

Growing Pains When Do You Need HR Help?

For small, growing companies the responsibility for human resource management can become overwhelming. Administrative tasks consume more and more time, and the effort to attract and retain new hires can be exhausting.

Take a moment to consider all the functions that comprise HR management. Just to hire someone, you identify required skills, recruit, screen, check references, and interview. After deciding whom you would like to hire, you need to formulate an offer that includes a fair compensation and benefits package. Then, once you hire someone, you need to provide training, weekly paychecks, benefits administration, and performance evaluations. Hopefully, everything will go as planned, and your new hire will become a long-term employee who justifies your time investment.

But, as you know, things don't always work out. Then, you have to properly terminate your new hire, and, to make matters worse, you're faced with the daunting task of starting the hiring process all over again. Think of all the time and money wasted!

Even when things do work out, there are many HR risks—from complying with the multitude of employment laws to ensuring worker safety. Unfortunately, the situation is just going to get more complicated. Some pending legislation in Congress includes amendments to the Family and Medical Leave Act, the Patient Access to Responsible Care Act and the Working Families Flexibility Act. Do you know how this new legislation will impact your business?

Scary, isn't it? For many small companies without formalized HR procedures, the risk of making mistakes is great. Often, with growth comes many HR problems. If you have been handling the personnel issues yourself, you may be ready for a change. Now may be the time to assign those duties to a dedicated HR person. Here are a few things to consider:

Why do you need an HR function?

- To avoid risks, and ensure compliance with employment law.
- To attract, motivate, and retain quality employees--how long can you continue to do this on your own?
- To have HR expertise.

HR Functions

Hiring Process: recruiting, screening, skills testing, interviewing, checking references, and

When do you need an HR function?

- Your knowledge of government or employment laws is lacking.
- You need to hire good people quickly.
- The administrative burden of payroll, taxes, and benefits is too much.
Is this keeping you from focusing on growing your business?
- You have the cash flow to afford it.

formulating an offer

Administrative Tasks:

attendance, payroll, check distribution, and benefits administration

Supervisory Duties:

performance evaluations, training, and regulatory compliance.

What are your options for HR help?

- **Hire an HR Director.**
For starters, you could turn the entire function over to an HR Director. While this may relieve your hiring and payroll headaches, and reduce your risk from compliance issues, it is an expensive alternative. The cost of HR professionals is on the rise. Businesses have recognized the strategic importance of good HR management, and as a result, demand for skilled HR professionals has skyrocketed. HR employees are earning greater salary increases than other management professionals, and companies which lose their HR managers are forced to pay more to hire a qualified replacement!
- **Hire an HR Generalist.**
A somewhat less costly choice is to hire an HR generalist. A generalist can handle the administrative tasks associated with HR management-including screening applicants, maintaining payroll, monitoring attendance, taking care of benefits administration, and possibly assisting with employment law compliance. You maintain control over final hiring decisions, compensation issues, and benefits packages. Basically, you must maintain a supervisory role, acting as the HR Director.
- **Outsource.**
Outsourcing is an economical option for many companies. You may choose to outsource specific HR functions or your entire HR department. The benefits to small companies choosing this option are tremendous.

If you don't feel comfortable giving up control, you may opt to outsource only the hiring function. Let a staffing company handle all of your recruiting and pre-screening-you'll save time and money as you increase your staff. You may also choose to hire from a staffing company on a temp-to-hire basis, so you can "try before you buy!" This is especially beneficial when you are uncertain as to how growth will affect your staffing needs. For example, if you hire four full-time

people, and it turns out you only need 3, it is much easier to let go of that extra person if he is employed by the staffing company.

