

## Common HR Mistakes

### **1. Bonus schemes & tears before bedtime**

Bonus schemes are a great idea: the better the company does, the better the workers are paid. *And* you get to look like a caring, democratic boss. But if you get it wrong, you'll cause so much resentment that you'll wish you'd never thought of it. In our experience most – but not all – monthly or quarterly bonus schemes which are based either on sales or on profit simply don't work.

First off, which of these – sales or profit – will you use to calculate the bonus?

Profit is the popular choice. Understandably (to you at least, if not your employees) you don't want to pay bonuses if you're losing money. But what measure of profit are you using? Is it the gross profit or the net profit? Have you explained this adequately to the staff?

Next, are you equipped to generate proper management accounts as frequently as your bonus scheme requires - once a month, or possibly even once a week? Most small businesses aren't.

What if your staff work like crazy, yet – for reasons beyond their control – the accounts don't show a profit? Maybe you've paid your six month rent cheque this month, or written off a large debt. You can elect to give a discretionary bonus in these circumstances, but that may just cause confusion and raise staff expectations.

To avoid these problems, you can decide to base your bonus scheme on sales. At least it's understood by everyone, and you can't massage the figures (well not much). This method is often used to motivate staff in companies such as recruitment agencies and equipment sales. The downside is you could be paying out bonuses when you haven't made any profit and encouraging your staff to chase sales at any cost, e.g. without worrying too much about customer creditworthiness.

Staff remuneration and motivation is a complex area. Beware of introducing a poorly conceived scheme. It could come back to haunt you.

### **2. "We can't afford to train people."**

Why on earth should you train your staff in skills they will then use to get a job elsewhere? Staff training is expensive – and especially pointless if they leave six months later.

Well, think about the cost of *not* training them. They're unlikely to develop the skills required to help your business grow – *and* they'll leave anyway...for a company who will offer them training.

Training isn't an employee perk. If anything, it should be seen as an employer perk. People *like* to be given proper training: it gives them a feeling of personal development, which motivates them and helps them to do their job better.

Nor does training have to be expensive. It can be done in-house. All it needs is a little time and planning.

If your firm has not yet introduced any formal training procedures, you should start by preparing a Training and Development Plan. Your plan should be discussed with your staff and will show how to train them and measure their progress.

Try not to put training at the bottom of every “to do” list (along with all the other human resources issues which are down there, such as induction and appraisal). Devoting two hours a week (Friday afternoons are good) or at least half a day a month will pay dividends.

### **3. Promoting people beyond their capabilities**

It's called “The Peter Principle” in management-speak, and occurs when you have an excellent member of staff who you reward through promotion. He or she is taken out of their skilled or creative position and put in a more senior, but managerial, role. It can turn out disastrously, since they have little or no experience in training or managing people.

There are two ways around this. One is to provide sufficient managerial training and support for the newly-promoted employee. Another is to promote an experienced manager from outside the business. There are pros and cons to both.

In small businesses, internal promotions are often seen as a way of rewarding good and loyal staff. But it can create conflict and jealousy with other employees or, worse, your newly-appointed (and untrained) manager might leave because of the stress of their new managerial position. On the other hand, making an outside appointment can cause just as much resentment, as well as being costly and time-consuming.

In order to grow, you need good managers beneath you. You have to be fair to your existing staff as well as thinking about what's best for your developing business. It's tough – and only you can decide.

### **4. We'll throw them in at the deep end...**

Yes, but can they swim? This is often the approach to inducting new employees, and it usually involves drowning.

Having spent the time and money to find the right person for the job - and yes, it is a major hassle - why not find the time to plan their induction properly? If you don't, you'll increase the risk of their leaving, and you'll have to go through the whole laborious business again.

Often, induction is simply a matter of hand-holding for the first few days, followed by an hour or two a day for the new few weeks. Set a target for when they should be able to work on their own (you're the best judge of when that might be), and make them aware of this so they have something to aim for.

During the trial period, you'll be assessing their competence and ability. If someone else is doing the inducting (which may be the case if you employ more than four or five staff) then you must make sure they know what's involved and adjust their working time accordingly. Don't

underestimate the time it takes to do it properly, and give the inductor the support he or she needs to look after the newcomer as well as get on with their existing job.

Investing time to plan and organise the induction of new recruits has long-term benefits of increased morale and productivity. These far outweigh the loss of a few hours of the inductors' time every week.

#### **5. "Don't worry, we'll have your staff appraisal next week".**

Well – if not next week, the week after, or ...some time, anyway.

Appraisals are often regarded by bosses as a low-priority chore, partly because they don't really understand what they're about. But they *are* important to staff, as you would soon ascertain by eavesdropping on their conversation during appraisal time: the talk by the kettle will be of little else.

