WHERE ARE YOUR Icebergs?

By Leanne Hoagland-Smith, M.S.

Over one hundred years ago, early in the morning of April 15, 1912, an iceberg sank the RMS *Titanic* on her maiden voyage. The accident resulted in the loss of 1,502 lives and is considered one of the deadliest peacetime maritime disasters.

In recent years, small businesses here in the United States appear to have fared only slightly better than the *Titanic*. According to the U.S. Census Bureau and the Bureau of Labor Statistics, in year five over 50 percent of small businesses are now at the bottom of that very cold, very deep business ocean.

The Small Business Administration suggests that lack of experience, insufficient capital, and poor location are the top three reasons for small-business failure. But after working with small-business owners for the last 15 years and doing some additional research, I believe that three main icebergs have, until now, remained to be identified: people, processes, and profits.

Each of these icebergs is a critical success factor or goal category. The real goal, for small-business owners as well as for C Suite executives, is to recognize what lies below the surface of these icebergs and then put in place strategies to ensure that these hidden problems do not sink the business ship.

The People Iceberg

Workforce-engagement research continues to show that approximately 25 percent of the employees in any business are actively engaged, meaning they are giving "eight for eight"—eight hours of work in return for eight hours of pay. Members of the actively engaged workforce are "above the water line."

The partially engaged workforce (approximately 50 percent of the employee population) gives less than eight hours of work for eight hours of pay. These employees can be thought of as "just above" or "just below" the business water line.

Actively disengaged workers (25 percent) are well below the waterline. These folks drain their employing enterprise of profits—and, more importantly, drain the energy within the enterprise's culture. Why they are still employed is the direct responsibility of the company's leadership and management. This phenomenon may also be linked to the Process iceberg.

When business turns bad, one of the first actions is to cut human resources, along with marketing. But this strategy makes no sense: it is people and their collective efforts that will turn a business around.

People are the most important asset of any organization. However, business leaders tend to view training and developing people as a cost or liability instead of an investment. For example, executive coaching, according to many documented research studies, provides between a 300 percent and 700 percent return on investment—it's a proven strategy for unlocking the potential of your employees, especially those who are actively engaged.

Many organizations acknowledge the 20/80 rule: 20 percent of their people deliver 80 percent of their results. Those 20 percent are above the water line, while the other 80 percent are submerged.

Gossiping at the water cooler is another example of what lurks below the water's surface as part of the People iceberg. Such behavior sends negative energy and undermines the energy of the surrounding employees. The existence of water-cooler gossip suggests that an organization's leadership has not clearly articulated (or enforced) its core values.

Many other people problems can be linked to the next iceberg.

The Process Iceberg

Processes keep organizations going. A deadly problem arises in organizations when those in leadership positions either fail to construct these critical processes during the startup phase or fail to revise and focus on them during later business-growth stages.

For example, people may be hired on the basis of written job descriptions. Follow-up job-performance reviews may be hit or miss, lacking written documentation or reference to the original job description. (Unionized employees may be an exception, because unions often demand a formal performance review as part of each employee's contract.) In time, the job description may functionally change, but the formal written changes may never be incorporated. At ensuing performance appraisals or reviews, the end result can be quite messy. No one is happy, and another layer is added to the People iceberg.

In any organization, each activity should involve a specified process, from opening the mail to receiving payment for products or services to answering customer inquiries or complaints. Failure to establish processes only adds to the mass hidden below the water line—and adds to the bulk, too, of both the People and Profit icebergs.

Sales research suggests that 80 percent of all salespeople stop reaching out to potential customers after the third contact, even though 80 percent of all contacts are made between the fourth and 12th calls. This failure is one of both people (sales training respective to follow-up and management monitoring) and process. How much money is wasted as a result of the failure to follow up on all those sales leads?

Technology has enabled better process implementation through systems such as enterprise resource planning (ERP) and customer relationship management (CRM). Even some basic email programs provide the opportunity to keep track of calls, appointments, and outcomes. Other software providers can then corral salespersons' stats and monitor their sales activities.

The failure to establish and follow through on processes is one iceberg I see more often than not. The Process iceberg is responsible for many of the symptoms posing as serious problems that continue to sink profits.

The Profit Iceberg

Many look only to the profit and loss statement (P&L) to gauge a company's success. This is truly reactive thinking.

I will admit that even within most of the strategic planning processes I previously have reviewed or actually facilitated, profit has been considered downstream, almost as an afterthought. But I realized my mistake when I read the book *Navigating the Growth Curve*. Suddenly I recognized that if the purpose of a business is to make a profit first, then designing a profit model should be the first step in any strategic planning process. (Sometimes we all need a flash of the blindingly obvious!)

Just imagine: if a firm's profit were examined through multiple lenses, such as value exchange, operating systems, culture, and research and development, how would that drive the vision of the chief executive officer or founder? Would actions be more strategic instead of the across-the-board cuts we read about so often?

A strong profit model is the solid footing for any business foundation. The walls atop the foundation are the core values. Without a strong profit model, the potential for reactive behavior (like those across-the-board cuts) is dramatically increased.

Operating a highly efficient and effective enterprise is more difficult today than in days gone by. Thanks to technology, however, in some ways it is easier—provided the technology is used correctly. Many of these unseen business icebergs can be safely negotiated if the executive leadership decides to take proactive action.

Once again, leadership (or rather, failed leadership) is the source of the challenges small businesses face. Small-business owners, entrepreneurs, and C Suite executives need to understand what is required to successfully navigate the three icebergs or their companies may end up, like the RMS *Titanic*, on the entrepreneurial ocean's floor. N

Leanne Hoagland-Smith is the heurist for the next generation of talent management. She guides forward-thinking leaders, at all levels and in all industries, who are facing both new and repetitive problems relating to people or operations, helping those leaders to achieve sustainable results. Leanne looks forward to hearing from you at leanne@processspecialist.com.