate makes **mistakes** on a job application, such as errors in grammar or spelling, you should expect the same faults in their everyday work. With spell check software, careless mistakes like this are nearly unforgivable.

Once you have narrowed your stack of resumes to the chosen few, it is time to move on to the next phase of the employment process.

## Chapter Seventeen

### HR

---

### People

## INTERVIEW STRATEGIES

Unless you conduct employee interviews on a full-time basis, it is important that you structure them in a consistent manner. You want to ask each candidate the same questions. This will help you differentiate between candidates.

Do not conduct employee interviews until *you* are fully prepared. This means that you have done the following:

- Prepared your mission statement
- Completed your hierarchy chart
- Conducted your skills inventory
- Prepared a detailed job description
- Assembled the materials to “market” your company
- Prepared a complete set of questions to ask each candidate
- Thoroughly reviewed the resume of each candidate you will interview

## INTERVIEW GOALS

The initial job interview should be designed to address important key issues. You want this interview to provide answers to the following questions:

- Does the candidate fit your company culture?



- Does the candidate have the necessary skills to excel in the job and grow with your company? Is the candidate intelligent, enthusiastic and adaptable?
- Does the candidate's personality match that of his/her resume? Is this the type of person you would be proud to have working for your company?

You should not expect the initial job interview to produce a hiring decision. Although it may give you a feel about the candidate's ability to match your needs, it should not be the final meeting you have with any candidate before offering a job.

## THE WARM-UP

When the candidate enters your office or conference room, you should do your best to make this person feel welcome. The candidate may be nervous at first, so your initial goal should be to get beyond the awkwardness this creates.

No employee will be nervous when they are performing the tasks of their job, once you hire them. If you create an interview environment that is stressful, you will not get an accurate picture of the candidate's potential.

Give the candidate a smile. Shake your candidate's hand. Start with a little small talk. Once this is over, and the candidate is at ease, you can begin your interview.

## THE SET-UP

You want to be in **control** of the interview **without being controlling**. You want your candidate to open up and give you their best.

You should begin by telling the candidate how the interview will be conducted and how long it will take. Then you should use variations of the Socratic Method to learn what you can from the candidate. Ask questions, lots of questions — but only ones that matter.

## QUESTIONS

There are three main categories of questions — Closed-Ended, Hypothetical & Open-Ended. Each question form requires the candidate to respond differently. A good interviewer includes questions of each type, depending upon the information one is looking to obtain.

**Closed-Ended:** Closed-Ended questions require a “yes,” or “no” answer, or a number. An example would be, “How many years have you been selling widgets?” or “Do you like travel?” You should use these questions to gather specific information that you need.

**Hypothetical:** Hypothetical questions are open-ended questions that require a candidate to imagine themselves in a new situation, perhaps the one for which they are being interviewed. You want to use these questions to determine how quickly a candidate can adapt to new situations, and how they might relate their personal skills and experience to the job.

You might ask something like, “If you were our sales manager, what steps might you take to increase sales?” or “If you were me conducting this interview, what questions would you be asking?”

**Open-Ended:** Open-ended, hypothetical questions are the best kind to use in any interview. Answering an open-ended question requires thought. A candidate must draw upon their **experience, attitudes, interests** and **opinions**. You may ask a question like, “In your last job...could you give me an example of a problem you faced and how you solved it?” or “Can you tell me what steps you took to become more productive at your last job?”

## WHAT NOT TO DO

The job interview performs two critical functions:

- It helps you evaluate each candidate and choose the best one for your company.

- It helps you sell your company to your best hiring prospects.

**Never make the candidate feel that you are not 100% invested in the interview.**

You must make your candidates feel important. Do not convey to them that you are too busy. Don't answer your phone, emails or texts while you are conducting the interview. Focus on the candidate.

**Be energetic and enthusiastic about the interview.**

You should always make the candidate feel like they are interesting and worthy. Don't let a candidate think you are bored, even if this is the tenth interview of your day.

**Don't talk. Ask.**

Dale Carnegie used to teach individuals how to make other people like them. It is a well-known fact that, if you make someone feel important, they will like you. If your top candidates like you, they will think more favorably about working for your company.

If you do most of the talking, rather than most of the listening, you are not conducting a good interview. Remember our 80/20? You should be talking only twenty percent of the time.

**Remove the halo.**

There is a common phenomenon among interviewers that causes them to focus on one or two things, rather than the whole of a candidate. This is known as the halo effect.

Just because a candidate likes shopping or fantasy football like you do, does not qualify the candidate for a job. Just because someone was a member of the same sorority, knows every baseball stat, grew up in the same neighborhood, drives the same type of car, or wears nice clothes...you get the picture. Don't let one or two things about a candidate color your judgment.

**Don't be a shrink.**

Never think that a one-hour meeting has allowed you to learn everything that is important about a candidate. Our **instincts** make us want to **categorize** people from the outset. That may have been fine 20,000 years ago, when we needed to flee from a saber-toothed tiger. It is not a good practice when interviewing a candidate for a job.

**LISTEN**

You should listen carefully to the words of each candidate. You should also watch for body language.

Make a note of areas that make your candidate nervous. These could be red flags for you to address later on. Don't focus on your next question (which is probably written down anyway). Pay attention to each response from your candidate.

Worry less about the impression you are making on a candidate than the impression they are making on you.

You should always give your candidates plenty of time to respond. Remember, you want them talking, not hearing a lot of your words.

**MAKE NOTES**

As you listen, you should be **writing things down**. This will keep you focused on the candidate's answers. It will also convey to the candidate that you care about what they say. This helps candidates open up. It helps sell your company, by conveying the proper impression and gathering important data. You will want to refer to your notes in later interviews.

**PROBE**

The first answers you receive from a candidate will be the ones the candidate thinks you want to hear. These answers may have been rehearsed. They have probably been given to other potential employ-

ers. They are usually not the ones that will give *you* the most important information.

You should follow each question with deeper, **probing** questions that delve further into the subject matter. Your probing questions don't need to be profound. They could be simple questions like, "Could you tell me more about that?" or "Could you go into a little more detail about that?"

## DON'T MAKE SNAP JUDGMENTS

Humans have a tendency to make prejudicial judgments about other people. Don't feel bad about this; it is part of our DNA. We categorize everyone as soon as we meet them. We all have our own rating system, whether we want to admit it or not — smart/not smart, attractive/not attractive, nice/not nice, rich/poor, tall/short, slim/fat... We do this with everyone we meet.

