The top 5 HR mistakes

that small and medium-sized businesses make, and how to fix them

At Collage HR, we've helped thousands of Canadian businesses to make sense of HR, payroll and benefits.

Through all of this, we've developed a keen sense of the common mistakes that companies make when it comes to HR.

We thought that we would summarize some of the most common mistakes, and suggest a few simple steps to fix or avoid them.

Without further ado, here is our top-5:

1. Screwing up your employment contracts

No matter how big or small you are, all of your staff need to sign an employment contract. If you're not doing this, we would recommend taking swift action to get proper contracts established for your team.

Many businesses we encounter take a loose or inconsistent approach to employment contracts, and is the number one mistake we see that comes back to haunt our clients later.

Employment contracts exist to protect both the employee and the employer -- they set out the expectations of both parties. There are employment standards laws in every jurisdiction meant to provide baseline protections for employees, but not much that protects the employer.

But the point of an employment contract is not to take away rights from your team or to set a legal trap that favours the employer. Employment contracts exist to set both legal and practical expectations upfront so that everybody understands the arrangement they are entering into. Employers can often rush to bring on a new hire out of need or exuberance, and skip through the necessary step of defining the employment arrangement.

Employment contracts help to dramatically reduce the chance of a costly dispute down the road. Disputes can easily arise over vacation entitlement or calculation, bonus pay, job duties or entitlement to notice/severance in the case of a termination. When these topics are agreed to in a contract, there is much less space for misinterpretation or argument in the future.

Employment contracts are also the best time to establish confidentiality and IP ownership agreements with your staff. This ensures that your trade secrets are adequately protected and that the business legally owns the output of its workers. For companies seeking venture investments or a sale of the business, having solid employment contracts is a vital part of due diligence -- not having proper contracts is a frequent killer of transactions.

Another problem with employment contracts is the logistics -- specifically when they are signed or how they are stored. For instance, in some jurisdictions if you have an employee sign an offer letter before signing a proper contract, the courts may rule that the offer letter constitutes the actual common law agreement and the contract signed afterward is void. A safe rule is to get employment contracts signed on or before the employee's first day, and don't split out offer letters from employment contracts.

It is also important that employers not only keep EAs for current staff, but also for terminated ones. You never know what could come up in the future, There could be a dispute that arises in the future.

An important theme on this topic is to get help. Speak to an HR consultant or preferably even an employment lawyer to review your existing contracts or set you up with proper ones. There are contract templates around but they are usually out of date, being used in the wrong jurisdiction or are not suited to your company.

One more important takeaway - use an HRIS to automate your employment contract signing process and to make storing them easy. A good HRIS will ensure that you take the right steps every time, so you don't have to worry about it.

Employment Agreement Checklist

	Get proper employment agreements tailored to your business drafted by a good lawyer
	Ensure you are using employment agreements tailored for each province or state where you employ people
	Get employment agreement signed on or before the new hire's first date
	Typically avoid signing an offer letter before a full employment agreement, but check with your lawyer
	Store your employment agreements in an HRIS so that your staff can access their agreements too
	Keep your signed employment agreements on record for 7 years post termination

2. Not tracking time off properly

It is becoming more and more common for employers to offer flexible time off for staff, especially at smaller companies.

But just because you have a flexible policy doesn't mean that you shouldn't be tracking time off balances. The reality is that each employee needs a contractual amount of vacation that they accrue for financial purposes.

Some employers offer unlimited vacation in practice, but then offer ESA minimums (2 weeks) on a contractual level. This type of arrangement gives flexible vacation policies a bad rep because it actually reduces the financial obligation to employees. Plus, the results show that most employees with unlimited vacation actually take less.

Either way, if you're offering a more flexible time off policy it is still important that you track accruals and usage, and communicating these items to employees. The reason is that when an employee leaves the company, the company will owe the employee an amount of financially accrued vacation.

The time off problem is also true for more traditional companies have a more well defined time off policy but they do an inconsistent job of calculating balances. When employees request time off informally with their managers (vs using a proper time off management system), it leaves a lot of room for error in calculating accruals.

Additionally, companies often have an unclear policy when it comes to how time off rolls over from year to year. Are vacation days on a 'use it or lose it' policy when it comes to year end, or will the company allow employees to carry over a balance? Most employees don't know where their policy falls, and can lead to confusion, wasted time figuring this out and an overall negative experience for everybody involved.

No matter what your policy is, we recommend using an automated system to assign days and track balances. It is better for everyone, and won't cost you very much to implement.

Time off management is a core feature of most HRIS platforms. But check to make sure your provider has an accurate and customizable time off engine. This is a tricky feature and not all companies are equally as reliable.

