



## CHAPTER EIGHT – Human Resources

### Introduction

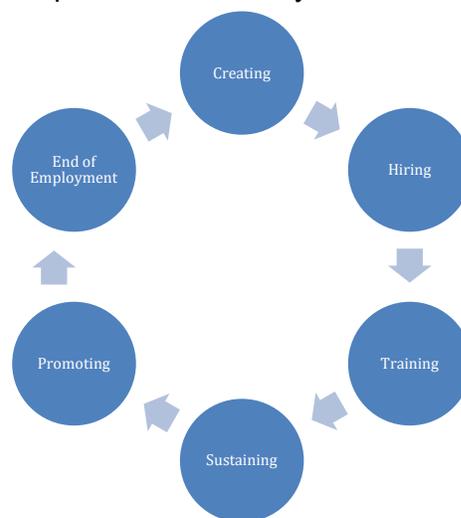
Most small businesses start out very small—usually with a full staff of one, or maybe two, employees. When starting out, we are focused on making our products, delivering our services, and reaching new customers. We might hope for growth—and at some point, if we have priced our products appropriately, and are generating enough revenue, we might bring someone on to join our team. Quite often this is done at our moment of need, and usually without much forethought or strategy.

Bringing on employees is at its most basic acquiring extensions of yourself. You can no longer do everything in your business and you need to find those people who can take on those roles and tasks and help to continue to grow your business. Of course, they aren't "you" and won't know how to perform the tasks you would like them to take on. Additionally, they will not have the same passion for the success of the business—at least initially. Their motivations for working in your business will be different from yours. Odds are they are viewing the work as a "job" while you view it as your "passion" or your life. They will be wanting time off, while you are sacrificing for the success of the business.

The apparent disconnect is not unexpected. And it doesn't mean that you can't find good people, or that they are somehow "bad" employees. It is usually simply a reflection of not putting an effort into the hiring process—and thinking through what can be called the "Employee Life Cycle."

### Employee Life Cycle

In larger industrial settings we often talk about the importance of "Life Cycle Costs" or the "Total Cost of Ownership." These conversations, and the analysis that they bring, are designed to get these firms thinking beyond the initial purchases of equipment, inventory, or assets, but to consider all the costs associated with that acquisition. When acquiring a large asset, whether it's a piece of equipment that will last 10-40 years, or a building to house your operations, you need to consider all the costs beyond the purchase price. What are the initial costs to acquire it (including purchasing, but also installation, training, and so forth? What will it cost to fix or repair it? What are the needs to sustain it (energy and material costs, routine





maintenance, labor)? What training will be required to operate it, and will that training need to be sustained?

The hiring of an employee brings many of the same challenges. You need to spend the time, and resources, to invest in the selection and growth of the employee. There are long lists associated with the acquisition of “high dollar” items for businesses and the calculations associated with “Life Cycle Cost Analysis.” Similarly, there is much to consider when hiring a new employee to ensure they are a wise investment. That is why we often refer to people as “human capital.”

What are the “stages” in the employment life cycle? The elements are obvious, when one stops and thinks about it. First, we determine our need and create a position. Then we go through the process to hire an employee. Once we have made that selection, we then provide the training they will need to perform their job. Once they are actively working for our business we continue to develop them as employees, giving them additional responsibilities as well as additional training. As they progress perhaps we give them promotions, or at a minimum pay raises. And then, whether through our inability to grow with them as their capabilities grow, or because they no longer meet our business’ needs, the end of the life cycle, and the termination of employment.

Some of these cycles are long, others are short, and depending on the nature of the position/work, there may not be much to some of the stages. But they are all present, and they all have tasks, and costs, associated with them. It is incumbent upon each of us, as the business owner, and the leader of our business, to think through and analyze these stages for every position for which we hire someone. The degree of thought may be different between “temporary seasonal hires” and “director of operations” but the thought process, and the need, are the same.

