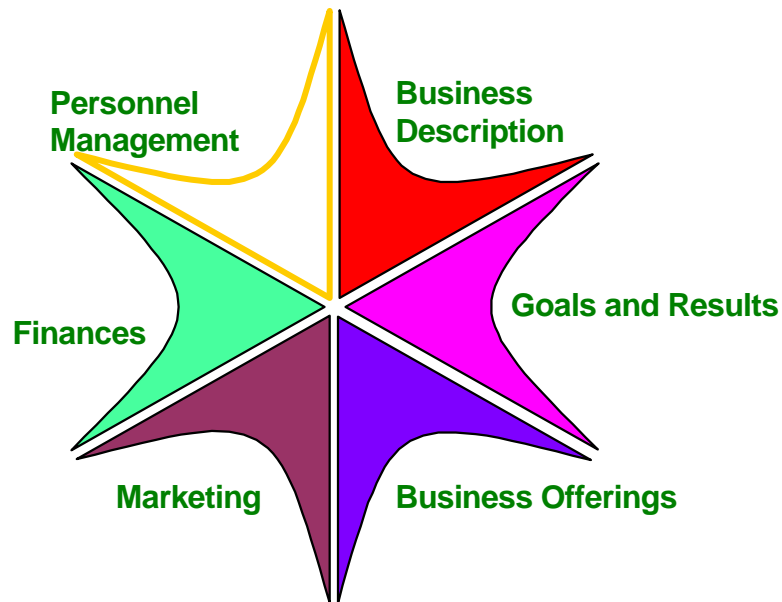


Management & Leadership Skills



CorNu
Enterprises

A CorNu Enterprise Educational Product

BIZBITE CONSULTING GROUP

Management & Leadership Skills

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How is this module organized?

We divided the Management & Leadership Skills into ten major headings:

-
- 1. A unified salary administration program
 - 2. Personal Performance outcomes (PPO)
 - 3. Manager assessment tools
 - 3.1. Employee position assessment
 - 3.2. Senior employee position assessment
 - 4. Management styles & leadership skills
 - 5. The use of positive reinforcement with personnel
 - 6. Maximizing customer/client sales & employee potential
 - 7. Maximizing sales force potential
 - 8. Conducting effective staff meetings

Within each of the ten major headings, you will see the following organization pattern.

-
- Introduction
 - How to use this section (Module content)
 - Summary
 - Celebrate

Celebrate!

It is important that you recognize your achievements and celebrate each small step. Phone some friends and celebrate it. We will offer you opportunities to celebrate at the end of each part of the module. Have fun with them. We had fun creating them for you.

Suggestions on how to use this module

This module is organized so that you decide:

- ◆ In what order you want to access the various titles
- ◆ What you want to ignore
- ◆ How many times you want to revisit the material

Just return to the Table of Contents and click on what you want to read or review again.

The six-pointed star

We have depicted business and a business plan as a six-pointed star. Each part of the star represents a major aspect of your business and an important element of a business plan. Together, they form a complete view of your business and your business plan.

We have carried this star throughout all the BizBite Consulting Group products and all the modules.

As each new section is begun or completed, the appropriate part of the star is colored and the rest of the star is colorless. This may help you to see how a specific topic relates to the whole business and to remind you that it is part of the whole.



Management & Leadership Skills



Glossary

Each term that is used in this section is defined in the Glossary. You will notice that the first time it is used it is coloured **green in *Bold Italics***.

Click on the Glossary in the Bookmarks or Thumbnails and scroll down to find the definition. Alternatively, print the Glossary.

Overview of the module

As a business grows and staff size increases, the most difficult business problems managers' encounter are:

- ◆ Keeping the good employees they hire
- ◆ Motivating and directing employees
- ◆ Building teams of people in key segments of the business
- ◆ Developing employee potential
- ◆ Developing future managers



Many companies do a poor job in these areas. Consequently, after finding and hiring excellent employees with skills and experience who would help the business to grow, they lose them in a year or two because of poorly structured personnel management systems.

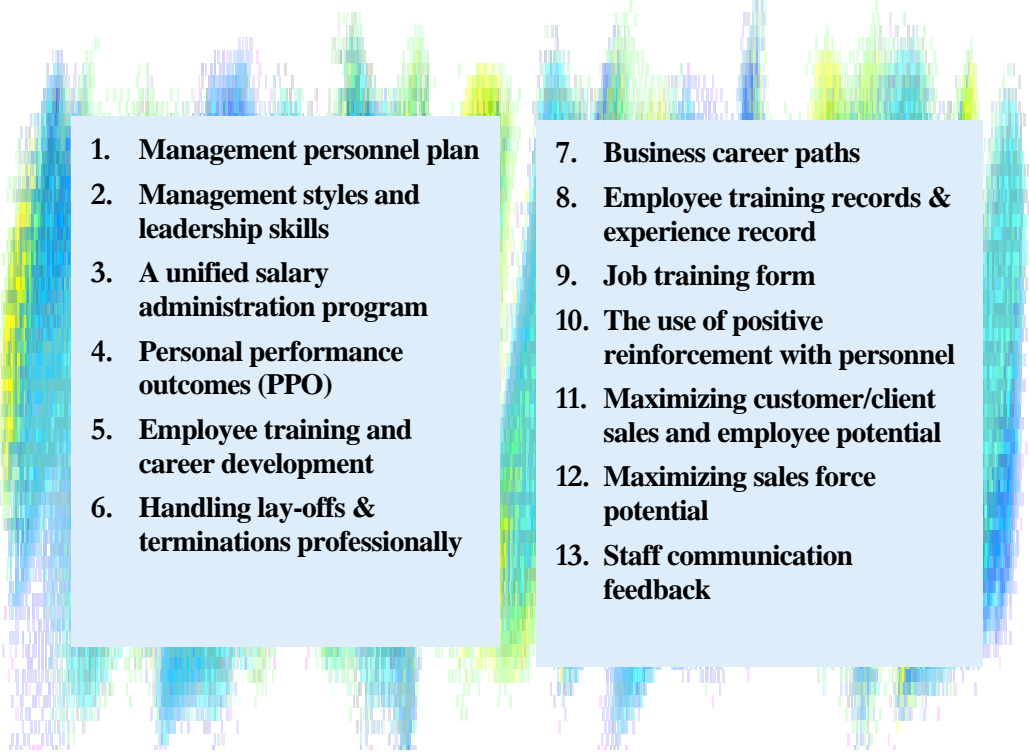
In this module, you will learn that an effective personnel management system is comprised of a number of key components:

- ◆ A fair compensation system that promotes and rewards employee achievement
- ◆ A performance management system that involves the employee
- ◆ A well-planned and active career development program throughout the business
- ◆ Effective employee communication systems

However, the most important components are:

- ◆ A management team committed to the program
- ◆ A management team that is well trained and can exercise the management styles and leadership skills to make the program work

Management & Leadership Skills is divided into thirteen subheadings.

- 
1. **Management personnel plan**
 2. **Management styles and leadership skills**
 3. **A unified salary administration program**
 4. **Personal performance outcomes (PPO)**
 5. **Employee training and career development**
 6. **Handling lay-offs & terminations professionally**
 7. **Business career paths**
 8. **Employee training records & experience record**
 9. **Job training form**
 10. **The use of positive reinforcement with personnel**
 11. **Maximizing customer/client sales and employee potential**
 12. **Maximizing sales force potential**
 13. **Staff communication feedback**

How to use this information

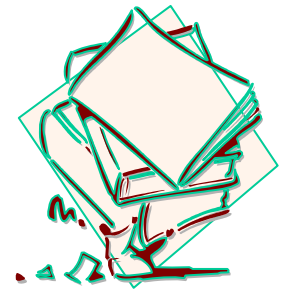
Because your business is unique, not all of the thirteen headings may be useful to you. You should omit those that are not, visit and revisit those that are, and customize those that are useful. I hope that you will read some ideas that you may not have thought of before or have validated other ideas that you have considered before.

A Unified Salary Administration Program

Introduction

The purpose of a unified salary administration program is to provide management and the employees with a structured system of compensation. If properly designed, such a system will allow for:

- ◆ The achievement of corporate goals
- ◆ Responding to the recognition of employees' achievement
- ◆ Addressing the personal growth needs of individual employees



This system should combine rigidity with flexibility in a way that is clearly understood by the business owner or manager and employees.

In order to function as a positive and motivating force within the business, a system should have the following characteristics:

- ◆ Both management and employees must see it as a fair and logical system that isn't entirely cast in bronze.
- ◆ It is very important that the employees of the business have positive input into the process.
- ◆ Employees must feel that they have some control over their destiny. That is, they must feel they can really affect the setting of the goals and outcomes.
- ◆ It is also important that the employees feel that the business is interested in them as individuals.
- ◆ Employees must feel that the business recognizes their achievements and their contribution to the business.
- ◆ The system must actively encourage the personal growth of the employees within the organization.

Designing a system that responds to all of these requirements is not always an easy task because it must obviously be accomplished within the context of overriding business goals, outcomes, and constraints. However, it can be achieved with the active participation of the employees with management in an atmosphere of fairness and understanding.

Properly administered, the benefits can be tremendous for both management and labour. Rather than a confrontational approach, a they/we tug-of-war characteristic of the atmosphere of many businesses in the past, we have both parties working together in accord for commonly understood goals and outcomes.

This channeling of energy results in performance.

The system outlined below will provide you with the system to implement *a unified salary administration program* that is both management and employees' results oriented.

Key elements of the salary administration system

The job description

It is very important to have well-defined job descriptions for all key inside and outside personnel in the organization. Expect to utilize these job descriptions in the hiring process. You also may want job descriptions of other employees. These can be useful when advertising positions.

A job description could have the following information:

1. List the experience, education, and skills that the job requires for this specific position.

Make a distinction between the qualities you would like the new employee to have. Moreover, which are essential?



Assume that you are listing them as an entry-level position rather than for someone who has worked for several years for your business.

Start with the most important ones. Assume entry-level means the skill level needed for your business that fits your salary grid.

Do not be too inflexible in your specifications. It's true, that often the most successful person in a new job is the person who has never done it before; however, they had the skill sets and related experience that brought fresh insights and enthusiasm to the job.

2. List what skill sets your business requires for this specific position.

Don't be too rigid, but rather ask yourself,

"Do we really need this experience, these skills, or this training/education?"

3. List the duties of the employee.

- ◆ List the major duties or responsibilities expected of the employee
- ◆ Describe how these duties and responsibilities are to be accomplished in general terms
- ◆ Describe the reporting relationship
- ◆ State the reporting frequency

4. State the salary range (See **Establishing salary ranges**).

5. In a brief paragraph, state the part the job function plays in relating to and fulfilling the overall outcomes of the business.

The job description also could have the following information:

- ◆ T/Q Certification (technical or formal qualifications, if applicable)
- ◆ Other certificates (those that are required by the job, position, or business)
- ◆ Education level—what minimum education level is required for the job or position.

Good job descriptions should:

- ◆ Not ramble on about lofty, corporate outcomes
- ◆ Be written in simple, clear, concise language that is easily understood
- ◆ Leave no doubt as to where the position 'fits' within the business
- ◆ Not list so many duties that it would seem an impossible task to accomplish them all
- ◆ Not include overlapping or conflicting purposes that would make it impossible for a person to comply

Occasionally, you will see job descriptions that are several pages in length and contain paragraph after paragraph describing in detail, each duty. The writers of these job descriptions have lost sight of the real purpose of the job description.

Job descriptions should use a point form, whenever it is possible, to clearly separate and define what is expected.

Write job descriptions in plain language without 'fuzzy' phrasing, as the object is not to impress anyone, but to convey a clearly understood message.



Employ the job descriptions in the hiring process
(*How to Hire the Right People* module).

Use these job descriptions again in the *Effective Employee Management & Development* module

Establishing Salary Ranges

The concept of salary ranges, rather than a fixed salary for each job, recognizes the variations that exist between individuals.

These variations include:

- Level of training**
- Level of experience**
- Degree of job difficulty**
- Degree of responsibility**
- Job performance**
- Years of service**

Proper and careful administration of a unified salary administration program can accommodate all of these factors in an equitable way. It will provide employees with ample incentive. Additionally, the salary range concept provides a very effective management tool in terms of personnel development and expense control.

Often the salary range is included in job advertisements.

Establishing salary ranges for each job category is not an easy task. Consider these factors.

- ◆ The competitive industry standard or going rate for similar work
- ◆ A particular salary range must correlate to other jobs or positions in the organization

In other words, preserve a pecking order. This is particularly important where people are working in close proximity.

- ◆ Imbalances between workload; responsibility and compensation can lead to *salary compression*

Salary compression is a term used to describe a condition where there is little difference in the compensation of a person in a supervisory position and an employee reporting to that, or a similar supervisory position.

This is inevitably unhealthy for the organization. This often results in poorly motivated people and even the loss of valuable people.

- ◆ Any salary administration program must be relevant to the ability of the business to afford it.

People should be considered the most important resource of the business and worthy of significant business investment and support. Therefore, a business should be very careful in its hiring practices. It is more cost effective to hire quality people and compensate them properly.

	<p>Poor hiring practices result in:</p> <ul style="list-style-type: none"> Low employee productivity Higher training costs High staff turnover Possibly hiring more people to do the work 	<p>Good hiring practices result in:</p> <ul style="list-style-type: none"> Higher employee productivity A shorter learning curve before an employee starts to produce at an acceptable level Greater returns to the business for the investment in staffing cost The business justifying the demanding acceptable levels of performance Often fewer people needed to do the work 	

You usually get what you pay for in the end and that certainly applies to the performance of people.

Some businesses may try discussing compensation expectations with employees and this can provide some useful insights. You may find their expectations unrealistically high or low. Nevertheless, you cannot base a salary administration program on what employees may be prepared to accept at a given point in time because:

- ◆ It may not be relevant to industry standards
- ◆ The business may not be able to afford the cost
- ◆ The quality of the people in the organization varies over time
- ◆ There would be no built-in impetus for future growth and upgrading of personnel

Setting up the salary administration program

When a new compensation system involving the establishment and implementation of new salary ranges, it may be necessary to phase it in over time to allow for:

- ◆ The productivity of the existing, quality people to adjust to the new program
- ◆ The weeding out of unproductive people
- ◆ The minimizing of salary compression
- ◆ The minimizing of any initial financial impact on the organization

Establish salary ranges for all employees both inside personnel and outside personnel (e.g., salespeople). It doesn't matter whether the position is subject to a bonus or commission program, it is still part of the overall mosaic of the compensation structure.

