



## The Hidden Cost Of Small Business HR - Episode 23

### Speaker 1: 0:03

Hi, this is Wendy Wilson and welcome to HR Catalyst Podcast. Um, this will be our, the first in a series entitled Eight Steps to HR Excellence. And I, this is my first hosting, uh, gig. And so I have the pleasure of introducing and working with the one and only Mark Midford <laugh>. He's the managing director, uh, of HR Catalyst. Mark and I have worked together for about four years. Um, that's right. He brought me on as an hr, uh, consultant. And I have learned so much from you in the process. Um, I really value your extensive HR wisdom, um, and have watched you really provide a lot of consulting services to business owners, not just from a HR perspective, but you're a good sounding board for them as they, um, try and plan their business, um, in general. And so, um, but one of the things that you're really passionate about is helping, uh, small businesses build a healthy culture that ultimately helps them, uh, improve their overall financial results and success. Um, so one way that you've done that is to create an HR starter kit. Tell us about how, the reasons why you created that.

### Speaker 2: 1:31

Sure. Thanks Wendy. Yeah, look forward to having the conversation with you. So, yeah, the starter kit, so HR Catalyst, um, start in 2013, so actually amazed, kind of hard to believe, but next year will be year number 10, uh, which is really hard to believe cuz it seemed like I just started it a few years ago. But about two years ago, um, what I did is that are really felt like, um, our needs that the consulting services we provide are typically for companies that have at least 25, 30, possibly 50 employees. Those are typically kind of the, the minimum threshold kinda lower middle market size companies between 5,000,070 5 million in revenue. And so there's a lot of companies there are within the D F W Metroplex where, where HR Catalyst resides, there are tens of thousands of companies that are below 25 employees, uh, in size. And so the HR starter kit is really the idea behind putting, pulling that together and starting to piece it together about two years ago was there are companies that don't need our, our core services just yet where we act as an out outside outsourced or outside VP of HR or trusted advisor for their business. So to fill in that gap and that void, really the idea and the, the, um, the thought process there was to create a starter kit. Kit and Wendy was critical around that. So Wendy, thanks for all of your work because Wendy's got a really amazing gift of creating, taking these forms and then making them look really, really professional. So we have the starter kit out on our, so just just in summary there, we have a starter kit that we've developed for really companies that are 25 employees and below who don't need

our core services and the pricing point there, several levels there. And there's a price point there for everybody. And we'll just talk about it a little bit more extensively when we wrap up the website , um, when we wrap up the podcast here and , um, just about 30 minutes or so.

**Speaker 1:** 3:37

Right? And one of the things I love about working , um, at HR Catalyst is you support small businesses in a variety of industries, a variety of size with a variety of needs, but we do often find common mistakes or HR oversights in these smaller businesses that don't have an HR professional on board . Um, and so we wanna talk about those , uh, common mistakes that we see , um, in small businesses in particular. Um, one of them is having a poor or inconsistent hiring and selection process. So why is that so important, mark ?

**Speaker 2:** 4:23

Right. You know, it's because when you think about it too, you know, we have a lot of companies that don't have any, they have little to no formal HR department. Quite often they have no HR department. So a lot of these managers is kind of ma I hate to say, but they're, one of the taglines we use in a way is they don't know what they don't know. And not knowing what you , not knowing what you don't know is really not a good place to be from any, doesn't matter if you're a manager. Um, you play golf, you, you serve on the leadership team at your church, whatever it is. But some of the key things there with that inconsistency of selection and hiring process, some managers actually ask questions that are first and foremost blatantly illegal. They ask people about marital status, they ask people, where do you worship? They ask people, and I'll just, you know, not targeting females, but if you have a, you know, you have a , uh, female , um, who has three young kids , um, and that comes up in the conversation, then, oh, well, how are you gonna get to work on time? And can you work over, can you work overtime if needed? And, you know, those are questions you shouldn't ask about marital status or religious status questions. You know, you're really focused on the core aspects of the job, which we'll talk about in a few minutes. So that's one of the biggest things. Uh , another thing is that sometimes you're hiring people that are not a good cultural fit. So companies we work with, with, we love to help them define and then communicate and start really using core values as part of their guiding principles and their day-to-day operations. But if you have core values such as , um, teamwork and collaboration integrity, then you should be asking questions that actually correlate to the core values as part of your selection process. But if you don't ask those questions, sometimes you're hiring somebody who, they're technically qualified, but they're actually not gonna be culturally qualified. So you may find they can do the job on paper. They have the IT skills, the , um, they've done the marketing work , uh, you know, we've done work in marketing and PR for hiring, but you'll find that they're not a good cultural fit. And it really comes down to culture is almost equates to chemistry. And that's where when we do, and well actually when Wendy does most of this, so , uh, if Wendy's doing a recruiting assignment, she's , uh, a lot of times she will find people who are qualified for the role and do a great job there.

Um, and but then a lot of times the internal interviews that have to happen then is really the chemistry or cultural fit. So if a company doesn't have any intentional process about hiring for culture, you may find, oh my gosh, this person's great, but within a month you say, oh my gosh, we've gotta fire this person because they're culturally they don't work with the organization. So that's one of the other big things is not hiring for culture and not hiring for cultural fit. And then the last thing

**Speaker 1:** 7:29

That really affects their bottom line in , in the long run, the cost that they , um, that when you have high turnover mm-hmm . <affirmative> the time , you don't only lose the investment in the training that you gave them, but you oftentimes we had one client who had high turnover in the first three months and then it impeded their ability to take on new clients. So you miss out potentially on new business because you don't have the , um, employees in place and train to, to take on new clients.