### *Creating the Position*

Hiring frequently occurs following an ad hoc, “just in time” approach. “Just in Time” is often touted as an effective way to manage operations in a manufacturing environment. It not only works there, but can also work in small business hiring, when it follows a significant, intentional effort.

## HIRING

*I didn't have a job description the first time I hired someone. It was a general "oh it's mainly retail and we will do retail things" I have a much more specific description now during the interview process.*

*I also ask a random question during the interview. I have found I get some of the most random off the wall questions from customers. I had a former employee that got SO annoyed about it to the point customers complained about her attitude. SO- at some point during an interview I just randomly ask, "so what's your favorite flavor of ice cream?"*

*The people that answer "what's that have to do with anything?" won't be a good fit.*

Virginia Weigle,  
Owner CLB  
(formerly, Christian Light  
Bookstore)



Whether you have been contemplating hiring additional help for a while, or are suddenly facing an immediate and unanticipated need, you must take the time to think through what the position will be, and what the “right fit” will look like. Not everyone can fill every position. In fact, some people that you interview may be potentially awesome employees, but just won’t fit the tasks you have at hand.

There are several key things to consider when creating a position. First, evaluate the tasks that you need the employee to perform. Will it be general labor, or will there be a level of creativity, management, or customer engagement involved? Also, will you be expecting them to work with or without regular and direct supervision? A short “checklist” of things you need to consider when creating a position are:

- What makes for a good fit with your business/organization
- What direct and indirect skills are required
- Are there any formal educational requirements? Informal?
- Are you expecting them to arrive with specific work experience?
- What is the intended duration and nature of the employment? Will it be long/short term? Is this a temporary or a permanent position?
- Are you seeking someone with professional skills?

As you think through this and write down your requirements you may find that what you are seeking is something very specific. Or, conversely you may discover that you are wanting a person with a general set of personal and work skills that are not directly related to the tasks but will lead you to trust that the employee can handle the tasks you set forward.

“I HAVE FOUND THAT IT IS BETTER TO HIRE SOMEONE WITH DETERMINATION AND DRIVE AND A WILLINGNESS TO SUCCEED EVEN IF THEY DO NOT HAVE REQUIRED EXPERIENCE. I WILL PROBABLY NEVER FIND SOMEONE WITH THE EXPERIENCE I AM LOOKING FOR; HOWEVER, I CAN TRAIN THE PARALEGAL PART IF THEY HAVE OFFICE SKILLS AND THE RIGHT ATTITUDE.”

STEFANIE BENNETT, OWNER  
PARALEGAL SERVICES

### *Advertising and the Hiring Process*

Once you have determined what your requirements are for hiring, the next step is to determine the best approach for reaching the pool of applicants you hope to hire. If you are seeking a general pool of applicants for basic work, you might consider Craigslist, or visiting the local CareerLink office. Additionally, posting signs in your establishment or notices on your website might be enough. If you require more technical skills (for instance, in the engineering, or health fields) then you might look to professional organizations or to job search websites such as Indeed.

Be clear in your advertisement what your requirements are. You just determined them so it should be clear in your mind—and you can then make it clear in the advertisement.



Also, make sure the advertisement highlights any initial conditions for consideration. For instance, one business we know makes it clear that, even for a wait-staff position, you must submit a resume. They view this as an “entry” condition determining their attention to detail and willingness to work. For other positions, you might want to clearly state the educational backgrounds and required certifications, especially if you are in a more specialized or technical field.

Finally make clear the process for applying. As mentioned above note what they must submit, and when. If you want them to apply using a specific form, or through your website, include a link in the advertisement. An example could be, “Applications must be accompanied by a resume, and three recommendations. Interviews will begin on June 1<sup>st</sup> and continue until filled.”

### *Interviewing and Hiring*

Once you have a pool of applicants take the time to review all the applications. If you had any “qualifying conditions” (including technical certifications or requiring an actual resume) then eliminate those that didn’t meet those conditions. Don’t make an excuse for them—do not even consider them!