For that reason, once you have established the salary range for a particular job in your geographic area, determine the *median* (not the average) for that range.

This should now become the mid-point salary for that position.

Next, the minimum and maximum salary is calculated as plus or minus 20% of the mid-point.

For example

If the mid-point for a job is \$35,000, the minimum is 20% less than \$35,000 or \$28,000.

If the mid-point for a job is \$35,000, the maximum is 20% more than \$35,000 or \$42,000

Review all salary ranges each year with reference to inflation, any changes in industry standards, and the job market. As a rule, hire personnel at the mid-point less the prevailing rate of inflation.

For example

Assume that the inflation rate is 5%.

If the mid-point for the job is \$35,000, the employee should be hired at 95% of \$35,000 or \$33,250.

This allows for potential annual or periodic inflationary increases for the 'good' employee with an acceptable level of performance. Most employees should be kept at this level for a specific period (the first five years or so of employment).

After five years, very gradually move up employees who have demonstrated consistent performance may, at the discretion of management, in the salary range for their position.

This means that if the inflation rate is 5% per year and the employee is hired at 95% of the mid-point then every year they could be given a 5% increase. They would stay at 95% of the mid-point providing that the salary ranges are adjusted for inflation.

On the matter of annual increases, the reality in recent years has been that there is no increase or a minimal increase (½—2%).

Governments across the country have been offering three-year contracts with 0%, 0%, and 2% increases in salary.

It is often a mistake to move people up in their salary range too quickly because many conditions can change, such as, industry standards, or employee performance.

Beware of raising the salary of employees who have an exceptional performance in a particular year. Even if employees repeat the performance in the next year, you should be cautious about moving them up in the salary range too quickly. Bonuses or other incentives are a better way to handle exceptional performance because it does not commit the business over a long term.

Give careful consideration to all the salary ranges in the organization to ensure that salary compression is avoided and that a logical 'pecking' order or progression is established. It is, however, normal to have some overlap.

For example

The mid-point for one position may be the top of the range for another position.

In addition, within the same general job category, you can have more than one classification to reflect, for example, levels of expertise, scope of position, or seniority.

This allows for a smooth transition of the employee from one Class to another. The system is completely flexible and adaptable to any organization.

Once salary ranges are in place for the entire organization, they are used in conjunction with Personal Performance Outcomes (PPO) as part of the periodic salary review process and, if applicable, an incentive program.

(See *Personal Performance Outcomes (PPO)* for further details.)

For example

You may have Administrative Assistants Class I, Class II, and Class III--each with its own salary range.

The salary range for each Class overlaps with the one before it to the extent that the top of Class I may be the mid-point for Class II.

A salary grid

Use a salary grid like the one shown below in qualifying the appropriate salary adjustment. The salary grid is a tool that allows business managers to assess quickly the appropriate salary adjustment for an employee.

It helps managers to:

- ◆ Control salary levels within salary range guidelines
- ◆ Move employees through their range in an orderly fashion
- ◆ Eliminate salary compression
- ◆ Reward the consistently high performer within salary administration guidelines
- ◆ Reward long-service employees within the context of the salary administration system



Review salary grids regularly to ensure that the salary adjustment choices in each box are relevant to your local market conditions.

Read the Sample Salary Administration Grid. (You may want to print it so that you can see it more clearly.)

1. From left to right, across the top of the grid represents the salary range between a low of 80% of mid-point to a high of 120% (20% over) of mid-point.

It also states at what time interval the salary should be reviewed such as 12, 15, or 18 months.

2. Each row down the left side of the grid designates a level of performance. These are Outstanding, Excellent, Good, Fair, and Marginal.
3. Within each box created by the intersection of the rows and columns are the percentage ranges such as 10%–12%, or 8%–10%.

Note: In the top left corner, the percentage ranges from 10%–12%. This means that if employees are near the bottom of their salary range but are consistently outstanding performers, you would consider salary increases of 10%–12%.

4. From the top left corner of the grid to the bottom right corner of the grid, the range options shown within the boxes are progressively smaller.

Sample salary administration grid

Percentage of Mid-Point 80%	88%	96%	104%	112%	120%	
	Increase	Increase	Increase	Increase	Increase	
Outstanding Exceptional performance in all areas Greatly exceeded all goals of management and personal outcomes	12 months 10%–12%	12 months 9%–11%	12 months 8%–10%	15 months But, not beyond range Maximum 7%–9%	18 months But not beyond range Maximum	C E I L I N G
Excellent Performance exceeds normal requirements All personal objectives achieved	12 months 8%–10%	12 months 7%–9%	12 months 6%–8%	12–18 months But, not beyond range. Maximum 5%–7%	18–24 months Advance but not beyond range maximum.	C E I L I N G
Good Requires minimal guidance and regularly achieves most personal performances outcomes	12 months 6%–8% 12 months	12 months 6%–8%	12 months 6%–8%	15–24 months But, not beyond range. Maximum 3%–5%	C E I L I N G	
Fair Minimum acceptable level of performance Needs regular guidance and counsel. Performed below most personal outcomes	15–18 months Up to 4%	18 months Up to 4%	24 months Up to 4%	C E I L I N G		

Percentage of Mid-Point 80%	88%	96%	104%	112%	120%	
Marginal Does not meet acceptable level of performance No performance outcome achieved	18–24 months Possible Termination	C E I L I N G				

Applying the salary grid to an example: John Smith

This is an example of a typical salary review process. John Smith has been with your business for four years and he has consistently performed at an acceptable level. Before performing a review of his compensation, you should have his employee file at hand.

You should also have assessed and rated his **Personal Performance Outcomes (PPO)** along with records of performance on any special incentive programs. You may want to review the section on PPO before proceeding with the rest of this section.

Salary Review Procedure

There are eight steps in this procedure:

1. Note that employee John Smith is now at 92% of the mid-point for his salary range.
2. Review his PPO and arrive at the percentage achieved.
3. Assume that John achieved 80% of his PPO.
4. Refer to the *Sample salary administration grid* above. (You may want to print this grid off so that it is easier to read.)
5. Read across the top to determine the salary range position and you will see that John is in the band between 88 and 96%.
6. John achieved 80% of the PPO. Reading down the side of the chart, you will note that he is in the Good category box.
7. Where the top and side boxes intersect in the middle of the chart is the operational category and, in that box, it states that a 12-month review is in order and a 5–7% increase may be given.
8. As he has achieved above the *median* for the acceptable range on the Good category, indicates an increase of 6% unless there is some extraordinary other factor(s) involved.

It is just that simple

Once the salary administration structure is in place, the salary grid allows you to perform salary reviews for even a large organization in a short time.



Incentive Programs

Incentive programs can take many forms and can be based on any number of criteria.

In general, incentives usually take the form of:

- ◆ A periodic performance bonus that would be based on PPO
- ◆ A general commission or a spot incentive. This is sometimes referred to as a 'spiff' on a product

Compensation may also vary based on:

- Cash rewards
- Vacation trips
- Investments
- Stock options

In choosing an incentive program, consider how this program will help to achieve the short- and long-term goals of the organization in terms of:

- Performance improvement
- Increasing sales
- Personnel development
- Increasing profits

Tailor the incentive program to meet the specific needs of a business.

For example

The incentive programs in heavy equipment business-selling units worth \$100,000 or more would be quite different from business selling confectionery products to every corner store.

It will be quite different in a business where the incentive is to form a major component of the compensation package.

The intention of this brief discussion is to provide simply an overview of the great variety of possibilities in incentive programs and to illustrate the need to tailor the program to the specific needs of a business.

Other uses of the unified salary administration program

The focus in this section has the use of the salary administration program in handling salary reviews and incentive programs.

However, a system like that presented here can be a major factor in:

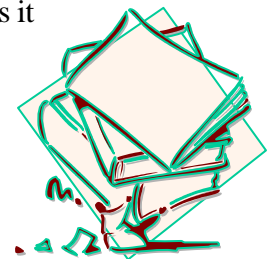
- Motivating employees
- Promoting employee achievement
- Promoting the achievement of company goals
- Governing the orderly growth of staff
- Controlling company compensation expenses

Summary

The unified salary administration system presented here is applicable to any business regardless of its size. Once in place, the system makes it easy for management to control the salary administration responsibility with a minimum of effort. The system does most of the work.

Even in quite large organizations, performing salary reviews, and rewarding people for performance can be completed in an afternoon.

To be effective, review and update the system itself each year so that it accurately reflects market conditions.



Celebrate!!

*Here is a bouquet for you.
And I come with it.*



Personal Performance Outcomes (PPO)

Introduction

Personal performance outcomes (PPO) for key personnel are extremely important at all levels of an organization.

PPO are a formalized list of goals that should always include:

- ◆ Key corporate goals
- ◆ Personal goals
- ◆ A special project

Corporate goals will reflect a direct interfacing of overall business outcomes for the year with the individual's area of responsibility.



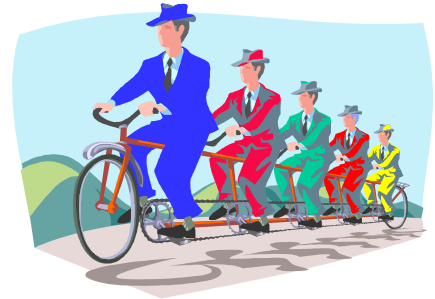
PPO are the glue that hold things together

PPO are like a bike built for many.

Each person on the bike is part of the whole team. The bike has to move in the direction that the business owner or management determine.

Each person has a role to play and knows what that role is. It is important that everyone pedal together.


Collectively, all the PPO in the business express the will and direction of the enterprise. Administered properly, they are both prime motivators and planning tools.



How to use this information

As you move through this section, think about how you would express your key corporate goals on a PPO for each position. Also, think about how the PPO for each position would relate key corporate goals to personal goals.

Furthermore, think of special projects for each person in your business. Special projects are a great way to develop the abilities of employees and, at the same time, perhaps show that you value their contribution to the company.



Note: *Personal performance outcomes* is a plural term. It's assumed that there is always more than one outcome. That means that PPO is also plural. Throughout the document, it will appear that the wrong verb is used, but remember PPO always refers to several or many outcomes.

Key purpose of personal performance outcomes (PPO)

There are at least two key purposes of PPO:

1. They provide a way of measuring the efforts of the individual and a group.
2. They are an organized way of monitoring and rating the performance of people in the organization for the purpose of compensation.

It is not necessary for everyone in the organization to have a PPO but each year they should be established for personnel such as:

- ◆ Outside salespeople
- ◆ Department managers

We recommend that even for many people who do not require formal PPO; their department manager should provide them with specific short-term and long-term goals that they are responsible for achieving within a certain period.

PPO tips

There are several tips that we can offer regarding using PPO:

Good people will respond to the challenge of meeting PPO.
A personal goal or project is a great motivator.
It is usually seen as an opportunity to test or prove themselves.
Business owners or managers should always personally congratulate employees for good performance.
Business owners or management should make sure that individual achievements are always recognized publicly within the organization.
A good way to recognize people is through a business newsletter, business sales meeting, or a seminar.

What is included in personal performance outcomes (PPO)?

PPO can be divided into several kinds of goals:

- ◆ Corporate goals
- ◆ Personal goals
- ◆ Special projects goals

Corporate goals

The items included in PPO vary a great deal depending on the person's responsibility.

For an outside salesperson, this would usually include items like	<p><i>Net sales</i></p> <p><i>Gross margins</i></p> <p>Expense control</p>
For an office manager, it might include:	<p>Installation of a new computer system</p> <p>Implementation of a new office organizational structure</p> <p>The introduction of new credit controls</p>

All of these items can have several sub-categories that are part of the overall objective.

Personal Goals

Personal goals are those directly related to the individual's area of responsibility and should be aimed at achieving something specific to that area.

<p><i>For example</i></p> <p>In a sales territory, the personal goals might be:</p> <p>Selling a major target account</p> <p>Market participation into a new area</p> <p>Introduction of a new product line</p>
--

Special Projects Goals

Special projects as part of PPO are a good way of allowing the employee to express their individual talents. Whenever possible, the project should be something in which:

- ◆ The employee has shown a special interest
- ◆ The employee has a special aptitude

There are positive benefits of assigning special projects.

They can be great motivators.

They can be morale boosters for the employees.

They can be morale boosters for the entire organization.

People will naturally work hard at something of special interest to them.

The employees' drive and enthusiasm spins off to all areas of their work.

The employees' enthusiasm rubs off on others in the organization.



Management's prominent recognition of the achievements is very important

Preparing personal performance outcomes (PPO)

There are two parts to this section:

1. Preparation steps
3. Staff involvement

Preparation steps

There are four steps in preparing PPO:

1. Management, before the end of a fiscal year, should prepare an outline of PPO. These will reflect the management goals that will be in keeping with the long-range business planning of the business.
2. As soon as the results for the fiscal year are known, managers at all levels should discuss PPO with their employees. The collective PPO at each level of the business should be integrated into the next level, thus producing a consolidated PPO for the business.



For example

The field salespeople forecast the next year.

The Department Managers base their forecasts on the forecasts of the field salespeople.

The Division Managers base their forecasts on the forecasts of their Department Managers.

The owner of a business will base business forecasts on the total forecasts of the Division Managers.

The forecasts of one level are integrated into the next level.



For example

Management may have an overall goal for the company of a 20% increase in sales but not all areas of the business probably can do this.

Management conveys their 'wish' to all of those people in the company that will have a PPO. On an individual basis, they design a personal PPO with the goal of a 20% increase in mind.

However, more importantly, that person's PPO should reflect realistic goals that will stretch the person's capability but be seen by all concerned as achievable.

In an individual case, it may turn out that a 12% increase in sales may be a realistic goal but, for another person, a 22% increase might be realistic.

