



The People Part of the Business Equation

WHITE paper | Risk Management Series



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The People Part of the Business Equation

In early 2010, an employee of a Fortune 500 company based in Seattle appeared on a news program claiming to have been assaulted repeatedly by her manager. The employee stated that when she informed top management of the issue, she was simply transferred to another location. As one would expect, she has sought legal counsel to find a solution. The highly publicized incident, and subsequent corroboration from other company employees, has likely caused significant unrest among employees, as well as severe damage to the company's reputation.

Situations such as this unfortunately do occur in the workplace. And they can result in negative repercussions ranging from reduced productivity to litigation. How can business owners and executives protect themselves and their employees from incidents such as the one mentioned above, or lesser but still problematic concerns?

Risky Business

Inherent in all companies and organizations is the potential exposure to risk. Most people think of business risk as being related to finances or disaster situations. But there are several types of risk related to personnel. While not all workplace difficulties are as serious as assault, the reality is that small businesses and organizations often do not have the proper tools in place to protect themselves and their

employees from the situations that can arise when dealing with the people component of a business.

Behavior

Poor behavior on the part of an employee can have a serious negative impact on a business or organization. Poor behavior can be a distraction for employees, or at worst, can create a hostile or dangerous work environment. Regardless, the behavior will likely end up costing the company time and money.

Example: A disgruntled worker begins to spend time emailing other staff members or conversing with them about his unhappiness. Before you know it, he has engaged several people in stories about how his supervisor has treated him unfairly. The situation becomes a daily topic of conversation, and he and other employees begin neglecting their duties to continue these discussions.

Employers shouldn't try to prevent employees from establishing friendships with coworkers (which actually can contribute to job satisfaction), or being able to vent on occasion. But when negative conversations interrupt work flow and affect morale, the problem has to be addressed appropriately.

Personal Issues and Performance

According to a study by Global 360, "in an average eight-and-a-half hour workday, workers spend 1.7 hours doing absolutely nothing that adds value to their organizations." With all the distractions brought about by the use of the Internet and social media,

personal phone calls, and sometimes a simple lack of motivation, businesses are losing up to \$1 trillion annually due to this productivity shortfall.

Short of using hidden cameras to monitor staff, it's difficult to regulate every minute of an employee's day. But you can consider root causes: Perhaps an

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employee is bored because he or she is not challenged enough. Or maybe a personal issue is causing severe stress, which can lead to an inability to focus.

Example: A dedicated, long-term employee tells you she is going through a divorce. The divorce requires meetings with her attorney during the workday, she has to find a new place to live, and she is distracted and depressed. Her work performance suffers immensely as she struggles through this major life event.

Another point to consider is the possibility that the employee is not suited for his or her position. Does the employee seem to struggle with required tasks or gravitate toward other types of work? Is the work expected of the employee consistent with his or her job description?

Small business and organizations can be particularly vulnerable to hiring difficulties due to a lack of time and resources to devote to the process.

Safety of Employees

As an employer, it is your responsibility to ensure that the workplace is safe and suitable for your staff. According to the Bureau of Labor Statistics, there were 3.7 million cases of nonfatal occupational injuries and illnesses reported in 2008. Many of these injuries could have been prevented with appropriate protocols, such as training or providing proper equipment. Not only will an injury cost a company money and time if the injured employee can't work, the business might also experience an increase in workers compensation premiums.

Workplace aggression and violence present significant challenges for employers and require greater attention, according to the Society for Human Resource Management. Though workplace violence takes many forms, the Occupational Safety and Health Administration (OSHA) identifies the following workers as being particularly at risk: those who exchange money with the public; deliver passengers, goods or services; or work alone or in small groups, during late-night or early-morning hours, in high-crime areas, or in community settings

and homes where they have extensive contact with the public. OSHA has wide-ranging information and assistance for employers to help with planning and prevention.

Absenteeism

Due to a variety of issues, personal and professional, absenteeism continues to be a serious problem in the workforce. The CCH Unscheduled Absence Survey found that "Personal illness accounts for only 34 percent of unscheduled absences, while 66 percent of absences are due to other reasons, including family issues (22 percent), personal needs (18 percent), entitlement mentality (13 percent) and stress (13 percent)."

Chronic absenteeism puts a burden on those who must pick up the slack for the absent employee. And it costs the company to pay an employee

who is not at work, or to lose customers because they are not receiving proper attention.

Planning to Prevent Risk

Busy business leaders can take steps to mitigate the risks associated with having a workforce. Following are some key steps in forestalling risk related to personnel:

Risk assessment: Consider the possible risks, from those that can happen in any organization (think long-term illness) to those related to your specific industry (e.g., injury from the use of specialized equipment). Likewise, think about the financial impact associated with each risk.

