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NEWSLETTER

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Emphasize employee strengths to engage them

Employees are most engaged and perform best on the job when their managers focus on their strengths rather than their weaknesses, new research by Gallup has found.

Those employees who are encouraged to use their talents and strengths in their job produce more work and significantly better work. They are also more than twice as likely as other employees to be engaged in their job.

Engaged employees are those who are involved in, enthusiastic about and committed to their work and workplace. After years of study on the topic, Gallup has found that fewer than one-third of American workers are engaged in their jobs.

The other two-thirds are indifferent, "sleepwalking through their workday without regard for their performance or their organization's performance."

Among employees whose managers encourage them to use their strengths on the job, 67 percent are engaged in their jobs. At the other end of the spectrum – employees whose managers focus on their weaknesses – only 2 percent are engaged and 71 percent are actively disengaged.

The most powerful benefit a manager can give employees, the report said, "is to place them in jobs that allow them to use the best of their natural talents, adding skills and knowledge to develop and apply their strengths."

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So it's not a surprise to learn that the primary culprit when it comes to a lack of employee engagement is poor management. A study of more than 7,000 employees found that half of them had left a job at some point in their lives to get away from a manager.

Consistent, open communication between manager and employee is one of the primary keys to employee engagement, the Gallup studies found.

Engagement is highest with employees who have daily communication with their managers – whether it is face to face, over the phone or by email or text. Employees whose managers hold regular meetings with them are almost three times as likely to be engaged as those who don't hold regular meetings.

It is important that the communication be about more than what is happening in the workplace, the study found. Employees want to feel their managers are invested in them as people and are interested in their lives outside the office.

The best managers, the study said, are those that build genuine relationships with their employees and

See **Emphasize employee strengths** *inside*

Four ways to increase referrals to your business

When it comes to getting referrals for your business, look no further than your existing customer base. There's nothing better than the recommendation of a satisfied customer.

Most business owners will tell you that it takes more than having a good product or service to attract customers.

While advertising may attract some new customers, most business owner say they get their best customers through referrals. They only wish they could get more of them.

If you want more referrals for your business, consider the following ideas.

1. Review the source of past referrals. Do you know where your best referrals have come from in the past? Maybe they came from current customers, or perhaps from other complementary businesses. For instance, a call center owner gets many referrals from marketing companies who are setting up advertising programs. Each new marketing company can be targeted to generate referrals from them as well.

If you haven't been tracking where your business comes from, start doing it today. A simple question of "How did you hear about us?" can help you figure out where your best referral sources are.

2. Ask for referrals. If your customers like what you do for them, they are probably more than willing to tell others about you. They may simply not think to do it unless you ask them. Business owners are sometimes reluctant to ask their customers for referrals. They think it sounds desperate or needy. In fact, if you do it right, you can pay your best customer a great compliment in the process.

When you're having a conversation with a good customer, tell the customer why you appreciate working with them. Then tell the customer that you'd enjoy having more customers like them. Chances are, they know people who are like them, and they'll be happy to pass your name along.

3. Do something memorable. Human beings like to share stories, especially when something unique has happened. When you give your customer a truly memorable experience, they'll share the story, and in the process, they'll refer business your way.

The employees of a dry cleaning company had a knack for memorizing the cars that their customers drove. By doing so, they could have orders pulled for customers before they entered the building. Quite impressive, especially for customers who had been in only once or twice. That's the kind of service people talk about.

4. Give an incentive. Make the incentive something the customer wants and would have trouble getting any other way. It should be unique and meaningful and tie in with your company. Perhaps a free product or upgrade on a service from your business.

Make it easy for the customer to make the referral – little or no paperwork – and give the reward immediately.

There are some basic tenets that you have to abide by if you want to get referrals.

First, keep your word. Customers won't refer you if they don't trust you.

Second, provide value. Whether you offer the highest priced product or the lowest, make sure your product provides the value your customers expect. That's something they'll talk about.

Finally, be sure to thank your customers for honoring you with their business. You certainly want referrals, but you also want to keep your existing customers. Don't take them for granted. ■

Emphasize employee strengths *continued from front*

understand that each person is different.

"A productive workplace is one in which people feel safe – safe enough to experiment, to challenge, to share information and to support one another," the Gallup report said. "In this type of workplace, team members are prepared to give the manager and their organization the benefit of the doubt. None of this can happen if the employees do not feel cared about."

Knowing what is expected of them by management is another key for employee engagement. Employees need more than a written job description to fully understand their role, the study said.

"Great managers don't just tell employees what's expected of them and leave it at that. Instead, they frequently talk with employees about their responsibilities and progress. They don't save those critical conversations for once-a-year performance reviews," the report said.

The problem, says Gallup, is that only a small percentage of people are really cut out to be managers. Their research shows that only one in 10 people possess the talent to be good managers, and companies choose the wrong people 82 percent of the time.