After all, of the PPO for the field salespeople in a business division are completed, the manager of the division bases his or her PPO for their division on the total of the PPO of their field salespeople.

If the Division Managers reported to a General Manager, the General Manager would base his or her PPO on the total of the Division Managers PPO.

Therefore, the process of preparing PPO starts with goals expressed by senior management. It then starts at the bottom and moves up through the ranks of the company until, ultimately, it would reach the CEO of the company who, in turn, has to answer to the Board of Directors and the Shareholders.

At each level, the managers have to realistically factor that only 75–80% of the overall PPO will be achieved if they have been crafted properly.

By the time, the process is completed, what started as a desire on the part of management for a 20% increase in sales may now be modified to 15%.

This 'realistic' projection provides a more reliable basis for the company committing funds to the necessary raw materials, etc., to support the expected performance in the field.

3. It should be accepted by all parties that there will be some flexibility in establishing PPO in different areas or divisions of a business because there can be great differences in the potential or capabilities of each division.

4. In the main, PPO must be consistent with the overall business plan requirements of the business and its marketing strategy.

There are six important criteria to keep in mind when establishing PPO in order to avoid confusion or resentment at the time of the assessments.

- ◆ The outcomes must be very clearly defined
- ◆ There must be no grey area or room for misunderstanding as to what is required
- ◆ The outcomes must also be achievable
- ◆ The outcomes must be time phased. It must be clear what period is being measured
- ◆ The outcomes must be measurable in a clearly understood way
- ◆ The method of measurement should be defined

For example

If a goal were set to increase sales by a certain percentage or amount, without defining whether sales meant *gross sales* or *net sales*, it would lead to controversy at the time of assessment.

Other important points about PPO

Consider these four other points:

1. All parties should understand what sources of information would be used to retrieve the data for PPO measurement.
2. PPO must always be time phased so everyone understands the period of performance to be measured and when the deadline or cut-off period will occur.
3. PPO are often point weighted to reflect the difference in emphasis that the business puts upon various PPO categories.

The PPO rating then is a matter of adding the points achieved and expressing it as a percentage of the total to arrive at the performance rating.

4. There should not be too many PPO or the process becomes too complicated.

Too many PPO may make it impossible for employees to achieve all the PPO. A realistic number of PPO is eight or nine but these could be made up of two or three relevant sub-categories.

Staff Involvement

Involving the employees in this process is very important. If you want them to *buy* into the process, then they must have ownership of the process. Ownership comes because of assisting in the development of the PPO.

Before sitting down with the employee to discuss PPO for the coming year, the manager should:

- Give advance notice to the employee that it is time to start preparing their PPO.

- Make a definite appointment with the employee to discuss their PPO.

- Provide the employee with any records they will require such as sales reports, commission reports.

- Ask the employee to come prepared with data and ideas of his or her own to contribute to the formulation of the PPO.

This is a cooperative exercise and that PPO will be negotiated within certain guidelines

It will be a serious discussion—not a crystal ball session.

Grossly underestimating or overestimating PPO can be very serious for the business because much of the consolidated data will be used as the basis for budgeting and deploying the business assets.

For example

Poor forecasting could result in gross imbalances in inventories with resulting problems in production and customer service or perhaps excessive financing charges.

In the PPO preparation steps section, we noted that the forecasts of each level of the business form the basis for the forecast of the next level of the business.

Therefore, in the interest of all concerned, the manager must control the direction of the discussion to avoid the sandbagger (the person who grossly underestimates their future results) or the blue sky (overestimating) forecasting of the over-zealous salesperson.

Consider that if each person overestimated their results by only 5%, by the time the figures pass from the salesperson to the department manager, to the sales manager and to the general manager, the data is inflated by over 20%.

How are PPO used?

After the PPO are written and agreed upon, there are at least two times during the year that PPO should be reviewed: fiscal year mid point and year end.

The initial agreement

Once PPO are agreed upon, they should be typed, signed and dated with a copy for filing and a copy given to the individual involved. It is a good idea to set a time of six months into the fiscal year to review the progress made in achieving the PPO.

Year mid-point review

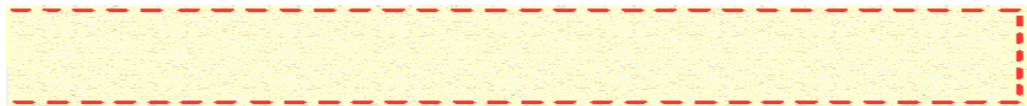
Sometime around mid point of the fiscal year or mid point of the time assigned to the PPO, there should be a review of them. The reasons for the interim review are:

Some counselling or help from the manager may be necessary.

Something extraordinary may have occurred beyond the employee's control.

It may be necessary to adjust the PPO.

The manager has to be careful, though, not to allow these review meetings to devolve into an excuse session. Again, give employees plenty of notice of the meeting and advised to come prepared.



The year-end review

At the end of the fiscal year, review the results in the same way as at the interim review and the actual performance rating established.

Again, some counselling or help from the manager may be indicated. The performance rating of the PPO is then used directly in:

- Determining the bonus earned, if applicable

- Determining the appropriate amount of salary increase on the anniversary hiring date of the employee

A brief period should occur between a final PPO review and the setting of next year's PPO to allow all parties to digest the results and consider the next year's forecasting.

At the discretion of the business owner or manager, awarding partial points for a particular PPO on a pro rata basis or the entire PPO may have to be achieved.

For example

If, in the PPO example, 80% of the new business goals, item 5 were achieved, the manager may elect to award 8 points.

If this is to be done with some PPO, the employee should understand this in advance.

It is recommended that this should not be brought about unless a minimum standard of achievement is in effect.

An acceptable standard, before the pro rata formula would apply, would be 60% or more of the goal achieved.

Combining personal performance outcomes with salary administration

In the **Unified Salary Administration Program** section above, we referred to PPO being used in conjunction with established salary ranges to determine appropriate salary increases.

Here are some suggested guidelines to assist you in relating PPO performance ratings to the salary grid.



Ratings	Explanation of Ratings
Outstanding	Must greatly exceed every PPO category
Excellent	Over 95% of the PPO achieved and the one missed must be a minor-rated item in the view of the manager
Good	60 to 95% of PPO achieved but performance in the 60% range should not be accepted on a consistent basis However, anyone can have a bad year
Fair	45 to 60% of PPO achieved This is not acceptable performance and counselling and assisting the employee to try to improve is in order
Marginal	Less than 45% of PPO achieved and, again, serious counselling of the employee is indicated A formal warning that performance must improve within a certain time frame should also be issued Assistance should be offered the employee to try to improve

The sample PPO is a typical PPO for an outside salesperson. PPO can, and should be, established for key inside people.

For example

A typical PPO for an office or plant manager might include outcomes like the following:

- Inventory deficit/increment within \$1,000 of budget**
- Bad debts written off maximum \$1,000**
- Receivable days outstanding [RDO] not to exceed 50 days**
- Maintain office supplies within budget of \$3,000**
- Implement new computer system by September 1, 2003**
- All systems on line by December 31, 2003**
- Conduct two staff training seminars on the new computer system
October /03 and March /03**
- Enroll in and successfully complete intermediate accounting course at a
local college**

Notice that in both cases, stated above, of the salesperson and the inside person, we tried to include key corporate goals, personal goals, and special projects.

Example of personal performance outcomes and salary administration

The example illustrated below relates to the foregoing detailed discussion of personal performance outcomes. The PPO for positions in your business will have different general categories and sub categories. In addition, every business will place a different emphasis in assigning point weighting to the outcomes.

Here is the clarification of several abbreviations used in the example below.

1. Mtd.—Month to date sales report
2. Op. Stmt.—operating statement
3. Mgr.—Manager
4. Gov't.—Government

Example of Personal Performance Goals and Outcomes
Employee: _____ **Dept:** _____ **Fiscal Year:** ____

Outcomes	Source	1999 Actual	2001 Goals	2001 Actual	Points	Results
Total Volume Improvement in %	Op Stmt.				10	
Volume Improvement Product A in % Volume Improvement Product B in % Volume Improvement Product C in %	Mtd. Sales				3 x 3 = 9	
Territory Gross Margin in %	Op. Stmt.				3	
Polycarbonate Panels \$ Volume	Mtd. Sales				6	
Total New Business Volume	Mtd. Sales				10	
Target Accounts to be sold XYZ Glass Mr. Quickly Auto Glass Association Greenhouses Excellent Window Products <i>Efficiency Property Management</i> Gov't. Project Management	Mtd. Sales				5 Min. 4 of 6	
Maintain Territory Expense	Op. Stmt.				2	
Design & prepare display booth for school convention for March 10/00	Mgr.				5	
Total					50 points	X/50 points

Supervisor: _____ **Date:** _____

Employee: _____ **% Achieved:** _____

Summary

A personal performance outcomes (PPO) system can be a dynamic and motivating force within a business. If the system is properly managed, employees feel empowered. They feel that they really do have input and some measure of control over their job and their future.

Everyone should pedal together in the same direction. Management determines the direction.



Celebrate!!

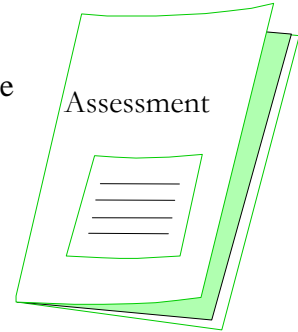
**I feel so good about this.
I know my business &
people will benefit from
this PPO system.**



Manager Assessment Tools

Every business should have a policy of conducting periodic reviews of employee job functions and employees' performance. The reviews need to be structured and employees' attitudes towards reviews need to be positive. Both the business and the employee must view reviews as a way of:

- ◆ Examining the employee's job function and responsibility to see how it may have changed since the last review
- ◆ Discussing ways in which the job function and responsibilities could be structured to improve efficiency
- ◆ Assessing the employee's personal performance
- ◆ Discussing an employees career objectives and personal growth
- ◆ Looking at ways that the business might help the employee to attain personal career and growth objectives



Do not allow review meetings to become nothing but a forum for complaining and making excuses. To avoid this is one very good reason for the review process to have a structured format.

In this section, we will present and discuss two typical employee review tools.

1. Employee Review Questionnaire
2. Senior Employee Position Assessment

These two tools range from a very simple annual review to a detailed assessment that is really designed for employees in very senior positions.

The use of these tools is not a one-sided affair. It is interactive. Take notes throughout the review meetings, summaries are prepared, and proposed actions are noted. Some of the conclusions or actions may or may not be part of the employee's future Personal Performance Outcomes (PPO).

Provide employees the review form some time prior to the review meeting. This will enable them time to consider all of the questions and come to the review meeting able to participate in a meaningful way.

Use this *Employee Review Questionnaire* for most employees in a business while the *Senior Employee Position Assessment* is a very detailed assessment tool utilized with a senior employee or contractor in special circumstances, such as:

- ◆ Employment contract renewal
- ◆ When the employee feels that they deserve a significant increase in compensation
- ◆ When the employee is being considered for promotion to a very senior position

With the shorter employee Review, the manager would discuss each of the answers to the questions as well as explore in more depth things like attitudinal issues and, of course, a review of the PPO.

It isn't practical to do this item-by-item review with the much longer more detailed Senior Employee Position Assessment. Before a review meeting, the employee's immediate supervisor will usually prepare notes summarizing key points to be covered at the meeting.

How to use this information

Every business is different but also the same. You need to customize the questionnaire and the assessment tool to fit your business. Add names where possible (business, person doing the assessing, and employee). Change to questions to fit your business. Add questions that address your business and employees' job/position needs.

Write the questionnaire to provide you with ideas and possible areas of concern when assessing employees. It is not meant to fit all businesses and employee situations.

Employee Review Questionnaire

Introduction

An employee review is a very useful communication tool between management and employees.

It provides a formal way for both management and employees to discuss issues of mutual concern.

Conducting employee reviews at regular intervals should be seen as a very healthy and positive process.

Complete reviews at least once a year. In some organizations, they are performed quarterly.

In this section, we will present a typical employee review meeting format. Of course, every business would customize the questionnaire by adding or modifying the questions to suit their business.



How to conduct an employee review

Below is a list of nine tips of how to conduct an employee review:

1. Give this form to employees some time in advance of the meeting. The employees can then consider all the pertinent areas and come to the meeting adequately prepared.
2. Both parties should bring a copy of the previous review to the meeting.
3. Both the employee and management should come prepared to take notes during the meeting.
4. It is a very interactive process.
5. The manager and the employee would discuss each of the answers to the questions.
6. The manager will explore in more depth things like attitudinal issues and, of course, a review of the PPO.

7. At the conclusion of the meeting, there should be a review and summary made of the:
 - ◆ Points of agreement
 - ◆ Points of disagreement
 - ◆ Plans for resolution of disagreements
 - ◆ Plan of action for attainment of mutual goals and outcomes
8. It is a good idea to hold the meeting in a 'neutral' location such as a boardroom rather than the employee's workstation/office or the manager's office.
9. The meeting time should be planned so that there will be no conflicts with other business activities. You do not want either party to feel rushed or under pressure during the meeting. In addition, other key employees should be aware of the meeting so that there will be no interruptions.

Sample employee review questionnaire

Name: _____ **Conducted by:** _____

Position: _____ **Position:** _____

Date: _____

1. How has your job changed or not changed based on your expectation since you were hired?
2. Give some examples of how you are able or not able to use your training and experience.
3. What changes in the way you perform your job would make you more effective?
4. What factors do you encounter in your daily work that enhance or inhibit your effectiveness?
5. How would you improve the situation?
6. Are there any resources or equipment that you lack that would make you more effective or efficient?
 Give an example for each resource and/or equipment you think is required.
 What return on the investment would be derived for each?
7. What project do you feel was your best in the past year? Why?
 How could the project be improved if it were implemented again?

8. What project do you feel was your worst in the past year?

Why was it your worst?

What changes could be made to improve the situation?

For questions 9, 10, 11, and 12, rate yourself on the following scale of 1–5 (5 is the highest).

9. How would you rate your ability to work on your own? 1 2 3 4 5

Explain your selection.