Prioritize and strategize: Rank the risks according to likelihood and impact. Then determine what the solution would be should the risks occur. For example, what would you do if a flu bug caused several staff members to miss work for several days or if multiple employees quit at one time? Do you

have contact information for all employees? Who makes decisions in an emergency and how are these decisions conveyed? When developing a plan, consult with trusted advisors, such as your banker and attorney, to ensure you cover all your bases.

Written policies: Many businesses suffer because they do not have written policies addressing such issues as dress code, job requirements or vacation days. Businesses cannot rely on policies or procedures residing in someone's head, leading to the possibility of inconsistencies or missed steps.

Standard operating procedures: It is imperative for companies and organizations to develop standard procedures utilized in the workplace and to keep a written record of them, to assure efficiency and prevent duplicative work. This practice cuts down on wasted time, but it also can protect the company in the event an employee takes on a different role or suddenly leaves the company.

Training: Providing training for employees can serve as a significant deterrent to issues associated with human resource risk. Offer employees training to provide them with a better understanding of safety procedures required for their jobs, best practices for the type of work they do, or effective management and team building techniques. Train supervisors to deal with performance and behavior issues before they affect morale or productivity.

Empower the Company

Smaller businesses and organizations typically do not have a human resources specialist or other staff member who is well versed in preventing problems associated with personnel. But there are ways you can empower yourself and the company to anticipate risks and take care of potentially sticky situations.

Know Your Stuff

First and foremost, business leaders must make themselves knowledgeable about risk issues and the legal implications thereof. You don't have to become

an attorney or an expert in human resources, but you should develop a basic understanding of the matters you may deal with and any legal or economic implications that might result. Become a member of your local Society for Human Resource Management (SHRM) Chapter. SHRM is an excellent source of information and support for business leaders. You can attend basic HR classes, like those offered through your local community colleges or services such as Skill Path. The Department of Labor has great information and tools, such as the informational posters required throughout the office.

Hiring and Managing Employees

Another way an organization can protect itself and its employees is by examining the hiring process and the supervision of employees. Small business and organizations can be particularly vulnerable to hiring difficulties due to a lack of time and resources to devote to the process. Following are some effective methods for the hiring process:

- Issue a complete job description outlining the position and requirements.
- Interview the candidate more than once and preferably with more than one company representative.
- When interviewing, ask questions about how the candidate would handle difficult situations and/or clients. Be sure questions require more than a yes or no response.
- Check references and ask probing questions. Also, contact former employers for more feedback about work habits and capabilities.
- Conduct a background check.

But the duties don't stop when the job offer is made. Managing employees is an ongoing process that requires consistent evaluation and action. Letting a problematic situation go unchecked can lead to greater problems down the road. Set expectations with employees, make sure they understand their roles, and schedule regular check-ins and

performance evaluations. If an employee does not perform to par or demonstrates unacceptable behavior, it is incumbent upon the supervisor to tackle the situation head on.

Cross Train Team Members

With absenteeism and turnover posing an ever-present dilemma, it is wise to ensure that more than one person can handle the responsibilities of any given job. While it may not be ideal to ask an employee to serve in more than one capacity or to have a senior team member focusing on junior work duties, it can help fill the gap until a replacement is found or at least until a temporary worker can be brought in.

Empower Employees

It's important to remember that most employees of a business or entity want to do a good job and show their commitment to their employer. Consider instituting policies and programs designed to support your employees and give them tools to be more engaged in their jobs.

Flexibility: If employees believe that their employer cares about them, they tend to feel more loyalty and be more willing to find solutions when difficulties arise. For example, consider extended leave policies for a long-term illness or allow flex schedules for working parents.

Employee assistance: Many companies have employee assistance programs (EAPs) to help in times of difficulty, such as an employee suffering from alcoholism or the loss of a loved one. Check with your insurance carrier to determine if this assistance is available.

Communication: Typically, particularly in tough economic times, dissatisfaction can arise when employees feel that they are in the dark. Talk to your employees about what's going on with the company. Be transparent about finances and plans for the future. Answer questions and accept feedback on a regular basis.

Recognition: Develop programs and rewards for employees to demonstrate that you appreciate their hard work on behalf of the company. Give promotions and increase salaries when possible. Knowing that their work and dedication are acknowledged makes employees more willing to go the extra mile.

Conclusion

While employing a workforce may seem daunting, recognizing potential pitfalls and establishing policies and procedures can reduce your exposure to risk by a significant margin. Keep yourself educated about employment rules and regulations, keep your eyes and ears open for potential problems, and let your employees know they matter. The up-front investment of time, energy and sometimes money will help you rest easier and will likely create a happier, more stable environment for your employees. It will also help set a course for long-term sustainability and profitability for your organization.

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Pacific Continental Bank maintains a strong connection to the communities where we operate. The bank empowers its employees to actively engage in fostering an environment where all community members can flourish. We endeavor to work with local nonprofit organizations and community-based businesses, ensuring more dollars stay close to home. The bank supports hundreds of nonprofit organizations in achieving their missions – both philanthropically and through direct participation.

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