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Employer's *Advantage*

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Family Business

How to nurture the next generation of Leaders

People who engineer a family business often put most, if not all, of their time and money into the operation to make it successful. Strain can be placed on the relationships within a family if they find it difficult to separate business and family.

"Even the best and most organized families with businesses do not possess complete objectivity," says Rich Snebold, cofounder of the Family Business Center at NexTier Bank. We spoke with Snebold about the importance of training and the steps business owners can take to guarantee success.

Why is it important for the owners of a family business to nurture or train the next generation?

In order for a family-founded business to survive from one generation to the next, it is crucial that steps be taken to prepare the next generation of leaders. The success or failure of such a business can have a ripple effect on other employees, customers and vendors.

New leadership development is necessary and can be one of the best investments for a family-owned company. If the next generations of leaders are family members, then proper training ensures that an owner is continuing his or her legacy. If they are nonfamily members, then training is a great way to maintain employment with your company.

Why do business owners neglect training the future owners of their business?

The owner is often too busy working *in* the business and forgets to take time to work *on* the business.

Another reason training can be neglected is because a business owner does not know how to train others. A person can be very successful at running a business but not very good at training people.

Finally, some owners take the approach to training as, 'No one trained me so why should I train them?' This attitude can destroy a company. An owner must realize that he or she has to relinquish some of the control for the business to survive.



Rich Snebold
 Co-founder of the Family
 Business Center at
 NexTier Bank

Such training is vital and can lead an owner to valuable information. One may find that future leaders are not qualified for the responsibilities of a leadership position.

How can family business owners respond if they find the future leaders are not qualified to manage a business?

Deciding that a family member is not qualified to run the business in the future is a mature decision that needs to be made by the family. Then the family as a whole should begin the search for a replacement leader. Involving a board of directors, advisers or an outside source can help make such decisions easier.

The key to a successful family business is to professionalize the business as much as possible. Objectivity is necessary when running a family business.

How can a business owner create a career development program to help train future leaders?

First, the current leadership team should sit down with the future leaders and determine where they want the company to go in the future. A good approach is to develop a plan and work backward to determine the steps that need to be taken to reach the ultimate goal.

The company leaders should then do an assessment of the current leadership both inside the family and outside the family.

It is then necessary to determine any holes in the leadership and business plan. This could be as simple as pinpointing what skills and assets will be lost when a leader retires. After the holes are located, a company should actively put together a program of individual growth and development. This may mean training family members in future leadership positions while current leaders are still

working in the business.

Most importantly, leaders should visit the plan quarterly and evaluate the progress made.

How can family business owners implement a career development program properly?

Business owners can read a book, take a class or allow a third party to help them implement such a program.

A third party can offer the objectivity needed to run a successful business. Third parties can make tough decisions without worrying about the feelings of family members. An objective third party should start by offering a company a diagnostic analysis that offers insight to what is lacking, such as leadership development or employee issues. Such issues should be outlined and specialists should be brought in to work with the company to resolve issues until the company is comfortable enough to operate without such guidance.

*Interviewed by Amy Dison
Smart Business Pittsburgh*

product FOCUS



Trends in Employment Screening and Assessment

Trends in Employment Screening and Assessment *Reid Klion, Ph.D.*

More and more organizations are using assessments for employment screening – that's a trend that we've been seeing for years. Recently, we're seeing organizations find more ways to take advantage of assessments. Among the emerging trends:

The Internet, traditionally a tool for delivering information from systems to people, is gaining recognition as a tool that can help IT systems share information.

Web-based tools play a growing role in recruiting, testing, and applicant tracking. Organizations are becoming more sophisticated at taking advantage of opportunities for integration that such Web services offer. As a result, we will see an acceleration of efforts to link the systems involved in the human capital acquisition process. For example, an organization's recruitment Web site will be fully integrated with its applicant tracking system (ATS), assessment vendors, background checking providers and HRIS systems so that the entire talent acquisition process can function as a seamless whole.

We also see more use of assessment at the time of job application.

Until recently, employers only asked if an individual meets a position's basic qualifications (for instance, willingness to relocate). More employers are using sophisticated assessments such as personality and biodata tests at the application stage. Assessments have become better able to alleviate the risks of non-proctored tests (by including non-obvious correct answers, for example) and employers are finding value in the ability of these assessments to predict work performance.

More employers are using pre-employment test results later in the employee lifecycle.

Those results contain critical information about the employee's strengths that can guide training and help chart the employee's career path.

We see increasing use of assessments by multinational organizations.

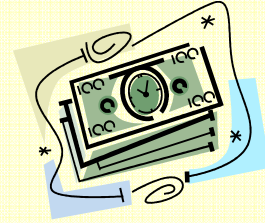
Multinationals face hurdles in adapting assessments for use across multiple languages and cultures. But they feel the need for a single employment screening process they can use for all their worldwide operations.

To learn more about these trends or to discuss how they could impact your organization, please contact us toll free at 888.202.1112 or info@automotivehr.com.

