Rediscovering the Basics for an Employer of Choice

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Middle Market Methods

Leaders must develop expertise in executing by proxy to accomplish scale. These skills are acquired by experimenting with options available for the business model, tempered by the dynamics of the ecosystem in which the business competes. The people who leaders empower to derive results form a fraternity of stewardship in transforming strategy into results. Attracting, retaining, and motivating talented people to whom such empowerment is vested must be a continual leadership priority. While people are complex machines, leaders too often over-complicate the interpersonal dynamic. Revisiting some axiomatic principles within a practical organizational architecture may prove useful for institutionalizing competitively comparative “employer of choice” credentials.

One of my past consulting clients is a fountain of disruptive innovation. By definition, “disruptors create a market where none existed” (Christensen, 2015). The client’s product development manager expressed concern that one of the team professionals was a flight risk. Being familiar with the cultural dynamic in the company—and the employee in question—I concurred with the assessment. I asked the product development manager what it would cost to replace the skillset for the perceived flight risk professional. Answer: The salary for a replacement professional would eclipse that of the existing professional. Then, I asked the product development manager what impact losing this individual would have on the team. Answer: Profound. The brevity of the product development manager’s answer spoke volumes of non-verbal communication. I did not need to introduce the point of a multiplier effect. I could see in the manager’s eyes the epiphany of the argument’s progression to the financial implications for the entire organization. Final question: Why do you think this person remains in an undercompensated position? There was no response to my question. I allowed the deafening silence to simmer before offering an explanation.

Cash compensation plateaus as a motivator after accomplishing “sufficiency.” In Abraham Maslow’s hierarchy of needs, this approximates safety (Maslow, 1943). In Frederick Herzberg’s two-factor model, sufficiency is hygienic, i.e., sufficiency removes a demotivator but is not a motivator (Herzberg, Mausner & Snyderman, 2019). The product development manager overlooked fulfillment in the nature of the work, substantiated by recognition as the prime
motivator for the flight risk professional. Indeed, someone else was taking credit for the flight risk professional’s unique contributions to the firm’s success. The points resonated. Now what?

Over the history of the company, the two personalities in question had been promoted and mismanaged into the prevailing conflict. It was not necessary that they be best friends. However, it was necessary that they trust each other. Clearly, they did not. Moreover, the conflict spilled over into the rest of the organization to foment factionalism. The impact on the company was a productivity tax, a phenomenon thoroughly argued in Stephen M.R. Covey’s book, The Speed of Trust: The One Thing That Changes Everything (Covey, 2006).

Unfortunately for both the individuals and the organization, the collateral damage of these types of scenarios cannot be easily undone. The offender and the offended modeled an intriguing behavioral trait: insecurity. However, each placated their insecurities quite differently. The offended party’s insecurity was mollified by recognition. The offender’s insecurity was assuaged by power. Neither the primary players nor their supervisor recognized the symptoms or the root cause. The supervisor did not ask for help until the tension had reached DEFCON 1—military speak for imminent nuclear war.

Corollaries of this scenario prevail in scores of entrepreneurial organizations. Such need not be the case. Like it or not, business cultures have familial dynamics. In some instances, the company may be a family surrogate. Indeed, Heather Boushay makes the point in Finding Time: The Economics of Work-Life Conflict that many professionals spend more of their waking hours on the corporate clock than they do with their purported loved ones (Boushey, 2016, p.8). However, as opined by Martin Winbolt-Lewis in Bedside Manna Revisited: A Perspective on Patient Centered Care, when facing mortality, few people lament needing to spend more time at the office (Winbolt-Lewis, 2014, p. 115). This article offers some practical considerations to accentuate employee fulfillment by matching the person with the position.

Culture, Purpose, Vision and Values

The marquee deliverable of my private equity-focused consulting practice is something branded as the Value-creation Roadmap™ (“VCR”). The VCR is a deliverable whose opportune timing is within a month of a private equity sponsor consummating an investment relationship in a portfolio company. The target market I prefer to pursue is generically described as the lower middle market. As I discuss in my book, Value-creation in Lower Middle Market Private Equity, there is no universally accepted definition for the lower middle market (Lanier, 2015, p. 8). Therefore, I rationalized such a definition: earnings before interest, taxes, depreciation, and amortization (“EBITDA”) of $5-25 million per annum. EBITDA is a measure of cash flow for servicing debt in a leveraged capital structure. This is tantamount to a small business definition that other sources rationalize in terms of employees, revenue, or some other criteria.