Computer programmers have taken this very human trait and integrated it into the digital world, creating "hashtags." These are digital markings (tags) that categorize virtually everything that is put online.

As an interviewer, you must actively seek to suspend any judgments you might make. Ignore the nose ring or the pink hair at first. Outer appearance is not necessarily the best gauge of a candidate's true qualifications for a job.

## WHAT QUESTIONS TO ASK

I recommend that you break your questions into **four distinct categories**:

- **The Opening**
- **Personal**
- **Work Experience**
- **This Job**

Begin your interviews with questions that allow the candidate to become comfortable while talking. Your first questions should be quite **general**, requiring little thought from the candidate, while giving them great leeway in crafting their answers. A few short questions can help determine the course for the remaining interview, and also allow you to establish a good path to follow.

Your second set of questions will focus on the candidate's personal qualities. These questions should reveal a good deal about the type of person he or she might be, and whether or not they are a good fit for your organization.

After you have a good idea about the personal qualities of your candidate, you will want to learn more about their specific qualifications for the job. You want to learn how a candidate's personality and skills might translate into success with your company.

Your line of questioning might look like this:

## OPENING QUESTIONS

- Could you please tell me a little bit about yourself?
- What brings you here today?
- How did you learn about us?
- Why are you interested in our company/this job?
- Why do you want to leave your current position?

Remember, what you are looking to do in the opening of your interview is to get your candidate talking. The more comfortable your candidate feels at this stage, the more information you will learn.

**Your first questions should be completely open-ended.** This will help reveal what qualities the *candidate* thinks you are looking for.

The next few questions should reveal the candidate's current

employment status, and why the candidate feels like your company may be a good fit for their talents.

What you are looking for here is **feel**. Good opening questions will give you a good gut-check of your candidate. While we always want to be careful about making stereotypical judgments, we should also listen to the positive or negative feedback our subconscious gives us when we meet a new candidate.

A negative visceral reaction is often correct. If your body warns you about a candidate from the outset, this is a clear warning sign, and you should make a note of it. If your stomach churns, or your hair stands on end, take note and beware.

A positive reaction is also suspect. We often like people who are wrong for the job, and will find ways to rationalize around our feelings.

If you like someone, that is good. But pay careful attention to the qualifications the candidate actually possesses. Don't let the halo around a candidate color too much of your judgment.

## SCORE THE OPENING

### **Initial Impression**

When you have completed your opening set of questions, you should give your candidate a score of 1 through 10 regarding your initial impression. A high score means that your candidate is worth pursuing further. A low score (5 or below) means that there is no way that the candidate will fit within your organization.

Since time is money, if you are sure that a candidate is not right for your company, you will want to shorten your interview. Continue asking questions, but ask fewer of them. Be polite. Remember, you are also representing your organization. Even though someone is not right for your company, or the current position, all candidates deserve consideration and respect.

## PERSONAL QUESTIONS

Here is a list of effective questions that you may wish to ask your job candidates:

- If I were to ask your best friend to describe you what would he say? Follow up: Would you mind if I called him to ask him that same question?
- What are your two greatest strengths? Follow up: How have you developed these strengths? Could you give me some proof? Do you mind if I ask others about your strengths?
- What are your two greatest weaknesses? Follow up: What have you done to improve them?
- Can you tell me something negative that your current boss would say about you? Follow up: Why is that?
- What have you done to improve yourself?
- Can you give me some examples of things you have done to help others improve themselves?
- Where do you see yourself in the next five years? What are your short and long-term goals?
- How do you keep yourself organized?
- How do you deal with conflict in the workplace?
- What would you do if you witnessed another employee doing their job incorrectly?
- Please give me an example of an ethical dilemma you have had to face. Follow up: How did you deal with it? Why did you do it that way?
- How do you deal with stress? Follow up: What



do you do to reduce your stress?

- Would you please describe the perfect work environment?
- What are the last three books you have read?

With personal questions, you are looking to see if your candidate has the right work habits for your company. Does the candidate fit in with your corporate culture? Is she **morally and ethically sound**? Will your candidate be **supportive** of others and **represent** your company well? Will this person **build** others up, rather than tear them down? Can she manage the **stress** of the job, **balance** her life and not become overwhelmed?

### Personal Score

When you have completed your personal questions, you should give each candidate a grade of 1 through 10. Do it immediately after the interview, because this is the time when the candidate's answers will be clearest in your mind.

Make notes for future reference. Later, you may want to consolidate your top scorers for a second interview. Candidates with high personal scores, but lower work experience scores (covered next), may be good candidates for other positions within your company.

## WORK EXPERIENCE QUESTIONS

- Please tell me about your work style. (Or management style.)
- Can you give me an example where you succeeded beyond all expectations? Follow up: Any others?
- Tell me about a time when you had to overcome obstacles at work.

- Give me an example where your creativity was essential for a successful outcome.
- Can you give details about a time when you had to be highly analytical in order to succeed at a task?
- What was your greatest business achievement?
- Tell me about your worst business failure. Follow up: How did you resolve the issue?
- Where are you most competent? Follow up: Can you give me some examples?
- Could you give me an example where you have had to work with others?
- Give me an example where you have had to work alone.
- Do you prefer working alone or with others?

### **Work Experience Rating**

When you have completed this set of questions, you should give each candidate another grade of 1 through 10. Do the skills and experience of this candidate match those of the job? Has the candidate demonstrated the appropriate creativity and work ethic? Can the candidate work with others (at least as much as you want them to)? How does this candidate rank against employees already working for your company, as well as others you have interviewed for this position?

### **QUESTIONS ABOUT THE JOB**

- What can you do for us that others cannot?
- How would your skills and your past experience translate into success in this job?
- What is the first thing you would do if we hired you?

- What would you do in the first three months?

### Overall Impression

At this point you should rank your overall impression of each candidate. Again, you should give a score between 1 and 10. Here are a few of the criteria you should use to determine the rank of each candidate:

- You have a first (gut) impression.
- You know what is important to the candidate.
- You understand some of the candidate's strengths and weaknesses.
- You know how this candidate has functioned in previous jobs, and how the candidate might fill a role in your company.
- You have asked the candidate to wear the shoes of the job, and what he would do if he came to work for your company.

Now, give your candidate a *firm* score.

## CLOSING THE INTERVIEW

Once you are done with *your* questions, you will want to ask the candidate if he (or she) has any questions about the job and your organization. Pay close attention. The questions a candidate asks will give you a good idea about their interest in the position.

A good candidate will ask you questions about how they might fit in with your company. They will ask you about the work environment, what growth opportunities there are in the company, and where your organization is heading (including its stability).

