

SETTING UP IN BUSINESS: TAKING ON STAFF

Setting up in business - Part Three

Peter Savage continues his series, based on 19 years' experience, guiding you through the stages and decisions that come with establishing your own business.

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So far we have looked at getting going, those anxious first days and being pro-active about building your business. Hopefully, in your fledgling company, and through your hard work and planning, your income will take off and you will become very busy. Then you'll have some tough decisions to make. So, this month, I would like to look at employing staff – for lifestyle or for profit.

Step nine : **Why am I in business?**

Two months into the new job and in comes the first complaint. Once again, it's from your at-home partner: "I thought this business was going to improve our quality of life! I've never seen you work so hard and all that corporate stress that you promised would be left at your last company's door seems to have come with you. Why not employ someone?"

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Fair call. But your business is doing well and all the returns are yours. The money's great. But, yes, you had to do some photocopying late at night and, yes, your golf handicap is going backwards – because every one knows that, if you can afford time to play golf during the week, you really are on the corporate lunch circuit. So, what's the answer?

Step 10 : **Employing staff**

With more or less fair criticism, from your partner or yourself, it seems time to go out and employ some staff. Whoa, hold on! Before you reach for the phone or search the Internet to see how much the sort of person you want might cost, step back and take a few moments to look at your business model. From the first member of staff



you employ you really will be back on the corporate treadmill as you will have responsibilities, big responsibilities – both by the law and your conscience – as these people become your responsibility.

If you are happy to make a call to the recruitment agent or someone you know who might be tempted to join you, then go for it. But remember this: if you want to be able to go back to improving your golf handicap – taking on staff for a lifestyle reason – then beware. Rarely is anyone as good as you at running your business so, if you take time out, the people you employ will not be doing the job as well as you could. Or, if they are as good as you, you will have to keep them highly incentivised or they will be off – and probably with some of your key clients.

Step 11 : **Do your sums first**

But, hey, let's keep positive. You want to build a business that will bring in a healthy financial return as well as a lifestyle, so it all comes down – yet again – to planning. And that means getting out your calculator and doing your sums.

Each person you take on must have a financial value. Take, for example a first jobber. At £12,000 a year, he or she must enable you or another member of staff to make a minimum of £21,000 of additional new income in the business or there is no rational reason to employ them. How does it add up to so much? A £12,000 salary

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costs £14,000 after the Employers National Insurance contribution and any pension contributions you may voluntarily offer; then you have try to earn at least one and half times that salary as income from that new member of staff – or what's the economic point? As a rule, members of staff should have earned enough to cover their costs in their first six months – which ties in neatly, if you have planned it correctly, with their initial probation period. Too often, employers end up making their businesses fund their staff rather than ensuring their staff make money for the business. I certainly don't ad-



vocate exploitation but you should always remember that you are not in existence to be a charitable employment fund; you need to remind yourself of the economic reasons for employing someone.

If, however, you get it right by these rules then watching your staff develop, enjoying the employer-employee relationship and,



when appropriate, passing on responsibility can be some of the most rewarding aspects of your own business life. Next time we will look at the minefields associated with employment law and HR, areas that small business almost prefer to ignore, at their peril!

The series continues next month. If you missed steps one to eight they can be found on www.azule.co.uk/businessadvice/articles

