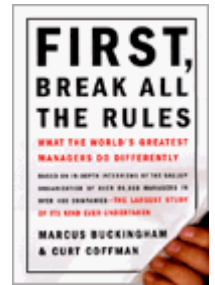




Business and Investment Book Summaries

First, Break All the Rules

What the World's Greatest Managers Do Differently
by Marcus Buckingham and Curt Coffman



What do the world's best managers do? Why are their business units so profitable and productive? How do they keep employee turnover low and customer satisfaction high?

The answers come to us from two massive studies performed by The Gallup Organization under the leadership of the co-author Marcus Buckingham. The first study asked a critical business question that has never been definitively answered: "What kind of environment will attract, develop and retain great people?" And Gallup came up with a dozen key factors, which we will detail shortly. Interestingly, the study also found that it was actually great managers who created this powerful environment, so a second huge study was done to answer the question: "What did these great managers do differently?" And the answers may surprise you — the best managers typically broke all the rules of conventional management wisdom.

So let's take a look at the powerful insights provided by these two remarkable studies.

It's a given that one of the key success factors for any company lies in their ability to attract and retain excellent people. But exactly what kind of an environment will attract great people, make them want to stay and develop them into excellent performers? That was the subject of the first study. Over a period of 25 years Gallup interviewed over one million employees from a broad range of companies and asked each of them one hundred questions. Gallup waded through this mountain of data and unearthed the 12 most important needs of the most productive people. Meet these needs and you will create a powerful workplace. Gallup also found that the more these needs were met, the greater the company's productivity and profitability.

The six most important employee needs are:

1. To know what is expected at work.
2. To have the materials and equipment needed to do the job well.
3. To have the opportunity to do what they do best every day.
4. To receive regular recognition or praise for work done well.
5. To have a supervisor, or someone else at work who cares about them as a person.
6. To have someone who encourages their development.

The next six key needs of great employees are:

7. Feeling that their opinions count.
8. Feeling that the mission of the company makes their work important.
9. Having co-workers who are committed to doing quality work.
10. Having a best friend at work.
11. Getting feedback on their progress at least every six months.
12. Receiving opportunities to learn and grow at work.

Fulfill these needs and your best employees will stay longer and perform better. And the people who fulfill these employee needs are great managers. The research showed that the length of time an employee

stays and how productive he is depends on his immediate supervisor or manager. The company that lacks excellent managers will bleed talent, and profits are sure to suffer.

So how do great managers actually create an environment that will attract, develop and keep talented people?

That question was answered in the second study where Gallup interviewed 80,000 managers. They interviewed a broad cross-section of managers from large corporations to small entrepreneurial organizations. Gallup identified the great managers and average ones and compared their answers to determine what great managers do differently. The people deemed great managers were those who ran very strong workplaces. Their business units had higher productivity, higher profit, lower employee turnover and higher customer satisfaction than the business units run by average managers, even when the business units were in the same company!

What was the most important finding? Great managers realize that you can't change people very much. Each person has their own style, their own way of doing things, their own way of thinking, and you can't do much to change it. So instead of trying to change and remold people, great managers develop the unique attributes of each employee to increase their performance. This is the fundamental idea behind the success of great managers.

This concept separated the great managers from the lesser ones and it is the foundational idea that lays beneath their four keys to success. Let's examine each of these four keys and see how you can apply them to your own people.

The First Key – Select for Talent

Conventional wisdom says that the best people to hire are those with experience, intelligence and determination. While great managers agree that these are important, they believe that talent is the most important factor for excellent job performance.

By talent, the authors don't mean rare celebrated excellence like the talent of a Michael Jordan, they mean things that come naturally to us, our pre-dispositions and the things we love to do. For an accountant, a love of precision would be a talent, for a nurse it would be empathy and for a salesperson, assertiveness would be a talent. A salesperson may have experience, intelligence and determination but without the talent of assertiveness, he will only be average at best, he could never excel.

Talent is the key for great performance in any role and it cannot be taught, you either have it or you don't. Knowledge can be acquired, skills can be taught, but no amount of training or coaching will create talents, you can't make someone love precision, feel empathetic or become assertive. That's why great managers select for talent first, and then for knowledge and skills.

So how do you determine which talents are required for a given role? A great place to start is to study your best employees and see what talents they have. This will give you great insights into the key talents needed for a position. Also, look at your company's culture and see what is rewarded. If you work in a very structured company where employees are closely supervised, then discipline would be a desired talent. And don't forget that the talents required for a role may be obvious such as assertiveness for a salesperson. The authors suggest that if you identify 3 talents you will have a good read on what is needed for a role.

