

# SMALL BUSINESS SUCCESS

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*It has often been said that a business is only as good as its people. We believe that's true, so this month we are dedicating the entire Small Business Success magazine to human resources issues. Whether you have only one or many employees, you'll find some helpful information here to maximize your most important resource – your people. If you're still a one-man/woman show and your business hasn't grown to the point of requiring employees, we trust you'll still find some valuable tips you can tuck away for the future. Enjoy the read*

## Understanding Your Own Corporate Culture

Someone once said, "Running a business would be easy if it weren't for the people!" While people are indeed our most valuable resource, they can also be a source of difficulty in running a business. I recently did some consulting for a small business owner (let's call him Paul) who sought my help because he was having difficulty retaining employees. The average employee turnover in his business was five months, and it was costing him a fortune to continually re-train new employees. In addition, he found himself often facing weeks when he was severely understaffed and had to put in 60-70 hours per week himself just to keep the business running. He was understandably frustrated, as the problem didn't seem to lie with the product/service his business was offering. His clients seemed to be happy – but the employee situation was on the verge of putting him out of business.

One of the first questions I asked Paul was whether he knew WHY his employees were leaving. He didn't have a clue. I asked him whether he'd made any changes to his hiring process. He told me he didn't think the problem was with his process – but with the people he was hiring. He had no idea about the impact his staff had on his customers, and didn't have a clue how much turnover was costing him. His lack of knowledge of his own business culture was killing his business.

There are some simple systems you can put in place to continually gather the information you need to make relevant and necessary decisions about your business in order to survive. Whether it's knowing why you're losing staff, or understanding why your systems aren't working, knowledge gives you the power to make critical changes for the betterment of your



business.

**1. Always conduct exit interviews** – you should know why your employees are leaving – especially when you have a turnover issue as bad as Paul's. Exit interviews should be part of your business practice. Create a set of vital questions about how your employees felt about working for you. What did they like? What did they not like?

How did they feel about you as a boss? Are they leaving because they're simply finding other opportunities, or did they find your business culture impossible to function in? Is the pay too low? Are the hours too demanding? Finding out WHY your employees are leaving will give you clues as to how you may need to change in order to reduce the number of employees going through a revolving door.

**2. Once a year, conduct attitude surveys** - what are employees saying about what it's like to work for you? How do they feel they are being treated? How would they describe the corporate culture? Attitude surveys should be part of your business assessment at least once a year. They help you to take the temperature of the people working in your business and bring to your attention issues that need to be dealt with before they become a crisis.

**3. Find out how your customers feel about your staff** – customer surveys should be a regular part of your business plan, but occasionally, in addition to asking them how they feel about your product or service, ask them how they feel about your staff. How do they feel they are being treated? Are there some staff members who rise above in terms of customer service? If so, you should know about them. Are there some who consistently provide less than average service? You should know that too.

**4. Continually assess your hiring practices** – is what you're doing working? Are you hiring the kind of people you want to work for you? Are you hiring people who fit in to your corporate culture and work well with your existing team? Do you have an inclusive interview process where your staff is involved in assisting with the selection of candidates? Do you have a solid and proven way to evaluate resumes and pick the right people? What are other small business owners doing to create success in this area? Are there new methods you should try? Hiring practices change, and what worked five years ago, doesn't necessarily work now. Keep up with current HR practices and adapt your process to reflect those.

**5. Know how much staff turnover is costing you** – (your total training budget divided by the number of employees) + (your recruitment costs divided by new hires) = the cost of turnover.\* What is that number for your business? When you are clear about how much it costs you to hire and train a new employee, you'll be much more motivated to work on retention.

**6. Know who are your high-potential employees are** - who are the future leaders and/or managers of your company? Who are they NOT? What does a high-potential employee in your company look like? What system do you have in place for mentoring? Job satisfaction and opportunity for advancement and growth are two of the highest rated reasons employees stay at their jobs for long periods of time. If this is so, what are you doing to make sure your employees have those opportunities in your company?



After we looked at these six areas, Paul decided to conduct exit interviews with the last three staff people who had left. He found out that consistently, they claimed an inflexible workplace was one of their primary reasons for leaving. Paul had taken a hard-line on things like sick days and personal appointments, making his employees feel guilty and ridiculed when they phoned in sick or had to ask for time off. All three of them also said that they found him to be quite unapproachable, and felt fearful to talk to him about issues that were going on in the workplace. As you can imagine, this came

as a shock to Paul, who had been completely unaware of how he had been coming across. It was a wake-up call for him to realize that in fact, he was a big part of the turnover problem. He began to see the importance of evaluating his business culture, and learned enough to make some major changes.

