Bliss Gately Tool

Business Costs and Impacts of Turnover

Excel Workbook Instructions

and Owner's Manual

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Spreadsheet author:

William G. Bliss, President
Bliss & Associates, Inc.

Spreadsheet programmer:

Robert F. Gately, President
Gately Consulting

Spreadsheet distributor:

The Herman Group
3300 Battleground Avenue, Suite 403
Greensboro, NC 27410-2447
Tel. 336.282.9370
Fax 336.282.2003
Free 800.227.3566 (US & Canada)
info@hermangroup.com
http://www.hermangroup.com

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I. Welcome

If you did not receive this manual directly from Bob Gately, click here to send Bob an email to register this copy of the owner's manual. Be sure to add "Owner's Manual" to the subject line. Updates will be sent to registered owners.

If you are in a rush, see the Quick Start section below.

You have either purchased one of the functional versions of the *Business Costs and Impacts of Turnover* Excel spreadsheet or you have downloaded the free version and this Owner's Manual. Be sure to read this document to learn as much as you can before you open and use the spreadsheet. The Inside Information section below contains three important considerations.

Once you have taken the plunge and actually calculated the cost of replacing an employee you will be either surprised at the cost or pleased that your intuition is correct. In either case the next step it to take action that begins to reduce your turnover rate so that you can reap the rewards of lower turnover.

Many employers have cut their turnover rates in half within a year and a half by being more selective in the hiring process. The method we recommend is called job matching and it is used by over 25,000 employers across the United States, Canada and elsewhere.

Job matching is the process of matching people to the demands of the job. Some people may call it talent matching, such as the Gallup employees who wrote the book "First break all the rules, what the world's greatest managers do differently." If you'd like to read a review of the book, please read Article B; First Break All The Rules.

II. Quick Start

The Quick Start worksheet is the first sheet in the workbook. All data can be entered and accessed through the Quick Start sections. Open Excel then open the worksheet that you purchased then go to the Quick Start worksheet and follow Steps 1 through 10. As you get more experienced you may want to enter the data directly into the worksheets, see next section, or even the Records worksheet which is the fastest way to enter, store, and edit data.

III. Spreadsheet Instructions

A. Background

The *Business Costs and Impacts of Turnover* Excel spreadsheet, developed by William (Bill) Bliss and Robert (Bob) Gately, helps executives to calculate the cost of replacing their employees. In the late 1990's Bob Gately of Gately Consulting <http://go.ourworld.nu/gately/> searched the Internet looking for a comprehensive approach for calculating the cost of replacing employees. The most comprehensive approach he found was in an article entitled "The Cost of Turnover" by Bill Bliss of Bliss & Associates, Inc. , <http://www.blissassociates.com> Bill and Bob then collaborated on the spreadsheet. Bill's excellent insights and his article coupled with Bob's spreadsheet prowess lead to the spreadsheet as you see it. The updated article is Attachment A.

B. Buttons, Navigation

> This button, if at the top of the worksheet, takes you to the next worksheet other wise it takes you to the Performance Turnover worksheet, row 100.

< This button, if at the top of the worksheet, takes you to the prior worksheet other wise it takes you to section "EJ3 Job Data" on the Employer and Job Data worksheet.

Input Form This button opens the associated Input Form

User Data This button opens the User Data form.

Print this page This button prints the current worksheet.

Save Current Values to … These buttons copy the contents of the current worksheet into the first empty column to the right on the Records worksheet for later recall and reuse, see Summary, Recap and Records worksheets.

Use this column This button copies the data below back into the worksheet, see Records worksheet, for reuse.

Delete this column This button deletes the data below, see Records worksheet.

C. Cell Colors

You can enter data into red cells or let the Input forms save their data into the red cells.
Blue cells contain values calculated from the red cell values.
Black cells contain sums of blue cells.
You should not change anything in blue or black cells.
Make sure you keep the original workbook unchanged in case you need to recover a cell formula.

D. Contact Data

Spreadsheet author:

William G. Bliss, President
Bliss & Associates, Inc.
80 Balsam Road
Wayne, NJ 07470
Tel. 973.616.8600
Fax: 973.616.2714
wbliss@blissassociates.com
http://www.blissassociates.com

Spreadsheet programmer:

Robert F. Gately, President
Gately Consulting
115 Dutcher Street
Hopedale, MA 01747-1006
Tel. 508.634.7748
Fax: 508.634.0670
gately@compuserve.com
http://go.ourworld.nu/gately

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F. Data Entry

Data is entered into the red cells in the workbook in any of three ways…

1. Input Forms
2. Directly into the worksheet
3. Indirectly by using the Records worksheet. When entering data directly into a worksheet use only the red cells. Blue cells are calculated values based on data in the red cells and black cells contain sums of the blue cells.

Be sure to enter values in the appropriate units, hours, hourly rate, dollar amounts, etc.

G. Input Forms

To access an input form click on the appropriate button. Input form buttons have several descriptive labels, such as "Input Form", "User Data", etc. The form accessed by the button depends on the button's location. For instance, the Input Button to the right of "Part A Cost due to a person leaving", on the Instructions worksheet, loads the Part A Costs Due to a Person Leaving form.

1. Employer and Job Data – form stores data in worksheet of same name
2. Salary Inputs – form stores data in worksheet of same name

The following forms store data in the Cost Input form

3. Part A Costs Due to a Person Leaving
4. Part B Recruitment Costs
5. Part C Training Costs
6. Part D Lost Productivity Costs
7. Part E New Hire Costs
8. Part F Lost Sales / Revenue / Profits
9. Part G Extraordinary Costs

H. Inside Information

1. **Part A8 - Lost Knowledge, Skills and Contacts -** Be sure that you do not understate or overstate the value of the "Lost Knowledge, Skills and Contacts", see Part A8 on the "Cost Inputs" worksheet and the Part A8 on the "Cost" worksheet. Make sure that "Line A8 - Cost of lost knowledge and skills" on the "Cost" worksheet makes sense to you. Adjust the input values on the "Cost Inputs" worksheet as necessary.

2. **Part F - Lost Sales / Revenue / Profits -** This part may, see Part F on the "Cost Inputs" worksheet and Part F on the "Costs" worksheet, may be ignored if the position does not include sales. Notice that the Recap worksheet does not include Part F in its cost of turnover calculation.

If you set values to zero in Part F, the "Costs", "Summary" and "Recap" worksheets may show errors for Part F.

3. **Part G - Extraordinary Costs -** This part includes items that were not included elsewhere. For most positions the costs in this Part G may be zero.

I. Telephone Assistance

If you need additional assistance after reading this manual, you may take advantage of the telephone assistance ($2 per minute in 30-minute increments, 30 minutes minimum) in accordance with these purchase rules.
Fees must be pre-paid by charge card.

Free Version - no free telephone assistance.

Trial Version - no free telephone assistance.

Working Version - no free telephone assistance.

Full Version - first call free, up to one hour.

Site License Version - up to 2 hours free.

Corporate License Version – up to 4 hours free.

IV. Product Overview

The "Business Costs and Impacts of Turnover" spreadsheet according to Dr. John Sullivan, Fastcompany's "… Michael Jordan of Hiring…", of San Francisco State University says that the "Business Costs and Impacts of Turnover" Excel spreadsheet is the "... best he has seen ..."

The spreadsheet calculates the cost of replacing employees. With this data executives and managers can easily demonstrate the how and why employee selection and retention needs more attention. Replacing employees is very expensive. The cost of a bad hire can be devastating so ask to see our answer to the question, which qualified applicant will make the best employee?

This workbook allows users to determine the actual costs incurred when they lose an employee. The workbook consists of over 90 items to consider when calculating the cost of employee turnover, and has the calculation formulas built in for ease of use. This workbook is a must have for any CEO, Controller, Chief Financial Officer or Human Resources Executive who wants to identify the real cost of losing employees.

The Business Costs and Impact of Turnover Spreadsheet is based on an article that has appeared in several publications and was written by Bill Bliss. Dr. John Sullivan, Head of the Human Resources Management Program at San Francisco State University and a leading expert in calculating the dollar impact on business also provided his insight in preparing this product. The spreadsheet identifies costs to consider when determining the business impact of an employee who leaves the company. Such costs include lost productivity, the recruitment cost, the training costs and the new hire costs. All companies have to do is enter their hourly rates, hours, and various other costs and the spreadsheet does the rest.

"Employment experts have stated that it costs a company between 100 and 200 percent of an employee's base salary to replace a person. While there was some debate over what that exact number is in a company, this spreadsheet product finally allows companies to determine their actual costs" said Bliss. Gately added, "If you accept that the cost of turnover is 150% of base salary and a company looses 100 people a year at an average base salary of $50,000, the cost of turnover equates to $7.5 million dollars! That figure will surely get the attention of the CEO."

Using the business principle of "what gets measured gets managed", this workbook provides an easy to use tool to manage the impact of turnover. The product is available by calling Gately Consulting at 508-634-7748.

Please read the instructions for each worksheet below.

Telephone assistance, pre-paid by charge card, is billed at $60 per hour in 30-minute increments. For additional information contact:

Robert F. Gately, PE, MBA
Strategic Business Partner of Profiles International, Inc.
Gately Consulting
115 Dutcher Street
Hopedale, MA 01747
508-634-7748
508-634-0670 Fax
gately@compuserve.com

V. General Instructions

Print Forms B and C to use in data collection.

To use the Data Input forms, click on the Input Form buttons or go to the appropriate worksheet and enter the data into the red blocks line by line or use the Records worksheet, see the instructions for the Records worksheet under Specific Worksheet Instructions below. The Records worksheet is the best method for entering data.

VI. Specific Worksheet Instructions

A. Instructions worksheet provides instructions for each line item.

Print the Instructions worksheet and use as a ready reference.

Pricing Information. This section contains the various pricing options. If you upgrade to the next version you pay only the difference.

Printing Instructions. This section contains various ways to print the pages. If you have Report Generator enable you may use the Report Manager. The *Print this page* button is a convenient method to print each page.

Copyright Information. The Trial, Working and Full Versions may be used by only one person at a time. The Site License Version may be copied and used by up to six employees at one time at one location only. The Corporate Version may be copied and used by as many 100 employees at as many sites as needed within the same corporation. Duplication for archival purposes is acceptable but duplication for non-employee use is strictly prohibited

Contact Information. The data for the user, the spreadsheet author and programmer are listed.

Worksheet Instructions. This section is a comprehensive checklist of items to include when calculating the Business Costs & Impacts of Turnover in any organization.
Print Forms B and C to make data collection easier.
Each item has a unique line item for ease of reference.
Two examples, 10% and 25% turnover rates, are included using data taken from the workbook.
Each worksheet is briefly described by each line number.

Employer and Job Data. This section lists the data to be entered into the worksheet -- Company Name, User's title, Address, Telephone Numbers, etc. Contact Data -- Person's Name, Title, Address, Telephone Numbers, etc... Job Data: Job Title, Weighting Factors by type and type of Employee leaving.

Salary Inputs. This section lists the data to be entered into the Salary Inputs worksheet.

Cost Inputs. This section lists the data to be entered into the Cost Inputs worksheet.

B. Employer and Job Data worksheet has the user's data.

Enter your data or your client's data on this worksheet or use the Input Forms, whatever is easiest. You may also enter the data on the Records worksheet, see the instructions below. Also, enter data in section EJ3- Job Data for later use in the Dr. Sullivan's Performance Turnover worksheet.

C. Salary Inputs worksheet has 10 position's hourly salaries to be entered.

Users may enter the data on the Salary worksheet or use the Input Form or use the Records worksheet. Use 35% of salary to cover the cost of benefits, if you are not sure. Hourly rates for…

1. vacant position
2. fill-in person in vacant position
3. the position's supervisor
4. the position's manager
5. the position's director
6. internal recruiter
7. internal recruiter's assistant
8. hiring department's staff
9. orientation personnel
10. training personnel

D. Salary calculators worksheet calculates various hourly rates.

The following costs are calculated for each of the 10 positions identified on the Salary worksheet for use by other worksheets

- Hourly rate for vacant position
- Additional cost for full benefits
- Fully burdened hourly rate
- Weekly Salary
- Monthly Salary
- Annual Salary, unburdened

E. Cost Inputs worksheet, user enters various cost drivers.

User must edit/enter/delete the data for some or all of the 98 items in the 7 parts. The more data you include the more accurate your estimate. However, the cost to replace an employee is generally higher than most managers realize. Fine tuning the estimate may give a more accurate answer but the magnitude may not be much different. Start by entering as little data as necessary and keep adding/editing data until the magnitude of the answer is sufficient for your business needs.

Part A - Costs Due to a Person Leaving, 26 input items in 11 subparts
Part B – Recruitment Costs, 30 input times in 8 subparts
Part C – Training Costs, 10 input items in 5 subparts
Part D - Lost Productivity Costs, 10 input items in 8 subparts
Part E - New Hire Costs, 8 input items in 2 subparts
Part F - Lost Sales / Revenue / Profits, 9 input items in 3 subparts
Part G – Extraordinary Costs, 5 input items in 5 subparts

F. Cost calculators worksheet, various costs are calculated.

This worksheet calculates the cost for each line item in the seven parts.

