ISSUE 1

SMALL BUSINESS @ WORK

BY ADP℠

SUCCESS STRATEGIES FOR GROWING BUSINESSES

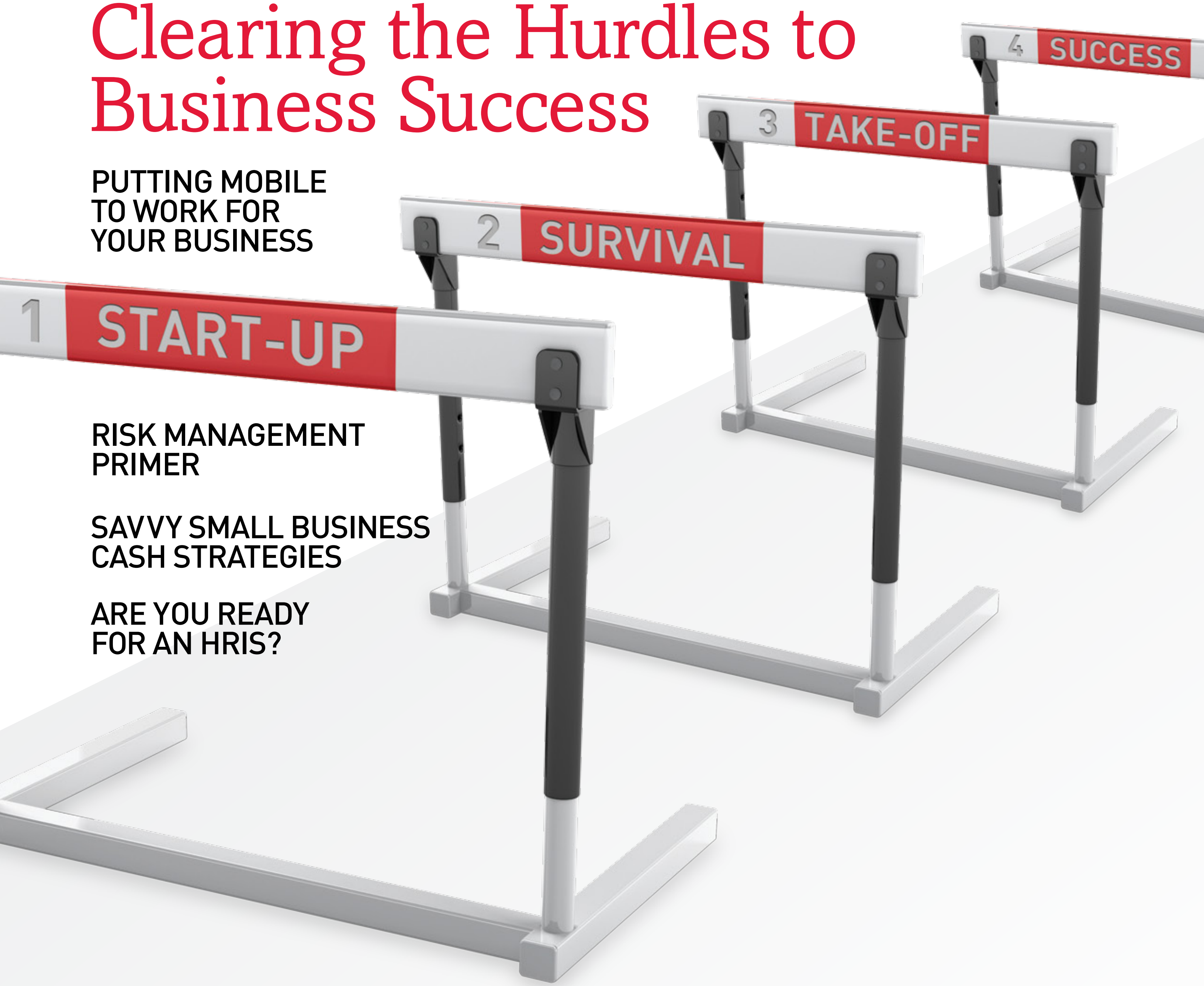
Clearing the Hurdles to Business Success

PUTTING MOBILE TO WORK FOR YOUR BUSINESS

RISK MANAGEMENT PRIMER

SAVVY SMALL BUSINESS CASH STRATEGIES

ARE YOU READY FOR AN HRIS?



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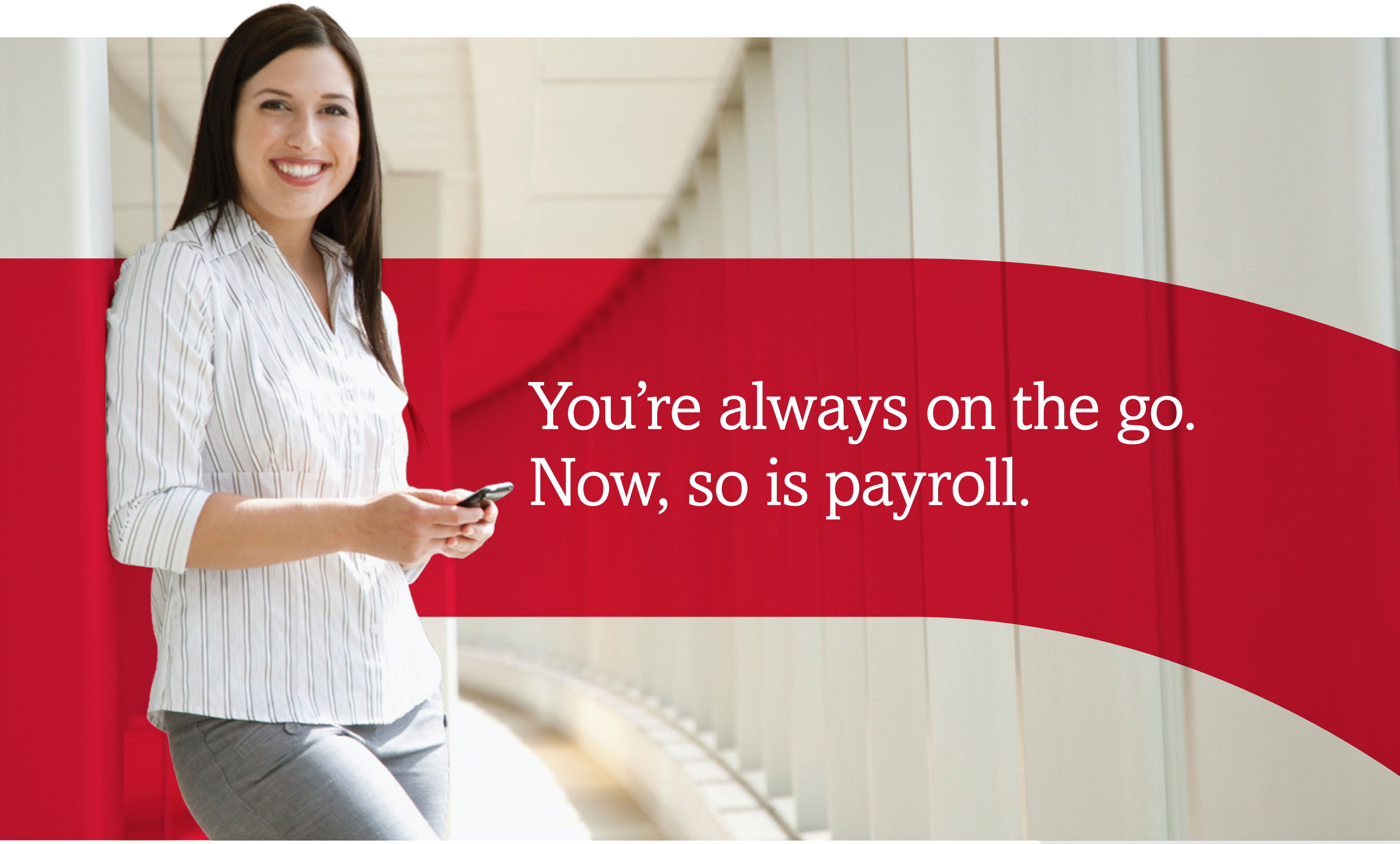

