



STAYING VIGILANT

BUSINESS GROWTH CAN LEAD TO INCREASED RISK

GROWING COMPANIES often overlook the importance of properly managing their risk. Increased activity can result in additional losses. For example, more trucks driving more miles may result in more accidents.

However, other kinds of risk can increase more than the jump in business activity. We look at three such areas here.

Workplace safety

Typically, when employers expand their workforce to meet growing demand for their products and services, the number of workers' compensation claims tends to rise disproportionately.

New employees with less experience are more likely to sustain a workplace injury, and overworked experienced staff may also overlook safety or cut corners to get the job done.

What you can do: One option is to hire a temporary-staffing firm to fill positions. But under OSHA's "dual employer doctrine," the hiring employer and the temp agency are both responsible for temporary workers' safety.

Check to make sure the temp agency has workers' compensation insurance.

Litigation

Your workers may be putting in extra hours due to production pressure, but fatigued workers are more prone to making mistakes that can injure third parties or result in shoddy workmanship. In both cases, that opens your firm up to being sued.

What you can do: Conduct thorough interviews, check references and carry out background investigations when appropriate to avoid hiring people with known problems. You are responsible for the actions of your employees.

Also, make sure to provide regular breaks, especially in jobs that require attention and strength.

Labor law violations

As you grow, you have more employees to keep track of, which means a greater chance of failing to comply with labor laws. In addition, many state governments have cracked down on wage and hour law violations.

As well, some companies may try to add to their worker pool by using more independent contractors to avoid hiring new workers. You will need to ensure that you comply with the U.S. Department of Labor's rules on independent contractors or with your state's laws, if any.

What you can do: Pay close attention to your payment systems and audit them to make sure you comply with wage and hour laws as well as meal and rest break laws.

The takeaway

Growing companies need to be vigilant about managing risk and should review their existing risk management strategies for gaps due to business growth.

Tips for Avoiding New Claims

- Maintain high standards when hiring new employees, such as conducting thorough interviews, checking references and, where appropriate, investigating backgrounds;
- Properly train and supervise new employees during a growth phase;
- Consider your current policies on temporary workers and weigh the benefits of a flexible workforce against liability issues that temporary workers pose;
- Revisit your policies about independent contractors;
- Ensure you pay workers properly for overtime work to ensure compliance with the law; and
- Keep shareholders informed as much as possible about any mergers or acquisitions, including terms of the transaction.