

Making people walk the talk

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As a small business owner, how do I make sure my employees are on the same page with me? This could be a tough year. We have to keep the company profitable and growing.

It's the results produced in tough times that define the real worth of an organization. In the coming months, owners and employees will have opportunities to make above and beyond contributions. And if they don't step up to the plate, the consequences could be severe.

Make sure your goals are clear. Get compensation plans in line with goals. Plan conservatively, act aggressively. Be honest with everyone about how things are going. Be willing to make changes when things aren't working. Practice leadership through example and accountability.

Here are some questions you can ask, to establish a personnel baseline. Who has goals? How is performance measured? Does everyone in the company know exactly what is expected of them? Is each employee clear how their job and the results they produce translate into revenue, gross profit and net profit? Does everyone have a sense of urgency? Is anyone taking things for granted, and if so, what kind of wake-up call do they need to get focused and moving?

One of the biggest mistakes owners of entrepreneurial businesses make is not being clear enough about goals – overall and by employee. Often the owner says, "Let's do everything we can to boost revenue over the coming year." Most business owners are optimists, and spend their time hoping for the best. They hope that customers will come through and employees will pull their weight.

Describe sales goals by product or service line and by individual. Look at how much did each employee sold this year and last year – both in units and in dollars. How much more can they sell this year? Get the owner's estimate, and compare it to the employee's assessment of what's realistic. Then decide if that's enough for the company overall to show progress in the coming year.

Once you have a good estimate of revenue, plot out gross profit, again by product or service line. Calculate each percentage based on 2008 year to date results. Then multiply 2009 product or service revenue goals by gross profit percentage. Is this enough to make a net profit in 2009? How much room for error is there in the plan?

Discuss individual sales targets with each employee. Don't allow anyone to go blindly into 2009. Then ask employees what help they'll need tracking results. Keep down the finger pointing by making managers accountable for total results, as well as their individual results.

Many companies don't spend enough time figuring out how results translate into compensation, and then they wonder why people don't take the plans seriously. Reward delivery of goals by recognition, compensation and opportunity for personal growth. Penalize failure to deliver, by taking money away, demotions, and limiting privileges. Make it clear how people will be compensated, and find out if they understand what you've put forth.

Limit company wide spending and infrastructure development plans to the minimum necessary. If possible decrease expenditures. That way, if you run into problems growing sales, you're not behind the eight-ball. Keep funds in reserve to commit to additional sales efforts, if needed.

Track results often. Think of it this way. If you check on results once during a year, you have one chance to make an adjustment. If you check monthly, 12 chances. Check weekly and you have 52 chances to make an adjustment and get things on track. Assign someone the job of scorekeeper. But also tell people they're responsible for knowing exactly where they, and for being on plan at all times.

Finally, don't accept excuses. Do encourage people to challenge the status quo, and suggest ways to improve. If you find that employees are finger pointing, shut it down. Set up joint goals. Be clear you won't tolerate wasted time and effort. And be prepared to back it up with action – up to and including termination.

With unemployment at 6% and rising, it's a decent market in which to search for replacements if you have to. But before you do consider such drastic measures, find out why employees are struggling – and what they would have to do to turn it around. You may find you have good employees in the wrong jobs.

Keep in mind that the knowledge employees have gained over the years is valuable, if you can get it focused on and turn it into growth. So before you start making changes in personnel, ask yourself, is this the kind of person I want in my company – focused, innovative, driven to succeed, no excuses, able to communicate, deals well with customers, respects peers.

Looking for a good book? Try *Managing Performance to Maximize Results* by Harvard Business School Press.

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