

## Small Companies Have Big Shoes to Fill

By 2015, millions of baby boomers will have retired, leaving a significant gap in the American workforce. It's an issue that two out of three small and midsize businesses (SMBs) are willfully ignoring. A mere 35% of SMBs have a succession plan in place, the recent report, "The Looming Leadership Void: Identifying, Developing and Retaining Your Top Talent," by the Aberdeen Group found.

"It all comes down to a lack of urgency among senior management," says Kevin Martin, research director in Aberdeen's

human capital management practice and co-author of the report. Additionally, he says, SMBs "lack awareness of solutions that are out there."

### Building bench strength

Succession planning is far more than grooming the next generation of the family members or senior managers for company takeover. SMB job functions, even at lower levels, often require very specific skill sets.

"It's about how to have the right supply of people for your organization when you

need them," says Brian Wilkerson, national practice director for talent management at Watson Wyatt.

Training and succession planning go hand in hand, says Fran Luisi, principal at HR recruiting firm Charleston Partners. Many of Luisi's clients have focused succession planning on grooming people to step into specific roles. It's a step in the right direction, he says, but not enough.

Organizations like to talk about having "names in the box," says Luisi, but the question is whether

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## 6 Ways to Keep Employees Engaged in a Downturn

When employees are highly engaged, their companies enjoy 26 percent higher employee productivity, have lower turnover risk, and are more likely to attract top talent, according to a report by Watson Wyatt, a consulting firm.

The survey found the following about highly engaged employees

- They are twice as likely as their less engaged peers to be top performers.
- They miss 20 percent fewer days of work.

- Three-quarters of them exceed or far exceed expectations in their most recent performance review.

They tend to be more supportive of organizational change initiatives and resilient in the face of change.

"There is no 'one-size-fits-all' approach to employee engagement," said Ilene Gochman, global practice leader for organization effectiveness at the firm. "Segmenting the workforce and tailoring communication, performance management pro-

grams and other resources to specific employee groups is the most effective way to engage workers."

Findings from the report suggest that employers can take actions to increase engagement and productivity. The firm offers the following examples of actions employers can take:

**Capitalize on "engageable moments."** An engageable moment is a critical juncture for maintaining and building engagement. It might occur during such programs as new hires' onboarding, performance

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## *Use Communication That Deepens Rapport and Builds Trust*

Rapport is one of the great mysteries and challenges of human dynamics. When successfully exercised, it can increase your odds of gaining trust and meaningful communication that will hit the bulls-eye every time. When not successfully used, it can hinder both our professional and personal lives. Although some believe being a rapport builder is an innate skill, the truth is that developing, enhancing and refining your ability to create rapport is very learnable. Adopting these human dynamic skills will improve your profes-

sional and personal life. Guaranteed!

Rapport is a French word meaning to offer back. When we are in rapport with someone, we show him or her that we hear and understand him or her. When we match and mirror communication styles of others, we respond to them in their language and they in turn, become more comfortable with us. In today's ultra-competitive and hypersensitive marketplace, traditional methods of building rapport,

like "chit chat" and finding common threads of commonality, are well known, but not enough.

Increasing rapport-building capability requires changes within us. One model for improving our human relations skills is learning and using Neuro-Linguistic Programming (NLP). An important component of NLP is identifying the other person's primary mode of communication; are they primarily visual, auditory, or

(Please see Use Communication on p.6)

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## *Small Businesses: Don't Cut Costs by Paring Insurance*

"Can't we get rid of this professional overhead insurance?" asked a small business owner friend of mine recently. He and his partner were in cost cutting mode and were considering dropping the policy, but I cautioned them to think twice before canceling coverage that could ultimately save them significant amounts of money in an emergency.

Many small business owners are slashing expenses in today's weak economic environment. While reviewing costs and

carefully reviewing budgets are smart moves in any environment, cost control is critical in a downturn. However, being selective about the line items you eliminate can make the difference between success and failure in down times. Insurance can be costly but is a crucial part of risk management in a small business.

