



HIERARCHY OF COMPETENCE

WHAT YOU'RE DOING WRONG AND HOW TO
FIX YOUR SERVICE BUSINESS FOR OPERATIONAL
EXCELLENCE AND INCREASED PROFITS


ABOUT IBUILDCOMPANIES.COM

We never expected to start our own firm, even though many people had told us for years that we were giving away our expertise for free. As we grew more experienced and started working at an international level, we were startled by the lack of business knowledge from leaders in their industry. We realized then that we were *answering* more questions than asking them.

Our passion is to build effective, responsive and productive teams that maximize your profits. We can design anything from buildings to business cards. We can write anything from blog posts and press releases to technical manuals and sales catalogs. We are experts with Adobe InDesign, Illustrator and Photoshop, also know our way around WordPress, and Shopify, as well as Google's office applications and Microsoft Office 365/Live. We are an affordable one-stop shop.

TECH INCUBATOR & ACCELERATOR SUPPORT SERVICES

ibuildcompanies.com has introduced a new business model exclusively for tech incubators, tech accelerators, and independent co-working spaces across India and Southeast Asia. For a low monthly retainer fee based on the number of startups to be supported, ibuildcompanies.com will service your startups and client companies across our entire offering of services:

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|  Advertising |  Internet Marketing |
|  Branding & Brand Management |  Leadership Development |
|  Change Management |  Management Consulting |
|  Corporate Strategy Consulting |  Organizational Development |
|  Curriculum Development |  Organizational Restructuring |
|  Design & Writing |  Project Management |
|  Email Marketing Campaigns |  Product Launches |
|  Events Management |  Product Management |
|  Go-to-Market Planning & Execution |  Talent Acquisition Consulting |
|  Illustrations & Imagery |  Trade Shows and Conferences |
|  Internet Advertising |  Web Design |

THE PROCESS

Once a contract is signed, any of your startups can set up a meeting to discuss their pain points, after which we will create a response on how to eliminate that issue, be it training, upgraded branding, go-to-market-strategy, recommending a pivot in business model, etc. The retainer pays for our expertise in developing and executing these programs with an emphasis on excellence and international standards. Any external expenses such as venue rental, catering, merchandising, etc., would be covered by the startup or client company and we will create these plans based on their budgets.

EXECUTIVE SUMMARY

Operational strategy is different from your overall business strategy. Business strategy usually is a higher level view – where the company is going, what industries you plan to serve, what products or services you plan to launch, increasing revenues, countering threats, minimizing risks and how best to grow your organization. Operational strategy focuses on how you operate internally – the process you use to improve your products or service delivery, and ultimately grow through incremental improvements in processes, procedures, oversight and monitoring, data collection, etc. This typically leads to increased customer delight and loyalty, and increased market share and revenues.

What affects employees the most is service delivery. To do their jobs well, forward thinking organizations should use a four-prong approach to solving this critical issue. We call this methodology the Hierarchy of Competence.



Figure 1: Hierarchy of Competence

TALENT ACQUISITION

If you want great service delivery, you have to start with the best people you can afford. In the early stages of your business, you may be lucky enough to focus on volume. Because your product or service is popular, you may need a lot of people and quickly. You can hope to find experienced individuals who can get up and running quickly with minimal training and generating revenue immediately. This is nearly impossible. As many firms have experienced, many “qualified” applicants look great on paper, but those same “experienced” employees turn out to not be ideal for your organization because they came with fundamental flaws.

These flaws will start showing up either during the hiring process as you interview, check references, and do background checks

- ❌ Lack of ethics, such as lying on their resume
- ❌ Lack of understanding of the urgency of business and how companies make money
- ❌ Poor professionalism and skill sets
- ❌ Lots of excuses for bad performance
- ❌ Lack of communication skills
- ❌ No management skills
- ❌ Bad attitudes or feelings of entitlement

Your company should never hire these people. You will learn the hard way that bringing even one of these people into your organization can act like a virus, rapidly infecting other employees with poor attitudes, rampant disparaging gossip, fostering underperformance and avoiding clients angry over that poor performance. Developing a profile of psychometric strengths you are looking for, listing the attitudes you desire, and investing in training would be a better way to move forward.

SO HOW DO YOU ATTRACT THE RIGHT PEOPLE WHILE REPELLING THE WRONG PEOPLE?

EMPLOYEE REFERRAL PROGRAM

Pay very high referral bonuses to your employees who refer their friends and ex-colleagues to your company. “A” players only want to work with other “A” players. People who have friends in the organization tend to stay with the organization for a much longer period of time. “A” players who see “C” players being promoted over them will rapidly leave your company.