10. How would you rate your ability to work as part of a team? 1 2 3 4 5

Explain your selection.

11. How task oriented are you? 1 2 3 4 5

12. How would you rate your relationship with your co-workers? 1 2 3 4 5

13. Do you put extra pressure on yourself to meet deadlines by putting off disagreeable tasks to the last minute?

If so, give an example.

Describe how you could improve matters.

14. How do you feel about your achievements this past year (up to the present time) versus your Personal Performance Outcomes [PPO]?

15. Knowing what you know, now what would you do differently to affect your PPO achievement?

16. What direction or assistance from management would have helped to improve your performance?

17. What training would you like to take to improve or upgrade your skills?

18. What direction or assistance from co-workers would have helped to improve your performance?

19. How available is management to consult with you when needed. How can this communication be improved?

20. Describe how you get enough or too much direction from management.

21. What problems or concerns, if any, have you had with co-workers?

Please give examples of these problems/concerns.

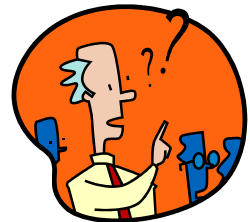
22. What do you feel you can do to improve communication and relations with your co-workers?

23. What past training have you had in interpersonal relations in the workplace?
24. How would you improve the physical working conditions?
(For example, light, heat, atmosphere, storage, records, or office/workplace arrangement)
25. How do you feel about flextime in the workplace?
26. What do you see yourself doing in your career 3–5 years from now?
27. What would you like to be doing 3–5 years from now?
28. What are you doing to prepare yourself?
29. What are your longer-term career goals?
30. What other issues would you like to discuss at this review meeting?
31. How do you feel this review process could be improved?


Summary

A detailed review such as we have discussed here would take about an hour to complete. Sufficient time has to be given to each part of the review but it is important that both parties approach the meeting in a businesslike fashion and not allow the meeting to 'degenerate into a socializing or excuse session.'

Properly handled employee reviews are an important part of managing, motivating, and directing personnel.



Celebrate!!



Let's see.
What can we do to
celebrate!!!!

Senior Employee Position Assessment

Introduction

Periodically, it may be necessary to complete a very detailed assessment of an employee and their position. This is usually only in the case of a person holding a very senior position in the business. However, it could be used for a contract employee involved in important business projects.

The Senior Employee Position Assessment is a very detailed assessment tool usually put to use with a senior employee or contractor in special circumstances such as:

- ◆ The employee's employment contract is due for review and possible renewal
- ◆ The employee is being considered for promotion to a very senior position
- ◆ The employee feels that they deserve a significant increase in compensation
- ◆ The business is changing its organizational structure
- ◆ The business is separating into more divisions and key responsibilities have to be reviewed
- ◆ The business is considering a merger or a sale of the business



How to conduct an employee review

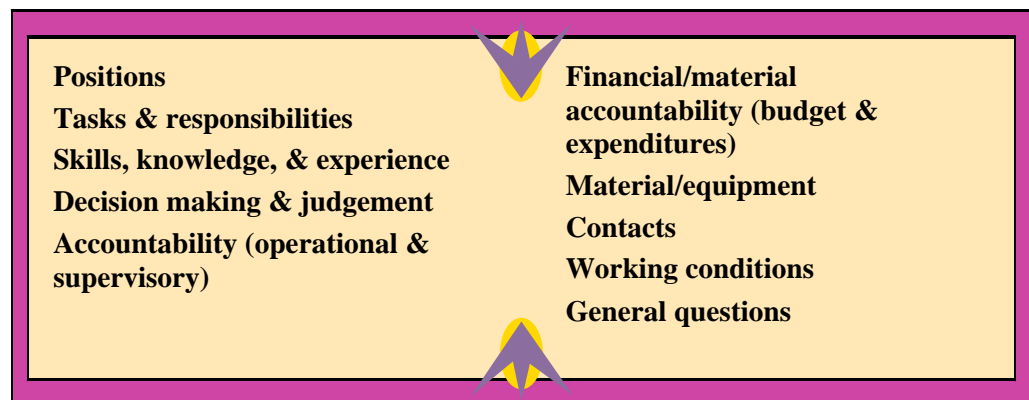
Below is a list of eight tips of how to conduct an employee review.

1. Give this form to employees some time in advance of the meeting. The employees can then consider all the pertinent areas and come to the meeting adequately prepared.
2. Both parties should bring a copy of the previous review to the meeting.
3. Both the employee and management should come prepared to take notes during the meeting.
4. It is a very interactive process
5. Before a review meeting, the employee's immediate supervisor will usually prepare notes summarizing key points for the meeting.

6. At the conclusion of the meeting, there should be a review and summary made of the
 - ◆ Points of agreement
 - ◆ Points of disagreement
 - ◆ Plans for resolution of disagreements
 - ◆ Plan of action for attainment of mutual goals and outcomes
7. It is a good idea to hold the meeting in a 'neutral' location, such as a boardroom, rather than the employee's workstation/office or the manager's office.
8. The meeting time should be planned so that there will be no conflicts with other business activities. You do not want either party to feel rushed or under pressure during the meeting. In addition, other key employees should be aware of the meeting so that there will be no interruptions.

Sample senior employee position assessment

There are ten headings in this assessment. You have to customize them to fit your business.



Personal Position Evaluation for _____

Position Title or Titles	Length of Service

1. Positions

Briefly, outline the purpose of each position or the reason for its existence:

Positions held in ascending order	Purpose of each position or reason for its existence

2. Tasks and Responsibilities

What are your most significant tasks and responsibilities?

What specifically do you do on a day-to-day basis?

How do you accomplish your duties?

What are the results of your actions?

Using the chart below, please prioritize your key tasks and responsibilities.

There are four parts:

- * List the key tasks and responsibilities in ascending order of their importance
- * Describe each task or responsibility—what is done and the impact of your actions or the result
- * Indicate the percentage of your time that is taken by this task/responsibility
- * On the 1-5 scale, note the importance of this task/responsibility in relation to all the others. A five would denote the highest degree of importance.

Description of task listed by importance	% of time taken to perform it	Indicate responsibility in relation to other tasks
	%	1 2 3 4 5 6 7
	%	1 2 3 4 5 6 7

Add any comments you feel may further define the nature and scope of your duties:

3. Skills, knowledge, experience

What specific job skills/knowledge/experience is required to perform your tasks/responsibilities?

What special training or experiences are required? Please illustrate your answers with examples.

Are there any specific subject areas where you feel that you bring specialized knowledge or experience to bear that is essential to the discharge of your duties?

If yes, please give examples.

Upon assuming your position, was a lengthy training period necessary or were you expected to take over right away?

Are you responsible for developing or initiating new projects?

If yes, please give examples.

4. Decision making & judgment

Specify with *key* examples the types of decisions you make in your position.

Specify if there are general guidelines established, procedures, or precedents to follow:

Types of decisions or use of judgment	Guidelines	Judgment	Procedures or Precedents
Example 1			
Example 2			

Describe the access you have to a supervisor or others for advice and guidance when solving problems and/or making decisions.

Please give examples.

State the consequences of errors in judgment exercise.

Please give examples.

5. Accountability

a. Operational [please circle the letter that represents the best answer]

<p>During the course of your normal work, are you required to</p>	<p>N–Never O–Occasionally F–Frequently M–Most of the time</p>
<p>Recommend changes to work methods and procedures Describe</p>	<p>N O F M</p>
<p>Provide input to operational objective/program policies Describe</p>	<p>N O F M</p>
<p>Implement objectives and policies Describe</p>	<p>N O F M</p>
<p>Determine objectives and policies Describe</p>	<p>N O F M</p>

b. Supervisory

List the titles of people supervised and indicate type and nature of supervision exercised.

For example,

Direct, Indirect, Technical Supervision or Functional Guidance

6. Financial/material accountability

Indicate and describe the accountability that you have in your position for budgets, expenditures, materials, and equipment:

a. Budget

Budget	Yes	No	\$ Value
Are you accountable/responsible for a budget?			
Do you develop and formulate a budget?			
Do you monitor a budget?			
Do you administer a budget?			
Do you record details of budget expenditures? Provide details.			

b. Expenditures

In your position, do you have the authority to approve expenditures?

Yes ___ No ___

If yes, describe the following:

Type of Expenditure _____ Maximum _____ Frequency _____

7. Materials/equipment

Describe the equipment you are accountable for, the dollar value, and the nature of the accountability.

Type of Equipment _____ \$ Value _____ Accountability _____

8. Contacts

Briefly, describe the purpose of contacts you are required to maintain within the organization and outside the organization.

Internal—Job position or functions within the organization, but outside your direct line of authority

Contact _____ Purpose of Contact _____

External—Organization and job levels outside the organization, for example, senior position in industry-related organization

Contact _____ Purpose of Contact _____

9. Working conditions

Indicate how often the job demands you to complete tasks in the following conditions.

Describe the situations:

How often does your job demand you to:	N–Never O–Occasionally F–Frequently M–Most of the time
Work where the temperature of the room is extreme (cold storage room, boiler room) Describe	N O F M
Work where there are unhealthy toxic fumes or material, (photocopy fumes, liquids, but not cigarette smoke) Describe	N O F M
Work with constant noise (office machines, printers) Describe	N O F M
Work with very loud noise (printing press, machines) Describe	N O F M
Exert physical effort (lift boxes) Describe	N O F M
Exert strenuous physical effort Describe	N O F M
Steady focus on a video display terminal (Computer screen) Describe	N O F M
Perform work to meet constant deadlines Describe	N O F M
Deal with customer deadlines on a regular basis Describe	N O F M

How often does your job demand you to:	N–Never O–Occasionally F–Frequently M–Most of the time
Tell people what they don't want to hear (clients, the public, other employees) Describe	N O F M
Deal directly with upset or impatient clients or the public (but not co-workers) Describe	N O F M
Travel overnight on the job (client contacts, conferences) Describe	N O F M
Day travel (meetings, presentations, workshops)	N O F M
Risk considerations	
How much risk of injury is there in your job?	N O F M
A high degree of unpredictable risk even when safety precautions are followed	N O F M
A high degree of risk where safety precautions are needed Some risk No special risk	N O F M N O F M N O F M

Describe any other unusual working conditions _____

10. General information questions

- a. In what ways have you been able to apply directly your educational background?
- b. What have you completed recently to upgrade your skills?
- c. Where do you expect to be in five years?
- d. What do you like best about your job?
- e. What do you like least about your job?
- f. Give an example of your creativity in a business situation.
- g. Give three examples of major accomplishments.
- h. Give an example of a major failure.
- i. What kinds of decisions are the most difficult for you to make?
- j. What is the most difficult assignment you have had?
- k. How do you think your superiors view your performance?
- l. What do you look for most in a job?
- m. Would you say you are better in a staff or a line function?
- n. What are your three major strengths?
- o. What are your three major weaknesses?
- p. What motivates you?
- q. What are the qualities you look for in a job?
- r. What is your management style/philosophy?
- s. Give an example, from your own recent experience, of confronting a problem and providing leadership in solving it.
- t. What kind of supervisors have you had?
Describe their strengths and weaknesses.
How do they compare to your own?
- u. How do you spend your leisure time?
- v. How important is money to you compared to job satisfaction? Please rate on a scale of 1-7. (1 2 3 4 5 6 7) with 7 being the highest
- w. How much do you expect to be earning in three years?
- x. How would you describe your ability to work under pressure?

Celebrate!!

**You have finished the assessment of
personnel section. So,**

**Let's make
music**



Management Styles and Leadership Skills

Introduction

Often it said that successful managers have a knack for managing people. They always seem to be able to motivate people to get the job done. Yet, if you ask them to explain how they do it, they often are not able to describe what they have done. Usually, they say that they have just found what works in different situations and that they use **common sense**.

There is a lot more to it than that. In this section, we will examine various management styles and there use.

What is the ideal management style?

Ask yourself the questions:

- ◆ What kind of a manager are you?
- ◆ How effective are you as a leader?
- ◆ What is the ideal or most effective management style?



Most managers may have vague feelings about these questions. Very seldom do most managers really find the answers.

Introspection and self-analysis are not activities that many people are good at. Most of us, to one degree or another, tend to downplay or rationalize our shortcomings and failures. However, if we look at our lives and our careers, we invariably find that real growth in our personal lives and as managers has come by confronting our shortcomings and learning from our failures.

There is no best management style—there is no single, all-purpose leadership approach that meets all situations.

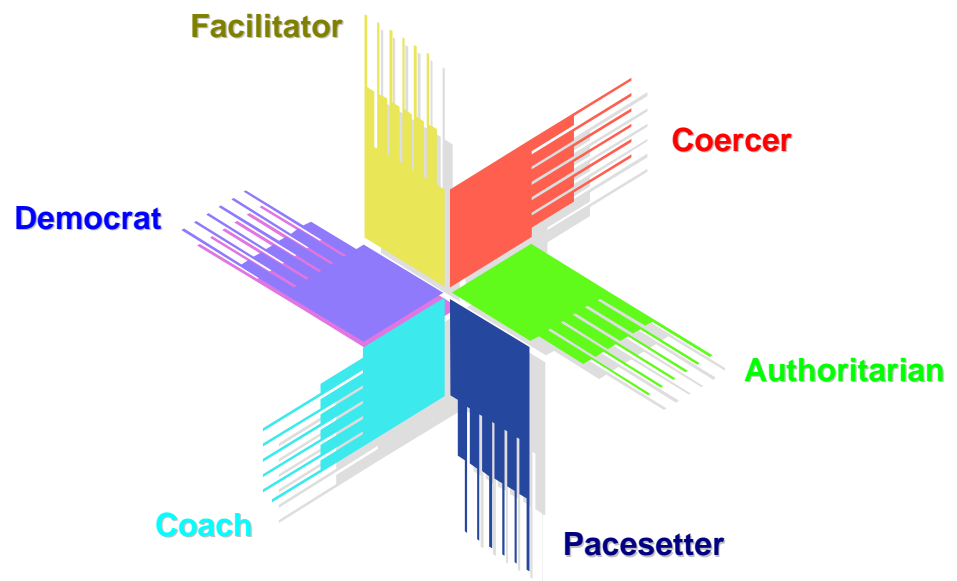
The consistently successful leaders are those who constantly adapt their style to the people and situations that they encounter.