**Speaker 2:** 7:58

Yeah , no , exactly. That is so true. And, and there's actually, it's, it's, it was , um, you know, I was gonna talk about this in a few minutes, but I can bring it up now cuz it's a great example of what you just alluded to, Wendy, is that , um, you know, to hire somebody, and this is on average, so again, you know , if , if you're hiring somebody who makes \$12, you know, you're hiring level is 12 to \$13 as a starting wage, it's gonna be different there. But to hire on average, because this includes , uh, VPs and what have you, you know, hourly employees all the way up to senior level executives, it costs an average for day one just to get the person started around \$5,000. That's to get them there with you and get them on payroll as of day one. So you put all of this work and time and effort and energy in interviewing, job postings, all these costs. And sometimes you do a poor job of interviewing. And so if you terminate this person within a month or two months, you know, there goes that investment right out the door and you have to start over again. So the cost of turnover is huge. Um, the last point I was gonna bring up around , um, around hiring selection is that you ha if you have different, if you have different hiring managers, which in most cases true and they're one unfor , one is a very good hiring manager and good at interviewing the other one's not, you're probably gonna bring it , bring in a smattering ring of A players , B players , C players. So you're gonna have some managers who are much more adept and have taken some training on interviewing because training is a interviewing and, and doing a good job of interviewing is a skillset set just like any other skillset we learn how to do in life, driving a car, cooking a good meal, whatever it is, you know, there's, there's steps and there's processes to getting it that way. Baking a cake, it's not something you just wing it and you make a beautiful cake, you're gonna have to work at it and follow a recipe and do certain things. So the same thing with the recipe. And there's a formula behind interviewing and a lot of managers. So we can help organizations too. The other nice thing in the starter kit , we actually provide templates and tools around questions to ask. They'll be very helpful in the , um, in the hiring and selection process just to make sure that manage hiring

managers are asking the right questions and mean consistent around the questions they asked during the hiring process since it is so critical.

**Speaker 1:** 10:20

Sure, yeah. It is important to be, have the, have consistent questions with the candidates, um, that you're interviewing for a position so you can compare them, um, and make the correct selection. Um, so number two on our list of common oversights is missing or vague and outdated job descriptions. We provide these a lot for our clients. <laugh>, why are job descriptions so important?

**Speaker 2:** 10:48

Yeah, well, as you see Wendy, cuz a lot of times you working on these, you see some of them are just so bad. I hate to say, and I'm not gonna point out any clients who embarrass anybody, but some of them are just, you know, especially if the, if the organization, the last time you did a job description or updated them were, I don't know, two years ago or three years ago and the organization's gone from 15 employees to now 50 employees and it's tripled its revenue, chances are the job description from three years ago is really not accurate to what it is today. So one of the, one of the key things with job descriptions is you have to have some of the basic roles and responsibilities clearly articulated in the job description because that's what you would hold a person accountable for in doing. Cuz here's the main, here's the main components of your job. And as we tell clients all the time, you know, you don't wanna create, because we also have some job descriptions that are like three or four pages long, which is just way too long. Um, I don't care what job this could be a a, you know, a a VP of marketing and sales, but keep it really, you know, keep it concise. One or two pages is great. Um, some jobs for an entry level job could be one page, which is fine, which is also awesome. But making sure you have key components to the roles and responsibilities. What is the job there to do? What is the job there to achieve? So as you are hiring, you're, you're gonna use some of those responsibilities in your hiring process as we talked about it a minute ago. And then the other thing is gonna be around the job description itself. If the person's not doing a good job and they've been there for three or six months, you can then go back to specifically articulating where they're missing the mark. So then that creates that level of accountability for the employee. And if unless you have that in the baked into and written in the job description, you know, you, you wouldn't be able to really hold that person accountable for something that's really vague or non-descript in the job description.

**Speaker 1:** 12:51

So ideally business owners should have a job description for every position that they have on staff. And then from that will flow a job post that you would use if you were hiring for that position. And also any kind of formal performance review or appraisal you would pull from that job description, the key responsibilities when you're onboarding,

you would use that job description to clearly set the expectations right , uh, for the employees. So ideally they should create one for every position that they have,

**Speaker 2:** 13:30

Right? Right. You know, it's, and then that's exactly, because you don't do it by person, you do it by position. So it sounds daunting, but in a, you know, in , in a company of a hundred employees, let's say you may have, I don't know , I'm just gonna take a guess here. You may have 20 job descriptions because you have, in some cases you might have a customer service position and the customer service position, there's eight of these people, those eight people would all have the same job description. So it's not like a job description per person, it's job description per position, key thing. Um, and then, yeah, you know, and if you haven't, and you've grown, especially if the organization's grown in the last 2, 3, 4 years, going back and actually doing a review of your job descriptions is time well spent. Because I would guarantee you some of them, 20%, 40%, 50% of them may be blatantly outdated. And therefore, when you're doing the reviews on the people and when you're hiring and you're posting a position , uh, you know, you may be actually hiring for the wrong thing. That's actually one of the other items I wanted to talk about here is that sometimes you're hiring, your job description says this, you convert that to a job posting, which is a little more marketing oriented, but then you're actually hiring for the wrong skillsets . So if you really have a blatantly outdated job description, you may find you're actually hiring. It's almost like, I don't know , I'm just gonna think of an orchestra. First thing that came to my mind. So in an orchestra, lots of different instruments in an orchestra. So if you go to see, you know, the Dallas Symphony, the Fort Worth symphony. So it's, it's, it's like if you're, if you're hiring somebody, if you want to , if you want to violin player, you don't hire somebody that's really, really skilled at playing the piano because they're a musician and they play an instrument. But it's totally two different things. Um, I'm, I'm not, I I have played the piano, but I have never played the violin, but I guarantee you I could not pick up the violin cuz it would sound like somebody was killing a duck or something like that if I tried to play a violin because there's nothing in common with the two. So that's kind of a, you know, a rough little example of it too . Um, the other thing too, the last thing I wanted to bring up here on the job description is that when you're onboarding the person, once they're hired, you wanna make sure you're using some of the facets of the job description as part of the process around onboarding. And we're gonna talk about onboarding here in a few minutes too, I think. So , um, so you kind of used your backbone of some of the skills and competencies because when the person's hired, they may, they may have 70% of what the job description actually needs to get done, or they may lack some of the competencies or proficiencies in the job, but you really find chemistry wise , we really think this person's gonna be great. So they're a good fit, but they may not be a hundred percent fit. And therefore, if they're, if they're missing, if they have have a couple of gaps on the competencies in the job description, then that's something you would probably focus on during the onboarding period to make sure you can shore those up and get that level of proficiency up to where the person's gonna be successful.

