

# Small Business Today<sup>SM</sup>

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## **To Hire or Not to Hire— What a Question!**

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Through the years I have worked with firms both large and small. No matter their size, companies have no greater challenge, expense or risk than human resources.

While it seems simple in principle—finding, hiring and keeping good employees is one tough job. Whole industries have sprung up to support companies in everything from weeding out bad applicants to keeping workers safe. “Going postal” is, after all, a workplace phenomenon.

That’s not to mention the costs associated with keeping morale and productivity high and providing benefits like training and health insurance. Let’s put it this way: I know a lot of burned-out recruiters, HR managers, and labor and employment lawyers. Throw in a looming labor shortage and one wonders how small businesses will continue to survive, let alone thrive.

At a large firm, the full-time, fifteen-person human resources department simply reaches into the big stack of qualified resumes it receives every minute and picks another worker. In the interim, five of the hundred-or-so other people in that department simply share the duties of the lost employee and keep on rolling for the thirty minutes it takes for a replacement to arrive. An exaggeration, I admit, but not much of one.

If there is a personnel issue at a small company, the boss often must postpone growing the business to deal with the issue personally. Now the firm has lost not just one worker, but two.

Employee issues at small firms also affect the productivity of many other firms as well. After all, there are more small businesses than any other kind. When a small company loses an employee, down-time slows work at other firms relying on its product or service.

Mega-Corp, Inc. can throw wads of cash and hoards of HR staff at personnel problems. Small companies must know themselves better, identify specific operational needs, and leverage technology and education of existing employees in order to keep up. Smarter use of personnel and systems will help small firms stay ahead of the competition.

## The True Cost of Employing

If you think about it, the decision to hire an employee boils down to weighing the cost of keeping a job vacant versus the cost of filling the position. Recruiting and training costs alone can range from \$1,000 for non-exempt employees to \$9,000 or more for exempt employees. Add to that so-called “learning curve productivity losses”—not to mention salary, benefits, taxes and liability costs, and you begin to understand why about three-fourths of all companies have decided to simply stay out of the hiring game altogether.

While admittedly most no-employee firms don't represent the primary source of income for their owners, 19 million of them produced more than \$887 billion in receipts in 2004. The rest of you—the 6 million small businesses with 1 to 500 employees—have decided that the benefits of hiring outweigh the costs (or else your son-in-law just really needed the work). But beware....

An article in *Fortune Small Business*, March 2007, tells the tale of businesses just like yours with “Employees from Hell.” According to labor lawyer Bill Demeza, whether you employ the guy with two bags of semi-automatic firearms under his desk, the drunken forklift driver or the identity-stealing receptionist, a recent U.S. Supreme Court case, has made firing the bad 'uns even riskier. If you dawdle before unloading even someone who righteously deserves it, you could be risking a lawsuit claiming that the firing was motivated by retaliation.

Demeza says “[t]he key, ... is to act quickly and resolutely. That can be tricky for employers—especially small ones—many of whom are so focused on urgent sales or financial issues that they ignore personnel warning signs. ... The problems may seem minor, but they risk growing into fire-worthy offenses, by which point the worker may be able to fight back with a lawsuit.”

## Where have all the good ones gone?

After making the decision to expand your staff, locating and attracting that new person may soon become an ever more difficult proposition. In retrospect, predictions of the horrific labor shortage of 2012 will likely be as exaggerated as were the 1970's prognostications of the coming ice-age, unemployment levels have

### Did you know?

In the *Small Business Today*, October 20, 2006, I discussed the use of employee non-compete and confidentiality agreements to help protect your company against the threat of at least some “Employees from Hell.”

Don't ever assume that your trusted staff member would never steal, connive or plot to damage your company. Take measures to protect yourself in all employee relationships, regardless of your impression of your new hire or their reputation. It is also important to treat all employees the same to avoid charges of discriminatory treatment.

--See <http://www.southerbizlaw.com>; go to “Library”, “Newsletter Archive” to locate.

hovered at about 4% for nearly a decade and certain skilled workers are in short supply already.

The culprit? Our rapidly aging workforce. The baby-boomers are sixty-plus and expected to retire *en masse* in less than ten years. If mass-retirement should occur, the result will be empty chairs in the cubicle, empty work bays under the transmission and empty hard-hats at the refinery.