Part A - Costs Due to a Person Leaving, 40 items in 11 subparts
Part B – Recruitment, 52 items in 8 subparts
Part C – Training, 8 items in 5 subparts in 2 subparts
Part D - Lost Productivity Costs, 30 items 10 input items in 8 subparts
Part E - New Hire Costs, 9 items in 2 subparts
Part F - Lost Sales / Revenue / Profits, 9 items in 3 subparts
Part G - Extraordinary Costs, 5 items in 5 subparts

G. Summary worksheet, costs are presented in 7 parts.

The Summary worksheet presents the cost for each major group as line items in the seven parts and numerous subparts.

Part A - Costs Due to a Person Leaving, 11 line items
Part B – Recruitment, 8 line items
Part C – Training, 5 line items
Part D - Lost Productivity Costs, 8 line items
Part E - New Hire Costs, 2 line items
Part F - Lost Sales / Revenue / Profits, 3 line items
Part G - Extraordinary Costs, 1 line item

H. Recap worksheet, costs are presented in the 7 parts.

The Recap worksheet shows the cost of each of the 8 part as a one line item plus it calculates the cost of turnover as a percent of unburdened salary.

Part A - Costs Due to a Person Leaving
Part B – Recruitment Costs
Part C – Training Costs
Part D - Lost Productivity Costs
Part E - New Hire Costs

Part F - Lost Sales / Revenue / Profits
Part G - Extraordinary Costs

I. Form A is blank **Employer and Job Data** worksheet

Print this worksheet to aid in data collection especially if you are working with clients.

J. Form B is a blank **Salary Inputs** worksheet

Print this worksheet to aid in data collection especially if you are working with clients.

K. Form C is a blank **Cost Inputs** worksheet

Print this worksheet to aid in data collection especially if you are working with clients.

L. Order Form worksheet, use to order an upgrade or place an order.

Print this worksheet and fax to 508-634-0670 to order an upgrade or place an order.

M. **Records** worksheet, for storing data for later recall and reuse.

The Records worksheet is where you can store data for later recall and reuse. However, this worksheet is not active in the free version. You must have the Full, Site or Corporate version to access this worksheet.

You can store the data in the current worksheet to an empty storage column on the Records worksheet and then edit the data directly and then copy it back into the worksheet to calculate the cost of new or existing position. Use the following buttons at the top of the worksheet.

Save Current Values to empty columns to the right.	This button copies the contents of the current worksheet into the first empty column to the right for later recall and reuse.
Use this column	This button copies the data below back into the worksheet
Clear this column	This button deletes the data below

N. **Copies** worksheet, ignore this worksheet.

Ignore this worksheet. It is of value only if Gately Consulting directs you to do something with the data on the Copies worksheet.

O. **Performance Turnover** worksheet, for comparing turnover rates.

The Performance Turnover worksheet is based on Dr. John Sullivan's article of the same name. Similar turnover rates may or may not have a similar impact to an organization's bottom line. For instance, one manager with a 15% turnover rate is losing the bottom 15% while another manager with a 15% turnover rate is losing the top 15%. Same turnover rate but vastly different impacts.

Dr. Sullivan starts with the assumption that losing a "Hi-Per" (High Performing Employees) is three times as bad as losing a "Lo-Per" (Low Performer).

Performance Appraisal ratings are used to give the appropriate weight to each manager in accordance with the manager's past performance. Weighting factors are also used to take into account the relative value of top, middle and bottom performers. Most managers intuitively know that it costs more to lose a top performer than a bottom performer.

VII. Articles

The following articles will introduce *the Business costs and Impacts of Turnover* spreadsheet as well as the job fit method that will help you significantly reduce your turnover rate thereby saving half, if not more, of your cost of employee turnover. Other articles are included to pique your interest. Increasing productivity starts long before the job offer is made.

***Business Costs and Impacts of Turnover Excel Workbook Instructions and Owner's* Manual**

Article A

Business Cost and Impacts of Employee Turnover (the cost of turnover)

by William G. Bliss

One of the most critical components of success for the business owner, regardless of size, is the ability to keep the cost of doing business at a minimum. Obviously, every owner wants to ensure the best possible profit margin for the sustained growth and success of a business. What many businesspeople fail to realize is that employee turnover can represent a very substantial cost and lead to erosion of the bottom line.

Would it surprise you to learn that it will cost at least 150% of a person's base salary to replace him or her? Actually, the more you pay a person, the higher that percentage will be - because the more you pay this person, obviously, the more you value their contribution to the growth and success of your business. Most businesses will probably pay their top salesperson triple (or more) what they pay a bookkeeper. The business values the contributions of the salesperson at a higher level, at least in strictly monetary terms, over those of the bookkeeper, although both perform valuable roles.

Let's say you have an employee with an annual salary of $50,000 who leaves a company. (The reasons for leaving are not important in this case: if the plan is to replace them, the costs will be the same.) It will cost a company a minimum of $75,000 to replace that person. This cost includes the savings realized because the person has left! And, all of that cost is taken away from the bottom line. We have developed a Turnover Cost Projection Model that identifies and calculates all the costs incurred.

The model indicates that the business costs and impact of employee turnover can be grouped into four major categories: 1) Costs due to a person leaving; 2) hiring costs; 3) training costs; and 4) lost productivity costs. For purposes of illustration, I'm going to use an example of a Financial Analyst in a mid-sized company. This person is paid an annual base salary of $52,000, which works out to an hourly rate of $25, assuming a 40-hour workweek.

Costs due to a person leaving

When this Financial Analyst announces that s/he is leaving, (to avoid awkwardness, allow me to use the preposition "he" for now on) he has immediately begun to transition out of the company. Even though he has given you two or three weeks' notice, his mind and full attention are not on this business anymore; this is simply human nature.

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At this point, costs include the following: employees who must fill in for the person who leaves before a replacement is found; the lost productivity of the employee while he is still in his position but not fully concentrating on his job; the cost of a manager or other executive having an exit interview with the employee to determine what work remains, how to do the work, why he is leaving, etc.; the cost of training the company has provided this departing employee; the cost of lost knowledge, skills and contacts of the departing employee; the increased cost of unemployment insurance; and the possible cost of lost customers the departing employee is taking with him (or that leave because service is negatively impacted). The sum total of these costs can be as much as 85% of this position's base salary or $45,000.00.

Hiring costs

Unless there is someone to promote or the perfect person just happens to come along at the right time, there will be some costs associated with identifying and hiring a replacement for the Financial Analyst position. These costs will include items like; advertising, an employment agency, employee referral award, Internet posting and other forms of announcing the availability of the position. More money may well have to be offered to attract the right candidates. At the next stage, interviews conducted by management and/or hiring department staff will cost money in terms of the time they spend arranging for interviews, conducting the interviews, calling references, having discussions about the people they met, and time spent notifying candidates who did not get the job.

The time spent on these activities will also cost money in terms of lost productivity, because, with rare exceptions, these people are not employed to be full-time interviewers. Also included here are any skills, personality or assessment testing your company may utilize. Finally, there is the cost of conducting pre-employment checks such as past employment histories, drug screening, educational, verifications and (possibly) criminal background checks. And don't forget these assessments and reference checks may be conducted on more than one candidate for this opening. The sum total of these costs will be from 15% of this position's base salary or approximately $8,000.00. This will increase to about 38% of the position's base salary or $20,000.00 if an employment agency is used.

Training costs

Now that the person is hired for the Financial Analyst position, they can't be expected to know absolutely everything on his first day, can they? Costs to factor in for training include any new employee orientation that explains benefits, basic policies, company history, etc.; specific training for the person to do his job, such as computer training, product knowledge, industry knowledge, and the day-to-day duties to get the job done. Even though this may be informal or on-the-job training, the time it takes for various people to impart this knowledge is costing money - especially since people who are knowledgeable enough to train others are probably also highly valuable the company. Set the sum total of these costs at approximately 13% of the position's base salary or $7,000.00

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Lost productivity costs

Because the newly hired employee does not come fully trained, it will take some time before he is fully productive in his new position. This is true even if someone has been promoted from within the company. The following formula can be used: the employee is only 25% productive for the first four weeks; 50% productive for weeks 5 - 8; 75% productive for weeks 9 - 12; and will finally reach full productivity after week twelve. Since this person is being paid at the full rate of pay during this period, there are still more lost productivity costs. Naturally, for more senior-level positions, or those requiring longer periods of time to develop full productivity, the costs will be higher.

During this time of lost productivity, the person's supervisor is also spending more time instructing, reviewing work and possibly correcting mistakes. (There will be some mistakes that are not caught right away and will cost money to correct down the line such as with a customer who receives an incorrect price, invoice or actual shipment due to the new person's error.) Put the sum total of these costs at approximately 32% of the position's base salary or $17,000.00

Adding the subtotals of each major category discussed above gives a total of $77,000.00 if an employment agency is not used and $89,000.00 if one is used. The first figure is just about 150% of the original $52,000.00 base salary we used in this example. (And remember the additional costs of employee benefits and company paid taxes on top of that, which can range from 20 to 30 percent of the base salary.)

If we were looking at a sales position, the costs would be significantly higher due to the value of lost sales or customers. To calculate this cost, take the costs listed above and add the average revenue per sales representative divided by the number of weeks the position is vacant. This total will be well above 200% of the sales person's annual compensation.

The employee as resource, rather than expenditure

For a company with $5 million in revenue and $250,000.00 in net income, they have just spent between $75,000.00 and $90,000.00 of that profit to replace someone! You may say that these are just "the costs of doing business" and to a certain extent, that's true. However, would you rather spend $75,000.00 on purchasing a new piece of equipment that can increase your manufacturing or service capacity, or use it just to maintain the status quo?

Many managers have focused only on the cash cost of employee turnover. They do not realize the entire cost and impact of turnover. The point is that the cost of time and lost productivity are no less important or real than the costs associated with paying cash to vendors for services such as advertising. This is something often overlooked or underestimated by employers; yet in today's tight job market, with companies competing for skilled workers, these costs are becoming more and more significant.

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This is not to say that all employee turnover can or should be eliminated. But given the high costs involved and the impact on productivity and customer service, a well thought-out program designed to retain employees can easily pay for itself in a very short period of time. Unless you are prepared to beat all of your competition on wages all of the time, it is a good idea to start taking a hard look at your benefits, your policies and the "intangibles" that make your company a desirable place to work.

 William G. Bliss is President of Bliss & Associates Inc., a Wayne, NJ firm that works with business owners who want to get the most from their management teams and with individual executives who want to improve their own effectiveness. He has given speeches, authored and been quoted in numerous publications on a variety of management topics. He can be reached via email at wbliss@blissassociates.com or via telephone at 973-616-8600.

Article B

First, break all the rules, what the world's greatest managers do differently

by Marcus Buckingham & Curt Coffman
the Gallup Organization
reviewed by Robert Gately

This is an exceptional book. We recommend that you purchase and read it. This memo is based on the book but it should not be a substitute for buying and reading the book. The authors deserve your purchase and you will be rewarded for it.

The authors' recommendations are based on Gallup's interviews of over 80,000 managers in over 400 companies across numerous industries -- the largest study of its kind ever undertaken. This book helps explain why job fit is so important when selecting employees. The authors' define a "*talent*", (page 71) as *"a recurring pattern of thought, feeling, or behavior that can be productively applied...The emphasis here is on the word 'recurring.' Great managers say 'Your talents are the behaviors you find yourself doing often."'*

Job matching identifies the recurring patterns of behaviors of top performers (page 103) so that managers can identify which job applicants have the same recurring patterns of behavior. If the authors are correct, and we think they are, this book is a reliable source of insight into how to select and manage your people.

According to the authors (page 28) measuring the strength of a workplace can be simplified to 12 questions

1. Do I know what is exp ected of me?
2. Do I have the materials and equipment need to do my work right?
3. At work, do I have the opportunity to do what I do best every day?
4. In the last seven days, have I received recognition or praise for doing good work?
5. Does my supervisor, or someone at work, seem to care about me as a person?
6. Is there someone at work that encourages my development?
7. At work, do my opinions seem to count?
8. Does the mission/purpose of my company, make me feel my job is important?
9. Are my coworkers committed to doing quality work?
10. Do I have a best friend at work?
11. In the last six months, has someone at work talked to me about my progress?
12. This last year, have I had opportunities at work to learn and grow?

Questions that have everyone answering "Strongly Agree" are weak questions.

The authors repeat t the following four lines several times in the book (pages 57, 67, 79)

- **People don't change much.**
- **Don't waste time trying to put in what was left out.**
- **Try to draw out what was left in.**
- **That is hard enough.**

Great managers look inward...Great leaders, by contrast, look outward...Great managers are not simply managers who have developed sophistication. (page 63).

When hiring, *Conventional Wisdom* says (page 66)...

1. select a person...based on his experience, intelligence and determination.
2. set expectations...by defining the right steps.
3. motivate the person...by helping him identify and overcome his weaknesses.
4. develop the person...by helping him learn and get promoted.

When hiring, *Great Managers* say...

1. select for talent...not just experience, intelligence or determination.
2. define the outcomes...not the right steps
3. focus on strengths...not weaknesses
4. help find the right fit...not the next promotion

Conventional Wisdom says...

1. Experience makes the difference.
2. Brainpower makes the difference.
3. Willpower makes the difference.

Great managers agree with the three items above but great managers label willpower a talent and it is almost impossible to teach (page 72). Only the presence of talents can explain why, all other factors being equal, some people excel in the role and some struggle (page 73).

