What you need to know about

Hiring and Staffing

MDRT®
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Section 1:

Hiring
How hiring employees can make you money

By Antoinette Tuscano

You've opened your own practice and are doing it all on your own — from working the phone to organizing seminars to filling out paperwork. Everything you earn is all yours. And that's good, right? Except you've lost count of the hours you work in a week and your production numbers won't budge. Do you know what your time is worth?

Two successful MDRT members with multiple Top of the Table qualifications, who both own and operate their own practice, say that money spent on employees has brought their business to the next level while allowing them to work fewer hours.

After opening his own practice, Donald F. White, CLU, ChFC, a 26-year member from Stuart, Florida, realized he needed two things to make his business work. “One, I needed to have time away from the office, and two, I needed staff to help me,” he said.

White’s business, Treasure Coast Financial, now manages more than $100 million in assets. White started with an assistant 30 years ago, who is still with him. He has since added five other employees: a receptionist, a bookkeeper and three financial advisors.

Time is money

A one-person office can have low overhead, but there are other costs to consider, such as time. No matter how you configure it, stretch it or schedule it, the clock and calendar remain unyielding.

Sometimes, White said, time is more valuable than money, and it takes both to grow a business.

“If you’re asking yourself to do $10-an-hour work, you’re not going to be making $100 an hour,” White said. If you think you’re worth $100 or $200 an hour, then why would you be doing even $40-an-hour work? Leverage your time, and give that work to somebody else. That’s the essence of what successful businesspeople do, he said.

“You've got to invest in your business,” and hiring someone is an investment, said 31-year-MDRT member Marc A. Silverman, CFP, ChFC, of Miami, Florida. “If I’m investing $60,000 in an office hire, maybe my revenues will increase by $120,000 — a 2-to-1 ratio — or maybe even by $180,000 — a 3-to-1 ratio.

“You've got to be thinking in terms of freeing up your time. It’s incredibly valuable to pay someone else to do something that you don’t need to be doing,” said Silverman, whose
business, Silverman Financial, manages more than $350 million in assets. “Remember, if you have 10 employees, there’s only one of you but there’s nine others who can help you grow your business to wherever you want to grow it to.”

To accomplish his goals for his office, Silverman employs an office manager, a scheduler who works on marketing and organizing seminars, a receptionist who scans in files so he can have a paperless office and another advisor. With the help of his staff, he often qualifies for Top of the Table in the first quarter of the year.

**Expanding your vision**

A staff can build your business in other ways as well. White believes his employees, with their different strengths and ideas, expand his vision for what his company can be.

“I believe, without a vision, people really do perish,” White said. “What I learned is that if you try to cast a vision completely on your own, you’re going to get myopic. In this business, that’s a total disaster. If you’re the only one casting the vision, pretty soon it becomes a very incomplete vision.”

Silverman refers to running a business as a team process. “It’s not me doing everything,” he said.

**What’s the first step?**

Make a list of everything you can do, and then look at what you can pay someone else to do, Silverman said. Everyone has different skill sets, so even if you think you’re good at something, you can still delegate it. For example, Silverman noted that he’s good at making phone calls, but he hires someone who’s great at it and can focus on it daily, freeing up his time to work with more clients. Furthermore, this allows his business to function while he’s on vacation as his scheduler makes appointments and organizes seminars. When he’s back in the office, Silverman hits the ground at full speed.

Although you have hard-working staff, your job as a financial advisor is far from done. You’re still working hard, White said, the difference is you’re working in the areas you’re exceptionally talented. Having a staff allows you to strengthen your strong areas while delegating away tasks to someone else in the areas where you’re not as strong.

Long-term success requires balancing your time, refining your focus and knowing how to invest wisely in your business. By understanding your strengths and weaknesses as well as those of your staff, your employees can help grow your business.
Commit to strategic hiring and avoid these four landmines

By Brad Remillard

In a recent survey, more than 100 CEOs and their key executives were asked, “Is hiring top talent critical to the success of your organization?” Not surprisingly, everyone replied yes. It’s not merely important, they indicated; it’s critical. The follow-up question was, “If it is critical, then how much time each month is spent focusing on hiring — excluding when you are actively looking to fill a position?” Not surprisingly, only three people responded positively.

Something that is critical to the success of the organization receives virtually zero time unless there is a current need. Is that the way most critical issues are handled in your business? No strategic planning? No thought or action discussed or taken until the problem arises? This management style only occurs with hiring. Most other critical issues are regularly discussed. Ongoing programs, such as marketing, client service and improving operational efficiencies are regularly discussed and often major components of the company’s strategic plan. In fact, most strategic plans include growth. Yet, few ever include a strategy for hiring the people needed to execute the plan as the company grows. Except for a vague paragraph, strategic hiring is rarely part of a strategic plan.

Businesses that truly want to hire top talent and do it on a consistent basis must avoid these four land mines when hiring:

1. Untrained managers
   This is the No. 1 reason hiring fails. Few managers are actually trained on how to hire. Most managers have never even attended one course or read a book on hiring. For the few who have had training, it is usually limited to interviewing. Granted, this is better than nothing, but interviewing is only one step in an effective hiring process. If you aren’t finding qualified candidates, this training can only validate the interviewees aren’t qualified. If the job isn’t properly defined, then you might not look for candidates in the right place, resulting in unqualified candidates.

   If companies are serious about improving hiring, step one is to develop an effective hiring system and then train their managers in all aspects of the process.

2. Poorly defined job
   This mistake results in the search for a new employee going sideways before it even begins. Traditional job descriptions, for the most part, aren’t job descriptions at all. Most describe a person. Does this read like your job descriptions: “Minimum five years of experience, minimum bachelor’s degree,” followed by a list of minimum skills/knowledge and certifications? Let’s not forget the endless list of behaviors the candidate must have: team player, high energy, self-starter, strategic thinker, good communicator, etc. Of course, there is the list of the basic duties, tasks and responsibilities. This traditional job description defines a minimally qualified person, not the job. Is there any wonder why the least-qualified person shows up at your door?

   Instead of defining the least-qualified person, start by defining superior performance in the role or the results expected to be achieved once the person is onboard. For example:

   - Improve client service feedback scores from X to Y.
   - Reduce turnover from X% to Y% within the next 12 months.
   - Implement a sales forecasting process that includes a rolling three-month forecast that is accurate within X% of actual sales.

   This is the real job. It defines expectations, not some vague terms or minimum requirements. For every job, usually at least four results are required. The job is defined by performance. For the person to be able to achieve these results, they must
have the right experience. Maybe it is five years, maybe three or 10 — it doesn’t matter. If they can achieve these goals, it is enough. Go find a person who can explain how they will deliver these results, and you have the right person.

3. Finding the least-qualified candidates
This is one of the biggest problems faced by companies. This happens as a result of No. 2. Most companies search for the least-qualified individuals to start with, then complain they are seeing only unqualified candidates.

The other issue causing this problem is starting the hiring process too late. They wait until they absolutely need someone, then expect top talent to magically appear on the market and respond.

Reactive hiring is a thing of the past. Hiring top talent requires proactive hiring. This means your hiring managers must be in the market engaging people at all times, not only when hiring. They should be connecting with people on LinkedIn, active in professional associations and committing time each month to hiring. Finding top talent doesn’t take a lot of time, but it does take a consistent hour or two of effort each month.

4. Disrespecting the candidates
Top talent — especially those candidates in no hurry to make a job change (often referred to as passive candidates) — will walk away from a manager or company if they aren’t respected during the interviewing process.

Some common complaints by candidates include the following blunders committed by the interviewer or hiring manager:

- Late for the interview
- Lack of preparation for the interview
- Taking calls during the interview
- Telling the candidate to call with questions, then ignoring the calls

The interview is a public relations event. These candidates will make sure others know how they were treated. They may post it on a website, or hear about a person they know who is interviewing and speak with them about their experience. Bad PR is never a good thing. This is easy to fix. All it takes is treating candidates the same way you would treat a client.

If you are having hiring problems, take a step back to review if any of these four mistakes hit home as a starting point for changing your hiring habits.
Owning your own business can be daunting, but it doesn’t have to be. Before becoming a business owner, I spent five years as a lone practitioner. In my first year as a new owner, I did the same amount of business as I did in those previous five years. For the last two years, I’ve actually doubled my production, and now I only work a third of the time to accomplish what I previously did.

Being a business owner brings with it a unique set of challenges. The most pressing issue is time. How do you maximize your business and your time?

Since you can’t create more time, there are three logical steps you can take to maximize your production. One is to simply keep doing what you’re doing. If you keep doing what you’re doing, you’re going to have to accept the reality that your growth will be limited because there’s only so much time in the day and only so much you can do.

The second thing you can do is say you’re only going to market to the affluent. You want to market to those top 2 percent who are paying the highest taxes. If you’ve got the market where you can meet with people who have $3 million, $5 million or $10 million a year, then that’s great, you can grow your business and your revenue that way. I, however, didn’t have that.

