Session 8 – Building a Team

In this session you will learn about building your team, working with outside advisors, and how to hire employees.

OVERVIEW

Even if you have no employees, you are likely to need bookkeeping, accounting and legal advice. These advisors should be considered part of your team. You don't have to know, be and do it all to have your own business. You do have to gather a team who can cover the areas you don't know.

DEFINITION

Burden Rate: (also called Payroll Burden or Payroll Taxes) besides wages and salary amounts, there are other employee-related costs, depending on their part-time or full-time status. These can include employer taxes, insurance benefits, etc.

COBRA (Consolidated Omnibus Reconciliation Act): A federal law that extends health insurance to employees and their dependents beyond the point when they would normally lose coverage, such as after quitting, being fired, or changing personal status (employee divorcing a spouse, children reaching majority). Companies do not have to pay for this coverage.

Equal Opportunity: The Equal Employment Opportunity Commission guidelines, and related state and federal laws, which stop employers from asking potential hires personal questions not related to the job. This includes questions about age, sex, race, creed, religion, country of birth, disabilities, military discharge, whether they are married, have children, have health or mental health problems, and citizenship (although you can ask whether they have the right to work legally in the country, and you will be required to obtain proof of this at hiring).

Outsourcing: Sending certain job functions to an outside company, instead of handling them in-house.

Sweat Equity: The time and knowledge that a person or a group puts into a business to make a result, without pay.

TEAM MEMBERS

MARKETING VS. SALES: WHAT IS THE DIFFERENCE?
Understand the Difference between Marketing and Sales and How They Work Together
By Laura Lake

What is the difference between marketing and sales?

Do you know the difference between marketing and sales? Let's think about this question for a moment. Without marketing you would not have prospects or leads to follow up with, but yet without a good sales technique and strategy your closing rate may depress you. Marketing and sales should work simultaneously, but in most companies they are departments that don't even speak to each other.

If we broke it down to the basics, marketing is everything that you do to reach and persuade prospects and the sales process is everything that you do to close the sale and get a signed agreement or contract. Both are necessities to the success of a business. You cannot do without either process. If you work to strategically combine both efforts you will experience a successful amount of business growth. However, by the same token if the efforts are unbalanced or departments don't communicate it can detour business growth.

Your marketing should consist of strategies that you can measure your reach and work to persuade your prospects that you are the company for them. It's the message that prepares the prospect for the sale. It could consist of advertising, public relations, social media, relationship marketing, brand marketing, viral marketing, and direct mail.

The sales process consists of interpersonal interaction. It is often done by a one-on-one meeting, cold calls, and networking. It's anything that engages you with the prospect or customer on a personal level rather than at a distance. Most the time the prospect or potential customer has been driven to you via marketing efforts.

I like to think of it like this, your marketing efforts begin the process of the eight contacts or touch points that studies show it takes to move a prospect or potential client to the close of the sale. If marketing is done effectively you can begin to move that prospect from the status of a cold lead to a warm lead. When the prospect hits the "warm" level it's much easier for the sales professional or sales department to close the sale.

Do you see the cycle?

Studies have shown that it takes multiple contacts using both sales and marketing to move the prospect from one level to the next. That is why it is important that you develop a process that combines both sales and marketing. This will enable you to reach prospects at all three levels; cold, warm, and hot. It's all about balance. Make sure that you've integrated the two, marketing and sales. They are not separate. If they are different departments, those departments must talk and communicate in order to be effective.

Are you unsure of how to integrate your marketing and sales?

Try this. Take a few moments and divide your prospect lists and database into categories of cold, warm, and hot leads. Then sit down and identify a strategy on how to proceed with each individual group.

For example you could try the following methods of contact:

- **Cold Lead Strategy** - Send out a direct mailing or offer them a special promotion
- **Warm Lead Strategy -** Try a follow-up call, send out a sales letter, or schedule a special seminar or training session to get all of your warm leads together.

Once you've moved your prospect to the "warm" level it's time to proceed in closing the sale, call it passing the baton if you'd like. This will be easier to do if you somehow engage the prospect. You can do this by conducting a one-on-one call, make a presentation, or present a proposal, estimate, or contract.

What if you are uncomfortable with the sales or marketing process?