As manager you need to know exactly which talents you want. (page 101) Great talents need great managers if they are to be turned into performance. (page 102)

Each employee breathes different psychological oxygen. (page 151)

You cannot learn very much about excellence by studying failure...Excellence is not the opposite of failure. (page 157)

Whereas conventional wisdom views individual specialization as the antithesis of teamwork, great managers see it as the founding principle.(page 173) In the minds of great managers, consistent poor performance is not primarily a matter of weakness, stupidity disobedience, or disrespect. It is a matter of miscasting (page 209)

Here are the Four Keys that senior managers can use to break through conventional wisdom's barricades (page 236):

A. Keep the focus on outcomes.
B. Value world class performance in every role.
C. Study your best.
D. Teach the language of great managers.

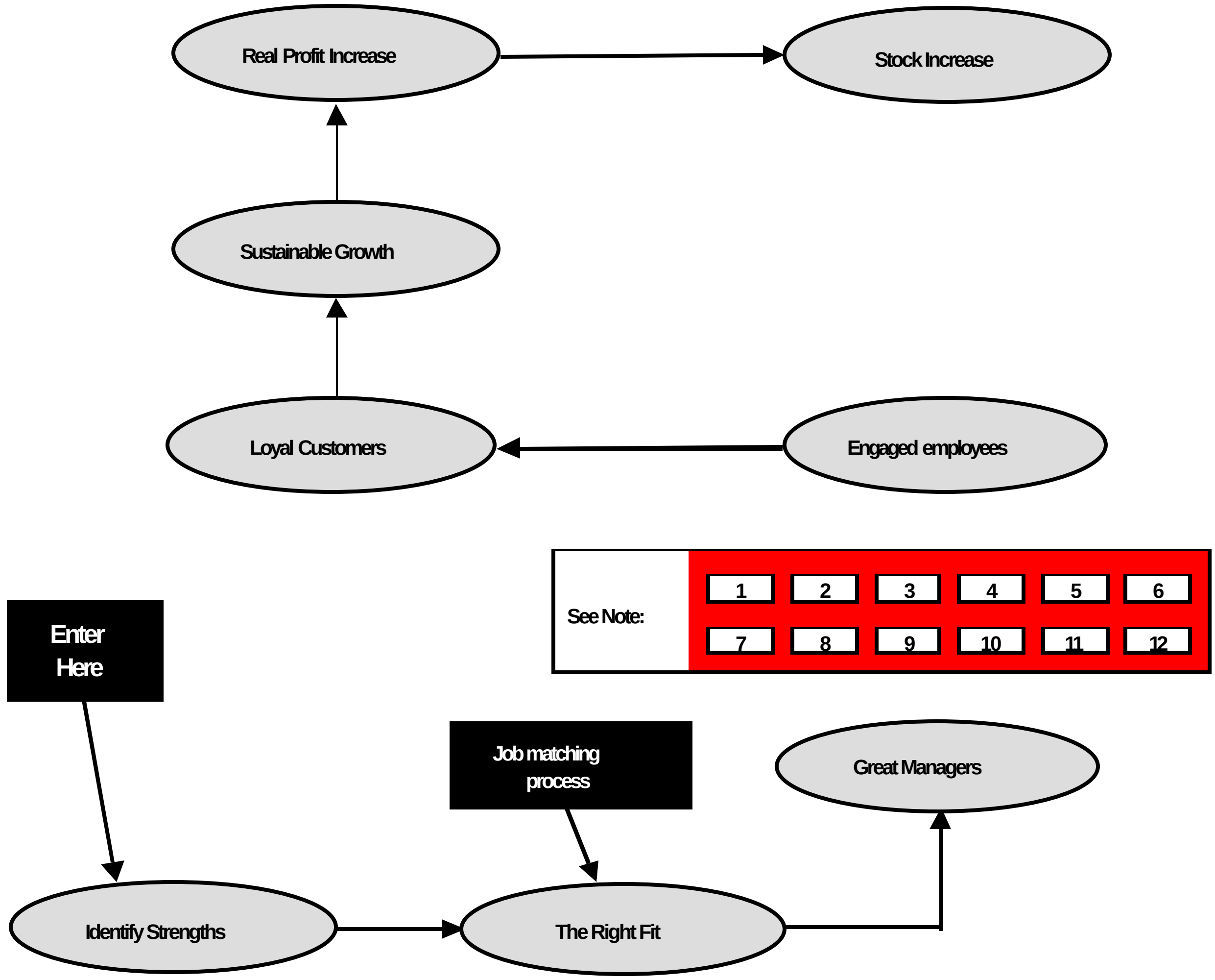
- "the manager—not pay, benefits, perks, or a charismatic corporate leader—was the critical player in building a strong workplace." (page 32)

- "It tells us that people leave managers, not companies. So much money has been thrown at the challenge of keeping good people—in the form of pay, better perks, and better training—when, in the end, turnover is mostly a manager issue. If you have a turnover problem, look first to your managers." (page 33)

- "It is better to work for a great manager in an old fashioned company than for a terrible manager in a company offering an enlightened employee– focused culture." (page 34)
- "...from the employee's perspective, managers trump companies." (page 36)
- "This company didn't have one culture. It had as many cultures as it did mangers. No matter what the company's intent, each store's culture was a unique creation of the managers and supervisors in the field." (page 38)
- "Great managers look inward...Great leaders, by contrast, look outward...Great managers are not simply managers who have developed sophistication." (page 63).
- **"a 'talent' is a recurring pattern of thought, feeling, or behavior that can be productively applied...The emphasis here is on the word 'recurring.' Great managers say 'Your talents are the behaviors you find yourself doing often.'"** (page 71)
- "The key to excellent performance, of course, is finding the match between your talents and your role." (page 71)
- "Whether the excellence is 'celebrated' or anonymous, great managers know that excellence is impossible without talent." (page 71)
- "First, you cannot teach talent." (page 73)
- "**Only the presence of talent can explain why, all other factors being equal, some people excel in the role and some struggle."** (page 73)
- "A manager can never breathe motivational life into someone else." (page 92)
- "Myth #1: Talents are rare and special." (page 93)
- "Myth #2: Some roles are so easy, they don't require talent." (page 95)
- "As a manager you need to know exactly what talents you want." (page 101)
- **"The difference between greatness and failure in sales is that the great salesperson is not paralyzed by fear** ... the bad salesperson simply feels the fear." (page 103)
- "Take time to **study your best**, say great managers. Learn the whys, the hows and the whos of your best and then select for similar talents." (page 103)
- "Great talents need great managers if they are to be turned into performance." (page 105)
- "Each employee breathes different psychological oxygen." (page 151)"
- "You cannot learn very much about excellence by studying failure...Excellence is not the opposite of failure." (page 157)
- "Whereas conventional wisdom views individual specialization as the antithesis of teamwork, great managers know it is the founding principle." (page 173)
- "In the minds of great managers, consistent poor performance is not primarily a matter of weakness, stupidity, disobedience, or disrespect. It is a matter of miscasting." (page 209)

Appendix A: The Gallup Path to Business Performance

"What is the path to sustained increase in shareholder value"



Note: Measuring the strength of a workplace can be simplified to 12 questions (see page 28):

1. Do I know what is expected of me?
2. Do I have the materials and equipment I need to do my work right?
3. At work, do I have the opportunity to do what I do best every day?
4. In the last seven days, have I received recognition or praise for doing good work?
5. Does my supervisor, or someone at work, seem to care about me as a person?
6. Is there someone at work that encourages my development?
7. At work, do my opinions seem to count?
8. Does the mission/purpose of my company, make m feel my job is important?
9. Are my coworkers committed to doing quality work?
10. Do I have a best friend at work?
11. In the last six months, has someone at work talked to me about my progress?
12. This last year, have I had opportunities at work to learn and grow?

Article C

Motivation is Free, so why try to buy it?

by Robert F. Gately

Motivation is free so why do managers try to buy it? Managers are seldom equipped psychologically to talk to their people on a personal level. One reason is that many people are managers because of their technical ability not because of their managerial or people skills. We should reward technical experts with higher salaries but not with promotions to management. We would be far better off if we promoted to management the people who have good managerial and people skills and poor technical skills — which will solve two problems:

1 - Improve overall technical competence

2 - Improve managerial effectiveness

As long as executives do not know how to identify future effective managers, management will be stuck with the Peter Principle:

In a hierarchy, every employee tends to rise to his level of incompetence.

When ***managers*** are asked to list the ***Top Ten Motivators*** for their employees the list looks like:

1 - Salary
2 - Bonuses
3 - Vacation
4 - Retirement
5 - Other Benefits & Perks
——— the money line ———
6 - Interesting work
7 - Involved in decisions
8 - Feedback
9 - Training
10 - Respect

Note:

Managers rank money items as their employees' Top Five Motivators.

When ***employees*** are asked to rank their ***Top Ten Motivators*** the list looks like:

1 - Interesting work
2 - Involved in decisions
3 - Feedback
4 - Training
5 - Respect
—— the money line ———
6 - Salary
7 - Bonuses
8 - Vacation
9 - Retirement
10 - Other Benefits & Perks

Note:

Employees rank items that are equivalent to money as their bottom five motivators.

The managers' top five motivators are the employees' bottom five motivators. The managers' top five motivators are more related to the need of the managers to avoid personal contact with employees than the desires or motivational needs of their employees.

Managers pick the top five motivators because these are the things that managers can "give" their employees from behind closed doors. Managers never have to ask what their people what or need, i.e., no involvement on a personal level. This "behind closed doors" approach allows managers to feel more comfortable while avoiding personal contact even to the detriment of the organization.

Note:

Managers give the same sequence as employees when asked to rank their own motivators.

Article D

Job Fit: Right Person – Right Job

by Robert F. Gately

Skills are necessary, but not sufficient to predict future success on the job. What is missing? The answer is **JOB FIT**. Does the applicant have the right combination of mental abilities, interests and personality traits to allow success on the job? Very few managers can do this type of assessment without very expensive professional assistance, until now.

Few managers can determine Job Fit so what they evaluate is the applicant's qualifications, education, etc., but not Job Fit. According to Chuck Russell on page 25 of his new book RIGHT PERSON-RIGHT JOB; GUESS or KNOW, The Breakthrough Technologies of Performance Information. ***"Job Fit is the degree to which the candidate's cognitive abilities, interests, and personality dynamics fit those required by the position."***

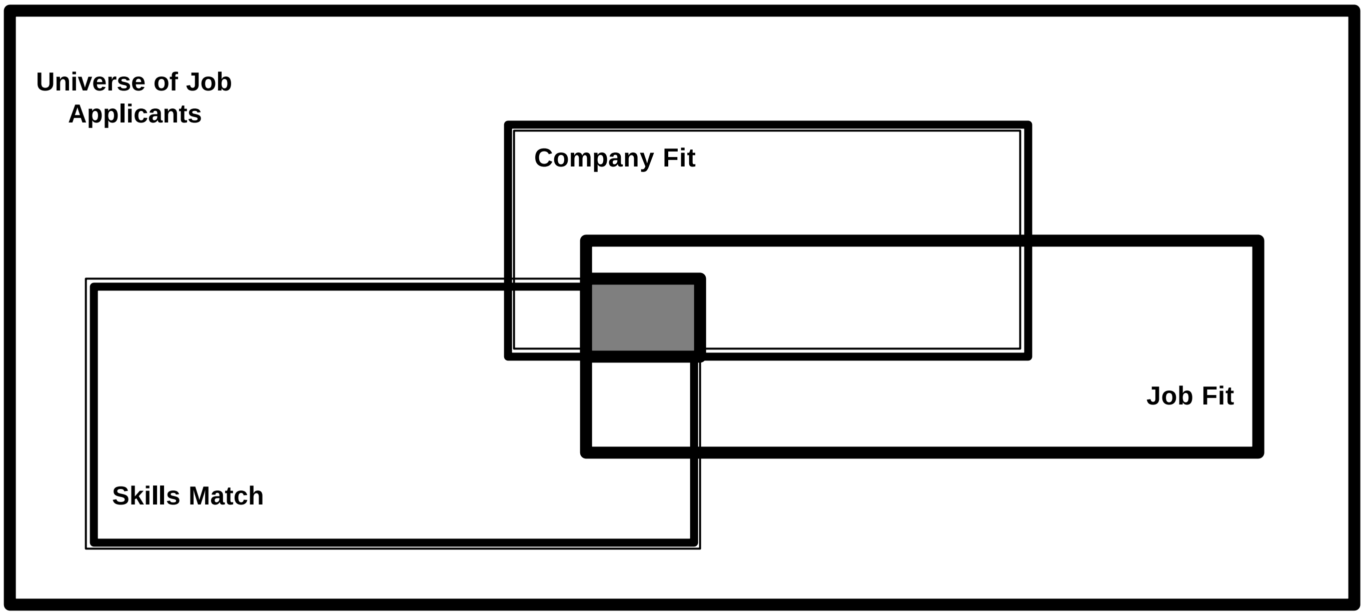
You can see by the overlapping three boxes, see next page, that unless we consider Job Fit our pool of acceptable candidates will include many applicants who will not be successful because they lack Job Fit. According to the Job Fit concept only about 1/3 of the otherwise qualified applicants have Job Fit based on the success traits required for most positions. The other 2/3 include obvious misfits and the less obvious future non-performers. The misfits and non-performers are about equal in number (1/3 each) but only the obvious misfits are readily excluded in the screening process.

