

# A New Entrepreneur Focuses on Staffing Plans

Leslie Hunter-Gadsden

**KEYWORDS:** Entrepreneurship, Management, human resources, midlife.

*Editor's note: In this series, Next Avenue will follow Patricia Wynn as she embarks on becoming an entrepreneur with her North Carolina lifestyle assistant business. Future installments will note her progress, with advice for her and for other midlife entrepreneurs.*

Entrepreneurs often begin with an idea and manage their new business alone — at least in the early stages of their startup. So, in essence, they are often "solopreneurs" with hopes of possibly adding a few staff members as their business expands.

For Patricia Wynn's Hillsborough, N.C.-based lifestyle assistant business, gradual growth of her clientele means that she is still personally assisting clients, with occasional work overflow being handled by her brother and a cousin. Her goal is to eventually have enough clients to afford bringing in a few staff members, in addition to herself.

"Currently, I'm handling nine regular weekly clients with cleaning, cooking, or caregiving and household errands, plus two clients that I see every other week. They have all contracted with me, so they are accustomed to interacting with me. The only client that I've occasionally had my brother or cousin work for is an Airbnb, which is cleaned while it is empty, so there is no interaction with a specific client," said Wynn.

She continued, "When I am able to add new clients, if I also have a new staff member, I would need to introduce them to the client ahead of time, so the client knows who is coming to their home."

## Early Stages of Being an Entrepreneur

"This is always a kind of a delicate balance for entrepreneurs at the early stages: Making sure you meet your responsibilities to your clients and people you

may bring in," said David Deeds, Schulze Professor of Entrepreneurship at the University of St. Thomas Opus College of Business in Minneapolis, MN., and editor-in-chief of the (EIX) Entrepreneurship and Innovation Exchange, which is a funder of Next Avenue.

Deeds confirmed that the challenge is real for new entrepreneurs as they allow time to manage additional staff as well as their own responsibilities at their startup business. Another key element, noted Deeds, when it comes to bringing on staff, is whether they are classified as W-2 employees or 1099 contractors, because the taxes withheld differ and so does the employer's control over their work practices.

"Taxes are places where businesses in startup mode can make mistakes. They don't want to make the 1099 mistake, where they list a worker as an independent contractor who should have been listed as a W-2 employee. If they are actually an employee and don't pay taxes on the wages that you've paid them, then you as the employer can be liable for those taxes. You've got federal, state and potentially local taxes," said Deeds, who noted that often entrepreneurs prefer to work with independent contractors because payroll tax is not required.

## Hiring Employees vs. Independent Contractors

According to [a 2020 article published by Complete Payroll Solutions](https://www.completepayrollsolutions.com/blog/W2-vs-1099) (<https://www.completepayrollsolutions.com/blog/W2-vs-1099>), a privately held payroll, HR and third-party administrator, there are a few important distinctions employers should know prior to hiring and classifying staff as employees or independent contractors.

Using guidelines from the IRS, in the case of W-2 employees, an employer has the right to direct the work



being performed, including giving instruction, providing the tools, equipment and training to complete the work, as well as setting hours and schedules for the worker. If the worker is an independent contractor, an employer only controls the result of the work, not how, when or what will be done. The contractor can also use their own tools and methods to complete the work.

Payroll taxes are automatically deducted from a W-2 employee's paycheck and an employer will withhold income taxes and pay Social Security, Medicare taxes and unemployment tax on wages paid. Benefits such as health insurance, family and medical leave are offered to W-2 employees.

If an independent contractor receives \$600 or more during the year, then an employer issues them a 1099 to calculate their earnings and self-employment tax but the employer isn't charged a payroll tax. Employers do not provide company-sponsored benefits, unemployment insurance or workers' comp for independent contractors. The regulations for workers' comp for W-2 employees can differ somewhat, depending on the state.

## Build Your Infrastructure

Even before adding part-time or full-time staff, entrepreneurs "need to put in place the employee systems, bookkeeping and structure" that the business will need (<https://www.nextavenue.org/take-time-build-foundation-new-business/>), explained Deeds.

