your bottom line

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Termination

No matter how carefully you select new employees, some may turn out to be unproductive or even disruptive. Eventually, as your only possible option, you may be forced to terminate their employment.

Termination, or old-fashioned "firing," is not as easy to do as you may think. It certainly is not an enjoyable task. Termination represents failure, on both the part of the employee and the employer. Termination generally indicates a bad employment decision was made and your hiring process needs improvement. However, no hiring selection technique is foolproof.

Dismissal of an employee can be an expensive proposition. But, a more costly price may be paid if termination is postponed—the delay could be catastrophic to your company. Termination is a bitter pill for everyone involved, but one that sometimes must be swallowed.

The first protection against problems of employee termination is to make every effort to advance the best possible hiring decisions. You cannot overestimate the importance of this initial step. But, even with the best-conceived hiring methods, mistakes still occur.

Once you have decided to hire an individual, he or she becomes both the responsibility of your company and a potential liability. The longer the employee is with the company, the more time and money has been expended on the individual's training and salary.

Inadequate performance represents one type of financial loss. There is, however, another kind of setback—an even greater loss of profit opportunities. Compared to an effective worker, an unproductive employee can cost your company a great deal more than you may think. For example, a poor salesperson may irritate customers to a degree where your company loses them forever to competitors. In contrast, an effective salesperson may not only make expected quotas, but also generate a new and surprising sales volume.

It is the responsibility of the owner or manager to monitor the performance of all employees, regardless of the company size. When an undesirable situation is identified, every effort should be made to bring about a change for satisfactory performance. One option is to transfer an unproductive employee into a different position, one that he or she can handle adequately. If that option is not available or is unsuccessful, termination is the only alternative. Once you decide to dismiss an employee, the sooner it is done the better for your company's health.

I have always found it very difficult to terminate an employee, since I often blame myself for the person's poor performance. I have also hesitated to end a relationship because of a fear that an empty position in my company is worse than a job partially done by a less-than-efficient employee. However, it is necessary to make decisions that are best for the long-term interests of the company, even if the action causes short-term disruption.

Before terminating an employee, talk with your legal counsel about the employment laws in your state. Like it or not, you are no longer solely in control of your business. Instead, the government is in partnership with you and your employees. Handle a termination improperly and you can be subject to fines and possibly a very expensive lawsuit. Some states have more regulations than others, and parts of Canada are extremely regulated. You may be forced to prove just cause for terminating an employee—something that can be difficult to do if you did not do your homework and collect sufficient data.

For example, can you claim that an employee didn't do his or her work, if there was no clear job description? A job description is critical to the process, but not sufficient for terminating a poor worker. You also need to record in writing periodic reports of an employee's performance, which become part of his or her employment file.

It is only reasonable that an employee know what is expected in his or her work, as well as the supervisor's assessment of how the employee measures up to expectations. Without this information, employees have no way of objectively measuring their performance.

If an employee is not performing adequately and there appears to be little hope for improvement, a lateral transfer or a demotion in responsibilities should be considered. We've all heard about the "Peter Principle"—it states that people tend to rise in an organization until they reach their level of incompetence. Most people know when they are in too deep. A demotion to a level of competency may, in reality, be appreciated compared to dismissal.

If, however, termination is necessary, many advisors suggest that an employee be dismissed and asked to leave immediately—even if this means the employee is paid two weeks severance pay at that time. A terminated employee can be completely non-productive during the last days of employment and may demoralize other employees or cause other problems for your company.

Termination is never pleasant but it is part of operating a business. As owner/manager, hiring, evaluation, promotion and termination are just part of your routine responsibilities.

If you gather all relevant information, carefully consider your decision, and do what is fair—you have done your job. There is the possibility that you may have made an error in judgment, however nothing in life is certain. If you do the very best, no one can ask more.