Beware of the candidate who asks about salary, perks and vacation time. Be aware that a well-coached candidate knows to avoid these questions.

## TO FINISH:

- Give a short synopsis of your company and the position you are offering.
- Give the candidate a summary of what you perceive to be their strengths and weaknesses. Explain how the candidate might (or might not) fit with your company.
  - You should then give your candidate a chance to add to you your summary or challenge your findings.
- Tell the candidate what comes next. Is this the end of the road? Will the candidate be asked for another interview session? Are there tests to complete, or background checks to be performed?
- Once the candidate is aware of your impressions and what comes next, you should end the interview. Stand, extend your hand, look the candidate in the eye and smile. “Thank you for coming today. It was a pleasure to meet you...”

## YOUR FINAL GRADE

You should schedule time after every interview, so you can review the session in your mind. Every candidate will have a different feel; they are as unique as snowflakes. Make notes on your impressions while they are still fresh in your mind. You will want to review these later. Once you are done, give the candidate a “**yes**” or a “**no**” beside their name.

### **Final Score**

At this point, you should give each candidate a final score. Your final score should be on a scale of 1 to 100. This is when the information is fresh in your mind, so don’t procrastinate.

If you are doing things correctly, you will conduct further interviews with your top candidates. The initial interview score will not be the one that determines your ultimate choice, but it will be a big part of the final choice process. Make it count.

## DON'T DISCRIMINATE: FOLLOW THE LAW

### What You *Can't* Say

The antidiscrimination laws from the 1960s (and beyond) severely restrict the types of pre-employment questions you can ask. Asking the wrong interview questions can get you into serious legal trouble. That's why it is important that you understand what you can and cannot say. You can ask many of these questions once a candidate becomes an employee, but not before. Interview laws are designed to prevent you from discriminating against candidates based upon their:

- Age
- Race
- Gender
- Religious preferences
- Nationality
- Health
- Home ownership status
- Marital status
- Language

## AGE

Before hiring someone, you cannot ask how old they are. You may not ask them questions like, what year they graduated high

school, or anything that would lead you to know their age. Once a candidate is hired, it is okay to know when they were born.

## RACE OR NATIONAL ORIGIN

You cannot ask where a candidate was born, where the candidate's parents were born, or what native language they speak. This includes asking questions that might give you clues regarding any of the above.

## GENDER

Employers cannot discriminate by gender when it comes to any aspect of employment, including hiring. There are laws against gender discrimination regarding firing, equal pay, job assignments, promotions, layoffs, training, fringe benefits and any other condition of employment.

## RELIGIOUS PREFERENCES

You are not allowed to ask *any* questions that would cause you to learn the religious preference of a candidate. Do not ask things like, "What holidays do you observe?" or, "What frat were you in while attending college?" Any question that would lead you to learn religious information could be deemed discriminatory.

## NATIONALITY OR CITIZENSHIP

You are not allowed to ask questions about any candidate's country of citizenship. While you can't ask if the candidate is a U.S. citizen, you are allowed to ask if they will be able to prove (once hired) that they can legally work in this country.

## HEALTH

Disability laws forbid potential employers from asking candidates about *any* health issues that are not directly connected to the requirements of a specific job. You may not ask questions that might lead her to reveal a current (or even previous) health condition. This includes whether the candidate has received disability payments or

workers' compensation in the past.

## OWNERSHIP

Because home ownership may lead an employer to guess nationality or minority status, questions regarding home ownership are forbidden. It is okay to ask an address, just not whether a home is rented or owned.

## MARITAL STATUS

This one is particularly challenging. As an employer, you are not allowed to know (in advance) whether or not a candidate is married. Employers are not allowed to ask any questions that might lead to this information, such as, "What is your maiden name?" This sort of question also applies to questions regarding national origin.

## LANGUAGE

Language preference will often reveal a candidate's country of origin, and must therefore be off your question list. Any question that would lead an employer to learn the language of choice is against the law. Once employed, this type of question is okay. Not before.

## SUMMARY

Hiring should be an organized process that ensures that you find and recruit the most highly skilled candidates for your business.

Proper preparation is important. You must create an interview template that will help you effectively evaluate each candidate, so that you choose the proper one. You should ask the right questions and avoid the wrong ones.

If you follow this advice, the quality of your new employees will continually improve.

## Chapter Eighteen

### HR

---

### People

## EVALUATING CANDIDATES

### EVALUATION:

Okay. You have interviewed as many candidates as you can stand. It is now time to narrow the field.

If you have done an effective job in recruiting, you should have a number of promising candidates.

At this point, you should:

- Review and assess the **position** — again.
- Make sure that you know what your company needs — overall, including the specific requirements of the job in question.
- Review your job description for this position. Know what you are looking for.
- Rehearse your presentation, because you will not only be evaluating candidates, but *selling* the best ones on coming to work for your company.



Go through your stack of candidates and select those with the highest grades. If you have made careful notes, this should be easy.

You may find that you have two real grading systems. You have an objective grading system, based upon each candidate's job experience and skills. You probably also have a gut sense, a visceral rating for each candidate.

Your gut is just as important as your brain. But make sure that your gut likes someone for the proper reasons, not because of the halo effect.

## HOW THE PROS WORK — PAST PERFORMANCE

Hiring professionals know that the best indicator of a candidate's future performance is past performance. If a candidate has demonstrated the ability to work hard in the past, to advance, to learn new concepts and support the "team," they will usually do so again.

An employee who was a bust in their last position, regardless of their excuses, is less likely to thrive in their new job.

Of course, there are exceptions to any rule. Prior conditions may have been different. Circumstances may have dramatically affected a candidate's ability to perform. You should, however, always consider past experience as rule #1.

## REFERENCES

You should always take the time to check references. Make sure that your candidates know that you will be checking them. References will not always be reliable, but they can give you a good indication of the validity of a candidate's information.

Use references as a fact-checking device. Try to get a candidate's references to be as specific as possible. When Linda says, "Mary was a very good employee," you might ask, "Could you elaborate on that for me, Linda?"

## GUT CHECK

Pay attention to your overall impressions of each candidate. If you really can't warm to someone, despite their qualifications, try to figure out why. Liking someone is not necessarily a reliable indicator of good performance, but people often don't work well with people they dislike.

## AN OVERALL SCORING SYSTEM

You took time to assign scores to your candidates while you conducted your interviews. Now, it is important that you refine those scores so that you choose the absolute best candidates to work for your company.