The last option, and the one that worked for me, is building a team and leveraging myself. Successfully staffing my office has built my brand and helped me grow.

Attract the right people
To build a successful team, you’ve got to attract the right people. You have to have people you can trust, who trust you, and who can meet with and talk to your clients. You need people you can teach your business to. For me, it works best to take someone inexperienced and mold them.

The individuals I’ve had the most difficult time with are people who come to me with all their licenses and have already worked somewhere else. It’s really difficult to get them to forget the bad habits they learned at other places. So I love giving internships. I’ve had interns almost every year.

My No. 2 guy, who’s been with me for nine years now, started out as an intern from a local university. Interns are great. They’re free. They get college credit. They want to learn the business. You can teach them the business, and

Hiring the right staff to fit your needs is essential
By Philip A. Rousseaux, ChFC, RICP
if they’re interested, it’s kind of like dating. You get to try out the person without a commitment.

Building a team

Keep in mind that you need to build a staff that suits your needs. I’ve always had one office manager who did all of my applications, transfers and customer service. He’s also what I call an internal sales rep, so when somebody contacts us, his job is to give them enough information to get them to come in to meet with a salesperson. He’s in charge, so if something goes wrong, he handles it. He has the power to spend money, sign checks and do whatever he needs to do. If he’s not comfortable making a decision, he can contact me.

Two salespeople work under him. They are there every workday, even if they don’t have appointments, from 9:30 a.m. to 4 p.m. They’re on commission, and their job is just to meet with people, whether it be quarterly meetings of their own, doing reviews or meeting with prospective clients. Eighty percent of what they do is bring new business. They’ll do everything from the first meeting, putting together the plan and doing the application. Then, once they’re done, they hand it off to our new business client retention person.

I have one staff member who comes in, introduces herself to the client, and then goes through the transfer process, telling them what to expect and how things are going to work out. She keeps in touch with the client during the transfer process. Once the transfer process is done, she brings the client back in, with or without the advisor, depending on the situation. She goes over everything, sets them up for logging into our system and all that good stuff.

And then we have one other employee — she’s the face of the firm. If you saw her, you would think she was a secretary, but she does more than that. She helps out with all the phone calls that come in on the weekend. She helps out with all the marketing. She’s in charge of our website and our Facebook account. She also handles the people coming into the building and answers calls.

Enticing them

Remember that if you want the right talent, you have to pay for it. It’s like anything else in life. If you want cheap work, pay cheap. If you want to keep your people there, you’ve got to pay them well. You cannot pay minimum wages and expect your employees to give you maximum return; it’s just not going to work.

So let’s say you want to hire somebody, and you know you want to pay them $60,000. You might tell the candidate, “Your base salary is going to be $40,000, and I’m going to give you a quarterly bonus that’s going to give you another $20,000. That bonus will be based on things we can measure, performance wise.”

The next thing is benefits. If you want to compete with the leading investment and insurance firms — or whoever you’re competing with — you’ve got to be able to offer the benefits they have. We have a Roth 401(k), and it was really easy to set up. I match 6 percent, dollar for dollar of what they put in, and they’re vested right away. People love that. We also offer health care coverage. I pay half of the cost, and they pay half.

Again, it goes back to your willingness to invest in the people who work for you. I think it’s really important and essential to building a successful business.
How do you identify a person's personality type during a job interview?

How do you understand how well they will fit with the team? Chances are, you won’t know without some kind of evaluation, testing or scorecard. There are many different options for advisors who want to know more: Myers-Briggs, TrueColors, DISC or Kolbe.

David Meszaros, CFP, a 12-year MDRT member from High River, Alberta, Canada, however, has seen a lot of success in using a personality test that gives candidates a series of words to choose from that they feel best describe themselves. Based on which words the person highlights, the output from the scorecard provides a preliminary indication of one of four primary personality types:

- **Lion** (good at making decisions and very goal-oriented)
- **Beaver** (organized and process-oriented)
- **Otter** (very social, loves people and having fun)
- **Golden retriever** (easygoing, loyal, good at making friends)

**Applying the animal to the job**

Of course, most people have characteristics of each animal, and Meszaros has chosen to only use this at the beginning of the interview process to help him with his questions. While he identifies himself as a lion and manages three people in his office, he has benefited from this assessment process, as it has improved the way he searches for a new hire.

This does not mean that he automatically, for example, matches someone who tests as a beaver to a job working on spreadsheets. Again, people are multi-faceted. Yet, as Meszaros said, someone whose dominant characteristic is an outgoing personality (perhaps an otter or a lion) may not be the right
tell you everything about a person, said MDRT human resources director Laura Good, PHR, SHRM-CP. By using pre-employment assessments, you can learn about that person’s strengths and weaknesses, she said.

Stephanie Nagami, vice president at The Pacific Bridge Companies in Monrovia, California, uses BESI or behavioral attitudes assessments. “A lot of times when you look at résumés, you see people who look really great on paper,” Nagami said. “However, résumés do not reflect if the person is going to be a good fit for the team, and that’s where the behavioral and attitude questions are important.”

Often, when you have that one person who a department finds difficult to work with, it’s because of work style conflicts. And different types of jobs have different qualities you’re looking for. For example, Good said, meeting planners tend to be highly organized, and a personality type that doesn’t fit may struggle working in that department.

Good said the tests have worked well for her hiring processes and MDRT has received a good return on its investment.

MDRT uses three different types of pre-employment testing, each measuring something different: the Wonderlic Test (also used by the National Football League) to evaluate cognitive and skills abilities, the Guilford-Zimmerman Temperament Survey to assess personality traits, and the Survey of Interpersonal Values to understand how job candidates relate to others.

MDRT only tests final candidates. Costs for the assessments can run from $500 per employee to 20 percent of their first-year salary. A reputable hiring agency can help you decide which tests would best assess the qualities you’re looking for in a job candidate.

**Customize for your office**

Three different assessments aren’t needed for every office and every position. You can customize the assessments that work best for your office. Following the advice of his business coach in 2012, Hill added pre-employment assessments to his final steps in hiring. It was a game-changer. The assessment he used, Kolbe RightFit, showed him how someone intuitively takes action, which includes how a person’s natural talents influence how they handle and process information.

To use Kolbe, Hill took the assessment himself so the results could be matched to what’s a good fit for him. Then he narrowed down the candidates to his top three and asked them to take the Kolbe RightFit assessment. Hill was surprised when one of his top candidates didn’t score well. This told him there would be personality clashes in the office. The candidate he hired scored well on the test and ended up being a good hire.

Hill spent about $500 for testing three final candidates. He considered it a bargain since it can cost up to $10,000 for him to find an employee. That’s money wasted if that employee doesn’t work out, Hill said.

When making candidate evaluations and hiring decisions, Good’s advice is to stick with the competencies you think are important for the job. “You can teach skills to employees, but you can’t teach personality,” she said.
Section 2: Employee compensation
Training and compensating junior advisors

By Liz DeCarlo

You need additional staff and think it’s time to bring a junior advisor into your practice. But you’re not sure what responsibilities they should have, what type of training works best and how to structure their compensation. Two longtime consultants to the financial services profession share their expertise on the process.

Should you hire?
“What I’ve found is that when people say they want to grow, what they’re really saying is, ‘I have the opportunity to serve more clients,’” said Angie Herbers, a 17-year consultant to financial services professionals. “But hiring someone should be the last solution.”

Herbers recommends considering alternatives first. “Get more efficient. Scale the practice. Make your client base smaller.” You should also take into consideration that training a junior advisor can take anywhere from 18 months to three years before you see a return on your investment.

Take time to assess exactly what you want that junior advisor to do. Are they supporting senior advisors? Are they bringing in clients or meeting with new clients? Will they be participating in operations? “This is the step most people skip,” Herbers said. “Most advisory firms hire without really knowing what the junior advisor will do.”

Getting the junior advisor to a more senior level as fast as possible is critical, so you’re not facing a revenue loss, Herbers said. “You want them working with clients, or on their own with clients as quickly as you can. Otherwise, you may as well bring in an administrative person who doesn’t give advice.”

Once you hire
When a new advisor begins work, Jason L. Smith, a 12-year MDRT member from Westlake Ohio, looks at his existing team members to see who could use extra support. He has junior advisors start in back office or administrative roles so he can justify giving them a salary, and focuses the rest of their time on learning how to sell and succeed in the business.

Starting junior advisors in the back office helps them learn the language, and how a lot of the products and portfolios work so they know more when talking to clients, Smith said. He has his clients categorized into A, B and C segments. Be-
cause he prefers to work primarily with A-level clients, Smith will often assign junior advisors to the C-list clients. Initially, a senior advisor will lead the client meeting while the junior advisor listens and learns. The goal is to have the junior advisor take over the C-list clients on their own.