Professional overhead insurance is a type of coverage that protects business owners in the event of business inter-

ruption. A business interruption might include the extended absence of a key employee, a natural disaster such as a flood or tornado, or even damage to your building that prevents you from conducting business as usual.

For example, in my home state of Iowa severe flooding last June caused severe damage to many businesses large and small. Flood insurance covered some of the physical damage.

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## *Considerations in Buying or Selling a Business in a Down Market*

It seems that with each new day the financial news grows increasingly grim. However, regardless of whether you are looking to buy or sell a business, a downturn in the economy does not mean that you need to sit on the sidelines and wait until the economy improves to get a deal that

works for you. Doing your homework and taking the right steps now to maximize your position can make all the difference when the time comes to buy or sell.

Selling a Business

Performance. Selling a

business that either is growing or shows stable financial performance is easier than selling a business that has suffered losses. In a tough economy it is more effective to focus on the bottom line. Come up with ways for customers to save money on

(Please see Considerations on p.3)

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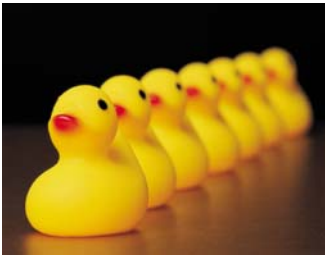
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## Considerations...

things that you know they must have. Lower costs proactively. Try to renegotiate your rent, trim labor costs, and don't be afraid to ask service providers for price cuts. Any actions you can take to increase profits and reduce costs will make your business more attractive to potential buyers.



**Get Your Business in Order.** When buyers are evaluating your business they will look at 3 years of financials. Make sure your financials have been prepared by an accountant and are in order. Also, review all agreements, leases, customer and vendor contracts and your company's incorporation status. Is everything up to date? Is your business in compliance with all federal, state and local regulations?

**Obtain a Business Valuation.** Obtaining a valuation from an independent source will give you a good idea of what your

business is worth. Knowing what your business realistically can fetch in a sale will allow you to market your business more effectively.

**Prepare to be Flexible.** The perfect buyer may be out there, but the deal they bring to the table is not likely to have the exact terms that you were looking for. Be prepared to consider alternatives, and work closely with your lawyers and accountants to obtain their advice and counsel when negotiating the terms of a sale. Since access to bank financing may be limited, seller financing is common in many transactions.

### Buying a Business

**Performance.** Especially in a down market, buyers need to know exactly what they are buying. Consider looking at monthly financials. This will help identify when a business began to decline, and what the trend has been since it started to decline. Closely review any business valuation. When was it prepared? Does it take current trends into account?

**Due Diligence.** There may be bargains out there but be wary of fire sales because they may signal trouble

ahead. Does the business operate in a highly regulated environment? Is the business in compliance with all of its regulatory obligations? If you buy the business, will you become responsible for regulatory violations previously committed by the seller?

**Buying a Business Out of Bankruptcy.** If you are purchasing a business out of bankruptcy, unless appropriate precautions are taken it is possible for certain liabilities and claims to follow the assets that have been purchased. For instance, patent and trademark infringement claims or environment liabilities can follow the assets and be a significant burden for buyers. However, proper planning and drafting of the sale document approved by the Bankruptcy Court can potentially limit your exposure.

Remember that in today's economy, whether you are buying or selling, it is critical that you obtain legal advice before you enter into any sale or purchase. Proper planning can make all the difference.

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## Small Businesses.....

But those businesses which had professional overhead insurance coverage were able to recoup some of the financial losses which resulted from the interruption to their enterprises - not just the physical damage.

For small businesses, covering the cost of interruptions can be over-

whelming. Therefore, while continuing to pay for this type of coverage can be costly it can also save you significant amounts of money down the road. Depending on the policy and the issuer, professional overhead insurance might cover rent, utilities, franchise fees, recruiting expenses, and

even the cost of replacing a key person for a period of time. As a business owner, you have to weigh each expense carefully. In a downturn, think carefully before cutting critical insurance coverage that might be a life saver in unforeseen emergencies.