## WEIGHTING

Let's face it; some qualities are just more critical than others.

The important requirements for every job should be listed in its job description. If you haven't done this, you are severely restricting the quality of your hiring process. Review your job description for each position, and break out the most important requirements. Give each of them a ranking of 1 to 10, with ten representing the highest importance.

**For example:** Let's say that you are hiring someone to provide support to your field salespeople. This person should have prior knowledge of the industry, as well as your product. Computer skills are essential, since this person will need to navigate quickly, as they support the field. Perhaps this person will need to deal with customers, so customer service experience is important. They must possess good people skills, the ability to speak well, perhaps have an empathetic nature. The candidate must also be able to multi-task and handle stress. The candidate must be intelligent and adaptable. They must have a good work ethic and a history of superior job performance.

Set up a grid, listing the requirements of each job, and the

weighting you want to assign to each attribute of a candidate’s score. Your grid might look like this:

CANDIDATE # 1

Performance Category	Weighting	Score	Weighted Score
Product Knowledge	5	8	40
Computer Skills	8	4	32
Customer Service Skills	7	6	42
Speaks Well	7	8	56
Shows Empathy	6	8	48
Multi-Task	8	5	40
Intelligent	7	9	63
Adaptable	9	9	81
Work-Ethic	10	6	60
History	10	6	60
		Total Score	522

You can construct a grid in any way you wish. You might even add items that create a negative score. A candidate’s salary requirements might be used in this way. Paying a higher salary demands greater productivity. If you adjust for the higher salary in your scoring system (with a negative weighting), this may help you determine the most value for your money.

## DON'T RUSH

When a private business is looking to hire someone, the position is usually critical, and must be filled as soon as possible. It is very easy to rush the hiring process because you've got "more important things to do." *Au contraire, mon ami.*

If you rush the hiring process, the cost could be devastating to your business. If you hire the wrong person, you will have to fire your new employee (if you can) and start the entire process over again. *That* would really waste your time and money. So take your time. Get some feedback from others (but not too much) and check out the facts. Call references, cross-verify wherever you can, and look for inconsistencies as you gather data.

## THE SECOND INTERVIEW

The second interview is a good place to get other employees involved in your process.

Employees can act as goodwill ambassadors for your company, helping you sell attractive candidates on your company. Other employees may also be able to give valuable feedback on traits you may have missed or overlooked.

Once you have chosen your top candidates, invite them back to meet with you, along with a few of your company's employees.

This second session should be more heavily weighted toward the candidate's skills and experience, and how they will directly translate to success in their job with your company.

Give each candidate time to ask questions. They are evaluating *you* as well.

## FINAL SCORE

Once you have conducted your follow-up interviews, you should determine a final score for each candidate. Rank them, with #1 being your top choice. Huddle with your employee-interviewers

and ask what they think. They will each have a favorite, although the favorite won't always be the same among your employees.

Once you have found your top candidate, you are ready to move to the next stages of your hiring process.

## Chapter Nineteen

### HR

---

### People

## USING THE INTERNET

Although the Internet is everywhere, many employers have not fully embraced it as a hiring tool.

The Internet can be used to post job listings on sites like Career-builder.com, Craigslist.com and Monster.com. Monster and Career-builder also have arrangements where employers can review hundreds of (hidden) resumes that are posted online.

Employers who are willing to put in some effort can review the resumes of many candidates who would not normally respond to their posted advertisement. You may find many of your best candidates in this manner. This could keep you from wasting time responding to the hundreds of nonqualified candidates (which will come to you like spam).

The Internet can also be used to learn more information about candidates. Through the Internet, information will come to you in a raw, far less filtered manner than in a resume.

More and more candidates are building Facebook or LinkedIn accounts. These can be used to verify information and achievements. Individuals are less prone to hyperbole (or flat-out lying) when they know that friends and co-workers will be reading what they say. These profiles, particularly on non-business sites, often reveal personality traits that will never show up on a resume or in an interview.

Many a candidate (and employee) has met his doom because of Internet postings.

Search engines like Google are another good source of information. Google a candidate's name and see what you get. You can often learn what they have done, in business and in the community — all without having to ask! This information is public. You may use it as best you can, even if it is information you could never ask for during an interview.

## Chapter Twenty

### HR

---

### People

## TESTING & PRE-EMPLOYMENT SCREENING

Pre-employment testing and screening (like background checks) treads on tricky legal ground, upon which you may or may not want to venture. When done before hiring, testing and screening can violate a candidate's civil rights.

Why do it then? *Effective* testing and screening can save you money and time. I have utilized personality tests when hiring my own employees. In 1983, I hired Dr. Timothy Sadler to co-develop a comprehensive test (with 256 questions) which effectively measured all aspects of an individual's personality. It was eerily accurate.

Correctly administered tests can objectively measure skills, assess knowledge and qualifications, and determine personality characteristics that may be critical to top performance. Many tests can be conducted at reasonable costs. They can provide information that will help you make good hires, as well as help you manage new employees effectively.

### DO NOT USE A TEST UNLESS:

- Your test results produce a high correlation with job performance.
- Your tests assess the appropriate skill set required for the job.



## AVOID TESTS THAT:

- Discriminate.
- Produce data that is erroneous or irrelevant.

There are literally thousands of tests you can perform. If you are a member of an association, try checking with your association's executives to see which tests are most appropriate for your industry.

There are two books that review tests which may be helpful for your company. They are entitled, *Tests in Print* and *The Mental Measurement Yearbook*. You can learn more about these at:

<http://www.unl.edu/buros/bimm/html/catalog.html>

## USING TESTS EFFECTIVELY

### PERSONALITY TESTS

Personality tests can be enormously helpful in your hiring process, as well as in employee management. These tests can measure (and quantify) the key characteristics needed to perform well at certain tasks.

Wouldn't you like to know if a potential salesperson is naturally resilient? Wouldn't you like to know that a potential client service rep has empathy? Of course you would!

Tests like the Minnesota Multiphasic Personality Inventory (MMPI), the Thematic Apperception Test (TAT), the Birkman Method, or the Rorschach (Inkblot) test can be helpful in understanding the **dominant personality characteristics** of a candidate (or employee). These usually require the help of a trained psychologist.

There are many "four quadrant" models (such as Amiable, Analytical, Expressive, and Driver). These are easy for the layman to understand and utilize effectively. The Myers-Briggs Type Indicator is quite effective. It measures how people view the world and make decisions.

With today's computer power, most personality tests can be scored, evaluated and printed for you quickly, at very reasonable costs.

