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**'Management' means, in the last analysis, the substitution of thought for brawn and muscle…**

**—Peter Drucker**

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## BUILDING A REFERRAL-BASED BUSINESS—OPINION

Take a good look at your client list. Arrange the names in order of their importance to your success and write down where their relationships with you began.

It's likely to become apparent very quickly that your best clients probably originated with a referral. (If you find few referrals at the top of your list, you may have even more to gain by reading further—you're missing valuable opportunities!)

Now, consider your efforts to acquire new business: Where do you devote your efforts? Where do you spend money?

It's widely accepted that referral-based business is the easiest to acquire, is likely to remain loyal and is most likely to notify you of and allow you to fix a problem when one arises. Over the long term, it is the segment of your business likely to be the most profitable!

These facts are hardly secret. Why, then, do most businesses fail to maximize their referral opportunities? They simply do not have a structured, organized way to gather and capitalize on referrals!

Look at any business magazine. You will see products for sale that are designed to help you acquire new business—marketing tools, advertising design services, mailing lists and mailing services. Add to the list Internet marketing ideas, contact management software, training in sales techniques and workshops on prospecting methods. Where in all this are the referral management tools?

Joe Stumpf, the real estate world's guru of referrals, has built an empire on the base of teaching people to build referral-based businesses. (You can find him on the web.) He has even trademarked his mantra, "By Referral Only™," and sells products promoting his approach.

His three-day workshops have been credited with thousands of real estate success stories, but you don't have to be in real estate or spend a dime on training to let the power of referrals help build your business. A few basic diligently applied practices can make a big difference.

To increase referrals and your new business, follow these five simple steps:

**Take time to explain.** Somewhere in the process of introducing our business to someone new, we tell them we base our business on referrals and explain why. The key point, and the reason they will eventually feel they owe us referrals, is this: Other people who do what we do spend more than half their time looking for new business, and the remainder servicing their existing clients. With our approach, we can spend 90 percent of our time giving clients exceptional service as they provide referrals for our new business.

**Ask for referrals.** This simple, no-cost act is the foundation of successfully building a referral business. Why don't we ask? Usually it's because we don't know how or because we are afraid of imposing. They might say no! Asking is simple, and done properly will almost always yield one or more referrals. Reduce the task to a non-threat level by simplifying your request:

"Jim, who else do you know that we should be talking with?" As the conversation develops, explain your approach.

Say, "I'm not asking you to call them and tell them we walk on water. I'd rather just call them myself and be able to say that Jim suggested I call because he thought you'd be interested in what we do."

When you call, say exactly those words. There's no threat to Jim or his relationship, but you'll be talking to someone who's listening. This is the first step to a new business relationship.

**Ask everyone.** One of our best clients came from a referral gained as we were essentially being "thrown out" of another prospect's office! When the prospect made it clear our services were not something of interest to him, our representative asked on the way to the door, "Well, then, who do you know that *should* be talking to us?" Ask your clients and suppliers, your prospects, your relatives and friends and people you meet at networking events. Ask the people who tell you no. You have much to gain and little to lose.

**Ask repeatedly.** In the six face-to-face meetings leading to a new client relationship, I asked for referrals each time without success. It actually became a standing joke, since we both knew that eventually I would ask. On the seventh meeting, I walked into the office, and he handed me a neatly handwritten list with seven names and contact numbers. He said, "Here are the referrals I owe you!" He had a smile on his face and I did, too!

**Give referrals.**

In the preceding story, I presented the prospect with at least one referral for his business at each meeting. By the seventh meeting, it would have been difficult for him to avoid reciprocating. It's not that hard to provide others with referrals, and you owe it to them, as they owe it to you.

**And those are five simple steps that can dramatically improve your business!**

## What Can We Do About Low Performers?

*"The most expensive time an employee is on my payroll is the interval between when I decide to fire them and when they go out the door."*

Every business, despite best efforts in recruiting, hiring and motivating employees, eventually faces the problem of consistently low performers. Tasks get done but seldom on time. Absenteeism and tardiness creep up. The manager gradually shifts some of the workload to other, higher-performing workers.

It's like the slow creep of some deadly disease, with the whole department or business being silently but steadily reduced in effectiveness and morale. As the manager, you wish people like this would just disappear, but it seems they never do. They just seem to hang on and on…

In some circles this is labeled "presenteeism," and having these low performers at work may be costing you more than if you paid them to stay home! Top performers, saddled with the extra load of carrying dead weight, may simply choose to move on, taking advantage of the current job market to go somewhere not requiring them to carry low performers on their back. Customers who interact with them think twice before bringing their business back to your company.

If you have low performers in your operation, and you think they will eventually go away, think again—they may have already outlasted your two predecessors and are planning a party around your eventual departure!

What can you do, then, to solve this dilemma?

**Identify the problem in clear, measurable terms.** If you've been meaning to set performance standards for each job in your area, now is the time. Absenteeism, tardiness, missed productivity levels and timeline delays could all become part of a set of performance standards (although you will be well-advised to set these standards in their more positive polar opposite verbiage.)

Meet with your low performers, lay out the expectations and the places where performance regularly falls short and make clear what the specific expectations are for future performance. Make it clear these expectations will be tracked and frequently evaluated. Then do just that—make the consequences of failing to meet these goals clear and enforceable.

**Work your plan.** Execution is the key. Follow your scheduled evaluations of performance with clear feedback. If expectations are not being met, give the feedback immediately.

While your fondest hope may be to see these people improve their performance, it's much more likely you are simply documenting the path to the door. Either way, timely feedback, action on promised consequences and consistent application are your key to solving the problem.

**Document your process.** Since the odds are highly in favor of the eventual departure of your low performers, make sure you have clear documentation of the entire process, from identification through consequences.