If you're not having staff appraisals it demonstrates a lack of communication within the business – even if you have just one employee. Appraisals don't have to be scary or formal, but they do have to be clear and well thought-out. Ideally, staff should be appraised every six months at least.

From your point of view, you can use appraisals to tell your staff how you think they are doing. If the answer is "not very well", then you can use the forum to say where your dissatisfaction lies and where they need to improve - remembering to be specific. No one likes being told, "Well, I just think that you need to get your act together generally."

From your employees' position, it allows them to tell you what it's really like working in your company – and be prepared to hear things that you may not like. If your staff can get these things off their chests, then they'll spend a lot less time moaning about you in the pub on a Friday night.

#### **6. They're leaving - just forget them.**

There are lots of reasons why employees leave your business. Being enormously fed up with you and the company is not an uncommon one. If you want to grow and prosper you need to find out about potential problems - if they're valid - deal with them.

Everyone that leaves the company should have an exit interview. It may be the most useful hour of human resource management that you ever do. If possible, exit interviews should be held on the day the employee is leaving. This minimises any awkwardness their honesty might cause.

The interview allows you to receive a full and frank opinion on improvements that need to be made for that employee's successor, as well as general opinions on the company and your management style.

Some employees will take the opportunity to slag off everything about the business, their colleagues and you, but a well-structured exit interview will allow you to see through this

criticism and glean some valuable advice. The remaining staff will also recognise that you take personnel issues seriously, by wanting to improve things for everyone.

Exit interviews should remain confidential, otherwise staff who leave in the future may be discouraged from being frank with you. But if you feel that you have learnt something of value and want to make some changes, you should communicate these to your staff as soon as possible. This helps to alleviate the normal feelings of insecurity which other staff members can feel when someone leaves.

## **7. If you want to grow, you must learn to delegate.**

Take a long hard look at yourself in the mirror. Are you a good delegator? Answer the following questions honestly:

Communication - Is it totally clear to the delegatee what they have to do, or are you not that clear yourself what's involved and just hoping that they'll come up with something.

Deadlines - Do you want it back 'By the close of business three days from now', 'Whenever - it's not that important' or 'In an hour'.

More deadlines - Do you say something is 'urgent' and then make sure you give it back to the employee the day after receipt with comments? Or do you leave it untouched in your in-tray for a week in full view of the employee?

Even more deadlines - Do you ask for something back when the deadline is actually up, or do you prefer to do it the day before?

Support - Do you periodically check how the employee is getting on and offer to answer any questions which crop up? Or do you just let them get on with it?

Feedback - Do you always make sure that the employee is kept informed of what's happening after you've taken the work back? Or do you just say, 'Thanks, I'll handle it from here'?

Purpose of Delegation - Do you just delegate the boring things that you hate, or do you delegate things that you like doing, but realise others should learn?

Employee Development - Do you give the same employee the same piece of work every week, because they're good at it, or do you say 'You seem to be getting the hang of A, why don't you have a go at B, this week'?

Effective delegation allows small businesses to grow into large ones and the most successful entrepreneurs are those who learn to trust the people around them. Improve your delegation skills. You know there's room to.

## **8. Becoming over-dependent on the staff you trust.**

Finding good staff is one of the holy grails of small businesses. So when you do find someone terrific, you need to ensure they stay. But if – when? – they *do* move on, you don't want the gap that's left to make you vulnerable.

Becoming over-dependent on a single member of staff can be a real threat to a small business. If you end up parting, there's a chance that he or she may take valuable and sensitive information to your competitors, or simply start up a company in direct competition with you. Restrictive clauses in their contract of employment can go some way towards reducing this risk.

But you still need to find a replacement.

As we all know, in business, no employee should be indispensable. If you're employing people in their twenties, it's probable they'll be doing something else in their thirties. You need to prepare yourself and the business for key personnel leaving, either on a friendly basis or otherwise.

One way of doing this is to involve your key staff member in as much training and induction of other staff as possible. This has a number of benefits:-

- They pass on their skills and knowledge
- They may gain additional motivation from doing something different which may deter them from leaving.
- Although taking them off their day-to-day tasks may be difficult to bear in the short term, it will cut down your reliance on them and may allow other employees to shine.

### **9. Could the last one to leave turn off the lights?**

Why are they all leaving - because you're falling into too many of the traps above.

Apart from the time and cost involved in recruiting, selecting, training and inducting new people, a high staff turnover can significantly affect the rest of your business.

For a start, remaining employees will find it disrupting to have lots of staff coming and going. Secondly, your customers may find it off-putting to deal with a different person every time they ring up. This is worse for a small business, as you can't bluff by saying people have moved to another department.

If your business is experiencing annual staff turnover of 100 per cent (i.e. if you have four staff that means four people leaving and four new recruits in 12 months) you need help. And that help is either training in management skills, or getting a "mentor" to help you manage your business.

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