	Establish clear time off entitlements for each employer (and record it in their employment agreement)
	Ensure you are using employment agreements tailored for each province or state where you employ people
	Track time off using an automated system as part of an HRIS
	Establish a clear statutory and company holiday schedule for 12 months in advance for your team
	Establish clear rules for how time off balances are carried over from year to year, and make these rules available to employees at all times
	Keep your signed employment agreements on record for 7 years post termination

3. Not formalizing feedback and performance reviews

We see this a lot with companies where they rely on informal systems to deliver and accept feedback between staff and managers. Most businesses say "hey we're a small team, so we don't need formal processes" or "our managers communicate frequently with their staff, so this doesn't apply to us".

The reality is that setting up formal windows for two-way feedback is extremely important. Even though most people as a matter of human nature are hesitant to deliver consistent feedback, the truth is that people actually want frequent feedback. However employees are likely not receiving as much feedback as they ideally want, and this can vary from manager to manager.

The other reality is you are likely not receiving enough feedback from your staff about the work environment, engagement and happiness. Without setting up a formal employee feedback system, your leadership and HR teams are going to be flying blind and you'll be left with an accidental culture.

There are a number of ways to go about collecting employee feedback. The most common formats are 360 degree performance reviews, recurring management check-ins and pulse surveys. Each can play a different role and requires various levels of tools and effort to administer correctly.

The biggest barrier to collecting proper feedback is that they take a lot of time and effort. Part of the effort comes from designing the program, but a huge portion is the administrative burden as well.

Luckily there are great tools to do this; each with their own varying strengths and weaknesses. There are some specialty tools like Lattice, 15Five and Officevibe that are excellent, and a number of leading HRIS platforms have this functionality built in as well like Collage HR.

The key here is that your system doesn't have to be perfect - the first and most important step is to just get a program launched. We also recommend committing to a schedule, and improving the contents of your reviews as you go. This is the best way to define what works for your culture.

Employee Feedback Checklist

	Establish a formal strategy for collecting and delivering employee feedback
	Establish a schedule for how often feedback will be collected and received
	Set up an online tool to help you and your managers stick to the plan (either via your HRIS or setting up a standalone tool)
	Hold a training session for your managers where you establish your expectations and standards for giving and receiving feedback
	Don't wait until it's perfect! Just launch it and learn from the outcomes

4. Not communicating policies and standards

We've touched on this a bit in the above sections on employment contracts and performance reviews, but a huge problem with many businesses is that they don't do a good job of communicating their expectations and values.

A lot of companies expect that people will just act reasonably when it comes to making decisions on everything from how they treat their peers to how long they are allowed to leave tupperware in the office fridge.

The unfortunate reality is that people come into your company from different environments and past experiences where they've developed different expectations about what is okay. And these differences in understanding can have a huge impact on your culture.

For instance, let's say a new hire came from a company where drinking a lot of alcohol was a sign that you're a team player, but at the new company there was an implicit assumption that drinks are available but staff are expected to only have 1 or 2. Without explicitly setting expectations when it comes to alcohol consumption at company events, you're setting up the new hire to embarrass themselves and potentially other staff as well.

The simplest solution is to have an office manual that describes how you expect people to behave at your company. It should include important topics like discrimination, whistle-blower policies and drug and alcohol policies as well as more cultural elements like expense policies and holiday schedules.

If you tell people what you expect, then it is way easier to give them feedback in the future because you can tie it back to your expectations that were clearly delivered and accessible to all staff.

Important to note is that you don't need to have a world-encompassing employee handbook from day one. It is usually a living, breathing document that gets updated as time goes on. The important thing is to get one drafted and into the hands of your employees, and then you can evolve it based on the evolution of the business or based on employee feedback.

Standards and Values Checklist

	Draft a company handbook that contains your most important or core company values. This is a good job for an HR consultant to help if you need help.
	Hold a launch presentation of the new policy with your entire company, and take time to collect feedback and questions
	Make the policy available and accessible to all staff, likely as a document in your HRIS platform
	Make the policy a part of your employee onboarding process so that every new employee must acknowledge it from the start
	Refine, add and modify as your company evolves. This is a living document!

5. Mishandling terminations

Terminations are something that every business has to go through at some point, and of our top 5 HR mistakes this is the one that gives people the most anxiety.

They are highly unpleasant for both the employee and for the manager/company, so it is human nature that companies avoid this topic and skimp on planning. In this situation, lack of planning can come at a significant cost.

The reality is that terminations are a high-risk moment for everybody.

For employees, they are losing their immediate income. They need to find new employment, manage their resume narrative, tell their friends and family and generally adjust to a sudden change in their day-to-day life. Being terminated can invoke feelings of anger, relief, embarrassment and everything in between.

For employers, terminations present a significant risk as well. Employees often don't agree with the reasons of their termination, and depending on the circumstances can resort to a number of damaging behaviours including spreading negative information to existing staff, posting online, refusing to return equipment, or even escalating this to a wrongful dismissal lawsuit. Furthermore, employers now need to worry about reassigning work duties, informing the rest of the team in a respectful manner and recruiting a replacement hire.

