

# The Critical Path to Attracting and Retaining Critical People

## A White Paper on Employee Attraction, Engagement and Retention Strategies

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In order to build a successful Financial Planning practice you must first recognise that the war for talent is over and talent has won. Companies who don't recognise this and significantly change the structures and processes they use to hire and retain the staff they need to compete in today's changing marketplace will lose. Not only will they lose human capital but they are in danger of losing everything from market share to their status as a going concern.

How has talent won? Look at the demographics. There have simply not been enough people born over the last 20 – 30 years to take the place of those Baby Boomers who are now starting to retire (if not in whole then in part by scaling back their responsibilities) in large numbers starting in 2011. In addition, technology and globalisation are changing the way we do business. These two factors create a skills shortage, the likes of which has never been seen – at least not in recent memory – culminating in a predicted number of jobs that go unfilled to reach over 1.5 million in Australia by 2025.

So if talent has won, does that mean that companies have lost? The bad news is that some most definitely will. The good news is that they don't have to. Not if they join the Post Industrial Revolution Revolution.

### What is the Post Industrial Revolution Revolution?

First let's begin with a short review of history. As the 18<sup>th</sup> century drew to a close, the world entered a new age of mechanisation and industrialisation that's come to be known as the Industrial Revolution. With it came new ways of managing the labour force. Hard manual labour was replaced by production lines, where workers carried out very specific, repetitive tasks in exchange for wages.

As the Industrial Age gathered speed, a new class of worker emerged. The White Collar Worker, those who traded brain instead of brawn for wages, could look forward to higher rates of pay than those on the factory floor. But they, too, engaged in repetitive tasks, such as typing and accounting and the typical office was run much like the factory floor, with designated start and stop times, prescribed breaks, very detailed job descriptions and little room for creativity and innovation.

Then came the Post Industrial Revolution. It's hard to pin an exact date on this revolution, but the phrase was popularised by Daniel Bell in 1973, when he published *The Coming of Post-Industrial Society*. By the late 20<sup>th</sup> century, 200 years after the beginning of the



Industrial Revolution, the Post Industrial Revolution was well and truly upon us. But something was missing – and, in most working environments, still is.

The Post Industrial age is characterised by non-tangible yet valuable services, largely in the areas of finance and information. It is heavily reliant on technology and dependent on innovation and creativity.

The Financial Planning industry is most certainly a Post Industrial industry. Technology and globalisation have automated or outsourced most mundane, repetitive tasks, freeing our workers up to do more innovative and strategic work. The Post Industrial economy demands this innovation and creativity. And our staff relish the thought of doing this type of work over the routine, process-oriented tasks of yester-year. Yet the structures and processes that most companies use to manage their staff still hark back to the Industrial era.

Do you see the disconnect?

And this is costing our companies millions of dollars. Not only because these structures and processes increase turnover (costing between 50% and 200% of an employee's annual salary to replace), but it also can cost significantly in productivity.

According to both Hewitt (Best Employers Awards) and Gallup, only about 20% of workers are actively engaged in their work, while an equal percentage feel actively disengaged from what they do. The 60% in the middle are only mildly engaged in their jobs. Hewitt estimates this dis-engagement can cost up to a third of an employee's annual salary while they still work there.

So it costs you to replace a dis-engaged worker – but it also costs you to keep them.

What is the solution? A Post Industrial Revolution Revolution!