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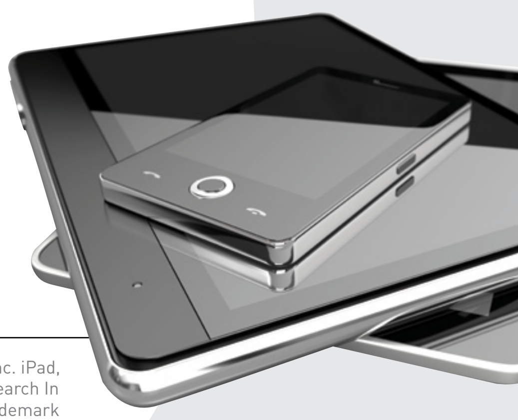

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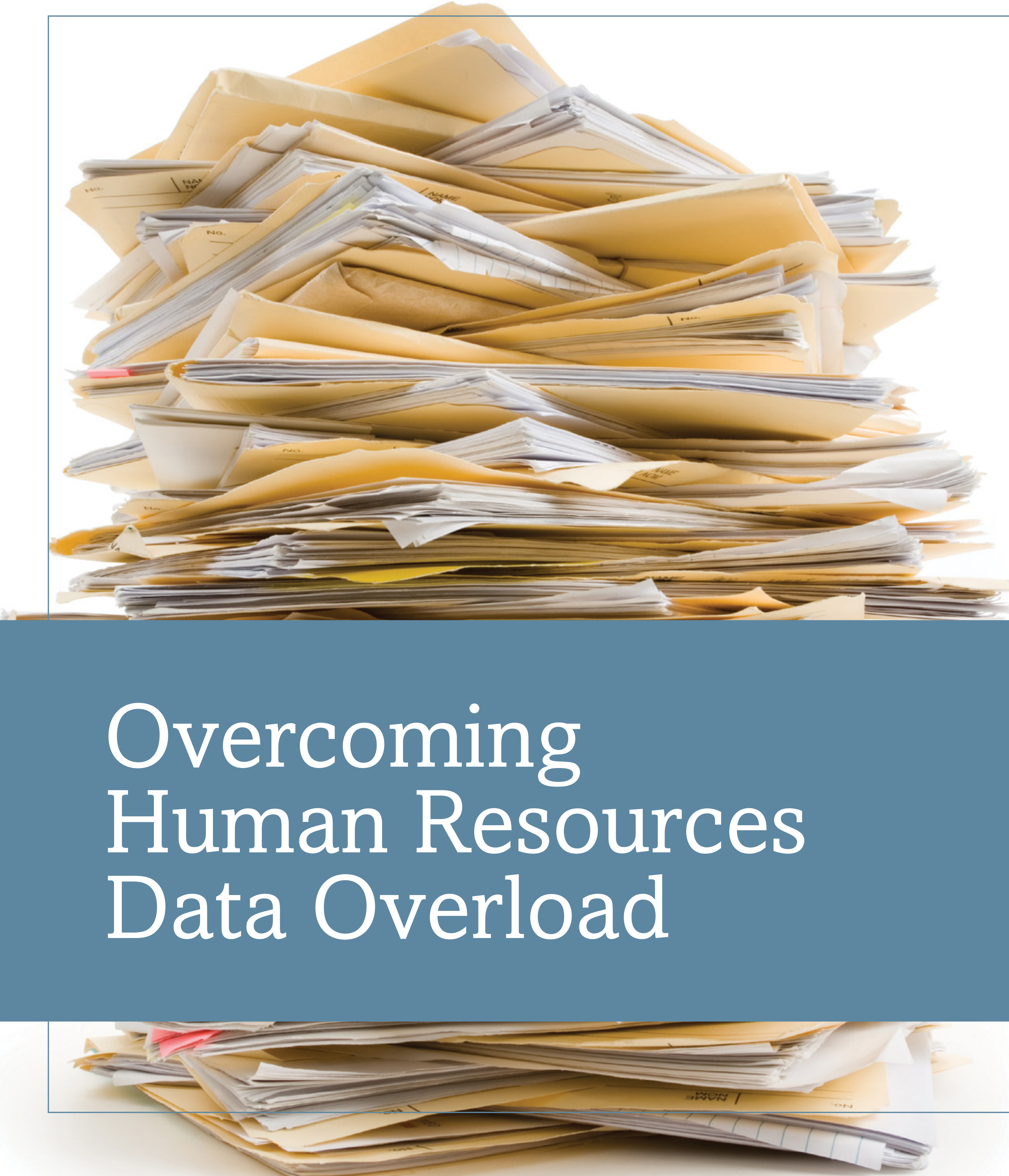


Overcoming Human Resources Data Overload

STRUGGLING WITH MANAGING YOUR GROWING STAFF MANUALLY? IT MAY BE TIME TO DITCH THE SPREADSHEET AND EXPLORE THE BENEFITS OF A HUMAN RESOURCES INFORMATION SYSTEM.

"Too much to do and not enough time to do it." Every small business knows that feeling — especially when it comes to managing your employees. As your staff grows, so do your HR responsibilities — and the expensive risks of non-compliance. Burgeoning regulations and a non-stop flow of data are making it increasingly difficult to keep up in areas ranging from accurate wage and hour tracking to performance evaluations.

In the past, companies were often swamped with reams of paper-based data. So business owners were thrilled when options like computer-based spreadsheets came along to help them stay organized — an approach many small businesses continue to rely on today. But they've merely shifted from one type of inefficiency to another.

If you're among those still "managing by spreadsheet," chances are you've discovered the limitations of this approach. It's cumbersome, error-prone and doesn't give you at-a-glance access to the information you need to make smart decisions fast.

The advantages of a systems approach

Just like the systems you're using to manage your cash flow, it makes sense to systematize the management of your people — and your people-related risk. The good news is that the latest human resources information systems (HRIS) are quite cost-effective, putting Fortune 500-caliber management tools within the reach of smaller organizations.

What is an HRIS? In a nutshell, it's a software solution designed to help automate and manage your HR, payroll and personnel-related accounting activities. Choose the right system and you'll gain the ability to better manage your HR costs, plan more effectively, and put your hands on data that can improve your efficiency as well as the quality of your HR decision making.