Largely, the management style of managers is the result of how well they master and apply the various leadership styles.

What are the various leadership styles?

As you read, each description takes an honest look at your own management style. Ask yourself; do you think your employees would agree with your perception?

We have used a six-sided figure to illustrate the major types of leadership styles. They are:



The Coercer

The **Coercer** is a person who controls or restrains by force, a person who compels that other follow their instructions.

Most people would find this approach distasteful whether they are on the giving or receiving end. History has proven that to take constantly this approach is not an effective way to get long-term results. Berating and intimidating employees with threats of job loss or other dire consequences loses its effect rather quickly and actually is more of a **de-motivator** if continued for long.



However, the Coercer is a valid management style and is the style of choice in certain circumstances.



For instance

In crises, there is no time for discussion. Severe damage to property or individuals may occur if immediate action is not taken.

In these circumstances, often no dissension can be allowed. Typical examples of these situations would be:

- a. Military field operations**
- b. Some firefighting and policing operations**
- c. Medical emergencies**

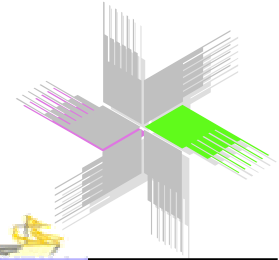
The leaders in these situations often must take charge and issue direct orders, whether or not they turn out to be right or wrong. There is no time for discussion or interference from others. Failure to act immediately may result in loss of life or major property damage.

Even in a business environment, there can be infrequent occasions when the manager may have to be the Coercer and demand immediate action. However, always be aware that this mode of behaviour must be used very sparingly or it quickly loses its effect.

The Authoritarian

The **Authoritarian** likes to have everything in order and requires strict adherence to rules and regulations.

At times, this style of management may be confused with the Coercer but they are quite different.



Authoritarian attributes are:

They will usually only seek input from others as a *reinforcement* of their vision of how the organization should be run.

They are not too concerned with being liked or disliked.

A key concern is obedience to the rules and principles of the organization.

They demand complete loyalty from everyone in the organization.

Authoritarian managers may be successful for a period but, if you look closer, you will often see that their personal success leaves a trail of destruction.

Do you know an Authoritarian manager? If so, you will recognize the following common traits and business conditions.

Common Authoritarian traits:

- ◆ Costly turnover of good employees
- ◆ A lack of personal growth among key employees in the organization
- ◆ They are not good people developers who can groom a successor
- ◆ They find it hard to be a mentor
- ◆ They are not delegators who will spark people's imaginations
- ◆ They don't make their employees feel empowered to make decisions
- ◆ They seldom involve employees in the decision-making process
- ◆ They feel that nobody can do it as well as they can
- ◆ They will go to great lengths to ensure that there is no deviation from the way they personally would do a job

All these traits are a control issue in the mind of the Authoritarian who, at the extreme, can even be paranoid. They are afraid of losing control, so they implement rigid rules and regulations.

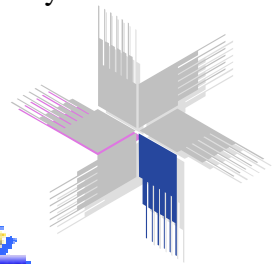
Of course, this can be a stifling environment for employees where there is little opportunity to exercise initiative. Temporarily, in task-oriented situations, an authoritarian approach will appear to work but it is very damaging to the future growth of the organization and people with ideas and energy will go where their talents are used and appreciated.

An Authoritarian should be very aware that even a benevolent dictator finds it exceedingly difficult to groom a successor!

The Pacesetter

The **Pacesetter** feels that nobody can do it as well as they can but they also view themselves as a point man—a Field General whose job it is to lead by example.

This style of management is commonly (but not exclusively) seen in sales organizations where typically the manager was promoted from the field sales force.



Common Pacesetter traits are:

Pacesetters tend to be high-energy individuals.

They can be very successful in pulling an organization up by its bootstraps.

They are hands-on managers who enjoy being on the front line dealing with field problems.

They will try very hard to help others to do it their way.

They are not content with only giving direction.

They frequently get impatient and jump in to show how it's done.

Downsides of the Pacesetter style of management can be:

- ◆ This type of manager frequently burns out from trying to carry the organization on his or her own back.
- ◆ The organization can become too dependent on the efforts of one individual.
- ◆ Administratively, Pacesetters are often a disaster because they are too busy to attend to details.
- ◆ They usually only survive if supported by a strong team of people to make them look good while they are off 'leading the charge.'

The Coach

The **Coach** knows that, in the long term, consistent achievement depends on training and motivating other people to get the job done.



Common traits of the Coach are:

- Good communicator
- Very team oriented
- Feels committed to rise or fall on the results of the team
- Usually supportive of the team even through adverse situations
- Accepts a share of the blame along with the rest of the team
- Has *been there* and knows that experience is the best teacher

The Coach often takes a very personal interest in the team and feels that success is never luck or the results of any individual's effort but rather is the result of the team pulling together.

The Coach may take charge occasionally to show how it's done. Nevertheless, he or she is not afraid to let people prove their worth although mistakes will be made. The Coach knows that if controlled properly, making mistakes is a learning experience. It is also more productive to promote initiative than it is to stifle it.

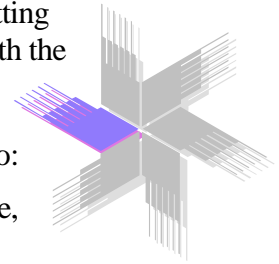
The Coach is capable of showing many faces. During a single situation, the Coach may be:

- ◆ Conciliatory
- ◆ Hard-nosed
- ◆ Uncompromising
- ◆ Hard-nosed
- ◆ Uncompromising

The upside	The downside
<p>The Coach adapts quickly to the needs of the moment.</p> <p>The Coach is able to adapt to each individual employee to get the job done.</p> <p>The Coach has a talent for motivating the employee and making them feel that their efforts are valued.</p> <p>The Coach has a talent for motivating groups of people to work together and feel that their efforts are valued.</p> <p>The Coach generally demands and receives great loyalty from staff.</p>	<p>The Coach is frequently not administratively strong.</p> <p>There can be a tendency to become too immersed in the team.</p> <p>The Coach may become too close to individuals and their problems.</p>

The Democrat

The **Democrat** is team oriented and accepts responsibility for leadership. However, rather than giving strong personal direction to the group for setting goals and achieving them, the Democrat chooses to consult with the group to arrive at a consensus.



This style of leadership is common among, but not exclusive to:

- ◆ Groups of professionals where the training, experience, and educational background of the manager and staff are not very different
- ◆ People who are equally talented
- ◆ People who are self-starters in situations that require little supervision
- ◆ Teams of people who are task oriented or have common objectives

However, in all of these instances, the conditions have to be right including good chemistry between the personalities of the people.



Common traits of a Democrat are:

The Democrat always feels that they can solve every problem by consulting with the parties involved.

They always feel that issues can be resolved by talking it out until a consensus is reached.

The Democrat involves everyone in the decision-making process to the point that they are not seen as wholly responsible for the decision.

The Democrat usually avoids having to be decisive.

The Democrat can allow things to get totally off the rails.

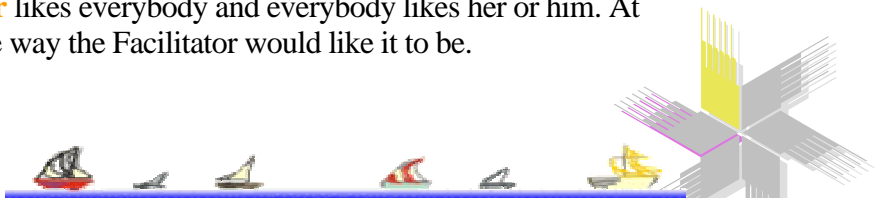
People under the directions of a Democrat may all be off 'doing their own thing.'

Operations may literally grind to a halt because no decisions are being made and no directions are being given.

The Democrat is administratively strong as a rule and may be they also are liked as an individual but, in many cases; staff will lose respect for them as a manager and colleague.

The Facilitator

The **Facilitator** likes everybody and everybody likes her or him. At least, that is the way the Facilitator would like it to be.



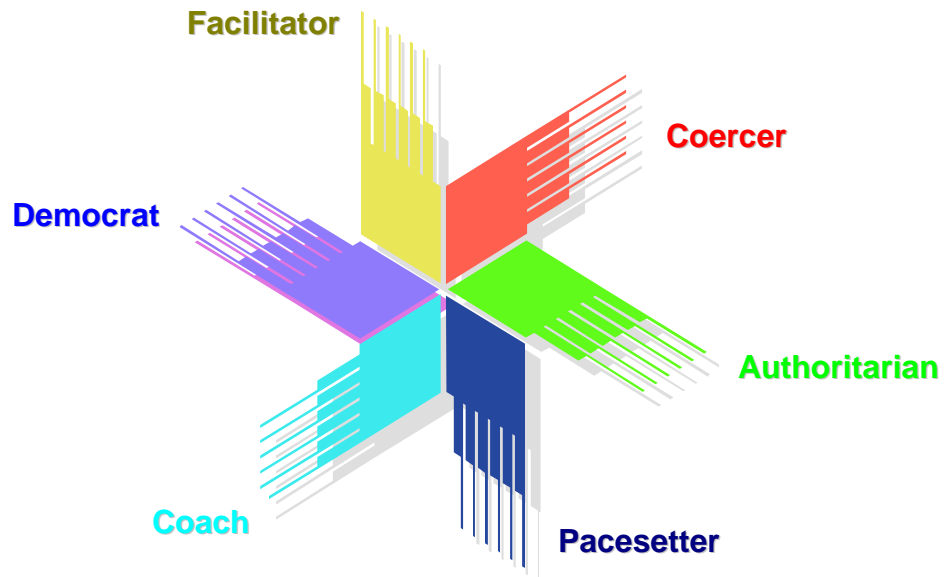
Common facilitator traits are:

- To avoid conflict at all cost
- The important thing is that everybody be friends and get along well
- Social events involving everybody are very important
- Picnics, Christmas parties, hockey pools are seen as 'almost' as important as daily business and receive almost as much attention and effort
- They think that if everyone is happy, they will naturally be successful without any help or direction from management

The Facilitator may have good administrative skills but is so busy pleasing everyone that he or she becomes ineffectual as a decision-maker. Like the Democrat, Facilitators may be well liked as individuals but nobody has respect for their abilities as managers.

What can we learn from these leadership styles?

Ask yourself the question. What kind of manager are you?



Did you see yourself in any of these management style descriptions?

The truth is that most of us are parts of all or several of these styles but are predisposed to be a combination of a couple of them.

For example, you may be a:

- ◆ Coach/Pacesetter
- ◆ Authoritarian/Coercer
- ◆ Facilitator/Democrat



If you want to develop your abilities as a manager, it is important:

To know what your inherent style is

To know the strengths and weaknesses of that style

To learn to recognize situations where to use other styles of leadership

Management style background and theory

In research on recognizing and adapting leadership styles, some studies try to quantify every aspect of data, and rate people on various scales as if leadership and management were an exact science.

Researchers have attempted to prove that all you have to do is use the right management style and you will get the desired effect.

However, in the business world, managers know that there are no textbook cases.

They know that while we can gain valuable insights through some of this research, the application of these management concepts in the workplace is quite a different situation.

Categorizing people is just too complex and the environments in which they are function are changing constantly.

The reality of the workplace

Managers recognize that all people are at different stages of growth or development concerning their job skills and their personal growth. Let's look at how to use management styles by a manager during the career of an employee.

Here is a typical management style cycle:

A. Start of employment:

- ◆ Use the **Authoritarian** management style when the employee requires strong task orientation because it is important that they know exactly what is required of them.
- ◆ The **Coach** Management style comes into play occasionally when providing *positive reinforcement* for good performance. This is an important learning tool.
- ◆ The **Facilitator** management style is in use when giving praise to employees in front of their peers or is encouraged to be involved in company activities. This is also a useful way to promote positive performance.



In this illustration, you see how a manager would combine three management styles.

B. The trained employee:

- ◇ Use the **Democrat** management style as an employee becomes competent and consistent in their performance. The employee may gradually be more involved in the decision-making process.
- ◇ Continue to use the **Coach** and **Facilitator** management styles as appropriate.



C. The promoted employee:

The cycle starts again, when promoting employees to new positions for which they may have little experience. The manager may become the **Authoritarian** again to some extent to ensure that the employee gets the direction he/she needs.

Managing and directing people effectively is a very complex issue. Consider that in the workplace we have:

- ◇ People at all different levels of the organization
- ◇ Each person is at a different level of growth
- ◇ Each person has different job skills
- ◇ Each person has a different level of experience
- ◇ Each person has very different personal attributes

At every level, a manager must be sensitive to these differences if they are to get the best performance from their employees.

They must learn to adapt their management styles to the needs of the people and the situation.

The *nuts and bolts* issues of business are simple compared to the effective management of people and managing people effectively is a manager's biggest single challenge.



Managing people effectively is vital to the success of the organization

The nature of that challenge is changing constantly.



For example

Just when a manager thinks everything is running smoothly, a mature employee who requires little direction or guidance has a personal crisis in their life. For a period, this seriously affects their performance.

In another situation, two employees who got along well previously are now, for the first time, working together in the same department and the sparks are flying.

These are typical situations where the sensitive manager needs to shift gears, and adapt the management style to meet the demands of the situation. To solve these problems, it may be necessary to use at different times, several of the management styles discussed here.

How would you deal with these problems and what management styles do you think are appropriate?

Group dynamics

We have discussed management styles in general and their application to individuals. However, there are group dynamics at work in any organization.

Group dynamics are the sum total and result of the predominant management style(s) of the senior management in the organization.

