



The Small Business Guide to a Well-Oiled HR Machine



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The big job of a small business owner

As a business owner, you have a lot of responsibilities. Completing all of the tasks and paperwork associated with running a company efficiently leaves little time to focus on anything else. So, often times, growth can fall by the wayside. However, human resource functions cannot be haphazardly implemented and managed.

These are the very functions that ensure you recruit and retain the right people for your business, build a strong company culture, follow the appropriate employment laws, and save time and money when appropriate.

This guide will give you some key information to help your human resources operation run like a well-oiled machine.



Finding the Right Fit: Effective Recruiting

Whether you have one employee or 1,000, the employee lifecycle is critical to the success of your organization. It starts with the interview process, and ensuring you hire the right employees for your business. Hiring the wrong person can cost you—up to five times their annual salary, according to the Society for Human Resources Management (SHRM).

The first step in ensuring you get the right job candidates in the door is to make sure that you have an accurate and appropriate job description.

CONSIDER THESE STEPS BEFORE YOU BEGIN YOUR RECRUITING PROCESS:



Do Your Homework

Before you recruit for a new position, make sure you are clear on the expectations and responsibilities of the role. Some questions to ask include:

- ❓ What types of responsibilities are expected?
- ❓ What role would they play in the scheme of things within the organization now and in the future?
- ❓ Can the business afford to hire a person to fill this position?



Construct the Job Description

The job description should accurately describe what is expected, qualifications, experience, and education that is required. It is also a good idea to include your company's core values so that candidates have at least a basic understanding of your company culture.



Begin the Interview Process

The interview process is a critical step in hiring the right person to adequately fulfill the duties and responsibilities of the job, and to integrate into your company's culture.

Helpful Hint

During the interview, include the employee(s) directly affected by this position, such as the reporting manager, an employee they would work alongside, and/or one direct-report, if applicable.



Interview tips

SIX NON-TRADITIONAL MUST-ASK QUESTIONS TO POSE IN YOUR NEXT INTERVIEW:

- What were your least favorite tasks at your previous job and why?
- Based on what you know about this company, how could you contribute to this role?
- Describe the best and worst working relationships you experienced.
- What motivates you?
- Describe a failure you experienced and what you learned from it.
- How do you compensate or overcome your weaknesses?

Employee Retention

Once you've hired the right person for the job and your company, retention becomes critical in ensuring business continuity and keeping turnover costs down. As previously mentioned, employee turnover can come with a hefty price tag, but aside from the obvious costs that hit your budget, there are also not-so-obvious costs that can impact your business continuity:

Lost productivity

Anytime you have an open position, productivity suffers. Further, if you divvy up the tasks and responsibilities to other employees, not only can they become overwhelmed, affecting their morale, but they become less productive at their jobs since they are splitting their focus and energy among their new and original responsibilities. And, unfortunately, the demand on their primary role doesn't stop, leaving an overflowing amount of work to maintain.

Time

The time it takes to interview a new employee and the time it takes for you or another member of your staff to train them is, essentially, money spent. Time spent away from managing your business can be disruptive to your operations and business continuity.

Helpful Hint

EMPLOYEE RETENTION IS CRITICAL FOR TWO PRIMARY REASONS:

1. Business continuity
2. Cost of turnover

The Critical Role of Company Culture

A company's culture commonly refers to employees' shared beliefs and values and how they're "brought to life" in the workplace, and it is a key component of employee retention. Company culture is defined and set from the top down, by the leaders of your organization.

Leadership should take a proactive role and define the core company values, if not already established. Remember to be authentic because your company is unique, and the values and principles of the company should reflect this endeavor. This is valuable time spent because the company's values should end up projecting the company's brand message. From these core company values, employees learn what is important to the organization, what

part they play in the scheme of things, and how they can affect the company overall. Keep the values to a select few, as you want all employees to eventually absorb and start "living the culture."

As your company grows, and more employees are hired, the HR department should put a plan in place to ensure that your company's core values are shared with new hires. They can utilize various methods to see where potential employees stand and then determine if they are the right fit for your organization. Whatever stage your company is experiencing—whether it is growing, adding new products/services, or going through a "rebuilding" phase—it's vital to stay engaged with your employees.

Three Companies with Kick-Butt Company Culture

1. GOOGLE

Search engine juggernaut, Google, is well-known for its culture of great employee perks, stellar pay and advancement opportunities, and environment of talented and driven employees. Some of their most raved-about perks include:

- ✓ Pet-friendly environment
- ✓ Employee trips and parties
- ✓ Free meals

Takeaway

While your business may never be able to rival Google's resort-style campus, you can incorporate reasonable perks and benefits, such as holiday bonuses or casual Fridays, into your culture to attract and retain employees.