> Today's workforce management applications return an average benefit of $7.88 for every dollar spent.
>
> Source: *Nucleus Research*

As you'd expect, most HRIS address basic functions like managing a wide range of employee data and improving accuracy by eliminating duplicate data entry. Many include more advanced functionality, such as automated alerts, access to data via a mobile device, or secure electronic storage of employee-related documents that eliminates the need for paper files. You might even get access to templates that simplify the creation of an employee handbook, for example, or writing a job description for a new position.

Some HRIS offer additional support services that can help you manage more complex HR functions, such as:

- Compliance with government rules and regulations
- Leaves of absence
- Performance evaluations
- Compensation management
- Secure document storage

Many advanced information systems give managers and employees self-serve access to information about benefits, company policies and other employment-related information. These systems also typically supply detailed HR reports, insights and analyses, some of which are password-protected for various levels of access.

On-premise versus hosted solutions

Choosing the right HRIS is both an HR and a technology decision. In addition to assessing the kinds of HR capabilities your system must deliver to meet your needs, you have to choose the system that fits your company's technology capabilities.

The idea of installing complicated software on your own server (if you even have one) can be daunting. Do you have the bandwidth? The IT staff? The time and patience to devote to what can be a time-consuming process? Instead, many companies are gravitating toward hosted solutions, also known as Software as a Service (or SaaS) delivery. Users access this type of HRIS via a secure internet connection, leaving the issues of system maintenance, compatibility and upgrades to the vendor supplying the solution.

For small businesses, SaaS has become the delivery mode of choice for many technology purchases because it can translate into major cost savings — eliminating the need for costly hardware purchases, complicated integration and expensive IT support. It also gives you 24/7 access from anywhere; some systems even support mobile access for added convenience.

Choosing your HRIS wisely

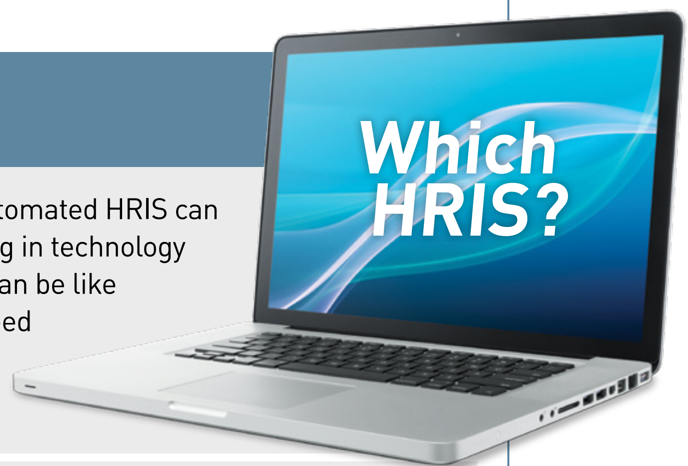
These days, there are many HRIS options out there — enough to make you feel like a deer caught in the glare of extremely bright headlights. Instead of giving up and sticking with your inefficient spreadsheet approach, start by defining your high-level needs: What's not working now, and how will the right system help us drive business results?

Then, create a checklist of your system's must-have capabilities. This list will come in handy when you start to evaluate various vendors, making it easy to narrow your options.

> Nearly two thirds of small businesses wished they took better advantage of technology innovations to help manage their business.
>
> Source: *Bank of America Small Business Owner Report, 2012*

With the promise of enhanced efficiency and effectiveness, the right HRIS can be the key to improved business operations. Just as technology has leveled the playing field for small businesses in areas like marketing and customer relationship management, a high-quality HRIS can raise your HR systems to a whole new level — and free you up to concentrate on your next million-dollar idea.

Choosing the Right HRIS



Upgrading time-consuming manual HR management to an automated HRIS can be a smart idea. However, for many small businesses, investing in technology can also have its own risks. For one thing, selecting software can be like predicting the future — it's hard to know today what you will need tomorrow. Other factors such as hardware and software costs, data security and ease of use can complicate the decision.

When evaluating various HRIS vendors and options, here's some food for thought to help you choose wisely:

- What types of HR-related information and reports do your company's managers and employees routinely request?
- Which current HR management needs are not being addressed or handled properly?
- How effective is the connection between your HR and your budgeting and planning processes?
- Where do you stand regarding compliance with state and federal laws, rules and regulations, including workers' compensation?
- What current systems (payroll, accounting, etc.) must the HRIS integrate with?
- Do you have a plan in place to compare vendors and functionality?

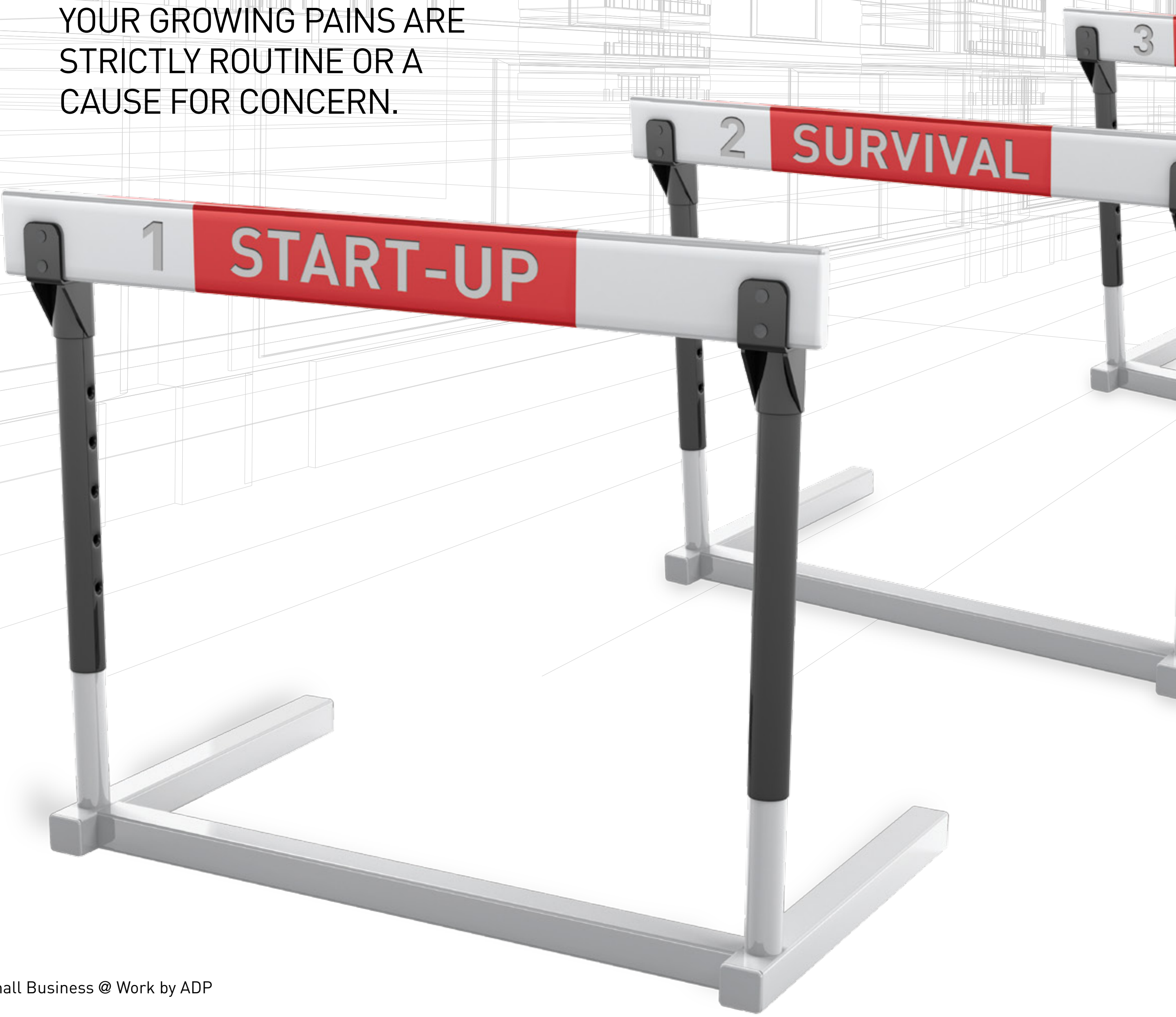
Once you have a working list of possible vendors and systems, be sure to include the following among your due diligence questions:

- Does the vendor have a nationwide or global presence to keep pace as your company grows? Is their system scalable to fit your needs now and in the future?
- Do they offer mobile system accessibility for on-the-road access?
- Is their system compatible with those you already have in place?
- Can it automate important notifications and reminders?
- Does it include best practices support to help you stay compliant with changing regulations?
- Will the system provide secure storage of electronic employee-related documents?

Talk to the experts, do your research and compare notes with similar-sized businesses to ensure your investment in HRIS technology will pay dividends well into the future.

Small Business Growing Pains: Normal or Not?

EVERY BUSINESS FACES HURDLES ON THE PATH FROM START-UP TO SUCCESS. HERE'S HOW TO TELL IF YOUR GROWING PAINS ARE STRICTLY ROUTINE OR A CAUSE FOR CONCERN.



Entrepreneurs by definition are a fairly optimistic bunch — solving problems, driving innovation, creating opportunities. Why else would more than half a million new businesses on average launch in the U.S. each year[1]?

The irony is, small business owners have plenty of company but can often feel alone. With no board of directors, shareholders or management team to provide a reality check, they start wondering, "How does our growth compare to other businesses?" "Am I the only one facing this problem?" "How do companies our size take things to the next level?"

Though small businesses come in all shapes and sizes, researchers have found they fall into a fairly consistent pattern, facing common hurdles as they move through the small business lifecycle in four distinct phases: Start-up, Survival, Take-off and Success. By taking a look at what's "normal" for each phase, you can benchmark where you are and take steps to ensure you're on track for long-term growth and success.

PHASE 1 Start-up

You've probably heard the old axiom: more than half of new businesses fail within the first five years. Starting a small business isn't easy. It requires an entrepreneurial mindset and a willingness to make the business your overriding focus. Owners also have to be willing and able to serve in multiple roles that can range from high-level product development and sales to ordering the paper clips.

You know you're a start-up when...
You're focused on identifying a need in the marketplace; developing a product or solution that meets the need; and achieving market acceptance.

At the same time, you're juggling other essential tasks, including securing customers, hiring the right people, getting paid promptly and not making compliance mistakes or allowing other risks to derail the enterprise.

As exciting as a start-up can be, it's not uncommon for a business to stall at this level, lacking finances, people or compliance know-how. To make matters worse, in many cases the entrepreneur isn't willing to ask for the help needed to keep going.

[1] Small Business Administration Office of Advocacy. Frequently Asked Questions 2011

3 MUST-HAVES AT EVERY STAGE

Regardless of where you currently find yourself in the small business lifecycle, three fundamentals are mission critical to surviving and thriving:

1 **WATCHING CASH FLOW**. Cash flow is the lifeblood of every business. For small businesses, cash provides the resources that keep it operating, supplying income to owners and employees and supporting growth.

But managing cash flow means more than making sure the checks get to the bank. For most businesses it means getting customers to pay their bills in full and on time; ensuring vendors and subcontractors are paid on time; and keeping overhead under control.

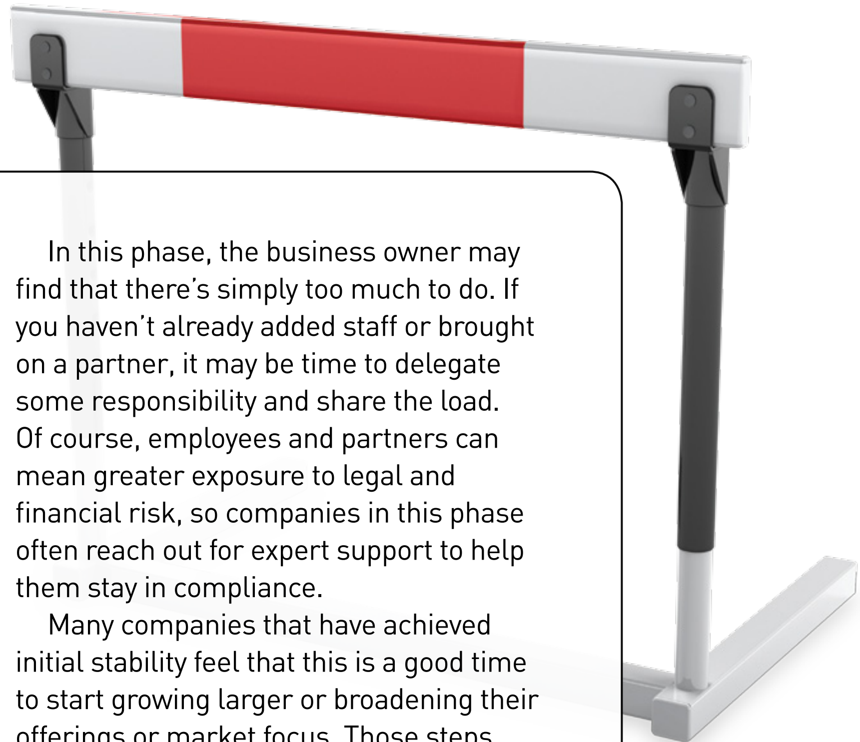
2 **MANAGING TALENT**. It's no surprise that the number, depth and quality of your people are major factors in determining business success or failure.

From your earliest days of existence, focus on bringing in the right people — not just employees, but vendors and subcontractors, too — and giving them the training, information and support they need to do their jobs effectively. Then, as the business grows, concentrate on keeping your team motivated, engaged and satisfied.

3 **MINIMIZING COMPLIANCE RISK**. Complex and changing tax and labor regulations can make it difficult for small businesses to stay compliant, leaving you vulnerable to penalties or even employee lawsuits — definitely not a line item in most small business budgets.