Steps in typical group dynamics

We hear it said all the time that the CEO sets the 'tone' of the organization and it is very true that usually:

1. A chain reaction occurs from the top down.
2. This then is translated into a groundswell of positive or negative influence and response throughout the company.
3. Effective leaders must know their staffs well enough to meet their ever-changing abilities and the demands placed upon them.
4. Over time, staff members, as individuals and as a group, develop their own patterns of behaviour and ways of operating.
5. These become the accepted standard or customary mode of behaviour in the organization. They are not easily changed.
6. Therefore, a leader may use a specific management style or styles with an individual because of the level they are at.
7. However, the leader would likely have to take a quite different approach with a group.

This above example is particularly true with a CEO coming to a new position in a different organization. Changes may be needed.

It may be the reason why they were placed in the position.

Nevertheless, to make drastic changes in the management style and the corporate culture can be disastrous. Such changes must be well thought out and implemented gradually if the integrity of the group is to be maintained and good people are not to be lost to the organization.

Summary

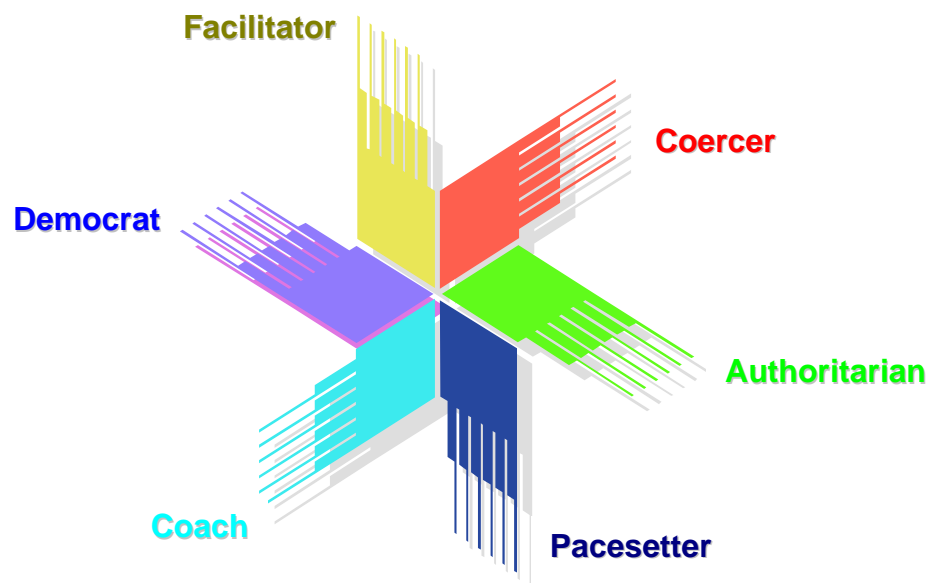
The effective manager cannot afford to alienate key people in the organization but, rather, will gradually build a following of supporters by skillful use of the management styles discussed here.

A true leader is one who:

- ◆ Draws people together
- ◆ Pulls people in the desired direction to achieve a goal
- ◆ Builds a following of loyal supporters

A poor leader is one who:

- ◆ Pushes people towards the desired goal.
- ◆ Invariably alienates many people in the process
- ◆ Does not develop and involve employee participation. This results in weak and ineffectual employees and consequently, a weakened and ineffectual company.



Celebrate!!

Take the family for a recreational
event



The Use of Positive Reinforcement with Personnel

Introduction

The use of *positive reinforcement* with employees is a strategy often neglected by management.

For many people, working is not worthwhile if there is not regular positive reinforcement.

Employees need to feel that they have input into the decision-making process that they have some measure of control over their job function, and that management appreciates their efforts. It is very important that management consciously and regularly recognize employees' achievements by using positive reinforcement.



In this section, you will examine how you can create that right climate in your business to promote positive reinforcement. You will view some examples of the implementation of positive reinforcement.

How to use this information

As you study this section, try to be introspective. Examine how you may have or may not have used positive reinforcement in your relations with your employees in the past.

Think of present or future opportunities to use positive reinforcement with employees. Make an effort to use consciously positive reinforcement. You will be pleasantly surprised at the result and your company will reap the benefits.

Employing positive reinforcement with personnel

There are two kinds of *reinforcement*: positive reinforcement and *negative reinforcement*.

Positive reinforcement is when giving employees recognition for their contribution to the company.

The contribution could be anything such as the completion of a project or coming forth with a good idea.

The recognition or reward doesn't need to be tangible. Very often receiving a *pat on the back* is even more effective, particularly if it is in front of the employees' peers.

The purpose of using positive reinforcement is to encourage similar employee



Some examples

The approval of an employer or manager such as a nod of the head, a smile, or someone saying *good work*

Let the person know that they were right. This is sometimes particularly effective if said in front of the person's peers

The privilege of working with greater autonomy

The opportunity to assist or take over a project from the business owner or manager



manager must consider the person's individuality when designing an effective incentive. What may be a strong incentive for one person may mean little or perceived punishment to another person.

Structuring positive reinforcement

In business, structured reinforcement can be an extremely effective tool. Ideally, such a system involves *Personal Performance Outcomes (PPO)* that the employee has a part in preparing.

PPO provide a framework to promote frequent mini-assessments of progress during the measurement period.

Structured positive reinforcement is about:

- Making the employee aware of the business (and division, if appropriate) goals

- Involvement of employees in the setting of goals and outcomes

- Regular periods of performance assessment

- Giving rewards or incentives for making progress towards achieving the goals and outcomes



A structured positive reinforcement system encourages focused and productive discussions on the reasons for the achievements or lack of achievement and what help may be required to fine tune employees' performance.

We can all remember times when things we learned were speeded up or reinforced when some kind of praise or satisfaction accompanied our learning. The same ideas apply to the business world.

Under **negative reinforcement** conditions, even if some learning occurs, it is an unpleasant experience. People then tend to withdraw from participation in the process and build resentment towards the trainer, the manager/business owner, or the organization.

Our roles (as managers) are to stimulate learning and job performance. We should always be aware of the adverse effects of negative motivation.

Applying positive reinforcement

There are at least twelve key points for management to remember:

1. Get to know your employees. Get to know their wants, needs, and attitudes.
2. Don't expect peak performance overnight.

Set a series of interim goals leading up to the final goal and use appropriate small rewards as reaching each interim goal.

3. The goal, desired behaviour, or performance level should be clearly defined so that the employee knows when performance is moving in the desired direction.

4. The rewards should be frequent and incremental.
5. A reward is often appropriate even if a goal is not achieved but is substantially achieved.
6. Reinforcement schedules are crucial.



Reinforcement may be very frequent at the outset, then diminish, and become irregular as improvements are made.

7. Personal Performance Outcomes (PPO) are an excellent way of managing and directing the training, development, and motivation of employees.
8. Relate positive reinforcement directly to the job performance itself.
9. Seldom use negative reinforcement or never use.
10. Eliminate an undesired response by not reinforcing it or by simply reinforcing desired behaviour.
11. **Neutral reinforcement**, by using silence during the teaching process, is non-harmful but it can be an effective strategy.

Silence, if used properly, can be effective but the manager must be aware and careful that it does not pave the way towards negative reinforcement.

12. Absence of reinforcement is another form of neutral reinforcement.

Ignore undesirable behaviour or performance and there is no reinforcement either positive or negative, the behaviour will often disappear if, at the same time, reward positive behaviour or performance.

Many people, whether consciously or unconsciously, will move towards the positive behaviour. This is particularly effective in a group situation at a meeting or with people working together in a team environment.

For example

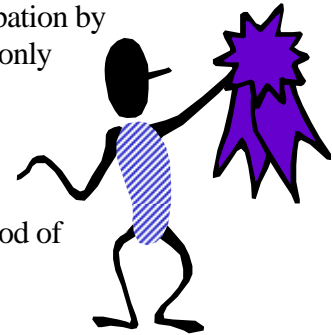
In staff meetings, if an individual is excessively talkative and frequently jumps in with irrelevant comments, simply ignore the interjections and only recognize comments that are on the topic and contribute something meaningful to the discussion.

Summary

The goal of managers should be to create a climate with a minimum of anxiety and a maximum of openness to new ideas.

The resulting energy, creativity, and dynamic participation by employees pay big dividends to the organization not only in terms of immediate profits but also in terms of the longer-term growth and strength of the organization.

Positive reinforcement plays a key role in accomplishing these ends. PPO are a very effective method of implementing a system of positive reinforcement.



Celebrate!!

Today, let's do something together



Maximizing Customer/Client Sales and Employee Potential

Introduction

When times are tough, the natural reaction of many businesses is to batten down the hatches and wait until the storm blows over. However, the business climate in recent years has been very unsettled, and there are no signs that it is going to change in the near future.

In a tough business climate, often the first reaction is to reduce expenses. Staff is cut, advertising may be reduced, and every part of the business is examined for ways to reduce expenditures.

In the process, cuts may be made that are regretted later with results that hurt the business.

Before making reductions in staff, you should first look for ways to get more sales volume from each customer. The key to accomplishing this is to train and motivate your staff to provide better customer service.

In this section, we will discuss how you can do this.

There are two parts to this section:

1. Maximizing customer/client sales
2. Maximizing employee potential

Maximizing customer/client sales

Maximizing customer /client sales means getting the most sales possible from the customers or clients who deal with your business.

There are four parts to maximizing customer/client sales:

1. Be aware of how your market is changing
2. Look at your business
3. Understand the business climate
4. Understand customer attitudes and preferences



To do this, you must:

- ◆ Know what the developing needs are in your market
- ◆ Be able to identify the specific needs of each customer/client
- ◆ Have the products or services that your customers/clients want available in a timely fashion
- ◆ Have the knowledgeable and trained staff that can effectively satisfy your customers/clients' needs

Let's examine these factors more closely:

1. *Be aware of how your market is changing*

Global factors like rapid technological change and free trade are going to keep the job markets in turmoil for some years to come. This will result in fluctuating consumer spending power and periodic mini recessions.

The consistent annual growth days of the 60's and 70's are long gone and, therefore, businesses must:

- ◆ Be smarter marketers
- ◆ Be in tune with changing consumer needs and wants
- ◆ Capitalize on changing consumer needs/wants and ensure that employees are trained and motivated to respond to them

2. *Look at your business*

Many businesses like yours should pay close attention to the 'nuts and bolts' issues such as:

However, often forgotten is the real secret of success!

The answer is simple!

Maximize sales from the customers/clients that you now have. It is far cheaper to spend money and effort on keeping existing customers/clients than it is to spend all the effort and money bringing in new customers/clients.

Inventory levels
Gross margins
Inventory turnover
Cash flow
Return on Investment (ROI)



How can you do this?

The key is training, managing, and motivating your staff in a sophisticated and professional manner.

During a tough business period when business in the market is very competitive, customers/clients are frequently:

- Fewer in number
- Better informed
- More selective than ever before about their purchases
- Looking for sales or competitive pricing

However, they are still buying, and notwithstanding sales/wage ratios, if you want to maximize sales they must be served well by sufficiently trained competent salespeople.

If not served adequately, they will simply go somewhere else and you are unlikely to see them again for a long time.

3. *Understand the business climate*

In recessionary times, the first cuts in costs made are staff cuts. Make them quickly so that the results are seen immediately.

However, cutting back in customer service can be devastating to your business. In fact, the key to making your business recession proof is by providing superior customer service.

Surveys of consumers across Canada and the U.S.A. consistently confirm that many salespeople shock consumers by exhibiting:

- ◆ Apathy
- ◆ Incompetence
- ◆ Rudeness

Subsequently, after you have spent *big bucks* on advertising, promotional materials, and attractive point-of-sale presentations, unprofessional salespeople can turn off the customer or client and effectively scuttle your marketing program.

Worse yet, how many times have you visited a store and could not find salespeople to assist you?

Management has cut staff but they likely have cut sales, too.

4. Understand customer attitudes and preferences

Customers/clients today are smarter than ever and they are keenly aware of the power they wield in the marketplace.

Customer/clients' expectations

Customers/clients don't just expect to be served well; they demand to be served well.

By selecting your business, they are saying:

- ◆ I've selected your business out of the many that are available to me
- ◆ I expect to be served by knowledgeable, competent, and courteous staff

Today, consumers are not just looking for a bargain—they are looking for value from the businesses they patronize and that include superior service.

When you think of it, as a businessperson, you can't do too much about fixed costs or outside forces like:

- ◆ Energy costs
- ◆ Inflation
- ◆ Interest rates

However, you can directly affect the quantity and quality of service that your customers/clients receive.

How to maximize customer/client sales

There are a number of ways that you, as a business, can improve the attitudes of customers/clients and, at the same time, achieve increased levels of satisfaction.

Some of them are:

1. Complete a detailed marketing study at regular intervals, not just at the beginning of a new business.

You need to analyze regularly who your customers/clients are, where they come from, and what their needs are.

2. Put yourself in your customer/clients' shoes and pretend that you have come into your place of business for the first time.



It is a good idea to ask frequently your customers/clients for their input on how they view your business.

Remember to:

- ◆ Assist the customer/client to reach the right area of your business by providing clear signage
 - ◆ Don't take the appearance of your business for granted because you see it every day
 - ◆ Don't allow your business to become cluttered, confusing, and unfriendly
3. Make it easy for the customer/client to buy.

In fact, get in the habit of measuring everything you do in your operation in terms of:

Does this make it easier for the customers/clients to buy?

4. Take the hassle out of the shopping process.

Make sure that their needs are met efficiently and pleasantly.

Impress the customer/client today and they will tell their friends.

5. Show respect and appreciation for their patronage.

Leaving the customer/client with a good feeling about their purchase will ensure their return.

There are a number of ways of showing customer/client appreciation:

Small gifts (rewards for frequent purchases, at special events or holidays)

A sales event may include a preferred customer event by special invitation, an additional discount for preferred customers, or pre-sale invitations for preferred customers

Special events are possible, such as an Open House with a BBQ, a Grand Opening, an Anniversary Sales Event, and events commemorating special holidays

Maximizing your employee potential

A key part of maximizing customer/client potential is ensuring that:

- ◆ You have hired the right people to provide the kind of customer service that makes it easy for the customer to buy and encourages the customer to deal with your company again.
- ◆ You ensure that employees are adequately trained to provide good customer/client service
- ◆ You meet regularly with employees to discuss ways that customer/client service can be improved

These are essential factors in maximizing your employees' potential to provide good customer/client service. Let us look in more detail at how you can do this:

1. Take a hard look at your staff scheduling to ensure that you have adequate personnel on duty at all times.

Part of understanding customers is know when they come into your business and make sure that you have the right people there to serve them.