For the junior advisor to be successful, you need to have a very process-driven organization, Smith said. “Have the processes in place so there are efficiencies in your training, to where they don’t stray and start doing it their own way.”

You also need to have administrative and marketing staff in place to support the junior advisor. “At the end of the day, that advisor is going to look for ways that you’re getting them in front of people,” Smith said. “A marketing system that creates activity for them on a consistent basis is like the golden handcuffs, because you’re giving them the marketing support they can’t get elsewhere.”

Herbers has found that a team approach often works best when training new advisors. While there are many different ways to structure teams, she has had the most success with a team of four people: one senior advisor, two mid-level advisors and one junior advisor.

“The traditional structure was one advisor and two or three junior advisors, but the problem is there’s not enough time for that one advisor to spread his knowledge,” Herbers said. “So when we pulled in mid-level advisors and one junior, then that knowledge was spreading fast. With this approach, we had four heads working together as opposed to one.”

**Compensation structures**

Both Smith and Herbers agree there are many different ways to structure compensation for junior advisors. They also agree that initially, adding a junior advisor means your company will lose money, rather than make it, as the advisor is in training and not bringing in revenue.

Smith pays them a salary while they do other functions within the business. “I try not to make them a loss leader. If you put them on salary and tell them to sell, there’s not much incentive,” he said. “If you pay them a very nominal salary, you can incentivize them to make sales to get above and beyond this salary.”

Herbers has also seen success in starting junior advisors with a nominal salary and a certain percentage of the revenue they produce. She adds one caveat: The compensation structure for junior advisors should be the same as senior advisors.

“If the senior advisor is taking 100 percent or 80 percent of their production, the junior needs to be able to do this. If they get salary and a revenue bonus, they both should get it,” Herbers said. “It doesn’t have to match in the numbers; it has to match in the structure itself.”

Smith recommends against allowing advisors to draw against their future salary. “This can quickly put them in debt to you, and ultimately the only solution they come up with is to leave because they’re so beat up by going so far into the draw,” he said. “In reality, are you really going to hire a collection agency to get that debt? There’s just no positive in putting them into debt with you.”

Smith and Herbers also discourage profit sharing with junior advisors. “I’m against it because those junior advisors have no control over the expenses of the firm and don’t make decisions on it,” Herbers said. “Profit sharing seems like a good idea, but it’s way too risky to run compensation structure on profit margins.”

Smith uses profit sharing only with the top leaders in his organization. “Profit sharing is the first way you give them that ownership mentality, and if they continue to stick around, then you work out a way that they can buy in,” he said. “But there’s no way you should do that with junior advisors.”

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**Don’t make these three mistakes**

When it comes to compensation for junior advisors, Smith, CEO and founder of Clarity 2 Prosperity, a financial services training and coaching company, has seen companies make the following mistakes.

1. **Giving them too much of the revenue off the sale they make.** For example, some businesses pay 80 percent, leaving only 20 percent to pay expenses for the firm and turn a profit. That’s not realistic, he said.

2. **Allowing residual income revenue to go directly to the junior advisor from the insurance company or financial institution.** “That money should be payable to you or your firm. You should do the accounting and then you pay the advisor. Otherwise, it’s too easy for them to leave because the revenue is going directly to them.”

3. **Paying them too little.** If you pay 50 percent or less of their sales revenue, they may decide they can make more on their own. Smith recommends splitting revenue between “the find, the mind and the grind.” Using this compensation structure, 40 percent goes back to the house, 20 percent to the person who found the client (the find), 20 percent to the person who formulates the plan and closes the sale (the mind), and 20 percent to the person who services the client (the grind).
Although almost all advisors want to keep their fixed costs low and shift as much staff compensation as they can to variable forms, most employees want just the opposite. So I know you won’t like hearing this, but bonus plans often don’t motivate employees.

Countless studies show bonuses have little impact on productivity. You would think people would put forth 10 percent more effort to get a 15 percent reward, but it rarely works this way. Sometimes you’ll see a team really pull together to push business through at the end of a quarter in order to get a bigger bonus, but I’ve found this to be the exception rather than the rule.

That said, if you’re like most of the advisors I speak with, you’d be saying to me now, “Lauren, what you say may be true, but I can’t afford to raise salaries, and I’d like to offer my employees something. Do you have a bonus template?” Yes, I do.

Let’s walk through my bonus plan concept and template. First, the concept:

- It has to be simple for your employees to understand. That means no convoluted metrics and no confusing terminology.
- It has to be simple to calculate. You shouldn’t have to bring in Ernst & Young every quarter to determine your numbers.
- It should reward team effort — and team effort is sometimes indirect.
- It should reward individual effort because not everybody contributes at the same level.
- It needs to be compliant.

Additional points I would make are:

- I prefer bonuses be paid quarterly, not annually. If you have any chance of having a motivating bonus, the reward has to be frequent enough to be top of mind.
- There should be a written document that explains the bonus clearly.

How do I design a simple bonus plan?

By Lauren Farasati
Now for the how-to of the template:

**STEP 1: Identify your metrics.** These should be the big things you always measure in your business. Your metrics are your metrics. Most typically we use these: revenue, assets under management and new target clients, but clients have used profits, premium and year-over-year growth.

**STEP 2: Set your goals.** Your opening bonus level should be neither a slam dunk nor a stretch goal. It should reflect historically reasonable growth. Fifteen percent over last year is probably reasonable.

**STEP 3: Set your bonus amount.** For this to be compliant, the reward for each metric should be an absolute number, not a percentage of assets, revenue or premium. The bonus amounts will probably not be the same for all your employees. The higher level the person, the more significant the bonus potential has to be. And, if you have any management positions on your team, in order to be motivating, the bonus probably has to equal about 20 percent of their salary.

**STEP 4: Set your bonus levels.** The spread between the levels is up to you. But, I would caution you to make sure these are reasonably achievable.

**STEP 5: Make sure you have the right fine print.** Here we are disclosing that the plan is in effect only for this year. (In case it’s not effective, we don’t want to be obligated to continue it.) And we’re disclosing who is eligible.

**STEP 6: Pass out the bonus reports and checks at a quarterly team meeting.** Do it with fun and fanfare. This little extra bit of PR can really increase employee enthusiasm for the plan.

This bonus, as I’ve just explained it, would meet all my criteria—it is simple to understand, is simple to calculate, rewards team effort and is compliant. But it doesn’t really reward individual effort. So let me show you how we layer an individual performance component onto the bonus.

First, we do our performance reviews quarterly, in which performance is scored. The bonus is factored by this score. So if the total bonus potential in a quarter was $1,000 and the employee received a performance review score of 90, he or she would receive a net bonus of $900. Many of my clients tie in performance to the bonus like this. But they don’t all. Whether you choose to is up to you. The reason I combine these in one Excel workbook is that this truly is a process. Compensation is a function of performance — performance of the firm and performance of the individual.

The second way we use the bonus to reward individual performance is by paying a small bonus for processes developed by employees. You know how we all want written, repeatable processes to help us do the right things consistently and to help train new people? Well, your team doesn’t have time to write them. By paying a bonus for processes, we are acknowledging that this requires an above and beyond effort.

I want to share one more point about employee rewards. One of my favorite clients and an MDRT veteran is Andy Torelli of e3 Financial in Newport Beach, California. Andy showed me that sometimes the most beloved benefits don’t involve cash. At e3, every employee has every other Friday off. This is achieved by working 80 hours in nine days rather than in ten. The team has to have enough staff (at least two) so that people rotate their days off. Everyone values work/life balance, particularly your younger employees. Can you imagine your staff’s excitement at having every other Friday off? This perk will probably have more impact on your employee value proposition than an incentive plan.

So before you rush to design that bonus, think about noncash compensation alternatives as well.
More than any other staffing opportunity you could tackle, this one — done right — is a game changer. The anchoring tool for developing a protégé is a career path—a one-page document that spells out the stages, responsibilities, metrics, professional requirements, compensation and duration at each stage of the career. It replaces the more haphazard way we traditionally have brought in new advisors. You know that plan. The one where we tell junior:

- We’re going to mentor her.
- We’re going to do joint work with him.
- We’re going to point her to that file cabinet in the corner with all those great orphan files.
- And, maybe, we’ll eventually give him some of our smaller clients—if he first shows us that he can hunt on his own.
- And we pay her nothing because we want her to be on straight commission just as we were.
- So she starves.
- He leaves.
- We’re still overwhelmed.
- And we still don’t have a succession plan.

Stage 1 is an internship that allows a college student or post-grad to try on a career. The intern enters days for plans and reviews, helps with paperwork and performs research. The intern is hoping for a job offer to join the firm as a support advisor. And if he meets his deliverables — his work is accurate and on time, he’s conducting himself professionally and he’s shown you his intellectual curiosity — he just might get that offer.

