In the case of an investor, you have to determine what they will contribute to the business, how much it is worth, how it will benefit the company and what the company is willing to pay for it.

Q. I have had my own cleaning business for years. For the most part, I have done everything myself. I do all of the soliciting, scheduling and cleaning. Ever so often my sister or another family member may help on a job but that is rare. No offense to them, but good help is hard to find. With that being said, I think I may have found someone who could get involved with the business and really help me out.

I want to know the best way to bring them in and how we can really grow the business.

A. Bringing in additional help in a business is generally the sign that you are at a pivotal point in the maturation of your business and if the course is appropriately navigated it may lead to new opportunity and significant growth. This positive up-side potential is probably very energizing for you at this point. Any new personnel or new investor will likely share in this enthusiasm, believing that they may be exactly what was needed to improve the business and generate real cash flow. It is important however to understand that if this stage is not managed carefully, you may miss out those opportunities which ultimately might have translated into increased revenues and profits. Expectations, now, more than ever before, must be appropriately managed.

One of the first things you have to determine is how the new addition to your company will be characterized. Are you bringing on a worker, an investor or both? Generally, (a) employees and independent contractors have a fixed compensation; (b) investors are often given either a share of the equity or profits of the company or a percentage return on money loaned to the company and (c) working investors may have some participation in all. [Note: There are many creative ways to structure compensation and this discussion cannot cover all of the options available to you or your company. If you have a specific question about compensation, please write us at counselorsdesk@call-post.com]

Once you have determined how characterize your new addition to your company, you should begin to think about how to compensate that individual. The manner of compensation will in large part be dependent upon whether the new addition is an employee, independent contractor or investor.

In the case of employees and independent contractors compensation may vary between a flat-rate for services to commission to a mix of a commission and a flat-rate. The way revenue is generated, the amount of cash flows coming into your company and your primary areas of need will be key factors to weigh as you determine your compensation structure. If you expect revenues to increase substantially as a result of the new addition's involvement then you should be sure to work hard to find a compensation solution acceptable to you both. Take a moment to think about what your business can afford and what will make sense.

In the case of a cleaning business there are, at least, the following key areas: client recruitment, client servicing, and general business administration. These areas should be considered when setting compensation. You may decide to simply compensate an employee (a) on a per-hour basis for the time spent cleaning; (b) with a flat per-home rate based upon the number of homes cleaned in a day; (c) in accordance with certain benchmarks or based upon the new business they generate or (d) some other variation. In order to find comfort in this decision, I suggest looking at how your competitors pay their employees.

In the case of an investor, you have to determine what they will contribute to the business, how much it is worth, how it will benefit the company and what the company is willing to pay for it. These questions will help you begin to reach the basic terms of your investor compensation structure.

Finally, once you have determined how to compensate the new addition to your company, it is

prudent to capture the terms of the relationship in a written document. An employment contract may or may not always be necessary but the basic terms should be clarified and discussed with the employee or contractor to avoid any type of confusion down the line or distraction from the company's focus on earning. In the case of an investor, it is even more important to develop and execute some form of investment or equity ownership agreement.

If you have additional questions about anything discussed above, please contact us at counselorsdesk@call-post.com
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Good luck in your business.

Be well. Godspeed.

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