

Scope Out Your Specific Needs

“The way a team plays as a whole determines its success. You may have the greatest bunch of individual stars in the world, but if they don’t play together, the club won’t be worth a dime.”

—BABE RUTH

You know you need help, and you’re ready to take the step to hiring someone. Whoa! Before you run your first help wanted ad, you need to figure out a few things: what will your employee be doing, where will you put them, and can you afford to pay them and still have money to pay all your other bills and yourself too?

Doing a bit of background work prepares you for the process of finding and hiring a great employee. You’ll find you’re much more confident about every aspect of becoming a boss when you’re sure about what you need an employee to do, you’ve determined that you can afford to hire them, and you’ve considered the basic logistics of having someone else around to share the day-to-day responsibilities of your business.

What Role for Your New Hire?

First things first: What, exactly, do you need an employee to do? Clarifying—at first for yourself and later for your employee—the tasks and responsibilities you’ll want them to tackle sets the foundation for a job description you’ll develop soon (see Chapter 9 on Finding Applicants).

But before you can do that, on a simpler level, you have to spend some time identifying your goals and envisioning your new employee’s role and responsibilities. What will they work on? What tasks do you most want them to accomplish? How will they help your business succeed and grow? The more clearly you define the work you want them to do and the role you envision them filling, the more likely you are to find a candidate who’s an appropriate fit for your needs.

One of the most important things to examine is which roles you want to keep for yourself and which you'd rather assign to others. Which items on your crowded plate should you delegate to an employee and which do you want or need to keep yourself?

Let's say you own a one-person hair salon, and you're fully booked with appointments. But you're frazzled. You have to carve time out of your day for scheduling, ordering supplies, and shampooing customers.

You're ready for growth and you have a couple options regarding what type of employee to hire:

1. **A receptionist/assistant.** Someone to do the support work allows you to concentrate on customers and earn more per hour on doing what you love—styling hair. They can answer the phone, shampoo waiting customers, clean and order supplies. The downside: they don't bring in direct, additional income.
2. **A second hairdresser.** They'll bring in new customers, more income, and help your top line to grow. The downside: they don't free you up from the stuff you don't like to do. In fact, you may spend more time answering phones.

Most businesspeople face similar dilemmas when choosing what type of employee to hire. The choices frequently boil down to: hiring someone to help you take care of administrative or basic operations of your business, freeing your time for more lucrative activities OR hiring a salesperson to bring in more customers OR adding someone who does the same/similar tasks as you and who'll, hopefully, bring in more money.

Of course, for certain types of businesses, the kinds of employees you'll need will be fairly obvious. Starting a restaurant, for example, you know you need a chef/cook, wait staff, and bussers. You may need a host or cashier. But even then, you'll want to take a look at which of these jobs—if any—you'll choose to perform yourself and which you'll hire others to do. Perhaps you want to be the cook or the host. It's a good idea to sit down and figure out which jobs you want.

Typically, for most small businesses, the first hires fall into one of these categories:

- Administrative
- Bookkeeping
- Sales
- Production/service workers

Use the worksheet “Business Tasks” to brainstorm about the jobs you need done in your business. You will likely produce a fairly long list. Don't worry. After compiling your list, indicate whether you want to keep these tasks for yourself, hand them over to someone else, or share these duties. This will start to give you an idea of the jobs you'd like to hire others to complete.

As you jot down your ideas, be aware of the two biggest mistakes business owners make when hiring an employee:

1. Handing over *too much* authority
2. Not giving over *any* authority

Recognize that you have to relinquish some control if you want your business to grow, and your employee to be effective and satisfied.

You're almost certain to have a long, long list of things you'd like someone else to do. Prioritize what you'd like accomplished.

Can they all be undertaken by the same person? In a small business, it's typical for people to wear many hats, but you still have to consider whether one real-live person can manage very different tasks. For instance, is it realistic to imagine that the person who handles your administrative paperwork can also do some basic bookkeeping, shipping, and some basic work on your website? Probably. But is it realistic to think the person who's going to handle your administrative tasks can also manage your computer network, handle your back-end technology needs, and make sales calls? Probably not.

Also, don't be surprised if you end up in a different place than you expected. Maybe at first you just *knew* you needed a sales person only to discover that an administrative assistant makes more sense.

Use the Worksheet, "Employee Tasks" to list the kinds of jobs you want your new employee to handle, what background they need to accomplish those tasks, and how many hours a week you expect them to devote to those tasks.

Help Wanted, But How Much?

