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On the Books By Shiara M. Dávila

Small business owners should adopt a written employee handbook of policies and procedures.

The image of a thick, dust-veiled binder confined to the corner of a desk or the enclosure of a drawer may dissuade small business owners from investing in employee handbooks. With the ever-present threat of litigation, however, experts advise that small business owners reconsider.

Rick A. Sherwood, principal of Innovative HR Solutions, a consulting firm in Cathedral City, Calif., advocates the use of employee handbooks for all companies.

“Handbooks can be valuable tools that set rules and guidelines,” Sherwood says. “They give a framework for new employees to get off on the right foot.”

According to Sherwood, small companies often resort to memos for keeping employees updated on policies and procedures. He says that businesses should have just one document addressing employee’s concerns, such as employment, compensation and benefits.

The Price of Protection

Richard Eisenberg, owner of M.J.M. Maintenance Co., considered adopting a set of written guidelines for his commercial janitorial company in Glendale, Calif., but decided against it.

“It would require a considerable amount of time and effort to put together [a handbook], and there would be no foreseeable benefit from doing so,” Eisenberg says.

He acknowledges that the possibility of litigation is a concern but contends that hiring a consultant to compose an employee manual and a legal expert to inspect it is an “extremely expensive proposition.”

Eisenberg faces an added issue of translation. “Most of my employees are not using English as their primary language, so the book would have to be translated,” he says.

Like many employers, he considers the consequences of inaction while mulling over the idea of inadvertently harming his business if he acts.

“As a small business owner, I have a very limited knowledge of the laws that relate to human resources, and I would not want to make a mistake that could cause a problem later—in either saying something I shouldn’t or leaving something out,” Eisenberg says.

Do It Yourself

Although experts consider handbooks necessary, they discourage business owners from attempting to write the manuals

themselves. They warn that a poorly written handbook could precipitate a lawsuit.

To avoid being cast in a courtroom drama, some small business owners adapt prewritten manuals to fit their needs. Prewritten handbooks range between \$85 and \$200. The price of a custom-written handbook, in contrast, can range from \$1,000 to \$2,500.

BizManual, a company in St. Louis, specializes in developing and publishing software for creating employee handbooks. It sells to businesses in countries ranging from Canada to Hong Kong. Because laws and regulations differ from country to country and state to state, careful editing of the prewritten guides is necessary, says Tony Havlin, BizManual’s sales manager.

Federal laws governing employment practices vary based on the number of a

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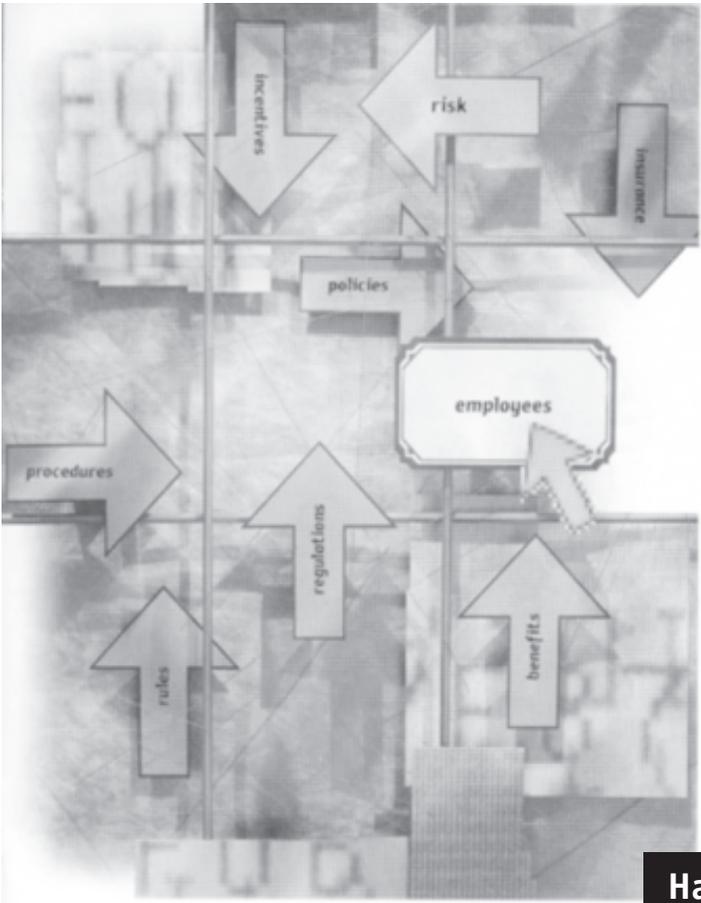
BLR Encyclopedia of Employee Handbooks, by Stephen D. Bruce. 1986.

Employment Policy Foundation, www.epf.org allows visitors to search through documents about human resource policies and practices.

Society for Human Resource Management, www.shrm.org provides information on an array of human resource topics including the use of employee handbooks.

BizManual, www.bizmanuals.com creates and publishes software to create prewritten employee handbooks.

Policies Now!, by KnowledgePoint is software that helps write employee handbooks and features customizable personnel policies and an automatic research capability.



A Worthy Investment

Laura Dowling, vice president and co-owner of Elephant Dreams Inc., a wholesale home and garden accessory company in Hayward, Calif., is updating her company’s employee handbook with software from her local chamber of commerce.

“We don’t have a zillion policies, so the customization is standard,” Dowling says. “To me the biggest things are the labor law issues. I do feel confident that they have that covered.”

Dowling and her husband adopted the employee handbook when they bought the company two years ago. Employees of Elephant Dreams sign a form acknowledging that they received the manual and will follow the guidelines. The handbook helps resolve employee conflicts and defines expectations, according to Dowling.

“It definitely gives the employees the impression that you are a professional company,” she says.

Los Angeles-based attorney Jim Zapp, who specializes in employment law, says employee handbooks serve as legal shields only if business owners are committed to following the rules established.

“Once they put something in a handbook, it’s important for the small business owner to realize that that is a commitment he or she has made,” Zapp says. However, they should constantly revise the book. “Things change and policies change; it is necessary to keep [flexible], so you don’t have to breach your handbook to get what you want,” he adds. ■

company’s workers. However, Havlin says small business owners should consider the use of a formal company guidebook when they hit the 10-employee mark.

James A. Turner, president of the Chicago chapter of the Society for Human Resource Management, advises that small business owners check the validity of software with a labor attorney before selecting a program.

Turner, who is also vice president of business development Orbit Consulting Group LLC in Chicago, suggests consulting a labor attorney once an employer has tailored a prewritten guide, to ensure that the book is up-to-date with state and federal laws.

Handbook Essentials

Rick A. Sherwood, principal of Innovative HR Solutions, a consulting firm that provides human resource programs for small to mid-size companies in Cathedral City, Calif., recommends that employee handbooks address the following issues:

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| Employment | Health insurance |
| Equal opportunity statement | Leaves |
| Schedules | Sick day policies |
| Working hours | Family and Medical Leave Act |
| Compensation | Personal time |
| Annual review process | Jury duty |
| Salary progress | Bereavement policy |
| Incentives | General |
| Benefits | Confidentiality |
| Retirement plan | Travel policy |
| Vacation | Parking |
| Holidays | Safety |



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