Your Firm LLC

Before You Hire Another Employee, Find The Bottleneck

Hiring usually feels like a sign that your business is growing. Revenue is increasing and everyone seems busy. At that point, adding another employee can feel like the obvious next move.

But headcount isn't always the answer. If you hire before you understand what is actually limiting the business, you can add cost without solving the underlying problem.

This is not a formula for deciding when to hire; it's a way to pressure-test the decision before you add another fixed cost to the business.

Start with the problem, not the position

Let's start with the bottleneck itself. What problem are you actually trying to solve?

Your business can feel understaffed for several different reasons. Demand may have exceeded capacity. But your team may also be losing time to rework, slow approvals, poor scheduling, or inefficient processes. Experienced employees may be spending too much time on administrative work. You may even be taking on low-margin work that creates activity without creating much profit.

Those situations can all make the business feel overloaded, but they don't all call for another employee. For example, you may think you need another project manager because work keeps backing up. But if every project still depends on you to approve routine decisions, another project manager may not remove the bottleneck. You may simply add another person who is waiting on you.

That's why the thought that "everyone is busy" isn't enough information. You need to know where work is getting stuck and what's causing the delay.

Decide what kind of capacity you are buying

Once you understand the problem, define what the new hire is actually supposed to change.

One type of hire adds direct capacity. Maybe you have more billable work than your current team can complete. In that case, another employee should increase output and allow you to serve more customers.

A second type of hire creates leverage. An operations coordinator may not generate revenue directly, but that person can take recurring tasks off the plate of an owner or senior employee. That could mean scheduling, follow-up, internal coordination, basic reporting, or routine client communication. The value comes from freeing experienced people to spend more time on sales, client relationships, planning, or other work that depends on their judgment and experience.

A third type of hire adds structure as the business becomes more complex. You may reach a point where finance, HR, or operations work can no longer be handled informally by whoever has the time. A controller might tighten cash forecasting and improve the quality of financial reporting. An HR leader might formalize hiring, performance management, and compliance responsibilities. An operations manager might create clearer workflows and reduce the number of routine issues that reach the owner.

So rather than asking only what the employee will do, ask what pressure the role is supposed to relieve. Are you trying to complete more work, free up senior people, improve control, reduce errors, or make the business less dependent on the owner?

That gives you something more useful to evaluate later. If you can’t explain what pressure the new employee is meant to relieve, it will be difficult to know whether adding the position actually solved the problem.

Define the economic improvement

The economics matter as well. A new employee costs more than salary. There may be payroll taxes, benefits, training time, and management demand.

But not every employee needs to generate enough new sales to cover those costs directly. The return may show up through higher revenue, better margins, lower overtime, fewer errors, better customer retention, or more productive use of senior employees.

Let's say a new operations manager costs your company about $90,000 a year. That employee may not generate $90,000 of revenue directly. But if the role reduces rework, lowers overtime, and gives you more time to focus on profitable work, the economics may still make sense.

Before hiring, identify one or two outcomes you expect to improve. You don't need a perfect forecast. You do need a reasonable explanation for where the economic benefit should come from.

Watch for the management bottleneck

Management capacity is another constraint that's easy to underestimate. Every new employee requires training and supervision. If you're already overwhelmed, adding employees can actually increase the strain.

That's especially common when too many decisions still flow through one person. Hiring five more employees doesn't create much more capacity if all five are waiting for you to answer questions, approve pricing, or solve routine problems.

In that situation, the next investment may need to be better processes, clearer decision rights, or stronger middle management. Sometimes you really do need more labor. Other times, the business needs to become easier to manage before it becomes larger.

What to do now

Before you approve the next hire, work through four questions.

First, what specific problem are you trying to solve?

Second, what kind of capacity are you buying: direct capacity, leverage, or added structure?

Third, where should you expect to see the benefit if the employee is successful?

And fourth, does that expected benefit justify the full cost and added management demand?

You may not be able to answer every question with precision, especially if you are hiring ahead of expected growth. But if the reasoning is unclear, that's a sign to slow down and look more closely at the underlying constraint.

Next Step

A good hiring decision is not just about whether you can afford another employee. It's whether adding that employee improves how the business operates. And when the answer isn't obvious, bringing in an outside advisor can help. A fresh perspective can help you separate a true staffing need from a process, management, or financial issue that may need to be addressed first. If you have questions or would like to discuss your unique situation, please contact our office to speak with one of our expert advisors.

About Your Firm LLC

We have hand-picked a team with tax, auditing, accounting, business and management advisory expertise in a multitude of fields, including healthcare, professional-services firms, commercial contractors, home builders, real estate companies, manufacturing and distribution companies, dealerships, non-profit organizations and pension funds.

We have the expertise and the resources to provide not only the critical services you need during these evolving economic times, but also, importantly, to build for the future. Our strategic alliances with professional organizations across the country allow us to bring our clients the talent and expertise of national firms with the high-touch service of a local firm. While we remain focused on the core services of tax, accounting and audit, we expand and offer you the business consulting needed to remain competitive. We believe the success of our clients is the greatest measure of our own.

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