Here’s the most important tip about the interview process—this is your first view of how they will behave on the job. You are not only assessing their abilities for the tasks, but also their commitment, their work ethic, their general demeanor, and their fit with you and your business. Do they challenge you and negotiate even the time of the interview? Do they arrive promptly? Do they schedule, and then cancel? Each of these things can tell you something about the potential employee and how they will behave once hired.

One idea worth considering is having potential hires take one of the behavioral or personality tests discussed in an earlier chapter. If you have taken the time to learn about yourself, and those around you in your business, then you can better select an employee that will complement your work force.

After reviewing all the applicants set aside time for the interviews. And yes—you need to meet in person with each applicant you are considering. Establish a window and offer each applicant a couple different days and times as options. Just as you expect them to arrive on time and will be using the interviews as a tool to assess their fit as an employee remember—they are interviewing you as well. Start your interview promptly. Don’t reschedule except in the most dire of emergencies. And be prepared—let them know that you are entering this process professionally and expect them to behave that way as well.

#### TIP

IF YOU WISH, YOU COULD REACH BACK TO THEM THROUGH EMAIL AND NOTIFY THEM OF THE REASON FOR THEIR INELIGIBILITY—BUT THAT WOULD SIMPLY BE A “NICE TO DO” TASKS WHEN YOU HAVE TIME.

THIS IS A NICE WAY TO GIVE BACK TO YOUR COMMUNITY AND HELP DEVELOP THE LOCAL WORKFORCE.



So what does it mean to be prepared? There are several key elements here. First, have a scoring list. What are the items you are looking for in a new hire? Are there any “show stoppers” that if you check “no” then they are no longer eligible? If there are areas where you have degrees of acceptability identify those, and have a scale you can mark, from say 1-10, or 1-5. And then give each of these items a “weighted value” so that you can assess their fitness for the job relative to the other applicants. Remember—the more work you do up front the easier the decision process is on the back end.

Have a list of questions, some general that you ask everyone, and a few others that are based directly off their resume and application. You are wanting to learn about them—and their motivations. Yes, you have seen what they have done. They look good “on paper” but now you need to determine how much of it was simply puffed up words and cut to their actual direct experience. Remember—it’s not always to catch a liar, but also taking the time to find those jewels that they themselves forgot to highlight in their application!

You might want to add a few non-sensical questions, as seen in the quote above from Ginny Weigle. In reading her quote you can see how every question—even seemingly unrelated questions about ice cream, tell you something about the candidate.

Finally, following the interview, take the time to review the scoring. Once you have determined the rankings of the candidates, reach out, starting with the first, and offer the position. Remember—the first person you seek to hire may not accept, so be prepared to work down the list.

### *Training*

Once you have hired the new employee the work really has only just begun. You need to accept the fact that this person has never worked for you before. They may have significant experience in your area, but that in and of itself only helps with the learning curve—there is still much for them to learn about how your business works. You need to take the time to have some form of formal “on-boarding training.”

When building a training program, the level of effort will certainly depend on the type of work you expect of the employee. Again, if the task is very technical in nature, and your process has nuance based on your operations, then you need to spend more time on those areas. Sometimes the training will be formal—sitting down and going through checklists and handbooks. Alternatively, you might have an “apprenticeship” program where you follow the “watch one, do one, teach one” model. At a minimum however you need to consider a few topics to convey how you do business:

- The Mission and Values of your business. Discussed earlier this reflects the core of your business and who you wish to be. They need to understand this, and embody it.



- The basics of the business. What is it your business does—and what sets you aside from your competitors. Again, every employee should understand what makes your business unique -- your “value proposition.”
- The tasks to be accomplished. Yes—you are hiring them to do specific tasks, and it is your responsibility to ensure they are trained adequately on the tasks. Whether they will be washing dishes or processing payroll, they need to know what the requirements are—and the steps to accomplish them.
- Formal? Informal? Apprenticeship?