Paul had some work to do on a personal level, and realized he needed to be someone his employees could trust and respect. Once he began making those changes, he incorporated more evaluative tools, responded to them, and has seen a dramatic shift in his employee turnover. He's developing healthy relationships with his staff and they're finding him easy to work for. Could your business benefit from some of these evaluations? Build them in to your regular business review and you will be surprised at what they teach you. You'll be even happier about the opportunity they will provide for you to make positive changes that will affect the people who work for you, and ultimately your bottom line.

\*[www.diversitydtg.com](http://www.diversitydtg.com)

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## Diversity in the Workforce

### *Can You Afford Not to Take a Look?*

*Diversity is a hot topic in Canada right now, and with many government agencies requiring public and private sector businesses to look at and be accountable for their employment practices in this regard, it is becoming more difficult to ignore. Businesses generally don't want to ignore it - most would agree that it is an important issue that is worthy of attention. However, it does require a concerted effort from all levels of a company to appropriately address, evaluate, support, implement and sustain a meaningful diversity plan.*

### **Defining Diversity**

Diversity has been defined as “a number of important human characteristics that affect an individual's values, opportunities and perceptions of self and others at work. These primary characteristics include, but are not limited to: age, ethnicity, gender, ability, race and sexual orientation.” They also include secondary characteristics such as geographic location, work experience, income, religion, organizational role and level, communication style, family status, education and work style.

### **The Benefits of a Diverse Workplace**

There are key benefits to creating a diverse workplace for any business or organization.

#### ***1. Diversity improves the quality of your workforce***

One of the biggest budget items in any business is the amount spent on human resources in the form of salaries, benefits, training, development, recruitment and retention. In today's business culture, in order to get a return on your investment in human capital, it is important to recognize that the future of Canadian culture will include increasing numbers of visible minorities and aboriginal peoples, as well as those living with disabilities. The more diverse your workforce, the better you will be able to meet the needs of future customers and clients.

## ***2. Diversity increases creativity in the workplace***

When looking at any aspect of business from a primarily white anglo-saxon perspective, you will not see the things that a person from Iran, or India might see. Nor will an all-male management team see things the way a woman manager might. And aboriginal culture provides yet another perspective you won't find anywhere else. It stands to reason that the more diverse your workforce, the more creative you will be in doing business in today's culture and in meeting the needs of a diverse customer base.



## ***3. Diversity addresses the impending labour shortage***

We are seeing the beginning of a phenomenon known as the "shrinking workforce" in Canada, and economists and futurists are predicting that this trend will continue toward crisis proportions in the next ten to fifteen years. Immigration will continue to become a huge factor. It is predicted that by the year 2011, 100% of the growth in the labour market will come from immigration. In addition, the aboriginal birthrate is more than

twice that of the average Canadian family, so we will see an increase in the aboriginal workforce as well. Companies not prepared to make diversity a priority will suffer from unparalleled labour shortages in the future.

## ***4. Diversity creates better staff morale and improves performance***

A diverse team brings different talents, perspectives, work ethics, structure, creativity and innovation to a workplace. This kind of creative environment assists businesses in maintaining a competitive edge in their industry, and heightens the enthusiasm of those within that workforce. Different cultures represent different ways of looking at work, and benefits existing staff who may be stuck in a rut, or have never really thought about work any other way.

## ***5. Diversity in the workplace creates a positive public image for your business***

Since culture in general, is more diverse than most workplaces, it stands to reason that those who make diversity a priority will be seen as forward-thinking, progressive, open, innovators in the business world. That creates a positive image in your community, and that is what will make them want to do business with you.

## ***A Word About Diversity vs. Affirmative Action***

Many people erroneously believe that diversity is the same as affirmative action, which was how governments approached the issue 20-30 years ago. Affirmative Action was a government-initiated system of compliance that forced organizations to have quotas of diverse groups within their workforces. While on the surface this practice may have seemed to work, it did not change the attitudes of those who were hiring visible minorities or women. In fact, in many workplaces it bred resentment and anger towards those who were being given jobs just because they fell into an identified group, rather than to the most qualified individual. It is important to note that there is a huge distinction between what is today defined as diversity, and what was then known as affirmative action. The quest for diversity is an inclusive one that encourages an entire corporate culture towards acceptance and the celebration of differences, rather than a mandated approach to hiring. Here are a few key differences between the two.

