

## WOW, I Almost Lost My Dad's Shop!

After all these years, I never thought I would crash and burn this bad. My dad started our upholstery shop twenty years ago and steadily built it to 15 employees. Two years ago he retired and handed me the business. Although I had helped him run the upholstery shop for almost 10 years, I never really had to deal with the people side of our business. Here's what happened...

When my dad was here, he managed the people issues, payroll, hiring, scheduling and firing. Our employees thought my dad was a stickler for service, but generally liked him because he cared about both his employees and customers. When our shop was busy, my dad was great at motivating the guys to focus on getting work done. At that time, it seemed like everyone really cared about the quality of work and customer service. Our shop was highly regarded as both a good place to work and a great place for new upholstery. During those times, we enjoyed a steady cash flow and the ability to hire good people; then teach them our way of doing business.

When my dad left, I found that the basic parts of running a business were actually very challenging. I am a master at upholstery, however as a new business owner, I was lost. After all, workers' compensation insurance rates are way up, employment laws change often and employee concerns/conflict pop up everyday. Even worse, some of my competitors engage in illegal business practices to keep their prices lower than what's considered reasonable and standard. For example, some of my competitors hire undocumented workers at rates below market, which violates tax and workers' compensation laws to name a few. I found out the hard way how expensive that tactic can be, when I tried to do the same. The consequences of my actions included:

1. I was hammered with violation fees. As this was my first offense, I was fined \$8,000, which is \$2,000.00 per undocumented worker. I was told a second offense would cost me \$4,000.00 per undocumented worker.
2. Our quality of service went down. Customers were not coming back or referring our shop anymore.
3. My key employees started to leave. Some left to start their own shop or work for a competitor down the street.
4. I was caught in a never ending circle. I couldn't afford to have decent equipment, let alone have the ability to hire anyone with the necessary skills.

When I took over the shop, I thought "Oh well, nobody really checks on those laws, so I'm going to ignore them". Boy was I wrong! And what's worse, I was most likely turned in by one of my ticked off employees or a disgruntled customer.

Most of my competitors, and probably many of you who are reading this article, feel that since they are a small business owner not all laws or regulations apply. Well, that was my original thinking and that's where my problems began. For example, I had no idea that a company with 15 employees in California has to comply with 28 laws, regulations, employment programs and considerations that they had to have policies on and manage within, including:

*Figure 1 - 15 employee company checklist.*

Affirmative Action	Americans with Disabilities Act (ADA)	Cal-COBRA
Child Labor	Disability Insurance (State)	Disability Leave
Discrimination and Foreign Workers	Discrimination Laws (Federal)	Discrimination Laws (State)
Employee Safety	Immigration Reform and Control Act	Independent Contractors
Jury/Witness Duty Leave	Military Service Leave	New Employee Reporting
Paid Family Leave	Posters and Notices	Pregnancy Disability Laws
Privacy	Sexual Harassment Policy and Training	Smoking in the Workplace
Unemployment Insurance	Victims of Crime Leave	Volunteer Civil Service Leave
Volunteer Firefighter Leave	Voting Leave	Wage and Hour Laws
Workers' Compensation		

It gets tricky because you have to deal with both Federal and State laws that come into play as your company grows. In California, laws apply to employers when they reach 1, 4, 5, 10, 20, 25, 50 and 75 employees. Remember these laws are not suggestions; they are requirements that have significant fees, fines and consequences.

As I mentioned, on top of paying hefty fees for being out of compliance, I lost my top employees. Most of my best employees were hired by my dad. A few months after I took over, a few of my best guys left to work for competitors, and one guy opened up his own upholstery shop. Later, I heard through the grapevine that my best employees left because they thought I was mismanaging the company. The compliance fines made us vulnerable to lawsuits, the money spent defending the company took away from being able to purchase the necessary tools and equipment, and there was no money left over to give raises or other rewards. As my best people were leaving, so were my customers, my steady cash flow and our shop's reputation. Word on the street was that we were going out of business and that my shop was not a good place to work.

Things are great now, but after my first lawsuit, high turnover, lost customers and poor quality, my dad's shop almost went bankrupt. So what changed? I got some help from MetaForce, a Human Resources consulting firm located in Long Beach CA. Guys like me typically run from consultants because we don't think we can afford their services or we don't think we need them, at least until there's a problem. MetaForce is different. They specialize in helping small companies and they understood my business because they work with other companies in my industry.

In an on-going series, I will share some of the insights I've learned from MetaForce along the way. As an overview, MetaForce started the job by making sure I was in compliance. Once that was complete, they focused on ensuring that my Human Resources practices were efficient, fair and performance-driven. They even helped me recruit some outstanding new employees. My employees are now more satisfied, knowing they will be treated fairly and that their needs will be met. Because MetaForce has a mission to help small companies, their professional services are priced for the small business owner. And for those owners who still think they can not afford high- quality professional services, MetaForce also offers affordable management and Human Resources workshops that are open to the public.

As a small business owner, I learned that in order to run a successful company you have to keep your shop clean from a compliance perspective and if you're smart, you will recognize the importance of effective human resources management. Remember, we live in a day where anyone can copy a product or service. The people who work for me are really the ones who are going to make the difference between differentiate my shop's service and that of my competitors. On the other hand, you can do what I did or, ignore your responsibilities, and then eventually you too will lose control, crash and burn too.

Thanks to MetaForce I am back on track and my dad is speaking to me again.