Stage 2 is the support advisor role during which the main objective is to master the backstage. This is a paraplanning function. She crunches numbers, produces financial plans and reviews, prepares illustrations, does research, executes trades, helps with paperwork or does the paperwork, maintains client data in the CRM system, and sets review and service appointments. The requirements for this job include insurance, FINRA licensing, and a CFP in progress. During this stage the support advisor needs to demonstrate task management, have reviews prepped 48 hours in advance, follow all our processes to the letter, and have a sense of urgency.

If she does this, and if the firm has the need, she will progress to the third stage, service advisor. The purpose of this stage is for the service advisor to learn the front stage. While the previous stage was almost entirely behind the scenes, this stage is most definitely client-facing. The service advisor develops agenda for meetings; sits second chair, taking meeting notes; prepares meeting summary letters; quarterbacks the tasks on the team; responds to service issues; supervises the support advisor; and begins to develop clients on her own.

At every stage there are metrics. These are the numbers we look at every month. At the service advisor level we’re quantifying growth in revenue and assets from assigned clients, number of reviews held, referrals obtained and new clients developed.

When the service advisor has demonstrated a mastery of the front stage, obtained his or her CFP, and polished his or her sales and referral tracks, the service advisor might be ready for a lead advisor role.

Two things most differentiate this career path from the traditional way we used to bring in new advisors. First, it’s more structured and intentional. Second, the positions along the way are salaried with bonuses, not commissioned. These roles replace other roles that were salaried as well. You are paying people to service your clients and also to develop hunting skills. Obviously, compensation ranges vary by region.
Section 3: Retain and motivate employees
One of the top requirements for a successful, financially healthy company is to retain its key employees. It is very costly to hire and train employees, and then the employee might leave — or worse yet, stay, and not be fully committed.

We take care to hire the best talent, so the ideal outcome is to have the employee stay for many years. For employees to make a long-term commitment with the company, you must give them a compelling reason to stay.

Employers have numerous options to retain talent. Following are 10 ways to show appreciation for your employees’ hard work and incentivize them to stay with your business.

1. **Increase responsibility.**
   Give employees responsibilities that encourage them to grow and develop new skills. Provide the training and education that allow this to happen. Pay for all or part of the education, based on their successful completion. If your firm is larger, try to hire from within your company. Promote employees who have taken on additional responsibilities.

2. **Show appreciation.**
   Employees need to know they are respected and valued. Often, stressed employers say things that are not respectful or encouraging to the employee. Remember to think quickly, but speak slowly. Listening to your employees is a good way to keep them from disengaging. When employees do things right, acknowledge their actions to develop and maintain a positive workplace. Your clients will feel the positive environment and want to do business with you.

3. **Offer monetary rewards.**
   Tie part of your employees’ compensation to the company’s overall performance. This helps to align the employee’s day-to-day work with the company’s financial goals and profit. If the company grows, so does the employee — a win-win.

4. **Provide a benefits package.**
   Offer competitive benefits, including group health insurance and retirement benefits. Ask other MDRT members in your country what their employees find competitive or valuable. Communicate the value of those benefits to your employees.
5. Think individually.
Get to know your employees’ individual interests to determine what is important to them. Select rewards such as tickets to sporting events, public recognition, lunches, handwritten thank-you notes, flowers, gift cards or support of their favorite charity. Small, group perks are important too. For example, you can provide pizza once a month, designate a jeans day and so on.

6. Offer time off and flexibility.
Understand your employees’ individual needs and the value their talent brings to the firm. Flex time or extra days off might be difficult for a smaller firm to offer, but try to be as flexible as possible, and provide reasons when a specific request might not work. Can you give them their birthdays off? Can they work shorter days (compensation adjusted) if they have children they need to pick up from school?

7. Conduct stay interviews.
It is just as important to conduct stay interviews with your longer-tenured employees as it is to conduct exit interviews. Why are your employees staying? What is important to them? Why did they come to work for your firm? What would make them leave? What would they like to see changed or improved? Use this information to strengthen your employee retention strategies.

8. Welcome employee input.
Employers must create an environment where employees want to contribute their ideas, talent and experience. A motivated employee wants to participate and be heard. It is important for the employer to listen to the employee and let them contribute and feel valued. Create an environment where employees feel comfortable to speak freely, even on matters outside their job description.

Having clearly defined job descriptions might seem obvious, but this step is often overlooked. It is very frustrating for employees if they do not know what is expected of them. Employees need to know the company’s mission statement, values and goals. It is important to communicate if they change, as the employees are watching to see if the company they work for is sticking to their mandate and commitment.

10. Coaching staff.
Your employees need one-on-one time with a direct supervisor. If you cannot devote time to them, you need to have someone in place who can fill that role on a regular basis. Ultimately, your employees still want to know they have access to the boss when needed.

In general, employees must feel rewarded, appreciated and recognized. Although monetary rewards are not the only motivating factor, they are a critical component. Work is about the money, and almost every employee and employer wants more. Treating your employees well will retain and attract the best and brightest to your firm.
Keeping your staff happy and feeling appreciated is one of the primary challenges facing small business owners. Not doing so leads to disgruntled team members, tension and conflict within the office, as well as increased errors, poor client service and more frequent staff turnover.

Given the fast pace at which most successful financial advisors run, communicating “thanks” to their team members often gets lost in the busyness. An additional challenge is understanding that not everyone feels encouraged in the same way.

While financial reward, achievement and public recognition may drive you to action, these factors may not motivate your team. Many of the valuable staff members who help make financial practices successful are not primarily motivated by increased compensation, luxurious vacations or nice gifts. And many do not want public recognition in front of a large group for doing a good job.

Understanding that everyone feels valued in different ways will lead to a happier staff.

Importance of appreciation
Feeling appreciated by their supervisor and colleagues is shown to be critical to employees’ job satisfaction, but the evidence is clear that most Americans don’t feel valued by others at work:

- 64 percent of people who quit their jobs cite not feeling valued as one of the key reasons they leave, according to research conducted for the book “How Full Is Your Bucket?”
- 65 percent of workers in North America report they have received no recognition in the last 12 months for doing a good job, as uncovered in the same research.
- While 51 percent of managers report feeling they do a good job recognizing their staff, only 17 percent of staff members themselves report thinking their supervisor does a good job of recognizing them for good work, according to research conducted by the Society for Human Resource Management.
Recognition vs. appreciation
While nearly 90 percent of all businesses in the U.S. have implemented some form of employee recognition during the past decade, employee satisfaction has been declining at the same time. In fact, a recent Gallup poll indicated that up to 70 million U.S. employees are not engaged or actively committed to the mission of their company.

And, when we talk with employees about their company’s recognition program, the most common response we get is cynicism and sarcasm. Staff members report they rarely hear anything positive from their supervisor — they mainly receive correction or criticism.

Traditional employee recognition programs are not effective for a variety of reasons.

Most are based on actions that are:
- Generic — Everyone gets the same holiday card and gift card.
- General — “Thanks for all you do for the organization.”
- Infrequent — It might happen during a performance review.
- Group-based — “You all did a great job getting that proposal ready.”

Ultimately, employee recognition is viewed cynically because it is not viewed as authentic.

Fortunately, we do know how to help employees feel truly valued. We’ve identified four core conditions that are necessary for people to actually feel appreciated (rather than just receiving generic recognition). Team members feel appreciated when recognition is:
- Communicated regularly, in the language and actions important to the recipient, delivered individually and is about them personally, and when the appreciation is viewed as being genuine or authentic.

Languages of appreciation
Based on the concepts in Gary Chapman’s bestselling book “The 5 Love Languages,” we found that employees need appreciation communicated in the way that is important to them.

- Some people highly value words of affirmation, which can be a simple compliment: “Jill, thanks for getting the report completed and to me in time for the presentation.”
- However, other individuals don’t value verbal praise because to them, “words are cheap.” One office manager asks for quality time with a supervisor, saying, “John compliments everyone all the time, and that’s fine. But, what I really need and want is just 15 minutes of his undivided attention without distractions, where I can talk to him about things that are important to me.”
- A third language of appreciation is acts of service. As one team member shared, “It’s not that encouraging to me to get a bunch of praise for all the work I’ve done while I continue to work long hours to finish a last-minute project. No one offers to help get the materials completed, even though it is supposed to be a ‘team project.’ A little help now and then can be quite encouraging.”
- For some, a small, tangible gift can be quite meaningful. However, this is not the same as bonuses or additional compensation. Rather, it is a small indication that you’re getting to know your team members, what they like, and what is important to them in their life outside of work. It can be something as small as one of their favorite cups of coffee, or a magazine about a hobby they enjoy (for example, gardening), or sports memorabilia for the college team they follow.
- While it is critical that any physical touch is appropriate (not sexualized or unwanted), physical touch is actually common in many workplaces and cultures. High-fives when a project is completed, a fist bump given when a problem is solved, or a congratulatory handshake when an important sale is made are all examples of appropriate physical touch in work-based relationships.