An alternative that often proves successful is to partner with someone that possess the talents that you feel you lack in. If you are stronger in marketing, find someone who understands and gets the sales process. If you are better at sales find someone that can help you strengthen the message, create marketing materials that sell and give you tactics and ideas. If you don't work in a company that has both departments and you are working solo you can do this by creating a partnership, subcontracting, or hiring in that talent.

DIFFERENCES BETWEEN ADMINISTRATIVE & ACCOUNTING

by Melanie J. Martin, Demand Media

The administrative department handles management activities that affect the entire organization. The accounting department keeps the financial records of the business and prepares reports that help the business to make financial decisions. Because managerial decisions depend in part upon available finances, the departments must work closely together. In a small business, the same staff may handle both of these functions, but defining the roles clearly is still important.

Administrative Controls

Internal controls are policies and procedures a business follows in its operations. Administrative controls include determining the segregation of duties among departments and employees, deciding which departments are authorized to conduct particular activities and developing independent verification systems. The latter means that the departments oversee one another's activities, providing a system of checks and balances, as Gary A. Porter and Curt L. Norton say in "Financial Accounting: The Impact on Decision Makers."

Accounting Controls
Accounting departments set different types of internal controls. These controls include policies and procedures that protect a company's finances and financial records. Other controls determined by the accounting department provide for financial review and appraisal, in the form of auditing and evaluation of the company's finances. Documents used for keeping financial records, such as invoices and time cards, are another control the accounting department determines.

Administrative Tasks
Administrative departments handle major planning activities, often in collaboration with other departments. Other administrative responsibilities include ensuring the business complies with laws and contracts, and making sure it has appropriate insurance. They frequently handle much of the correspondence with customers as well. They ensure the business complies with safety standards and schedule facilities inspections as needed. They coordinate plans for company facilities, equipment and energy usage as well.

Accounting Tasks
Larger companies frequently have an internal auditor as a staff member, who works within the accounting department. This staff member audits the company's records and prepares reports for stakeholders such as shareholders. Accounting departments also prepare taxes, process invoices, receive payments and handle the company payroll and petty cash requests. Additionally, they develop the organization's budget and assist with creating budgets for specific areas of business, such as developing a new facility. They may also develop budgets for each department, or approve requests from other departments for business expenditures.

FORMULA FOR CALCULATING STAFFING NEEDS
by Heidi Cardenas, Demand Media

Calculating staffing needs is part of human resource planning, the process of analyzing and identifying staffing gaps and surpluses. Human resource planning focuses on staffing the organization with the right number of personnel with the required skills when needed to meet business objectives in the short and long term. Various formulas are used to estimate and predict staffing needs, based on the company's historical and estimated performance data such as sales and production numbers.

Rule of Thumb
The rule of thumb method of calculating staffing needs is based on general organizational structure. For example, if the organization has set up its structure to have one operations manager per five line supervisors, then short term staffing will include keeping the same number of supervisors when there is turnover. Long term staffing will include planning five supervisors for every manager added. The rule of thumb calculation is not exacting or based on in-depth analysis, but on maintaining the organizational structure.

Delphi Technique
The Delphi Technique is a method of human resources forecasting that uses input from a group of experts to analyze staffing history and staffing planning. A group of senior managers, business consultants or a combination of related business people familiar with the organization's staffing history answers questions about staffing, and their answers are compiled and used for the group to review individually. The group doesn't get together physically, but is coordinated by a facilitator who distributes the questionnaires, compiles answers and returns the information to the panel participants for further review until there is a refinement of the staffing forecasting needs. The experts are kept anonymous from each other to prevent bias and group-think and get information that is as objective and accurate as possible.

Ratio Methods
Two different ratio methods are used in human resource forecasting: staffing ratios and productivity ratios. Staffing ratios are used to predict hiring need based on established organizational form. For example, if the company has an administrative pool of five secretaries for every 20 senior managers, that ratio is used to estimate recruiting for secretaries. Productivity ratios use estimates of units produced per employee and applies them to sales forecasts for hiring needs. A company that sells 2 million widgets per year and employs 25 production workers needs to hire

more production workers if an increase in sales is expected, or must at least maintain a staff of 25 production workers to meet current sales.

Statistical Regression Analysis
Statistical regression analysis compares relationships in historical data for forecasting staffing needs. Gross sales per year over the past five years and staffing during that time are analyzed as sufficient or insufficient to support sales in the next five years.