Therefore, we have reduced the pool of acceptable applicants by 1/3, i.e., the obvious misfits, and we are left with the 1/3 future non-performers and the 1/3 with Job Fit. Or stated another way, the pool of acceptable candidates consists of two equal sized groups — applicants with Job Fit and the future non-performers. Since most managers cannot distinguish between the two groups the success rate in hiring good employees is about 50%.

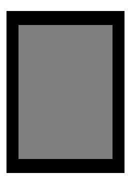
Now consider the *Peter Principle* and the tendency of managers to hire and promote people who are like themselves and we see that the percentage of applicants with Job Fit gets smaller and smaller. Management must break out of this downward spiral and start hiring and promoting employees who have Job Fit for the role of manager. Unless our best people are selected for management positions there is little hope for improvement.

Finally, the best technical employees seldom make the best managers, therefore a sea change in thinking must be accomplished in most companies. Be forewarned, however, that it may be impossible for some managers to admit to themselves and others that they may have been selected for their position based on inadequate criteria, i.e., technical excellence and speaking ability.

The following is from page 20 of Chuck Russell's book **"RIGHT PERSON-RIGHT JOB; GUESS OR KNOW, The Breakthrough Technologies of Performance Information."**



Shaded area represents job applicants with:



- **Company Fit**
- **Skills Match**
- **Job Fit**

Company Fit is measured by:

1 - Drug Testing
2 - Integrity Testing
3 - Honesty Testing
4 - Interviewing

Skills Match is determined by:

1 - Education
2 - Work History
3 - Skills Testing
4 - Reference Checking

Job Fit is assessed by:

1 - Thinking Styles
2 - Occupational Interests
3 - Behavioral Traits

Article E

Why training fails, a football story

by Robert F. Gately

Let's say we are going to start and staff a team. We place a help wanted ad looking for strong team players with excellent physical skills, and we offer great pay, excellent benefits, outdoor work, 6 months off per year, etc. Applicants start applying. We are pleased, we are inundated with great-looking resumes.

How much time do we spend reviewing the resumes? 28 seconds per resume. How do we select which applicants to interview? We look at their resumes again: does the applicant have adequate education; does the applicant have experience working on a team, any team. We then call in the finalists.

The interviews are great. The interviewer tells the applicants all about the team. The applicants are all excited about the possibility of being a member of the team. Everyone wants a job. What do we do? We use our ever trusty "gut feel" to make the final decision on who gets to play on our team. Oh, I almost forgot, during the interview we also noted who were the biggest applicants and we made job offers to the biggest applicants, since we are staffing a football team and everyone knows "bigger is better". Phew, we are finally finished staffing our team.

Now we must assign our players to team roles. How do we do this? The old fashioned way — we assign them according to our needs at the moment. The offensive coordinator is screaming to get the offensive players selected first so he can get them trained as soon as possible and the offensive coordinator is not to be trifled with so we send him the 20 biggest players. We then assign the next 20 biggest players to the defense and the remaining go to the special teams. Finally, we are done, almost.

We then assign the biggest offensive players to the offensive line. We do the same on defense and the special teams. We then assign the remainder of the players to the various other positions based on size — our primary selection criteria since everyone knows that "bigger the better". Are we done yet? No, we still need to train each player for their positions.

Now training begins. The offensive linemen are taught their positions, and they practice and practice and practice until they are the best linemen they can be. Classroom work and practice have been fantastic. Each player has learned his position in the classroom and each has made great individual progress on the practice field. The same applies to the defensive and special teams. We are ready to play, bring on the Super Bowl Champs!

A. Will each player attain his maximum potential at his position?
More than likely.

We should be very pleased with our trainers.

B. Will we have hired the best players available? Very unlikely since our primary selection criteria was size; not speed, not ability, not motivation, not desire, not work ethic, not interest and not suitability for the position they are playing.

C. Will we have assigned each player to the role that he is best suited to perform? Most unlikely since we did not evaluate their fitness for their position before we assigned them to their position.

D. Will our team be successful? Only if we play against teams that also select their players the same way — not the New England Patriots that's for sure — so we ought to limit our games to the minor leagues and bemoan that our players are unable to achieve success in the big leagues.

Should we blame the trainers for our team's lack of success?

E. Will our players be motivated? For a while, but not for long, since constant failure is not well-suited to maintaining employee motivation, but we can always play in the minor leagues and be the best we can be.

In the real world of professional football the hiring managers get to see their job applicants in their respective positions on game film after game film. They have in depth scouting reports on the top prospects. They have a camp in the spring before the football draft to measure players height, weight, speed, physical condition, flexibility, and yes even mental ability. They even have training camp and pre-season games to evaluate how each player performs in his position.

In the real world of employee selection we all too often use "bigger is better" as our primary selection criteria and just like in our football analogy "bigger" is not always "better", just "bigger." When reading the above football story substitute "college grades" for "bigger is better" or "Alma Mater" for "bigger is better" or "education" for "bigger is better" or "past experience" for "bigger is better." Many of the selection criteria we so often use to make our final hiring selections are often irrelevant to success on the job.

We need to screen in applicants who have at least minimal competence and a maximum fit for the job. In our football example above we need to know which of the positions each player is best suited to perform and we need to know this before they are hired, not after. Too many employers use the "bigger is better" screening method when, in fact, they ought to use less costly and more reliable screening methods.

Article F

Selecting Managers - How to avoid the Peter Principle

By Robert F. Gately

Reprint from the *Journal of Management in Engineering / May/June 1996.*

Editor's note: This issues guest editorial is by Robert Gately, president of Gately Consulting, a professional engineer and hiring specialist who also holds a master's degree in business administration, giving him a special perspective on engineering management issues. His letter looks at all the wrong reasons engineers are often promoted to management positions under current hiring systems, and recommends how firms can pick managers and leaders with the right stuff to compete in today's challenging environment.

Why do we select the most competent engineers for management positions? Why do so any of them become less than competent at managing? The answer lies in the way engineers perceive themselves and those around them. From my perspective as a professional engineer and hiring specialist, selecting the right engineers for management is not very hard. The hard part is overcoming the resistance of many engineering managers to self-evaluation and self-knowledge.

After 30 years of observing engineers in various management positions, I have to agree that engineers are generally selected for management positions for the wrong reason—that is, technical competence rather than managerial proficiency. Engineering managers are seldom educated and/or trained to understand themselves or other people, and, sadly, many of them do not realize the value of such knowledge. Ignorance may be bliss, but in the business of engineering that ignorance lowers productivity and profits—not to mention company morale.

In "Transforming the Engineer into a Manager: Avoiding the Peter Principle" *Civil Engineering Practice*, Fall 1989, Neil E. Thornberry asserts that young engineers are judged on technical merit and accomplishment and that promotions go to the technically proficient and verbally expressive engineers, while less technically proficient and verbally expressive engineers wait their turn.

What makes a good engineer? For many managers the answer is simple: a good engineer follows directions, pays close attention to details, does error-free work, finishes on time and personally does whatever it takes to get the job done. Young engineers receive recognition and rewards primarily through their own efforts by personally producing fast and accurate work and doing so over long hours when necessary.

The reward for this is a promotion with a higher salary and more prestige. After more promotions based on technical proficiency, the reward for further outstanding performance is a promotion into management. There's the rub! The personality traits and work habits that are common in good engineers often cause them to become poor managers.

Managers, unlike young engineers, must know how to achieve their predetermined goals through the cooperative efforts of others, not by doing the work themselves. Managers must not focus on details all the time, only when necessary. Managers must be cognizant of what motivates others to succeed and then allow them to achieve success. Where do engineering managers learn—or fail to learn—these skills? On the job from older engineers, who learned on the job from even older engineers. The pattern persists and competent engineers become incompetent managers—a perfect demonstration of the Peter Principle: "In a hierarchy, every employee tends to rise to his level of incompetence."

Motivating technical professionals

The problem of motivating technical employees cannot be solved until managers do the unthinkable: select engineers for management positions based on their ability to be effective managers, not on technical ability alone. Engineers must be selected for management positions based on "job fit" that is, the engineer must possess the right combination of mental abilities, personality traits and interests that will lead to success as a manager. Until this change is implemented, the profession will continue wonder why their best engineers do not become effective managers, leaders, and community activists.
Most engineering managers cannot determine job fit, so they evaluate the engineer's company fit and skills match. According to Chuck Russell's book Right Person—Right Job: Guess or Know, The Breakthrough Technologies of Performance Information", job fit is "the degree to which the candidate's cognitive abilities, interests and personality dynamics fit those required by the position."

Company fit is determined by one or more of the follow; drug testing, integrity testing, honesty testing and interviewing. Skills match is evaluated by education, work history, objective skills testing and reference checking. Job fit requires an assessment in three critical areas: cognitive ability, interests and personality.

The universe of otherwise qualified job applicants, for any position, include many people who will not be successful because they lack job fit.

About one-third of the otherwise qualified applicants have job fit, which is based on the traits required by the position itself. The other two-thirds include the obvious misfits and the less obvious future non-performers. The misfits and non-performers are about equal in number (one third each), but only the obvious misfits are readily excluded in the screening process. We are then left with the one-third future non-performers and the one-third with job fit. Stated another way, the pool of acceptable candidates consists of two groups: applicants with job fit and the future non-performers. Since most managers cannot distinguish between the two groups, the success rate in hiring or promoting is about 50%.

Communications

Effective communications is as important for engineering managers as elsewhere. However, young engineers who effectively express their technical knowledge may not be effective communicators in management or leadership positions. Talking and communicating are two different, yet related, activities. Many engineering managers are excellent talkers and poor listeners; others are good listeners and poor talkers: and, even worse, some are poor listeners and poor talkers. No wonder so many engineering executives bemoan the condition of their organization and profession.

Managers must spend more time listening and thinking than talking. A leader, on the other hand, needs to develop a vision and then explain it so that people will follow, not command that they follow. Many, if not most, engineering managers may not be visionaries nor even leaders, but they must make sure that what gets done, gets done according to the company policy, project manual, schedules, procedures and so on. Managers see to it that we get to where we are headed, whereas leaders determine where it is we should head. There is a world of difference between a manager and a leader, but much of what I read in professional journals seems to confuse managing with leading.

Are engineers prepared to manage or lead people? How and where are engineers exposed to management theory and best practices? How many engineers read about management, study management or even try to identify their own shortcomings that will prevent them from becoming effective managers? If good managers were made on the job, we would have an oversupply of good managers, which is, of course, not true. Obviously, on-the-job training alone does not make good managers. Some managers have the right combination of personality traits that allow them to become effective managers. A few of the personality traits are; a concern for others, a willingness to admit to mistakes, openness, an inclusive attitude, an ability to enjoy the achievement of subordinates, the strength of character to let others make decisions and thus make mistakes, and a willingness to listen actively to peoples concerns.

Managers and leaders

Abraham Zaleznik, Professor of Leadership at the Harvard Business School and clinical psychoanalyst, wrote in *The Managerial Mystique: Restoring Leadership in Business* that "managers, by their very nature, thrive on control. Therefore, anything that they perceive as costing them control is unsettling and is to be avoided... managers do not allow themselves the luxury of failure, whereas a leader will try, fail and try again all the while learning new and valuable lessons. The manager on the other hand learns only one lesson in life — don't fail — and to ensure non-failure managers seldom take risks."

This description of leaders and managers highlights the major problem with technical professions such as engineering. How many technical managers are comfortable having a leader in their employ? A leader as a new hire? How many of us are more comfortable with the managerial types? Aren't we really more concerned with process than ideas? How many times have we heard "that's stupid" or "we don't do it that way" spoken by someone in our organization? The negativity expressed by those words is a serious demotivator and spirit killer, especially to young engineers just beginning to explore their leadership potential, words have consequences.

Combine the managerial personality type with the Peter Principle and we can see why we have such a problem developing our young engineers into effective managers, let alone into dynamic and forceful leaders. Leaders take risks and grow from making mistakes, and the managerial types take few risks to avoid making mistakes. Are your managers risk takers or risk avoiders? Will your risk avoiding managers drive out of your organization and quite possibly the profession, the young risk takers, ensuring that you will have few leaders from which to select your future managers? The cost of such managerial mistakes is enormous because it denies the organization the future leaders it needs to stay or become competitive. Some call this attention to the individual the soft side of management.

The soft side of management is often stressed by professors of business in most case studies in many graduate level classes. As a recent graduate of a Masters of Business Administration program, in 1992, I remember being surprised at how much time was spent on the interpersonal nature of business. All problems in business are people problems. From malfunctioning equipment to poor client relations, people are the only ones who can fix problems. When we emphasize what a manager needs to do to motivate technical employees we miss the problem.

Professional organizations provide members with training in human resource management and leadership, yet change is very hard to come by. Generally, this information has been written about, lectured about and talked about for decades.

The problem is not that the information is not available, the problem is that the people who need to read it, believe it and act on it are incapable of doing so. Leaders lead and managers manage. Efforts to help engineers manage and lead more effectively will be a failure until the right people are managers.

After decades of advancement up the corporate ladder, engineering managers often view themselves as too old to learn something new or they reject recommendations they do not understand. Experience is not a substitute for education and education is not a substitute for experience: neither one alone is sufficient for effective management.