Don’t forget — your team members feel valued in different ways than you do. Make a plan to communicate your appreciation to them in the ways that are important to them, and you will begin to see a transformation occur. For more information on how to communicate authentic appreciation in your workplace, visit appreciationatwork.com.
You've called and said, "Lauren, my assistant is killing me! She makes mistakes daily. Some of them are costly; some are just embarrassing. She doesn’t write things down, and when I ask if something got done, she often gets that deer-in-the-headlights look. She’s a nice lady, but I’m ready to pull my hair out."

It’s inevitable that at some point in your career you will have an employee who is not living up to your expectations. Having an underperforming or challenging employee is so emotionally draining that this situation is probably the one that most frequently causes advisors to reach out to me.

In addition, it’s sad how many advisors live with a problem employee simply because they don’t know how to address the situation or are afraid to address the situation. You may think that living with even a bad employee is better than having no employee, but that’s wrong. If you’re living with an underperforming employee or an employee with a bad attitude, you know it can suck the energy out of a team, drain your bank account and make you dread coming to work. There is no need to let an underperforming or bad employee become a life sentence because I’m going to give you the tools to either make the situation better or make it go away.

I always approach the challenge of an underperforming employee from a positive standpoint. After all, you hired him or her. You believed in the individual. You made an investment in the employee. You care about him or her. So the goal is always to help that employee get back on track.

Here’s how we do that:

**Step 1: Identify what kind of problem you have.**

There are two types. There are “how” problems and there are “why” problems.

A how problem is a situation in which the person legitimately does not know how to do something he or she is being asked to do. An employee with a how problem might say to you, “Bill, I understand why you believe that having processes is so important. And I agree with you. But my phone rings 24/7, and I just don’t know how I can find the time to document my processes.” That’s a legitimate how problem. And you or, better yet, a manager on your team needs to help the employee figure out how to do what you need to have done.

A why problem is a whole different animal. A why problem sounds like “I don’t see why it’s necessary to document our processes. No one has time, and we all know how to do our jobs. It’s a waste of time.”

How problems are almost always fixable. Why problems are
Step 2: Name the problem.
This is something we often avoid doing. We hint at the issue, we roll our eyes when the same mistakes happen again and again, we get mad, but what we frequently fail to do is to name the problem. If we don’t name it, we can’t fix it. Chances are if you have underperforming employees, more than one of these issues will be involved:
- **Accountability.** The work just isn’t getting done and the person has a bunch of excuses.
- **Attention to detail.** There are typos, misspelled names, wrong forms and missed fields.
- **Communication.** The emails to clients aren’t warm enough; the meeting summaries aren’t succinct enough.
- **Client focus.** There is no sense of urgency when responding to client issues; they don’t behave like the client is a VIP.
- **Dependability.** They are a little late to work almost every day. They frequently have to leave work early to take care of unplanned personal issues.
- **Flexibility.** They “only have two hands.” When the priorities shift, they go to pieces.
- **Initiative.** They’re smart enough, but if someone doesn’t tell them exactly what to do and when and how to do it, they sit around doing nothing.
- **Integrity.** They take some shortcuts that compromise service or compliance protocols. Perhaps they take advantage of the organization in small ways that put their character in question.
- **Learning agility.** They struggle with informal and on-the-spot training. They keep asking for classes, but that’s not how we train. Because they’re slow, methodical learners, the work is backing up.
- **Organization.** Their desk is a disaster, and they can never, ever find what they or anyone needs. They don’t use the task management system. There are sticky notes all over their workspace.
- **Teamwork.** They may really know their job, but they are difficult to approach and abrupt with teammates.
- **Technical proficiency.** They are struggling to grasp the nuts and bolts of their role, and, consequently, little value is being added. “Nuts and bolts” may refer to technical concepts, processes or technology.

Step 3. Diagnose the cause of the problem.
The cause of the problem may not be with employees, it may be with you. Causes of performance problems include:
- **Unclear expectations.** People are confused about their roles, tasks and projects. We ask, “Who’s on first?” and nobody seems to know.
- **Lack of communication.** Proactive communication through staff meetings is essential. In the absence of good communication, people will fill the void with whatever they believe.

Step 4. Set a meeting with the employee.
Calmly and directly communicate where the employee is falling short and how he or she needs to improve:
- **Name the issue.**
- **Provide an example or two.**
- **Collaborate on an action plan.**
- **Set checkpoints so you can monitor progress.**
- **Send a brief summary of the meeting and actions by email to the employee and put a copy in your management file.**

Step 5. Stay on top of it.
You or your practice manager need to meet with the employee regularly until the performance issues are remedied.
- If the issues continue, each incidence should be identified by a quick email.
- If the issues are not resolved by the dates you set, you move on to the termination process.
- If issues are resolved, don’t forget to formally communicate to the employee that the progressive discipline process has ended and she is now an employee in good standing.
Non-monetary approaches to engaging staff

By Matt Pais

To the best of anyone’s knowledge, the Beatles never intentionally sang about how to keep your staff happy. But there’s no denying that, in learning about the different approaches to employee compensation, many MDRT members have confirmed it: Money can’t buy you love. Or, as Renee Hanson, CFP, CDFA, a five-year MDRT member from Phoenix, Arizona, puts it, “Money goes a long way, but how you treat people goes even further.”

Small recognitions
When it comes to creating a positive culture, even something that may seem elementary can go a long way toward motivation and camaraderie. Hanson, who oversees the seven staff members who support her and her practice’s two other senior partners, keeps a set of stickers that say things like “super job,” “high-five” and “team player,” to place on a badge holder on each staff member’s desk. At the end of the month, whoever has acquired the most stickers for doing something exceptionally well earns a gift card matched to their interests (Starbucks, movie theaters, etc.).

“If they’re transferring a call to me and I already have an email from them with everything I need for the call, that would be an example of a time they would receive a sticker,” Hanson said.

Daniel O’Connell, MBA, a 10-year MDRT member from Addison, Texas, believes in this type of praise as well. Managing four administrative staff members as the practice’s sole advisor, he gives employees handwritten thank-you notes for standout work, and even writes them to staff members’ spouses after busy times, thanking them for their support. He also gives staff an allowance to donate to a charity of their choice, provides a stipend for a mall shopping spree and, after an intense period of work at the end of the year, signs everyone up for a monthly spa treatment.

“You can offer someone a lot of money and they can be miserable, and sometimes they can make much less money and feel that someone has their back,” O’Connell said. “Appreciation means more on a day-to-day basis. If people work with someone who cares about them as a person, they’ll be willing to go the extra mile to be a great team member.”
Jennifer A. Borislow, CLU, a 29-year MDRT member from Methuen, Massachusetts, whose 52-person office has a 1,000-square-foot fitness center and a full-time trainer, similarly recognizes the value of knowing what drives employees and supporting them. In a quarterly employee survey, staff are asked both what they can do to provide a better working environment for each other and what leadership can do to provide a better place to work.

Then a volunteer committee of employees reviews the survey results and evaluates what changes can be made. One such change driven by internal feedback: converting all-staff meetings from monthly in-house to quarterly off-site. “That’s giving them the opportunity to tell us how they feel,” Borislow said. “So we know what would make them more efficient and productive, making for a better working environment.”

Backing off bonuses
Something many of the members interviewed mentioned as more of a stumbling block than a benefit, however, was the notion of bonuses.

Jonathan D.W. Lewis, an 11-year MDRT member from Mahone Bay, Nova Scotia, Canada, who manages about a half-dozen advisors, noticed people grew to expect an annual bonus. They saw it as part of their compensation, and without variability, they had no motivation to perform at a higher level. Now he communicates how the firm has performed for the year, and staff members know their bonus will be equally variable based on both the overall company performance and their performance as an individual.

Yet he also observed how an attempt to provide different bonuses to three members of a support staff working on a large case led to long-lasting tension when one employee believed they had played a bigger role and deserved a larger bonus. (The staff members weren’t expected to share how much they received, but they did.) Now, Lewis said, bonuses are not provided midyear to coincide with big cases and don’t vary among administrative staff members who collaborate on a case.

O’Connell too has learned the value of transparency, so employees know why bonuses may change depending on performance throughout the year.

“If I give $1,500 one year and $1,000 the next year and they don’t know why, they’re upset,” he said. “I’m very >

What’s really driving a performance issue?

“One of our paraplanners was overloaded with work, and I couldn’t understand why plans were taking so long to get done. So I observed her for an entire day, and the information she was being provided was not complete. So she spent a significant amount of time collecting the additional data. This is an optimistic, upbeat and overall excellent team member, who wasn’t going to point the finger at other people. But the issue wasn’t her — what I thought was a performance issue turned out to be a process issue.” — Renee Hanson
transparent with our employees: ‘This is the new business we brought in; these are the clients we’ve lost.’ The better your staff understands the business, the better they can support you.”