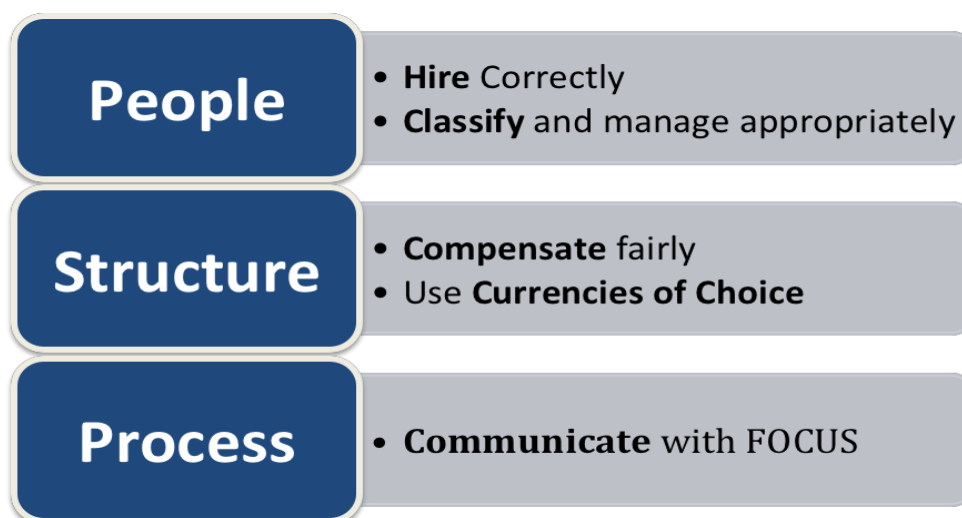
## How to Stage a Post Industrial Revolution Revolution

The Wall Street Journal called it in an article dated August, 2010 titled *The End of Management*. They wrote that, "Management structures may need to be changed. The new model will have to instil in workers the kind of drive and creativity and innovative spirit more commonly found among entrepreneurs."

This new model can be achieved with the following 5 step framework:

- Hire the right people,
- Classify and manage them appropriately,
- Compensate them fairly,
- Use Currencies of Choice to help them become more innovative, strategic and solutions-oriented, and
- Communicate with FOCUS





### Hire correctly

Start with hiring the right people. People are unpredictable. No matter what pains you take to hire the best, there will always be surprises. Hiring is an inexact science, but there are several things you can do to ensure that you make more right decisions than wrong ones.

*Hire for cultural fit, train for skills fit.* Almost without exception, high performing teams are made up of cohesive individuals who band together to accomplish the objectives of the department or organisation. They may not be the same personality type, they may not have the same views, but they possess the same core values and work well together.

As a hiring manager, your most important job is to determine the cultural values of your organisation and hire for those.

### Strengths based hiring

There are many ways to interview for culture fit, but one of the best I've seen is to concentrate on strengths rather than skills or even competencies. The Gallup Organisation is probably best known in the area of Strengths research. They studied over one million people during a 20 year period to identify what constituted excellence, and found that people who were truly excellent at what they did were those who constantly worked in the area of their strengths. Results of this study were published in Marcus Buckingham's *Now Discover Your Strengths*.

Just what are strengths? Gallup defines a strength as an innate ability. Something that is hard-wired into your brain between the ages of 3 and 15. Once set, strengths cannot (without a great deal of work) be changed or altered. A strength is different to an ability or skill, which can be taught at any age.

How do you determine what strengths are needed for your team culture? Ask yourself what strengths are required for each individual aspect of the cultural profile you developed. For instance, if you determined that you are a culture that does what it takes to get the job done,



as opposed to working 9 – 5, what strengths are needed to do that? Persistence may be one.

How do you know if persistence is truly a strength? By answering the simple question, “can this be taught?” In the case of persistence, this is definitely an innate ability. No one can teach you to be persistent. And it is very easy to find out, given properly structured interview questions, if a potential candidate has demonstrated persistence in the past.

Once you determine your organisational culture, it's time to structure the hiring process to ensure that applicants will work well within that culture. This requires specific interview questions to elicit the answers you need make this decision. You may also consider using a profiling program, such as the Extended DISC system, that can measure a team and test how well that individual will fit into that team.

### **Learn to interview**

Which brings us to one of the most critical factors to ensure you get the right staff: proper interview techniques. Most interviewers have never had any formal training on interviewing. As a result, they often go by “gut feel” or a set of inexact criteria – and often make the wrong decisions which leads to greater turnover and poor morale.

But a proper interview technique is essential to ensuring you get the right hire. Unlike the share market, when it comes to potential job candidates, past performance *is* indicative of future results.