Affirmative Action	Diversity
<ul style="list-style-type: none"> <li>• government initiated</li> <li>• legally-driven</li> <li>• quantitative</li> <li>• problem-focused</li> <li>• targeted</li> <li>• reactive</li> </ul>	<ul style="list-style-type: none"> <li>• voluntary</li> <li>• productivity-driven</li> <li>• qualitative</li> <li>• opportunity-focused</li> <li>• inclusive</li> <li>• proactive</li> </ul>

Diversity is about leveraging all aspects of human potential. We look at the make-up of our changing and diverse population as a means of understanding how to meet the needs of our workforce. The competition for human resources has never been greater. Good employees are being lured

from one company to another with promises of bigger salaries, better benefits and greater work-life balance. Creating a solid employee retention plan has never been more important. Creating a solid recruitment plan has also never been more important, and broadening the base from which employees are recruited, is vital to business survival.

The government of Canada has identified four primary groups when considering workplace diversity. They are: women, persons with disabilities, visible minorities, and aboriginal persons.

As a small business owner, you may be thinking that this whole issue doesn't really apply to you, but I'd encourage you to think again. Statistics show that diversity contributes to a happy, well-rounded workplace, and increases employee retention. And, as the workforce in Canada continues to shrink, so will your employee options. Starting the process of creating a diversity plan now – when your business is small – will prepare you to implement a more diverse workplace in the future. The more your business represents the community around it, the more successful it will be.

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## The ABC's of Employee Retention

*Employees today have unparalleled opportunities and choices with regard to where they will work, and chances are, your company isn't the only place they can find a job. Therefore, retention becomes a number one priority for employers who do not want to incur the high cost of turnover and re-training. Marnie Green has written an article titled "The Four Cultures of Employee Retention". In it, she identifies four necessities in a business culture that are required to retain the modern worker and prevent them from seeking these things in other places. We've called them the ABC's of employee retention. As the world of work changes and we face an ever-shrinking workforce, small business owners must be smart and proactive in doing what it takes to find and KEEP good people. Here's what employees say motivate them to stay.*

### Alternatives/Choices

In a culture where choices is a huge part of daily life, everything from how you like your coffee prepared, to what you want on your burger, is a custom process. This phenomenon transfers to the workplace as well. Employees want the freedom to be able to choose how they will accomplish their job tasks. Rather than the old days of being told "this is how you do it", employees want the freedom

to express their own ideas and to explore other ways of “getting the job done”, that may differ from conventional methods.

This is particularly relevant when you consider a diverse workforce. Women for example, in general, tend to think on more abstract levels than men, who see things more concretely. Allowing the women in your workforce to choose a different way may in fact create a better way. Similarly, people from different cultures bring a whole new way of looking at work, and the freedom to choose to do the job the way it makes most sense to them, will make them better workers. Older workers have more experience, may have seen things done many different ways and will have much to contribute if given the freedom to make choices. In a business culture where employees do not feel they have alternatives in carrying out their tasks, they will be quick to find one that will.

## Balance

Life/work balance has become the number one priority for employees in selecting employment situations. The employers with lower turnover are the ones who have recognized the increasing



importance of this issue and are addressing employees' needs proactively with programs to help workers achieve that balance. The trend of women surpassing men in professional degree acquisition is expected to continue to increase, and will make the issue of work/life balance an even greater priority. Flexible hours, family-friendly benefits, flex time, family resources, work-from-home-opportunities - all are becoming increasingly important factors in employee retention. Men too, are looking at

work/life balance as an employment incentive. If leisure time was important to you, and you could work for one company that allows you to take an afternoon a week off so that you can pursue a leisure activity and make up the time in the evening, why wouldn't you opt to work for that one as opposed to one that doesn't?

Progressive employers look at the trends and respond proactively to ensure that they are not left behind because employees are seeking other opportunities that provide them with the life/work balance that is so important to them.

## Care

On the surface, it may not seem that care would be an important or even necessary part of a work environment. And yet, those organizations that create and sustain a culture where workers feel cared for, experience high levels of employee retention. Why? Just as things like work/life balance and alternatives have become important for workers, so has the climate they choose to work in. Employees look for jobs at companies where there is a good feeling among co-workers. They look for places where morale is high, negativity isn't tolerated, and employees are valued. Gone are the days when employers could expect that people would stay just because they needed a job. With loads of jobs available, employees are seeking out companies who provide this (sometimes intangible but extremely important) factor of care. After all, you spend most of your day at your job – why wouldn't you choose one where people get along, are happy in their work and like and respect each other?