Engineers are often selected for management positions as a reward for their past engineering efforts, but the criteria should be the mental abilities to perform the work of a manager, the interest to enjoy doing the work of a manager and the appropriate behavior when under stress.

An excellent manager who is an average engineer will out perform an outstanding engineer who is a poor manager, even if the poor manager does the work him or herself—a common problem. The goal of managers should be to get the best results from their staff, not just from themselves.

What incentive is there for engineers to study behavior, motivation or business issues such as accounting, finance and marketing? If engineers are not educated early in their careers they may be doomed to a career in management ill-prepared to manage people or the business of engineering. An uneducated manager is ill suited to manage those trained in management theory and practice and others who understand the consequences of management's decisions. Not every competent engineer is suited to be a competent manager. There is a world of difference between an effective manager and a competent engineer, and improvements in our profession will be hard to come by until that difference is recognized and acted upon by the very people who may be suffering from the lack of skills.

Engineering managers must know more than the technical end of the business, and learning the skills on the job is not sufficient. Until engineering companies require their managers to be as educated in management and business as they are in engineering, the problems will continue uncorrected and companies will not become the dynamic, successful organizations that we want.

Education for Managers

The value of studying motivational theory and organizational behavior and other areas studied in the typical advanced degree and other non-engineering programs must be taken seriously by both management and the engineering staff. There is sufficient information to reach the conclusion that the problem with engineering is not the engineer, but rather the engineering manager Correct the engineering managers and the rest may fix itself.

My hope is that some day engineering managers will realize that effective management takes different skills than those engineers usually bring to the manager's office. After talking with many engineering managers, I am convinced that engineers do not know what constitutes effective management or leadership. Without adequate education and training in management, engineering managers are navigating in the fog without a compass. Making mistakes maybe a quick way to learn a lesson, but can we afford it? Should we pay the price? Dr. Deming said, "The self-taught never learn the best way to do the job." Should we let our managers be self-taught—learn by making mistakes—or educate them to learn from the mistakes of others? I suggest the latter.

Now, consider the Peter Principle and the tendency of managers to hire and promote people who are like themselves, and we see that the percentage of applicants with job fit gets smaller and smaller. Engineering managers must break out of this downward spiral and start hiring and promoting engineers who have job fit for the role of manager. Unless the right people are selected for management positions, there is little hope for improvement.

The best technical employees seldom make the best managers, therefore a sea of change in thinking must be accomplished in most engineering companies. Be forewarned, however, that it may be impossible for some engineering managers to admit that they mast have been selected for their position based on inadequate criteria—their technical excellence and speaking ability.

We must put the right people into management and keep the unprepared, highly educated experts in their technical fields—reward them handsomely, but leave management to those who have prepared themselves for the task. Some engineers seem to believe that management is a skill conferred by magic upon those selected for management positions, and this belief helps perpetuate the Peter Principle.

If it is true that managers promote subordinates who are in their own image, and I think it is, then is it any wonder that today's managers are incapable of motivating technical employees? The problem is not with the employees, but rather with the people who are promoted into management without adequate training, education or talent for management. Engineering managers need fewer "how to" books and more "why to" books, articles and discussions about the necessity of getting an education in management and business. The emphasis should be on educating engineers prior to their selection for managerial positions.

Article G

What is Job Match?
by Robert F. Gately

Job match occurs when a person has the right attributes or dynamics to be a successful, productive, dependable employee over the short-term and long-term. For a person to have an adequate job match he/she must have:

1. the **thinking style** to learn and do the job.
2. the **occupational interest** to enjoy the job.
3. the **behavioral traits** to be successful.

Let's take a look at these three areas in a little more detail.

1 - Thinking Styles

A primary resource for learning is the ability to process information coming from the environment. In most training situations, the information is in the form of either words or numbers. Thinking styles form the
foundation of almost all problem solving, communication, interaction, and learning skills that are used on the job.

Typically, the more easily an individual processes information, the greater the pace at which they may learn those skills that are used on the job. Often, maximizing that learning means finding the approach that will make the most of their available learning skills.

2 - Occupational Interests

For people to be long-term productive employees it makes sense that they enjoy the type of work they are assigned. Jobs can involve working in numerous environments and depending on the time spent on the job in one environment the more critical the person's interest become. The most productive people truly enjoy the type of work they do and approach work as if it were a hobby — it interests and motivates them.

3 - Behavioral Traits

Behavioral Traits help define who we are by influencing the behaviors that we exhibit. As the strengths and combinations of our behavioral traits vary, so do our behaviors.

A person's behavioral traits determine how he or she will behave on the job. It determines how they react to situations, how they delegate tasks or perform what has been delegated to them. It determines the extent to which they follow rules, how well they listen to instructions, solve customer problems, meet deadlines and correct mistakes. Preferred behavior also determines how they relate to their fellow employees and management, if they avoid conflict or if they enjoy the challenge of conflict and how well they manager stress.

Now we understand what work related characteristics determine how a person will perform on the job. Job match occurs when these characteristics are right for the job. But how do we know what the desired characteristics are for a job? It is easy, first identify the top performers in the position and second test these top performers to quantify their common success traits. Once these success traits are quantified, i.e., a success hiring pattern is developed, future job applicants are compared to the objective success hiring pattern to determine if they have a job match.

The Profile Assessment was specifically designed to objectively measure these work related characteristics — thinking styles, occupational interests and behavior — to the unique demands of each job.

Article H

How to control employee costs before making the hire

by Robert F. Gately

The best time to control employee costs is before bringing new people on board, rather than later when we discover that they do not work out and we have to fire them. When we acquire physical assets such as computers, automobiles, desks or chairs we often perform all types of analysis. Most companies, however, do not do anywhere near that kind of analysis before they invest in new people. Analyzing new hires before you make the commitment to hire is probably more important. If an employee does not work out, the potential for problems may be enormous. Just think of the lawsuits alone:

- Unlawful termination
- Sexual harassment
- Workman's compensation

Add to that what it costs to hire someone:

- **Recruitment.** The cost of placing ads and working with executive recruiters and doing all the various tasks it takes to build a pool of candidates.
- **Selection.** We then perform the various interviewing and screening processes.
- **Integration.** Once we have found the ideal employees can we bring them into our company and expect them to become productive right away? We need to train them about the components of the job and our Company culture. Whether we use formal or on-the-job training, it will be expensive. Finally it takes time for the learning curve to bring the new hires up to speed. When we couple these costs with low productivity and poor morale that an employee with out job fit can cause, the potential for harm to the company is much greater than the losses from any inferior machine.

Despite all this, companies do not exercise as much care when selecting new hires as they do when selecting new equipment and merchandise. Why does this occur? Most managers do not know that they can do more than what they are doing. Managers do not know how to determine if an applicant has the right behavior for the job, so it is ignored.

Matching the People to the Job:

Employers will maximize their people assets when they match their peoples' abilities and behaviors to the job rather than force the job on them. Have you ever wondered why certain people are better at certain jobs than other people even though their education and work experiences were similar? The answer is simple: ***their personalities are different.***

A study of 360,000 individuals published in the Harvard Business Review found that the most important factor in predicting job success is, how well does a person fit the job.

The study concluded that personality traits are the controlling factors in determining if a person will be successful in a particular job provided all other things are equal. To benefit from this knowledge, however, a company must know what personality an employee needs to be successful in a particular job.

Assessing Behaviors:

The most effective assessments allow a company to match the right person to the right job, thus avoiding costly and frustrating hiring and training mistakes. An employer needs to know the questions to ask and how to evaluate the answers received. Fortunately, software now exists that allows companies, in often less than an hour to:

- Accurately assess applicants' or employees' suitability for a particular job.
- Make more informed training and management decisions

Judging and even understanding personal behavior is often thought to be an art, not a science, which means our decisions are often based on a number of factors, none of which we can easily quantify. Computerized assessments help us to do pre-employment screening that allows us to:

- Avoid wrongful dismissal lawsuits
- Train, develop and promote employees
- Conduct performance appraisals and reviews
- Counsel problem employees
- Motivate employees
- Reduce turnover
- Increase productivity
- Improve job performance

There are many assessment tools available, but be sure the one you choose is:

- validated in accordance with professional standards and procedures
- non-discriminator and it complies with EEOC and other federal guidelines
- able to correlate abilities and behavior dimensions as well as interests
- objectively scored by computer with printed reports

At a minimum, the assessment should measure three areas:

1. **Thinking Styles**
2. **Interests, occupational**
3. **Behavioral characteristics**

Different jobs and different companies require different combinations of the above three traits. The personality characteristic of your most effective employees, such as a wait staff, may doom those top performers to failure if they are required to perform the job of a manager. If your company is very informal, for instance, a more rigid individual may not fit in as well as a non-rigid person.

The following is a list of traits assessed by the Profile Assessment, see Press Release No. 3:

1. **Thinking Styles**

   - Learning Index...an index of expected learning, reasoning and problem solving potential.
   - Verbal Skill...a measure of verbal skill through vocabulary.
   - Verbal Reasoning...using words as a basis in reasoning and problem solving.
   - Numerical Ability...a measure of numeric calculation ability.
   - Numeric Reasoning...using numbers as a basis in reasoning and problem solving.

2. **Occupational Interests**

   - **Enterprising**...occupations where they use persuasiveness and enjoy presenting plans
   - **Financial/Administrative**...work with financial data, business systems, administrative procedures, etc.
   - **People Service**...occupations that help people and they are concerned with the welfare of others.
   - **Technical**...occupations that center on scientific/technical activities, research & intellectual skills.
   - **Mechanical**...in occupations that work with tools, equipment and machinery.
   - **Creative**...occupations where they are imaginative, original and aesthetic.

3. **Behavioral Traits**

   - **Energy Level**...tendency to display endurance and capacity for a fast pace.
   - **Assertiveness**...tendency to take charge of people and situations. Leads more than follows.
   - **Sociability**...tendency to be outgoing, people-oriented and participate with others.
   - **Manageability**...tendency to follow policies, accept controls & supervision, work within the rules.

- **Attitude**...tendency to have a positive attitude regarding people and outcomes.
- **Decisiveness**...uses available information to make decisions quickly.
- **Accommodating**...tendency to be friendly, cooperative, agreeable. To be a team person.
- **Independence**...tendency to be self-reliant, self-directed, independent action and make decisions.
- **Objective Judgement**...the ability to think clearly and be objective in decision-making.

Conclusion:

When we learn what thinking styles, occupational interests, and behavior traits allow our best employees to be so successful, we can increase our chances of hiring more people with the same set of characteristics. This is a simple concept that is elegant in its application.

Article I

Employee Retention Strategies and Ideas

By William G. Bliss

All companies, regardless of size, are struggling with how to keep employees from leaving for more money or better opportunities. Studies consistently show that even though employees may say they are leaving for more money, when those same employees are asked several months later why they really left, the money factor is about 5th or 6th on the list. The first few reasons include lack of recognition, disagreement with the culture or direction of the company, poor treatment by their boss, lack of excitement about their growth prospects, and poor relationships with co-workers.

Did you know that studies have indicated that it will cost a significant amount of money to replace an employee? How much? When you add the costs of finding an employee, training the new employee, lost productivity and filling in for the employee who leaves, the cost can easily equal 150% of the base salary of the person who left. So, if you are paying someone $50,000, the cost to replace that person will be approximately $75,000. This money comes out of your hard-earned profits.

This is one of the key reasons that companies are focusing so much effort on keeping their current employees. How can you increase your chances? Listed below are a number of ideas you may want to consider.

- Ensure you offer competitive compensation.
- Ensure you offer basic health care benefits at reasonable rates.
- Consider adding lifestyle benefits that are cost effective (read easy on cash flow).
- Find out what employees want from their career and do what you can to for their needs.
- Be as flexible as possible about how the work gets done.
- Be as flexible as possible as to when and where the work gets done. Can it be OK for an employee to take a few hours off to attend to a family personal matter if they can accomplish the job at their home in the?
- Take a real and genuine interest in people's career aspirations and lives.
- Catch people doing something right…frequently recognize positive to the company.
- Communicate company progress, financial news, major customer or sales on a regular basis. Follow up on your commitments to provide or answers.
- Have regular (bi-weekly or monthly) meetings with all employees where they can ask you questions about your plans, company progress, new to look for, etc. Be accessible to them so you can learn needs. If you can respond to their needs before they become real issues, they won't begin looking for greener grass.

- Ask former employees why they resigned. Even if they left six months ago, they still have a valid perspective.
- Routinely ask employees what you can do to make the company a better to work. Set boundaries if necessary as to what items are not; such as ownership in the company or 50% per year salary.

Keeping people is arguably the most challenging aspect of running a business today. The answer lies in the fact that there is no one set of answers. People are different, so their reasons for doing anything are different. Successful companies today ensure they know what makes their best people different, and they work hard to see that those needs are met. Hopefully, some of the ideas mentioned above will spark some useful ideas for your unique company and your unique group of employees.

Would you like to discuss this topic with the author?

Article J

Communicating Effectively With Your Employees

By William G. Bliss

Just about every client I have worked with or company I have been associated with have stated at one time or another that they have a problem with communication. Why? The specific circumstances are usually different, however, it generally boils down to misunderstandings, miscommunications, failing to communicate (as the famous line in that movie "What we have here is a failure to communicate") or under communicating.

