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## How to Hire Your First Employees

Entrepreneurs preparing to hire their first employees should proceed with caution. It's costly to commit to an employee's salary and benefits. And what start-up can afford to have even one employee who isn't working to full capacity? Firing an employee can mean not only severance pay (and sometimes litigation), but also time and resources devoted to finding a replacement.

The first questions start-ups typically wrestle with are whom to hire, when and where to find good candidates. The following is a rundown of some basics.

What position to fill first will differ for each company, depending on industry, location and the skills of the founders. Entrepreneurs must boil down their staffing plan to a handful of people who can get the company's product or service to market. High-level executives aren't usually hired until the company has seen some significant growth. For example, you don't need a vice president of marketing or sales before there's a product. In a tech company, an acting chief executive officer and a chief technology officer usually suffice.

It's also worth stopping to think: Do you really need to hire someone? Many services can be outsourced or done by free-lancers. This work may include accounting, manufacturing, Web-site design, marketing and public relations — even administrative assistants can be hired on a "virtual" basis now online.

Deciding what tasks to outsource and what to hire an employee for may come down to whether the work lies within your business's main areas of strength and whether that function is needed on a regular basis. What's more, vendors often have more knowledge and experience than someone you can afford to hire.

When it comes to whom to hire, small companies often do best with flexible candidates who are used to smaller environments. In many cases, the ideal candidate can operate with a great deal of autonomy and doesn't require hand-holding.

It might be tempting to hire candidates with big-business credentials, but they're often not a good fit. In a big company, there are rules, regulations and processes to do everything. In a small company, there often are no set jobs and everyone may do a bit of everything.

One selling point for some is that small businesses are typically less bureaucratic and employees typically have more breadth in their jobs than they usually do in big companies. Leaders tend to have closer relationships with employees and often treat them like family. Another potential attraction: the potential for high growth.

An entrepreneur's best bet for finding employees usually is networking. Ask for referrals from your friends,

industry colleagues and advisers, such as your accountant, attorney, board members and organization members. If one of your advisers or colleagues recommends somebody, they've done some of your employee screening work already. Start-ups typically find their first 10 or 15 employees this way.

And when new hires comes on board, you've widened the candidate pool with their own Rolodexes. If an employee recommends someone, there's a much higher likelihood that person will be successful in the job. Why? Candidates get a much more honest perspective of the company, and in most cases an employee is going to recommend only someone he or she thinks will be successful, to avoid tarnishing his or her own reputation. Put a bounty out there for employee referrals. It's easy, and it's inexpensive.

But no matter how well-connected the employees are, eventually the internal network becomes exhausted.

At that point, consider niche online job boards. Big job boards like Monster.com, while they have advantages, can bring an unmanageable deluge of resumes. A small operation isn't likely to have the time or resources to sort through all of them. Smaller niche sites can narrow your interested applicants to those in your industry or area.

Also keep an eye on popular blogs and Web sites in your industry. Some offer a place for help-wanted postings. Local newspapers and trade publications may also be useful sources, depending on your needs.

Employment agencies and head hunters can help you find employees from entry-level to executive. Recruiters do all your legwork — for a fee, of course — and are particularly useful if you are hiring a top-level executive.

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