I like this target market because of the higher relative opportunity to create enterprise value. I admire entrepreneurs because they persevere and prevail despite the seemingly conventional wisdom that something cannot be done. Moreover, unless the founding entrepreneurs came from a larger, more institutional organization, they may operate amid execution hazards with something Jung (1916) described as unconscious ignorance. Ignorance differs from stupidity. Whereas ignorance may be corrected by education, stupidity lasts forever. My lower middle market private
equity firms share similar philosophical sentiments. Indeed, the lower middle market compares with norming on the business lifecycle curve of forming, storming, norming, performing, and adjourning (Tuckman, 1965; Tuckman & Jenson, 1977).

VCR success is defined by identifying the “vital (sic) few” initiatives that should propel the organization toward their economic goals. Providentially for me, the vital few often falls in my consulting practice strike zone, resulting in my reengagement for assistance. My clients are already comfortable with me; thus, the prerequisite interpersonal dynamic box is already checked. As evidence, I submit that I average three deliverables per portfolio company.

The VCR module always commences with cultural foundational elements of purpose, vision, and values. Purpose explains why we come to work. Vision encapsulates where we aspire to go. The covariance between the two is that by excellently executing corporate purpose over time, businesses should get closer to realizing their vision. For each statement, I coach leaders to keep it to six or less words. The reason is rooted in psychology. Retention degrades precipitously as word count increases (Ruckmick, 1920, p. 69). Since the ideal is self-management, stickiness is essential.

There is an intended casualty: mission statements. Mission statements were a worthy precursor and catalyst to purpose and vision evolution. However, they are tantamount to a museum relic. I was gratified when I encountered Donald Miller’s similar conclusion amid his poignant perspicacity in Building a StoryBrand: Clarify Your Message So Customers Will Listen (Miller, 2017). Especially in a hyper-dynamic communications ecosystem turbocharged by social media, effective messaging must be clear and concise. Mission statements may be bloated; thus, they may have crossed the Rubicon as ineffective management tools. I am gratified that two clients during my consulting tenure have accomplished three-word purpose statements. Coincidentally, both are top performers in their industries. Vision statements are considerably more challenging to craft in fewer words than purpose statements.

Values are the criteria by which employees comport themselves in the corporate culture. Wise leaders admonish their employees to hold themselves and others accountable for “living the values.” All companies have values. Few of my clients have memorialized them. I typically conduct an informal and unscientific experiment upon the advent of a VCR engagement. I passively encounter the business model by “walking around” to observe interpersonal dynamics. This becomes the hypothesis about the client’s three dominant corporate culture descriptors. The results of the subsequent blind survey in pursuit of the three prominent corporate values is juxtaposed with my hypothesis. To my satisfaction, leadership styles that emphasize “living the values,” despite the absence of their memorialization, correlates with my hypothesized short list. In practical parlance, comporting oneself with genuine concern for colleagues and customers is self-evident.

Corporate and personal values must be compatible. When discussing values with management teams, I use Venn diagrams to critique compatibility between corporate and personal values. Consider Figure 1 which depicts corporate values as a subset of personal values and Figure 2 which depicts personal values as a subset of corporate values. Each could be understood as compatible.
while one has greater scope than the other. Moreover, each preserves uniqueness about its own identity.

![Figure 1](image1)

![Figure 2](image2)

![Figure 3](image3)

Next consider Figure 3 whereby the red A, B, C, and D circles depict individual values versus the blue corporate circle values. Circle A could be compatible with corporate values because it mostly overlaps. The question regards the degree to which the non-overlapping values are at odds. Since
the majority of Circle B lies outside of corporate values, cohabitation may be suspect. Circle C depicts the most likely incompatible scenario whereby corporate and personal values have nothing in common.

Circle D could mask something that may be problematic: a person defining himself/herself solely by group membership. The lack of diversity can lead to unintended consequences such as myopia and groupthink. Janis (1972) enumerated eight symptoms of groupthink: perceived invulnerability, group rationalization, belief of moral superiority, pejorative descriptions for nonconformists, peer pressure, conflict capitulation, assumed unanimity, and accentuated cognitive dissonance. History is punctuated with bad outcomes emanating from this scenario, including Nazi fascism. Perhaps, in less threatening examples, cults come to mind. Collectively, the Venn diagrams make the argument for values compatibility and diversity.

Part of the VCR values exercise includes this question: “What is the litmus test for whether a company lives its values?” The 80/20 for responses to this question miss the mark. The answer is whether the company hires and fires by them. Nothing subverts purported values worse than indulging “bad behavior.” Returning to the introduction of this article, the organization referenced failed the litmus test. Values will be revisited in this article when discussing performance management.