HIRE THE BEST POSSIBLE TALENT ACQUISITION MANAGER TO OVERSEE YOUR SENIOR MANAGEMENT HIRING AND MANAGE THE INTERNAL RECRUITING TEAM.

This person would also be responsible for mentoring their team members to improve their screening and interview skills to better identify those candidates that are stable, have good communication skills, maturity and the intellectual capacity to learn the business quickly.

CREATE A GREAT ONBOARDING PROCESS

Ensure that all employees start their careers at your company on a positive note; feeling safe, smart, valued and important is crucial. This includes activities such as assigning a mentor to buddy up with new employees – a point of contact for every question a trainee may have. This mentor also supports the training the newbie will undergo.

COMPANY INDOCTRINATION:

During onboarding, present your core mission statement and values which should include characteristics such as integrity, diversity and respect, performance-based

culture, knowledge and creativity, professionalism and partnership. Spend time ensuring that each individual knows what they mean, how they are rewarded on the work floor, and why breaking any of these core values is a deal breaker at your company and they come with consequences such as warnings, suspensions and even termination.

FOCUS ON A CANDIDATE'S FUTURE GROWTH

As candidates are interviewed, evaluate their potential leadership abilities based on the thoughtfulness of their responses to ethical questions, mock scenarios of business situations they could experience at your organization, and whether there are fundamental flaws that could keep them from being successful in leadership roles (poor communication skills, lack of self-awareness or self-discipline, etc.). By understanding a candidate's motives for wanting to work for your company, why they specifically selected you as a company, where they see themselves five years from now, all helps you make better decisions for those that are placed on a potential management track.

RECRUITING METHODOLOGIES

Does anyone still recruit by putting ads in the newspaper? Are you using social media and other online technologies beyond job portals to find the right candidates? What novel strategies have you tried? Invest heavily in using social media to recruit savvy individuals, and place a priority on showcasing the work floor activities and recognizing your employees' successes on LinkedIn, Facebook and Twitter. This transparency can translate into a vastly expanded reach, supporting your Employee Referral Program and increasing the number of employee referrals tenfold. Showing an insider's view of your company, uploading videos on how to make the best of your interview, tips for interviewing, what to expect in different jobs at your company can be very popular and shareable.

CANDIDATE PERSONALITY PROFILE

Instead of focusing on previous experience, focus on identifying the primary personality traits that would enable a person to be successful. Previous experience will depend on the profile you are trying to hire. For sales people, our experience showed that people with education and backgrounds in the hospitality sector (best communication skills with a customer-centric focus) had a distinct advantage. For other companies looking for sales people, they focused on their education, hiring successful college athletes, citing that their competitive need to win and their not taking "no" as an answer makes them very effective. They also cited that athletes in team sports were hard-wired to be team players, which was also a sign of future potential.

SKILLS DEVELOPMENT

When I was five and people asked me what I was going to be when I grew up, I never said I wanted to be a management consultant. Most people end up as baristas, retail sales people, waiters, starting usually as a stopgap measure on the way to "something better", hopefully finding a company where they find a position where they enjoy what they do. Most companies have minimal onboarding activities, and have no training at all, and if they do, it is minimal. These companies usually do not have any follow up to any formal training they may invest in, so the

effects of the training may never materialize into increased revenue. Most new recruits learn on the job, making mistakes, learning from them, trying new things, and getting better at it and generating more revenue as they go.