2. STARBUCKS

In 2007, Starbucks was on the brink of financial disaster—sales were drastically plunging and stocks were sinking. In 2008, Howard Schultz became Starbucks' CEO and transformed the company by taking radical steps to change the way business was conducted. One example included closing 7,000 stores nationwide for “Expresso Excellence Training.” He sent a clear message to all employees about his “uncompromising commitment to core values.” Today, Starbucks is known for being the largest coffee maker in the world, has a prominent brand identity, and has a thriving company culture.

Takeaway

Company culture evolves, and sometimes, it loses its luster, but it is critical that leadership make it a priority to keep it top of mind for all employees in the organization.



3. ZAPPOS

Zappos begins their interview process with a “cultural fit” interview to determine if the candidate is a good match for their company culture—this interview carries half the weight in whether or not the candidate will even be invited to continue the interview process. Once an employee is hired, they spend the first 3–4 weeks in training, learning every aspect of Zappos' core values. Standout perks include:

- ✔ Regular employee team-building events
- ✔ Performance- and skills-only based pay raises
- ✔ Fun, family like work environment

Takeaway

Zappos invests so much time, energy, and even money (they offer new hires \$3,000 to quit after the first week if they don't feel the job is a good fit for them) into finding culturally compatible employees because they believe cultural fit is the foundation for great customer service and a strong brand.

Your business culture—whether it is conservative or more casual—is ultimately your decision, but the important thing to remember is consistency and transparency. Your employees should be completely aware of your expectations when it comes to code of conduct and corporate policies.

Paying Your Employees

The impact of processing payroll and how you can realize significant cost-savings.

If you have employees, paying their salaries and/or wages is a pretty important function of your business operations. Your employees need to be paid on time, and you have to ensure you comply with all applicable tax and employment laws. And, unfortunately, the hidden expenses associated with processing your company's payroll can add up and impact your company's bottom line.

WHEN IT COMES TO PAYROLL, YOU HAVE THREE OPTIONS:

1. Do it yourself
2. Hire staff
3. Outsource

The best option ultimately depends on your business and your capacity to manage the process. Since it can be such an expensive—but necessary—endeavor, we've compiled a list of cost-savings tips:

1. Take An Inventory

Complete payroll processing involves multiple steps, forms, and tax/legal/compliance requirements. Whether you personally handle it, or have a staff member help you, the first step in saving

money and taking control of your payroll procedures is to get a complete and accurate picture of your needs. Taking an inventory of your payroll wants/needs will help you begin to start thinking about the specific costs associated with each task included in your payroll procedures.

2. Ensure Accurate Data

The demographic data you collect from your employees is a crucial step in the payroll process. You can help ensure this process goes smoothly by collecting an accurate social security number, date of birth, address, and other critical information for each employee. Making sure you obtain and submit the correct information from your employees is the first and easiest step in saving money on how you process your payroll.

3. Understand Compliance Requirements

Processing payroll includes making tax payments, wage adjustments, paying bonuses, salaries, and commissions, etc. It also includes a number of potential deductions. Deductions and adjustments will likely vary by employee, and making mistakes can be very costly. The more employees you have and the more states you operate in or your employees reside in can make this process more complicated and more susceptible to mistakes. Understanding the full weight of state and legal requirements will help you avoid penalties and save money.

According to the IRS, an estimated **40%** of small businesses pay an average penalty of **\$845** for filing payroll taxes late or incorrectly.*



4. Quantify Your Time

If you're processing your company's payroll, it's important to accurately quantify how much time the process is costing you. Using the information you learned in step 1 should help you determine exactly how much time you are spending on payroll matters.

Then, think about the time you spend staying on top of changing rules and regulations, time spent correcting mistakes, reissuing lost checks, record keeping, and any other issues that may arise. Getting an accurate—or close to accurate—figure for the time you spend processing your business' payroll is important because it can help you determine the opportunity cost benefit of potentially hiring someone to help with those tasks.



5. Consider Outsourcing

While processing your employees' payroll is a necessary business function, it is not

revenue generating. Outsourcing your payroll functions can help your business realize payroll administration cost savings, reduce your stress level, and give you the opportunity to grow your business and better serve your customers.



6. Utilize Direct Deposit

Direct deposit is a fairly easy sale for most employees. Direct deposit is not only convenient for your employees; it also helps to reduce your exposure to check fraud and lost checks. There is also the time savings to consider.

Writing out or printing, folding, stuffing paper checks into envelopes, and then subsequently arranging for their timely delivery is labor intensive, and just like time, labor is money, too. Additionally, direct deposit saves the paper costs of the checks and envelopes, and any costs associated with stop payment fees that accompany lost checks.