HOW COMPANIES RECRUIT

By Alison Doyle - Multi-Pronged Recruitment Strategies

Recruiting and hiring has changed significantly over the years and continues to evolve as technology changes. It's important for job seekers to be aware of how companies recruit so they can take advantage of the ways that companies are finding qualified applicants to hire.

Today, companies are using a variety of methods to find and attract applicants including online job boards, social networking sites and Facebook and mobile apps.

Passive vs. Active Recruiting = In some cases, employers passively recruit by simply posting jobs on their company website and waiting for applicants to find the job posting and apply. They don't need to do anything else because of the volume of applications they receive. Other companies are actively recruiting candidates using many different ways to connect with and engage potential employees.

Job Boards = Job boards still play a significant role in company recruiting. Major employers post open positions on job boards like Monster.com, CareerBuilder.com and Dice.com. Job seekers can create a profile on these sites and upload resumes and letters to apply for jobs.

Job Search Engines = Job search engines are a good way for job seekers to get job listings fast, because they search many sources where employment opportunities are listed. Even though a job search engine finds many jobs automatically when it searches the Internet, companies use them to recruit directly as well.

LinkedIn = LinkedIn continues to be the dominant network for professional recruiting with 93% of employers surveyed by Jobvite in 2012 using it to recruit.

Newspapers = Yes, companies do still place help wanted ads in newspapers and your local paper can be a good source of job listings.

Referrals = Employers love referred candidates because the applicant has a recommendation in advance from one of the company's employees. When there's a referral, there is a better chance of getting a qualified candidate because the employee knows the company and the type of person needed for the job.

Social Recruiting = The use of social recruiting, which takes place when companies use social networking sites like Facebook and Twitter to advertise job openings and recruit potential employees is continuing to increase. Over 92% of companies plan on recruiting through social media in 2012 and 73% have already successfully hired a candidate through a social network. The top sites for recruiting applicants, aside from LinkedIn, are Facebook and Twitter, with 66% of recruiters using Facebook to find new talent and 54% using Twitter.

Walk-In Applications = Many smaller employers do still hire the old-fashioned way with a sign in the window.

WHAT IS PRE-EMPLOYMENT SCREENING?

By Alison Doyle May 3, 2014

What's pre-employment screening? It's the type of checks that employers conduct either before they offer a candidate a job or during the hiring process. The types of screenings companies do include criminal background checks, credit checks, employment history verification, education verification, and driving record checks. In addition, employers may conduct pre-employment physicals that include health inquiries and physical examinations, including psychological tests, and physical or mental health assessments.

HOW TO CALCULATE A MONTHLY PAYROLL

By Natalie Grace, eHow Contributor

There is no federal law mandating how frequently an employer must pay his workers. However, some states establish their own wage laws. A monthly payroll generally consists of salaried workers who are paid a set wage each payroll and are exempt from overtime pay.

1. Instructions
   Determine the number of work hours in the calendar year. The calendar year consists of 2080 hours. To get the monthly hours, calculate as follows: 2080 / 12 months = 173.33 hours.
2. Calculate monthly pay based on the employee's salary. For instance, say the employee makes $52,000 per year. Calculate his monthly pay as follows: 52,000 / 12 pay periods = $4333.33 (monthly pay). To verify, use the calculation for a semi-monthly pay period in which the employee gets paid twice per month: 52,000 / 24 pay periods = $2166.66 x 2 = $4333.33.
3. Determine the employee's daily rate in case you have to prorate her pay. If an employee was hired or terminated in the middle of a pay cycle you may have to prorate her pay. For instance, suppose her salary is $48,000, calculate as follows: 48,000 / 2080 hours = $23.08 (hourly rate) x 8 hours per day = $184 (daily rate).
4. Ensure that the employee's statutory deductions are based on a monthly pay cycle. For instance, the employee's federal income tax would be based on his Form W-4 and the IRS Circular E tax withholding tables for a monthly payroll. Furthermore, state tax (if applicable) would be deducted based on your state tax rate and the employee's monthly taxable income. FICA taxes are based on the percentage set by the government for the year and the employee's monthly income. For 2010, the FICA rates are 1.45 percent for Medicare and 6.2 percent for Social Security.

THE BASICS OF EMPLOYEE BENEFITS

What's required? What's not? And what's just good policy? This primer will help you figure it out.

Once you have great employees on board, how do you keep them from jumping ship? One way is by offering a good benefits package.