Suzanna de Baca / Expert Business



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## AWARENESS TOPICS

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## Small Companies...

those people are ready to take over their potential new job function immediately. "Succession planning is two-fold," he says. "It's learning and skills in the long-term and development [in the short-term] to have that ready-in-24-hours factor."

Says Martin: "Succession planning is a combination of process, tools and disciplines that enables an organization to plan for anticipated leadership needs as well as identify, develop, retain and allocate key talent."

Smart SMBs may know that succession planning is critical, but it's clear that they aren't doing enough. Sixty percent of best-in-class organizations have a succession plan that is integrated with their company's strategic plan, the Aberdeen data shows.

Large companies are twice as likely to have established a companywide succession planning strategy that is integrated with the company's strategic plan, as opposed to a reactive approach used to address needs as they arise, says Jayson Saba, research associate at Aberdeen and co-author of the report.

### Best practices

Nearly 40% of best-in-class organizations maintain some sort of database of both "active" and "passive" succession candidates over the past year, the survey suggests. Seven in 10 plan to do so in 2008. In addition, 58% have defined both "hard"

and "soft" skills required for each position; more than one-third plan to do so in the next year.

Best-in-class organizations measure the skills of successors and potential successors though analysis of key performance indicators on a regular basis. More than half measure such indicators on at least a twice-yearly basis.

While many believe that internal hiring is the way to go, "it needs



to be a blend" of internal and external, Luisi says. External hires can bring in fresh ideas and a new perspective in a way that those immersed in a corporation's culture are sometimes unable or reluctant to do.

Along that line, Saba observes, "Almost half of our best-in-class companies allow access to employees across divisions rather than limiting internal search to each business unit."

The old "one-to-one" idea of succession planning is a thing of the past, Wilkerson says. (Companies) need to create a set of options to build that next generation of leaders."

### Tech tips

As companies grow increasingly familiar with using technology for day-to-day business needs, they should consider automating the succession planning process, Martin and Saba suggest.

While the majority (64%) of organizations surveyed by Aberdeen currently use a paper-based succession planning solution, more than half intend to go paperless in the next year. Automating the process can be as simple as maintaining a computer file or Excel spreadsheet on each employee in a leadership role. Update the information regularly with the employee's latest tasks, scores on performance reviews and performance metrics, and keep track of employees in other departments with similar skill sets.

New technologies such as high-quality data organization charts or in-house tracking metrics can also make the process much more streamlined for larger SMBs (300 employees and up).

But most of all, it's a matter of action. Retirement and labor gaps are looming, whether you want them to or not.

"Don't get caught up in the term succession planning," Martin says. "Forget about that - get caught up in what succession planning is supposed to do."

By McLean Robbins

## Top 10 Outsourcing Trends by Small Businesses in 2009

The expanding reach of the Internet and growth of online collaboration tools have all changed small business outsourcing dramatically in the past 3-4 years.

Let us take a look at 10 key trends for using independent contractors for projects and even ongoing staffing needs, and how they shape up in 2009:

**1. The "Outsourcing Life"** is hip Popularized by the best seller *The 4-Hour Workweek*, more people are realizing that they can get their work done by someone else even if they are a solo entrepreneur. According to statistics published by US Small Business Administration, 56% of US small businesses with 100 employees or less, have fewer than 5 employees. If your business is one with no employees or a very small number of employees, you may find yourself over-stretched for time, and in need of outsourcing in both your personal and professional life. Driven by the economy and the need to watch expenses, more businesses will opt for contracting relationships and hold off hiring new employees as long as possible.

Small businesses are also continuing to push the envelope on what can be outsourced. They are discovering elements that can be outsourced even in previously "core" activities. For example, an Australian small business we work with specializes in online marketing, but also uses multiple telemarketing providers to cross sell their product range to customers.

**How to benefit from this trend:** Re-examine what you consider to be activities only you or your employees can do. If not the entire activity, can some parts of this at least be outsourced? Be prepared to invest some time up front in training your outsourcing partner.