But there is good news. Compliance is an area where proactive measures can be taken to help minimize your risk. Take time to understand the rules of the road, and invest in training for your managers. To keep ahead of tax and labor changes, many businesses find it worthwhile to get outside guidance from compliance experts.

By keeping a sharp eye on your cash, your talent and your risk level, you're likely to stay on solid footing as you move from one stage of the small business lifecycle to the next.



PHASE 2 Survival

Companies that make it past start-up now have to deal with day-to-day survival. During this stage of the small business lifecycle, your business concept has been proven and the initial challenges have been overcome.

You know you're surviving when...
Your focus is on keeping your doors open. And while it's essential to continue securing customers, getting paid and not making compliance mistakes, other critical tasks must be accomplished.

If basic operational systems weren't established during start-up, now is the time to make sure your company runs smoothly and efficiently. Such systems can require special expertise or technology, so businesses in this phase often have to add high-tech equipment or rely on outside vendors for assistance.

In this phase, the business owner may find that there's simply too much to do. If you haven't already added staff or brought on a partner, it may be time to delegate some responsibility and share the load. Of course, employees and partners can mean greater exposure to legal and financial risk, so companies in this phase often reach out for expert support to help them stay in compliance.

Many companies that have achieved initial stability feel that this is a good time to start growing larger or broadening their offerings or market focus. Those steps take planning and may also require outside funding. And, of course, it makes sense to prepare for the possibility of external economic challenges and/or changes in the competitive landscape.

PHASE 3 Take-off

When business theorists talk about "take-off," some mean preparing for high-level success; others define this stage simply as moving forward from the survival phase. Either way, your fledgling organization will experience a number of structural changes during this stage of life.

You know you're taking off when...
You find yourself pre-occupied with expanding your management team and delegating responsibility. Organizational charts and job descriptions take on greater importance. Among other things, businesses in this stage have to focus on:

- Human resource management
- Strategic hiring decisions
- Income and expense management
- Productivity and performance issues
- Operational systems effectiveness

Companies that really want to "take off" in this phase typically consider investments in technology or other capital needs. Some introduce new product lines or try to broaden market penetration; others consider an acquisition strategy.

An increasingly sophisticated understanding of compliance with laws, rules and regulations — both general and industry-specific — is also critical.

This phase entails a broad range of new and changing concerns and complexities. The growing business must have or acquire the expertise needed for continued progress, making take-off a very demanding stage in the life of any organization.

PHASE 4 Success

The word "success" implies the end of a journey; however, as many small businesses know, the journey toward success is truly never-ending. If you've been running or managing a small business for a few years, you may feel that you've achieved a degree of success, whether or not you've experienced rapid growth.

You know you've succeeded when...
Instead of resting on your laurels, you're facing one or more of these issues:

- Dealing with operational inefficiencies and modifying existing systems
- Finding ways to enhance productivity
- Maintaining employee morale and engagement and dealing with workforce disruptions such as turnover
- Planning for future growth and ensuring funding for growth initiatives
- Adjusting to new competitive or economic challenges
- Managing new or additional expenses such as employee benefits
- Confronting different or changing compliance concerns

The last two issues — benefits costs and compliance concerns — have caused many successful entrepreneurs to wonder if the years of effort were worth the trouble. In fact, a survey by the ADP Research Institute showed that 59% of small businesses feel that the rising cost of benefits has impacted their ability to meet their business goals.

Thirty-three percent of those surveyed said that increased government regulation and HR compliance issues are major obstacles; 52% anticipated that their HR compliance burden would only increase within the next three years.[2]

Meeting the challenges of sustainable growth

From the day your small business is conceived, the challenges are legion. In fact, it seems that the more successful a business becomes, the more complex its hurdles.

The good news? You're not alone. By keeping an eye on your company's progress through the small business lifecycle, you can concentrate your resources on what matters most at every stage — and reach the next one well positioned for success. ■

[2] ADPRI All-Market Compliance Survey, April 2011

WHERE IS YOUR BUSINESS ON THE GROWTH SPECTRUM?

Though small businesses can vary widely in their size, focus and capacity for growth, all typically face common challenges and problems at similar stages along the way.

What stage is your business currently in? Find out when you answer the five questions below.

1) Our main focus right now is:
a) Stabilizing the quality of our product or service
b) Generating enough cash to finance growth
c) Developing better operational systems
d) Aligning employee and organizational goals

2) One or two key customers account for:
a) More than 80% of our annual revenue
b) About half of our revenue
c) I'd estimate about 30% of our revenue
d) We're pretty well diversified. No single customer accounts for more than 10% of our annual revenue.

3) Our company's leadership consists of:
a) Me, myself & I
b) Me, supervising a small staff
c) Managers for each of our departments
d) A full C-level team

4) My to-do list includes the following:
a) Creating a formal business plan
b) Negotiating an increase in our line of credit
c) Getting the department heads together for our annual budgeting session
d) Conducting due diligence on a possible acquisition

5) The challenge most frequently keeping me up at night is:
a) How to clone myself — there's just not enough hours in the day
b) Improving our cash flow
c) Hiring the right people so we can keep growing
d) Developing an exit strategy

Score Your Performance

If your responses include mostly "a"s, your small business is likely in the start-up phase. Stay on top of your financials and recognize that one person can't do it all. If you haven't started building a staff, now's the time to consider investing in a smart hire or two.

If your responses include mostly "b"s, you've reached the survival phase of the small business lifecycle. Now's the time to think more strategically. By putting the right operational processes and systems in place, you'll be poised for growth.

If your responses include mostly "c"s, your small business is in take-off mode. Your product or service offering is strong, you've committed to a smart growth strategy, and you have the people, the systems and the financing in place to make it happen.

If your responses include mostly "d"s, congratulations! You've reached success, the holy grail of small business. You have the momentum, financial resources and talent to turn your small business into a big one. Continue innovating and you'll be there before you know it.

Putting the Power of Mobile to Work for Your Business

FOR MANY SMALL BUSINESSES, MOBILE HAS BECOME A GAME CHANGER IN ENHANCING PRODUCTIVITY, REACHING PROSPECTS AND ENGAGING EMPLOYEES.

For small businesses, time is their most precious resource. With every competitor faced with the same 24 hours to get things done each day, successful small companies are the ones that quickly find creative ways to make the most of every minute.

One increasingly popular avenue is the use of mobile technology. From smartphones to tablets, many small businesses are relying on wireless technologies for their daily operations, according to the 2012 AT&T Small Business Technology Poll. In this national survey, 85% of small businesses reported using smartphones — more than double the usage five years ago. And despite their relatively new entry into the market, 67% of small businesses use tablet computers, up from 57% a year ago[3].

If the goal is to get more done in a day, the migration to mobile seems to be generating the desired results. In a study conducted by the Small Business and Entrepreneurship Council (SBEC), small business owners who use mobile apps estimate that they personally save an average of 5.6 hours weekly. Seventy-five percent report employee time savings as well — an average of 11.33 hours on a weekly basis[4].

[3] 2012 Small Business Technology Poll, AT&T. November 2011.
[4] "Saving Time and Money with Mobile Apps: A Small Business 'App'ortunity," Small Business and Entrepreneurship Council. June 2011.
[5] "Forecast: Mobile Payment, Worldwide, 2009-2016," Gartner. May 2012.