The best way to minimize the negative impact of a termination is to get the right advice and undertake the right amount of planning. Being hasty might feel like the right decision because some people prefer to 'rip off the bandaid', but taking a few extra steps to ensure success is always the right path.

Planning should always start with speaking to your employment lawyer so that they can review their employment agreement, assess the situation, advise on an exit package provide an exit agreement to be signed.

Drafting a well-researched exit agreement is the can't-miss step in a termination. Just like when an employee starts you use an employment agreement to make the arrangement clear for both sides, you want the same with an exit agreement. Exit agreements usually:

- Outline the high-level reasons for termination
- Refer back to the employees entitlements as per their employment agreement
- Outline the severance or exit package being offered to an employee, contingent on signing a release agreement
- Includes a release agreement which consists of principles of non-disparagement, non-disclosure of trade secrets etc.

- Outlines the termination or continuation of any employee benefits or pension arrangements
- Outlines any post-termination support that the company may be offering such as placements services or letters of recommendation

Ultimately we recommend speaking with a lawyer - don't try to do this yourself. This is worth paying a bit of money to get right.

Termination Checklist

	Always notify your lawyer and seek their advice before moving forward with a termination
	Establish your severance offering, which includes severance payment, vacation, termination of benefits, and post-hire support
	Have your lawyer draft a termination notice, severance agreement and form of release
	Establish your plan for notifying the rest of your team about the termination
	Deliver the termination news with calmness and compassion for the person being let go
	Give the severance package to the terminated employee in physical format when the severance is delivered, and send them an electronic copy shortly thereafter as well
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	Immediately remove the terminated employees access to cores systems like CRM, email, and the physical office
	Record a termination with your benefits and pension providers, coordinating the proper last day of benefits based on your providers rules.
	Inform the rest of your team, and enact a plan to ensure continuity of the terminated employees' duties

In Conclusion

At Collage we know that managing HR can be a challenge, and that most businesses can't get everything right all the time. That's why we built Canada's leading HR system. It makes it easy to set up and manage an effective HR program for your staff.

Learn more about how we can help at www.collage.co

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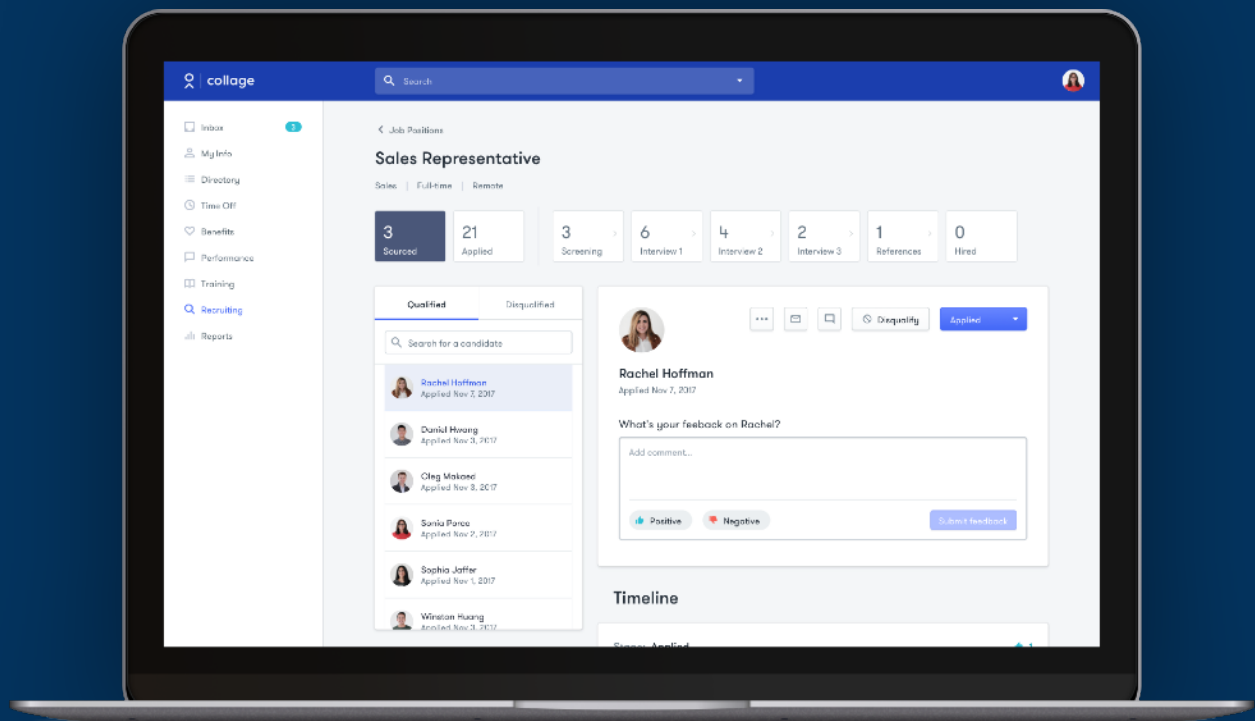
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