

Hiring From Within – Will it Make the Right Impact?

It may seem that the best person to fill a management vacancy is your tried-and-true top performer. Certainly that is a quick and easy way around weeks or months of advertising, interviewing and testing people from the outside, plus weeks or months of transition and “learning curve” time for the new manager. From the company perspective, promoting from within is a time and money saver. For the top performer, it’s an opportunity to advance and gain a few perks.

On the upside, promoting from within sends a strong message to your people. The downside is that performance at one level often outweighs the traits, skills, and experience needed at the managerial level, as aptly stated by Dr. Laurence Peter in his popular book *The Peter Principle*: “...people tend to be promoted up to their ‘level of incompetence.’” The difference between job performance skills and management skills is huge. In many cases, people promoted to higher positions got there because they were great at doing something quite different than the tasks required with the promotion.

Go for Talent, Not Ties

There is a tendency – particularly in small businesses – to hire *people* rather than *talent*. We all know business owners who are happy to have *anybody* share the burden of day-to-day operations. They often hire relatives or members of their church, and bring in co-op students to fill up chairs. While it is noble to help those around you, the primary concern in hiring or promotion decisions should be whether the person being considered is an *impact player* – that is, will they move the business forward? Will they con-



tribute to the company’s ROI and reduce liability? Will they enhance or improve the company culture? Will they motivate and develop the people in their department? How do you know?

Start by clearly defining the job. What are the functional requirements of the position? Your definition should be more in-depth than a standard job description – what characteristics, skills and attitudes will the candidate need to be effective in this job?

Measure Candidates Against Job Definitions

Don’t fall into the trap of thinking they will “grow into” the position. While they may learn new skills in the course of doing the job, if the basic skills and characteristics are not there in the beginning, they are probably not the right person for the job.

Hiring or promoting based on the candidate’s ability to move the company forward is the key. Learn about current Human Resources strategies and assessments and put them into practice. Fill your staff with impact players.

Congress Debates Health Care Tax Relief for Sole Proprietors

Imagine going out to dinner, and the person sitting next to you pays \$14 for his meal. When your bill comes, the restaurant charges you \$16 for the same meal, because you own your own business. The same table, the same meal, the same waiter – but you pay 15.3 percent more because you are self-employed.

That’s the way things stand right now in terms of taxes for health insurance. Large corporations are allowed to deduct health insurance premiums as a business expense, and they don’t pay Social Security or Medicare taxes on the premiums. But the self-employed are not granted the same deduction and must pay an additional 15.3 percent self-employment tax on these expenses.

That will change if a pair of bills introduced to Congress in May 2004 pass into law. Called the Equity for our Nation’s Self-Employed Act of 2004 (S.2433) and The Self-Employed Health Care Affordability Act (H.R. 1873), the legislation is meant to bring tax parity for self-employed Americans by allowing the self-employed to fully deduct health insurance premiums for the purposes of their income tax and self-employment tax (FICA).

More than 60 percent of the 44 million Americans without health coverage are from families whose head of household own or work for a small business, according to a press release issued by the National Small Business Association in May 2004.

IRS Warning: What you need to Know before you Hire a Payroll Service

Across America, business owners are learning the value of hiring third-party payroll service providers to administer payroll, report earnings and deposit employment taxes with state and federal agencies.

There's no doubt that a third-party payroll service can streamline operations and make dealing with the endless pile of reports and filings a simpler task, but what many business owners don't know about the process could cause them to have major problems with the IRS.

The ultimate responsibility for deposits and payment of federal tax liabilities lies with the employer, not the third-party payroll service. Should the company you hire fail to make your deposits, you can be held personally liable for certain unpaid federal taxes, and the IRS can assess penalties and interest on your account.

While the majority of third-party payroll service companies are legitimate and trust-

worthy, there have been recent prosecutions of individuals and companies who have stolen funds intended for payroll or employment taxes.



