

17. Office, Autos & Employees

Home or Commercial Office?

Employee or Company Autos?

We're not going to talk about the legal zoning issues involved in operating a business from your home.

This discussion will focus on the practical aspect of operating a housecleaning business from your home versus operating from an office space, from the aspect of the potential impact on your challenges.

In this section, we'll also discuss the use of supply company vehicles versus compensating employees for their own vehicles.

"We're operating the business from my home."

- The above phrase, when spoken on the telephone to a prospective job applicant, is a good reason for low "show" rates at hiring interviews.
- In fact, when discussing the show problem that one owner was having, we were asked rhetorically by prospective employees during his phone interview: "How can I operate my business from my garage right now?"
- Not only does the phrase you want to say to people you're trying to set up an interview with, but the way you portray to prospective employees is important as the image you need to portray to prospective clients.
- If you are operating your business from your home, never make an apology for it (it *sound* like you're making one). When the subject of the location of the business is broached, say something like, "Like many and more businesses today, ours is home-based."

Even if you do have your office set up in your garage, there's no reason to say so. You may have a far nicer home-based office in your garage than many commercial offices. But that's not the image that's important when you tell a prospective employee (or even a prospective client) that you're running a business out of a garage.

The Benefits of a Home Based Office

- There are some obvious benefits to be derived from operating a business from one's home. These include:
 - ✓ Low overhead; no office rent to pay.

- ✓ Convenience. Walk from your breakfast table to your office.
- ✓ No commute to work (at least, not for you).
- ✓ Owners with small children can be home to look after them.
- ✓ You have immediate access to your office and work-related activities 24 hours a day, and 7 days a week.

The Disadvantages of a Home Based Office

- As many business owners have discovered, there are several disadvantages to operating their housecleaning business from home. The major disadvantages are:
 - ❖ Your home is not your home anymore. The constant coming and going of employees is very disruptive to your personal and family life.
 - ❖ Kids crying, yelling, or begging for treats of milk or a barking dog, don't present a professional image to any current or prospective employees you are talking to.
 - ❖ Holding hiring interviews at home with people you've never met, and know little about, is, understandably, disconcerting to many of your employees.
 - ❖ Employees coming and going from your home everyday can be a nuisance to your neighbors, and may result in complaints and an attempt to get it fixed from a local zoning official.
 - ❖ Prospective employees that you are trying to attract may well have a preconception of respect to working for a business out of someone's personal residence. "Is this a real business or just a home?"
- "Employees are likely to see a lot more than just your business face." They may get to see and hear things about you and your family that they shouldn't — things that aren't business related and aren't any of their business.
- The foregoing situations can be problematic even with only one or two employees. However, as your business grows and the number of employees you employ grows, it will become increasingly difficult to effectively operate the business from your home.

"Real" Office Can Improve Recruiting Efforts

When you have commercial office space, it gives you a "real" business address to give out to prospective applicants over the phone. It also gives you a more appropriate location and more business-like setting at which to hold hiring interviews. We know of some owners who have conducted hiring interviews at their neighborhood McDonald's ~ not exactly the most business-like setting.

Employees Need Their Own Space

- Employees don't need a private office, or even a desk. But, whether your office is in your home or away from home, employees need to feel comfortable being there.
- Just as they should not feel free to use your private office in your absence or without your permission, certain areas of your residence should be off-limits if your office is home based.
- On the other hand, employees need to have an area that they can call theirs. This should include an area where they can sit down and chat with one another, away from the other members of your team if you're operating from your home. It is much easier to create this environment in a location outside of your home.
- Whether you're operating your office from your home or not, you need a private office area where you can meet with Team Leaders privately, where you can interview applicants privately, and where you can discipline employees in confidence when necessary.

Company Cars Versus Employee-Owned Vehicles

- A number of house cleaning companies are buying some of the "biggies." buy or lease vehicles for their cleaning team. This requires a substantial financial commitment. It also makes "auto expense" a much larger item on your P&L than the "auto expense Statement" the practice of reimbursing employees for the use of theirs.
- If you choose to reimburse employees for their own vehicles, we recommend reimbursing them on a per-job basis. If employees have their own transportation, and you reimburse them on a per-job or mileage basis.
- The recommended amount on a per-job basis is \$3.00 to \$4.00 per cleaning. This amount is intended to cover the employee's cost of fuel and maintenance.

Under this formula, a team doing 25 cleanings weekly translates to an auto expense of somewhere from \$75 to \$100 per week per team. At the most, this should not equate to anymore than 4% to 6% of gross revenue.

If you use a standard mileage rate instead of on a per-job basis, your reimbursement could be even lower (an acceptable mileage rate is 50¢ per mile).

Regardless which of the two formulas you choose to use to reimburse employees for using their own vehicles, either method is a whole lot less expensive than supplying company cars.

Non Owned Auto Insurance Expense

- Non-owned auto insurance covers you for LIABILITY on employees' vehicles used in the course of their employment. The employee's insurance is primary and this coverage only covers the insured if a third party tries to recover damages from the insured (you) and there is no coverage for your employee or your employee's automobile.
- This coverage is relatively inexpensive, and will be far less than the cost of insuring company-owned or leased vehicles.

Compare the Cost of Providing Company Cars

Compare the expense of paying employees for the use of their vehicle to the *minimum* anticipated expenses incurred in providing a new company-leased vehicle:

Typical Cost of Providing Company Vehicles		
Expense Item	Weekly	Annually
Lease Payment	\$100	\$5,200
Gas and Oil	\$50	\$2,600
Insurance	\$40	\$2,080
Car Wash	\$10	\$520
Total Expenses	\$200	\$10,400

If the team generates \$100,000 in annual revenues, the auto expense would equate to over 10% of revenues. If you have \$50,000 in team revenues, the cost would equate to over 20% of revenues.

Based on our own experience with an auto expense reimbursement program, you can insure your employees for less than half what you might spend by providing company cars.

Why Do Some Companies Provide Vehicles?

Cleaning companies that provide company cars to their employees site two valid reasons for their position:

1. That the advertising value and professional image created by the impressively identified vehicles offsets the cost of this policy (particularly when there's a fleet of them running around town);
2. That providing company cars to their employees leads clients to believe that if you trust your employees with a company car, they can trust them with their home and valuables.

Those are both sound arguments. Certainly, if a company vehicle can be responsible for generating enough inquiries to result in three or four new clients a month, the extra expense of providing vehicles would seem to be acceptable (assuming an average advertising cost of \$100 to \$150 per new client).

- We know that image is very important, and a new compact station wagon, decked out in the company's logo and colors, will certainly make a better impression than an old, unidentified, beater leaving a bigger smoke trail than a flyby of six F-16 fighters! Hopefully, we know better than to allow the latter to occur.

The Potential "Real" Value of Providing Vehicles

- We remain unconvinced, but still open-minded, that the additional expense of providing company cars to employees is worth the aforementioned reasons. There is, however, one obvious argument that may make the subject worth considering, especially if there is evidence that the aforementioned arguments are sound.
- How many potential good employees are you missing out on recruiting because they don't have a car, or because of the use of their own? Might you lose some good candidates because they don't want to use their personal vehicle on the job?

Of the Two Issues . . . Which is the More Important?

- Between investing in office furniture for the home, and making an investment in providing company vehicles to employees, we feel that the latter is the "more important" issue.
- At this writing, it is very clear that companies are providing vehicles to their employees. But do you know that thousands of cleaning companies, independent or otherwise, or franchise groups, who have experienced success in moving their businesses away from

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