

# Becoming a people manager

## BUSINESS COACH SERIES

- Determining your needs
- Finding the right people
- Keeping good employees



# The shift from business person to people manager

## The situation

*When you started your business, you probably did everything yourself. Over time, your business has grown beyond a one-person operation. Perhaps you've already hired a salesperson, a part-time bookkeeper, production help, or someone to answer the phone. Or you'll have to hire new employees very soon. Your business is becoming dependent on the quality of work produced by others. You may be benefiting from the additional labour, but are you still in control of your business?*

## The solution

*Your people are your most valuable asset — your company's success depends on their contribution. Therefore, it's essential that you become a people manager as well as a business owner. The transition may not be an easy one, but to ensure your business continues to develop, you have to accept that you cannot do everything yourself. Instead, you must learn to manage others to get things done.*

*At BMO Bank of Montreal®, we are committed to helping Canadian businesses develop and succeed. The purpose of this Business Coach is to share with you our expertise and guidance to help you become a better people manager. It is also designed to complement two companion Business Coach booklets, Developing your Business Plan and Using Other People's Help.*

## Determining your needs



Good people management begins by understanding what your labour needs are and ensuring that the most suitable people are placed into the appropriate positions. By becoming an effective people manager, you will soon have more efficient and productive employees.

Here are four steps toward determining your company's needs:

### STEP 1: Define roles that need to be filled

**Often an employee will assume more than one of these roles:**

- sales and marketing
- production
- customer service
- bookkeeping
- office support/office management
- business management
- other miscellaneous activities

### STEP 2: Define what work needs to be done

**Tasks may include:**

- keeping files of contact names and addresses, and their buying patterns
- keeping a record of customer order timetables
- making telephone and email contacts
- calling on prospective customers
- maintaining contacts with regular customers
- recording all customer contacts made

- explaining details/advantages of the product
- writing up sales orders
- making delivery arrangements
- keeping a record of customer callbacks
- making weekly sales activity reports to the President

#### NOTE:

Don't forget to look at the work done voluntarily by family members or part-time help, and any work you subcontract out (e.g., accounting).

### STEP 3: List the skills and aptitudes required for each job

For example, skills/aptitudes required to make sales include:

- the ability to keep records
- the ability to write up a sales order
- persistence/good follow-up skills
- knowledge of the products/services
- good appearance
- the ability to interact well with people
- presentation and closing skills
- the ability to interpret customer needs
- the ability to manage one's own time

### STEP 4: Define your organization

- Determine which tasks you no longer can or want to do yourself and organize them into logical jobs. Don't limit your thinking by the way these tasks get done now. Consider:
  - specialist jobs (e.g., sales, bookkeeping) or
  - multi-purpose jobs (e.g., telephone reception/service rep/order desk)

- Write up brief a description for each of the jobs, including your own (see sample job description below).
- Repeat these steps for any new jobs that you expect you will have to create to achieve your business goals.

## SAMPLE JOB DESCRIPTION

### Position — Sales Representative

- The key purpose of the job (expected results):
  - to sell \$xxx worth of product annually
- Where/how the job fits with other jobs around it:
  - reports to the President (owner)
  - works independently, but must have permission of the President in advance to give any discounts
  - submits orders either written or via the web to the Order Desk
- Specific duties/responsibilities:
  - makes telephone contacts
  - conducts sales calls
  - keeps informed about company and competitors' products
  - determines client needs
  - makes sales based on pricing/delivery schedule worked out by the President
  - issues sales order to client at the time of the sale and submits it to the Order Desk within 24 hours of the sale
  - deals with customer complaints
  - reports weekly to the President about sales calls made/deals closed

- Area/degree of impact of the job:
  - expected sales are \$xxx per month
- Working conditions:
  - must provide own car
  - territory
  - sales order forms, pens, business cards, sales materials provided by the company
- Date of the description

## Do you have the people?

Through careful analysis, you can determine if you'll be able to meet the needs of your business with the abilities of your current staff. You will also discover if there is a shortfall that requires training for existing staff or hiring outside assistance. And you and your staff will benefit from having a better understanding of what is expected — of you and them.

### STEP 1: Analyze the skills and abilities of the people you currently have working for you

- Consider everyone who does any work for you (volunteer family members, full and part-time employees, subcontractors who might become employees, and so on).
- Develop a Skills Inventory for each person — use the following as an example:

#### SKILLS INVENTORY OF EMPLOYEE "X"

##### Current position: Sales Rep

- Ability to keep good records — satisfactory
- Ability to write up sales order — satisfactory
- Persistence/follow-up skills — need improvement

- Appearance — good
- Interpersonal skills — good
- Interpreting skills — satisfactory
- Presentation/closing skills — needs improvement
- Ability to manage own time — needs improvement

### Tips

Everyone likes to be part of a success. Motivate employees by allowing them to share in yours.

## STEP 2: Determine where the matches/gaps are between individual skills and job requirements

- Base this determination on the new job description.
- Analyze how important the gaps are:
  - Can they be overcome (for example through training, making the job smaller, and so on)?
  - Would the person want to overcome them?
  - Could you do the training yourself? Would you want to?
  - How much would outside training cost?

## STEP 3: Determine action required

- Based on the Skills Inventory and the matches/gap analysis, you may decide that a person requires, for instance, sales effectiveness training. Investigate government funding for the training.
- Alternatively, you may decide that you need to find new people:

- Will this mean having to let someone go?
- How will you do it?
- Will it mean having to ask a part-time or subcontracted person to sign on full-time?
- Will it mean finding someone brand new?