Proper interview questions have to be answered with past examples of how the candidate actually dealt with a scenario. This technique is commonly called “Behavioral Based Interviewing,” and it's harder than you think.

That's because most human beings talk in theoreticals instead of giving specific examples. And it's not in most people's nature to press others, when they deliver information that's not exactly what they are looking for. But it's the interviewer's responsibility to hold the candidate's feet to the fire and continue to press until the candidate relates a real live incident - *one that can be verified with reference checks.*

### **Classify your Critical People and coach appropriately**

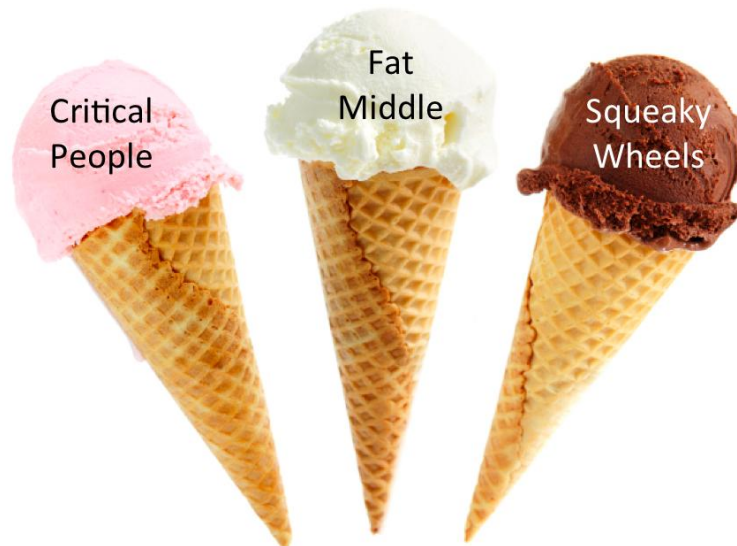
Even when you do everything right during the interview process, you may still be surprised once the employee comes on board. Additionally, team dynamics shape individual behaviour, while the challenges and life stages that people go through in their personal lives can affect their performance. The bottom line is that you have to continually keep your finger on the pulse of your staff.

This isn't surprising, yet this aspect of management trips up most managers.

Why? Because most managers spread themselves too thinly, working with their entire staff in exactly the same way.



No one wants to play favourites, but unfortunately this often results in managers becoming exhausted and not giving key employees the time and attention they need. Moreover, many managers spend the majority of time working with the wrong people.



Employees come in 3 “flavours”: Critical People, Squeaky Wheels and the Fat Middle.

We all know the 80 / 20 rule: 80% of employee productivity comes from 20% of your staff. Let’s call this 20% your “Critical People”. Critical People can be obvious - the real superstars who consistently under-promise and over-deliver. They can also be not-so-obvious - those “sleepers” that you just can’t do without: quiet achievers or the ones who hold a great deal of corporate knowledge.

At the other end of the spectrum, 10 - 20% of staff members will be “Squeaky Wheels,” those who demand time and attention because of some developmental or motivational issue. We will call the remaining 60% - 70% the “Fat Middle.”

Who do you spend most of your time with, as a manager? If you are like the vast majority of other managers, it’s the Squeaky Wheels. The Gallup Organisation makes a case in *First Break all the Rules* (a book detailing the results of a 25 year study with over 80,000 managers of high performing teams). They found that contrary to popular belief, managers should spend 80% of their time with their Critical People. Not only does this help your most productive staff become even more productive and valuable to you as a manager, it also frees up your time and reduces your stress levels.

Squeaky Wheels can then be dealt with quickly by training, motivating or moving them.

Miraculously, when this is put into place the Fat Middle takes care of itself. The good ones want to be part of the “cool kids club”, and have the time and attention they see the managers giving to the Critical People. They tend to become more engaged and develop more quickly, especially if the manager empowers the Critical People to help train, mentor and motivate the Fat Middle.