If performance, after all this effort, falls short of benchmarks, fire them! One successful manager said, "The most expensive time an employee is on my payroll is the interval between when I decide to fire them and when they go out the door."

Because firing someone, especially someone who has been with the business for a long time, is very painful, you may find yourself procrastinating. Your delay at this stage can only compound the damage.

Following Jack Welch's advice to remove the bottom 10 percent of employees each year is not an easy path, and you may differ in your approach to making your business better, but to ignore a consistently low-performing employee is to ensure your operations will never be as good as they could be.

Of course, when it is time to hire a new employee, we would all like to avoid replicating the departed one! This is the opportunity to use a well-structured hiring process, information from assessments and other sources, background checks and any other valid information you can gather to try to add a top performer to your business.

Studies have shown top performers, in nearly any business, will out-produce low performers by anywhere from 200-to-900 percent!

Imagine the effect on your company, if you could replace one low performer with one top performer. Then, imagine you did it again and again...

**The good news: You can!**



## Opportunities for Reducing Hire Failure —Applying Assessment Selection Criterion

A relatively large medical practice has used the Step One Survey II™ in its selection process for nearly two years. Recently, the practice shifted its attention to what was perceived as an unacceptable level of early hire failures (27 percent of new hires failing in 180 days or less.)

The company enjoys "preferred employer" status in its market and has continued to have a high number of applicants, even as unemployment has declined.

Historically, the practice has used the results of the assessment to influence the hiring decision. (Average scale scores are appreciably different between the groups of applicants who were hired and those who were not hired.) It is also clear they have not applied consistent criteria to the scale scores by eliminating applicants below criteria levels. (Several hired applicants had one or more very low scale scores on the assessment.)

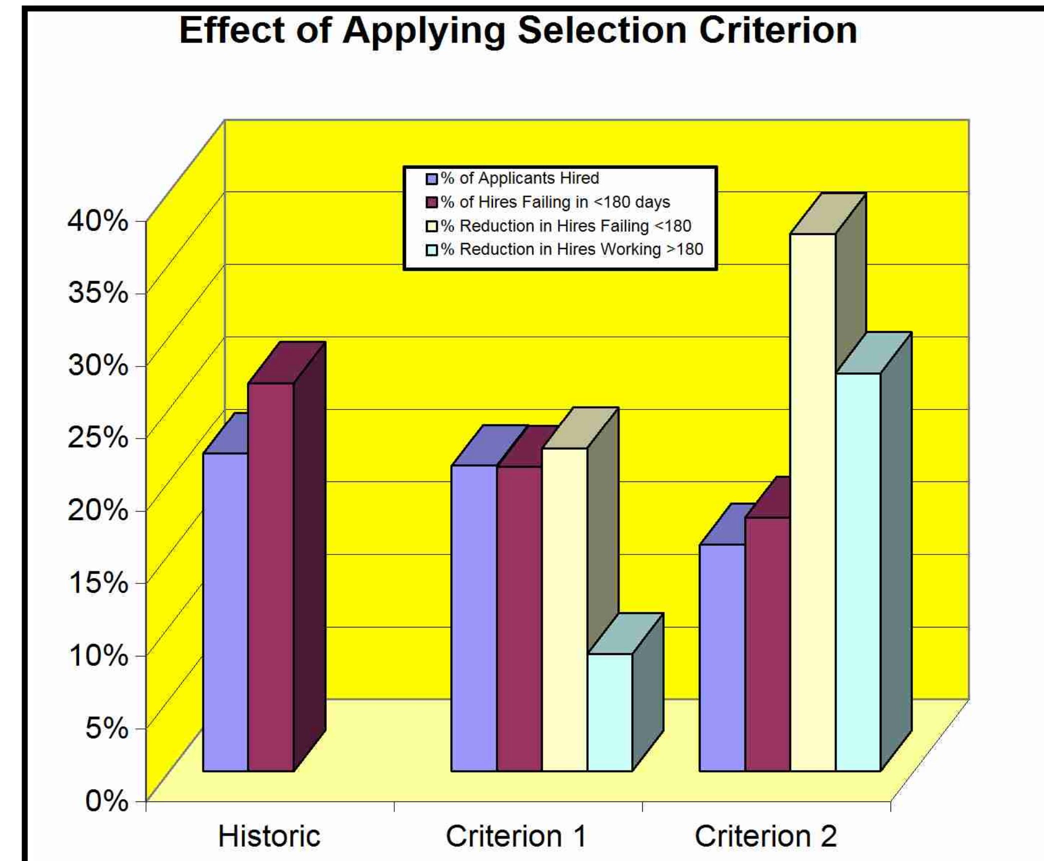
The data was analyzed for the possible effects of applying different criterion levels to the scores. Criterion 1 was calculated as if no applicants had been hired with any scale score of 3 or less. Criterion 2 was calculated as if no applicants had been hired with any scale score of 4 or less. As the graph shows, applying either criterion would result in a dramatic decrease in the rate of early hire failures.

Criterion 1 would reduce the rate from 27 percent to 21 percent, while only reducing the percentage of hires working beyond 180 days by 5 percent and the applicant pool by a mere 1 percent.

Criterion 2 would further reduce the failures to 17 percent but would reduce the percentage of hires working beyond 180 days by 27 percent, a level that may be unacceptably high.

The statistics provide a job-related basis for adopting Criterion 1 and should be more defensible than the current, less-structured approach.

To further reduce the percentage of early failures and provide the increased productivity effects usually associated with improved job fit, the company may well benefit from adopting a job fit assessment for finalists for these positions.




*...a dramatic decrease in the rate of early hire failures, with Criterion 1 reducing the rate from 27% to 21%, while only reducing the percentage of hires working beyond 180 days by 5% and the applicant pool by a mere 1%.*