I suggest that you employ this type of testing only as a *final* criterion when evaluating a candidate.

**Caution:** Testing is a powerful tool if used properly, and dangerous if used incorrectly. You must be willing to take the time to understand the relevancy of this type of testing to your business. You must also be willing to cede some of the hiring power to others. Outside experts (who may or may not know your business) will become part of your critical hiring decisions.

## SKILLS TESTS

Many of us took Achievement Tests before applying to college. Achievement Tests are a fairly accurate measure of an individual's cumulative knowledge in a subject, and can be a tool to help predict one's future success in college.

There are tests that measure skills in virtually every business area. If it is important, you will find a specialized test to measure any skill set that you need in a candidate.

The reliability of skills testing is generally quite good, particularly if you have a baseline from current or former employees.

## ABILITY AND APTITUDE TESTS

Many of us took the SATs while in high school. These tests measure "scholastic aptitude," and have a fair correlation with academic success. There are exceptions. Many bright people with comparatively low SATs have been high academic achievers. Many with high SATs have flunked out of school. The same will hold true with any aptitude testing you may require. These tests can be quite helpful, but should be used only as one predictive indicator of future success.

Aptitude (achievement) tests can be helpful in identifying:

- Base Intelligence — such as verbal capabilities, the ability to reason, or perceptual speed.
- Mechanical Abilities — such as the ability to distinguish mechanical differences that are not apparent to others. People with high mechanical abilities understand how things “work.”
- Mind/Body Abilities — such as the ability to learn new motor patterns.

The U.S. government makes their General Aptitude Test Battery available to employers at:

<http://www.doleta.gov/>.

### **Beware of Rights**

Be very careful when using aptitude testing, as it is easy to violate the rights of disadvantaged groups under EEO law.

## **HANDWRITING TESTS**

Don't mess with them.

## **INTEGRITY TESTING**

Integrity testing is an area of great debate. Tests that measure honesty and integrity must be job-related, or they can be deemed discriminatory.

Companies that deal with customer finances, private data or trade secrets may have a need for this type of testing. Companies that run the risk of employee theft also have need for this type of testing.

Some tests can be very good indicators of a candidate's moral character.

## POLYGRAPH TESTS

The Employee Polygraph Protection Act of 1988 restricts the use of polygraphs within private companies. In many instances, it is illegal to ask an employee to take one. However, under certain circumstances, companies involved with money and security issues may be able to utilize lie detector tests.

The reliability of these tests is debatable, and highly dependent upon the skill of the test operator. Seek legal counsel before traveling down this road.

## TESTING SUMMARY

Testing can be a valuable tool in your employment arsenal, particularly if you narrow the scope and fully understand the testing methodology. In order to be most effective with your testing, you should:

- Learn about the entire testing landscape. There are many tests. Take care to find the right ones for your company.
- Have a clear understanding of what you are trying to measure.
- Be sure that the testing results are reliable.
- Check the credentials of any testing company and/or test professional.
- Understand the legal restrictions to any testing you may wish to utilize.
- Don't violate a candidate's (or employee's) civil rights.

## Chapter Twenty-One

### HR

---

### People

## THE JOB OFFER

Once you have decided upon a candidate, make an offer. You should do this quickly and professionally. Prepare a one-page sheet with your candidate's name along the top. This sheet should give a brief job description, along with your proposed salary, bonus arrangement, perks and other benefits.

You should give your candidate time to respond, but you should also set an acceptance deadline. This may be a week or so for senior management positions. A couple of days are enough for most entry-level jobs.

When the candidate accepts your offer, you should have the candidate sign this sheet and keep it with your files.

### **Be Prepared & Persistent**

Your best candidates may not accept your first offer. You should decide, in advance, just how far you are willing to go with an increase in salary, perks, etc. If you do this prior to a rejection, you will be more apt to keep your emotions out of the equation.

## EMPLOYMENT AGREEMENTS

Employment agreements are becoming more popular, particularly in the most highly competitive industries. An employment

agreement protects both the employer and the employee. An agreement especially benefits the employer in areas where trade secrets, clients and prospect lists must be protected.

An employment agreement should detail:

- Job Title
- Duties (job description)
- Expectations (responsibilities, obligations and conditions of employment)
- Damages & Remedies

## SELLING THE JOB TO THE RELUCTANT CANDIDATE

If a candidate doesn't accept an offer, this does not necessarily mean that they won't come to work for you. Your candidate may need time to process the offer or speak with others, such as a spouse or parent.

Some candidates must still be "sold" on your company. If this happens, be careful not to push too hard. Inquire politely if there is any information you can provide that will help them make a decision. Ask if there is something in particular that is making them hesitate.

At this point, you may need to make a decision about whether or not to sweeten your offer. You should already know what terms (and how far) you are willing to adjust. This may depend upon whether or not you have other qualified candidates for the job.

If you are light on qualified candidates, you may be more apt to adjust your offer. If you have a dozen similar candidates, you will be less inclined to budge.

Salary is often the most important impediment to someone accepting a position with a private company. This is not always the case, so don't rush to increase pay until you understand just *what* is

keeping your best candidate from coming to work for you. Sometimes family issues are involved. Commuting considerations can play a factor. Advancement opportunities are usually more limited within a small company environment.

Do your best to find the true reason for a candidate's reticence, before improving your offer. It may be as simple as letting her leave early on Thursdays so she can coach a child in soccer or basketball. Maybe the candidate wants *less* salary and *more* incentive pay. You don't know until you have asked. So, ask.

Once you understand the true reasons why you have been rejected (Yes, it will feel that way.), you will know how to react. Don't respond frantically. Be polite and professional. Woody Allen once said, "I'd never join a club that would accept me as a member." No one wants to work for someone who is too desperate to have them. Your best employees want to be appreciated, not worshipped.

## Chapter Twenty-Two

### HR

---

### People

## SETTING THE GROUND RULES

There is an old saying that says: When you start something new, you want to “get off on the right foot.” This cliché holds true when you hire a new employee.

When an employee comes to work for your company, you should set the ground rules at once. This way, new employees will know what is expected of them. This will enhance productivity and avoid mistakes.

Make the transition to your company as easy as possible. You work far too hard to hire good employees, only to lose them (physically or emotionally) in the first week on the job.

### **Reduce Stress**

Starting a new job is stressful. Stress reduces one’s ability to perform at peak ability. Therefore, you want to make every new employee’s transition to your company as stress-free as possible.

## NEW-EMPLOYEE ORIENTATION

Large companies are famous for handing out stacks of folders that detail every aspect of a new job. They conduct employee orientation meetings and prepare hundreds of online videos.