Employees describe this culture of care in many ways, but a few important keys are:

- feeling listened to by their managers
- being respected and acknowledged by the company for their contribution
- a sense of camaraderie and high morale among their co-workers
- feeling empathy from those they work with
- a shared vision or common goal that unites and inspires teamwork

## Development

High rates of retention are clearly linked to the amount of attention employees get in terms of their professional development and growth. This comes in second in terms of job seekers' priorities. When employees feel that their career goals have been acknowledged and that they are continuing to be challenged on the job, they are likely to stay. Employees who feel stagnated or bored will likely start to look for other opportunities. Development can be cultivated in many ways.

***Employee Development Plans*** can be a great way to learn what is important to your employees. These are often carried out as part of performance evaluations, and give employees an opportunity to let their employers know what their career goals are, what other areas they'd like to explore, where they'd like to grow, and perhaps even where, within the company, they'd like to move.

***Mentoring*** is one approach to bringing employees along in their careers with the company. A formal mentoring relationship makes new employees feel safe and welcomed in the workplace, as well as assisting them with integration into the work culture, and learning their job tasks more quickly. It also provides opportunities for existing employees to move up within the company as they work alongside a more senior staff members and learn leadership and management skills.

***Continuing education*** is another important part of employee development. Employees who feel they are well trained to do their jobs tend to feel more satisfied, and stay longer. Education can take place informally on the worksite, it can take the form of work-related seminars or workshops, or it can be more formal courses or even degree programs. An employer who supports employees' desire to grow will see an increase in retention across the board.

Now you have the inside track – straight from the employee's perspective. If you don't want to get caught in the employee revolving door syndrome, use some of these strategies to ensure you're creating the kind of culture where your employees want to stay.

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## Identifying High Potential Employees

*Have you ever stopped to think about what would happen if you suddenly had to take a leave from your business? None of us are immune to life's emergencies, and it is possible that at some point, you will face a crisis of some kind that will require you to be away from your business for weeks, or perhaps even months. Could your business run without you? Would you have to close your doors, putting off customers who are expecting work to be done? Small business owners often find it hard to imagine that things could run without them, but if you're smart, you'll be doing things now that will get you better prepared should your absence be required. Besides, wouldn't it be nice to know that you could take a few days off just because you wanted to, knowing business will tick along just fine until you return? One of the keys to creating a system that will allow you to step away from your business, is grooming your high potential employees to take on management responsibilities on your behalf. This takes time and effort, but the benefits are huge, and may make the difference for your business to survive or go under during an extended absence.*

Who are your high potential employees (HPE's)? How can you identify them? HPE's aren't necessarily the ones who score high on performance evaluations, although performance is certainly a factor. What you're looking for are skills and attributes that will quickly propel them into roles of increasing responsibility and leadership. The following characteristics have been identified as indicators of HPE's:

- **Quick learners** – does the person learn eagerly and quickly? Have they shown a consistent pattern of being able to digest new information and quickly apply it? Have they shown the ability to learn by exploring – rather than waiting for someone to give them the answers? HPE's have an insatiable propensity for learning.
- **Great receivers** – HPE's usually exemplify a high degree of sensitivity to feedback. They are hungry for it, ask for it, and use what they're given to improve their performance. They are also usually better at accepting criticism and finding a way to positively apply what they've heard, rather than brooding over it.
- **Positive risk takers** – you're a business owner, so you take risks every day. If you're looking for someone who can assume a leadership role when you're gone, they must also be comfortable with taking risks. They have the ability to step out and try new things even when others might hesitate. Of course, we're talking about calculated risks here – not foolish ones.
- **Dedicated improvers** – your HPE's are the ones who are constantly looking for ways to grow and get better. They work hard on their identified weaknesses, and seek ways to do their jobs better. They don't need to be asked to work on problems – they just do it.
- **Self aware** – HPE's are those who have a keen awareness of who they are. They are realistic about their own weaknesses, and are confident in their strengths. They know how others perceive them, and are good at reading people. They are not arrogant, but exude a confidence that says they know what they're doing. They're sensitive to others and are happy to share success, rather than seek credit for themselves.
- **Relationship builders** – how someone relates to others in the business will be critical if you are away, so HPE's are those who are good at building relationships. They are the ones their co-workers trust. They don't engage in gossip or take sides, are friendly and fair with everyone, and demonstrate an integrity that draws others to them. They are highly respected in the workplace.
- **Consistently competent** – HPE's show strong work performance. They demonstrate a consistent competence you can count on.
- **Consistent positive energy** – notice I didn't say high energy. HPE's aren't necessarily those



who are bouncing off the walls every day, but they do demonstrate a consistent strong energy. They don't have huge mood swings, or energy sags during the day. They manage their workload well and have the energy to get their tasks done. They inspire positive energy in those around them.