Do your homework before you sign on the dotted line, and protect yourself and your business:

- Be aware that if there are any issues regarding your account, the IRS will contact you, the employer. IRS correspondence is sent to the address of record; changing it to the payroll service provider's address will significantly limit your ability to be informed of tax matters involving your business.
- Make sure the payroll service you hire has a fiduciary bond in place. This could protect you in the event the service defaults on payments.
- Ask your payroll service to enroll in and use EFTPS (Electronic Federal Tax Payment System). EFTPS maintains payment histories for 16 months, and provides immediate confirmation of each payment.

The IRS recommends employers verify EFTPS payments as part of their bank account reconciliation process. For more information, visit www.irs.gov/businesses/small.

New Overtime Regulations and What They Mean for Employers

The recent overhaul of the Fair Labor Standards Act (FLSA) made a number of changes to the way employers apply the FLSA test, and determine employees' status relative to overtime hours. The legislation will affect the classification and overtime eligibility of millions of employees across America.

Major changes include raising the salary threshold nearly threefold to \$455 per week or \$23,600 annually. This means that any employee earning less than this amount automatically qualifies for overtime pay. Overtime is generally paid at 1.5 times the regular rate for work performed beyond 40 hours in a single week.

Some of the changes made reflect refinement of salary and duty tests – areas of overtime laws that have not been altered since 1975 and 1949, respectively. The Department of Labor seeks, with this legislation, to restore overtime protec-

tion and clarify the exempt status.

What does this mean for small business?

Plenty if you are not compliant – and you have only 120 days from the August 23, 2004 effective date to review and revise your practices. In fiscal year 2003, the Department of Labor's Wage and Hour Division enforcement of back-wage regulations cost employers nearly \$10 million in civil money penalties. Reports by the HR Policy Association – an organization of HR Executives in Fortune 500 companies – indicate that the number of federal class-action FLSA lawsuits increased exponentially in 2003. Figures could soar even higher with the new regulations.

It only takes one employee complaint to the Department of Labor for the agency to open a full-blown investigation of your company, and

the DOL estimates that more than 50% of American workers are incorrectly classified.

Business owners need to understand the specific definitions related to their employees. Classification is fairly complex and generally requires the expertise of your HR professional, but in a nutshell, "White Collar Exemptions" have been redefined for the following positions:

Executive

Administrative

Professional

Outside Sales

Some Computer Employment

Additionally, the tests for exemption include Salary Level, Salary Basis, and Job Duties.

For detailed information and assistance on employment law, go to the website: www.dol.gov/asp/programs/guide.htm.

Four Keys To Better Employee Performance



When your people aren't measuring up to your expectations your first thought might be to replace or reassign them, but research shows these are actually the last things you should do.

Dr. Thomas Gilbert, one of the founders of the International Society for Performance Improvement, describes the conditions necessary for employees to excel in his book Human Competence: Engineering Worthy Performance. His groundbreaking work demonstrates that most performance problems are caused by employer-controlled conditions, and proves that while training is often necessary, it is seldom sufficient to improve organizational performance.

If you find yourself wishing employees would perform better, evaluate what you can do to help them. Four key areas are:

Feedback. The number one reason employees fail to meet expectations is that they don't have a clear understanding of what is expected of them. Tell them what 'good performance' is, tell them how it is measured, and where they stand in terms of that measurement.

Resources/Systems/Tools. Do they have what they need to do the job well? Make sure your equipment and supplies are up-to-date and functional, and that your employees have a clear understanding of how to use them. Include a policy and procedure manual in this review.

Motivation. The reality is that most employees

are motivated to do a good job, but poor conditions within the organization can quickly kill that spirit. Beneath the surface environment lie factors such as lack of recognition for their effort, rejection of out-of-the-box thinking, or paying poor performers at the same rate as star performers.

Knowledge. Don't assume your staff knows how to do the job effectively – provide formal training to assure that they are armed with the knowledge and skills they need.