So desperate is the perceived labor shortage, large oil concerns recently hired Deloitte Research to prepare a white paper that included tips on "How to Attract and Engage Generation Y" and "Communicating to Generation Y." And your state and federal governments have devoted tremendous statistical resources to figure out if the anticipated lack of warm bodies is "fact or fiction."

In 2001, the Texas State Auditor released a report addressing "The Pending Labor Shortage." The report advises: "[o]rganizations that think and plan strategically for their staffing needs will be more likely to secure a talented work force that will serve them well in any economic climate." And "[o]rganizations that ignore [the predicted labor shortage] and continue operating in a reactive staffing mode will lose any talent war that may develop."

Moreover, in the article, "Work-Life Balance: A Different Cut," March 21, 2007, at Forbes.com, Steven Covey approached the question of life balance and found fault with the very effectiveness with which companies utilize workers.

A "profoundly pervasive cause" of employee dissatisfaction "[i]s to be found in the painful and surprisingly ineffective way most organizations work. In no way is this pain more clearly and practically manifest than their inability to *focus* and *execute* on their highest priorities."

A poll of 23,000 U.S. residents employed full-time in key industries and functional areas, found that only 37% have a clear understanding or organizational goals and motivations for those goals; only 20% were "enthusiastic" about their company's goals; and only half were satisfied with the work they accomplished. Around 85% felt that their organization failed to fully enable them to execute key goals.

In other words, throwing more people at a problem will be increasingly expensive in the near future and counterproductive. Good news for those small businesses that can't afford more people anyway. Now you just have to learn how to support the ones you have and help them work better. (Okay, you doubters—this is not impossible!)

## **The Forgotten Element--Technology**

For those who have not yet explored the possibilities, there is an alternative to "people" that has been around for awhile. It's called computers.

In this "Information Age," aren't we compelled to ask ourselves: "What if we just trained our existing staff to work with increasingly competent technology?" Hey, it's happened in farming and manufacturing—less people, more machines. Why not accounting, law and retail?

Honestly, twenty-five years ago, who knew we'd actually prefer dealing with a teller "machine" rather than a real live bank vice president?

For small businesses, leveraging technology makes even more sense. I am planning, for example, to forestall employing office staff by going paperless and

leveraging the speed and integration of office software systems to keep tabs on my clients and perform their legal work.

Clients get direct access to me (happier clients), and I have more time to spend with them because I'm not running around managing people (happier Susan). Let's do the math: less money for filing clerks, secretaries, paralegals and rent; better quality product; more money for Susan. See? No-brainer.

Admittedly, not all businesses can accomplish this feat of zero employment. But according to a 2003 Special Section in Fortune Magazine, all businesses can improve performance through intelligent use of data management systems.

"[T]echnology can be a powerful management tool when implemented correctly. But, ... businesses need to make sure that any enterprise software they wish to adopt can provide a substantial return." The article goes on to address return on investment (ROI) profiles of five types of enterprise software. [http://www.timeinc.net/fortune/services/sections/fortune/tech/2003\\_11roi2.html](http://www.timeinc.net/fortune/services/sections/fortune/tech/2003_11roi2.html).

In other words, rather than succumb to the allure of that new software smell, it is critical that your company:

- Analyze the software you already have to ascertain whether it is being used to its fullest capacity.
- Don't knee-jerk upgrade—all upgrades are good for software sellers; be sure they work for you (and the rest of your software), too, before jumping in. Likewise, check, check and recheck any new software additions for the compatibility with existing systems.
- Consider the cost of retraining your staff and downtime when deciding.
- And, for goodness sake, do NOT rely on your sales representative as your only source of information about how the system performs in businesses like yours.

Months before making a purchase I believed was needed in my move toward a paperless environment, I began subscribing to several technology newsletters in my industry. After reading many reviews, submitting questions to other subscribers and analyzing my existing software, I opted to learn ways to make what I have work better. I have most of what I need already, it turns out, but have been under-utilizing its capabilities.

The bottom line is that small businesses will have to work better, smarter and leaner than large enterprises to beat them at their own game. But, hey, what else is new?

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