**Speaker 1:** 16:39

Right. And, and you help business owners with this In the HR starter kit, we have a template that is , um, an outline of a job description, but it's also filled in so that you can see the content, the type of content that needs to be included. But then we've also gone in and partnered with small business owners and helped them revamp all of their job descriptions. So that daunting list we ha are able to come alongside and help as well , um, depending on what each business needs. Mm-hmm. <affirmative> . Um , the third is , uh, lack of training and development for people managers. Right. A lot of our clients have promoted high performing individual contributors , um, into a leadership role. And oftentimes they have had no experience or training managing people or , um, you know, training on HR pitfalls that they need to avoid as a first line manager. So this is something that , um, is really critical for small business owners.

**Speaker 2:** 17:48

It really is. And there's so many times where we've created this 10 module package. And again, Wendy helped out, Wendy helps out with a lot of things if you haven't figured it out. But, so leadership development. So we've created a 10 step , a 10 program modular program for leadership development. But one of the key things, and I, I worked before HR Catalyst and I worked with large, very large Fortune 500 companies such as Ericsson and PepsiCo. And the one thing they had in common is leadership. They had great leaders there. Um, in companies that are smaller, of course they don't have the luxury to spend millions of and millions of dollars in doing leadership development and programming. It's just not financially feasible. But one of the key things we do, we try to , we even teach the role of a leader because first of all, there has to be some c compliance component. They need to make sure that there're actually doing things that are, that are compliant, legally compliant with a, with an individual within the organization. But part of it also is that they're effectively engaging, motivating, inspiring employees and they're also holding them accountable for what they're doing. That's number one. Excuse me. Another thing also is around, it's like the classic example, and I've seen this so many times, is that whenever you, a lot of times you promote a person because they're good at their job. So it's taking a salesperson, promoting them because they're good in sales, making them a sales manager a lot of times because the skillsets are totally different. So just because that person's good at sales does not mean, and I really wanna emphasize the word not, does not mean they're gonna be a good sales manager because it's a totally different set of skillsets and some people out wanna be out there always selling and when you make them a manager, so one of the biggest traves travesties that happens out there is a lot of times, well, you're really good at your job, so guess what, congratulations, we're gonna promote you. And sometimes unless you give that person the, you equip them to be successful doing that, then there's a good chance they're actually not gonna be successful. So that's the other big thing is with any, any position sales or working on the shop floor within a manufacturing environment to move them into a , a managerial or team lead role, making sure you don't throw them in the deep end and just say, best of luck, I hope this works out. You give them the tools and equipment because leading people and managing people effectively is simply equipping

them with new tools. And some people innately have that, but most people don't. And I've been doing HR work for over 30 years now, so I've seen a lot of successes, raving successes, but I've also seen my share of raving failures of a person who is great. You move them and promote them and then they actually fail and you terminate them within the year just because they couldn't figure it out. And then the last point there I wanted to bring up, um, was around coaching. So you gotta make sure you also, a manager and leader has to be a good coach. The best leaders are great coaches. They push hard on people, uh, but they also give them very good feedback. They encourage them, they give 'em a pat on the back when they need to, but they also hold them accountable. And it sounds really simple in theory, um, but if anybody's coached, um, a, a little league team or what have you, it's not that easy. So because everybody on your team is different. So making sure, and that's something else we try to do if we do leadership training with an organization, making sure that leaders are equipped to coach effectively and also nurture people, bring them up, but also hold them accountable when they need to get a little bit of a, you know, a kick in the pants. So we also can make sure that happens. And that's when the other critical things that I think in the start of kit, there's a little bit of information on leadership there, but we can also offer as an add-on, we can offer some customized leadership development program, which we've already got, uh, created.

**Speaker 1: 21:57**

Right. One thing I notice and what draws a lot of people to a small businesses, it's a very casual, oftentimes a very casual work environment. But, um, so managers manage, can manage, uh, employees in that way, but it really, uh, creates a risk for the company legally. Um, if they're not mindful of how they manage or the feedback that they give, um, employees, but it also hinders the performance. Um, cuz they don't wanna have the critical discussions and they wait till they're frustrated and it just um, impacts the overall performance, which is very critical in a small business.

**Speaker 2: 22:42**

Right. Yeah. And that's where, you know, kind of moving into that next, um, that next component around performance reviews, gosh, probably, and I've lost count of how many clients we worked with, um, uh, I'm maybe let's say a hundred over nine years, almost going into 10 years. But I would, I would say probably 40 to 50% of them do not have a performance evaluation process that's formalized. And it's amazing cuz some of these companies are 200 people, 300 people, 500 people, and they don't have a formal per performance review. So one of the key things with a performance review itself, and it sounds so basic and intuitive, but it's really a formalized check-in between the manager and the employee. It's a way to meet. And, um, especially today, you know, we have five generations in the workplace. So we have a lot of Gen Zs, they're starting to move into the workplace that are in their early twenties, but millennials are becoming more and more of the workplace. Gosh, and I can't remember the numbers, but I think it's around 20, probably they're about 26 years old to about 35 or 38. So a huge faction in millennials and Gen Zs, what do they love to do? They love to get feedback. Mm-hmm.