Reality check: Are employees connected with purpose, vision, and values?

Strategy and Tactics

Corporate strategy is all too often over-complicated. The consequence is underachievement of the business model. People must pursue the strategy, but how may they if the strategy is convoluted?

Strategy addresses a simple question: “What is the business going to do?” Michael Porter of the Harvard Business School summarizes strategy in simple terms of product or cost: (i) general product strategy or focused product differentiation, or (ii) general cost leadership or focused cost leadership (Porter, 1980). Michael Treacy and Fred Wiersema also promote a simple model in The Discipline of Market Leaders (Treacy & Wiersema, 1995). This model resonates better with my clients. The model posits three business model foci: (i) the product/service, (ii) the delivery medium, and (iii) the customer relationship dynamic. Businesses must be good enough in all three to survive. However, Treacy and Wiersema’s research substantiated an either/or decision for differentiation. They referred to product/service differentiation as innovative, operational differentiation as excellent, and customer relationship dynamic differentiation as intimate. Pharmaceutical and high-tech companies provide examples of innovation. Supply chain wizards such as Amazon are operationally excellent companies. Concierge medicine reflects customer intimate characteristics.

In small business, there is commonly room for improvement to be good enough in all three Treacy and Wiersema categories. Among my clientele, this challenge meets little resistance. However, the sparks fly when leadership teams debate the singular focus on differentiation. Among the biggest surprises across my clients is the divergent perspectives on what differentiation is—or should be—
for their businesses. In complement of the necessity to identify the focus for differentiation, the exercise produces alignment.

Clear signals are a leadership priority. Simplicity is a virtue. My philosophy draws from the Curly Washburn weathered cowboy character played by Jack Palance in the movie, City Slickers. Urbanite Mitch Robbins, played by Billy Crystal, was wrestling with a midlife crisis. Curly shared his philosophy by raising his index finger to explain that “one thing”—an individual’s unique and defining priority (Smith, 1991). Businesses have an analogous challenge. Differentiation is not “us, too.” Rather, it is “we in contrast to all other options.”

With strategic differentiation established, tactics become the logical pivot. Tactics answer another simple question: “How will we pursue our strategy?” The options are numerous. However, resources—human or otherwise—have finite capacity. Limiting the number of initiatives is a best practice to assure that the ranks are not overwhelmed to the point where the only measurable outcome is frustration.

Reality check: Are the employees clear about strategy, tactics, and their execution roles?

Organizational Design

At this juncture, the cultural foundation is laid. Moreover, differentiable strategy is clarified and the tactical priorities are established. The next framing question is: Can the organizational design predictably, reliably, and robustly deliver results in scale? The answer is predominantly “no” for small businesses. The only question is degree of severity. Lean manufacturing principles attack this enemy daily. Removing today’s growth constraint, i.e., bottleneck, only accelerates discovery of the next growth constraint. This is essentially the chronic challenge posited and addressed by Eliyahu M. Goldratt in The Goal: A Process of Ongoing Improvement (Goldratt, 2016).

Another framing question stewards the argument: If the business mysteriously were three times as big tomorrow morning, would prevailing management principles suffice? This is an alternative route for getting to the “no” for the previous framing question. During 17 years of consulting to small business, I have never heard “yes.” The solution algorithm considers three variables: people, processes, and tools. Commentary on people will be deferred until the next section.

Process describes the workflow from product/service concept to cash. For some business models, workflow starts in a different spot. Disruptively innovative companies most assuredly start with concept because they invent products/services for which no established demand is validated. However, a wholesaler does not invent. Therefore, the wholesaler might start their cycle with marketing. Both aforementioned examples are gross oversimplifications that should not mask the point: each business model has a workflow, perhaps similar across competitors at a high level, but dissimilar at the granular level. There are established methodologies for improving workflow to reduce errors, accentuate scalability, and minimize resource consumption. Lean manufacturing, Six Sigma, and process reengineering are common disciplines.
Tools undergird good processes. Perhaps the most powerful tool is technology. Technology has profound implications for reducing labor costs. Automated check-out functionality at Home Depot is an example. As opined on Middle Market Methods website:

Businesses should accomplish economies of scope and scale as they grow. However, absent a rigor for designing scalability, the opposite may happen. The first step is process improvement. The second step is technology enablement. Getting these two steps backwards means making deficient processes more efficient instead of scalable processes more productive (Middle Market Methods, n.d.).

