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Then There Were Two: Should You Hire a Staff?

By **KIMBERLY L. MCCALL**

Laney Pitt distinctly recalls the I've-got-to-get-some-help moment at her real-estate-development and property-management business.

"I knew it was time to hire my first employee when I was trying to talk on my home business line, take cookies out of the oven, turn off Sesame Street and answer my daughter's calls of, 'Mommy, Pleeeeeeeze pay attention to me,' all at the same time. The clincher came when I realized I was taking business messages on the back of grocery coupons."

Her Freeport, Maine-based company, Brighthouse Hospitality Group, had about doubled the properties it bought and sold each year, and the management portion of the business had more than tripled. After fielding a few late-night plumbing disaster phone calls, she realized that in two years her business had grown beyond her capacity to manage it on her own.

It was 1999, and she needed to make that considerable shift from solo shop to boss by hiring her first employee. Many entrepreneurs embark on self-employment thinking that they'll be able to handle it all. But when passion for a vocation turns to exhaustion from epic workweeks and handling niggling details, reinforcements are clearly in order.

- **When it's time to take the plunge.**

"I realized that it was time to hire my first employee when I could no longer do it all myself," says Deborah Wainstein, president of Priority Staffing Solutions, an employment agency launched in 1999 in New York. "My business was being held back. I was working 70-hour weeks and was unable to attend conferences that would allow me to meet potential clients."

Indeed, business owners usually start thinking about hiring an employee when "it takes more time than is humanly available to do all that needs to be done," says Alan H. Lewis, director of the Heckmann International Center for Entrepreneurial Management at the University of California-Riverside graduate management school. Business owners have an epiphany of sorts, he says, when they realize that, without help, they can't achieve a business's potential and serve customers in a quality manner.

- **How much does an employee cost?**

But a call for help demands a cold, hard look at cash flow to establish whether you can truly afford the expense. Dan Domancich, a certified public accountant based in Huntington Beach, Calif., hired his first employee in 2000 after 12 years working solo. Mr. Domancich cautions that prospective employers need to identify all the costs involved in hiring an employee, including help-wanted advertising, workers' compensation insurance, payroll taxes

and payroll-tax preparation. He says first-time employers should figure on spending an additional 10% on top of the employee's salary for payroll taxes, and 1% to 2% for workers' compensation insurance, with the costs totaling 15% to 20% above the actual salary.

And an employee needs equipment and a place to work. Ms. Wainstein notes that an extra worker generates additional utility bills such as telephone and Internet-service expenses. And down the road, employee-training courses and business conferences may be appropriate. "These all add up and can be very costly for a small business," she says.

Interviewing, hiring and training take time away from running the business. Then there's the additional stress of having a new employee. Business owners often overlook that taking on the responsibility of an employee actually means more work initially. "Having a person work for you in fact does add more work and, often, more stress," warns Mr. Lewis. Some business owners may feel that they're working harder than ever after they've brought in help. "The only way to grow is to bring on additional people, but it's often both a sobering and enlightening experience to hire that first person," he says.

Setting a competitive salary is key. Keep in mind that if you cut corners on salary and benefits, you may not be able to retain the best employee. "Don't skimp on the wages you pay," says Ms. Pitt. "It will result in high turnover, which is a nightmare in a small business." Mr. Domancich agrees that paying a good rate is essential. When he hired his first employee in a temporary position for the busy tax season, Mr. Domancich paid more in hourly wages than other employers for similar positions. And to encourage his employee to return for the next tax season, he paid a \$500 bonus as a reward for outstanding performance.

To get an idea about what a competitive salary might be in your area, check out SalaryExpert.com -- just select a job category, plug in your zip code and you'll get an idea of the annual salary range you can expect to pay.

- **Design the job before you hire.**

Before starting interviews, sketch out a job description and realistically estimate the hours required. "It was tempting to say, 'All I need is two or three hours per week,'" says Ms. Pitt. "Instead, I honestly evaluated the additional hours needed and adjusted for the growth I knew would occur when an employee did come on." She hired her first employee for 12 hours per week.

Check references to ensure the applicant has the proper skills for the work. Ms. Wainstein encourages new bosses to "make sure [prospective employees] have the right attitude about the work they'll be carrying out. There's nothing better than a person who carries a spirit of cooperation and understands team work, especially in a small firm."

When checking references, avoid asking any questions that would elicit information about an employee's protected characteristics (e.g., race, religion, age, disability), warns attorney Matt Halpern, partner in employment law firm Jackson Lewis in Woodbury, N.Y. Mr. Halpern adds that you may not learn much beyond the basics about a prospective employee, because employers are wary of giving out any negative information for fear of defamation claims. To be cautious, employers may verify only name, date of employment, title and salary.

Mr. Lewis advises that entrepreneurs beware of hiring someone just to help out. "Too often a small single-person business makes the mistake of adding an individual without really defining this person's responsibilities," he says. A job description will help you define what your business needs and avoid hiring a warm body just to spread the workload. "The owner must balance his own strengths and weaknesses with those of the new hire -- they should be complementary," says Mr. Lewis.

An employer working from home may need to find commercial space when he or she makes that first hire. "I moved out of the house immediately," says Ms. Pitt, who had tried to incorporate an employee into her home office, only to find it "didn't work all the way around." Ms. Wainstein also had to find office space once she decided to hire. Because of the high-traffic nature of her employment agency, she had a tough time finding office space and first had to work out of a borrowed conference room. "No matter how many specific elements you

consider, there are always surprises," she adds.

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