Now let's look at how great managers develop the talents they have so carefully selected.

The Second Key – Define the Right Outcome

Many managers believe that they know the best way to do a job, and that if everyone just did the job their

way, it would get done quickly and efficiently. So they force their reports to follow a prescribed set of steps which ultimately sticks them in role of policeman, making sure that everyone is following each step.

Great managers take a different approach. Instead of dictating a set of prescribed steps, they define outcomes. Defining outcomes is very efficient — it allows the individual to use his or her own talents to find the quickest and easiest way for them to reach the desired outcome. It also allows employees to take responsibility and ownership for their actions, and gives them the opportunity to grow and learn from their mistakes.

If a hotel manager can measure his front-desk clerk's guest ratings and repeat customer visits, then there is no need to monitor how closely the welcome script was followed. If a salesperson meets the sales target, the great sales manager doesn't need to enforce a set of selling steps. The salesperson is free to use the selling style that suits her best.

Customer satisfaction may be the most important area where outcomes need to be defined. Every business needs to turn prospects into customers and customers into loyal customers. According to the authors, the positive word of mouth they provide is more important to your growth than marketing and even the price of your product. Loyal customers are your unpaid sales force. So how do you create loyalty in your customers? By delivering tremendous levels of customer satisfaction. But how do you do that? Over the last few decades Gallup has interviewed many millions of consumers and identified the four keys to creating customer satisfaction.

First of all people expect accuracy. They expect to get what they ordered at a restaurant, they expect their VISA bill to be correct.

Secondly people expect that the product or service will be available when they want it. They expect milk at the grocery store and parking at their favorite restaurant.

These first two keys only prevent customer dissatisfaction. The next two, when delivered consistently create loyal customers.

Partnership is the third key. Customers want to feel heard and understood. They also want to feel that you are on their side. Snapple's target market is college students, and the way they structure their contests is interesting. Students can win prizes if they find a special code inside a bottle-cap, and the prizes are positioned to reflect a student's needs. Instead of simply offering \$12,000 cash, Snapple's prize is presented as "Let Snapple pay your rent for a year. 12 payments of \$1,000." The prize communicates that Snapple understands students and what they are going through. Show your customers you understand them in some meaningful way, and you are a huge step closer to creating real satisfaction.

The last key to customer satisfaction is advice. When an organization helps their customers learn, they create a very special bond. One of the many reasons that Home Depot is one of the most potent retailers on the planet is that they have an in-store staff who teach customers how do a myriad of home improvement projects.

Learning truly breeds loyalty and the more you are able to advise and partner with your customers, the more loyal they will be.

Now that you know the keys to customer satisfaction, how do you actually deliver it?

While accuracy and availability can be achieved through planning, technology and prescribed steps, delivering advice and creating partnership are much more difficult. They happen during one-on-one interactions between a customer and an employee, so all employees who deal with customers must have the talents of listening and teaching. Anything less, and the opportunity to create truly satisfied customers dissolves along with profits, competitive advantage and so much more.

The first two keys, accuracy and availability can be handled with prescribed steps, but the last two can't. Customer satisfaction is the outcome great managers must define to get their people to deliver advice and create partnership, and they must allow each employee to use his or her own talents of listening and teaching to do it.

Some outcomes are easier to define than others, for example a sales target is easier to define than customer service — but that doesn't stop great managers from getting creative and finding ways of defining the outcomes they expect from their employees.

There are certain circumstances however, where the top managers use very specific prescribed steps. They are usually applied in roles where safety guidelines are very strict, where accuracy is paramount such as in the handling of money for a bank, or where industry standards need to be followed.

The Third Key – Focus on Strengths

How do great managers consistently create excellent performance? They develop their people's strengths and manage around their weaknesses.

Conventional wisdom says that people can achieve anything if they simply work hard enough and correct their weaknesses. The result is that people hear little about their strengths and a lot about their shortcomings. This focus only creates frustration and resentment in the employee. It's no way to create excellent performance.

Great managers take another approach; they know that you can't change people that much so they manage around their weaknesses. For example, one manager had a talented employee who couldn't fill out monthly expense reports. The person simply couldn't be taught how to do them, so the manager just had another, more organized, member of the team take care of them. Teaming people up with those who have complementary skill sets is a powerful way of handling the weaknesses of otherwise talented people.