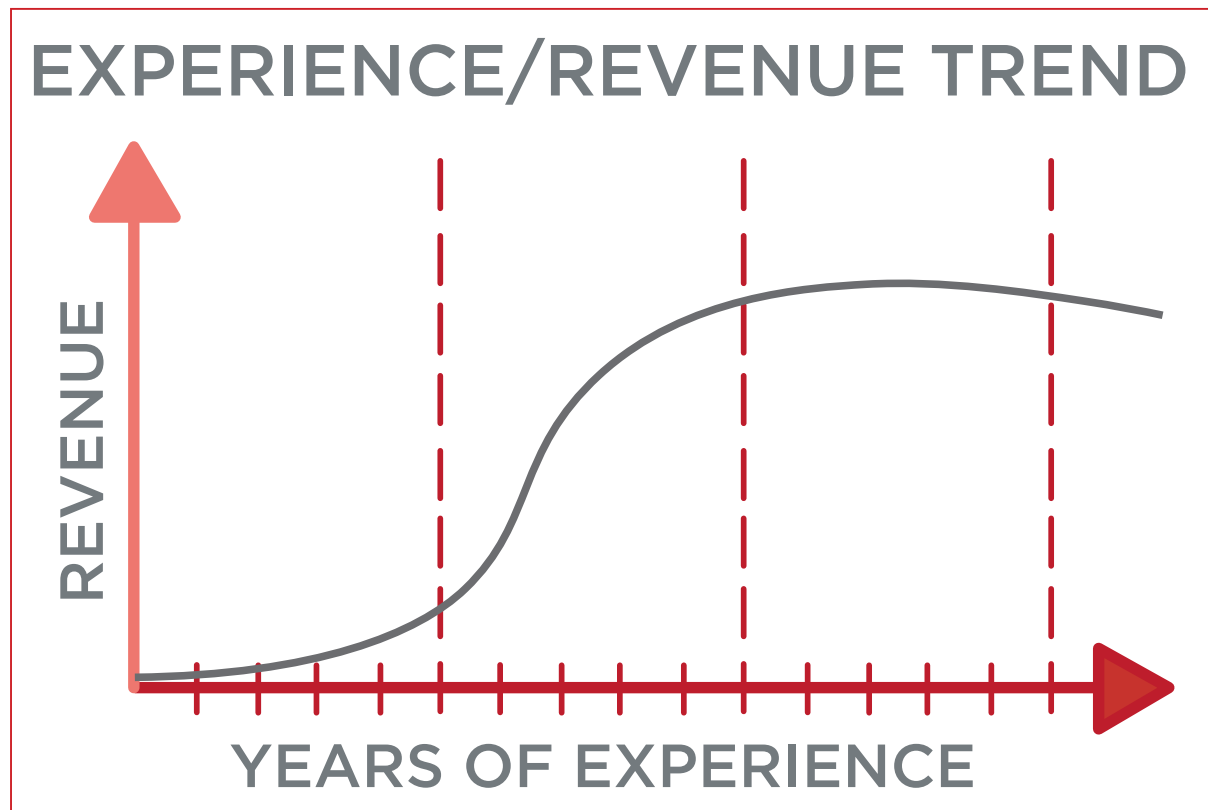


Figure 2: This graph shows the average revenue generated by a recruiter based on the number of years of experience he/she has. As you can see, there is steady improvement over the years until it plateaus around year ten.

What we've seen is that most new employees take a long time to adjust their volume and quality levels to meet their targets. Maximum revenue typically comes after ten years of experience. Many companies figure the best strategy is to hire people on their way up – around five to six years of experience at a lower salary. These people will be engaged and experience a few stretch opportunities as they gain more experience until they reach their peak revenue levels.

Instead, we found that hiring the right people who fit the target profile with little or no experience and providing an excellent and intense two-month training program made better sense. This training was deliberately configured for classroom training in the first half of the day combined with work floor activities later in the day that focused on the same classroom training. These could be simple worksheets, daily tasks, small projects, documenting processes, etc. to further reinforce what they've learned in theory. Putting it into practice on the same day provides effective learning opportunities for all types of learners. Each trainee was assigned a mentor who was their point of contact for any questions they may have while working on the floor in the second half of their day. We found a dramatic increase on skill level testing as training progressed.




In addition to formal education and mentoring through, you can also partner with external training organizations, utilizing their online learning management system to fill skill gaps in our existing workforce. Your training team should test rolling out an initial assessment with these online training modules that fit your needs. This addresses updating skills across the company to ensure every employee meets the minimum skill levels required before ever working with a client and keeping their skills up to date as they gain experience. While heavily supervised and with volumes of feedback from training personnel, their mentor and their manager, each employee hits the work floor ready to be productive. Even if we've made a mistake and hired someone with merely acceptable skills, training will dramatically increase their abilities, confidence, and desire to win. Good training will add maybe 30% to the performance of an individual.

Revisiting the graphic above (Figure 2), hiring great people with no experience provides minimal revenue until year two. With great training, revenue begins accruing by month six. You can cut two years off the graph, achieving maximum revenue per recruiter by year eight.

PERFORMANCE MANAGEMENT

Performance Management fixes the work process. Many managers make it up as they go, making assumptions, not collecting data, instead listening to their "gut instincts" or anecdotal evidence. Performance management should be a steady flow of inputs and outputs designed to maximize returns for a client and revenue for your company..

In data-driven performance management program, your team leads should collect data twice a day and enter it into your PMP software or your employee management spreadsheet that formalizes the assessment process. It identifies:

-  **Company Issues:** internal challenges that may require more training, replacing the resource, modifying our internal process, etc.
-  **Client Issues:** external challenges such as lack of feedback on candidate submittals, no control over keeping candidates interested, no interview debriefs or bad strategy decisions.
-  **Shared Issues:** challenges that depend on other challenges that are not being completed, like not getting feedback and iPlace not alerting the account manager in a timely manner to get feedback.