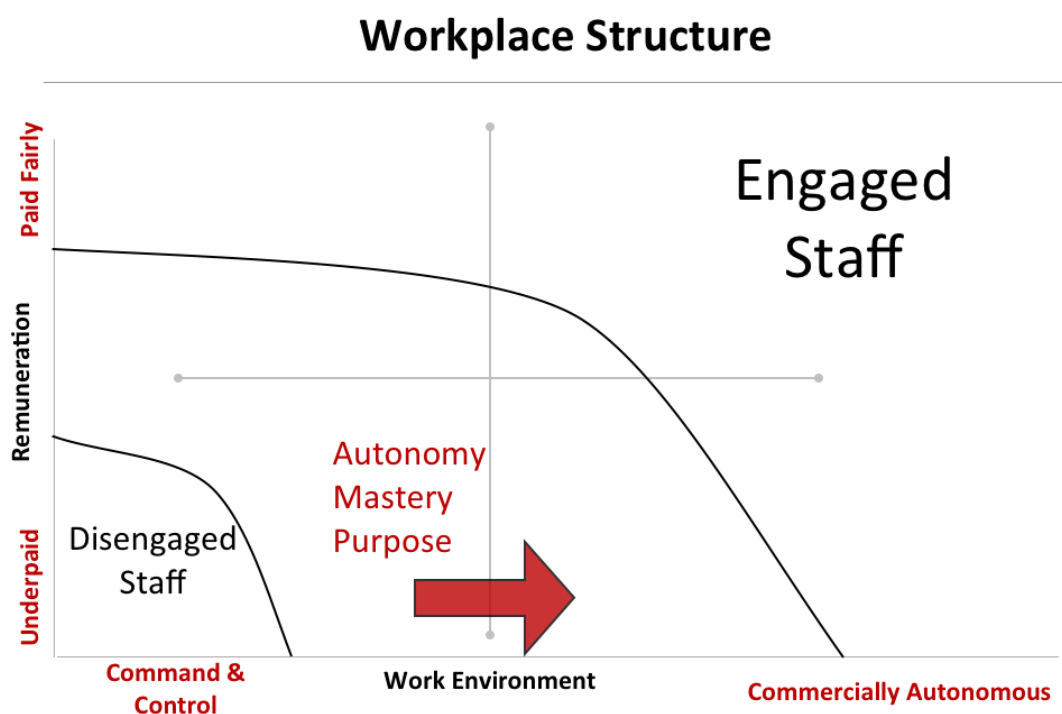


By spending MORE time with your Critical People you will increase productivity, manage your time more effectively, reduce your stress levels, have more engaged staff and increase retention rates.

### Structure

If we are going to hire and retain the people we need to grow our business and meet the challenges of the 21st century, we need to create a structure where they not only survive but thrive. A structure that fosters the 'heuristic' work that our companies need them to do. The work they *want* to do.

Organisational structure comprises two components: remuneration and work environment.



### Compensate fairly

When people feel that they are being paid fairly and are given the freedom and flexibility to work in the area of their strengths, master their skills and work in a commercially autonomous manner, the workplace environment becomes "Commercially Autonomous". Workers become highly engaged, engagement levels increase, turnover decreases and productivity goes up dramatically.

First, let's debunk some common myths around pay. Many companies diligently strive to create very attractive incentive programs in an effort to engage and retain staff. Unfortunately, these efforts may actually be counter-productive to accomplishing these goals.



Daniel Pink, author of *Drive*, is fond of saying that “There is a mis-match between what science knows and what business does.”

*Drive* cites many different research studies that conclude the same thing: incentives only produce better results when the work is algorithmic: replicable or repetitive tasks requiring very little creativity or innovation.

It seems that rewards actually narrow our focus, innovation, creativity and the ability to think strategically and solve problems – our heuristic thinking. The very incentives designed to enhance productivity actually have the opposite effect.

McKinsey and Company also cite in a recent study that only 30% of today’s job growth comes from algorithmic work, whereas 70% now comes from heuristic work.

