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How To Know If It's The Right Time To Hire

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By Bryan Borzykowski

James Cassel has hired hundreds of people to work at the various companies he has helped start and run over the past four decades. Still, after all that time, the lawyer and investment banker says knowing when to staff up remains one of the hardest parts of being an entrepreneur.

“We struggle, as do many small and medium-sized firms, in deciding when to hire that additional person,” said Cassel, chairman and co-founder of Cassel Salpeter & Co., a Miami-based investment bank.

These days, Cassel takes a slow and steady approach to hiring. Since he started his current company seven years ago, Cassel and his colleagues have brought on only eight people, in addition to the four who started the firm. With previous companies, he would hire quickly, only to have to lay those people off when work dried up during the recession.

“I’ve had the pleasure of bringing in great people and the angst of letting those good people go,” he said.

Knowing the precise time to hire a new employee is a constant headache for business owners. Challenges include not only finding the money to pay the new person’s salary and benefits, but also keeping him or her busy, motivated and contributing to overall productivity.

Hiring is like a puzzle, according to Sara Whitman, chief culture czar at Pepercomm, a New York-based communications firm. It’s a process of

constantly seeking the piece that fits. “You’re always moving things around to get the picture,” Whitman said. “And once you get it right, you have to move it around again.”

It All Comes Down To ROI

Deciding when to hire comes down to one thing: profit. Can another employee help you generate more profits now or not far down the road? That’s the question all business owners should ask themselves, said Richard Allaway, general manager and division vice president at ADP National Account Services. “Get out the spreadsheet and the calculator,” he said.

The answer isn’t always a simple yes or no, though. Numerous factors play into the equation. What’s the best way to generate that profit? It might be by landing a new customer, in which case you may need a sales or business development person. Or maybe it’s by filling orders more quickly, which means you’ll need someone in operations who can speed up the production process. Maybe you’re trying to accelerate the launch of a product, so you’ll need to hire someone in product development. It depends on what kind of help the business owner needs most, Allaway said.

An Investment In Your Business

Cost is one reason companies wait too long to hire. Employees are expensive. Besides salary, companies also need to shell out money on overtime, benefits plans, potential 401(k) matches and so on.

But an organization that focuses only on cost of employees would never hire. Instead, an organization should look at new hires as an investment, as long as it can afford to finance additional headcount until profits grow. “It could be months before people pay for themselves. So you have to have the capital to fund that growth,” Allaway said.

In many cases, especially for service companies, hiring depends on how many clients are coming and going. An expanding client roster largely drove Pepercomm’s growth from a dozen at launch 30 years ago to 100 people now. “A lot of times hiring is driven by the business,” Whitman said. “When you win a new piece of business you might need another body to help fulfill that work.”

In recent years Pepercomm has become more analytical when it comes to hiring. Today, it has four employees who assess the organization’s overall

needs and, starting with that assessment, decide where to put existing staff and what holes they need to fill with new hires.

They analyze budgets to see how much money the organization is spending on people costs versus expenses such as rent and equipment. How many people are working on certain client accounts is another matter for inquiry. If the data indicates they need to hire, they will, Whitman said. If it indicates that they require only part-time help, they'll look for freelancers they can employ on a temporary basis.

The Importance Of Due Diligence

Deciding when to hire is a decision organizations shouldn't take lightly. You might feel like you need help, but hiring out of frustration or desperation isn't a good strategy.

"If you hire the wrong person, it could introduce some risk or liability," Allaway said. "Maybe you end up with someone not as skilled as you and they treat a customer badly or you have to let them go and give them a severance. These are things that can impact the business financially."

When you do get it right, though, your business — and profits — can soar. "Hire a great employee and they can grow the business beyond what their expected contributions might be," he said.

For Cassel, the key is adding new bodies only when he's confident it might help move his business forward.

"If you're looking to build on your business plan, then you try and match the right people who can help you execute on that plan," he said. "Hire the right people who fit the culture and can help the company in the future."