More than **60%** of employees in the U.S. use direct deposit as their preferred method of payment.**

*<https://www.sba.gov/blogs/8-small-business-tax-preparation-mistakes-avoid>

**<https://pocketsense.com/direct-deposit-vs-paper-check-13274.html>

Your Compliance Checklist: Background Checks

When it comes to getting and staying compliant, the list can feel endless. There are employment laws, tax laws, benefits administration, workers' compensation, and various other laws and regulations employers must comply with.

While this section isn't intended to be all-encompassing, we hope it will give you a high-level overview of some of the compliance-related tasks that should be on your radar.



Background Checks

Hiring quality employees in your business should be a priority; background checks can help you make informed decisions, but before you commit to making them a regular part of your hiring process, here's what you should know:

1. Penalties are enforced for companies performing non-compliant background check

A common mistake employers fail to realize is that there are policies and processes that may actually subject them to increased liability. Background checks are almost always under review by both the Equal Employment Opportunity Commission (EEOC) and the Federal Trade Commission (FTC). If your company uses a third-party private company to perform background checks on prospective or existing employees, those types of consumer reports are governed by the Fair

Credit Reporting Act (FCRA). For more information regarding the guidance promulgated by the EEOC and the FTC with regard to criminal background checks, click [here](#).

Employers who fail to comply with the processes mentioned above are responsible for damages ranging from \$100 to \$1,000 per violation. The FCRA also allows prevailing employers to seek punitive damages and recover their attorney's fees.

2. The decision to hire an applicant should not be based on the results of a background check

Due to the conflicting impact background checks can cause for people, especially minorities who apply for employment, the EEOC urges employers not to make an inquiry about applicants' criminal backgrounds until after a decision has been made to hire

the employee. Once an offer of employment has been made, the employer may condition the offer on the applicant successfully passing a background check.

If your company routinely performs criminal background checks on job applicants, it is wise to have a written policy governing those checks. The policy should include a list of factors the company may consider in determining the applicant's suitability for employment.

3. Prior arrest/conviction history alone cannot be reason for not hiring an applicant

Rather than a blanket policy prohibiting hiring of individuals with felony convictions, the EEOC highly suggests that if an employer requests a criminal conduct screening, the reason to do so should be directly related to the job responsibilities and consistent with a business necessity. The employer must be able to show there is a business necessity for the check.

Furthermore, the EEOC distinguishes between arrest records and criminal conviction records. Be aware that employment decisions relating to a prior arrest alone generally should not be used to deny an employment opportunity.



Your Compliance Checklist: OSHA

The Occupational Safety and Health Administration (OSHA)

OSHA is a U.S. government agency dedicated to improving the health and safety of American workers. Since OSHA's inception in 1971, workplace fatalities have been reduced by 50%, and occupational injury and illness rates have been reduced by 40%.

OSHA is responsible for developing workplace safety regulations, conducting health and safety inspections, and providing employers and employees with safety training and help complying with regulations.

How You Benefit Financially from OSHA Programs

Aside from the obvious benefit of keeping employees safe, healthy, and productive, meeting the workplace safety standards set by OSHA makes financial sense for employers:

- ✔ Every dollar spent on proper health and safety programs can save a business \$4 to \$6!
- ✔ With less work-related illness and injury, employers see significant savings on absenteeism and workers' compensation insurance
- ✔ According to one study by California's Division of Occupational Safety and Health (Cal/OSHA), businesses inspected by OSHA "saved an estimated \$355,000 in injury claims and compensation paid for lost work" in the four years after inspections
- ✔ Businesses that meet OSHA's standards avoid inspection violations and possible fines

To help businesses, especially small businesses, comply with OSHA regulations, the Department of Labor and OSHA make every effort to guide business owners and employees in setting up proper safety programs. Businesses can take full advantage of all the help available to ensure a safe workplace and healthy workers.

Your Compliance Checklist: Workers' Compensation Insurance

One of the many responsibilities of a business owner is to protect the company against potential personal injury awards and associated litigation costs arising from claims filed by employees alleging they were negligently injured while they worked within the scope of employment with the company.

Regulated by each state, workers' compensation insurance pays medical bills and lost wages for employees who suffer work-related injuries or illnesses. In Texas only, after providing certain prescribed notices, an employer can elect not to provide workers' compensation insurance and become what is routinely described as a "non-subscriber." As discussed below, there are numerous inherent risks associated with being a nonsubscriber. In all U.S. states except Texas, businesses are required to purchase workers' compensation insurance, which provides several types of benefits:

- ✔ Medical benefits for treatment of work-related illness or injury
- ✔ Funeral expenses and death benefits for employees killed on the job
- ✔ Income replacement
- ✔ Vocational training

Worker's compensation laws vary by state and the system's are state regulated, so check with the U.S. Department of Labor or talk to an attorney to find out details in your state.

Learn more

Learn how outsourced human resources could
save your business time and money.

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