Why is communication so important in a company? Because everything we do in that company is based on accomplishing something for the customer, the boss, the stockholders, employees, community, or some other cause. If we don't understand or know what the desired outcome is, how can we effectively accomplish the goal? Therefore, communicating the desired outcome is critically important to success.

So what is effective communication? For purposes of this discussion, allow me to define effective communication as the process by which we either send or receive a message that ensures the exact meaning we intend it to mean. Think of a time when an employee did not accomplish a particular task. If you take away any reason dealing with capability or performance, the reason can probably be traced to an ineffective communication event between you and the employee.

In communicating, you can play only one of two roles: that of the sender or the receiver. Effective communication happens when you send a message that is understood by the receiver. How do you do this?

You as the sender must do the following:

- Know what it is you want to communicate - an idea, a decision, a request for information.
- Know your audience - would you speak to a two year old the same way you would speak to your top sales person? Probably not, so you need to use different words.
- Prepare a clear and concise message.
- Ask the receiver for their understanding of your message. When you ask the person to paraphrase what you just said, it helps the receiver process the message and repeat what they think they heard. This allows you to assess their level of understanding. If it is not correct, you can make corrections right there and then.

You as the receiver must do the following:

- Listen clearly for the message; repeat what you have heard to ensure you understand the intended meaning.
- Ask questions to clarify the intended meaning.
- "Listen" for body language...if the words and the body language do not agree, ask the person for more information, or ask them to clarify the message. This will prevent the "he said one thing but really meant another" situation.
- Let the person state their full message before you respond or interrupt or finish their sentence.

When you have determined that a particular problem has been caused by any of the communication reasons (miscommunication, misunderstanding, under communicating), see if you followed the steps above. Effective communication requires that both the sender and receiver have the same understanding of the message the sender intends.

As you are now armed with a new tool to ensure effective communication, you must take responsibility for both the sender and receiver, until your employees have learned this tool as well. Try it out and you will see that it works.

Article K

Goal Setting and Goal Achievement

By William G. Bliss

Much has been written about goal setting. Yet, many people comment that they are not satisfied with their performance in achieving those goals. This article is intended to address not only the effective setting of goals, but also to identify 8 steps to ensure that you achieve the goals you have set.

To begin, let's be sure we have a clear definition of what constitutes a goal. There have been many definitions of a goal; for purposes of this article, I would like to define a goal as follows: "A written statement that clearly describes certain actions or tasks with a measurable end result."

To elaborate on this definition, a goal must be written. If it is not written, it is merely an idea with no power, conviction or motivation behind it. It will lack energy and purpose. A written goal will allow you to remind yourself and others exactly what has to be done. Rereading this written goal on a regular basis will help provide the motivation to achieve the goal.

A goal will clearly describe certain actions or tasks. A goal that is clearly described will eliminate misunderstandings between you, your colleagues, your staff and your boss. Clearly described goals will include action verbs such as create, design, improve, organize, purchase, etc. A test to determine the clarity of your stated goal is to show the statement to 5 people. Ask each of them individually to explain the purpose and objective of the goal. If each one has the same response, your goal is clearly stated. If the responses differ, even in the slightest, it is a signal to make your goal more clear.

Goals must have a measurable result with a timeframe for completion. A measurable goal is quantifiable. It is described in such a way that the actual result cannot be disputed. If you cannot measure something, chances are you cannot effectively manage it.

Now that you have a written goal, what steps can you take to ensure you achieve the goal? The following will help you:

1. Regularly and vividly imagine your goal as accomplished.
2. Share your goal with as many people as possible so they can support and encourage your actions to achieve the goal.
3. Break the goal down into small steps or tasks and set deadlines to complete the smaller steps.
4. Review your progress regularly.
5. Plan each task or step on your calendar by making a appointment to work on a particular part of the task. Block out the time necessary and try to not allow interruptions, phone calls or other tasks distract you.
6. If you are having trouble or getting backlogged, ask for help. Also, allow yourself to help others who may be backlogged as well.
7. Make the decision that you will accomplish the goal.
8. Plan a reward for yourself for the accomplishment of the goal. Even if no one else (like your boss) will provide a reward, there is no reason you can't reward yourself- a movie, a massage, a walk in the park or something that is meaningful to you. This will also help to motivate you to accomplish the goal.

What I have outlined is a process for effective goal setting and achievement. A process will work if two components are present - the process itself is sound and the people utilizing the process have the discipline to follow the process through. The process described above is sound and has worked in thousands of situations. The discipline is up to you.

Article L

Hiring for the Long Term

By William G. Bliss

Most managers and senior executives would agree that the task of hiring can be one of the responsibilities with the most impact in their organization. There are many reasons for this including:

- Many managers simply do not interview often enough to become expert at this function.

- Many managers feel that hiring is not a logical process such as that used to determine a make vs. buy decision or the adoption of a marketing campaign.

There is no doubt; hiring mistakes are quite costly to organizations, regardless of the size of the organization. In a previous article, I discussed how the business costs and impact of employee turnover could easily equal 150% or more of the base salary of the person who leaves.

Hiring mistakes cause disruption in the workplace. People who do not perform up to a desired standard cause a drain on other staff resources, making that staff far less productive, costing real dollars. In addition, management must devote time to attempt corrective action. This takes away from managers being able to develop new and innovative ways to make or save money, address customer needs, develop plans to grow the company, or take advantage of new market or business opportunities.

Can all mistakes be avoided? No.
Can you take steps to significantly minimize them? Definitely.

Here is a step-by-step process that will establish a much higher degree of confidence when hiring staff for your organization and provide an environment that will encourage the employment relationship to last for a long time.

Step 1: Define the job in the clearest terms you can. This may sound overly simple, however, this is where many hiring decisions actually start to fall apart. In addition to listing the key responsibilities, duties and tasks, the definition should include key goals or accomplishments you want the person to complete within the first 6 - 12 months. Have all people involved in the selection decision confirm their understanding of the position definition. Test the reasonableness these position responsibilities. This step is completed when you identify longer-term needs and goals for this position.

Step 2: Define the experience, skills, and talents you want the person to possess in order to be successful in performing the job. Experience is defined as the set of past jobs where people have learned functional aspects of a job. Functional aspects may include items such as sales, product management, manufacturing or accounting. Define how much experience you want to have. Skills are those technical requirements of a position such as specific computer programming, ability to create a budget, good verbal communications, etc. Talents are those attributes that set people apart from one another such as a strong enthusiasm for working on new challenges or motivating others to perform to high standards.

Step 3: Define the culture of the department, division and overall organization. Elements of organization culture include the decision-making process (autocratic or consensus), communication style (informal or formal), and, work values (family friendly or 80 hour work week expectations). The correct definition of the culture will aid greatly in hiring for the long term. People will have a chance to excel when they are in an environment where they can thrive because their values and the values of the organization are in alignment.

Step 4: Identify the personality traits that are valued in your organization along with those that are not valued or detrimental to success. Personality traits include the level of aggressiveness, initiative, sense of humor (this works quite well at Southwest Airlines but not at the Internal Revenue Service), empathy, cautiousness, etc.

Step 5: Define the ways you are going to identify potential candidates. Unless you are paying a retainer executive search firm, I suggest you utilize as many possible recruiting avenues as possible, including your own network, employee referral, former employees, advertisements in appropriate places, looking for people at conferences, seminars and industry meeting, internet searches and other avenues. You don't want to leave any stone unturned.

Step 6: Define your decision making process for selecting candidates. Make sure all involved in making the decision agree on the selection criteria. Many companies do not take this step up front and wind up missing the opportunity to hire the best candidate because they can't agree on the selection criteria when that great candidate comes along. Then they are disappointed when they lose the candidate because they have taken too long to make them an offer.

Step 7: Utilize two interview approaches: the first to assess candidates' experience, skills, and talents. The most effective way to arrive at sound assessments is to utilize an interviewing concept known as behavioral interviewing. The second interview focuses on personality and cultural fit within your organization. See the article entitled "The Art of the Interview."

Step 8: Conduct assessments in order to verify your conclusions about the top candidates' qualifications. These include aptitude, style, technical skills, and personality testing that is available for reasonable fees and administered quite efficiently by a few outside assessment firms.

Step 9: Sell the company to the best candidates. They have to be as excited to join your organization as you are to want to have them join. Open your company up to the full inspection of the best candidates. Freely discuss the company environment in terms of team orientation, level of formality and bureaucracy. Describe the plans for growth you have along with the negative press or conditions that the company has recently faced. The good candidates will discover this information in their due diligence anyway, so you might as well be up front about this information. They will be encouraged and impressed by your honesty.

Step 10: Fully understand what your best candidate wants in terms of a complete offer package. Know up front what your company can do in terms of salary, benefits, accommodations, title, vacation, and other elements of a complete offer package. Do whatever you can to put together the best package possible. After all, you have now invested a good amount of time and effort to woo the best candidate and you do not want to lose them based on incomplete information.

Article M

Deciding How Much to Pay Employees

By William G. Bliss

Given the tight labor market of today, many companies struggle with the issue of how much to pay employees. You certainly want to pay someone based on the value they provide the company, but how do you decide exactly what that amount should be? You would probably agree that paying your office manager $100,000 per year may be paying more than the value they provide. Similarly, think what would happen if you were to pay a sales representative $20,000 per year when they brought in a million dollars in revenue. You probably would not have that sales representative on your payroll very long because they would feel underpaid for their contribution.

You also want to pay someone what is considered competitive in order to attract them to your company and keep them on your payroll. Keeping top-notch employees today is particularly challenging, given the stock option craze and base salaries seeming to be going out of sight.

There are several ways to find out what the market is paying for employees. Some of the methods are salary surveys, general networking and newspaper advertisements. These techniques are especially useful for the business owner who probably does not have a lot of time to devote to learning about this subject, nor can they afford to hire one of the nationally known compensation consulting firms.

Salary surveys can be a good place to start. Many industry associations conduct surveys for their members. The Internet is filled with surveys on salaries paid to all types of employees. Sometimes, a local chamber of commerce or business association can provide some basic data as well.

Not all surveys provide reliable information, however. Consider that job titles are used to describe the position's responsibilities; however, rarely does the title at one company mean the same at another company. At small companies, many people wear so many different hats, it is hard to use someone's title as an accurate description of what they really do, hence, salary surveys reporting this information can be suspect. When assessing the reliability of a survey, consider who conducted the survey and how the information was validated.

General networking among your business peers, vendors and sometimes even your customers can be helpful. Asking your banker, lawyer or outside accountant can also provide some useful information. They may deal with other companies like yours and would be glad to make an anonymous inquiry on your behalf. You can also call some specialized headhunters and ask them for information. They will generally provide you with information that is fairly recent, because they are in that business. Some of them even publish salary surveys. Thinking they may get your business, they are generally happy to help with information.

You can also post the question on any number of Internet sites that have message posting boards for small business.
Check out the classified ads in your Sunday newspaper or industry publication to get an idea of what some other companies are paying. Usually, the advertisement provides some sort of a description of the position as well, so you can be assured you are comparing like jobs. If a job sounds like it is a good match, but they do not provide any salary information, why not call them as if you were the candidate and ask for the general salary range for the position.

Some other considerations you may have when establishing employee salary levels include:

1. What is the value for the job a person performs compared to others in the company?
2. How important are benefits to the employees. Can I add more benefits without having to pay more in base salary? Such benefits may be less expensive than a salary increase.
3. How much can you realistically afford to pay? What impact would not having this person have on your business and how much is that impact worth to you?

Determining the right level of salary to pay is an art, not a science. In the end, you want to be able to attract and keep employees that will provide value to your business and your customers. In return for that value, you pay them an amount that reflects the value.

Article N

Finding People to Work for Your Company

By William G. Bliss

With today's very tight labor market, knowing how to find people to work for your company can be a challenging task indeed. There are many techniques you can use, some that will cost you only your time, and others that can cost significant amounts of cash. This article will focus on identifying a number of the lower cost techniques you can consider using to locate potential job candidates for your company.

I will make the assumption that most business owners reading this article probably cannot afford to spend 25% or more of a person's first year's salary on a headhunter. Given that, we won't discuss the use of this or other high cost techniques.

Remember that the best employees are usually not looking for employment, which means that you have to find them. Here are some of the methods to find people:

No/Low Cost Methods

1. **Word of Mouth** – You and your current employees tell everyone they know: accountants, consultants, lawyers, bankers, clergy, suppliers, customers, tennis partners, your advisory board, and basically anyone who knows other people.
2. **Advertisements in Local Papers** – The caution here is that people who are looking for work will likely find your advertisement and this is fine for the administrative, clerical or production type employees. When you need someone with more experience and a higher level expertise, these people are not likely to look in the local papers.
3. No **cost Internet Job Posting Boards** – As of this writing, there are still over 1,000 no cost posting boards on the Internet. If you are Internet savvy, these postings can certainly be cost effective, yet they obviously have national exposure, which may not be appropriate for your company.
4. **Employment Section on Your Company Website** – If you have a website, by all means, post your openings here; remember to update the listing frequently.
5. **Current Vendors or Suppliers** – If you like the way an employee at a particular vendor handles you or your company, ask them directly if they would be interested in joining your firm.
6. **Employee Referral Programs** – where you pay your employees when they successfully bring a candidate to your attention and you eventually hire them. You would provide a cash payment or other desirable form of recognition to your employee.
7. **Networking at Trade Shows** – Whenever you attend a trade show, work the crowd to identify possible candidates for future consideration, then maintain contact with the best ones until you have that opening that they would be perfect for.