Small businesses tend to thrust a new employee into their new job and expect them to perform at once. Training might consist of the words, “There is your new desk. Go get ‘em tiger.”

Too many employers think that “on-the-job” training is all a new employee needs to reach his full potential — by noon. Don’t make this mistake.

Orientation should not take place by osmosis. It should not be conducted in puppy dog fashion by following good ol’ Joe around the office for a few days. New employee orientation should be a well thought out process designed to acquaint your employee with the job, to get her working efficiently, as soon as possible.

### **Welcome Packet & Procedures Manual**

Every new employee should be given a *Welcome Packet* and *Procedures Manual*. This should include all of the information they will need to navigate the job. I’ll discuss this later in this chapter.

## **A FRIENDLY ENVIRONMENT**

You must develop and support a company culture where existing employees welcome new ones and make them feel comfortable from the start.

### **Encourage Inclusion**

It is natural for employees to remain focused on the tasks of their *own* jobs, rather than be sensitive to the feelings of someone who is new to the company. It is easy for employees to maintain existing cliques, without letting the new guy or gal in. Make sure that your current employees know that it is part of *their* job to help new employees assimilate into your company.

### **First Impressions Matter**

You don’t want a new employee’s first impression of your company to be a bad one. First impressions last a lifetime and you only get one chance. The right impression can foster company loyalty

from day one. The wrong impression can plant a seed that will lead to discontent and increased employee turnover.

Your company (you and all your employees) should do everything you can to make new employees feel part of the team. You should:

- Have someone (preferably you or the employee's new boss) meet each new employee at the company entrance on their first day.
- Personally introduce each new employee to your company receptionist, and to your employee's new team members.
- Give each new employee an orientation packet. This should include a phone and email list, a company hierarchy chart, a Policies and Procedures Manual, etc.
- Set up an informal meeting (perhaps in your lunch room) where you can introduce your new employee to the team.
- Actively encourage current employees to welcome new ones.
  - This can be done through your company newsletter. If you don't have a newsletter, this can be done through a company-wide email or a simple hand out sheet. This should include a short bio (and perhaps a picture) of your new employee, along with her job title.
- Schedule lunch for your new employee with at least one member of her team, and/or with you.

## YOU GET WHAT YOU EXPECT

In life, we often get what we expect. If we set high goals, we will often achieve them. If we don't, we won't. The same holds true with new employees.

If you don't tell a new employee what you expect, you generally won't get what you want and what need.

## INITIATE NEW EMPLOYEES INTO YOUR CORPORATE CULTURE

If you hired correctly, you reviewed your company's products and services during the interview process. You shared your company's mission statement and company goals during interviews. You told your candidate how great you are.

Now that your candidate has become an employee, you need to do this again. A candidate's mindset is far different than that of an employee. You must understand this and act appropriately.

Just as you get one chance to make a first impression, you get one great chance to shape a new employee to your corporate culture.

When an employee walks through that front door on their first day, think of them as a lump of clay, ready to be shaped to what you want and need them to be. After a few short days or weeks, they will begin to harden into place. You need to make sure that they settle properly into their job, that they assimilate into your corporate culture, and that they develop the habits that will make them great. In this meeting, you should:

- Give a complete review of your company's evolution. If you are the owner, you should tell the story of how the company came to be. If you are not, you should learn the story and relay it to every new employee.
- Describe your company's industry and where you fit within it.

- Give a detailed review of your company's products and services. Every employee should know what you do.
- Review your company's mission statement. Read it out loud. Have your new employee read it out loud. Tell them that they must have it memorized before their first review.
- Review your company goals. Break these down to department goals, particularly as they relate to your new employee. Then explain the part that your new employee plays in helping reach these goals.
- Describe how all of this fits into your **corporate culture**. Remember, this is the time that your new employee is most impressionable. Make sure that she understands what your company is all about, and how she fits into the whole.
- Make your new employee feel important. She *is* important, critical in fact. Every new employee is worth more to your company than your car, or your finest piece of jewelry. Treat her that way, not like she doesn't matter and you have more important things to do.

*Write this all down! Be organized.*

## HOW TO SET THE GROUND RULES

Every new employee should:

- Receive a clear *job description*. This is something they should hang up beside their work chair, maybe even memorize. Remember, a job description should prioritize *tasks* so that your new employee works productively. You must take the time to review this with every employee to make sure that it is well understood.

- Write out a goal list. You should sit with each new employee and help them write out their goals, as they pertain to the new job. This will help keep your employees on task and keep them productive.

You, the employer, should:

- Establish your performance standards and the way in which your employee will be evaluated.
- Establish a review schedule, where your employee's performance will be evaluated.

## THE WELCOME PACKET

On every employee's first day, someone should sit down and explain what is expected. Your employee should be given a road map to help him navigate the job and reach his destination — success with your company.

### **Procedures Manual**

Every new employee should receive a Procedures Manual. This manual will detail *where things are* and *how things work* in your company. Your manual should be a reference that every employee can review any time they need to find or do something.

A procedures manual should answer the questions your new employee might ask of a co-worker. Anything an employee may need to find should be listed in the guidebook. This saves interruption and maintains productive work time. Your manual should explain where to go for things and who to call. Who does one go to for supplies? Who arranges travel? Who hands out paychecks? This includes where things are situated, such as rest rooms, lunch rooms, fire exits, first aid kit, copiers, security office, parking spaces, etc.

### Organization is Critical

The best way to accomplish all of your first-day tasks is to keep things organized. You should set up a schedule where your new employee receives everything she needs, and meets with the appropriate people. For some companies, this could be a meeting with one person. For others, it could be a full day of shuffling from office to office.

A new employee may have a first-day agenda that looks like this.

7:30 a.m.	Meet with Jim CEO for breakfast
8:30 a.m.	Review with Sandy Beach, head of HR
9:30 a.m.	Coffee break with staff in small lunch room
10:00 a.m.	Meet with Sally Sales to meet your new team
10:45 a.m.	Tour of facility with Sandy Beach
11:15 a.m.	Meet with Tom Comfort to review benefits
12 noon	Lunch with Jim CEO, Sally Sales and Sandy Beach
1:00 p.m.	Policies & Procedures review with Sandy Beach
2:00 p.m.	Coffee with your company mentor, Al Friendly
2:45 p.m.	Meeting with office manager, Sally Smart
3:15 p.m.	Meeting with Jack Safe, director of security
3:45 p.m.	Office organization with Sandy Beach and Sally Smart

### EMPLOYEE REVIEW

Once your new employee has had a chance to settle into your company, and once she has been through orientation, you should

have a sit-down where you ask about the effectiveness of your process. Get feedback from every new employee about how well you managed the process.

