

Saving on Payroll

07/20/09

My business is usually soft for me in August and I want to be sure that we don't dig too deep a hole this year. Payroll is my biggest expense. Our reserves are thin, due to the economy. I don't want to lose my employees - I've worked way too hard to assemble a good team - but I don't want to jeopardize the business either. Things usually pick up in September, so any actions will only need to be short term.

Building a strong financial base is one of every business owner's top jobs. It's good this owner recognizes some actions are necessary to get through the summer. No matter how painful it is to deal with the consequences of a downturn in revenue, dealing with it is better than ignoring it.

There are lots of ways to deal with shortfalls in revenue and the impact that has on payroll. The first step is making everyone aware there's a problem. Then comes looking at all the ways to cope. The next step is deciding what to do and implementing the changes.

GET EVERYONE INVOLVED

Start by bringing everyone together to make them aware there's a problem. Explain that it's a short-term problem and the business is basically sound and likely to turn back up in September. Be clear you're being careful, not sounding the warning bell of doom and gloom. You'll have to find the balance between optimistic and realistic. Explain that you're doing everything you can to be sure all of the families who depend on your company are going to be OK long term.

Ask the group to make a list of options to consider. Bring your own list, to coach the group. Ask the group to discuss the need for sharing the problem of not enough work and not enough payroll, in order to keep everyone employed long term.

Here's a list of things you could consider:

- Everyone takes a week or two off without pay;
- Ask for volunteers who want time off as unpaid leave (you never know, there may be someone in the group who wants to get away and may be willing to take the time now);
- Institute summer hours with shorter work days;
- Create a time bank (ask for volunteers to work for a week unpaid in exchange for an extra week of paid vacation when things pick up in the company).

FOLLOW UP

During the meeting, record all of the suggestions. At the end of the meeting, tell everyone you're going to get back to them within a specific timeframe - preferably just a few days. Tell them you want to consider every suggestion. Also tell the group that if anyone wishes to discuss the situation privately, you're open to that as long as they approach you within the next couple days.

Give the individuals time over the next couple days to approach you one on one. Make sure you're available and if anyone does come up to you, take them into your office and close the door to give them privacy. Hear what they have to say and take it under consideration.

If anyone approaches you saying they can't participate, make it clear you can't play favorites. If someone threatens to resign, tell them you hope they won't. Explain that you're doing everything you can to make this as fair and as limited as possible for everyone. Stick to your guns.

Finally, make your decision and get back to the group, with one or more group meetings, to explain what's going to happen. Re-state that you believe this will help everyone to stay employed for the long term. Be clear, stay positive, answer questions. Point out that everyone needs to stay focused on producing as much as possible in the time available in order to get things to turn up for the fall. Then send everyone back to work.

Over the next few days, walk around the company to take the pulse. Encourage people to stay upbeat and focused. Thank everyone for their contribution one on one. Think about planning a picnic or other low-cost company wide benefit as a thank-you when everyone returns in the fall.

Looking for a good book? Try "Payroll Best Practices" by Steven M. Bragg.

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*If you are a business owner and you have a question or would like to discuss some aspect of your business, call **1.877.238.3535** or send an email to AskAndi@StrategyLeaders.com.*

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