They're apparently using that found time wisely. Fifty-one percent of SBEC survey respondents say their firms are more competitive, 36% were able to reduce overhead and 10% reported adding workers because of mobile app usage.

Jumping on the mobile bandwagon

Just how are these small businesses leveraging mobile to drive results? Let's start with the most obvious — accessibility and responsiveness.

Gone are the days when business comes to a stop while you're out of the office. Smartphones have dramatically narrowed the timeframe in which the average customer expects a response. By being able to react to inquiries, interact with staff and conduct a full range of business activities on the go, small business owners and managers can keep customers feeling connected and engaged.

Clearly, the benefits of mobile don't end with simply staying in touch from the road. Here are more ways small businesses like yours are thinking bigger to make the most of this popular technology:

Improving cash flow

Electronic payment methods have become the norm among consumers, and that convenience has quickly expanded to mobile. Worldwide mobile payment volume is expected to rise 62% to over $171.5 billion this year from $105.9 billion in 2011, says market research firm Gartner, Inc[5]. The good news is that

the latest mobile payment technologies are no longer just for larger companies. Smartphones or tablets with add-on card readers and low-cost processing services put these capabilities within reach of smaller businesses, helping to speed receivables and giving your customers a wider array of payment options.

Productivity

Thanks to ease of use, smartphone usage among small businesses has escalated far beyond simply accessing your email. Feature-rich apps let you run your customer relationship management, enterprise resource planning and other operational systems from anywhere via your mobile device.

If your staff is as mobile as you are, the latest HR apps can help them stay connected and productive when they're out of the office, too. Employees can access pay statements and benefits information, check their paid time off, manage schedules and more, all from the familiar interface of their mobile device. With such a broad array of applications now available, it's no surprise that fully 85% of respondents to the 2012 AT&T Small Business Technology Poll said they use smartphones to improve productivity[6].

Marketing

Just as you and your staff are no longer tethered to desks all day, chances are your customers are out and about, too. How accessible are your marketing efforts to mobile prospects? At a minimum, your

The Importance of Mobile Device Management

Thinking of rolling out a mobile initiative? Your first step should be to map out some basic policies to avoid problems, protect the security of your data and make the most of your mobile investment. Here are a few ideas to get you started:

Track your mobile device inventory. This can be as simple as a spreadsheet listing the device model, primary user, date of acquisition, carrier and data plan details for all company-owned devices. An accurate inventory can help you manage upgrades, control data plan costs, and ensure devices are returned by departing employees.

Establish clear usage guidelines. Will you permit personal use of company-owned devices? Can employees add or delete personal apps? How will usage be tracked? Will employees be reimbursed for work-related usage of their personal devices? Whatever policy you set, be sure to distribute in writing so employees are clear on the guidelines they must follow.

Have a security plan. Mobile devices can contain potentially sensitive business data. Set up processes for accessing your company's network, downloading approved apps and "wiping" devices of proprietary information before they are upgraded or recycled.

Even the most thorough policy is useless if nobody know it exists. Before launching a mobile initiative, be sure to provide appropriate communication and education so your managers and staff know exactly what's expected of them.

website should be optimized for mobile users. What's more, give some thought to how your business might use text messaging — for confirming appointments or deliveries, sending time-sensitive updates or distributing coupons.

Have a physical location such as a restaurant or retail store? Consider adding location-based services to your marketing mix, because new data from the Pew Research Center shows that the number of American adults using mobile check-in services like Foursquare has more than doubled in the past nine months[7].

For consumers, mobile also means they're just a tap away from sharing their opinions with the world —including their experience doing business with you. From review sites like Yelp to social media mainstays like Twitter and Facebook, be sure you have a process in place to stay on top of the conversation and in control of your brand.

Mobile as a competitive advantage

Americans' love affair with mobile shows no sign of slowing down. Indeed, as competition increases, prices fall and users become even more enamored of mobile's freedom and functionality for both their professional and personal needs, adoption rates will likely continue to grow.

By incorporating a smart mobile strategy into your operational, marketing and human resources planning, your business can gain the benefits of exponentially increased productivity at an affordable cost. ■

[6] 2012 Small Business Technology Poll, AT&T. November 2011.
[7] Internet & American Life Project, Pew Research Center. February 2012.

Grow with the Flow: Savvy Cash Strategies for Small Business

WITH THESE SMART IDEAS FOR MANAGING YOUR COMPANY'S CASH FLOW, YOU CAN HELP IMPROVE YOUR PROFITABILITY AND FOCUS ON GROWTH.

There's not a small business owner who doesn't believe his or her business can perform better. If you've ever asked yourself, "What happened to our profits?" or "Why can't we gain the momentum to grow?", chances are the answers can be found in regular analysis of your positive and negative cash flow.

Invoice weekly, analyze monthly

No one ever said running a business would be easy. In addition to your investment of hours and effort to generate sales and manage clients, it's crucial that you take time to analyze what's going on behind the numbers.

One immediate step is to dedicate a regular time each week to check that clients are being billed correctly and invoices are on their way out the door, preferably by email or automated billing. Likewise, track your payables so you can pay invoices on the days they are due. There's no point in paying early unless there's an incentive to do so; even so, you don't want to be strapped for cash during those times when you need it most — such as when making payroll or when your workers' compensation premiums are due.

In addition, the U.S. Small Business Administration recommends undertaking a thorough cash flow analysis each month to stay on top of monthly sales and expenses, as well as to see which clients might need a little extra attention to bring their accounts current. Generating an accounts receivable aging report to track the habits of your customers over time can help you identify which ones are likely to need reminders. Use this information to adjust your account terms accordingly.

Take steps now to improve cash flow

There are many ways to improve positive cash flow and you should be ready to employ a combination of strategies depending on your type of business, clients' payment track records, and your own bottom line.

If you offer terms, collecting on invoices is rarely easy. But there are measures you can take to help avoid a cash flow crisis due to slow payments:

- **Make it easy for customers to pay**. Give your customers easy and fast options for payments, such as credit card payments, bank-to-bank transfers, and online and automated billing.
- **Be prompt with invoicing.** You have a better chance of receiving your money on time if you bill promptly for the services provided or products delivered. If you delay issuing invoices, clients can develop the mistaken impression that you're in no hurry to get paid.
- **Ask for deposits and retainers.** Request a deposit or a retainer when possible. If the customer complains (especially about fronting a deposit), it could be a warning sign that they're having their own cash flow problems.
- **Send invoices electronically.** Not only does this save on paper and postage, it gets the invoice to your client faster and initiates the payment process sooner. It's a good idea to follow up with a phone call to make sure they received it.
- **Be direct.** Consider asking customers for advance payments and reward early payers with a discount. Reminder calls at the first sign of lateness can also help initiate payment.
- **Payment terms.** Make sure terms are clearly indicated on all agreements and invoices, whether payment is expected COD, in advance, in partial installments, net 15 or 30, etc.