Prepare an employee review sheet that allows new hires to respond, explaining how well you handled the orientation process. Did you explain everything your employee needed to know? Did you make your employee feel comfortable with his new business home? Was your employee productive from the start, or did it take too much time to get oriented to the job? Does your employee understand your corporate culture and his place within it? What could be improved about the process?

Here are a few questions that you may wish to ask:

- What was it that made you want to work for our company?
- Do you understand our company mission and your role within it?
- Have we met your expectations?
- What could we do better?
- Were other employees helpful when you first came to work with us?
- Were the materials you were given adequate? What could we improve?
- Do you perceive your job differently now than before you came to work with us? What are the differences? How can we improve our hiring process?

## GIVE YOURSELF A SCORE

Set up a process to evaluate the effectiveness of your hiring procedures. Make a note of what you are doing well and what could be improved.

## Chapter Twenty-Three

### HR

---

### People

## POLICIES AND PROCEDURES MANUAL

Even if your company is small, you need to have a Policies and Procedures Manual. A P&P manual is like a business plan for your employees. It gives them a single resource that tells them how things work. It is also designed to give employees all of the information that is required by law.

Your P&P manual does not have to be a thick and imposing document. However, the more comprehensive you can make it, the better off you'll be.

**HINT** — While your manual may contain a breadth of information, you should put as much of it as possible into a format that is simple to read and easily accessible to your employees.

### BUILDING A MANUAL

There are many places to get help building a policies and procedures manual. Type the key words into your search engine and you will find thousands of sources to help you. These are the areas that should be covered in your document:

- You should address all of the applicable state and federal laws regarding:



- Hiring and Reporting
  - Employment Practices
  - Sexual Harassment Issues & Training
  - Exempt & Non-exempt Employees (discussed in Chapter 29)
  - Wages
  - Overtime
  - Benefits
  - Antidiscrimination Practices & Remedies
- You should discuss state and federally mandated programs and benefits, such as:
    - Social Security
    - Workers' Compensation
    - Unemployment
    - Jury Duty
    - Military Leave
    - School Visitation Rights
    - The Age Discrimination in Employment Act of 1967
    - Equal Employment Opportunity (EEO) Laws
    - Fair Credit Reporting ACT (FCRA)
    - The Federal Fair Labor Standards Act of 1938 (FLSA)
    - The Women's Health & Cancer Rights Act (WHCRA)
    - Uniformed Services Employment & Reemployment Rights Act
    - National Defense Authorization Act of 2008
    - Caregiver Leave

- HEART Act of 2008
  - Wages & Hours
  - The Occupational Safety & Health Act (OSHA)
  - The Employee Retirement Income Security Act (ERISA)
  - Uniformed Services Employment & Reemployment Rights Act
  - Employee Polygraph Protection Act
  - Garnishment of Wages
  - The Family & Medical Leave Act
  - Plant Closings & Layoffs
- Give an outline of company policies regarding:
  - Salary & Wages
  - Payment Dates
  - Telephone Use
  - Internet Use
  - Email Use
  - Standard Mail Practices
  - Confidentiality Practices
  - Standards of Conduct
  - Performance Reviews
  - Disciplinary Policies
- Include a list of the appropriate Department of Labor laws.
- Provide information on company sponsored benefits:
  - Life & Health Insurance
  - Disability Insurance
  - Retirement Plan(s)
  - Vacation Time
  - Sick Leave
  - Holidays

The preparation of a policy manual is usually a collaborative effort, with contributions from all divisions of the company. A copy should be made available to all employees. This can be a hard or electronic copy. Electronic copies can be forwarded anywhere, so you may wish to safeguard these with a password.

## Chapter Twenty-Four

### HR

---

### People

## EMPLOYEE COMMUNICATION & TEAMWORK

We examined communication in the Big Picture section of this book. Because of its importance, we are now going to review this in greater detail.

In the early 1990s, W. Alan Randolph, a professor of management at the University of Baltimore's Merrick School of Business, conducted a detailed study of ten major corporations. Randolph concluded that open communication was one of the most important predictors of corporate success. Randolph concluded that the most successful companies had multiple lines of employee communication. He also found that these companies communicated constantly, through:

- Regular emails
- Daily briefings
- Corporate meetings
- Computer access to information

Randolph also concluded that the most successful companies

had a free flow of information in *both* directions, up and down the corporate hierarchy. This communication gave employees a sense of empowerment. It also kept the companies fresh with ideas.

Successful corporations tend to share items like their company vision, financial data, market share and profitability. Compensation in upper management is often incentive-based, with bonuses, stock options, etc. This makes the sharing of financial information rather critical.

Private companies do not have the same financial reporting mechanisms as large, public corporations. Also, it is not always prudent for a small business owner to share key financial data with employees. In some situations this can alert competitors or even breed discontent. However, private companies should emulate the practice of open communications.

### **What To Communicate**

Even in small companies you should be sharing your:

- Strategic vision
- Sales initiatives
- Service initiatives
- Some sales data, even if it is listed as percentage increase or decrease
- Production rates
- Competitor activities

You can keep communication open between management and employees in many ways. The traditional suggestion box can still be utilized. Electronic versions can be implemented on your website, or in blogs, podcasts, videocasts and emails. You can also use social networking sites like Twitter, Facebook or LinkedIn. You can use

posters, company meetings, even papers pinned in the lunch room.

Anything to keep the lines of communication open will help employees remain engaged in your company. You may even wish to have your CEO meet regularly with employees.

Communication shows that management cares. It builds loyalty with employees. It is a valuable source for new ideas. It can help make your company great. Empowered employees are more creative; they work harder; they are better with your customers.

Another function of the communication system is to reward employees for outstanding performance. Remember our example from McDonalds? Simple recognition can create powerful incentive for employees at a negligible cost.

## TEAMWORK

Communication is also important in building effective teamwork. The success of a private business is often determined by how well its employees can work together. Think of an eight-man scull rowing in a regatta. If the eight rowers are not stroking together, if just one is paddling against the others, there is no way to win. It is the same with a small or mid-sized business. Every employee must be working with, not against, the others.

### **Reduce the Hierarchy**

One of the keys to successful teambuilding is the reduction of the corporate hierarchy. A manager who is afraid of criticism, and reacts negatively to it, will miss out on constructive criticism that would make him a better leader. A boss who hogs all the credit will reduce incentives for initiative, and won't get much help.