8. **School Placement Offices –** Local high schools and colleges usually have job placement offices and they are always willing to help their students. In the absence of a placement office, contact some of the professors for recommendations of the top students.
9. **Former Employees, Consultants and Vendors –** can be a wonderful source for candidates.
10. **Flyers on Automobiles at the Local Shopping Mall –** Creating awareness is half the battle. The people who read the flyer may not be right, but they may know someone who is the perfect fit.
11. **Real Estate Companies –** who may know of spouses and other family members who are relocating with a corporate executive into your neighborhood. Ditto with school officials.
12. **Local Business Intelligence –** Track local companies announcements of layoffs, relocations out of the area, mergers, shutdowns, etc.

Moderate Cost Methods

1. **Internet Job Postings –** on such sites as Monster.com, HotJobs.com and others.
2. **Larger Circulation Newspaper Advertisements –** in such publications as the Wall Street Journal, New York Times, Chicago Tribune, etc.
3. **Industry Specific Magazines or Journals –** Be aware of the lead time necessary, especially for the monthly publications. The upside is that you have a highly targeted audience.
4. **Job Fairs –** Attendance at a local or specialized job fair where a third party does all the advertising and administrative work, and you show up and talk to potential candidates.
5. **Billboard Advertising –** Hey, you never know, and it may even attract some customers to your business as well.

A successful candidate search process will probably require use of several of these methods. Don't put all your search eggs in one basket.

Article O

Successful Integration of Merged Organizations

By William G. Bliss

In today's fast paced business environment, there have been a large number of mergers, acquisitions and other forms of major organizational change. Lately, hardly a day goes by that yet another merger or acquisition has been announced in the news. These happen to large companies as well as small companies. The initial reasons for these mergers are generally to accomplish one or more of the following: increase productivity; take advantage of the strengths of each company; be stronger and more competitive; or, gain synergy not otherwise available had both companies remained independent.

It has been estimated that over 50% of these mergers do not achieve the benefits and goals that were initially planned! That is quite a statistic. Yet, organizations continue to jump on the merger bandwagon fully believing that they will achieve the stated goals. The same can be said for the combining of departments within an organization or the centralizing of like functions (such as finance, marketing, sales, purchasing, etc.) of commonly owned companies. These changes are designed to create or improve efficiency, save costs and take advantage of well designed processes, yet unforeseen circumstances and events cause disappointing results.

What then can be done to increase the chances of success of such an organizational change as described above? The following ten steps will help ensure the successful integration of merged organizations:

1. Develop a crystal clear mission and purpose of the new organization. Develop 3 month, 6 month and one year goals of the new organization. These mission statements and goals should be so clear that it is virtually impossible for employees, management and customers to misunderstand the purpose. Define the expected culture and operating style of the new organization. Gain senior management commitment as to how they will evaluate the success of the new organization.

2. Establish an integration team who is charged with developing plans, projects and tasks to ensure the successful completion of the integration. This team should be given the financial and time resources to accomplish this critical step in the process. Depending on the size and complexity of the integration, this could be a full time assignment to some or all members of the team.

3. Develop a communication process that will keep employees, management and customers informed of the progress of the integration. Accept the notion that there is no such thing as over communication.

4. Identify obstacles to success. Gather the implementation team for a brainstorming session that will flush out all the possible obstacles and issues. Then, with each obstacle clearly identified, develop action plans that will prevent the obstacle from even developing in the first place.

5. Identify and define the processes of each of the merging units. Resolve to utilize the process which is truly the best without regard to where it comes from. Sometimes the best process actually comes from combining ideas from multiple sources.

6. Make it a standard operating procedure to evaluate each decision against the stated mission of the newly merged organization as a test of the correctness of the decision. Evaluate the decision making process against the desired culture the new organization has decided to create.

7. Allow the staff to express their worries, fears and anxieties about the merger. Also allow them to express their ideas, suggestions and possible roles that they may be interested in assuming. People will be more committed and motivated to work harder if they feel as though they have been part of the solution.

8. Define the competencies needed of the management team in the merged organization and work to assess current management against those competencies as quickly and as objectively as possible. If there are to be any staff changes, decide and communicate those changes as quickly as possible, but not later than three weeks after the merger has been announced.

9. Identify some quick wins early in the integration process. Celebrate and publicize those wins to everyone as a means of boosting morale and enhancing productivity.

10. Utilize positive communication styles such as providing honest feedback whenever possible, addressing rumors as soon as possible and avoiding the secret meetings whenever possible.

Article P

Succession Planning for the Small Business

By William G. Bliss

So you have grown your business to the place you want it to be and you are thinking of an exit strategy or just retiring. Congratulations! But the new question is who is going to run this company when you hang up you business cleats?

Succession planning is all about picking your successor and having them ready to take over when you want to leave, or do something different. Maybe you do not want to be CEO anymore, but still remain as part of the business. Maybe you want to go part time or to start another business. Succession planning is all about making sure that someone is fully developed and ready to take over.

When does the process start? It depends on where your business or organization is and the talent you have in the bullpen. It also depends on how much control you want to give up. It could take months or it could take years. I have worked with one organization where the President decided he wanted to give up his role of President in three years and came to the realization that it would take his successor that amount of time to learn what they needed to learn to effectively take over the reins. Are you surprised at that amount of time? I wasn't, given the level of development that the successor needed.

What should you look for in a successor? Start with the company's business plan. Where do you expect the business to be in 5 years? From there, work backwards. What skills, talents and abilities are needed in the leader to get the company to that place? Develop an honest assessment of the capabilities of the most likely internal candidates. Such an assessment can be done effectively with the help of an outsider who is skilled at making such assessment and who can be objective. Honesty is critically important if you want the business to survive grow and prosper.

Sometimes, given an objective assessment, you may come to the realization that there is no one who is on the inside team today who is capable of taking over for you. In that case, you must look to the outside. You begin the search process, which can take several months, and then the new person must learn the business, the market and gradually learn the role you want them to play. They have to bond with other senior management team members and learn your company's culture. That could take a year or two depending on the person and the complexity of the business.

How do you let the other internal contenders know that they were not chosen? This can be difficult and there can be repercussions including some of the people decide to leave. Is this the worst thing in the world? Only you can answer that question. The best approach is the honest approach where you tell the person(s) that you have made a decision to select someone else because on an overall basis you thought that person is better qualified for the long run. This conversation can represent a great opportunity to create a development plan for the person to grow within your organization and become the next successor. Or they may disagree with your decision and begin looking for other pastures. In the latter case, a contingency plan is called for in the event you have a sudden departure of a key player on your team.

After the decision is made, your role then shifts to that of a coach who works directly with your successor to ensure the transition is a smooth one. You must first assess the development needs of the successor. If the person is from the inside, you must develop a plan to provide this person with the skills and business knowledge they do not currently have. For example, let's say you name your top sales and marketing person as your successor. They may need development in other areas of the business such as operations or finance. You must develop a plan that moves them into the decision making process of situations they had no involvement prior to now. They must begin to develop (and perhaps repair) relationships with others who may have been peers and will soon be subordinates. You will also have to begin to let go of the reins yourself and allow the successor to start making final decisions on company matters.

If the successor is hired from the outside, the development plan needs to cover learning the business, key customers and vendors, the culture, and the business strategy to accomplish the long-term goals. This person also needs time to develop effective working relationships with the internal staff.

How do you assure that your succession plan is a success? Like any other uncertainly in business life, you can't predict something will have absolute success without trying it first. You can look back after the succession has had a few years and ask some of the following questions:

- Is the company better off with this person at the helm?
- Were the company goals met or exceeded?
- Is there a greater market value now for this company?
- Is there a top tier management team in place?
- What does the competition say about this company?

If you do not want to wait for a few years (and who would really want to wait that long), think about establishing some short-term (6 - 12 month) goals for the successor to achieve. It is advisable that these goals be as clear, specific and measurable as possible.

Article Q

Should You Hire A Coach?

By William G. Bliss

Over the past 20 years or so, the field of coaching seems to have exploded. There are business coaches, executive coaches, personal coaches, and communication coaches. Why do managers and executives hire a coach? In every aspect of life, we at times find ourselves faced with a problem that we are not capable of solving on our own. Sometimes the problem can be with household plumbing, or a toothache, or a medical condition. Once we realize that we cannot address or solve the problem ourselves, we generally turn to a specialist, one who has specific expertise who can help us with the problem. Simply stated, that is the role of a coach. A coach is someone who can provide an objective assessment of the problem, and provide some solutions to fix the problem. Unlike the plumber or doctor however, coaches will not fix the problem…only you can do that, as we will learn below.

Coaching styles vary quite a lot. Some coaches will prefer to lead the horse to water, as it were. Others will write out a prescription for the 'patient' to follow which will include a step-by-step approach to address the problem. If you decide to hire a coach, make sure you feel comfortable with the style, approach and personality of the coach. It is safe to say that many corporate executives and small business owners would not be where they are today, or would not have had the success they have had without a coach.

Should you hire a coach? Well, consider the following questions:

- Would you benefit from someone who is an objective sounding board for your ideas, issues, troubles or concerns?
- Would you like to have objective clarification of your strengths, weaknesses, and blind spots?
- Would you like to enhance or improve your personal performance in such areas as organizational skills, time management, operating style, leadership, communications or technical expertise?
- Would you like some feedback from a trusted source with no agenda other than their genuine interest in your well-being?
- Do you sometimes need a sanity check on the things going on in your business or professional life?

If you answered, "yes" to any of the above questions, chances are you would benefit from a coach.

What Will A Coach Do For You?

First and foremost, a coach will ask for your assessment of the situation. This is the same as asking for help with any other situation. When you call the plumber, he will ask you what the problem is and you will have to indicate where the leak is, or which pipe has just burst. When you visit your physician, she will ask you what hurts. The coach will do the same. They will help you diagnose the problem or issue.

Next, they will want to learn more about you, your background, your likes, dislikes, successes and failures. They will ask probing questions, then they will listen for your answers and perspective. (One sign of a truly effective coach is their ability to listen.)

They will suggest you take one or more assessment instruments to learn even more about you. This could take the form of personality profiles, questionnaires filled out by you and people who know you (commonly known as 360-degree questionnaires), interviews of other people you work with, observation of you in action, and an interview with your boss (or key members of the Board or others as appropriate). Once this assessment is conducted, you will be provided with the feedback of that assessment. This becomes the basis for developing a targeted coaching plan designed to address the specific needs you have. Going back to the plumber or doctor analogy, each will conduct an assessment of the situation, and provide a recommended course of action to address the situation.

Next, a development plan is prepared. Some coaches will prepare the plan for the client, while others will want the client to prepare the plan under the coach's guidance and direction. Either way, what is important is that you, the client, buy into the plan. Without your buy-in, your motivation to accomplish the plan or change is significantly limited.

The coach will then work with you through regular contact (either in person or over the telephone) to discuss your progress with the development plan, discuss obstacles, and develop new plans or approaches and otherwise work directly with you to enhance your performance. Setting goals and monitoring those goals is important here. These contacts will generally be bi-weekly or monthly and can last for three to six to twelve months, depending on the extent of the development plan.

As the moniker implies, the coach will inspire, challenge, motivate, cheer, praise, chastise, inflate, deflate and otherwise facilitate your growth along the path of performance improvement. However, the coach does not work alone. You must be the one who wants to make the change. No one else can do that for you.

Article R

The Art of the Interview

By William G. Bliss

We have all had interviews where the interviewer did so much of the talking that, as a candidate, it was hard to give your best examples of how you can help this company. Then, when the interview is over, the interviewer makes a bold proclamation that this candidate is perfect for the job. Sound familiar? As the interviewer, you should try to talk no more than 25% of the time and allow the candidate to speak at least 75% of the time.

For the interview that assesses skills and experience, the most effective approach is one where the candidate is given the most opportunity to relay their experiences as told in the form of stories. Using the technique of behavioral interviewing, ask the candidate open ended questions that request descriptions of how, what, why, or when they had a particular experience. For example, if you are interested in a candidates' ability to learn quickly, you might ask, "What was the most difficult aspect of your present job that you had to learn?" The follow up question is to ask how long it took them to learn it and how they went about learning this difficult aspect. Your objective is to have the candidate give you a full description of an experience they had that answers your question.

In the absence of behavioral interviewing skills, many interviewers will ask a leading question such as "Are you a quick learner?" Of course, the candidate is going to say yes, yet the interviewer has no way to assess the accuracy or validity of this answer.

For the personality and cultural fit interview, get a clear understanding of what they enjoy doing and what they do not enjoy. Do not think that they will change. It is like a marriage partner who says they will change after the marriage or learn to like the person. It really does not happen too often. If you ask a candidate to describe their worst working environment, and they respond with an answer that describes your environment fairly closely, do not think they will be successful in your company. It does not mean that your company environment is terrible; it just means that this person is not going to be happy. Unhappy employees do not make long-term employees. Other areas to explore include:

- Ask what special or unique experience they had that they really felt great about and those experiences they hated.
- Ask about the kind of supervision, guidance or direction is optimal for them.
- Ask them to describe their best boss and worst boss. Ask what they did not like about the management style of their worst boss.
- It is advisable that you take notes (although, not on the resume) even though you may have a great memory. You can use these notes when you have to try to remember the candidates you have interviewed several weeks ago.