Added Hanson, who used to award quarterly bonuses and update staff quarterly on how everyone’s performance was tracking toward additional compensation, “The possible disappointment attached to the bonus was felt a lot more than the satisfaction of getting the bonus.” Now she uses a tool from salary.com that measures average salaries, bonuses and benefits in her state and across the United States to evaluate how to compensate her team members.

**Time is money**

In addition, many advisors are increasing staff morale through flexible approaches to time.

Brian Nicholas Byars, a one-year MDRT member from Covington, Georgia, said when he focuses on what’s important for staff, staff will focus on what’s important for his seven-advisor practice in return. That means staff members are free to attend school events for their children or take a vacation to recharge their batteries. There is no strict allotment for flex or sick time because Byars knows his staff has earned this form of trust.

“People who are professionals work better when they’re allowed to be professionals. If their job’s getting done, I couldn’t care less,” he said. “But if work starts to slack a little, that’s when we start to reel it in.”

That does require, however, ensuring everyone is completing their work. One employee took advantage of Byars’ leniency, arriving late, leaving early and spending so much time out of the office that he was not only neglecting his own work but polluting the work ethic of others in the office. Rather than overhaul the entire system that was otherwise thriving, Byars sat down with the relevant employees to address the issue, and ultimately let the biggest offender go.

“One person taking advantage of a relaxed business can function as a cancer, and you have to get rid of it immediately,” he said.

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**Coaching vs. micromanaging to bring out the best in staff**

By Nathan Jamail

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One of the greatest misunderstandings in leadership and coaching is the term micromanaging. Most leaders never want to be thought of as a micromanager. In fact, it could be considered an insult or weakness of any leader.

When micromanaging is used as a coaching or leadership style, it will most likely deliver bad results, stifle creativity, limit employees’ self-worth and — without a doubt — limit productivity. On the other hand, when a coach or leader must deal with a performance issue, it is imperative to help the employee either become a better performer or help them find a job that is a better fit. Leaders should strive to be a coach who, when necessary, uses micromanaging activities to improve specific areas, but uses coaching skills when getting the team ready to win.

**Consider the purpose**

Micromanaging and coaching are often confused because, from the surface, they look similar. Both require the leader to set clear expectations and manage the employee’s activities. The difference lies in the purpose of these activities.
Matching staff to culture
That is why members — who stress the importance of understanding why an employee is not performing appropriately, especially if it is the result of a deficit in their capabilities or problems outside of the office — work so deliberately to find the right staff for their specific office environment.

Kathleen R. Benjamin, CFP, CPA, a 13-year MDRT member from Timonium, Maryland, has seen better results from promoting interns to advisors than from bringing in outside hires, who struggled to shift from large companies to a smaller, 14-person firm with a unique, entrepreneurial process.

Lewis, who operates a brokerage-type model in which all advisors are responsible for their overhead and thus must be more entrepreneurially minded, has become more willing

Right time to micromanage
Every great coach must use micromanaging tactics. Leaders and managers tend to misunderstand what micromanaging is and is not. Micromanaging is a tactic of coaching — not a leadership style. Micromanaging should be used as a consequence for those employees who are not meeting expectations or are bad performers.

A bad performer does not necessarily mean a bad employee. Many employees are not performing well because they are in the wrong job or they are not doing what they are passionate about, and thus have no desire to succeed. By micromanaging the details of such an employee, the leader and the employee are able to decide what action should be taken next.

Let’s say an employee appears to be unhappy, and their activity and results are not meeting expectations. The leader should get involved early to determine if the shortcoming is due to a lack of desire, ability or both. To help determine the issue, the leader should implement more disciplined expectations and activities, and explain to the employee why this action is being taken, as well as the desired outcome. The desired outcome should be to either help the employee reach the expected activities, attitude and results, or to help them find a role that is a better fit. These micromanaging activities should be short-term activities.

Confrontation and coaching
Many leaders prefer to avoid confrontation. This is unfortunate, as only through constructive confrontations and discussions can progress be made. When leaders express the desire to help employees achieve success, point out areas of opportunity for improvement and suggest a game plan to help them achieve such improvement, the confrontation takes the route of establishing a plan for success. It is a win-win for both parties.

Of course, at this point, the employee must demonstrate their desire for success and jump onboard, but the leader must micromanage through the issues until a satisfactory ending is in sight.

Micromanage through the issues by helping your employees either become great at what they do, or helping them to find something they will be great at. Your job as a leader is to coach your entire team to success.
to say no to new advisors over time. They only hire established
advisors (between five and 10 years in business) and spend two
to three years observing how the candidate runs their practice on
their own. After they’re on board, advisors are evaluated every two
to six weeks to see how their performance matches their paycheck.

For his part, O’Connell asks candidates about their passions
outside of work to gauge what the person really wants to do with
their time.

In one interview, the person lit up when talking about wanting
to go to school to be a teacher. “I knew that person wouldn’t be
happy here,” he said. “At the very beginning of the conversation,
I want to know what the candidate enjoyed about what they’ve
done before and that they are someone who aligns with and
grows with our agency.”

It’s often an even longer vision for Borislow, who recruits all year,
regardless of position availability. She recently created a title for a
desired employee who didn’t fit any existing roles and hired someone
she’d pursued for three years.

“Sometimes we’re competing against larger firms who have what
feels to us like unlimited resources. The right employee comes to
work with us not just for a paycheck,” she said. “Then we know these
are the kind of people who, if something happens at night or on a
weekend or a holiday, we can reach out to them. Many of our team
members had to step up over Thanksgiving last year when two em-
ployees of one of our clients were involved in an accident, and one
of them was killed. Our team commitment to coming through for
clients is what helps set us apart.”

The advisors interviewed for this story agreed that other import-
ant elements to staffing and compensation are the opportunity to
work from home and the willingness to fire someone who is not
fitting into the organization. They’d rather monitor people’s use of
their cell phones — all-day texting can be a distraction for anyone
— than their lunch breaks. When it comes to culture, though, erring
on the side of employee satisfaction is hard to argue with.

“At the end of the day,” O’Connell said, “I’d rather be known as
overly generous and maybe a couple of people took advantage of
that, than being someone who was not nice to work for and didn’t
take care of their people.”

Additional non-financial compensation offered by
MDRT members

Kathleen Benjamin: Employee advisor council to
represent interests of staff; philanthropic staff out-
ings and days off to volunteer; quarterly retreats to
both address work and enjoy time at the beach

Jennifer Borislow: Staff spending time out of the
office on community service project; celebrate office
anniversary with staff outing to clean up local YMCA
and prepare facility for summer camp; welcome
all new hires with catered breakfast; organize new
project for a different charity each month

Brian Byars: Toned down staff holiday party to use
money from the budget to sponsor 10 families in
need; give staff cash to perform a random act of
kindness; order in lunch for everyone once or twice
a week

Jonathan Lewis: Quarterly advisor retreats, to
which potential hires are invited; took staff in a limo
to a spa the day after Christmas; gave $1,000 gift
card that employees had to spend on themselves;
personalized gift baskets at holiday party; match
staff philanthropy contributions; gather staff for
barbecues, camping and cottage retreats; rotating
roster of music played in office
As businesses grow from a one- or two-person office to multi-employee teams and departments, it’s often helpful to begin documenting policies into an employee handbook. From attendance and dress code policies to benefits and governmental regulations, putting all the information in one place can protect both employees and employers.

“It’s common for a start-up to not have this, but it’s a long-standing best practice for there to be policies,” said Nora Harsha, knowledge advisor for the Society for Human Resource Management in Alexandria, Virginia. “Handbooks are helpful because it’s all in one place. It basically tells the rules and expectations in the workplace.”

To start writing your own employee handbook, Harsha recommends considering the following three key components: rules of the workplace, government regulations and employee benefits. “Start with, ‘What’s important to us?’” Harsha said. For instance, some employers may feel employee attire is an important part of their brand, so they’ll include a dress code in the handbook. “Identify what is a priority for your business, and that will be part of your outline.”

This section could also include the company’s sexual harassment and social media policies. Attendance policies — for instance, if a doctor’s note is required when an employee will be on medical leave — would also be included in this section.

The second step is to understand what government laws and
regulations affect your business. Harsha recommends consulting a human-resources consultant or a lawyer who specializes in employment law to understand what areas employers are obligated to notify employees about.

For instance, in the United States, companies with more than 50 employees are subject to laws on family medical leave and explaining health care coverage after an employee is terminated. The third portion of an employee handbook should address employee benefits such as vacation and sick time, paid holidays, jury duty, payroll and direct deposit procedures. This section could also include information on company disciplinary procedures.

“You may want to outline if you have a progressive disciplinary process, for instance starting with a verbal warning, then written warning, then termination,” Harsha said. “Also outline things you have zero tolerance for — theft, sexual harassment, and altercations with clients or other employees.”