If your business deals primarily in cash transactions, consider accepting alternate forms of payment such as credit or debit cards. Some processing systems give you the option to store regular customers' preferred method of payment for added convenience.

Negative cash flow traps to avoid

New business is the lifeblood of a company, but finding and landing it can be difficult. Many business owners are often reluctant to pressure a promising new piece of business with too many terms and contract obligations. But, your first obligation should be to protect yourself and your business.

For new customers, it's always a good idea to require a credit check and to request several references, a process that can begin in advance of their first project or order. Consider asking for a deposit to make sure you have cash on hand as you begin work on the client's business. If your new client objects to any of the above, it might be time to step back and reevaluate whether this client makes sense for your business. You don't want to invest the time and money it will take to get up and running with a new client only to find out later that you've become last on a long list of creditors chasing them. Desperate clients can take desperate measures. Be wary.

It's also common sense to check expenses regularly and look for opportunities to trim the excess. If you're worried about cash flow, plugging up everyday leaks — such as less-than-competitive credit card processing fees — can result in significant savings. Percentage and per-transaction fees can vary widely among merchant account providers. Some also charge a monthly minimum, so read all agreements carefully and be sure to rate-shop on a regular basis.

Other negative cash flow traps include expanding too fast. Add employees cautiously and don't go overboard with leases and purchases of new technology and equipment. Also, don't overstock inventory — it can quickly bleed your company of cash.

Keep your friends close and your vendors closer

Work to build trust with your suppliers so that when market pressures (or slow-paying clients) impact your cash flow, you'll have some wiggle room. Basically, your goal is to speed up inflows and slow down outflows while still meeting your financial obligations.

When trouble is on the horizon, be proactive — speak with your vendors and see if you can work out an agreement so that payment times are extended as long as possible. If you're used to paying for goods and services on receipt, ask your suppliers for terms and to bill you instead.

Ultimately, by paying closer attention to your cash flow you'll always have the pulse of your company's health — and be in a position to manage the good times as well as the challenging ones. ■

CASH FLOW 2.0: AUTOMATED BILLING

For small businesses looking to save money and streamline cash flow, automated billing has become the system of choice.

Not only can you save a bundle in invoicing, processing, paper and postage costs; automation can also greatly improve steady cash flow by scheduling "set it and forget it" recurring billing and eliminating waiting periods for checks to arrive and clear.

For clients, online payments eliminate the mundane task of paying bills by check, saving administrative costs. Invoice reminders help them avoid late fees and interest charges that can occur when they forget or misplace a paper invoice.

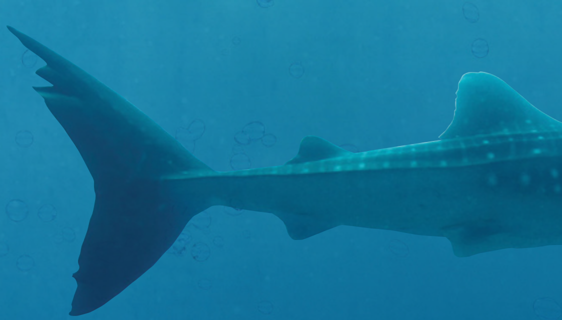
To simplify your billing and collection processes, look for an automated system that ties into your existing business management or accounting software. You'll get paid faster, reduce risk and gain more time to get out and find new customers.

What Lies Beneath: Keeping Risk at Bay

WHEN IT COMES TO MANAGING BUSINESS RISK AND REDUCING YOUR VULNERABILITIES, PROACTIVE TRUMPS PASSIVE EVERY TIME.

Remember the scene from the movie Jaws when Sheriff Brody finally comes face-to-face with the shark terrorizing his beach community? He famously declares, “You’re gonna need a bigger boat.”

For small business owners, risk can trigger a similar feeling of being unprepared. We’re uneasy about the threats that might be lurking just out of sight, with no easy way to judge their magnitude until they take a painful bite out of our business.



Business risk can take many different forms. For most small companies, common threats can be grouped into four main categories:

1 **MARKET RISK** — These risk factors are those that are specific to your industry or geographic area. They might include new competitors coming onto the scene, an unanticipated shortage of critical manufacturing materials, or a pending regulatory decision regarding your industry.

Market risks can also include environmental issues such as the weather. Last year, for example, ski resorts in the northeast took a huge hit due to an unseasonably warm winter.

2 **HR & COMPLIANCE RISK** — Small businesses don't have the resources of larger organizations when it comes to picking up the slack if a key employee leaves or is injured. And with regulatory changes happening almost daily, it can be difficult to keep up with local, regional and federal requirements for managing your employees.

For example, the U.S. Department of Labor reports that seven out of 10 employers are out of compliance with current wage-and-hour laws — and they're actively stepping up their investigation of complaints against businesses of all sizes.

3 **FINANCIAL AND TAX RISK** — How do you monitor your cash intake and expenditures and manage slow payers? Do you have a business line of credit readily accessible? What safeguards have you put in place against threats like check fraud or employee theft? Could you produce the necessary documentation if you're ever audited?

Most business owners hear the word audit and immediately think, "IRS." But your audit risk can extend beyond taxes to HR issues, including an unexpected wage-and-hour audit and the standard annual workers' compensation carrier audit.

4 **REPUTATION RISK** — With the rise of social media, managing the online reputation of your business can often feel like a full-time job. You may not be active on Facebook, Twitter or Yelp, but you can bet your customers are.

Whether they're simply making an inquiry or posting a negative review, customers and potential buyers expect answers…fast. Leave issues publicly unaddressed and you risk looking unresponsive or worse.

Assessing and reducing your vulnerabilities

There are several ways to help reduce your exposure to unnecessary risk. Your first step to managing your company's particular vulnerabilities is to successfully identify them.

First, common sense dictates staying aware. It's easy to get so wrapped up in the day-to-day demands of running a business that you become disconnected from the wider world. Business owners can overlook important industry news or trends that can affect the competitiveness of your business.

Technology is a tremendous timesaver when it comes to staying on top of issues that can impact your business. For example, setting up a Google alert (google.com/alerts) for your business name, your competitor(s) and key industry terms is a simple and convenient way to monitor the online "conversation." You'll receive an email notification whenever one of your alert terms is indexed by Google anywhere online.

Second, don't get comfortable with the status quo. Do a handful of clients account for the bulk of your revenue? Could a problem getting paid by one of them affect your cash flow? What if a vendor suddenly can't deliver on a vital component of your product? Or a long-time employee decides to pursue a new career opportunity?