Optimizing Chances of Success

What can you do to keep the great people you have hired? Just because they are performing well doesn't necessarily mean they are enjoying the environment, the company, or the culture. Here are some tips to optimize the chances of success at having a long-term employee in your organization:

- Make sure you and your new employee agree on clear standards of measurement for their performance. Set clear goals and objectives to accomplish within the first 6 to 12 months. Have this conversation within the first 2 weeks of your new employee's start date.
- Ensure your new employee has adequate learning time to become acclimated with the job, the department, the people, and the company. If you expect the person to fully "hit the ground running" you may be expecting the impossible.
- Allow your new employee to meet and get to know the key people who will rely on this person to perform up to the defined expectations.
- Provide the new employee the opportunity to fully understand the goals, mission and values of the company or department.
- Provide regular and honest feedback in a manner that is comfortable and effective for the new employee. If you have some performance issue to discuss with the new employee, hold that discussion as soon as possible to allow for change. Provide as much positive and reinforcing feedback as possible and as often as possible.

How much time do you devote to making a decision that is going to cost your organization $100,000? Why don't you devote the same time and careful attention to hiring? Well, now you have some tools that will help you with these decisions that have great impact on the future of your organization.

Article S

The Value of Delegating

By William G. Bliss

For the small business owner, deciding what, when and how to delegate, along with to whom to delegate to, are sometimes very difficult decisions to make. After all, it has taken your blood, sweat and sometimes tears to build the business. If you really want to let the business realize its full growth potential, you can no longer do everything yourself. This involves some letting go, which can be difficult for many owners.

Delegation is practiced for two major reasons: to optimize productivity (yours) and to develop the staff underneath you to be all they can be. Allow me to expand on these two concepts:

Productivity - Bliss's definition of productivity goes something like this: if a boss and an employee are both fully and equally capable of performing a particular task, then the employee should always perform that task. Why? In most cases, the employee earns less salary than the boss, which equates to costing the company less money if the employee performs the task. This approach also allows the boss to spend that time saved on a task that has more value to the company, usually something only they can perform. So, it makes economic or financial sense to allow the employee to perform the task. Remember, the definition states that the boss and employee are both equally capable of performing the task.

Staff Development - Many key employees have the potential to advance to more responsible, higher value producing positions. Some employees achieve that potential by job rotation, training, or executive coaching/development programs. Others have to achieve their higher potential by performing their responsibilities at a more productive level. A key to any of these types of development is the opportunity to do things they may not ordinarily do because their boss is fully capable of performing the task. This is where delegation comes in. If an employee is 60% or more capable of doing the task or function, you may consider delegating the assignment to this person.

You may be saying, "By the time it takes me to explain what I want done, correct the mistakes that are bound to happen, I might just as well do it myself." From the productivity definition described above, you would be right in saying that this action is not a productive decision. But, you are not using delegation to be productive; you are using delegation to develop an employee with potential. You may even have to spend more time with this person on several occasions until they can finally perform the task at a full productivity level. In the long run, it is worth it to spend this extra time. As this person develops their skills at this particular function, you can devote your time to more important, value producing items, such as developing new strategies to grow the business, or spending time evaluating the market for new opportunities.

Keys to Effective Delegation

Here are 8 keys to effective delegation:

1. Know why you are delegating this particular task or assignment: for productivity or development reasons.
2. Be able to explain the desired result or outcome. For development purposes, consider allowing the person to determine the steps or process they will take to reach the desired outcome.
3. If you are delegating for development purposes, expect some mistakes, and value the growth experience.
4. Know and be able to clearly articulate the outcome or desired result.
5. Establish some checkpoints along the way for the person to review their progress identify obstacles and confirm direction.
6. Communicate the decision-making role by following the Levels of Authority chart below.
7. If you are delegating for productivity reasons do your best to let the person run with the project.
8. Make sure the person knows you are holding them accountable; take steps to provide positive or negative rewards for their performance.

Levels of Authority to Consider

Here are six levels of decision-making authority to consider when delegating an assignment. The level you decide to authorize should be clearly communicated to the "delegatee."

1. Gather information and report back to the boss so they can make the decision.
2. Gather information and provide some options to the boss so they can decide.
3. Gather information and make a decision within specified parameters.
4. Make your own decision and report results to the boss.
5. Make your own decision and report results to the boss only if the desired outcome is not reached.
6. Make your own decision and no reporting is necessary.

When all is said and done, delegation is a critical skill and habit for managers at all levels to master. Growth, both business and professional, cannot happen without strong delegation.

Article T

Defining the Value of Culture Within an Organization

By William G. Bliss

A lot has been written and even more has been said about an organization's culture. Still, it can remain a nebulous and undefined aspect of an organization. Many would call it one of those "soft HR-type things." Before we get too much into the worth of culture, let's define what culture is in an organization and why it is important to pay attention to it. For our purposes, allow me to define organizational culture as the sum total of values, virtues, accepted behaviors (both good and not so good), "the way we do things around here" and the political environment of a company.

Some terms that people use to describe their culture can include: aggressive, customer focused, consensus based decision making, innovative, honest, research driven, technology driven, process oriented (can be read as bureaucratic), laid-back, hierarchical, family friendly, risk taking, whatever-it-takes attitude, and similar terms.
Sometimes these terms may go against or contradict one another. Can you imagine the confusion at a company that proclaimed it's employees were empowered, yet the decision making process was by consensus? That would sure send some mixed signals to the employees, customers and vendors.

You may be thinking, who would ever describe themselves using both those terms used in this example? You are probably right…no one would consciously describe their company in those contradictory terms. However, it probably would not take you long to think of an organization that openly says it's employees are empowered, yet the day to day operations have so much decision making bureaucracy, one wonders how they ever get anything done at a profit.

I have now introduced the spoken or desired organization culture and contrasted it with the unspoken or actual organization culture. In many cases, these two descriptions are worlds apart. Why is this such an important distinction? It gets to the value of the organizations' culture.

Business Costs and Impacts of Turnover Excel Workbook Instructions and Owner's Manual

Have you ever wondered what impact culture has on the bottom line of a company? Here are some thoughts to consider: Hiring people who are not aware of the culture, who do not agree with the culture or work in a manner that ignores the culture can cost a significant amount of real dollars. How much? Consider this example: A $50,000 person is hired as a Financial Analyst. It will probably take six months to realize that he doesn't agree with or follow the culture. When someone does not conform with the culture, the actions that person takes can create havoc within the departmental unit. Assume that this havoc is expressed in lost or inefficient productivity.

Let's calculate the cost of his decline in productivity at 15% of his salary ($7,500), the training he has been given (valued at $10,000 due to the time and resources that have been given to him), the impact he has on others productivity in a non managerial role, his supervisor's time to coach and counsel him on less than satisfactory performance, and on and on. For arguments sake, let's say this will cost another $10,000.

Now, lets say that nine months go by and you decide you must replace him. Maybe you will give him a few weeks of severance, and you feel bad, so you will pay for outplacement cost. Then there is the recruitment costs, lost productivity, increased overtime of others who pick up the slack, lost opportunity to conduct financial analyses in particular areas of the company, along with new training and indoctrination costs. Conservatively, this can easily equal $75,000. FORTUNE recently estimated that the cost of replacing someone was 150% of their base salary. We have already come up with over $100,000 because someone did not fully accept or understand the organization's culture.

Imagine what the cost would be if the person was a senior executive making $250,000 or more with a staff of dozens, if not hundreds. How many real solid people will leave who work for this executive because she gave signals that were conflicting with the stated culture of the company?

The impact of culture on the bottom line can be quite high, as demonstrated in the previous examples. It is imperative to know the company culture and assess new employees belief systems against your organizational culture.

People often wonder how a culture is created. In most cases (and when no one has done anything to change it) it goes back to the origins of the company and its founders. Their actions and behaviors set the stage for establishing the culture. The culture can change over the years when the senior management of the company consciously begin to behave differently and acknowledge new methods and techniques to describe the ways things are going to be done. The success of the change will have a direct proportion to the level of commitment given to the change.

For example, let's say the CEO proclaims that the company will display the utmost honesty and integrity possible. How successful will this be if the sales department still tells white lies to the customers about the status of the shipment to cover up for an error in getting the order placed. Similarly, what if the accounts payable department continues to tell vendors "the check is in the mail" when they are instructed to hold onto the check to get the most interest float. As long as these relatively minor examples continue to exist, how can employees believe management is serious about a high honesty and integrity culture? At the very least, they will believe that integrity is OK, yet there is a lot of room for interpretation.

How does a company go about identifying the exact elements of the culture it has in place? Many conduct an audit of the existing culture. The beginning step of this process is to ask the senior executives how they would describe the culture, followed by an organization wide survey of employee opinions to validate the information provided by the executives. Generally, if such an audit has never been conducted, the variance in results will be quite surprising. Most effective audits are conducted by outside consultants who have expertise in this area. They can tell the CEO and senior management exactly what they have heard and observed without worry that their job is in jeopardy in their role as the messenger.

This audit would identify any values that may be in conflict with other values, as in the examples given earlier. The audit would analyze actions taken by employees and management to determine if those actions support or detract from particular values the company desires as part of its culture. A gap analysis is performed to identify how far away the actual culture is from the desired culture. This represents a significant opportunity for the senior management team to develop actionable plans to close the gap. Again, the success of any planned changes will be in direct proportion to the level of commitment given to the change.

Conducting a "cultural fit assessment" of candidates for employment is a small price to pay to save hundreds of thousands of dollars in replacement or poor decision costs. This can be accomplished using a variety of techniques starting from simple behavioral interviewing through to highly predictive (and somewhat costly) psychological assessments. In the middle are surveys that candidates can take to describe their style that can be overlaid onto a company's style patterns.

Companies would not hire someone who did not have the particular technical or functional expertise they require. To assess a candidate's technical or functional expertise, a number of questioning techniques are utilized. The same can be done to assess the candidate's acceptance of your organization culture.

Once the CEO and senior management team buy into the need for changes to attitudes, beliefs and behaviors, it will take some time before these changes become a part of the everyday culture and way of doing business. Every action, decision, communication and goal has to be evaluated against the new cultural direction. When the stories are told about how a customer was handled in the face of adversity and those stories are the norm, then you know the culture has taken hold.

In summary, understanding how the culture of an organization impacts the bottom line and profitability of a company can be revealing. Companies can maximize their profitability by

defining all of the elements of its culture, deciding if they like what they discover, assessing if their behaviors and actions are supportive of the culture, and conducting thorough assessments of candidates for employment to ensure they will fully embrace the culture of their new employer.
It is a given that payroll costs are one of the highest items in a company. Maximizing the return on those payroll costs is critical for financial success today. The impact of culture on the bottom line is substantial. Companies can no longer treat this as a soft cost.

Article U

Knowing When to Add Staff

By William G. Bliss

You are probably attracted to the title of this article because you have been thinking of adding a person or two to your company, but your not yet convinced it is the right thing to do. Well, hopefully, I can provide some thought provoking discussion to help you make that determination.

Can you identify with any of the following scenarios?

- It is taking longer to fill customer orders or respond to their service needs.
- Instead of having enough business to last for the next four weeks (or whatever timeframe makes sense in your field), you notice that you have enough to last 8 - 10 weeks. You are thinking of turning down business because you can't handle the load.
- You wish you could enter a new market, new geography or new product line, but just don't have the manpower to do it now.
- You are spending more of your time on existing business/client contact when your gut is telling you to focus on the future.
- You have plans to increase your revenue by at least 25% over the next year
- These are all symptoms or indicators that you may need to add some people to your growing company. The decision you have to make is whether to add people to your payroll; have an outside organization handle the increased workload; re-arrange current jobs to address these symptoms; or slow down the business growth.

Here are some questions to ask:

- How much more revenue will the company have to generate for us to be able to afford a new employee? Don't forget to include the full cost of having an employee including salary, benefits, office expenses, etc. Your increase in revenue should be at least three times the employee cost.
- Is adding a person a luxury or a necessity in having the company achieve its long-term goals?
- What is it that you want to add and how available are those skills in your marketplace? If they are not that available, could you reorganize some jobs and wind up hiring someone with skills that are readily available?
- Is this additional work likely to be permanent or will it last for only a few months? If it is permanent (or at least a year), it is a strong indication that an additional person(s) is needed; if it is a short-term work spike, perhaps a temporary employee is the best answer.
- Is the current staff fully occupied by performing necessary, value producing work, or are there some tasks that can be eliminated, thereby creating time to perform the new tasks.
- What is the revenue per employee now and what will it be when you add more people? It is normal to expect a slight reduction in the beginning, however, your mid to long term trend line should show revenue and profit per employee increasing.

- How quickly can we respond to customer needs, questions, or orders? Will the additional people reduce that time? The answer should be a definite YES.
- How much will it cost you to acquire and fully train the person, including hiring, training and productivity costs?
- How will you measure the positive impact of adding this person? What will cause customers and current employees to say WOW when this person is fully productive?
- You will more than likely have to give up some of your duties if a new person is going to be brought on board. Are you ready and committed to do this?

Deciding whether and when to add employees is not always a simple decision to make. As the saying goes, you need to spend money to make money and making these staff addition decisions are a good example of that practice. The key is to know that you are going to grow your business and adding staff is necessary to accomplish that objective.