

Your Bottom Line

By Dr. Henry J. Oles, Cr.Photog.

Evaluating employees: Is it time to hire?

Everyone who owns or manages a business is faced with the problem of knowing when it's time to hire more help. Whether you are about to hire your first employee or your 100th, the issues are the same: Does the company really need more employees? What exactly will they be doing? And, finally, will they contribute considerably more to the company than the sum total of what they cost? If you don't have clear-cut answers and if you don't have a way to continually monitor employee effectiveness, you shouldn't be hiring.

I learned some extremely valuable, but very expensive, lessons about staffing and overstaffing. About 10 years ago, I joined a partnership with four others in opening a modern, comprehensive portrait studio that was to serve as a prototype for a chain of such studios. The opening of a major business with high overhead and high potential gross sales requires a great deal of advance planning. The fundamentals must point to financial success.

We had a good handle on virtually everything except the two most critical components. First, our gross sales did not come on-line as quickly as we had expected. It takes time for a studio to build a client base, even when a great deal of money and effort is spent on promotion and all other aspects of the business are right on target. Second, and most important, we had a huge problem with staffing.

Initially, we planned to run the business with a staff of three: a front counter receptionist/salesperson, a photographer, and a lab technician. Because the store would remain open 12 hours a day, seven days a week, we decided that the store could be more than adequately staffed with eight full-time people. But, it didn't work that way. Even though we started out with far fewer customers than expected, the staff and management was continuously crying out for more help.

So, we hired more and more people, until we had nearly twice the number planned, which, of course, placed a huge cash drain on the company. And, the employees still complained that they were understaffed. We began to realize that there was

absolutely no way the store could make a profit or even survive with that unexpectedly high level of overhead, even if our gross sales increased dramatically.

We were in a tailspin. As business increased, we hired more help and, while the gross profits increased, we lost even more money. The partners were soon meeting to determine how to salvage the rapidly sinking ship. Even more serious was the fact that the cash drain, caused by excessive labor costs, destroyed our plan to use the prototype store to secure venture capital to open a dozen more locations.

Finally, in desperation we laid off half the workers and helped those remaining to better organize their time. Surprisingly, the work got done, even as sales began to increase. We eventually laid off a few more and, again, productivity increased. Unfortunately it took so long for the partners to get control of labor costs that we lost our window of opportunity. Instead of hundreds of stores, we now have one.

Managers must always be on the alert to avoid over-hiring and to identify those already hired who are not truly productive. To do otherwise is neither fair to the company, nor to those employees who are carrying the real load.

Before making any moves, assess the true cost of an employee. It certainly isn't just their yearly salary. The extras add up to considerably more: insurance, Social Security, Medicare, workers' compensation, unemployment, liability insurance, along with the cost of the space and tools they use.

Employees are a direct cost. Every dollar they earn is taken directly out of the business profits or removed from funds that would normally be used to strengthen and expand the business.

Many photographers are so negative toward hiring employees that they insist on doing everything themselves. This severely limits growth. But, if you approach the employee situation properly and maintain a highly efficient operation, then each employee will make a significant contribution to the company that is well worth their cost. This will help to expand the company and your bottom line. ■