They love social media, they love to get feedback and they want it all the time. And so if you're not doing reviews with employees, you're missing this huge gap of feedback. And the feedback is not only, Hey, you're doing such a good job, I'll pat you on the hat, I'll give you a lollipop. It's around, it's also around coaching. Here's some areas where you have strengths, but here are some areas where you need to get better. And, you know, here's some areas where I gotta, I've gotta give you some constructive feedback. The other big facet of a performance review, and we are big fans of doing performance reviews quarterly. They don't have to be monumental. I know that managers cringe cuz most managers do not like to do reviews. They think it's just kind of a bureaucratic HR driven process. But an eight, a quarterly review can be, you know, can be 15 minutes. It doesn't have to be a one hour or two hour conversation unless the person's not doing well. Um, another thing we try to do with the review process itself is discussing a career development goals. Where do you want to go in the next two years, three years with the company? Because if you don't ask that critical question during the review, and it's not something naturally you talk about during, when you're getting a cup of coffee at the, at the coffee pot or the Keurig machine, I guess now it's not something you talk about with your employee. It's like, well, what do you want to do next? But it's critical because especially with your high performing employees, if you don't talk about their career development and where they want to go, if they don't feel like they're challenged and really being pushed, I'll guarantee you they'll start looking for other positions and they'll, outside of the company, they'll become a retention issue for the company. And also the other critical thing about our review process is, and I try to impart this on managers and say, you know, be a little bit vulnerable during the re during that review and ask your employees, what can I do to improve? What can I do to help you to be more successful? What do you need from me now that you're not getting from me? And that's also critical and it makes, because managers are people too. And as we all know, we all have our faults, we all have our, our rough edges. And I think anybody who's a parent understands that because, um, you know, we all know that our, our our kids think they're the smartest thing on the face of the earth. And sometimes they do know a little bit more about us on certain things, but they don't know a lot about life and things like that. So also just opening yourself up and asking your employees during the review, what can I do to be better? What can I do to also not only be better, but also help you to be more successful? And those are some critical things I'd say in the review process, um, are out there. We do have, uh, review templates back in the, um, the starti kit also, but if you need help on that, we, you can just reach out to us and we'll be able to help you out there.

**Speaker 1:** 26:58

Sure. And the having a formal process in place is so important because employees expect that they're gonna have this conversation, uh, uh, and be accountable for their results. And as you mentioned, mark, the dialogue between the manager and the employee are so important to, um, having open communication about these things. And so if you don't have a formalized process, um, when beha when performance issues come up, um, you don't have anything documented that from a feedback that you've given them. Um, but



to your point, employees want this conversation mm-hmm. <affirmative> and a lot of managers avoid it because they don't wanna give negative feedback or it's just a time , um, crunch for them to go through the process. No , absolutely. It , it is really important to a healthy culture for your employees.

**Speaker 2:** 27:55

No, absolutely.

**Speaker 1:** 27:58

Um, next on our list of oversights, number five is an employee onboarding process for new hires. <laugh> , I have , uh, I'm very passionate about this one because we see with business owners , uh, small business owners especially, they are moving at a high pace. And so a lot of times the HR functions that take more time are not, are an oversight that we see. And so onboarding process , um, is in the HR starter kit, it's very comprehensive , um, what to, what to do from day one and then on an ongoing , um, time increment of 30 days, 60 days, 90 days. And if a manager takes the time to, to plan this out, it is so valuable to the employee to get their expectations set from the beginning to have a systematic process that they see they're progressing through. And then ret it ultimately refe affects your retention mm-hmm. <affirmative> of those new employees.

**Speaker 2:** 29:10

Right. No , exactly. I think you, you kind of nailed it on the, you kind of hit the nail on the head there, Wendy, cuz it's, as I mentioned earlier, a few minutes ago, around average cost of hiring up to day one to get them onboarded, get them on the payroll system is about \$5,000. Get it varies a little bit, but that's an average number between, you know, an hourly employee to a senior level executive. So that's why. But that number is huge and it's a number that's well known . So, and , and some companies out there, you know, the onboarding process is simply doing paperwork. Um, it's a , you know, paperwork. Maybe the manager and the the team take you out to lunch and then after that they throw you in the deep end, show you where your desk is and then get to work. But yeah, as you said, onboarding is, you've just hired this person, you spent, you know, a month, two months, sometimes three months to hire this person. And if you don't do an onboarding process, and again, a very intentional process, I almost, I almost said it's , um, they're kinda like the analogy of a honeymoon. It's kinda like the honeymoon period with the employee. They're getting to know you and you're getting to know them. And a really fascinating statistic, companies that don't have a good high onboarding process that is very intentional, that is typically around 12 weeks or 12 weeks long, there's a four to five per , um, times likelihood that person's gonna leave within the first 12 months. So it's just a , the

**Speaker 1:** 30:39

Benefit to the template is, is that it's customized, you can customize it, but it gives you , um, all the things to think about, whether it's training or even something as small as having , um, the every , all the steps that you need to do before the employee starts. So

often an employee shows up on their first day and no one's prepared for them. Um, they don't have a desk, they don't have their IT equipment. No one's done what the steps needed to prepare for them, and that just sets them off in a negative way. So it's such

**Speaker 2:** 31:15

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**Speaker 1:** 31:16

Yeah . Important .