**2. Have we met? Not likely!** Trusting people you never meet face to face is gaining acceptance. Use of Skype conversations and social networks like Facebook and Twitter exemplify how people who have never met strike up relationships with each other. These media are increasingly becoming the means for small businesses to reach out and establish trust based relationships with their outsourcing partners.

**How to benefit from this trend:** If you are a vendor, establish a presence on the networking sites of your choice - LinkedIn, Facebook, Twitter etc. to create an online brand presence. Make it easy to be found and for customers to get to know you. Evaluate which mode of communication gives you the best results. Also take into consideration where your customers are located and how they prefer to be contacted. Sign up with Skype, or other email and Internet marketing tools.

**3. More power for the hour** - new ways to price services. Payment schedules structured to incentivize success are gaining popularity. Two common types of payment methods are "Fixed Price" (where the vendor takes much of the risk - this is often highly conflict prone) and "Time and

Materials" (this gives the vendor flexibility in defining scope but is expensive and asks the buyer to micro-manage). We're seeing pricing structures that combine the best of both. For example, web page design will be fixed at a price per page. Subsequent changes requested by the buyer are paid for using an hourly rate for the effort.

**How to benefit from this trend:** Split your project into 2 parts: the part that is well defined and unlikely to change, and the part that needs to change as you see results of each phase. "Fix Price" the well defined part, while agreeing upon an hourly rate for the rest.

**4. "We need to talk"** In real estate the mantra is "Location. Location. Location." In outsourcing the mantra is "Communication. Communication. Communication." Operational structures that clearly define responsibilities and establishing ways of communicating play an ever more important role in successful outsourcing. For instance, you might establish a regular review schedule to effectively manage a project and stay on top of progress. This is preferred over putting a project out for hire and then going weeks without any status update. Email, instant messaging and collaboration technologies make it easier to conduct frequent reviews.

**How to benefit from this trend:** When you outsource a project, establish a routine of daily or weekly status review calls based on project size. The duration of the calls again depends on the nature of your project, but typically 1 hour or less works best.

**5. Taking the relationship to the next level** - outsourcing ongoing processes Small businesses are opening up to outsourcing ongoing processes, in addition to projects. Task (or project) outsourcing (file my taxes) is primarily a one-off activity while process outsourcing (manage my accounting) requires a relationship approach. Process outsourcing also places greater responsibility on the vendor to become closely familiar with the client's business and the client's customers.

**How to benefit from this trend:** For the projects you are outsourcing, see if some of the activities you do before and after the project can also be done by your outsourcing partner. When outsourcing processes, evaluate providers for a strong understanding of the legal and regulatory issues associated with the process they would manage.

**6. Jigsaw Puzzle Outsourcing** The ability to break a process into components that can be done by different individuals, but designed to all fit together for the end result, is a complex skill that is increasingly valued.

**How to benefit from this trend:** When outsourcing a project focus more on who can get the job done best. If other factors like location, cultural affinity, time difference etc. are concerns for you, share them with your outsourcing partner. Discuss how the risks that come with these factors can be mitigated and find a solution that both parties feel is fair to them.

**7. Let's collaborate!** Tools like Basecamp, Zoho and Google Docs enable collaboration across continents cheaply. You no longer have to worry as much about whether the client or the service provider have the same software applications installed, and in what form you are going to deliver work. Online apps that are universally available make exchanges of information, project updates and deliverables easy and seamless. PayPal has changed the face of payment. PayPal is available in 190 markets and 18 currencies around the world. Small businesses are using PayPal to invoice, make and receive payments. Skype, an Internet based telecommunications and messaging system, likewise has made telephone conversations and quick message exchanges easy and inexpensive to do.

**How to benefit from this trend:** Decide what collaboration tools you need, and pick the one that best fits your needs, and does not confuse you with too many bells and whistles. Coach your outsourcing partner on how to use the tool most effectively, if required.