Performance management programs should feature the following attributes:

DATA COLLECTION

For some companies, this can be exceptionally difficult, especially if you work with many different sizes of clients, with different business models and strategies. There is no way to accurately compare one account to another in order to determine what data is valuable to track. Instead, focus on basic metrics to start, then modified formulas to master each account's priority metrics. High volume global accounts behave very differently than a smaller local corporate account with differing amounts of work required each month. These accounts have very different parameters for success and your performance management program has to accommodate each client's unique needs.

METHODOLOGY FOR IDENTIFYING ISSUES

Once you understand the universe of metrics required, it means developing a precise, easy-to-follow methodology for identifying what the potential issues are, how to confirm which ones were bona fide and how to go about addressing the concerns and following through on execution. This is the hard stuff. There is no easy formula to do this because each company in every industry works differently.

PROCESS FOR WORKING WITH CLIENTS TO SOLVE ISSUES

With any client, it is in your best interest to share your learning and work with them to develop the prescription to fix what's not going to plan. One of the reasons to do this is because you want your clients to think of you as a partner, not merely a vendor or supplier. You want them to be successful. The other, more critical reason is because you want to be able to improve service delivery to four times the cost per resource. A lofty goal, but completely doable when all four components of the Hierarchy of Competence are achieved. This absolutely requires excellent communication and trust with clients that see you for who you are – experts in your field. If you work with numerous clients nationwide, across all business models, industries, firm size, and strategies, then you've seen what works and what hasn't for certain clients. That knowledge is there inside your company and that expertise is available for clients who want to increase revenue and are open to learning new strategies and changing processes in order to execute.

Returning to corporate culture, this works only when you provide an environment where innovative thinking is encouraged. Programs that celebrate proactive thinking, developing others within the team, and working closely with clients will drive better overall performance. Internal communications should focus on leadership, development, sharing knowledge and being creative. When people feel safe to express their opinions and ideas, your employees feel empowered to recommend ways to improve, develop new ways to generate information, share innovative work hacks, etc., that enable all employees to learn new skills every day.

Let's say you have an average employee who makes the minimum tasks required per month. You provide additional training to fill identified skill gaps and that can increase the performance somewhat, maybe 30%. The bulk of the improvement will come from breaking down the tasks involved in completing that person's daily work, examining the data for each step of the tasks, then identifying where the process can improve. This average resource, with training, and following a clear process can generate at least a 60% improvement in their performance. Our goal is four times the cost, which requires going to the next level – strategy.

STRATEGY

All companies have their challenges but business that provide services have very distinct challenges:

- ❌ **Difficult to train people** – clients are resistant to training (typically you'll be told to "do it on your own time").
- ❌ **Longevity issues** – people don't stay long enough to become truly skilled in their work and produce the revenue required to meet a return on their initial training investment.
- ❌ **Lack of employee growth** – probably your hardest issue. Let's say a stellar employee is a dynamic leader on the team, makes their placement targets each month, is mature, shares knowledge and we want to promote them. Our client will typically be resistant to the idea because this person is generating revenue for them. It is not in their best interest to congratulate the employee and move on. The reality is that the employee wants growth and iPlace need leaders to manage client teams. Neither our client nor iPlace wins if the employee quits due to lack of growth.
- ❌ **Dependent on client for success:**
 - ❌ Lack of communication or direction from client
 - ❌ Bad client strategies

RECOMMENDING CHANGES IN STRATEGY WITH CLIENTS

There's no easy way to do this, but be prepared with plenty of data, and lots of ideas, that can coalesce into a concrete strategy. Start with internal meetings with the team. Maybe meet with other teams with similar clients on their business models and what's working and what's not. Perhaps a series of meeting with the client (if they're open to it) to create a win-win solution is a way to go. Make sure communication is open and ask for performance feedback. Ask about their revenues, you don't need actual numbers but percentage increases or decreases can help a lot. It shows you understand the focus. You need to make money for the client.

Test the boundaries. If you're smart, you will call your client regularly and ask them, "What makes you successful and what can we do better to make you more successful?" Ask them for specifics on what you can do differently to achieve more success for them. Your client is not the enemy (even though sometimes they seem so). Finding ways to work this, creating win-wins with your client will lead to success for your client and ultimately success for you.

The Hierarchy of Competence illustrates the four major components required to take your company to the next level. Some companies are great with talent acquisition but fail at training their people. Others invest in training mediocre staff expecting stellar results. Others have excellent and well trained teams with no focus on improving their process. Even worse are great teams using bad strategies that set them up to fail. Find a way to incorporate these components in your organization and you will have a recipe for success, with increased revenues and improved employee satisfaction and engagement. The choice is yours.



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