These studies all conclude that employees need to feel as though they are paid fairly, consistently and in a manner they can rely on. Companies can accomplish this simply by paying at or a little above market rate for individual functions. But since this is a subjective assessment, they also need to ensure that employees *feel* they are being adequately compensated. This can only be accomplished by speaking to them directly and finding out how they feel.

Once someone feels they are being paid adequately, companies can then use the “currencies of choice” most valued by the workforce. To quote Mr. Pink, these are: autonomy, mastery and purpose. The ability to work autonomously, the ability to master what you are already good at, and the opportunity to do meaningful work in an organisation you can back.

### **Create a Post Industrial work environment using currencies of choice**

These currencies of choice can be used to move the organisation from a “Command and Control” environment: where every task is laid down in detail and the prescribed methodology for completing these tasks must be followed. It can then move to a “Commercially Autonomous” work environment.

How does autonomy impact the bottom line? A 2006 Cornell University study observed that “Autonomous companies had 4 times the growth rate and 1/3 the turnover”.

### **Leadership Processes**

How does an organisation use the currencies of choice to move to a Commercially Autonomous work environment? One step at a time. This must be a gradual process or you risk complete rebellion by the staff.

Ease into these changes gradually and focus on a few simple things:

- Change your job descriptions (which everyone hates to write and are the source of much consternation) from task-oriented, prescriptive documents to simpler, objective-



oriented ones. The added benefit is that you'll never again hear, "But that's not in my job description" from one of your staff members.

- Phase in autonomy by recognising that different people want varying levels of autonomy and that some want autonomy over:
  - Task (how they do the job) or
  - Time (when they do the job) or
  - Team (whom they do the job with).
- Talk with your Critical People to find out what type of autonomy motivates them and then start tweaking their work environment to provide that type of autonomy.

## Communication

The most effective way to facilitate the transition to a Commercially Autonomous work environment is through communication. We'll use the acronym FOCUS to describe a robust communication process.



**Frequency.** Most companies sit down formally with their staff only once or twice per year for the dreaded performance reviews. However, increasing formal communication to at least once per month and informal communication to weekly, if not daily will significantly increase employee engagement and company productivity.

But it's not just the frequency of communication that's important. It's also the content.

Communication between staff and managers should revolve around the following:

- **J**ob **O**bjectives - what are they responsible for doing and how are they meeting their KPI's?
- **C**areer development - both a vertical career path as well as horizontal learning and development opportunities,



- **Underlying motivators** of autonomy, mastery and purpose, and
- **Strengths** – those innate abilities that make them unique and make them good at what they do.

Structure communication around deliverables and then offer coaching, advice, assistance and resources for their career development, underlying motivators and strengths and you will truly have an engaged and productive workforce.

To summarise, follow the 5 C's:

1. **Correct hiring practices:** base your hiring decision 80% on culture fit, 20% on skill set and learn how to interview so that you get the information you need to make good hiring decisions.
2. **Classify and manage appropriately:** determine who your Critical People are and spend 80% of your time with them. Train, motivate or move your Squeaky Wheels.
3. **Compensate fairly:** pay at or slightly above market rate and check in with your staff to make sure they feel they are paid fairly for the work they do.
4. **Currencies of Choice:** use autonomy, mastery and purpose to move your work environment from an Industrial Age, 'Command and Control' environment, to a Post Industrial Age, 'Commercially Autonomous' one.
5. **Communicate with FOCUS:** increase your structured communications with staff to at least once per month and use any opportunity you have to talk to them about their objectives / deliverables, career development, underlying motivators and their strengths or innate abilities.

#### About the author

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Kim Seeling Smith is an international speaker, trainer, coach, mentor and author on Employee Recruitment, Engagement and Retention as well as Career Management. Kim is a co-author (along with Brian Tracy and others) of the book 101 Great Ways to Enhance Your Career available on Amazon.com. [WWW.KimSeelingSmith.com](http://WWW.KimSeelingSmith.com)