- **Hire an HR Consultant.**

Another option is to hire an HR consulting firm or a contract (i.e. temporary) HR Director, to supplement your internal HR functions. Susan Warner, president of HR Troubleshooters in Philadelphia, says, "Many firms use a retainer arrangement entitling them to unlimited telephone consultations and a certain number of hours of hands-on consulting. The internal HR person will handle the day-to-day employee relations but they like to call us to brainstorm on tough calls... Areas of discussion range from terminations to compliance with the Family and Medical Leave Act." (Manewitz, Marilyn, "When Should You Call a Consultant?")

This is a valuable option if you lack expertise in certain areas. With the increasing burden of meeting employment regulations, an HR consultant can significantly reduce your risks. Consultants can review your procedures and make improvements, or even write procedures to ensure you are within the confines of the law. You may also appreciate their expertise in areas like compensation and benefits analysis.

Evaluating the alternatives-choose your best option.

The [attached worksheet](#) should make it easier for you to determine where you need HR help. Evaluate the functions in the left hand column based on your in-house abilities. Remember, even if you're doing all the hiring now, you might not be the best person for the job. It may be more cost effective to have someone else do your HR tasks, while you focus on what you do best. The object is to help you determine optimal solutions to your HR needs.

Click here to get the ["Growing Pains" Worksheet](#).

After you've completed the worksheet, evaluate your options based on cash flows and projected growth. If you expect 200% growth in the next two years, it would be advisable to develop a strong HR function in-house, or a strong relationship with a consulting or contract staffing firm specializing in HR. On the other hand, if your growth will be more moderate, you may just need to hire a generalist and use an HR consultant to fill in the gaps.

How do others do it?

- **Companies with fewer than 25 employees** generally have one person performing all HR functions, outsource everything, or try to get by with existing resources and advisors like accountants and attorneys. However, more and more companies are starting to outsource everything to maintain greater focus on running their business.

- **Companies with 25 to 100 employees** often split the HR functions between an office manager, for hiring and administrative tasks, and a bookkeeper, to handle payroll, benefits, and taxes. Many companies in this range also choose to outsource specific functions like payroll or hiring. At this stage, companies may also opt to hire HR Contract employees for special projects like creating policies, writing an employee handbook, or designing the hiring process.
- **Companies over 100 employees** usually hire a dedicated HR person to handle day-to-day administrative tasks, payroll, and benefits administration. This HR person may be a benefits specialist to compensate for a lack of expertise in that area, or may simply be an HR generalist. At this stage, the company also needs to hire someone who keeps abreast of legal and regulatory issues. This is an ideal time to hire a consultant who can provide advice and assistance to both the HR generalist and the higher level executives within the company.

Of course, some companies follow different paths...

For example, Rick Born, president of \$21 million Born Information Systems, "felt that a sophisticated approach to human resources was critical to his computer-services company's success. So when he founded his new venture, he hired a human-resources director who also had five years of recruiting experience-a serious investment for a start-up. 'We're in a competitive industry, and it's important to attract and retain the very best people.' (Fenn, Donna, "Managing: Do You Need an HR Director?")

Another option is to promote from within if you want to preserve a unique corporate culture. At Eileen Fisher, a \$50 million women's clothing company, president Eileen Fisher "Promoted two employees from the ranks to deal with hiring, recruiting, and personnel issues-people chosen more for their understanding of the corporate culture than their technical expertise. For that, Fisher relies on her chief operating officer, who keeps abreast of legal, regulatory, and benefits issues." (Fenn, Donna, "Managing: Do You Need an HR Director?")

If managing your HR function seems overwhelming, you are not alone! Developing a human resources strategy is not easy. We know, we've helped many companies like yours. Whether you need on-going assistance with a multitude of HR functions or advice on regulatory compliance issues, consulting an HR Advisor may be your most effective option. Or, maybe it's time to outsource some of your more burdensome HR functions. `###get_anyvar CLIENT_NAME###` can help you evaluate your options more thoroughly, so you can find the best solutions to all your HR needs. Remember, we're just a phone call away!

RESOURCES FOR THIS ARTICLE:

Fenn, Donna, "Managing: Do You Need an HR Director?" Inc. Magazine

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