Now that you've decided what position you should fill first, you need to consider how much time you'll require from an employee. Do you need a full-time worker? A part-timer? A contractor or consultant? Based on your job requirements—and your budget—consider the range of your options for getting the help you need:

- **Full-time employees.** This is just what it sounds like: you hire individuals to work for you, devoting between 30-40 hours a week (or more), usually five days a week. Full-time workers can be salaried employees or paid hourly. Because they work for you full-time, you know you have their time, skills and attention when you need it.
- **Part-time employees.** It's very likely that you'll have certain functions that don't require a full-time employee. Let's say you only need an administrative assistant a few hours each day or you need help in your bed & breakfast on the weekends. You may even be able to find part-time employees for some professional tasks, such as marketing, managing technology, or bookkeeping. Utilizing part-time employees saves money, but they may be tempted to look for full-time work elsewhere. Generally, part-time workers are paid by the hour. They are still covered by all employment laws.

- **Independent contractors.** Before you ever hire an employee, it's likely you'll get help by engaging an independent contractor. Independent contractors are individuals who perform specific tasks, generally for a limited period of time. Most often they're used for professional tasks, such as accounting, marketing, or tech help. Using an independent contractor offers many advantages—most notably, you're not responsible for payroll taxes and they're not covered by labor laws. You also control costs because you only pay for the time you actually use them. And you can cut back on their services rapidly if they're no longer needed. But the government carefully limits the use of independent contractors, and you can get in big trouble if you don't follow the law (see Chapter 3 on Employee Status).
- **Interns.** Interns are usually students or other individuals just starting out in a profession who are eager to learn the ropes and are willing to work for minimum wage (or even for free—but only if they receive college credit and are doing meaningful work) to gain much-needed experience. Working with interns is a great way to get inexpensive help in your business while also getting fresh ideas from a younger audience. However, interns are very inexperienced, require significant supervision time, and leave quickly.

HIRE Learning

A Part-Timer in Your Future?

Small businesses with 1 to 24 employees hire a quarter of their employees on a part-time basis. In businesses with more than 100 employees, part-timers make up only about 14 percent of the workforce.

—Small Business Administration

Also, consider whether the employee will be:

- **Permanent.** Most employees are hired on a permanent basis. This doesn't mean that they have life-time employment (you want to make certain they know they're hired on an "at will basis"—see Chapter 3 on Employee Status). But it does mean that the length of time of their employment is open-ended; you both expect it to continue.
- **Temporary.** Many companies are seasonal, and you may only need employees during your busy times. You can hire full or part-time employees on a temporary basis. You are still responsible for payroll taxes, and your temporary employees are still covered by federal and state employment laws. If you have a short-term project (perhaps for a few months) that you must staff up for, you can hire temporary employees or use consultants.

With a clear understanding of the tasks and responsibilities you have in mind for your new employee, you can decide what level of support you need. Stay open to evaluating your needs and options. You might be convinced you need a full-time person, only to find that you'd be better off with a part-time person and a consultant.

If you're growing fast or opening a company that needs a lot of help from the starting gate, it's likely you'll need a mix of full-time and part-time people. If you're launching a new software company, for example, you might decide you can do sales while you hire a full-time engineer, a part-time administrative assistant, and some additional contractors for writing code. You might even get an intern to do some research for you.

Deciding How Much Help You Need

EMPLOYEE TYPE	ADVANTAGES	DISADVANTAGES	PAYROLL TAXES?	QUICK TIPS
Full-time	Larger labor pool to choose from; more staff stability; increased attention and loyalty; lower employee turnover	More expensive; less flexibility; higher benefits costs	Yes	30-40 hours per week generally constitutes full-time status
Part-time	Lower cost; greater flexibility; typically fewer benefits; you still have direct supervision	Likely increased turnover; harder to find professional/skilled staff; lower staff satisfaction	Yes	You pay the same percentage in employment taxes for part-time as full-time employees
Independent Contractor	No employment taxes; great flexibility; experienced workers; no cost when not utilizing	Higher per hour cost; may not be able to get them when you need them; not under your supervision	No	Make certain you are following all IRS rules or face stiff penalties
Intern	May be able to work for free if they get college credit; low cost; often eager and smart	Inexperienced, need considerable supervision, inconsistent work standards, quick turnover	If paid, yes	You must pay interns at least minimum wage unless they are receiving school credit for their work

worksheet: Who Do I Need on My Team?

List the job titles needed in each area. Some suggestions are in parentheses, but you should hire only those your company really needs as it grows.