We all have heard the saying; "*You can't sell from an empty wagon.*" Similarly, you can't serve your customers/clients satisfactory at peak traffic times if you have too few or untrained and uncommitted staff.

2. Regular refresher training is very important. It is extremely important to keep staff focused on:

- ◆ Who the customers are
- ◆ Basic selling skills
- ◆ Good questioning techniques
- ◆ Determining the customers' needs
- ◆ Dealing with objections and complaints
- ◆ Recognizing the customers selling 'hot buttons' or their motivation for buying
- ◆ Closing sales techniques

Staff can feel inadequate in a selling situation if they have not had refresher training recently.

Nobody wants to do a poor job.

When salespeople fail, it is often due more to a lack of confidence than anything else is.

3. Praise staff for a job well done.

Don't take your staff for granted.

Everyone likes to be recognized, in front of his or her peers for good performance.

When was the last time you did something to make your staff feel positive and proud about themselves and their place of work?



4. Have weekly staff meetings to get valuable feedback from staff.

Schedule these meetings for the convenience of staff, not for the management's convenience.

The meetings should be at the beginning of a shift rather than the end of one. They should be on business time.

You may need to hold three or four meetings to ensure that everyone is covered.

Staff meetings should be short (15 minutes or so)

An agenda should be prepared for these meetings.

Staff should feel free to provide input to the agenda.

If an issue is too involved to cover in these brief meetings, it may have to be deferred to a special meeting.

The weekly meetings should always include the following general areas of discussion:

- ◆ Feedback on customer concerns and needs
- ◆ Any perceived barriers encountered that may not make it easy for the customer to buy
- ◆ Systems or procedures that may be improved in order to make it easy for customers/clients to buy
- ◆ Merchandising ideas that may improve the presentation of products or services and make it easy for customers/clients to buy
- ◆ Visual presentation ideas such as colours, interior and exterior signage including corporate, product and directional signage that will get the consumers' attention and make it easy for them to buy
- ◆ Feedback on competitive activity
- ◆ Issues of general concern to employees

Summary

The principles and suggestions outlined in this section are fundamental to maximizing customer potential and employee potential.

Executing the basics that we know in our heart must be done is one of the biggest problems in business today. We allow ourselves to get bogged down with a lot of things that won't have any effect on our bottom line.

Get your priorities straight and achieve outstanding customer service. In these competitive times:



Be proactive, not reactive!
Be a leader in your market!

Start today and work with your staff to improve their skills and customer service and capture those precious sales.

All the cost cutting in the world will make no effective contribution to the bottom line if there is no revenue coming in to write the black ink in the first place.



Celebrate!

◆♣ ♣♠♠ ♠◆♣
♣♠♠◆♣♠♠♠♠♠♠



Maximizing Sales Force Potential

Introduction

Businesses try to quantify, dissect, systemize, and otherwise control every aspect of business in an effort to improve performance.

They often use:

- Time and motion studies**
- Complex charts and graphs**
- Computer analysis**
- Any other analysis that can be imagined**

It is assumed that once the magic bullets are discovered, you will only have to push a button and out comes the desired answer or human response.

For the most part, these efforts have been directed towards internal operations. Even if operations are under constant scrutiny, there seems to be no end to the tinkering and fine tuning efforts to improve efficiency.

In the process, often owners and managers lose sight of the fact that:



People make businesses run smoothly and profitably

In this section, we will attempt to explode a few myths about salespeople and sales management.

Furthermore, we will examine some of the ways in which businesses can better motivate their sales force and maximize their potential.

Myths about how to manage the sales force

Often overlooked is the sales force in organizational planning and systems analysis. Often there are two basic viewpoints for management to take regarding their sales force: management fears the sales force or strictly controlling the sales force.

Myth #1—Salespeople know best

Some businesses are afraid to meddle with the sales force and rationalize the hands-off approach by arguing that:

- ◆ The salesperson is closer to what the customers' needs are
- ◆ The salesperson knows best what the customers' needs are
- ◆ The salesperson can best determine how receptive the customer is to the business' products
- ◆ The salesperson's income is tied to their sales performance and, therefore, they will just naturally do whatever is necessary to move as much product as possible



Myth #2—Salespeople must be controlled

There are businesses that hold an opposite point of view. In these businesses, the sales force must be strictly controlled. Salespeople in these businesses are:

- ◆ Suspected of *giving away the farm* to get a sale
- ◆ Not completely trusted so they must be controlled to the 'nth degree'

In both situations mentioned here, we have a negative rather than a positive direction of the sales force. Both situations will result in a high turnover of sales staff.

Sales and marketing—the driving force of a business

In most organizations, the sales force is the key to realizing the sales and profit goals of the business.

The sales force should be involved as a true partner in the realization of the business' outcomes.

If left to drift with no direction or guidance, the sales force will often take a line of least resistance and sell what is easiest to sell rather than what would be most profitable for the business.

Salespeople want and need guidelines. They need to be part of the big picture. They need to have an understanding of things like:

- ◆ Production capability and costs
- ◆ Shipping and handling capability and costs
- ◆ Internal paper flow and controls
- ◆ Break-even analysis of departments and product lines
- ◆ Minimum gross margin requirements
- ◆ And much, much more



Salespeople don't have to be experts in all these areas of the business, but they need a basic understanding of these areas. Never forget salespeople are a vital part of the team, without whose efforts none of the bills will get paid.

Creating the climate for good sales performance

Management needs to provide the key ingredients necessary for sales force success.

The key ingredients are:

- ◆ Strong direction and focus upon the business' production needs
- ◆ Frequent communication and monitoring of the employees' progress
- ◆ Provide appropriate well-structured incentive programs that have a major employees' input component
- ◆ Integrate these incentive programs with the production needs and capabilities of the business
- ◆ Eliminate the 'we vs. they' mentality that often exists between the sales force and operations staff and arrange for them to work together as a team

Common sales management situations

Now all of this sounds easy but in practice, it takes a sensitive and creative manager of people to do it. Managers need to recognize the problem areas before they get out of control and apply the appropriate solutions to fit the situation.

All of the next scenarios relate to salespeople in some way even if they appear to centre on other people.

Seven common salespeople situations

Seven typical situations encountered by businesses relate to salespeople. Each situation has three parts: description, problem, and possible solution/solutions.

Situation #1

Allow salespeople to sell what they want rather than what the business needs most to sell or have directed them to sell.

Problem

This is the result of a breakdown in communication between the sales manager and the sales force.

It is very common for companies not to inform the sales force about internal business problems in such areas as:

- ◆ Production capability
- ◆ Availability of inventory
- ◆ Break-even point (BEP) analysis for product lines or departments. In other words, what the business must sell to break-even
- ◆ What minimum profit margins are required

Consequently, salespeople go into the field armed with only a vague knowledge of what is expected of them and what must be achieved overall to be successful. They can make impossible promises to the customers.

This secretive approach taken by some companies is a huge mistake.

Possible solution

This problem will not be solved by the usual pep talk from the president, business owner, or sales manager at the next sales meeting.

The only way to eliminate the problem is for the business owner or Sales Manager to set clearly out in writing for the sales force.

What are the:

- ◆ Basic needs and objectives of the business?
- ◆ Minimum profit margins required meeting company objectives?
- ◆ Business' priorities?
- ◆ Business' capabilities?
- ◆ Business' shortcomings or weaknesses that must be considered?

The Sales Manager, in consultation with the salespeople, prepare a set of **Personal Performance Outcomes (PPO)** that collectively fulfill the business' goals and outcomes and provides firm guidance to field operations.

Properly crafted PPO are a dynamic force throughout the organization. Tying salary reviews and incentive programs to PPO maximizes achievement.



Situation #2

Salespeople often concentrate on the big orders and give little attention to other prospects that, with a little attention, may blossom into a significant source of additional sales revenue.

Problem

In some cases, this policy is even condoned or encouraged by sales managers. Sales managers have been known to:

- ◆ Instruct that accounts below a certain volume are not to be called on
- ◆ Ignore that the salespeople are not servicing the small accounts

Often, salespeople will be content to *babysit* a few large accounts and try to maximize their potential. This may even look good for a time as the big orders roll in but, in the long term, it inevitably will leave the business in a vulnerable position.

Possible solution

To survive, a business must generate a constant flow of new business to replace the business lost every year by normal attrition.

To do this effectively, a business owner/manager must always be aware of the various types of customers that make up the business and the contribution that each type makes to the business.

The following are important ideas to remember:

- ◆ Five years from now up to 50% of the accounts that presently make up 80% of the business will be gone
- ◆ If there have too many of the *eggs in one basket*, the business can be devastated by the loss of even one of the eggs
- ◆ The mix of the customer account base is very important to profitability
- ◆ Large accounts can be high volume, but often they can be very low gross margin business and sometimes very demanding and dictatorial. They know the power that they can sometimes wield.
- ◆ The small account, on the other hand, normally generates much higher *gross margins* and, if the business has enough of them, it can be a powerhouse of profit.
- ◆ When the business is diversified, it is much harder to be displaced by a competitor in the market. It is easy to forget that eventually some little accounts will become big accounts.



Situation #3

Salespeople may be very well versed on the features, benefits of their products, and possess good selling skills but they sometimes lack a comprehensive knowledge of the industry.

Problem

Salespeople have not usually *grown-up* in an industry. Good selling skills are transportable and many times a good salesperson comes from a related field and is successful by simply applying good selling techniques.

Possible solutions

Management should provide educating and training for the sales staff by:

- ◆ Providing training on industry structure and background
- ◆ Involving the salesperson with key customers and other business associates who are very knowledgeable about their industry
- ◆ Providing on-going training on their market and their competitors

If salespeople have a good background and understanding of the industry, they are better able to anticipate customers/clients' needs and solve their problems.

These same salespeople will be able to gain more quickly the confidence and trust of the customers/clients.



Situation #4

Frequently, pay salespeople based on *gross sales* rather than on the profit margin realized by the business.

Problem

In this situation, salespeople may be criticized for *giving away the farm* to get a sale. They may concentrate on the items that are the cheapest and easiest to sell. The problem is one of management and direction of the sales activity.

Possible two solutions

Rather than compensating purely based on gross sales, a commission structure based on gross margin yield is more effective. It will ensure that all the business' products receive the proper emphasis. However, although this approach will yield bigger dividends for the business, it does require some bookkeeping.

Alternatively, a system of rewards based upon PPO is much easier to administer and much more flexible. PPO allow the Sales Manager to:

- ◆ Tailor the outcomes to each salesperson and the needs and potential of their specific territory or account base
- ◆ Apply just the right emphasis on *Gross Sales* and *Gross Margin*
- ◆ Promote product development
- ◆ Focus on new account activity
- ◆ Encourage employee personal development

Good salespeople respond positively to this approach because it reflects the differences that exist between sales territories and rewards them on the basis of a broader range of positive accomplishments.

Besides, they are motivated by the feeling that they have more control over their results rather than just having arbitrary goals thrust upon them by management.



Situation #5

Salespeople can sometimes seem to be working for themselves rather than for the business or as part of a team with others.

Problem

Field sales are highly competitive and, by nature, good salespeople must be aggressive and highly motivated. These positive traits can emerge in a negative way, if not channelled properly.

For example

New promotional ideas and new ways to exploit opportunities may be withheld for personal benefit rather than shared with the group. This is particularly evident in businesses that pit one salesperson against the other in sales contests.

Periodically, a contest can be fun and a morale booster. However, if contests are too frequent and become the normal way of stimulating sales results, they can be damaging to the organization in terms of the effects on people and the distortion of the mix of product movement.

Possible solutions

Solve the problem in the following ways:

- a. Better communication and involvement of the sales force in realizing the business' goals.
- b. PPO are an excellent way to reward individual performance within a team concept of sales management.
- c. Regular sales meetings are another way to promote interaction of salespeople and the exchange of ideas.

It can be very effective to have a top performer or perhaps just a different salesperson at each meeting make a presentation to their peers and to management on competitive situations encountered and the techniques employed to achieve success.

The advantages of this approach are:

- ◆ It can stimulate a lot of positive discussion that produces new and innovative approaches to familiar problems.
- ◆ It can be a real motivator for a salesperson to strive to make the best presentation, particularly when they know senior management is present.
- ◆ It further provides a good forum for management to interact more with field salespeople and be more in touch with the real problems encountered in the field.

Another method that can be extremely effective is to spend time at sales meetings doing some role-plays.

These role-plays could be common or uncommon situations encountered by the salespeople. The salespeople should discuss the role-plays as to how to handle the situation.



Situation #6

Sometime we burden salespeople with excessive paperwork.

Problem

When times are tough, businesses will often cut down the overhead by reducing office staff. This sometimes results in shoving extra reporting and paperwork down the pipe on to the salespeople's shoulders.

In this case, not giving enough thought to the results of this action. Without sales, the business will not survive and, in tough times, maintaining, and increasing sales is even more vital.

If the sales force has to take on office tasks such as:

- ◆ Doing credit checks
- ◆ Pricing and extending invoices
- ◆ Some other duty formerly performed by office staff

They are going to be much less effective in the field selling the product. Often the salespeople are not qualified or experienced to do this clerical work. They may not have the computer skills to complete the work in a timely fashion. The result is that the business is paying an extremely high price in relation to the savings realized when salespeople are left to do these kinds of tasks.

Possible solutions

As far as paperwork is concerned, field salespeople should only be required to do three activities:

1. Sales orders
2. Sales activity reports
3. Expense reports

In this scenario, we are talking about the paperwork salespeople are required to do as part of their field activity. Customer follow up is a personal contact, field activity.

Burdening salespeople with paperwork takes time away from their aggressively following up customers in the field. That is where business will be developed and the results will be reflected in the salespersons' Sales Activity Reports.



Situation #7

Make salespeople too many promises that can't be kept.