**Speaker 2:** 31:16

Yeah, it's small step . It's just so critical there is that. Yeah. You know , just because, and, and this again is notorious with companies that we deal with because they are smaller, so they don't have all the trappings of doing some things that a much larger company with, you know, 5,000, 10,000 employees have. But making sure you're so intent , you , you spent time, effort, and energy to hire this individual. And if you just throw them out there to the wolves , um, within the first week or two, they're gonna say, what in the world why did I join this company? And then the other thing too is if they were looking actively for a job, they may get another job offer during that time. And then guess what? They may decide , I think this place is pretty screwed up. Um, I don't feel like, you know what, I'm gonna turn in my resignation now, cut my losses and um, I'm gonna leave. So , um, the other big thing on the flip side for what's in it for the company with a gun onboarding process is that the company also within the onboarding process, the , you know, we've, we've created and that it's, it's out there. You know, it's, it's public knowledge is not secretive or anything new and different that we have. But the nice thing is we have these very detailed, robust templates. The other good thing is the company gets to, unfortunately there are, there are a lot of people who put, they've done this on their resume and they really haven't. So the amount of information that's false on a resume, unfortunately it's pretty high. So during the onboarding process, we actually recommend, especially in the first couple of months, the , the employee and the manager meet weekly to do a miniature performance review. And if the employee, if you d if the, you figure out this employee actually falsified some of the skillsets they have on their resume. I mean , you know, they said they were a super user in Excel and they can't even create a pivot table or they can barely do anything in Excel. Guess what? They're probably not a super user in Excel or if they use this , um, they've used QuickBooks or what have you, whatever it is. They're, you know, they've got 10 years in finance and what have you and they've ran a financial department of X amount. You know, unfortunately it is the day and the time that some people can interview really well. So it also, if you decide, you know what, this person really wasn't a good hire and it doesn't matter what you do and how good your interviewing process are, some people are gonna slip through the cracks and that's just reality. You can then look at terminating the person quicker, cut your losses, because the last thing you can do is if you lack an onboarding process, that person may be there six, 12 months before you're like, oh my gosh, this person really isn't working out. It's like , well when did you figure it out? Oh,

probably within the first month. And then I'm like, okay, why didn't you terminate them then? Or why didn't we write 'em up once? Set 'em accountable, put 'em on a warning process, and then look at releasing them. And if you release them quicker, then it's much more, there's less, much less risk for you to do that from a legal perspective because that person may have falsified their resume and you may have some good information just to, that you figured it out during the onboarding process. So it also does something to protect the company too.

**Speaker 1:** 34:28

Indeed. And one of the thing, one of the aspects of the template in those conversations with incremental conversations with managers is it allows the manager to set some, some goals that are appropriate for the first 30 days and then additional goals at their 60 day that they need to meet in the next 60 days and then 90 days so that there is an evaluation of those skills, but also they're progressing in a systematic way. And so often because managers and business owners are so busy, they have so many things on their plate, when a new employee starts, they will pick a employee and, you know, match them up with Steve and then Steve will share whatever Steve thinks about the company. Right. Or the process. And so it's not a systematic, uh, introduction to the company, so,

**Speaker 2:** 35:20

Right, exactly. So it goes back to consistency. Yeah. That's, that's huge. So

**Speaker 1:** 35:26

Anything else you wanna say

**Speaker 2:** 35:27

On this? No, on that? I'm good.

**Speaker 1:** 35:28

Okay. So the next, this is also a passion of mine <laugh>, uh, small businesses lacking an employee handbook, um, that's legally compliant. Either they don't have one, it's not legally compliant or it's five or six years old and, and things have changed. And one of the things with employee handbooks is, you know, we always tell business owners, whatever you have in that handbook, be sure that you're following, um, um, yourself following the process yourself cuz you're holding, uh, employees accountable. But oftentimes business owners aren't even following what they've outlined as their, as their process. So talk to me about employee handbooks and why they're important and, and what size companies should really consider having a handbooks. Mm-hmm. <affirmative>, is it appropriate for employ a company that has 10 or less employees to have an employee handbook?

**Speaker 2:** 36:24

Yeah, it really is. Um, gosh, over the last, again, several years, we've developed handbooks for companies that have less than than 10 employees. And that's a very, um,

common thing to do because as long as there's at least a couple of managers, guess what, if there's two managers and you ask, somebody asks them about the vacation policy, they ask 'em about do they have this day off? Um, just like this year for instance, it's a great example. Um, this year, Christmas falls on a Sunday. So does that mean that the company automatically gives the 26th off because employees, that's a weekend. So it happens. So there's lots of little things like that, especially around vacation or p t o . Do you accrue it? Can it roll over to next year? But there's also, there's also some things in here which, you know, I just wanted to share. It's almost like , um, and it's almost like the internal Bible. You of course little B on the Bible that is ever a doubt. Go back to the handbook and see what the handbook says. A a recent client we've just done some work with, and Wendy , you did the handbook for 'em . They had unfortunately something going on around harassment and hostile work environment and guess what it did? The person had the handbook, which you just did a great job in producing. And I said, well, let's look in the handbook and see what it says. And presto, Chano , there's exactly what they needed to tell the employees who were harassing a female employee. And it was pretty simple because it was very straightforward. Um, another big one, which we find a lot of companies have that's if they haven't updated their employee handbook in the last few years too, is things around social media. So social media, because so many people are on social media now and then there's only a handful of people who can really talk as a representative of the company. So companies, there's always, you should have, if you don't, you should always have exactly who can represent the company if there's an accident at the workplace, if there's a, a situation that somehow somebody's knocking on the door, somebody's calling in, Hey, I'm from this newspaper, I'm from this TV station and there should only be a few people who actually answer that, well, you know what? I can't do that. My job doesn't allow me to do that. Let me, let me introduce you to so-and-so who can comment. So even making sure on social media too, cuz a lot of people on social media, they will , they'll say, Hey, I work for this company and they're still an employee and this company yeah. Really has some major issues and this, this and this. Mm-hmm . <affirmative> . And you know, they've devolved the company's name, they say that they work there and they're actually commenting, perhaps ma sharing something in a negative light about the company. So that's another area which we strengthen a lot, cell phone policy to a lot of companies that have a lot of drivers and they have a lot of field employees. One can use a cellphone for safety, doesn't have to be hands free only. Um, so just a lot of things that are just nuts and bolts that even a company that's under 10 people or 20 people definitely getting a handbook is a good thing. Um, and you know, again, we do that, I don't even know how many, Wendy , you probably know better than I do. We probably would've done 20 to 30 handbooks this year. Um, and again, it's just a good reference point. So when in doubt, the managers should always go back to the handbook first. And this captures probably 95% of the rules, the policies of the business from an HR perspective. And that's why we highly recommend if you haven't had a handbook updated or reviewed in the last two years or three years, highly recommend that you actually get that done , um, sooner than later. And and that's something, of course we can, it's not in the start of kit because they are