- You may also decide that you need to develop closer ties with a key person by:
  - postponing the retirement of a key supporter, or
  - providing a promotion or other inducement to a key employee

### Tips

Don't take family volunteers for granted. Ensure they are "paid" with appreciation and gratitude.

## Finding new people

If you decide that additional people are needed, using a systematic approach will help ensure that you have the right people for the job and that you are rewarding them fairly and appropriately. This should result in lower turnover.

### STEP 1: Determine who you need

#### Working from the job description, decide whether:

- you require a full-time or part-time employee
- you could subcontract the work out (for example, to a freelance accountant)
- you could work with another, non-competing, small business in sharing an employee (for example, a territorial salesperson who represents both companies)

## **STEP 2: If you do need to bring someone on staff, decide which is the best recruitment method**

### **Consider:**

- advertisements (expensive)
- word of mouth (inexpensive but unpredictable)
- government Manpower offices (good for production staff)
- commercial placement agencies (good for clerical staff)
- professional/industry associations (good for specialist positions)
- non-traditional special interest groups (such as those for the disabled, Native peoples, and so on)
- postings on Internet job-search sites (inexpensive but unpredictable)
- subcontractors (good for professional jobs that do not need to be full-time)

## **STEP 3: Determine the going rate of pay**

### **You should discuss with your accountant what you can afford to pay.**

Sources of information include:

- boards of trade, chambers of commerce, or other business associations
- industry associations
- information in the media
- managers of other businesses that you can call
- commercial surveys produced by compensation consultants

## **STEP 4: Prepare yourself for the hiring process**

### **Study/take a training course on good interviewing techniques:**

- learn how to ask the right questions
- learn what questions are legal/illegal

### **Make an offer.**

- You should seek legal counsel on the format of such an offer, and the final letter or document/contract that spells out the terms and conditions of employment.



### **Tips**

The more detailed the job description, the easier it will be for the employee to fulfill your wishes.

## **Keeping good people**

- Your objective in managing people well is to have a smooth-running business in which everyone is enthusiastic about doing a good job. There is much you can do to motivate people to work hard for you.

## **STEP 1: Treat employees as you would like to be treated**

- Don't make promises you cannot keep. Be straightforward about job security or chances to advance.
- If you treat people as colleagues who want to keep on doing a good job for you, they are likely to keep on trying to do a good job.
- Ask for input and provide regular feedback about better ways to get the work done by:
  - always first asking how people think they are doing, what they need help with, and what suggestions they might have for improving things

- providing regular feedback about performance (especially praise, but also tips for improvement)
- keeping a record of performance failings in case you have to terminate someone
- Find ways to constantly upgrade the abilities of your people so that you can provide consistently improving products/services. These include:
  - on-the-job training you do yourself
  - outside sources of training such as high school night courses, continuing education courses, colleges, and universities
  - industry training programs

**NOTE:**

The Federal Business Development Bank provides special programs to small businesses to pay for training programs.

**STEP 2: Investigate ways for key employees to have a stake in the business.**

**For example:**

- offer part ownerships, when appropriate, to spread the risk, increase equity for growth and tie a key employee closer to the business, or
- divide pay between a fixed portion (base salary) and a variable portion which you pay out as an extraordinary reward for outstanding performance (see below)

**Variable pay programs**

- Gain sharing
  - production workers share a percentage from increased productivity

- Profit sharing
  - employees share in a pool created by profits
- Group incentives
  - team awards based on increased performance against targets
- Individual incentives
  - apply to individual contributors who meet prearranged objectives
- Pay for knowledge/shills
  - a pay ladder that employees climb, based on acquiring additional skills
- Key contributor programs
  - one-time plans for those people who are critical to a specific project
- Long-term programs
  - incentives that apply to performance in more than one year





While these programs have clear cost advantages because you only pay out when your business is successful, they should not be regarded as the automatic answer for managing payroll costs. Not all your people will want, or be able to afford, to put a portion of their pay at risk. To work, the programs have to be very carefully planned and communicated so that they do what you want them to do: motivate your people to perform excellently.



Know your provincial employment laws. The laws protect your employees; the knowledge protects you.

## What you must do for your people

### BENEFITS/DEDUCTIONS

- There are certain programs that, by law, you must offer. These include the employer contributions for:
  - Employment Insurance
  - Canada or Quebec Pension Plan
  - provincial medical insurance (EHT for instance)
  - in most provinces, Workers Compensation
- The Federal Business Development Bank provides free advice on setting up a payroll system, making the employer contributions, deducting the employees' portions from their pay, as well as recording contributions and deductions for income tax purposes.

- As your company grows, you may wish to consider other benefits.
  - Accident or long-term disability programs make good sense for manufacturing concerns. Both are relatively inexpensive to purchase (check into trade association group policies).
  - Dental and pension plans are very popular with employees but can be expensive.

### LEGISLATION

Be sure you understand and comply with any applicable legislation relating to employees, including Pay Equity and Employment Equity, which several provinces have introduced. Check the requirements of your province, and stay aware of any changes that are introduced. You should talk to your lawyer if you are uncertain about your responsibilities.

BMO Bank of Montreal wishes to acknowledge, with thanks, the assistance of Hay Management Consultants Ltd. in the preparation of this Business Coach.





At BMO Bank of Montreal, we are committed to helping Canadian businesses develop and succeed. To this end, we've created a Business Coach Series that provides information and knowledge that can optimize the value of your company's financial resources. The booklets that make up the Series focus on essential areas of financial management allowing you to focus on operating your business more effectively.

## For more information on how BMO Bank of Montreal can help your business:

- talk to your Commercial Account Manager
- call us directly at **1-877-262-5907** or
- log on to **[bmo.com/business-resources](http://bmo.com/business-resources)**

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