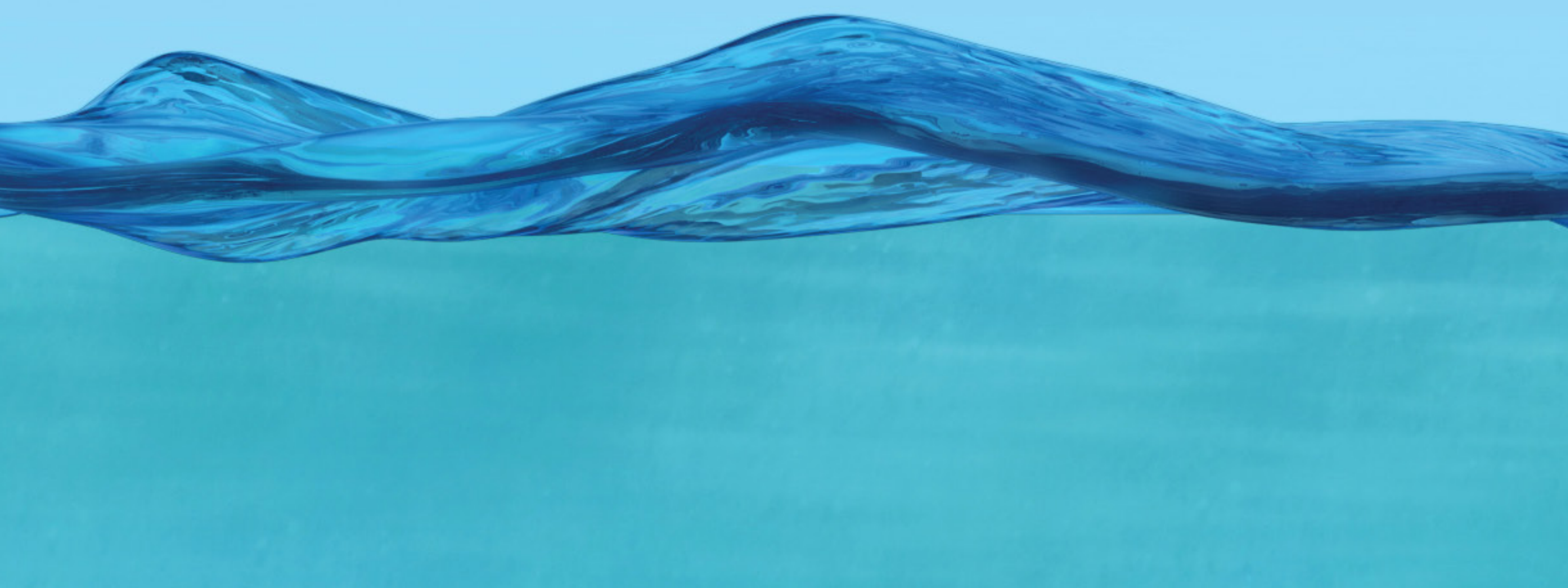
Diversification is key to minimizing the impact of these kinds of risks. Try turning your dominant client into an opportunity to establish yourself as a niche expert by pursuing similar accounts. Seek out and vet potential backup vendors before you need them, and cross-train employees to cover business-critical functions in an emergency.

Finally, tap into the expertise available to you. Small business owners are so used to "going it alone," they often overlook the power of simply asking for assistance.

For example, the right kind of insurance is a powerful mitigator of certain kinds of risk. Meet with an insurance professional to review your current coverage and discuss your concerns about liability, business continuance and other insurance-related risks.

Similarly, a trusted HR advisor can help you develop a strategy for maintaining workforce-related compliance, managing changing regulations and staying audit-ready. They can also assist with ways to help your company reduce turnover and attract top talent.

Don't let risk derail your plans for growth. By having best practices in place and the right people on your side, you'll know your boat is sound — and you'll be ready to enjoy the ride, too.



SHARING RISK: THE PEO APPROACH

For small businesses, the idea of sharing the risk burden can be an appealing one — the peace of mind you gain knowing that an experienced partner has your back when it comes to HR management and benefits administration.

The appeal of shared risk is often what drives companies to explore the advantages of a Professional Employer Organization (PEO). According to the National Association of Professional Employer Organizations (napeo.org), a PEO provides integrated services to help you more effectively manage critical human resource responsibilities and your risk as an employer.

What exactly is a PEO?

In a nutshell, you select a provider to deliver a broad range of HR services through a "co-employment" model. You retain day-to-day control over how you manage your employees, while your provider handles HR management and benefits administration. The co-employment relationship means that your chosen provider shares the burden of certain risks and liabilities with you, so you're not facing the threat and impact of changes to regulatory laws and other compliance requirements alone.

By removing many of the day-to-day administrative burdens while sharing the risks, the right PEO provider can help you sleep more soundly — and regain valuable time to focus on your bottom line.

On Readers' Minds

ADP'S SMALL BUSINESS SERVICES HR HELPDESK ANSWERS YOUR MOST PRESSING HUMAN RESOURCES QUESTIONS.

Q. **I have an exempt employee who left work early for personal reasons. He has no paid time off left. Can I dock his salary?**

A. No. There are very limited circumstances under which you may dock an exempt employee's pay. In this particular situation, you may only dock his or her pay if the employee missed a full day of work due to personal reasons, other than sickness or disability.

Q. **One of my non-exempt employees did not obtain authorization to work overtime. Is she still entitled to overtime pay?**

A. Yes. Whether or not it was authorized, your employee still worked overtime and overtime pay is due. However, if your policies or procedures call for employees to obtain authorization in advance, you may take the necessary steps to discipline her for not first seeking the required approval.

Q. Are my salaried employees considered exempt?

A. This is one of the most common misconceptions out there. Just because you pay an employee on a salary basis doesn't mean he or she is exempt. While exempt employees are generally paid a salary and non-exempt employees are generally paid on an hourly basis, you may choose to pay your non-exempt employees a salary, as long as they receive at least the minimum wage for all hours worked as well as the appropriate overtime pay.

Q. Can a worker waive his or her right to be an employee and opt to be classified as a contractor?

A. No, a worker cannot waive his or her employee status through a contract or otherwise. The specific criteria of the independent contractor tests must be satisfied to classify a worker as an independent contractor. Otherwise, the worker is an employee, no matter what a contract or waiver says. There may be instances when a worker comes to the employer asking to be classified as an independent contractor. Even in these instances, you must apply the appropriate tests to determine classification.

Q. Do I have to write up an employee a certain number of times before I terminate for performance? Can I terminate for performance without any written warnings?

A. The answer to these questions depends on the situation. The best practice is progressive discipline — the step-by-step process of a verbal warning, written warning, final written warning, and then termination. You should have an employee discipline policy to guide your disciplinary decisions. When evaluating a disciplinary situation, the first step is to determine the severity of the offense. Also, consider whether this is a first-time offense or a recurring behavior pattern that the employee has been warned about in the past. In addition, does the employee have the knowledge, skill, attitude and ability to do the job? Perhaps additional training or coaching is needed. Consider whether the employee has demonstrated the motivation to succeed. Finally, when administering discipline, make sure to do it on a consistent basis. Are you treating similarly situated employees similarly? These considerations are best practices that will help you have a more effective process. ■

IN THE BUSINESS OF YOUR SUCCESS℠

You work day and night to make your small business a success... why let day-to-day tasks get in your way?

ADP® can help you stay focused on what matters most: growing your business. Nearly 400,000 small business owners trust ADP's proven solutions to help them succeed.

- **Improve cash flow management**...so you can position your company for smart growth
- **Better manage employees**...so you can attract and retain the best people
- **Help reduce risk**...so you can improve HR, tax and reporting compliance

Give us a call at 1-800-CALL-ADP or visit adp.com