Upon establishing the future state for the combination of processes and tools, managerial requirements come into focus. To wit, leaders know what they must manage. Ideally, it is a flatter, empowered organization. Coincidentally, this appeals to the future workforce: millennials. It is time to pivot to people.

Reality check: Will the business model productively scale?

**Human Asset Requirements: Finding, Winning, and Keeping Talent**

People! Predictable appropriateness of human behaviors has eluded mankind since Adam and Eve amid their banishment from the Garden of Eden. There is no Rosetta Stone tool for anticipating and deciphering all leadership challenges. People fail at work. However, there are two high-level categories to consider in evaluating the cost of failure: innovation and normalcy.

Innovative endeavors must embrace the possibility of failure in pursuit of something that satisfies latent customer needs. Jennifer Crusie put it this way;” If you haven’t failed, you’re not trying hard enough” (Cruise, n.d.). These failures are educational. By contrast, standardized processes for established products should enable people to produce high volumes of activity while minimizing errors. Of course, errors occur, but should be tolerated as a cost of doing business if within acceptable tolerance ranges.

Peter Drucker opined on many leadership principles in *The Effective Executive: The Definitive Guide to Getting Things Done* (Drucker, 2006). His points extended to people in new roles. Some failure may be inadvertently “manufactured” by placing people in new positions for which the fit may be lacking. Fit reconciles the resident skillsets of an individual with the requirements of the position. Fit may be understood in two broad categories: technical skills and behavioral skills. In some instances, the level of proficiency is inadequate, but the candidate may possess the aptitude and resolve to learn skills for performing as required by the job.

Overlooking fit issues is an abject leadership failure. Whether hiring for new positions required of the organizational design, or filling vacancies created by repositioning existing employees to better fits, hiring decisions must be made. This section is not intended to approximate the human resources manual, but rather emphasize chronic challenges.

Companies commence in a bad spot if they reactively hire. The temptation to settle may be overwhelming. Part of the antidote is forecasting hiring needs in the budget process. Many
companies, of course, do this. However, those same companies may not be engaged in proactive recruitment. Indeed, this may be a foreign concept. Proactive recruitment promotes the organization as a potential employer irrespective of an actual vacancy. Why then, would an employer do this before posting the position? The short answer is quantity and quality of candidates. The best candidates may not be actively looking when made aware of the company. However, their curiosity may be teased sufficiently to ponder the possibility—someday.

A job description is more than a compliance tool. It establishes a competency strike zone. A good job description includes both technical competencies and behavioral requirements for best fit candidates. Something I’ve added in recent years is the MBO (management by objectives) inventory for the first year on the job. Not only does this refine expectations for the job, but it influences the types of open-ended questions that interviewers should craft in anticipation of interviews. Speaking of interviews, beware the possibility that hiring managers are not trained. This needs attention. Two manifestations of this deficiency are possible, and neither is good. The first is non-compliance; the second is substandard results.

In short, the interview should be engineered to encourage the candidate to do most of the talking. The questions should be structured to reveal fit. Over several years of interviewing and providing interview training, I have inventoried a list of favorite interview questions, including:

- What do you know about the company?
  - What do you want to know about the company?
- What do you know about the job?
  - What do you want to know about the job?
- What would your worst enemy admit is your greatest attribute?
- What would your best friend identify as your Achilles heel?
- What is your marquee accomplishment?
- What is the worst thing you ever encountered and what did you learn from it?
- What are you looking for in the next assignment, i.e., the ideal job?
- Compared to that ideal job, what is missing in your present assignment?
- What professional challenges keep you up at night?
- Describe your best fit position.
- Describe your worst fit position.
- What’s the difference between leadership and management?
- How do you determine what you keep versus what you delegate?
- What is your talent pipeline strategy?
  - How have you implemented it?
- What is the best job you ever had and why?
- What is the worst job you ever had and why?
- What makes you angry?
- What is the toughest decision you ever made?
  - What were the consequences?
- Share an example of being unjustly criticized and how you handled it.
- What do you want on your tombstone?
- Relative to the company’s “immediate priorities” as discussed during our conversation, please provide analogous examples of addressing such challenges.
- Assuming after arrival at the company, you decided the leadership team was wrong, what would you do?
- Why do you want this position?