KEY PERSONNEL	RESPONSIBILITIES	DESIRED EXPERIENCE/ BACKGROUND
Top Management (President/CEO)		
Administrative (Office Manager, Administrative Assistants)		
Financial (Controller, bookkeeper, etc.)		
Marketing/Sales/PR (VP Marketing, Salesperson, PR Director)		
Operations/Production (Production Manager)		
Technology (Chief Technology Officer, Website developer, tech support staff)		
Human Resources (Personnel Director)		
Logistics Staff (Shipping clerk, janitor)		
Other		

Hiring an employee helps you grow your business, especially if you've carefully considered what type of employee you need and how much you can afford. Having another person onboard gives you more time to focus on growth—to develop innovative new products, reach out to your customers, spend less time on administrative tasks, or simply focus more energy on your work.

How Much Can You Afford?

One of the biggest hurdles to overcome when deciding to hire is figuring out how much you can afford. You're probably, naturally, worried about how you'll afford to pay an employee *and* still have enough income for yourself. After all, if you don't make enough money in a month, you still have to pay your employees—it's the law. That means you might not have enough money to pay for other things—your rent, your suppliers, yourself.

Fear over making enough money is probably the biggest obstacle to becoming an employer. But employees are an investment in your business—not just a cost—and the goal is greater growth. As with every investment, you can address your concerns with some careful planning.

When figuring out how much you can pay an employee, take the following steps:

- 1. Review your current monthly cash flow.** How much money goes through your business each month? Remember, even if your business is profitable at the end of the year, you have to make payroll every two weeks or so. That means you need cash in the bank. So be sure to first take a realistic look at your monthly dollars in and dollars out.
- 2. Estimate your current monthly profit.** Have you consistently been generating enough income to support the type of employee you need, as well as yourself?

HIRE Learning

Figuring Taxes and Benefits

While you're considering how much you can afford for a new employee, remember to also budget for payroll taxes and benefits. As a rule of thumb, budget 15-30% of their salary for additional expenses.

- 3. Estimate expected additional income.** The goal of hiring employees is to enable you to make more money. How much will your new employee realistically help you generate? In what time frame? Be conservative in these projections, especially at first.
- 4. Estimate how much you'll have to pay an employee.** You need to know how much you'll have to budget for your employee(s). Once you decide what role and tasks you want your new employee to assume, determine comparable pay rates (see Chapter 6).
- 5. Estimate monthly taxes and benefits.** Don't forget that you also have to pay taxes and benefits. The total amount will depend on which benefits you decide to offer.
- 6. Estimate additional costs.** Having employees means you typically have other additional costs. Will you pay higher rent for more space? Have increased telecom, travel, or energy expenses? Even greater use of office equipment? Make a guesstimate of some of these costs as well.

A good plan is to save up for payroll, just as you save for other investments. Set up a separate payroll account with enough money to cover at least three months worth of payroll and taxes. Expect to make payroll from monthly cash flow rather than this separate account, which acts as an emergency back-up in case you have a bad month. This financial cushion allows you to hire with more confidence.

worksheet: How Much Can I Afford?

Use this worksheet to estimate how much money you'll have available each month to go towards wages/salaries.

A. Current monthly profit	
B. Estimated increased monthly income	
C. Subtotal: Add (A) profit and (B) increased income	
D. Expected monthly salary/wages	
E. Estimated monthly taxes/benefits	
F. Estimated other monthly costs	
G. Subtotal: Add (D)wages, (E) taxes/benefits and (F) other costs	
TOTAL: Subtract line G from line C.	

SUCCESS STORY

Successful Cheese Maker Hires for Skill Sets She Lacks

In the early '80s, Mary Keehn, a breeder of Alpine goats along the foggy Northern California coast, began to dabble in cheese making using milk from her herd. By 1983, she was ready to transform her business from raising goats to creating fine cheeses made from goat's

milk. Cypress Grove was born. Housed first in her home and later in a small creamery, Keehn started small. For two years, she employed just a part-timer to ladle cheese, clean up between batches, and take care of anything else necessary. Then, as goat cheese increased in popularity in the U.S., Keehn needed more help. "I hired people here and there as I needed them, not with any grand plan. I hired out of necessity," she says.

Keehn brought aboard people who had skills in areas she did not, such as accounting. For that, she looked in-house for help literally. "When she was in high school, my oldest daughter did the books as a school project," she says. All four of Keehn's daughters worked in the business. "I think it's important in a family business that everyone be involved to some degree. I enjoyed having my daughters work here when they were young. I always knew where they were – and knew they were safe!"