Sharing with employees
Employee handbooks don’t do much good if they’re not shared with and read by employees. “A lot of companies will provide employee handbooks as part of their onboarding process. They could have an orientation meeting with new hires to go over the handbook and see if anyone has any questions,” Harsha said. “Whether they receive it via the company intranet or in a hard copy, best practice is for the company to get written acknowledgment that the employee has received the handbook.”

It’s also crucial that supervisors receive training on the employee handbook so they’re familiar with company policies and rules, since they’re the one accountable for enforcing them, Harsha said.

Review and revise
Another best practice is to periodically review and revise the handbook. “Laws change, or something may occur with employees that triggers a change,” Harsha said. Whenever there is a change, she suggests again getting acknowledgment from employees that they have received the updated version.

Harsha emphasized the most important aspect of an employee handbook is applying the policies consistently. “Companies should not apply their policy to their problem employee and then let a good employee get away with the same infraction. An employer needs to be able to say, ‘Yes, in every incident, we have terminated when someone has exhausted their attendance policy.’ Or ‘In every instance when someone has been terminated for sexual harassment, we’ve treated everyone the same.’ Being consistent is a very useful tool.”

Putting it on paper
Harsha recommends every employee handbook include the following:

1. A statement that employees are at-will employees, and the handbook does not constitute an employment contract.

2. A disclaimer that the policies in the handbook are subject to change, so someone doesn’t pull out the one they had when they were hired and say, “You can only hold me to this one, not the third or fourth that came out.” Employers have a right to change the rules.

3. A signed acknowledgment from the employee that they have reviewed the handbook.

It’s also a good idea to have an attorney review an employee handbook prior to disseminating it to employees, she said.
Bettina Deynes has seen little change in how organizations handle employee performance management in the 20 years she has worked in human resources. “They continue to deliver an evaluation once a year, focusing on extremely subjective criteria, with little or no actual impact on employee improvement in the workplace,” said Deynes, vice president of human resources and diversity at the Society for Human Resource Management (SHRM).

But as businesses, generations and organizational cultures have been evolving with millennials in the workplace, performance evaluations are starting to evolve as well, said Lisa-Marie Gustafson, a member of SHRM’s special expertise panel. “As boomers retire and Gen Xers move up and millennials come in, and soon Gen Z, there needs to be more conversation,” Gustafson said. “We have to be more engaging with our workforce, as far as having more frequent conversations around performance.”

Changing the process
If you think your organization needs updating when it comes to performance evaluations, the first step is looking at your corporate culture, Gustafson said. “Look at what you’re trying to build and achieve. Consider the type of employee environment you want to have. That will lead the way.”

Also consider the number of employees, whether or not you want them all on the same evaluation cycle, and how often managers and their staff should be discussing performance, Gustafson said.

Deynes strongly recommends a comprehensive performance management system with components that tie directly back into the organization’s strategic plan. This plan should incorporate specific, measurable components of the employee’s job description, with a document containing specific and measurable standards of performance for each responsibility, duty and task.
Discussions about performance should take place often. “Brief evaluation conversations between supervisors and employees should occur monthly, if not weekly,” Deynes said.

**Productive conversations**

One of the keys to effective performance management is frequent and relevant communication, and that conversation should be a two-way discussion. “Don’t phrase things in a way that makes somebody respond with a one- or two-word answer,” Gustafson said. “Ask open-ended questions or ask what their thoughts are. If you’re just giving them information, you really didn’t hear their side of it.”

Before you meet with the employee, send them questions to think about, Gustafson suggested. These could include:

1. Where do you think you’re at in your performance?
2. Do you like what you’re doing?
3. Where do you see yourself in the future of this company?

Some people need time to process the answers, and this lets them come to the meeting prepared.

As a manager or leader, you also need to be prepared before walking into that meeting, Gustafson said. Make sure you’re ready to discuss where they’re performing well, where they’re struggling and opportunities for growth within the organization. “If you’re unprepared, the employee knows it.”

**Underperforming employees**

If the evaluation process is implemented correctly, discussions about an employee’s performance issues would ideally be addressed throughout the year. Shying away from these difficult conversations does a disservice to the employee, who may not know they’re underperforming.

Start the discussion by clearly identifying what the areas of concern are, or areas they’re struggling with, and share that with the employee.

“You want to focus on the primary performance issues. Make sure you’re not overwhelming them with the 20 things they’re doing wrong,” Gustafson said. “You need to prepare your part of the conversation, for instance, ‘Here are the three things I want you to work on.’ Don’t hit them with everything at once.”

**Do I really need this?**

Both Gustafson and Deynes agree all companies need a performance management system. How extensive and structured that process is depends in large part on the company culture and the size of the organization. If you have 50 or more employees, you’ll definitely want a process in place. But if you only have two or three employees, it’s going to be a lot easier to have less-structured conversations.

“But don’t think just because it’s a small office, they know how they’re doing. You need to make time; take them out for coffee or pull them aside and have a conversation,” Gustafson said. “It’s always important to have these discussions, no matter how small the company is.”

One thing is clear: Doing nothing is not OK anymore, Gustafson said. “The more interaction leaders have with employees, the happier they’ll be and the better they’ll feel that the company they’re working for really cares about them.”
Section 5:
Leadership
How effective leaders respond when employees make mistakes

By Alesia Latson

Disappointment is inevitable for leaders. At times, your employees will disappoint you, and at other times you will disappoint them. The fact that disappointment occurs isn’t the challenge; the real issue is how you respond to it. Unfortunately, far too many leaders react to disappointment with anger and punishment.

You’ve likely seen the scenario: An employee loses a key client or misses an important deadline, and the leader responds by demoting or firing the employee, removing responsibility, taking away their vacation time or taking other punitive actions.

Such consequences are really nothing more than a knee-jerk reaction — and a missed opportunity to shine. In reality, how you handle disappointment speaks volumes about your leadership style and your credibility in your organization. To make the most of a disappointing situation and use it as a coaching opportunity, consider the following suggestions.

Manage yourself before you confront the employee. Before talking with the employee about the disappointing situation, you first have to manage yourself. You have to be clear about what your intention is for the conversation. You are in a position of authority — what you say during these moments will have a ripple effect.

Of course, this isn’t to say that you aren’t justified in your dissatisfaction. You most certainly are. However, your expression of those feelings has an impact on how others view you and on how the employee will perform in the future.

So before initiating the conversation, take some time to step back and get clear about what result you want from the meeting. Are you simply looking to vent your anger? Is the goal finding a solution to rectify the current circumstances? Or do you really want to help the employee learn and grow from the situation?

Assess your role in the disappointment. Take some time to reflect on your role in the disappointment. Before you declare, “I did nothing; it was entirely the other person’s fault,” realize that as a leader, you are ultimately responsible for your staff.

So ask yourself, “What role did I play?” and “How did I contribute to this disappointment?” Perhaps you didn’t give the employee enough training. Maybe you threw them into a situation they were too “green” to handle. Whatever the disappointing outcome was, chances are you had some role in it — even if it’s a small one. Acknowledge that prior to your conversation.

Assume good intent. Take the stance that the employee didn’t intentionally let you down, and it takes the edge off your anger. In the majority of cases, that stance is absolutely accurate — the employee didn’t set out to cause harm. They simply made a mistake or a bad judgment call, which resulted in a less-than-ideal situation.

Additionally, realize the employee knows they messed up, and they’ve probably already given themselves a thorough thrashing and are terrified to speak with you. Therefore, any anger you display will be mild compared to what they’ve already dished out to themselves.

Be a better listener to engage your employees

By Ascanio Pignatelli

It’s easy to be disengaged when you listen, but if you really listen to what employees are saying, you can build more trust and rapport, resolve more conflicts and connect in a deeper way. Effective listening ensures the sender’s communication has been received, and tells the sender their communication has value.

Disengaged listening. Have you ever had a conversation with someone who was more focused on what they wanted to say next, and not on your words? Disengaged listening interferes
However, true anger should be reserved for the most egregious acts, for example, if there’s been an intentional violation of an important principle. When talking to the employee, focus on the disappointment in terms of the outcome, not the person. Successful schoolteachers know that when you discipline a student, you focus on the behavior, not the child. The same approach is best for business leaders.

Even if the letdown occurred because the employee was negligent in some way, you need to separate what happened from the employee personally. State your disappointment in terms of the outcome, and then explore with the employee the cause in an inquisitive and coaching way rather than a punitive way. Why? Because when employees feel punished or scolded, they become fearful, which decreases creativity and innovation on the job — the exact things you often need to rectify a disappointing situation.

Learn from disappointments. It’s human nature to lash out when upset. But remember, how you handle disappointment reflects more on you as a leader than on the person who caused the situation. The majority of disappointing moments are actually coaching moments in disguise. Savvy leaders recognize this and make the most of these situations. If you want to be viewed as a leader with courage, credibility and reason, use the suggestions here the next time you feel the need to punish an employee for a wrongdoing. When you do, you won’t be disappointed in the results.

with the communication being received, and leaves the speaker feeling unimportant.

