

HR Issues a Business Owner Should Consider When Growing Their Company from 5 to 20 Employees



John Scroggins, May 12, 2025

Growing a business from 5 to 20 employees is a major milestone that marks a shift from a tightly-knit team to a more structured organization. While growth is a positive sign of success, it also introduces a range of human resources (HR) challenges that, if not addressed, can lead to inefficiencies, legal trouble, and cultural breakdowns. As your business expands, HR practices must evolve to ensure a healthy, productive, and compliant workplace.

Here are the key HR issues every business owner should consider during this transition:

1. Hiring and Talent Acquisition

When you're a team of five, hiring often happens informally. You may rely on referrals or hire generalists who wear many hats. But as you approach 20 employees, a more strategic and structured hiring process becomes essential.

Key considerations:

- **Define roles clearly:** Each new hire should fill a specific need. Write detailed job descriptions and set clear expectations.
- **Structured interviews:** Use consistent criteria and multiple interviewers to reduce bias and improve hiring quality.
- **Onboarding processes:** A smooth onboarding experience helps new employees ramp up faster and feel welcomed.

You might also consider leveraging applicant tracking systems (ATS) to streamline recruitment and document the hiring process.

2. Legal Compliance and Employment Law

The legal landscape changes as your company grows. With more employees, you may become subject to additional labor laws and reporting requirements at the federal, state, or local level.

Key compliance areas:

- **Wage and hour laws:** Ensure compliance with minimum wage, overtime, and break regulations.
- **Anti-discrimination laws:** As you pass the 15-employee threshold, you're covered under laws like Title VII, ADA, and ADEA.
- **Harassment and discrimination policies:** Implement and communicate formal policies and consider conducting training sessions.

It's advisable to consult with an employment attorney or HR compliance expert to audit your practices and avoid costly mistakes.

3. Employee Handbook and Policies

An employee handbook isn't just a formality—it's a critical tool for setting expectations, protecting your business, and fostering a consistent work environment.

What to include:

- Code of conduct
- Attendance and leave policies
- Workplace harassment and anti-discrimination policy
- Disciplinary procedures
- Benefits and time off
- Remote work guidelines (if applicable)

Ensure employees receive and acknowledge the handbook and update it annually or as laws change.

4. Compensation and Benefits Strategy

With more employees comes the need for consistent, sound compensation practices. Inconsistencies can create resentment, reduce morale, and expose you to legal risks.

Steps to take:

- Develop salary bands based on roles and experience.
- Document your compensation philosophy.
- Begin exploring benefits offerings like health insurance, retirement plans, and wellness programs.

At 20 employees, group benefits like healthcare become more accessible and affordable, and can be a valuable tool for attracting talent.

5. Performance Management

In small teams, performance issues are often addressed informally. But as your company grows, informal feedback can lead to inconsistency and confusion.

Implement a performance management system:

- Conduct regular check-ins and annual performance reviews.
- Set SMART goals aligned with business objectives.
- Offer constructive feedback and development plans.

A strong performance management system supports employee growth and helps identify high-potential team members for promotion.

6. Company Culture and Employee Engagement

As teams grow, maintaining a strong company culture becomes more challenging—and more important. When employees feel engaged and aligned with your values, they are more productive and loyal.

How to foster culture:

- Define your company's core values and lead by example.
- Encourage open communication and regular feedback loops.
- Recognize achievements and celebrate team milestones.

Consider conducting anonymous employee engagement surveys to gather honest insights and identify areas for improvement.

7. HR Technology and Systems

Manual processes might suffice for five employees, but they become burdensome and error-prone as your team expands. Investing in HR technology can save time and reduce risk.

Essential HR tools:

- Payroll and time tracking software
- Human Resource Information System (HRIS)
- Benefits administration platform
- Performance review and feedback tools

Modern HR platforms can centralize data, improve compliance, and provide analytics to guide decision-making.

8. Training and Development

As you bring in new hires and promote internally, providing opportunities for training and development becomes essential.

Options to consider:

- On-the-job training and mentorship programs
- External workshops, webinars, and certifications
- Soft skills training for communication, leadership, and collaboration

Investing in employee development supports retention and prepares your team to meet new challenges.

9. Leadership and Management Skills

With a team of 20, you may need to introduce layers of management. New team leads or supervisors may need support transitioning from peer to leader.

Provide management training in:

- Coaching and feedback
- Conflict resolution
- Delegation and time management
- Legal responsibilities as a supervisor

Strong middle management is key to growing your company culture and ensuring accountability.

10. Conflict Resolution and Workplace Dynamics

With more people come more personalities—and the potential for interpersonal conflicts increases. Addressing these issues early and professionally is vital.

Preventive measures include:

- Clear communication channels and feedback mechanisms
- Open-door policies and anonymous reporting options
- Conflict resolution training for managers

Formal procedures for investigating and resolving issues should be in place to maintain a respectful and compliant workplace.

11. Diversity of Perspective

Small teams often grow organically, which can unintentionally lead to group think. As you grow, prioritize building a diverse team that reflects broader perspectives, but that which is still relevant to your desired target market. Qualities of competency, chemistry, and character should not be sacrificed by integrating team members with varying perspectives.

12. Exit Processes and Offboarding

Turnover is inevitable. How you handle employee departures—voluntary or involuntary—reflects on your business and protects your interests.

Best practices for offboarding:

- Conduct exit interviews to gather feedback.
- Recover company property and revoke access promptly.
- Provide COBRA or benefits continuation information, if applicable.
- Ensure compliance with final paycheck laws.

A respectful, smooth exit process helps preserve relationships and reinforces your company's professionalism.

Conclusion

Growing from 5 to 20 employees is an exciting and demanding phase. With more people, the stakes for managing human resources rise significantly. Implementing thoughtful HR policies, leveraging technology, and investing in your people are all essential for sustainable growth.

Rather than treating HR as an administrative burden, view it as a strategic enabler. Building a solid HR foundation now will help you grow faster, avoid common pitfalls, and create a company culture that attracts and retains top talent.

ASK YOUR MENTOR

1. Which of the above HR areas do you think that your business did well as it grew? Could have done better?
2. What have been the most difficult HR issues that you've faced as you grew your business?
3. How have you trusted the Lord or seen Him work during those difficulties?
4. Can you think of any other big ideas about HR to help a business grow that I should consider?
5. What has been one of the most strategic hires you've made and why?

Reflect & Respond/Self-Rate- MENTEE

Rate the degree to which you are doing these things in your business. 5 = In place or doing it well

	1	2	3	4	5
Hiring and Talent Acquisition					
Legal Compliance and Employment Law					
Employee Handbook and Policies					
Compensation and Benefits Strategy					
Performance Management					
Company Culture and Employee Engagement					
HR Technology and Systems					
Training and Development					
Leadership and Management Skills					

Conflict Resolution and Workplace Dynamics					
Diversity of Perspective					
Exit Processes and Offboarding					

Go Do

1. Ask God, “What do you think I should prioritize the above?” Listen. What would it look like to trust God with this?
2. Practice. How I will practice or what I will do with this over the next month:

Sources & Resources

Ask your mentor what have been some helpful resources you’ve used related to the topic of this article?

Book: [Biblical HR: Applying Eternal Truths to Everyday Work, by Brett Billups](#)