very state specific, but that's something we can do for you at a very , uh, relatively low cost and customize it exactly for your business.

**Speaker 1:** 40:31

Absolutely. And one of the things, employees are responsible for reading and understanding everything that is in the handbook. So it is a great way of consistently communicating , um, all the vital things like social media and, and, but also the day-to-day operations of calling in. Here's the process. And, and when they don't follow that process, you can start with the handbook and say, this was communicated. You have signed and acknowledged that you've understood this handbook. And then you can start from there. The expectation was communicated, whether it's attendance or , um, you know, operational day-to-day , um, um, processes so they can refer back to that handbook. And then always, I'll mention it again, business owners need to follow that process themselves. <laugh>

**Speaker 2:** 41:28

Usually the business owners are the worst because they're like, I can do whatever I want. I own the business. Yes, but they, they can't. So, and I've caught too many over the years doing the , that exact thing. I'm like, and they'll just say, oh yeah, I guess I should have looked at the handbook. I'm like, yeah, you should have started with a handbook before feeding this person this line, and now we gotta go correct the, you know, we gotta go clean the mess up that you've created. So

**Speaker 1:** 41:52

Yes , love those employee handbooks. Um, okay , so number seven on our list is lacking a formal disciplinary process for low performing employees. So this is similar to the performance, but this is when you actually have a , a performance or disciplinary , um, feedback that you need to give, right ? So let's talk about what's in the ham , uh, starter kit for that and mm-hmm . <affirmative> , why is it important that , um, small businesses have a formal process for this?

**Speaker 2:** 42:25

Right? Um, and probably we sound like a broken record now I'd imagine here , Wendy , but part of it is consistency too. The biggest thing that managers and smaller businesses don't do consistently is HR stuff . So that's first and foremost. So this is creating a consistent process. You need to do this legally. It doesn't matter how small your company is because , um, every employee, a , a , a , an employee who leaves the company is terminated by an , by a, they're terminated by their manager, their employer for doing something incorrectly or maybe not even doing something in that incorrectly if there is no documentation. It comes back to the classic line of if it does , if it's not in writing, it doesn't exist. So it doesn't exist if you don't have something in writing that the employee has also signed is critical. So the other big thing, which even going back before that, there's like a four step process we use that I think is recommended by every company out there. It should be the first step is coaching, making sure that the employee

knew , knows that they're not doing a good job. Because unless you tell the person they're not doing a good job, I'll guarantee you they're not psyche, they can't raise your mind. And a manager says, well, they , they, they know their job. They've been here for eight months, they should know what to do, so they're not doing it. So I'm gonna terminate them. Like, have you talked to them? Well, but they should know their job. They've been here for a while , they do it every day . Well, as we referenced earlier, maybe they were trained by somebody who wasn't that good at their job in the first place, so maybe they don't know their job because they were never trained how to do the job correctly. So shame on the company for not doing a good job of onboarding them. And so quite often it's like, you know what? It could be coaching because ideally you want to get that person back up to a , a satisfactory or high performing level of performance. And in some cases they just simply haven't been told what good looks like or how to do the job well. And they said, you know what, actually the guy who trained me, he complained about the company lot and he never showed me any of this stuff. So, and the manager may say, well, shoot, that's probably something we can do in the coaching process, the three steps. So four steps coaching, then there'll be a verbal warning, written warning , uh, final warning or performance improvement plan or pip. So we've created templates for each of the warning processes, even under the verbal warning, you should do a written follow up with the employee just to make sure you have that chronologically documented so it's memorialized as to the date, this is what we talked about, this is the date. Because it goes back to if it's not in writing, it didn't, it doesn't exist. And of course, in some cases it's the manager's word against the employee's word. Mm-hmm . <affirmative> . And sometimes the employee , uh, you know, could be, I don't know , again, I'm just gonna paint this picture. Could be a single mom who has three young kids and they're just, and the , uh, you know, a jury trial, who are they gonna side with? They're gonna , they're gonna side with a single moment with three young kids trying to make a living and put some food on the table. They're not gonna side with a big bad employee, an employer. So making sure you have this documented and there's a sequential process for this happening. The tools and templates are in the ham , they're in the , the starter kit. It's probably the second level. I think it's the, it's actually, but it's in the starter kit. A couple of the starting levels of our starter kit are less than a thousand dollars. So again, it's a very reasonable price. The first level of starter kits under \$500, but it's very basic and it has a few tools and templates. But the next level, which has all the warning templates in it, which I recommend you get if you're a company that has 10, 15, 20 employees , uh, again, it's just a little bit more of an investment. But this would include all the starter , all the templates that are legally compliant. And they're very much a template that you can plug in the performance issues. And I would highly recommend, because unfortunately I've seen too many messes I've seen in smaller companies where the company didn't do anything wrong, but the company also didn't do anything right around documentation. And an employee who left the company can hire attorney for paying no money. We're the, the , uh, an attorney who is working on contingency. So they're not actually not gonna get paid anything until the employer pays. So you don't have to be rich to hire an attorney. And unfortunately, there's enough attorneys out there who take these cases, will , will fi will sue you for wrongful termination, and you will , you will end up span , you can easily spend six