Benefit Basics

The law requires employers to provide employees with certain benefits. You must:

- Give employees time off to vote, serve on a jury and perform military service.
- Comply with all workers' compensation requirements.
- Withhold FICA taxes from employees' paychecks and pay your own portion of FICA taxes, providing employees with retirement and disability benefits.
- Pay state and federal unemployment taxes, thus providing benefits for unemployed workers.
- Contribute to state short-term disability programs in states where such programs exist.
- Comply with the Federal Family and Medical Leave (FMLA).

You are not required to provide:

- Retirement plans
- Health plans (except in Hawaii)
- Dental or vision plans
- Life insurance plans
- Paid vacations, holidays or sick leave

In reality, however, most companies offer some or all of these benefits to stay competitive. Most employers provide paid holidays for New Year's, Memorial Day, Independence Day, Labor Day and

Thanksgiving day and Christmas day. Many employers also either allow their employees to take time off without pay or let them use vacation days for religious holidays. (See more on time off in "The Low-Cost Benefits of Offering Time Off").

Most full-time employees will expect one to two weeks paid vacation time per year. In explaining your vacation policy to employees, specify how far in advance requests for vacation time should be made, and whether in writing or verbally. There are no laws that require employers to provide funeral leave, but most do allow two to four days' leave for deaths of close family members.

The federal Family and Medical Leave Act (FMLA) requires employers to give workers up to 12 weeks off to attend to the birth or adoption of a baby, or the serious health condition of the employee or an immediate family member. After 12 weeks of unpaid leave, you must reinstate the employee in the same job or an equivalent one. The 12 weeks of leave does not have to be taken all at once; in some cases, employees can take it a day at a time.

In most states, only employers with 50 or more employees are subject to the Family and Medical Leave Act. However, some states have family leave laws that place family leave requirements on businesses with as few as five employees. To find out your state's requirements, contact you state labor department.

Legal Matters

Complications quickly arise as soon as business begins offering benefits, however. That's because key benefits such as health insurance and retirement plans fall under government scrutiny, and "it is very easy to make mistakes in setting up a benefits plan," says Kathleen Meagher, an attorney specializing in benefits at Kirkpatrick Lockhart LLP.

And don't think nobody will notice. The IRS can discover in an audit what you are doing doesn't comply with regulations. So can the U.S. Department of Labor, which has been beefing up its audit activities of late. Either way, a goof can be very expensive. "You can lose any tax benefits you have enjoyed, retroactively, and penalties can also be imposed," Meagher says.

The biggest mistake? Leaving employees out of the plan. Examples range from exclusions of part-timers to failing to extend benefits to clerical and custodial staff. A rule of thumb is that if one employee gets a tax-advantaged benefit--meaning one paid for with pretax dollars--the same benefit must be extended to everyone. There are loopholes that may allow you to exclude some workers, but don't even think about trying this without expert advice.

Such complexities mean its good advice never to go this route alone. You can cut costs by doing preliminary research yourself, but before setting up any benefits plan, consult a lawyer or a benefits consultant. An upfront investment of perhaps $1,000 could save you far more money down the road by helping you sidestep expensive potholes.

Expensive Errors

Providing benefits that meet employee needs and mesh with all the laws isn't cheap--benefits probably add 30 to 40 percent to base pay for most employees--and that makes it crucial to get the most from these dollars. But this is exactly where many small businesses fall short because often their approach to benefits is riddled with costly errors that can get them in financial trouble with their insurers or even with their own employees. The most common mistakes:

- Absorbing the entire cost of employee benefits. Fewer companies are footing the whole benefits bill these days. According to a survey of California companies by human resources management consulting firm William M. Mercer, 91 percent of employers require employee contributions

toward health insurance, while 92 percent require employees to contribute toward the cost of insuring dependents. The size of employee contributions varies from a few dollars per pay period to several hundred dollars monthly, but one plus of any co-payment plan is it eliminates employees who don't need coverage. Many employees are covered under other policies--a parent's or spouses, for instance--and if you offer insurance for free, they'll take it. But even small co-pay requirements will persuade many to skip it, saving you money.