**8. Offshore or Homeshore?** The choice is yours! Small businesses are maturing to look at a variety of factors before making the outsourcing decision. Tasks that require presence in the same time zone and a cultural awareness are being Homeshored. Tasks that are not time sensitive or heavily influenced by culture are being Offshored.

**How to benefit from this trend:** Evaluate if your outsourcing partners can train themselves on some of the cultural aspects if they belong to a different geography.

Offshore only those tasks that are well defined. For tasks that need your input several times a day, choose a provider who can work in your own time zone.

**9. Just tell me when it is done!** Small businesses appreciate vendors who can support them through the project execution process. Small businesses are increasingly realizing that bringing clarity to tasks, defining milestones and timelines, tracking progress etc. play a pivotal role in project success. We're seeing the emergence of more agencies and firms that place outsourced talent and handle all the overhead for the client. These services are increasingly sought and valued by small businesses. Almost every client we have tells us that the service we provide in managing their outsourcing is what they value most.

**How to benefit from this trend:** Evaluate how much time you and your employees are ending up spending on finding providers and on assigning and tracking their tasks. This could be another service you could outsource to an outside agency. Look for strong communication skills and experience in setting up processes that produce results.

Amit Mullerpattan, Small Business Trends

## 6 Ways to Keep...

management and benefits enrollment, or when the organization goes through particularly challenging economic times. The report shows that engagement starts off high among new employees, but tapers through careers.

**Demonstrate strong leadership and clear direction.** When times are difficult, employees want to know about their organization's specific plans and progress. Decisive action backed by clearly articulated rationale can build support for corporate initiatives, particularly when individual performance objectives and rewards are tied to corporate objectives.

**Manage organizational change with effective communication.** Effective communication from senior management directly connects employees to the purpose of the organization. This is particularly important in a challenging economy, when employees are anxious to learn the rationale behind decisions. Reviewing

communication processes to ensure that information flows vertically as well as horizontally throughout the organization is an important step to employee engagement.

**Emphasize customer focus.** In difficult times, employees are aware that job security is strengthened by satisfied customers. Emphasizing customer satisfaction keeps employees from being too internally focused and provides a common direction to move the organization forward.

**Institute and communicate a system of equitable rewards.** While it may be necessary to cut back on rewards, organizations need to understand which reward programs are most important to engage their critical employee segments. Changes to rewards need to be communicated in a way that is consistent with delivering on the employment "deal." Employees who indicate their organization effectively delivers on the employment deal are 20 times

as likely to be highly engaged and 50 percent more likely to be top performers, the survey found.



**Invest in the core.** The key to driving productivity gains is increasing engagement among core contributors, who represent 60 percent of the typical workforce. Highly engaged employees are already working at or near their peak but are often limited by their less engaged co-workers. Focusing on engaging core contributors can improve both groups' productivity. "Improving employee engagement will help drive business results in the long run by improving employee commitment to corporate goals and generating exceptional individual performance and productivity," said Gochman.

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## Use Communication...

kinesthetic communicators? Using NLP skills enables long-lasting rapport without relying on the threads of common interests alone. Your entire interaction with other people becomes one of effective and successful communication. Imagine being able to:



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Significantly increase understanding with customers, prospects, family members, and yourself.

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The second model for understanding yourself and others is the use of the (D.I.S.C.) Communication Profile, i.e. the Dominant, Influencer, Steady Relater and Compliant. This profile is neither a personality test nor a personality profile. There are no right or wrong answers, and it speaks to how we behave in four major areas of life:

How we deal with problems and challenges  
How we influence others to our point of view  
How we deal with the pace or speed of our environment  
How we deal with the policy and procedures given to us by

others

Understanding our own behavior and managing it, becomes a foundation for understanding others better. Genuine connections with our clients, co-workers, our spouse, and family members are a desirable goal for all of us. Imagine how small, yet measurable, improvements in the realm of human dynamics could profit us financially and emotionally. Improving rapport skills enhances all communication. Rapport builds trust. Rapport is the bridge that connects two people into compatibility and experiencing the world in the same ways together.

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