Problem

This is a perennial complaint in many organizations. In their zeal to get the sale, salespeople will frequently put unnecessary pressure on the organization to fulfill their commitments.

The possible results are:

- ◆ Unnecessary expense to fulfill the commitment
- ◆ An erosion of *Gross Margins*
- ◆ Untimely use of resources that may affect other customers/clients
- ◆ A greater risk of costly errors
- ◆ The negative effect on business morale because of the unrealistic pressure on the organization
- ◆ It can create potential problems with customers/clients because not all of the promises can be kept. The salespeople and the business soon acquire a reputation for not following through on their commitments.

Possible solution

The business owner or sales manager has to ensure that the sales force has a better awareness of how production, material handling, and other aspects of business operations function.

Salespeople should:

- ◆ Communicate better with internal operations
- ◆ Consult with department heads before making promises
- ◆ Remember in almost all cases sales will not be lost because of a minor delay

The customer/client appreciates the honesty of the salespeople and will simply schedule accordingly.

Salespeople who are in the habit of communicating with internal operations will find them willing to pull together, cut through the red tape, and do whatever has to be done to get the job completed if there is a genuinely urgent situation and if it does not occur too often.

A common sales manager situation that affects salespeople

Sales managers frequently lack the qualifications to provide meaningful leadership to the sales force they are supposed to direct.

Problem

Very often businesses promote top salespeople from the field to sales managers. They may have been terrific salespeople but they can frequently be terrible sales managers. This is known as the 'Peter Principle.'

This is a double tragedy for the business because:

- ◆ The sales results of a top salesperson are hard to replace
- ◆ By the time the problem with the sales manager is evident, it is usually too late to do anything about it
- ◆ The result of this situation can be the loss of a formerly good employee

In this situation, the sales manager lacks the training and skills to do the job and:

- ◆ They are content to function as a figurehead
- ◆ They do not develop the sales policies and guidelines
- ◆ They do not do the hands-on coaching necessary to produce results

They may be carried along for a while by the sales momentum of the organization but, after a few months, the lack of direction will start to be evident in eroded sales.

Although this type of new sales managers' background is in field operations, they often tend to forget the necessity to spend time in the field, listening first hand to the concerns of customers/clients and experiencing the challenges the sales force is facing.

Possible solution

The solution to this problem is that businesses must pay more attention to employee career development. They must have a coordinated, long-term plan for training employees and moving them along a professional path throughout their work.

Businesses know that:

- ◆ They eventually will need to replace the managers
- ◆ They will likely be creating other management positions

Businesses must ask these questions:

- ◆ Where will these new managers come from?
- ◆ Will inadequately trained people be thrown into these new positions?
- ◆ Will they have to hire future managers from outside the business?

In any case, the potential risk and cost to the business is huge compared to the cost of on-going training and development of existing employees.

It is extremely cost effective in the long term for a business to identify potential candidates for future management positions, even years in advance, and gradually provide them with the training they will need to be good managers.

When salespeople finally get that big promotion, rather than being *a fish out of water*, they will have all of the following skills needed to be a successful sales manager:

- ◆ The business management training
- ◆ The analytical skills
- ◆ The organizational skills
- ◆ The time management skills
- ◆ The people management skills



Two common management situations that affect salespeople

Here are two typical situations encountered by businesses related to management.

Situation #1

Management often fails to inform adequately the sales force about changes that are occurring in the industry. Good salespeople will have their *antenna up* at all times and will be quick to pick up on *winds of change* in the field.

Problem

This problem is two pronged. Salespeople are not aware of changes, nor are they always aware of *the big picture*.
Second, management has not kept them informed.

For example

There may be governmental or international pressures that can influence the way the business does business.

Possible solution

At regularly scheduled staff meetings, management should circulate trade journals or press releases of note about changes occurring in the industry and their affect on the company.

Discussion of the issues should be encouraged. Getting issues out in the open gives the company and the employees an opportunity to put rumors to rest and inform employees about the company's plans to deal with any changes.



Situation #2

There are under utilization of equipment, resources, or specialized people skills within the business because a lack of direction and motivation is provided to the sales force to maximize their potential.

Many companies have:

- ◆ Pieces of equipment that are underused
- ◆ A department that could handle much more work or different work
- ◆ Special people skills and capabilities that are not fully exploited

Not taking advantage of these potentially useable people skills is not the fault of the salespeople but it is a management problem.

Solution

Managers must ensure that the sales force is well aware of the production needs of the company.

They must know how important it is to the company to sell the complete range of company products and not just the top ten movers.

Then, through focused activity, using PPO and regular communication on any changes in the business' position motivate the sales force to work as a team to maximize the efficient use of all the business' resources.



Business considerations

It is important, therefore, that the business recognize that the sales force is a vital part of operations.

That the sales force input can be key to making major decisions on such issues as:

- ◆ Future business outlook in a region
- ◆ Pricing situations
- ◆ Policy changes
- ◆ New competitive activity
- ◆ Any other issues that ultimately will have an effect on customers

By keeping the sales force well informed and involved in the decision-making process, the business will promote a dedicated and committed team that will improve the strength of the entire operation.

Summary

This review of some common sales management problems covers only the most obvious areas of difficulty encountered by Sales Managers. Two major factors stand out in this discussion. They are:

1. People make businesses successful, not programs, not policies, and not procedures.
2. In the long term, businesses will succeed to the extent that they invest in, and develop quality people, and then communicate effectively with them.



Celebrate!



Conducting Effective Staff Meetings

Introduction

Staff meetings are not the only way to have good staff communication but they are one important method.

Some other ways to promote communication are:

- ◆ Build and support project teams
- ◆ Newsletters
- ◆ Suggestion boxes
- ◆ Questionnaires
- ◆ Employee reviews



You can encourage and support staff social functions like:

- ◆ Christmas parties
- ◆ Picnics
- ◆ Retirement parties

You can encourage staff to take charge of *fun events* for the business like:

- ◆ Wearing costumes for Halloween
- ◆ Goofy-tie days
- ◆ Charity fundraisers

All of these things promote employee interaction and communication.

It is very important for your business to provide a forum for more informal staff communication and feedback. Many businesses attempt periodically to implement various mechanisms to facilitate staff communication.

They start with good intentions but fail to continue after a few meetings for a variety of reasons. There are several reasons why communication programs fail:

- ◆ Management lacks real commitment to promoting communication.
- ◆ Staff meetings do not have an agenda and because there is not structure, becomes a *free for all* with only the loudest voices being heard.
- ◆ Employees feel that they don't really have a voice. Management appears to stifle open discussion if it is felt that opinions are being expressed that is contrary to the opinions of management.
- ◆ Employees feel that when they offer ideas or opinions that are contrary to management or to their immediate supervisor's view that they will be penalized.

You may have worked in a business where some or all of these conditions exist. We know these poor communication conditions result in an unhealthy working environment.

However, many people repeat the same mistakes when they begin their own businesses.



Don't let this happen to you and your business

Good staff communication should be seen as essential to the growth and success of your business. Along with the other aspects of managing staff and staff development, staff communication is a key to making effective personnel management systems work.

Good staff communication system should have regularly scheduled staff meetings in each division or department.

The staff meetings should be held once a month with a general meeting of the whole business twice a year.

A small business would have a meeting of the whole business once a month.

The business should issue a memo in advance of the staff meeting of any particular issues that the business wishes to discuss.

Employees need to consider issues and come prepared to talk about them.

Staff communication form



One way to involve salespeople in their staff meeting is to have a staff communication form. This form allows employees to organize their thoughts on general areas of business concern before the staff meeting.

Management may send the staff communication form out to the staff before the scheduled meeting with some of their concerns. The salespeople are expected to add to this list.

Either the form is returned to the sales manager or the first order of business is to set the agenda based on the concerns of the salespeople. If the form is returned to the Sales Manager, he/she will set the agenda for the meeting.

All of the headings on the form should be addressed at every meeting.

Topics	Ideas
Customer complaints problems Suggested solutions	
Competitive activity	
Internal communication administration	
New product promotional ideas	
Miscellaneous	

Staff meeting suggestions

It is a very good idea to have someone designated to take notes at the staff meetings. This ensures that concerns, issues, and any conclusions can be recorded. At the next meeting, these items are brought forward and actions discussed. Staff must see that their input is valued and can prompt action.

The meetings must be conducted in a businesslike manner.

They don't have to be overly formal but everyone has to be allowed their say.

A few people should not be allowed to dominate the meetings.

The manager chairing the meetings must make an effort to draw people into the meeting, especially those who are introverts. Sometimes their ideas and opinions are the most important.

It must be clear that all opinions and ideas are valued and there are no 'dumb' ideas or questions.

There are only ideas that generate more ideas. People's ideas should not be laughed at or ridiculed. This will certainly stifle staff participation in the meetings.

The ideas on staff communication expressed here seem so simple. However, to implement a successful staff communication system requires hard work, with both management and staff committed to making it work.

Summary

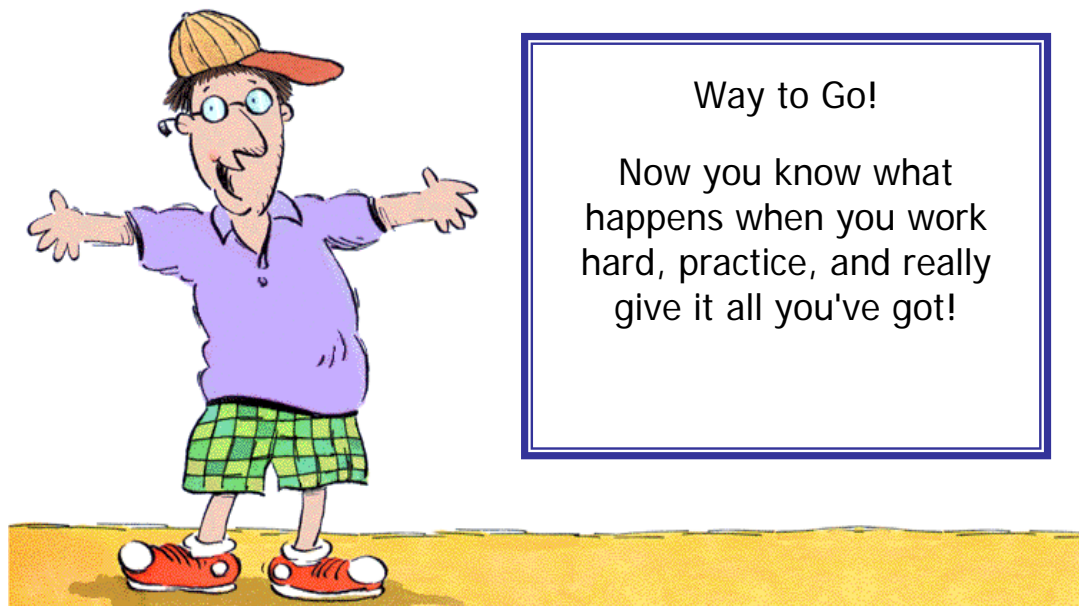
In this section, we have examined staff meetings as a forum to promote staff communication. You have learned how to prepare for a meeting and how to conduct an effective staff meeting.

Staff meetings can be an important means of involving and motivating employees if they feel that their input is valued and that they really do have a voice.

Of course, formal staff meetings like this are not the only means of achieving good staff communication. There are many informal ways of promoting communication on a daily basis.



Celebrate!



Summary of Managing Personnel

Management and Leadership Skills has presented and discussed ideas concerning the management, motivation, and direction of personnel. You have examined some methods and systems for organizing and structuring the relationship between employees in a company. You have also studied how a performance management system like the PPO concept presented in this section can be an underlying driving, motivating force within a company.

A very important point to remember is that the organizational systems and structures, once in place, make it easy to record and report upon employee performance.

However, it is the skillful application of appropriate management styles and leadership skills; positive reinforcement; and good communication skills that will result in a successful manager and you a successful business.

These are sometimes referred to as the *soft skills* and they are by far the most difficult to master. The systems and structures only help you to *keep score*. In fact, many good managers would agree that they never fully master the soft skills. As a business owner or manager, you should be always working on improving your soft skills. You must be constantly aware of the personal and group dynamics of situations and adapt yourself to the situation.

Compare the ideas and methods presented in this section to the way you presently manage your business.

Think carefully about:

- ◆ How you can use some of the ideas to benefit your business immediately.
- ◆ What ideas would require planning and gradual implementation?
- ◆ What is your natural management style?
- ◆ How you would adapt your management style to improve the way you cope with business situations you encounter.
- ◆ How using the ideas presented in this section would help you to develop the potential of your employees.
- ◆ How using the ideas presented in this section would help you improve your business.

Final Celebration!!

Congratulations

We all knew that you could
do it.



Other products & modules for sale

Other modules available on this site deal with other aspects of managing personnel. For a complete in depth treatment of this subject, the BizBite Consulting Group product **Personnel Management** also is available. For detailed information on the content of these products, please go to 'Product' on the menu bar on the web site.

Glossary of Terms

Gross sales—the total amount charged to all customers/clients during a time before any discounts, allowances, or returns are taken into consideration

Gross margins—the money left to cover the expenses of selling the offerings and operating the business. Known also as the gross profit

Median—situated directly towards the middle, the middle point

Negative reinforcement—is when an unpleasant situation or stimulus is stopped if the desired behaviour occurs. This is an attempt to cause a recurrence or an increase of the desired behaviour by removing unpleasant consequences.

Net sales—the total amount of sales after any discounts, allowances, or returns are deducted

Personal Performance Outcomes (PPO)—a formal list of goals to be achieved by a defined time. Management sets the list categories; however, the goals are determined after consultation between the employee and management.

Positive reinforcement—is a reward given in an attempt to cause a recurrence or an increase of a certain kind of behaviour. This is simply responding to behaviour in a consistent fashion, which eventually results in the trainee modifying their behaviour in the desired way.

Reinforcement—is a tool that has been used to train and manage animals and yes, people too, throughout the ages. It *can be* positive or negative

Salary compression—a condition where there is little difference in the compensation of a person in a supervisory position and an employee reporting to that, or a similar supervisory position

The end