- Covering nonemployees. Who would do this? Lots of business owners want to buy group-rate coverage for their relatives or friends. The trouble: If there is a large claim, the insurer may want to investigate. And that investigation could result in disallowance of the claims, even cancellation of the whole policy. Whenever you want to cover somebody who might not qualify for the plan, tell the insurer or your benefits consultant the truth.
- Sloppy paperwork. In small businesses, administering benefits is often assigned to an employee who wears 12 other hats. This employee really isn't familiar with the technicalities and misses a lot of important details. A common goof: Not enrolling new employees in plans during the open enrollment period. Most plans provide a fixed time period for open enrollment. Bringing an employee in later requires proof of insurability. Expensive litigation is sometimes the result. Make sure the employees overseeing this task stays current with the paperwork and knows that doing so is a top priority.
- Not telling employees what their benefits cost. "Most employees don't appreciate their benefits, but that's because nobody ever tells them what the costs are," says PRO's Silverstein. Many experts suggest you annually provide employees with a benefits statement that spells out what they're getting and at what cost. A simple rundown of the employee's individual benefits and what they cost the business is very powerful.
- Giving unwanted benefits. A workforce composed largely of young, single people doesn't need life insurance. How to know what benefits employee's value? You can survey employees and have them rank benefits in terms of desirability. Typically, medical and financial benefits, such as retirement plans, appeal to the broadest cross-section of workers.

If workers needs vary widely, consider the increasingly popular “cafeteria plans ," which give workers lengthy lists of possible benefits plus a fixed amount to spend.

Health Insurance

Health insurance is one of the most desirable benefits you can offer employees. There are several basic options for setting up a plan:

- A traditional indemnity plan, or fee for service. Employees choose their medical care provider; the insurance company either pays the provider directly or reimburses employees for covered amounts.
- Managed care. The two most common forms of managed care are the Health Maintenance Organization (HMO) and the Preferred Provider Organization (PPO). An HMO is essentially a prepaid health-care arrangement, where employees must use doctors employed by or under contract to the HMO and hospitals approved by the HMO. Under a PPO, the insurance company negotiates discounts with the physicians and the hospitals. Employees choose doctors from an approved list, then usually pay a set amount per office visit (typically $10 to $25); the insurance company pays the rest.
- Self insurance. When you absorb all or a significant portion of a risk, you are essentially self-insuring. An outside company usually handles the paperwork, you pay the claims and sometimes employees help pay premiums. The benefits include greater control of the plan design,

customized reporting procedures and cash-flow advantages. The drawback is that you are liable for claims, but you can limit liability with "stop loss" insurance--if a claim exceeds a certain dollar amount, the insurance company pays it.

- Archer Medical Savings Account. : Under this program, an employee of a small employer (50 or fewer employees) or a self-employed person can set up an Archer MSA to help pay health-care expenses. The accounts are set up with a U.S. financial institution and allow you to save money exclusively for medical expenses. When used in conjunction with a high-deductible insurance policy, accounts are funded with employee's pretax dollars. Under the Archer MSA program, disbursements are tax-free if used for approved medical expenses. Unused funds in the account can accumulate indefinitely and earn tax-free interest. Health-savings accounts (HSAs), available as of January 2004, are similar to MSAs but are not restricted to small employers.

Retirement Plans

A big mistake some business owners make is thinking they can't afford to fund a retirement plan in lieu of putting profits back into the business. But less than half of the employees at small companies participate in retirement plans. And companies that do offer this benefit report increased employee retention and happier, more efficient workers. Also, don't forget about yourself: Many business owners are at risk of having insufficient funds saved for retirement.

To encourage more businesses to launch retirement plans, the Economic Growth and Tax Relief Reconciliation Act of 2001 provides a tax credit for costs associated with starting a retirement plan, including a 401(k) plan, SIMPLE plan or Simplified Employee Pension (SEP). The credit equals 50 percent of the first $1,000 of qualified startup costs, including expenses to set up and administer the plan and educate employees about it. For more information, see IRS Form 8881, Credit for Small Employers Pension Plan Start-up Costs (PDF).

Don't ignore the value of investing early. If, starting at age 35, you invested $3,000 each year with a 14-percent annual return; you would have an annual retirement income of nearly $60,000 at age 65. But $5,000 invested at the same rate of return beginning at age 45 only results in $30,700 in annual retirement income. The benefit of retirement plans is that savings from tax-free until you withdraw the funds--typically age 59. If you withdraw funds before that age, the withdrawn amount is fully taxable and also subject to a 10-percent penalty. The value of tax-free investing over time means it's best to start right away, even if you start with small increments.

Besides the long-term benefit of providing for your future, setting up a retirement plan also has the immediate gratification of cutting taxes.