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# HR disasters and 401(k) blunders

By Brian Sodoma

Special Publications writer

It's a step in a businesses' growth that is as nerve-racking as it is necessary. Hiring employees, whether the first or 50th, is too often a painful trial-and-error learning process. Howard Winters, CEO and founder of Payroll Solutions Group Ltd., which offers personnel management services, payroll and tax administration and other administrative services to busy business owners, said the biggest risk facing



Howard Winters

businesses taking on new staff as well as those offering 401(k) plans.

## Leaving out word of mouth

Winters cautions against relying on word-of-mouth to find a new hire. "Don't hire someone because the receptionist knows someone who knows someone," he said, adding that jobs should be posted both within the company as well as externally. In employment ads, it's also important to avoid any terms that refer to what Winters calls "protected characteristics." These can be references to gender, age or other more specific criteria.

businesses comes when the owner hires the first employee. "Chances are, if you're in business you're good at something. ... But you're exceptionally ill-equipped to deal with laws and compliance issues," Winters said. With this in mind, the human resources expert offers guidance for

## Stick to the facts

It's common for small talk to surface in job interviews, added Winters, but keeping the conversation to the requirements needed for the position is key to avoiding legal problems. "If I don't need to know it, I don't ask," he said. "Avoid age-related questions, gender-related questions, medical, religion, just don't go there. You have to ask yourself 'What do I need to ask the applicant about their skills for this position?'"

If an applicant talks about his or her personal life in an interview, it's important to avoid any follow-up questions about the topic.

## Avoiding culture clash

Winters encourages every employer to have a company vision or a set of core values, coupled with a plan on how to achieve goals set by those values. Having a vision and mission that is shared by everyone in the company helps to create a company culture. Then, when looking at an applicant, an employer can assess whether the applicant's personal goals and overall personality are a match for his or her company's culture. "You can end up hiring someone who is very technically competent but who is a complete mismatch for the culture of the company," he added.

## Don't believe that résumé

"Once you've found that someone that is perfectly in alignment with your company culture, the next thing you need to do is not believe anything on the résumé," Winters advised. He said for sales positions candidates who make big claims about past experience should be willing to back up their top sales performance with a W-2. Background checks can also be used and checking references is a must. "You have to think 'What are the costs of hiring that person?' All the salary and benefits, training ... and if it's a salesperson, that impacts the relation-

ship with customers," Winters added.

## 401(k) education

While Winters is first to admit any 401(k) is better than no 401(k), he also said employers should be aware of the best options available for both them and their employees. Winters asserts that it is the employer's responsibility to educate employees on the importance of saving. "Personally, I really feel as an employer I have the responsibility to encourage saving," he said. "Simply by offering a 401(k) and giving them the incentive to participate. That's a great start."

## Hidden 401(k) fees

In perhaps his most important piece of advice, Winters purports, "Every 401(k) is broken. And the reason is that dirty little secret called 'revenue-sharing.'" Winters said there is an estimated 1 to 2 percent of "pure unadulterated excess" in the \$4 trillion worth of 401(k)s currently in place.

He gives the example of a plan administrator agreeing to charge 180 basis points, or 1.8 percent, for a plan started by an employer. The agreed upon commission, however, never changes, but subsequently, the amount in fees collected increases through the years with every employee's and employer's contribution. "As assets grow, there is not a disproportionate growth of work to administrate that plan in order to command this fee," he said. "It costs no more to run a plan if it has a hundred thousand dollars in it than it does to run it with two million dollars in it."

Citing a Fidelity study, Winters said simply trimming a fee schedule by 50 basis points, or one-half of a percent, can increase an investor's final balance by 25 percent over a 20-year span. He said business owners should look at getting commission charges in the 100-basis point range, and as the size of the plan increases, the percentage should decrease.

# New business owner? Five mistakes to avoid

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There are many paths to success when target marketing a great idea. But universally, all business owners who achieve their goals do so through ample planning, trial and error, and above all, a keen sense for knowing when to take a 'grow at all costs' position.

## Build it and they won't care syndrome

The "build it and they will come" mentality is great for film, but lousy for business, says Henry DeVries, co-author of the book "Pain Killer Marketing." DeVries said too often new business owners don't invest enough time marketing, both from a lead generation and a lead conversion standpoint. DeVries said that when new business owners start out, they don't put enough time into converting leads into sales. Essentially, he says have your steps for closing the deal in place before working with a prospective client.

## Systems paranoia sets in

DeVries said next comes pounding the pavement for customers, but some fear they might start mar-

keting too early, a fear he calls unfounded. "Without a customer it's all conjecture and theory," he said. "You need to get a general sense of how things are going to go and then get going in that direction."

## Too much success too quickly

While over-planning can keep some on the sidelines, not planning for growth is also known to derail more than a few businesses, said Brenda Prinzevalli, owner of Balanced Organizing Solutions, a Henderson-based firm that helps business owners get organized. "Unfortunately, not planning for growth is one of the mistakes I see. Things are going well and all of a sudden they hit this mass that puts them into a crisis," she said.

Prinzevalli recommends getting as many systems in place as they can, whether it's tracking orders, referrals, marketing operations or anything else. "The sooner you can recognize a process that can be duplicated by support staff, you can delegate those things down the road when you grow," she added.

## Getting your Web out

Not having a Web site, more specifically, not having a good Web site, could be the kiss of death. "One of the biggest mistakes I see people make is to turn

their Web site into a glorified brochure," said the expert. "Your site should be chock-full of how-to articles and information a consumer can use," said DeVries. Professionalism is key. "People go to a Web site to sniff you out. If they see a crude site with typos and material not updated, they're going to think this must be how this person runs their business." DeVries calls the Internet 'the great equalizer,' because it allows a business to have a professional, virtual storefront even on a shoestring budget.

## Taking the next step with technology

"One of the things I generally help most business owners with is to increase their use of technology by at least one level," added Prinzevalli, who teaches her clients how to get full use of their software and also tries to computerize at least one process in a client's business that isn't already computerized. She also encourages business owners to keep learning by picking up a software book or taking a class on a technology needed to run their business. "One single little component of software can unlock so many saved hours," she said.