Much of the training should be included in your employee handbook. Odds are good that, if you are just starting to hire employees, you don't have a handbook. You should seriously consider creating one. There are several useful templates and samples available through organizations that support small businesses—including the National Federation of Independent Business (NFIB). Generally, the handbook should include not only the orientation listed above but also outline the expectations on the workplace.

### *Workplace*

As noted above, the best way to establish expectations for the workplace is to have an Employee Handbook. In that handbook you will cover several key areas addressing such areas as expectations for business attire, workplace standards of behavior, and even policies for time off. In addition, you will also want to clearly establish the expectations for treatment of fellow employees, highlighting your policies against discrimination and other “bad behaviors” in the workplace.

Formalizing the expectations and behaviors in the workplace through an employee handbook not only sets the expectations, and helps create a more professional environment, it works to protect your business as well. By outlining the expectations, and putting boundaries on acceptable behavior, you create an environment where you can point to a common document. This level sets the expectations and provides you the basis for both rewarding (through promotions and pay raises) and removing employees. If an employee fails to meet the expectations, or behaves in a manner identified as inappropriate, you can simply remind them of the guidelines they received and signed as a condition of employment.

## What to Include in Your Employee

1. Introduction to Company & Values
2. Confidentiality & Non-Disclosure (or Non-Compete)
3. Anti-Discrimination Policy
4. Employment at Will
5. Compensation & Benefits
6. General Employment Information
7. Computers & Technology Policy
8. Leave Policies
9. Progressive Discipline Policy
10. Signature Page



Remember, the handbook is your document outlining your expectations in the workplace. Take the time to ensure it adequately reflects the culture, direction, and mission of your business.

### *Promotions*

In your handbook, and in your conversations with your employees, you should be clear on what the opportunities are for promotions and pay raises. How often will you hold regular performance reviews? When will promotion or pay raise decisions be made? These are all important decisions to make early in the decision to hire an employee, and making these expectations and requirements clear to the employee from the time of employment is essential to ensure a successful workplace.

One recommendation is to develop a simple form, or checklist, that will guide the review process. This form allows you to have an objective process by which to decide. In addition, by providing it to your employee early in their term with your company you have set the levels of performance and expectations. They know what they need to do to achieve success, and they can hold themselves to that standard throughout their employment.

### *End of Employment*

As much as you hope that each person you hire is a perfect fit for the job and for your organization, that is not always the case. Losing an employee, either through a voluntary resignation or through the unhappy process of an employer initiated termination, has a significant impact on not only your business, but also on other employees and even yourself.

There is little more challenging than realizing that someone you brought onto your team might not be the right fit. Many small business owners agonize over the decision of terminating someone, or contemplate “waiting them out” until that person decides to resign and move onto something else. We can stress about the ramifications regarding both approaches, and how to handle the work that now needs to be redistributed to the rest of your team.

### Termination

*“Consider it a no-fault divorce.”* This may be the best way to describe terminating an employee. This isn’t something you do on a whim, or without an exit plan in place. Take the time to work out how the termination should go. Sit down and decide when is best *for your company*. It may be that having the conversation on a Monday before your next project starts is best, or time it for when you start entering a slow season. The important thing is that you plan it so that it has the least disruption within your business.

How will you handle the work previously done by this employee? You need to decide who will pick up those tasks, and how. It may be that your current remaining staff can absorb the workload with no issue. You may need to hire externally to pick up the slack. If that is the case,



it might be prudent to go through the hiring process prior to terminating the existing employee, to minimize the impact on your organization.

THE conversation. What is the best way to actually have the conversation? Well, as mentioned previously, plan it out. Essentially, script what you will say and how you will react to any potential responses they have. Keep it simple and try and minimize emotional language. Don't try and cushion the conversation with small talk ahead of time – chances are, they already have an inkling about what is going on, so dragging it out just makes it uncomfortable for everyone. In the conversation, make sure to cover specifics: when the termination takes place (try to make it immediate if possible), and how the last pay will be processed.