A business leader that can learn to praise employees for useful criticism, and reward employees for speaking up about problems or solutions, is the type of leader who gets the best from his people.

## TEAM MISSION

We talked a lot about your mission statement. Teams work best when they are working toward a clear, common mission.

Large companies have groups of teams. A small company might have just one.

Regardless of size, every team must have a shared mission and a common, strategic focus. With every team, you should:

- Set the ground rules. What are you trying to achieve?
- Assign duties within the team.
  - Write these out.
  - Clarify the roles, but allow for flexibility and the crossing of duties.
  - Allow your team members to suggest better ways of accomplishing tasks, even if it is not their specific duty.
- Have realistic targets and expectations.
- Establish measuring sticks for progress.
- Hold people responsible for their duties.
- Establish team rewards for excellent ideas and production.
- Establish a mechanism for suggestions and criticism.

Take great care to see that your employees function together well as a team. The more you can do this, the greater your profits will be.

## Chapter Twenty-Five

### HR

---

### People

## UNDERCOVER BOSS

The television show, *Undercover Boss*, is a fine example of communication in action. Corporate executives go under cover inside their own companies. They interface directly with employees as they embark upon the most menial tasks within their company.

The results of raw, first-hand communication are extraordinary. Executives come away with a far greater appreciation for what their employees endure. Employees come away with the feeling that management cares about them.

The results of effective communication are clear and powerful. Executives learn new ways to improve their company. Employee morale is boosted. A better company results.

You may not have the opportunity to go undercover within your own organization. But your executives do have the power to work side-by-side with employees and help build a better, more efficient company.



## Chapter Twenty-Six

### HR

---

### People

## PERMANENT OR TEMP

One of the most debated topics in business today is whether or not to have “employees” at all. With so many government requirements, including the new financial reforms and mandated health care, companies are employing strategies to shift the paperwork, liability and costs away from themselves, and onto others.

Functions and benefits that were once provided by employers are increasingly being *outsourced* to others.

In some cases, this can be an effective strategy. In other cases, the results can be disastrous. You will need to assess your own company’s needs and resources to determine the best mix of employees and non-employees for you.

## OUTSOURCING

Outsourcing involves the practice of shifting an entire function of your company to an organization that specializes in that area.

If you call for technical support on an electronic product or software, you may experience outsourcing first hand — as many of these calls are now handled from overseas.

Outsourcing can be enormously cost-effective. Outsourcing companies can utilize economies of scale that you could never have.

They can employ experts that you can't afford. They can perform all of the administrative functions related to the outsourced activity, allowing you to focus upon your core business.

Smaller companies are often forced to outsource, particularly when the requirements (or technology) of a particular task become too complex to manage.

For example: With all of the government requirements, using a payroll company has become more of a necessity than a choice.

Other outsourcing decisions might be made by choice, simply because they make functional and economic sense. Besides payroll, here is a list of other areas where outsourcing is commonly used:

- Benefits
- Shipping
- Billing
- Internet & Computers
- Administration
- Security
- Communications
- Marketing

As an HR manager, you should be aware of all of the ways that you can outsource company functions more efficiently. Do the research. Talk to consultants. See where you can use outsourcing to improve efficiency, profitability and customer service.

## LEASING

Leased employees look and feel like real employees. They usually work in your company on a full-time basis, just like any other.

By leasing employees, you can outsource key corporate func-

tions, like hiring and training and benefits.

### **The Leasing Industry**

Professional Employment Organizations (PEOs) are usually very large. They have economies of scale. They offer benefit and training programs that smaller companies can't afford. They may be able to deliver high quality "pseudo-employees" for less than what it costs for you to hire them.

Unfortunately, leasing companies often fail to deliver productive employees at a total lower cost. In some cases, they cause more problems than they solve. Be **very** cautious when handing your business over to a large, bureaucratic organization that is focused on their profits, not yours.

## **INDEPENDENT CONTRACTORS**

Companies are hiring more independent contractors than ever before. Much of this is being driven by financial need. Why hire a full-time accountant when all you need is five hours a week? Why pay the high cost for benefits if you can avoid the expense?

Independent contractors are *not* employees. They are self-employed and work on an as-needed basis. They manage their own benefits and taxes.

### **Independent Experts**

In today's business climate of high unemployment, many highly skilled individuals have opted (often by necessity) to become independent contractors. A former (large company) CFO might contract with half a dozen smaller companies to provide this same function.

There is a great deal of talent out there. You may be able to engage contractors that once earned high six-figure incomes with other companies, and pay them a fraction of their former salaries — for the same work.

You should constantly assess the quality of outside independent

contractors versus full-time employees. Contractors may provide talent you can't afford on a full-time basis, but is within your part-time budget. This is especially true when unemployment is high.

### **Know the Law**

When engaging contractors, you must take care that you don't abuse employment laws. De facto employees cannot be paid as contractors without running the risk of severe financial consequences.

Government regulators don't look kindly upon employers who hire employees as contractors, simply to avoid paying benefits and payroll taxes. In recent years, state attorney generals have become increasingly aggressive in enforcing such HR laws.

## **JOB SHARING**

Job sharing is another effective way that employers are able to manage costs, without sacrificing the quality of work.

You may have a full-time need that can be performed by more than one person. Some employees prefer to work on a part-time basis. Mothers who want to spend time at home with their children are the classic example. Retired executives also provide another great source of job-sharing talent.

Utilizing part-time employees can also help save on company overhead. You may need less office space. Job sharers often don't need benefits. They just want a steady income without the requirement of a full-time commitment. This can be a win-win for you.

Take care to ensure that your job-sharers are compatible. Make sure that all parties to the sharing are comfortable and confident in their roles.

## **TEMPORARY WORKERS**

We've all heard the Accountemps commercials saying something like this, "No problem, Jim. Take as long as you need...*Bob* is here."

Temporary workers can be hired for virtually any position, even as a CEO. Businesses use temp workers to fill a void left by sickness or family leave. They are hired to manage part-time tasks, like accounting. In times of high unemployment, highly skilled individuals can be found everywhere.

In years past, temp workers were engaged through temporary agencies. Recently, websites like Craigslist and LinkedIn have become an inexpensive and effective alternative for finding temporary help.

As with independent contractors, there are many legal issues surrounding the use of temporary workers. You should consult outside counsel if you employ contractors or temp employees for positions that could be deemed full-time. I will discuss some of the legal issues in the compliance this book.