figures, a hundred thousand dollars or more in defending the company when they haven't done anything wrong. But like I said earlier, they haven't done anything right about documentation, getting an employee's signature, memorializing those conversations. So having these , uh, dis a disciplinary process as well documented, it's a wise investment for any company, regardless of size.

**Speaker 1:** 47:38

Yes. And you can see how some of these processes that we've already talked about build , uh, to this point, when you have put in a, a job description that's clearly communicates skills , um, required for the position, you've onboarded them with consistent feedback already from the beginning, communicating the expectations of the job,

**Speaker 2:** 48:01

Right.

**Speaker 1:** 48:03

And then , um, an employee handbook where they are fully aware of the policies and processes. When you get to the point of a disciplinary action, you have all of these other , um, policies in place where you've given them and communicated clearly , um, before you get to this point. And then once you get to this point, the forms are very helpful in having a systematic way of addressing it , um, from an HR standpoint. So very helpful to have these forms. Um, and , and all the proceeding policies leading up to that we've

**Speaker 2:** 48:43

Discussed. Right , right. <laugh> , um,

**Speaker 1:** 48:45

Okay , so number A is no exit interview , um, process for exiting employees. Mm-hmm. <affirmative> , um, this seems like kind of a minor thing. What, why is this on the list?

**Speaker 2:** 48:57

Yeah, it's, it's compared to some of the other ones, it's a little bit minor, but it's still, and this is for an employee, you know, if you've terminated an employee, you don't do an exit interview because you're gonna hear nothing but probably pretty bad language from them <laugh> . So they're not gonna say anything that'll be helpful. But just very quickly, just a couple things to highlight. If a person's been a solid employee, one of the , one of our, the clients we work with just had an employee leave and they were there for about seven years. I did an exit interview for them. And the information was really, really helpful because one of the key things is this employee may actually want to come back and work for you, but it's almost like you're gonna get very, you're typically gonna get very objective feedback from this employee as to why they're leaving. And of course, sometimes it's about pay, sometimes it's about they're not, they're manager's not managing them effectively. Some of it could be they feel like they have no career growth , um, which is all very helpful. If they say, you know what, I just, I've been doing the same



job for four years now and my manager never talks about possibly I could get a promotion or we never talk about where else I could move in the organization. So that's critical because maybe that manager or maybe the managers can do something about that to talk about career development, career opportunities, as we talked about in the performance review process a few minutes ago. Um, the other big thing, just a , again, it's not something huge here, but the other big thing is , uh, again, the co the company can course correct . And then the other big thing is here is you want to treat the person professionally. And because you know that in some cases , uh, you know, probably 20% of our clients, 20% are 30% of our clients say that, you know what, we had an employee leave and six months later they asked to come back. So if you treat the person professionally and respectfully on the way out, they are going to be remembering you because some companies are just so crazy that you know what they've terminated, they've turned in their two weeks notice. We need to walk them today, we need to pack up their stuff, shut off their access, shut off their computer, and we need to walk 'em out as soon as we know. I understand that has to be done in certain cases because of the confidentiality, the information that employee has and the system access they have understandable, but in probably 90% of the cases that's not needed. And , um, if you treat the person respectfully on the way out, they're always gonna remember, it's always like first impressions. You're gonna remember the first time you meet somebody, you're gonna remember the last thing that happens. So if the last, if the last impression is very favorable from the employer, then there's a good chance they may come back or they could also maybe find somebody who's a good referral to bring onto the organization. Said, yeah, they treated me really well when I was there and when I was leaving, they treated me well. So I'd highly recommend , um, it could be some of your, you know, colleague of yours or work associates saying, Hey, they got a position, what do you think of the company? And if you treated them well on the way out, they're gonna remember that and they're gonna say, sure, you should go interview with them . They're a great organization. I'd highly, I may look at going back there in the future if they have a , an opportunity for me.

**Speaker 1:** 52:15

Absolutely. And, and I think in exiting employees really value that. You wanna hear from them. Mm-hmm . <affirmative> , um, that you want , want to hear their perspective and they, they leave with a positive , um, uh, perspective of that. And so number nine on our list, we're getting to the end. <LAUGH> is inconsistent filing system for employee files.

**Speaker 2:** 52:37

Yeah. Yeah. And this one's more probably HR related , so just, I won't dwell on it, but it's, it's scary when we take a look and sometimes we will do what a client we're gonna work with for , uh, a while, several months or several years as we do with some clients, but some of them have, one of the key things is just a very helpful tip. So this is kinda like a golden nugget. If you've listened this far, do not keep your I nine forms with an employee personnel file. And , and I nine forms should be kept separately in a binder because the only government agency that needs to see your I nine fives forms, and that's

