

WHITE PAPER

THE POWER OF EMPLOYING “RIGHT”

“In my experience, there are few things done so consistently badly in small and medium sized businesses than staff recruitment.”

If you're anything like me, you'll have employed some crushingly awful staff in your time as a business owner!

And if you're really lucky, you'll have “stumbled upon” some winners – on rare occasions – those special people who are so stunning they make your business a sheer joy to own and operate!

But how do we find these winners – consistently, deliberately – and how do we keep them?

That's the focus of this paper!

For one thing, Many first-time start-up businesses begin by under-pricing their services in order to win business. Sadly owners of such businesses discover (too late) that this is a ridiculous strategy, which hurts them in the long term. When they are later “forced” (by “growth” in customer numbers) to employ staff, they often haven't accumulated sufficient cash reserves to pay the best people. As a result they take on only those people they *believe* they can afford. Result: “pay peanuts” . . . and you know the rest of that saying! (Even if a business owner **can** afford better, they often decide not to do so, resulting in lower-grade, under-performing staff, who need intensive, ongoing, time-consuming future performance management.)

Secondly, It's too easy to believe (mistakenly) that a “lower wage bills = good” and “higher wage bills = bad”. As employers we may try to “beat people down” on their wage-rates as we interview – and think ourselves clever if we achieve this! Inevitably, however, this approach attracts only the mediocre (or worse).

Thirdly, It's not uncommon for Business Owners to use very poor interviewing techniques. Employment interviewing is a form of “speed-dating”! On average, an interview lasts just 45-60 minutes – so we have just that amount of time to “ensure” that this person in front of us will be the **perfect** fit for our business. (Double that time if you do a second interview. . . however many of us think that “someone who will do”, will do! Yet there is indisputable evidence in business that, in most cases, they won't!) Interview questions need to be searching, intelligent, thoughtful, challenging – designed to encourage a person to “expose” the way they genuinely behave, think, act, respect (or don't), innovate (or not), resolve problems (or fail to); and how they respond to and “service” clients. Designing and using good interview questions is **critical**!

Fourthly, Too many of us employ looking for **skills** alone. Of course, more often than not skills are valuable if not imperative (especially if a job requires a trained and experienced

person to fulfil it well). But which, do you think, is easier to teach? – skills or personality / character? The answer, of course, is skills. Skills can be taught to ‘anyone’ with aptitude and willingness . . . (we even teach birds, animals and machines to do some tasks!) Whilst personality is formed over years; and character is refined in the crucible of life’s hardest experiences.

If we add one person to an existing team of 9 (or two to a team of 18, or three to a team of 27), that’s a 10% potential change in the character (or “internal culture”) of our business . . . **and that’s huge!** One ‘toxic’, undermining, or negative person can destroy, in a few months, all of the goodwill that’s been built up amongst a great staff team over years.

And who’s the most likely, then, to leave? – your *best* people, of course, because they know they’ll always be valued somewhere else! Interview questions therefore **must** tease out the character and personality of our future prospective employees.

Fifthly, We employ to the “need”, not the “potential”. New staff members are so often chosen because they’ve been in a similar role before. Where’s the interest for them in that? – and where’s the growth for us, as a company? If they’ve just *left* a role doing “xx”, why do we think they’ll stay with us for any length of time, doing something identical?

By contrast, if we can identify someone with **potential** who hasn’t yet done the role, look after them well, keep training them and retaining their interest, then we stand a great chance of getting a very “engaged “ team member who will enjoy the challenge and stay with us over the long-term.

Sixthly, We **badly** under-estimate the value of our “top 20%” employees. We all know the “80:20 principle”. In an employment setting, it estimates (with reasonable accuracy on average) that 20% of our employees will generate 80% of the value our company enjoys (not only in financial terms). So how much more value does a 20% employee offer?

No, it’s not “4 times”! Let’s do some maths:-

If 80% of our team produces 20% of our value, then those team members adds 1/4 of the value of the “average” (being 20/80). By contrast, the 20% of our team generating 80% of value, each contributes 4 times the value of the “average” (being 80/20). So the difference between the two groups is 4 divided by 1/4 = **16 times**. The 20% group are **16 times more valuable** to a business than the 80% group.

Seeing this, how important has it just become to you, to keep, nurture, and grow your best people?

Finally, It’s all too common for business owners to micro-manage, destroying the creative spirit and abilities both of our staff team and of a business itself. Every business needs the best ideas and contributions that everyone can offer.

I’ve heard the story told that it was a cleaner who first proposed that lifts/elevators be placed on the outside of buildings, to create new space inside.

If I let my ego or pre-conceptions blind me to the true value of every member in my team, I’ll miss the best opportunities my business has, to become the highest-performing business it can be.

How, then, should we employ?

- 1) Know your business's distinct points of difference, and charge your services to represent the value you bring to clients through them – don't compete on price alone. (If you believe your industry is so price sensitive that you have no room to manoeuvre, I challenge you to think again! The best players in every industry have room to re-educate the market to pay for top-level service. But you have to be offering something top-level.) This will enable you to afford higher-calibre employees.
- 2) Employ the **best possible people** that you can find for the roles you have. I don't mean "the most skilled". I mean "the best". This will include those with the greatest *potential* **and** who also fit the *culture* of your company.
- 3) Employ **for the results you want**, not because of the cash you have in the bank. A while ago, I encouraged a client company to offer a new employee a package that was several tens of thousands more than they'd ever paid anyone before. The result was an increase in profit in just 4 months, which more than covered the extra salary – and over the next 12 months the business's bottom line increased by 40%, which not only covered the extra but covered his whole salary and others' besides! Sometimes it takes 'guts' to "employ up" – but the level of results and enjoyment we enjoy as a result increases way beyond the additional cost.
- 4) If you don't know how to craft interview questions, to make sure you aren't employing the wrong person at that higher salary or wage, seek help from a quality Personnel or Business Advisor – someone you trust to help you genuinely to improve your team.
- 5) Push beyond your comfort zone. If owning a business isn't fun and fulfilling, there's so much that can be done to make it so!
- 6) Enjoy the journey! It's worth it!

About the Author:

*Peter Lawry has operated four businesses before becoming a full time Business Advisor. He's made plenty of mistakes, learned heaps from everyone that he can, and now works to challenge, entice and support others towards those "dramatic paradigm shifts" in their life and business, through which they leap forward in **bounds**. He's a husband, father, and grandfather; a Lions Club and local Tramping Club member; and holds a leadership role in one of the South Islands largest, growing churches.*

*Professionally, he's a senior Consultant with Business Success Partners (an advisory organisation specialising in the success and growth of Small and Medium Enterprises), through which he's been recognised for the past two years as being one of the top two consultants across New Zealand in The Consulting Group. He is also a Qualified Accountant in two countries and an Associate Fellow of the NZ Institute of Management and Leadership. As far as Peter is concerned, none of these qualifications count for much unless he can make sure **you** get the successful, practical advice you need, to allow you and your business to thrive, becoming an ultra-profitable, innovative and highly valuable organisation.*