From years of study of managers in every occupation from military personnel to teachers to trucking, Gallup found the following five talents are essential to being a good manager:

- Motivator
- Assertiveness
- Accountability
- Relationships
- Decision-making

While many people have some of these talents, few have all. Gallup has found that managers possessing these qualities have lower turnover and unscheduled absences, as well as bring higher productivity and profitability to the organization. ■

Is your focus on revenues or profits?

Most business owners and managers with sales responsibility know their sales numbers.

They can tell you their revenues year-to-date for the quarter, for the month, sometimes even for the day.

Unfortunately, many of those same people can't tell you what their margins by product line are. They are focused on revenues more than profits, and that can be a bad thing.

The general equation for profits is: *revenue - variable costs = contribution margin. Then, contribution margin - fixed costs = profits.*

Measuring revenue is relatively easy. If you sell a product or service and produce an invoice, you've booked revenue.

Contribution margins are more difficult to measure because you have to have a clear understanding of the costs of producing the product. This is often a moving target.

For example, if you are in an industry where the price of raw materials fluctuates significantly, keeping up with your contribution margins can be difficult.

Today, it may cost you $200 to produce Product X. Tomorrow, that same product may cost $260 to produce. Market sensitivity may make it difficult for you to increase your price to your customers, so you have to be able to absorb the difference.

Focusing on profits will force you to look more carefully at overhead costs. The better you can manage fixed costs, the more profit you can take to the bottom line.

Not keeping up with your contribution margins can mean you're selling yourself right into a black hole. For instance, let's say Item A is priced at $750, with a contribution margin of $40 per unit. Item B is priced at $250 with a contribution margin of $95 per unit.

Based on current production levels, $45 per unit produced is needed to cover fixed costs. It's easy to see that the higher priced item, while it increases revenues faster, doesn't contribute anything to the bottom line. In fact, it reduces your bottom line $5 for every unit you sell. You're selling yourself out of business.

Focusing on profits will force you to look more carefully at your overhead costs.

If your salespeople are paid on revenue, they will obviously focus on the higher revenue product, which will drive sales of the unprofitable item. If they are paid on margin, they'll focus on the items you most benefit from selling, in this case, Item B.

Obviously, there is a balance. It may be that you need to provide Item A as a service to your customers or to keep them from going to a competitor. That's fine, as long as you know the true picture and balance your sales to accommodate the loss on that item.

Alternatively, you should look for more efficient ways to produce Item A or work on ways to better spread the fixed costs over units of production.

Your accounting system can help you to monitor contribution margins by product lines if it is set up correctly. The old adage of "garbage in, garbage out" certainly holds true here.

You'll want to study your cost structure and set up your system to accurately report those numbers. Otherwise, you may be making decisions based on bad information.

We can help you analyze your costs and set up your system appropriately. It will be important to keep the system up-to-date since prices of raw materials and other supplies change. As stated earlier, it's a moving target.

Focusing on profits will force you to look more carefully at overhead costs. The better you can manage fixed costs, the more profit you can take to the bottom line.

Look for costs that fail to add value and work to eliminate them. Fine-tune your processes so that you can provide the necessary functions at a reasonable cost. Don't get so cost conscious that you undermine the quality of your product or service, but be smart.

Bottom line, paying attention primarily to revenues can be a big mistake. Managing your bottom line by paying attention to profits is a wiser choice. ■

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Conference calls: What are the etiquette rules?

Conference calls are a way of life in the workplace.

In fact, estimates are that nearly one-third of employees take part in at least one conference call a week.

With so many business people participating in so many calls, conference call etiquette becomes a concern.

What are the rules of etiquette for professional behavior on conference calls? CareerBuilder and other experts offer the following tips:

- The facilitator should always introduce himself or herself and also introduce every new participant as they join the call.
- Participants should identify themselves the first few times before they speak.
- All participants should remember to mute their microphones so office sounds and personal comments or coughs can't be heard by the group.
- The facilitator should direct the conversation, assign follow-up items and keep the meeting on schedule.
- Participants should be allowed to speak without interruption.
- Participants should focus on making their point succinctly without pontification. They should allow others to speak without taking over the conversation.
- If a participant goes off course or speaks too long, the facilitator should step in to politely redirect the conversation.
- Participants should strive to keep on topic, focusing on the big picture that is the discussion topic.
- Smaller details that are not of interest to the group as a whole should be redirected by the facilitator to be dealt with separately by the individuals involved.
- Participants should give their full attention to the call. A CareerBuilder study found that only 29 percent of participants give conference calls their full, undivided attention. Half said they give about 75 percent attention, and 21 percent said they spend the majority of the call working on another project, checking email, surfing the Internet, texting, checking social media or playing games on their mobile phone. ■

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