Having compassion for your employees is huge – but don't misplace that compassion. It can be hard to end an employee's tenure with you as you work through the guilt of them having to find other employment, or the feelings of guilt, failure, or offense that they might feel. Keep in mind that they were not keeping up their end of the deal – whether it be availability, quality of work, or general fit for the organization. The decision may hurt them in the short run, but your responsibility is first to your business and the employees helping you build that business.

## Resignation

Maybe you think the employee is a good fit. They show up, they do the work, and they seem to fit the company culture. A resignation can be a huge shock to you as the employer, and also the rest of the team. How do you handle that?

First: Logistics. When an employee tells you they are resigning, it is typically a verbal notification. Request a written and dated notification as a formal document that you are able to file, should you ever need to reference it. This is a complete CYA move – if they try and file for unemployment compensation or come after you for grievances, you can prove they made the decision to leave the organization. Next; do you do the usual "two week" period? That is up to you. Even if the employee is giving a two-week notice, there is nothing stating that you have to keep them on those full two weeks. Many businesses tell employees that when they give their notice, their employment ends then. This reduces your risk of low quality work, intentional sabotage, or decreasing morale during this time period. That being said, if you trust this individual and feel that letting them work out their last few weeks is to your benefit, allow them to wrap up projects or assist in transitioning them to other teammates, and create a smooth handover with any clients they may be in contact with.

You'll want to notify your team that someone is leaving. If the resignation is amicable and you are allowing them to stay on for a short period, make a general announcement that they are leaving to pursue other opportunities, that you have enjoyed having them on the team and wish them the best moving forward. It is not your job to relay details of their decision; if they want to share where they are going, or how to contact them outside of work, they can do that on an individual basis with team members.



What if you don't want them to resign, though? It may be that you value them immensely and appreciate what you bring to the team. However, it is not recommended that you try and counter offer. Many times, once an employee has made this decision, they have already been sitting on it and weighing the benefits prior to approaching you. This tactic rarely works, or if it does, is typically a short term solution. Instead, accept their resignation and work with them to create a seamless exit.

## Ghost Employees

Have you heard of the “ghosting” phenomenon? This term is typically heard in the online dating world, but it applies to you too, as a business owner! So, what is ghosting? This is where someone who seemed super interested in you (as a business) suddenly falls off the face of the earth and doesn't show up in person, respond to calls, texts, emails, smoke signals, etc. It can leave you feeling extremely confused, hurt, let down, or maybe even frustrated because...hey. You needed that person on your team! You hired them because you had work you needed them to do, right? And now you are scrambling because you have no idea what happened.

So how do we deal with this weird, limbo engagement when it comes to an employee? First, we need to be proactive. You need to plan today for the possibility that someone might ghost on you tomorrow. First, you need to develop a back-up plan. If you have an employee fail to show up or communicate with you, how will you handle that? Who will pick up the extra work? This plan is vital in keeping things flowing, and minimizing disruptions.

You also need to be cognizant of who picks up that slack. There will be people on your team stepping up and taking on the extra work to make up for your ghost. Find ways to reward them – even if it's buying them lunch, or a \$10 local coffee shop gift card. Find a small way to show you that you see them stepping up.

Try and identify why you have a ghost. Is there something in the company culture that may have had an impact? How do you handle things? Make sure when an employee calls in sick that you handle it in line with your company policies, and keep it calm and professional. When employees make mistakes, how are you handling it? Employees that feel attacked when they make a mistake are less likely to come clean when it happens again, and will attempt to hide mistakes or worse yet, struggle with wanting to come in to work at all. Make sure that all your interactions with you employees are calm and logic-led. This is not to say an employee ghosting is your fault, but do everything you can to minimize the chance that you are contributing to the issue behind the ghosting.

Hiring employees is hard work! But firing employees is easily the most stressful part of being an employer. Take the time to develop a plan each step of the way and put protections for both yourself and your employees in place. With the right guidance, your employees can become your most valuable assets as a business.