Correcting performance problems should always begin with an honest assessment of these key areas, as improving them is the quickest way to enhance the performance of your people and your business.

New Lucid Program Gets to the Root of Performance Issues

You're tired. Your doctor says, "it could be a vitamin deficiency, or maybe a brain tumor – let's do surgery!" Do you really want him to just guess at the cause of your fatigue?

It's pretty unlikely that you would, but when it comes to job performance issues, many small business owners jump to conclusions about the root cause.

The Lucid Root Cause Analysis program helps business owners determine the fundamental barriers to successful performance, and make appropriate changes. The program involves an in-depth review of systems, people and processes within your organization, recommendations for specific actions needed, implementation of the changes, and management of the entire process.

The Root Cause Analysis program will diagnose and treat the gaps that keep your organization from moving forward. Program time is approximately 2-4 weeks; cost is based on the size and scope of your business.

Slamming The Breaks on Handheld Cell Phone Use While Driving

What do the states of New York, New Jersey, and the District of Columbia have in common with Australia, Austria, Belgium, Brazil, Britain, Chile, Finland, Israel, Italy, Japan, Portugal, Singapore, South Africa and Spain? They've all enacted legislation banning cell phone use while driving.

Beyond the fines – typically ranging from \$100 - \$500 – for using a cell phone while driving, most of the laws hold companies that issue cell phones to their employees liable for injuries caused by those who drive while conducting business. This means that if a staff member is involved in an injury-causing collision and was using a company-owned cell phone at the time, your business could be held liable.

New York State became the first in the U.S. to ban the use of handheld cell phones by drivers; the law took effect in November 2001. The New Jersey and D.C. laws took effect this year. Similar bills are under consideration in at least 42 states across the nation.

The impact on your company could be huge. Taking the time now to enact policies within your organization may save you mountains of trouble once the cell phone usage laws are enacted in your state. Policies should be clearly defined and stated in your employee manual, and all staff members with company-owned phones should be thoroughly trained in usage and liability issues. Your attorney can assist you in the proper wording for your manual.

Lucid Online Courses Boost Understanding and Performance

Behavioral Interviewing

A 6-lesson, 90-minute tutorial available at www.lucidbusiness.com

He seemed so right for the job. He's not. What happened?

Simply stated, a traditional job interview can tell you whether a person has the skills you require. What it won't tell you is what could be even more critical to your operation – how they will *perform* on the job.

Behavioral Interviewing is an effective method used in many organizations for the last 20 years to increase success in hiring the best people.

Traditional "gut feeling" interviews are poor predictors of good hires because the interviewer tends to choose people who interview well or people like themselves rather than the one who is the best candidate for the job.

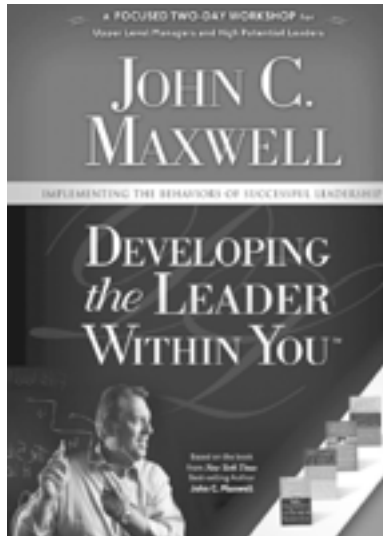
Behavioral Interviewing brings better hires – and better hires mean higher productivity and morale, and lower turnover.

Lucid's 6-lesson, online Behavioral Interviewing course makes interviewing easier and more effective by providing the tools you need to determine if your candidate is right for the job. The course combines interactive graphics, audio, text, animation, assessments, quizzes, and practical application exercises in a self-paced program that can be completed in approximately 90 minutes.

COST: \$75.00

Register at www.lucidbusiness.com

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