But how do great managers develop people's strengths? The first step is to actually learn the strengths of each employee. The best managers talk to their employees one-on-one and ask about their strengths, weaknesses, motivations, passions, goals and dreams. They also work closely with each of their reports to see firsthand how they act in various situations, to learn how they make decisions and to see what motivates them. Great managers take the time to get to know each employee because it is the surest way to identify each person's strengths and talents.

Then they find ways to turn those strengths into performance. They help each person see and understand their personal style and work with them to develop ways of using that style more effectively.

Great managers "hold up the mirror" and excel at giving performance feedback. They hold regular feedback sessions with each employee, be it once a month or once a quarter. They begin each session with a brief review of past performance to help employees think in detail about their style and to spark a conversation about the talents and non-talents that created this style. Then the focus shifts to the future and how the employee can use her style to be more productive. Often the discussion will revolve around partnering the employee with another who has talents that could complement her non-talents. They also set unique expectations designed to help her focus and develop her talents. The great managers that Gallup interviewed spent about four hours per year, per employee on these sessions.

Great managers also make sure each employee is cast in a role that plays to their talents — a role that they are naturally wired to do. Casting for talent is one of the biggest success secrets of great managers. They will make sure that their aggressive ego-driven salesperson takes on the territory that requires a fire to be lit underneath it. And, they will cast their patient relationship building salesperson into the territory that requires careful nurturing.

Of course if you have selected your entire team based on talents, the job of casting is already done, but what if you have been given a new group of people to manage? You need to get to know each one and make sure they are cast in a role that plays to their talents. If someone doesn't have talent for their work, they must be moved into a role where their talents are needed. And, if there is no match, you have little choice but to release that person from your team.

Talent is the great multiplier of productivity. The best managers understand this and invest a lot of time in developing the talents of their people.

The Fourth Key – Finding the Right Fit

Sooner or later every manager will have an employee ask for help in getting to the next stage of their career. Should the manager help the person get promoted or at least put in a good word for him? Possibly, but for great managers their primary aim is to direct employees to roles that match their talents.

And this can present a problem. The problem is that the next rung on the ladder might not play to the employee's talents. We make assumption that each rung on the ladder is a slightly more complicated version of the one preceding it.

The talents needed to sell are very different from those required to manage, so if you promote your great salesperson to sales manager, and that person doesn't have the talents needed to manage, then you have lost a great salesperson, and gained a poor manager. This is not a recipe for success — it doesn't benefit the employee or the company.

But with promotions come more money, perks and prestige, so many people will still push to get to that next rung on the ladder. The solution is to create real incentives for employees to only work in areas where they have talent.

So how can you incent your people to stay in positions where they can excel? Reward them with money and a respected career path. One way to do this is by creating graded levels of achievement. The more an employee becomes expert in their own role, the higher their status and salary. The legal profession has been doing this for years. When a lawyer starts her career, she selects a field of expertise such as criminal law or tax law, and joins a firm as a junior associate working in that field. Over time she may be promoted to associate, then junior partner, partner and even senior partner. Through all of these promotions she will still be practicing essentially the same law, but she will be regarded as an expert in her field and will be rewarded with prestige and a generous salary.

Much of what makes a talented person want to climb onto the next rung and go into an area that may not suit their talents disappears when a graded level of achievement is used. The end result is that the employee becomes strongly motivated to create excellence and expertise in the role they are best suited to, which benefits the employee and the company — and this model can be applied to any position where excellence is valued.

Another way of keeping people in roles where they can achieve excellence is by instituting a "broad banded" pay plan. This is where the top end of a lesser value job overlaps with the bottom end of a higher value job. At Disney an exceptional waiter can earn up to \$60,000 a year, while the starting pay for a manager is only \$25,000. So if the exceptional waiter wants to move into management, he must think long and hard and believe that he has a real talent for managing. And if he makes the move and performs well, he will be handsomely rewarded, since the top pay for managers far exceeds that of waiters.

Broad banded pay plans are used in many companies because they help keep people in positions where they have talent and they encourage employees to develop their talents and expertise.

So there is an alternative to simply helping your reports to get promoted to the next rung on the ladder,

and using these alternatives will help you keep your top performers doing what they do best.

Conclusion

So there you have it. Now you know what employees need to deliver extraordinary results, and you also know the four key things managers need to do to create the environment that makes those extraordinary results possible.

You also know that the insights of these great managers aren't just trendy management fads, they work in the real world. These ideas, thoughtfully implemented, have created workplaces where high productivity, high profit, low employee turnover and high customer satisfaction were the norm.

So now it's up to you to look at your own organization and see the places where you can put the knowledge of these great managers into practice, and create a more powerful, profitable and productive workplace.

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