all they need to see is homeland security ice, as some people know it, ICE or Homeland Security because they're checking on I nine is for legal. The person's , uh, authorized to work here legally in the United States. Um, and I see forms i nine forms that are outdated. Um, I nine forms also should also, also just be retained for a couple of years and then you can destroy them. But sometimes also the worst cases, sometimes companies have medical records of employees, which should not be in a personnel file. Um, they have information regarding things that are the Department of Labor or D O L can see that is not in the file. So anyway, bottom line on the files, there are, gosh, probably half of the companies that are less than a hundred employees, if I do any auditing of their employee files, at least half of them have them totally screwed up. Medical records. Anything to do with an employee medically should be separate. That should be in a confidential file. Um, I nine should be kept separate. Employee files should really look kind of boring. Offer letter, maybe a promotional letter, the person transferred to a new job, things like that, which is pretty vanilla, but that's what should be in the personnel file. So again, just a key thing for HR people, if you're listening , uh, certain government agencies are only allowed legally to have access to certain documents. So that's why having your file separated, having them also under lock and key and secure. So not, they should not be in an open file drawer where anybody can grab them. Because another big thing is security pre , uh, breach. Because if somebody can get access to the file , um, that has date of birth, that has social security number and is once they have that might have a copy of a driver's license and guess what, they're off to the race races to go and steal that person's identity. And then that's something, if it happened on the company's dime and the files weren't kept securely, then that's, that is something that the company will have to probably monetarily try to fix, which could be a huge cost to them.

**Speaker 1:** 55:22

It can lead to big headaches. Uh , yes, for sure. Okay. Drum roll number 10.

**Speaker 2:** 55:28

<laugh>, we got there.

**Speaker 1:** 55:30

We're not using a consistent offer letter template for new employees. We do provide this in the HR starter kit and we often help , um, clients when we're helping them with recruiting , um, with this process. So why is this important?

**Speaker 2:** 55:45

Yeah, first of all, as you know, as, as Wendy, you know, go back to, as Wendy's seen, because Wendy has seen these, is that , you know, some of them are like four pages long. They have the job description attached to it. They have just really silly , I don't know , I don't wanna say silly things. You should have, hey, you know, our standard work hours or eight, 8:00 AM to 5:00 PM with a lunch or blah, blah, blah. Um, but there's a lot of times I've, we've seen worst cases. We've seen offer letters that have typos , um, offer

letters that are just way too long and they have really mundane things in there that aren't even needed. And they , it goes back to first impressions. So we talked about last impressions. Now first impressions. The first impression the employee is typically going to get from the company in writing is an offer letter. So if it's got typos, I don't know , let's say in the first paragraph it's got two typos. Is this the company that I really want to go work for? Uh, I don't know . I'm thinking maybe not. So, and the other thing too is, which happens is it should have some basics. Who the person reports to , um, standard office hours, if they're hybrid or remote, how does that work to get equipment? How does your hybrid situation work? If they're gonna work a couple days in the office, a couple days out , uh, the reporting structure, are you hourly or salaried? Is there a bonus? Uh, your vacation? But all those things can be bulletized in the handbook. Uh, and the offer letter, excuse me. And then the other big thing too is just pointing out that the, the , um, it's employment a at will , so employment at will. So either the employee or the employer can terminate the person for any reason. It, it's kind of a Pandora's box. They won't get into it here cuz we could talk about and Fred hour about employment at will. But having that statement in there is critical because if you don't, then , uh, an attorney could get ahold of the offer letter and guess what? They could have a lot of fun with it if it doesn't specifically state employment at will, which the state of Texas and most states in the US have an employment at Will Clause, which is a federal, you know, kind of federal state mandate for employment. And the , um, it's not a contractual agreement, it's actually an employment at will , uh, agreement. And , and they're constructed very differently. Yeah . So those are a couple reasons why. It's just good to have, make sure it's done professionally because this is really that true first, first impression from the employer to the employee.

**Speaker 1:** 58:17

And then make sure everyone's on the same page , um, on the things that the employee typically in the auditor , it's things the employee cares about the most. How many vacation days am I getting? What's my salary? Who am I reporting to? All those things employee care with cares about. Um, so it just level sets the expectation as they start.

**Speaker 2:** 58:38

Right. Exactly. Yeah. There we go. There's, those are the 10

**Speaker 1:** 58:42

<laugh> . So if you , uh, are interested in the HR Starter Kit, you can find it on our website, [hrcatalystconsulting.com](http://hrcatalystconsulting.com). And as Mark mentioned earlier, there are different tiers includes different levels of , um, templates and processes depending on what your business needs. Um, if you have any questions about that as well , um, and, and more , um, detailed , uh, services that Mark provides, then you can also , um, schedule time to talk with him.

**Speaker 2:** 59:18

Well, we provide on that. So definitely it's a team effort. So, and Wendy's awesome. Wendy's, you know, again, Wendy, you've been, you know, four years now, gosh, at least four years. And then Wendy's kinda like the right hand person on doing all these things that I'm not that really that good at and making it look good. So, um, yeah, you know, there's tiers out there as Wendy you alluded to. It's under [hrcatalystconsulting.com](http://hrcatalystconsulting.com), um, the what we do tab, and then you'll find HR Starter Kit. And there are, again, we try to make this as reasonable as possible. So there's several levels, including a couple of the higher levels for bigger organizations that have some consulting time built in. So, or an HR audit that's very formalized. So in case you feel like you're not sure what kind of shape your organization's in, then an HR audit is a good starting place. So by all means, if this is something you want to talk further, we'd be happy to talk with you further and we'd love to see if we can help you out. We look forward to, um, working with you in, uh, and helping you out possibly with an HR Starter Kit or maybe something more formal in 2023.

**Speaker 1:** 1:00:24

Absolutely. So thank you for joining us today. Join us next month as we continue this series, eight Steps to HR Excellence. We're Mark, we'll discuss strategic planning, um, with, uh, his guest, Tom Bronson from Mastery Partners. Um, such an important tool for business owners. So tune in.

**Speaker 2:** 1:00:46

Great. Thanks Wendy.

**Speaker 3:** 1:00:49

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