AHR Helpline

Are Salaried Employees Eligible for Overtime Pay?

Rodney has a small but thriving business and he's recently hired several new employees. He pays his employees a salary so he can predict what his expenses will be each month. Sometimes his technicians work more than 40 hours in a week and he gives them the option of taking off a day during the less busy times the next week. Recently, his friend Jim told him he may be violating the law with this practice.

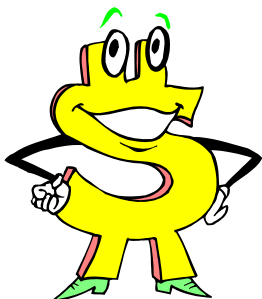


Rodney may very well be violating the law, specifically the Federal Fair Labor Standards Act (FLSA). The FLSA says that all employers must pay Overtime for any hours worked beyond 40 hours in a standard work week unless the particular job/employee is "Exempt" from overtime. Giving time off in another work week, comp time is not allowed unless the employer is "public" (government).

Last year the Department of Labor awarded \$119 million in back wages for overtime claims so Rodney needs to make sure he is not putting himself in jeopardy.

Just paying someone a salary (a fixed amount in each paycheck) does not preclude them from being eligible to get overtime if they work more than 40 hours. The determination of whether a job is exempt from being paid overtime depends on some specific factors.

First, does the job pay less than \$23,600 annually (\$455 per week)? If the answer is, "yes" then the employee **MUST** be paid overtime if they work beyond the 40 hours.



Next, even if the job pays more than this level, does the job meet the "duties test?" There are exemption categories:

Executive; Administrative; and Professional.

An **Executive Exempt** job is one where their primary duty must be managing the company or a department and they regularly direct the work of at least two or more other full-time employees or their equivalent; and they have the authority to hire or fire other employees.

An **Administrative Exempt** job is one where primary duty are the performance of office or non-manual work directly related to the management or general business operations of the employer or the customers; and the primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.

The **Professional Exempt** job is one where the primary duty must be the performance of work requiring advanced knowledge, defined as work which is predominantly intellectual in character and which includes work requiring the consistent exercise of discretion and judgment; advanced knowledge must be in a field of science or learning; and must be usually be acquired by a prolonged course of specialized intellectual instruction, like a college degree.

There are also exemptions for some **outside sales** and **computer** jobs.

For more details on Federal laws employers can refer to the Department of Labor website: <http://www.dol.gov/esa/fact-sheets-index.htm>

Rodney should review the responsibilities of his jobs to determine if he should be paying overtime. As a small employer the responsibilities of the jobs might not change much so he may not need to review this status more than every few years.



One other area important for employees to understand is that overtime must be paid if the employee works more than 40 hours in the standard work week

even if the overtime was not approved by the employer! This aspect is troublesome to most employers but the reality is that once the hours are worked you must pay for them or violate the FLSA!

Employers often ask what recourse they have if an employee works unauthorized over time. You should have a stated policy clearly communicating the need for employees to get approval **BEFORE** working the **OT**. If this policy is violated, the employer should then take disciplinary action up to or including firing the person if the behavior is repeated. This is of course **AFTER** paying them for the hours worked!

A sample **OT** policy follows this article. Employers should have any such policies reviewed by their own legal counsel as these articles do not constitute legal advice.

It is ok to allow an employee time off later in the SAME regular work week to off set longer hours worked to avoid the overtime situation. You can't keep "changing" the regular workweek to do this however.

Employers should be aware that some states have specific laws addressing **OT** and you should know your state's laws and comply with them. For more information on state law check out the DOL site:

<http://www.dol.gov/esa/programs/whd/state/state.htm>



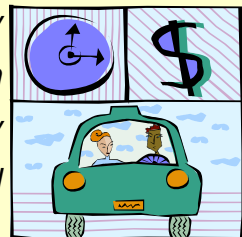
Employers should take care in complying with all pay laws. Even the smallest employer is covered by these laws and if you are audited and the government agency finds you are violating these laws you may be subject to paying all back overtime for the last 3 years!

Phyllis G. Hartman, SPHR
Your AutomotiveHR Consultant

Sample Hours/Schedules/Overtime Policy

Our normal business hours will be established based on the needs of our customers and our business. We will let you know what times you are expected to be present for work. Overtime may be necessary due to our business needs and we will make reasonable efforts to advise you of overtime requirements. Overtime must be authorized or approved in advance. You are responsible for accurately recording and reporting time worked to assist us in complying with federal and state laws which require such record keeping for calculating pay and benefits.

If you are paid on a salaried basis, your pay will be the amount of salary earned for the pay period based on your salary rate. If you are paid on an hourly basis, your pay will be equal to the number of hours worked for the pay period times your hourly rate. If you are eligible for overtime pay, your pay will include overtime pay at the applicable overtime rate required by law.



Generally, hours worked do not include travel time. Unless otherwise approved, vacation and sick time hours are not counted toward total hours worked in figuring overtime. Holiday hours do count toward hours worked in figuring overtime.