To escape the disengaged listening trap, the next time you are having a conversation with someone, notice when your mind wanders or is thinking about what to say. Bringing awareness to how you listen will make you a better listener and leave those you communicate with feeling valued.

Engaged listening. Engaged listening means listening without judgment, opinions or preconceived notions. It creates a space for others to really express what they are thinking without feeling like they are being judged. It also ensures they are heard, and that their thoughts and feelings are important to you.

Become a more engaged listener by asking empowering questions — questions that probe, seek clarity, focus on solutions and put the power to solve a problem or challenge into the other person’s hands. For example, “How might you accomplish that?” or “What’s another way of seeing that?”

If you create a culture that values staff by listening to them in an engaged and nonjudgmental way, you will find employees reciprocating by raising their energy and engagement at work.

Empathetic listening. This is the highest form of listening and will build strong ties with your employees. It is feeling what the other person is feeling. It includes deciphering body language, reading between the lines and looking for what’s not being said as much as what is being said.

Although empathetic listening requires considerable focus, effort and concentration, with enough practice, it can become routine. The payoff in employee morale and satisfaction are worth the effort.
Leadership is a tough job. Not only do you have to be adept at managing multiple priorities, you also have to possess expert people skills. After all, regardless of industry, a leader is only as good as his or her team. Without the buy-in and respect of your employees, you’ll have a difficult time accomplishing the organization’s goals. The challenge, then, is figuring out how to be irresistible to your team — how to create the conditions by which people can’t resist your message and vision, and therefore want to align and partner with you.

Becoming irresistible requires that you attract and connect with people, which naturally results in trust and loyalty. That’s why the key for any leader is to create the conditions and experiences by which people want to engage with you. Following are the top three ways to build engagement with your staff.

1. Build rapport
The best way to build rapport with people is to simply listen to them. When people feel listened to, they are more likely to trust you and are more eager to engage with you. To make listening a priority in your role, start doing monthly listening tours. These do not have to be long sessions — 15 minutes is enough. The point is to actually...
schedule time where you meet with people informally and just let them talk.

At the beginning of the meeting, tell them, “This is just a listening meeting. For 15 minutes, I just want to hear your ideas, your concerns or anything else you’d like to share.” Then, let them talk. Don’t interrupt or dominate the conversation. In fact, only speak when the other person asks you a question. The rest of the time, just listen and take notes. After the person is done talking, paraphrase what you heard. Taking only 15 minutes out of your day to listen will help you forge a greater connection with your staff and make a huge difference in employee engagement.

2. Disagree with grace
Disagreements at work are inevitable. The key is how you handle them. Too often, leaders come across as harsh when they disagree, inadvertently making employees feel inferior or that their ideas are without merit. So rather than abruptly telling people things like, “No, that will never work,” or “You obviously don’t understand the full situation,” when you disagree with them, start by acknowledging and validating the other person’s perspective.

This requires you to listen attentively and then legitimize the other person’s point of view. It is most effective when you can provide at least three points of validation — that’s how the person is more likely to feel like you actually heard what they said. So, for example, if someone offers an idea for increasing profits that you think is too risky and won’t work, you could say something like, “I see that your proposal is a reflection of your commitment to finding viable options that will increase our profitability (first validation). It’s evident you’ve put a lot of effort into taking a look at the numbers (second validation). And, you’ve offered a compelling business case for us to consider (third validation). We’re aligned in that we’re both looking for a committed solution. Where we differ is in how aggressive the plan should be and how much risk we should take on. Maybe that’s something we can talk about.” Remember, the magic number is three points of validation.

At this point, you can ask some open-ended questions to get a better idea of the employee’s thinking, or you can agree to disagree. But it’s the validation that enables you to disagree with grace. Now, rather than shutting down the conversation, you’re engaging the employee. This is what creates irresistibility. When the employee walks away from that meeting, they may not have gotten what they wanted, but they weren’t defeated. And that’s huge to the engagement factor.

3. Offer acknowledgment and praise
Too often, leaders are so busy, stressed and overwhelmed that they forget to acknowledge people. But human beings crave acknowledgment and want to feel like they are making a meaningful difference in some way. Offering acknowledgment and praise goes a long way to building engagement.

Acknowledging someone doesn’t mean gushing over them and touting unwarranted superlatives. It’s also not about empty phrases like “Good job.” Offering acknowledgment and praise works best when you’re factual and pointing out specifics that made an impact.

For example, instead of telling someone, “You did a good job on that report,” which lacks any type of facts or specifics, you could say, “I wanted to compliment you on your report. It detailed the topic in a clear way, gave a strong call to action at the end and was visually very appealing in the layout.”

The more specific you can be with your praise, the more meaningful it is for the employee. In addition to making the person feel important, your words are giving them clear feedback on what success looks like so they can duplicate it in the future.

Remember that acknowledgment and praise should occur frequently. You can offer a word of acknowledgment in passing at the water cooler. Often, it’s those little interactions that leave a lasting impression.

Attract the best
If you want to be one of those leaders people can’t seem to resist — the kind of leader who has loyal employees and a strong environment of trust — then you need to focus on these three employee engagement practices. Not only will your current employees find you irresistible, but you’ll also have a steady stream of eager potential employees (the best of the best) who want to work with you. Ultimately, the more engagement and partnership you have with your team, the more rewarding the work experience will be for everyone. That’s when the organization will experience true and lasting success.
Are your employees consistently telling you everything you need to hear? Or are they instead telling you what they think you want to hear? Silence is expensive.

Creating a culture where your employees can share their opinions, feedback and ideas can boost revenue and help reduce staff turnover. What most affects an organization’s willingness to seek, speak and hear the truth? It’s always the leader.

Candor culture starts at the top. When your employees don’t speak up, it’s not their problem — it’s yours. But leaders usually don’t know what’s being held back. Many carry around beliefs such as:

- “I’m not an intimidating person.”
- “People feel comfortable talking to me.”
- “We do a pretty good job of talking openly around here.”
- “I regularly ask others for feedback, their input and what they think.”

Researchers — and everyone else who’s ever had a boss — know leaders don’t ask for feedback, input, opinions and ideas as frequently, effectively and credibly as they believe they do. The fallout is leaders — and their teams, projects and sometimes entire businesses — fail.

When there’s not an environment of candor, intelligent, loyal, talented professionals at all levels don’t speak up about matters they believe are important. They fear rocking the boat, or have given up believing others care what they think. So they don’t share information that could help businesses run better, more efficiently and more profitably.

Businesses that have high candor outperform those that don’t, because leaders and their employees are stepping up and addressing problems. Employees can freely voice their concerns and insights, leading to higher retention rates.

When leaders and teams can talk openly, problems are resolved in less time and at a lower cost. Managers feel more in control and less overwhelmed by an accumulation of unresolved issues. People take a greater interest in
and responsibility for identifying and resolving future problems. And leaders gain access to experience, knowledge, ideas and information far beyond their own by collaborating with their employees.

Soliciting input or feedback directly is much more effective than just being open when it happens to come your way; inquiry is at the core of creating an open environment. Asking questions is the key to inviting people to open up conversation to the fullest information, greatest meaning and strongest relationships.

The most powerful impact of asking questions is that we stop talking and provide an opportunity for others to express their insights, questions, expertise and concerns. Don’t fall into the trap of believing people will come to you with their views. People will speak up more honestly, readily and respectfully when they are asked.

Creating an environment where it’s safe to speak up is giving a voice to those we count on to keep us informed and share what’s really going on.

**How to support speaking up**

1. Continuously ask for feedback, input and opinions in every meeting.
2. Authorize everyone to challenge the status quo, test assumptions, revisit decisions and push back.
3. Discuss how you expect others to challenge your ideas and even disagree with you. Provide examples.
4. Call out examples of feedback, input, challenge, disagreement and robust debate when you see it. Thank challengers and publicly acknowledge how much you value their input.
5. Name those people who bring up the undiscussables. Champion their candor and point out their example to others. Comment on the impact, and communicate your ongoing expectations from the entire team.
6. Squelch any behaviors that inhibit straight talk, including manipulative debate, insults, raised voices, ultimatums, threats, sarcasm, inappropriate humor and retaliation.
7. Assure people they don’t need to make an ironclad case for every suggestion. Make room for half-baked ideas and “spitballing.”
8. Build speaking up competence in everyone by rotating the responsibility in meetings for a different person to ask core questions.

**What are the costs of organizational silence?**

- People are fearful of raising issues, even when they think the group is missing an important point.
- Project teams default to seeing things the same way — what they expect to see, not everything that’s possible.
- Stories and points of view become operating facts when told often enough, and employees do not take the time to question underlying assumptions.
- Leaders do not welcome new information that threatens the status quo. They discourage employees from speaking up and looking at new facts.
- Employees become passive and choose not to do anything rather than make a mistake.
- Individuals hold offline mini-meetings, rumorizing and criticizing, after the meeting.