- ***Superior customer service attitude*** – it goes without saying that when you're gone, you want someone in charge whom you know will take good care of your customers. HPE's demonstrate an understanding of how important your customers are, and a commitment to serving them to the best of their ability.

These are just a few of the things you should be looking for when trying to identify those employees who could take your place should you need to step away for a time. Begin now watching your employees and take note of which ones demonstrate these characteristics in their daily tasks. When you pay attention, you'll soon notice some rise to the top, and it may be those you least expect!

Once you've identified your high potential employees, think of ways you can mentor them and teach them what they need to know to manage your business. It won't happen all at once, but if you start taking steps now to ensure they're prepared, you'll be glad the day you need to turn things over. As you gain confidence in their new leadership skills, give them opportunities every once in a while to practice managing the business. Go away for an extra long weekend, take a few days off, or go on an actual vacation (how long has it been?!). Let them test the waters so they're prepared to take the reigns when it becomes necessary.

This is a smart business practice, and may save your business from ruin if and when a personal crisis hits.

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## Effectively Handling the Crossover

### *Surviving the Crunch When An Employee Leaves*

*Brad's hardware store was humming along. After seven years of hard labour, he's finally at a place where he can relax. He has six highly competent staff people – each of whom have very specialized job knowledge. While Brad's knowledge of the store and the industry is the broadest, he's hired two guys with specialty skills. John is a whiz in the paint department. There's nothing he can't match and he knows everything there is to know about paint. Sam is his tool guy, and can answer any customer's question about any tool in the store. Brad has also hired a couple of part-time sales clerks who have the ability to point customers in the right direction and get the job done. And Sally, his office manager, she's nothing short of a miracle. She keeps the books, does all the ordering, manages inventory, works accounts receivable, pays the bills, and generally keeps everyone happy. Brad thinks he has it made. Until Sally informs him that her husband has been transferred out of the province and he has two weeks to replace her.*

Sally tries her best to create a training plan to pass on to her successor that lays out all the steps in the dozens of tasks she does for the store, while Brad frantically puts ads in the paper to recruit a new manager. His worst nightmare comes true when the two weeks are up, and he hasn't found anyone to replace Sally. He walks into her office the first day after her departure, and realizes he doesn't have a clue what she does or how she does it. He starts to panic as he thinks about the billing process, and payroll, and ordering supplies. How will he manage to do all that she did AND run the store AND try to find a replacement?

What happened to Brad is not that unusual in a small business, where individual skills are important and jobs rarely overlap. It had never occurred to him to train anyone else to do Sally's job, nor was it terribly practical to do so. But as a small business owner, he should have taken steps to stay in the loop with all his employees so that when someone leaves, it doesn't present a crisis.

Here are a few steps you can take so that you don't experience what Brad did.

***Learn a little every day*** – as a small business owner, it should be your business to learn a little bit about what your staff do every day. Had Brad spent even ten minutes a day with Sally, learning where she kept things or what systems she used, he would not have been so dumbstruck when she left. He should be learning from Sam and John too – so that if they had to take a leave of absence, became ill or found another job – he would be able to serve customers in the gap until he found someone else.

***Spend one day a month cross-training*** – close the store two hours early one day a month, and get your staff together for some cross training. One day John can give a demonstration on how to run the paint mixing machine. Or Sam can demonstrate how some of the tools work. Sally could teach the guys how to create an invoice. You will find this time invaluable in getting your staff up to speed on each other's jobs, giving them the ability to fill in for each other if necessary.

***Have a hiring system in place*** – one of the most difficult things about being left in the lurch when someone leaves, is scrambling to hire another person. If you have a system in place that is easily implemented when you need it – you'll have a lot less stress. Write ads for each position ahead of time so they are ready to go when you need them. Have a network of people to whom you could email your posting so you can quickly get the word out about the open position. Make sure you have accurate and up to date job descriptions for each position. Create an effective resume review process so you can get through those resumes quickly, and prepare your interview questions in advance.

***Have a training process in place before you need to hire*** – every employee in your business should be creating their own "training manual" on how their job is done – step-by-step. This is a "down time" job, but if everyone gave just a little time to the project every week, you'd be able to present a new employee with a complete set of instructions on how to jump in to that position. It will cut down the training time significantly, and will help you to get your new employee up to speed on the things you don't know.

Don't let Brad's situation happen to you. Use these strategies to ensure that your crossover between employees is as smooth as possible, and that your business doesn't suffer from the staff losses that inevitably occur in small business.

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