Elizabeth Chabner Thompson thought she was getting a bargain last summer when she took on three student interns for her new business, a retailer and wholesaler of recovery kits for women who've undergone breast-cancer treatments. The interns offered to help her with social-media marketing for free in order to gain professional work experience. But as the weeks went by, Dr. Thompson says, the young women began to lose interest in their temporary jobs. They would increasingly request time off without advance notice, and the first-time entrepreneur felt she couldn't say no since she wasn't paying them, nor were they getting school credit.

"I was depending on them to follow through, but it was hard to demand anything of them," says Dr. Thompson, adding that the interns might have been inclined to stick around longer if she had spent more time supervising them in the beginning.

Planning to hire student interns for your new venture this summer? The proposition may seem like a no-brainer if you're just starting out or you have a limited budget for recruiting talent. Interns often are willing to work for little or no pay in exchange for school credit or the opportunity to beef up their résumés. But if interns aren't compensated in any way, or if they're poorly managed, they may not be motivated to do their jobs to the fullest, as Dr. Thompson discovered. The 45-year-old is now planning a more-organized and paid internship program for her Scarsdale, N.Y., business, BFFL, which stands for Best Friends for Life.

When crafting an internship program, make sure it complies with the U.S. Labor Department's six-factor test, says Joseph H. Harris, a partner at New York law firm White Harris PLLC. (Go to the Labor Department's site, dol.gov.) For example, the program should provide educational value and be for the benefit of the intern, not the business. Some states, including California and New Jersey, require employers to meet criteria on top of what the Labor Department demands.

Interns at Billy Van Jura's insurance consulting practice in Poughkeepsie, N.Y., are trained on how to run marketing campaigns from start to finish. They're paid $10 an hour and receive an extra $25 a week if they need to travel for an assignment. "It's stuff I can do, but I get twice the money's worth and they learn," says Mr. Van Jura, adding that he starts his interns out with tasks that aren't critical to the success of his business. "They have permission to fail."
Mr. Van Jura, 35, started recruiting interns from local colleges soon after starting Birchyard in 2011. He says while the insurance industry has a reputation for being dull, he's managed to hire some talented students by pointing out the benefits of being an entrepreneur. For instance, he can be choosy with clients, manage his own hours and work from just about any location.

When evaluating candidates for internships, don't place too much weight on the school they attend, says Olivia Scott-Perkins, principal of Omerge Alliances, a five-month-old entertainment-marketing firm. She recently hired two interns—one who had just graduated from an Ivy League university and another from a community college—and was surprised to see the latter recruit outshine the other. "He had ideas on how to improve things," says Ms. Scott-Perkins, 39, whose business is based in New York City. "His contributions were so significant." By contrast, the intern with the more impressive pedigree required a lot of hand-holding "and some work still didn't get done," she adds.

Another lesson learned the hard way: Don't hire virtual interns, says David Simnick, 25, co-founder of SoapBox Soaps, a health and beauty brand since 2010. Last summer, the Rockville, Md., startup recruited five student interns to work remotely since the company couldn't yet afford office space. Mr. Simnick and his partners assumed they could get by using online technology such as Skype and Google Hangout to assign and oversee tasks in areas such as charity outreach, public relations and business development. But the arrangement quickly floundered, he says. "We found that more time was spent trying to coordinate meetings and fixing technical bugs than actually getting meaningful work done."