He added, "You're much better getting the infrastructure in place early on than having it become a liability later on. Things like getting QuickBooks or similar bookkeeping software up and running and setting up a separate credit card and bank account for your business so you have records. When you're an LLC—a limited liability company—the tax liability is on you personally. If the business starts making money, you will be responsible for tax payments on your business income, but no corporate tax. On the positive side, you get to take all the deductibles, like mileage, for example."

Wynn has a separate bank account for Patricia Services, LLC and computes her mileage using the [Everlance app](https://www.everlance.com/) (<https://www.everlance.com/>) on her

phone. She has a group of printed documents for filling out expenses on a spreadsheet, timesheets, and contracts with clients for the work provided weekly.

"If a customer does not have internet access, it helps to have some things printed up. I can access the spreadsheet online as well," said Wynn. "Right now, I'm using the spreadsheet to record expenses and doing my own bookkeeping, but as the business grows, I will probably need to hire an accountant."

Deeds recommended that Wynn work on resource planning and projections by looking at her current client load.

"In most businesses, it's hard to bring someone in for less than eight to ten hours a week. Often the less time people are working for you, the less reliable they are, especially if they are piecing together more than one job to make a living," said Deeds.

According to a survey conducted by Guidant Finance and the Small Business Trends Alliance, recruiting and retention of employees was seen as one of the top five non-Covid challenges faced by Black entrepreneurs; 17% of women overall who were small business owners perceived it is a strong non-Covid business challenge.

As a former manager for both McDonalds and Wendy's, Wynn is very aware of the importance of establishing reliability by training new staff.

She said, "If you hire too many, too fast, you're not getting the quality, you just brought in bodies who may not be open to receive training. But if you bring in one person and train them well, and they sign off on being trained, then you can hold them accountable."

## Taking the Right Steps to Hire

She added that, with Patricia Services, LLC, "if I brought someone in, I would like to bring them in for twenty hours a week with one or two particular clients. Over time, what they are asked to do by the client might change as the client becomes more familiar with them," and sees their skills in a variety of lifestyle assistance areas.

Wynn says she will reassess her client load and staffing

needs after April 2022 and through the end of the year.

"If, for example, I got four more clients, that would require one or two more staff members depending on the number of hours the clients wanted. I would start by bringing on someone as an independent contractor," she said. "In the future, if the business gets considerably larger, then I might move toward having W-2 employees."

Since she established Patricia Services, LLC in 2021, Wynn will do her first filing of taxes for the business in April 2022. "Moving forward, I will look into filing quarterly as a business, which was recommended by my SCORE mentor, Maxine Stern," she said.

SCORE is the national organization of business executives, that is affiliated with the U.S. Small Business Administration. [Many SCORE mentors are still working](https://www.nextavenue.org/become-score-small-business-mentor/) (https://www.nextavenue.org/become-score-small-business-mentor/) , and some are retired executives.

In addition to filing appropriate taxes, Deeds said entrepreneurs who add staff members must be aware of how they are interacting with clients and provide management leadership.

"When and if you get the wrong person, that can cost you clients. You need to give feedback to the staff after checking in with clients. The challenge with being a startup is that at the end of the day, you have to do all the things that big businesses do – HR, accounting, training, marketing, and building the business — but without departments and bodies to do it," said Deeds. "It's all up to you. [Taking seminars with your local Small Business Development Center can give you tools](https://www.nextavenue.org/a-roundup-of-business-startup-programs-for-people-50/) (https://www.nextavenue.org/a-roundup-of-business-startup-programs-for-people-50/) to help organize your business."

Wynn says that while she is excited about working in her own business, she is also maintaining a work/life balance. "Stress causes diseases in your body, and I remember what overworking can do from my years managing at McDonald's," she said. "I've experienced that and I don't want it anymore."

*Editor's note: This article is part of [America's Entrepreneurs](https://www.nextavenue.org/americas-entrepreneurs/) (https://www.nextavenue.org/americas-entrepreneurs/) , a Next Avenue initiative made possible by the [Richard M. Schulze Family Foundation](https://www.schulzefamilyfoundation.org/)*

(<https://www.schulzefamilyfoundation.org/>) and [EIX](https://eiexchange.com/) (<https://eiexchange.com/>) , *Entrepreneur Innovation Exchange*.