As the company continued to grow, Keehn, recognizing the importance of hiring for attitude, brought on board good people and trained them to do what was needed. "When we hire someone, we pay attention to them, to how they work, and to their capacity for taking on more responsibility," she says. "If you push



people, they'll leave. But by paying attention to what they can do, you can see the person grow with the business."

By the time Cypress Grove had a staff of ten, the creamery became cramped. "We worked in our first creamery until we were stepping on each other's toes," Keehn says.

"But we weren't ready to move into a larger space yet so we scheduled split shifts and did other things to help the situation. You can always work it out if you get creative."

Despite her hiring successes, Keehn says she regrets not filling one particular role sooner: a seasoned operations manager. "It was the best hire I've made but also the one that took the longest," she says. "When I was just starting the business, I knew I could benefit from someone with an operations background, but I honestly didn't think I could afford it." After years of managing the day-to-day business, Keehn found it difficult to hand over responsibility to someone. "If an operations or management person is good, they need autonomy or they won't be successful and neither will the business."

Keehn's staffing method—first hire part-time help, ask for support from family members, but then tap the expertise of established business people—has paid off. More than a quarter-century since selling its first cheeses as a two-person enterprise, today Cypress Grove employs a staff of nearly fifty. Their cheeses, including Humboldt Fog, have won an impressive array of awards, including first place from the American Cheese Society and three World Cheese Award gold medals.

To get used to becoming an employer, you might want to start slowly: hire part-time workers or contractors and track your expenses. See whether you're confidently able to make payroll. If the kind of help you need can legally be fulfilled by independent contractors, get used to the financial burden by first hiring contractors rather than employees. That will give you an idea of whether you can manage the cash flow without worrying about having to lay someone off if the budget is too tight.

Logistics

As you think about adding an employee or employees, there's a whole bunch of logistical nitty-gritty details that are probably also on your mind, such as where they'll work, their work hours, even where they'll put their stuff.

So take a bit of time to work out the basic logistical aspects of having an employee. And don't worry: most of these details become fairly obvious pretty quickly.

- **Workspace:** People are more productive when they have their own, predictable place to work, so try to carve out a specific location for your new hire. If you're hiring employees for your new restaurant or store, their workspace is pretty obvious. But if you work from a home office, finding a place for an employee to work may be one of your biggest issues. Do you want them working with you in the small spare bedroom you use for your office, or should they be at the dining room table?
- **Storage:** Regardless of where your employee works, they need at least a small amount of space to store their own stuff: office supplies, files, coats, purses, and lunch. You might want to purchase some storage units or lockers (especially in a well-trafficked location like a restaurant).
- **Equipment/furniture/supplies/services:** Where will your employee sit—literally? Do you have a chair and desk for them? This doesn't have to be

expensive (many Silicon Valley startups use inexpensive folding tables as desks, and you can find a lot of used office furniture on websites such as Craigslist.org). What equipment, such as computers and phones, will they need? How about other supplies, uniforms, telecom or Internet services?

- **Access:** When you worked alone, you didn't have to worry about privacy and security. Now you do. One thing to consider is how much and what kind of access you'll give your new employee to things such as your data, your facilities, and your personal items. Do you want to give your new employee a key to your office? Or will you wait a few months before entrusting them? Do you want your new administrative assistant to have access to your personal files or bank accounts, or do you want to set up password protection for such data? How will you keep private information—perhaps contracts or personal correspondence that you keep in your office—secure from others? Set some of these systems up before your new employee arrives.
- **Working hours/days:** One of the first questions a prospect will ask you is “What are the working hours?” Figure out which days you want/need your new employee to work and which hours. Once again, if you work from home, do you want your employee to arrive after the kids are off to school and be gone before your spouse gets home?

Much of what you decide about all these logistics depends on your personal comfort level and preferences. Some people feel comfortable giving an employee a key to their own home; others don't want employees to even overhear their business phone conversations. There's no right or wrong—just what works for you.

Use the worksheet to jot down your thoughts about the logistics involved with hiring your employee.

worksheet: Logistics

Use this worksheet to identify your needs and preferences in regard to each of these logistical concerns relating to hiring a new employee.

	NEEDS/PREFERENCES
Workspace	
Furniture	
Equipment	
Supplies	
Services	
Storage	
Telecom	

NEEDS/PREFERENCES	
Work days	
Work hours	
Facilities access	
Data access	
Other:	
Other:	
Other:	
Other:	