Suppose the interviewing process produces the seemingly ideal new hire. How does the organization onboard the new employee? Onboarding prepares them for performing well in the position. This operative word is “prepares.” This preparation should be juxtaposed with ZipRecruiters’s top five turnover reasons:

1. lack of development/advancement,
2. lack of communication,
3. disconnect with managers,
4. managers do not value employee feedback, and
5. blaming the employee (ZipRecruiter, n.d.).

These reasons are traceable to managerial phenomena. Managers may attain their positions without being trained in how to manage. This turned out to be root cause for high turnover for one of my clients. The client struggled to comprehend the possibility: “But we hire from our competitors!” However, this incorrectly presumed that the job titles, workflow, and tools were identical. As it turns out, they were not.

Employers should not overlook cultural assimilation. As substantiated in the cultural arguments earlier in this article, it is not only what the company does, but why, and how. The favorite interview questions tendered above include catalysts that may reveal cultural compatibility—or lack thereof.

An onboarding “buddy” is another best practice to consider. A buddy from another department is paired with the new hire as a safe haven for questions that the new hire may feel inhibited to pose to department peers or supervisors for fear of looking unintelligent. A variation of the buddy system also applies to acquisition integration and addresses root cause of the predominant reason acquisitions fail to meet expectations: cultural incompatibility (Bradt, 2015).

Performance management is essential. Performance reviews are the bane of managers. This is part of the management training that many managers do not receive. No employee should be surprised by a performance review, yet managers often struggle to provide negative feedback. The phenomenon is even worse for millennials, who are predisposed to desire dynamic, immediate feedback. Kim Scott’s Radical Candor affords both seasoned and neophyte managers a tome of wisdom around the simple elements for caring personally and challenging directly (Scott, 2017). Essentially Scott’s version of radical candor accentuates the dynamic between leaders and followers to realize the latent potential in both.

A model that may work for managers borrows from the martial arts: enticing the employee to make the first move. Consider this choreography:
Employee: “How’d I do, boss?”
Boss: “How do you think you did?”
Employee: “What do you mean? That is what you are for, isn’t it?”
Boss: “Not entirely. Self-awareness is essential to personal growth. Let’s start with what you think. Then, I will confirm where we agree and share alternatives for where we differ.”
Employee: “This feels a little strange.”
Boss: “I understand. It felt a little awkward for me when I first received coaching from mentor. You’ll get more comfortable over time with practice and our interpersonal dynamic will evolve. Are you game for giving it a try?”
Employee: “Here goes. . . . . .”

A business culture must provide the governance architecture for productive interpersonal relationships. Both must be husbanded the same as plants, analogous to sunshine, water, nutrients, pruning, and grafting. “Voice of the employee” surveys are an appropriate tool. Fair warning. There is only one thing worse than NOT asking for feedback—doing NOTHING with the feedback.

For one of my clients attempting to do the right thing the right way, the response rate was trending lower concurrent with attrition trending up. Nothing in the responses hinted at root cause. The survey was blind, so flight risks could not be preemptively identified. Moreover, changing the survey to identify respondents is inadvisable. Besides, the flight risks were, perhaps, among those who did not respond.

I inspected the survey questions. They were in the strike zone of normalcy. However, a question that could shed light on root cause borrows from the Net Promoter® score principle: Would you recommend this company to your friends and family as a great place to work (Reichheld, 2006, 2004, 2003)? The additional feedback proved useful. Negative responses framed further investigation toward root cause. The company had been struggling with industry softness. The traditional salary increases to which legacy employees had grown accustomed dried up. However, the company had not been transparent about the challenge and employees filled the void with reasons that were not rooted in fact. The phenomenon straddled Herzberg’s hygienic and motivation factors. First, diminished trust created doubt about market compensation, i.e., a hygienic factor. Second, the absence of communication spawned doubt about whether the work remained fulfilling, i.e., a motivating factor. This phenomenon is especially tragic when seasoned employees exit the company.

Reality check: Is the leader-follower dynamic capable of communicating effectively for things that matter?

Closure

This article provided ideas for institutionalizing an “employer of choice” culture. Clearly, there is more to the challenge than pithy phrases. Additionally, the architecture of the business model must align with growth aspirations. Moreover, employees with technical expertise and behavioral proclivities who meet the company’s requirements need to understand their empowered
rediscovering the basics for an employer of choice

this article only scratches the surface. perhaps some readers of the article already use some of the ideas. however, the litmus test is whether the readers use most of the ideas—or some facsimile thereof—in addition to other great ideas to differentiably brand themselves among potential employers. finally, even if that goal is presently achieved, beware. as imparted by spencer johnson, the cheese always moves (johnson, 1989).

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