

POSITIVE ENGAGEMENT

The Service Industry Challenge

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Background



This document is drafted with its focus on the trade related service industry and the typical challenges that impacts both business owners and employees in this sector.

In these small to medium businesses, it is not often you will find the same efforts to positive engagement as you would with corporate business. It is almost as if the business owners are two worlds apart. The approach from the business owner is one of “I pay them a salary, they should just do their work”.

It is not surprising then that this industry is plagued by high staff turnover, frequent absenteeism and average productivity. In trying to understand this behaviour, we need to focus on the market in which they operate. Their ‘playing field’ can be divided into 3 sectors:

- Domestic
- Commercial
- Industrial

To obtain/secure work, they need to submit a tender for the work based on a specification provided by the client. With the large number of competitors, every tenderer tries to submit the lowest price to secure the work giving them almost impossible margins for profit from the work. Now they need to find methods to either break even, or have some profit and the shift to low salaries, impossible targets and ruthless management begins.

The entire focus has now moved to the value of the work with little or no regard for the staff. It is all about getting the work done as quick as possible and where an employee does not meet the deadlines, there will be the typical “punishment” process.

On the other side of the coin though, there are major construction jobs that are so called “union sites”. Here the picture is almost reversed as these contracts sees higher salaries being paid and the site being “controlled” by union representatives. These are also the sites that will see project overrunning schedules and budgets (often).

For the non-union contracts, GP margins can be as low as 5%. Now consider the business needs to have an overall margin of 21% to remain profitable and it becomes clear why the pressure gets shifted onto the staff, and also why apprentices sometimes outnumber the qualified tradesman on jobs.

Hiring



The hiring process is seldom done by selecting the best candidate when it comes to regional areas. It is almost a case of just hiring anyone that happens to walk in and ask if there is a vacancy. No thorough checks are done, interviews are almost a discussion only and pending what the prospective employee tells them, the salary may very well be higher than some of the existing star performers.

This causes a lot of friction amongst employees as they soon see that the new person is not as good as everyone thought and lacks experience in the field. It must be said that according to the policies and procedures, salary should not be discussed amongst staff but it is never a secret. Now we have a scenario where the existing staff feel they are not valued and one of two things will happen; they start looking for alternative employment and their productivity levels drop or, they try negotiating a better salary (often without success)

Why is this happening? It is mostly caused by the lack of suitable candidates willing to relocate to regional areas and the gap in salaries between regional and city and the big one, mining. If you talk to apprentices, almost all of them want to head off to the mines once they finish their apprenticeship. This is causing major headaches for the regional business owners and has become one of the reasons they are reluctant to invest in the development of their staff. There is a common belief that once they have trained them, they will leave.

Because of this, there is often friction between team members that has a direct impact on productivity. Business owners are typically brushing it aside and keeping the pressure on deadlines only. Some are trying to improve this by providing an incentive for the team leader to achieve results. This further increases the tension as the rest of the team feel their efforts are not recognized.

Business owners do not see the high staff turnover as something they can prevent, nor do they feel it adds to their overhead cost of the business as they do not spend anything advertising vacant positions. What they fail to see is the constant change in skill levels, time lost because of it and the frustrations of other employees. One other aspect is the one they do see, and that is the loss of clients that sometimes follows the employee to the competitor.

Even though this is seen as an issue, little is done to create a culture in the workplace where the key staff will stay. It is more based on the fact that there is nowhere else to go unless they “leave town”.

Technology



This is an interesting area in the trade related arena as technology plays both a positive and negative role. Inexperienced staff will rely on researching a typical problem they encounter and spend a lot of time wading through information to try and find a solution. Although it is seen as a small positive that this information is available, it does impact on the productivity scale. This however is more in the industrial sector and, at times, where new equipment is being installed.

Where the company embraces technology for the right reasons, it can have a positive impact on not just productivity, but also on cashflow for the business. For some companies, this transition is a hard one as the systems they use cost them a lot to implement and they see that this would be a financial loss if they switch to more advanced methods.

The biggest negative on technology is the behaviour of employees that are not positively engaged at work. You will find them constantly “checking” their social media feeds and receiving private calls. The cost to companies and/or clients are astronomical. Consider the company having to bill their employees time at \$60/hour. Now be very generous and assume that each employee spends 12 minutes a day “being connected”. That equates to \$12/day/employee. Now view this for a company that employs 50 people and you have a loss of time coming in at \$600/day or \$156,000/year.

Because this is not recognized, employers are happy to bill the hours to a client or simply absorb this cost into the project related work without realising the direct and indirect impact of it. Where it is charged to the client, it may result in disputes about invoices and/or loss of clients. (this happens when the client is present while work is performed)

If, however there is a positive work culture, this could easily be reduced by at least 80%

Why is it not done? To put in in realistic terms, it is seen as a hidden cost. In other words, business owners are happy to just “bill” the hours without any regard to the impact.

(I tested this on a project some years ago where, on the first day on site, I merely watched the behaviour of the trades and how they use their phones. On the start of the second day, during the pre-start meeting, I discussed this with them and made it clear that we are working towards a goal and need everyone focused on the tasks at hand and not their phones. The result? Their phones stayed in their pockets until their break times.)

The Workplace



This is at times the most challenging part given most trades are working on different sites. The only time they are at the actual “workplace” is in the morning, between jobs and sometimes at the end of the day. This again is an area where there has been a general attitude of neglect. There is very little communication between different teams, and at times, between teams and managers. It creates an environment where employees don’t feel they are part of the business and one of frustration because of the lack of communication.

You will also often find that there are “pockets” of teams seeing themselves as superior given the areas of work, and the dollar value of their projects. This further creates a barrier between employees and increases friction. This elitism also leads to “blocking” opportunities for co-workers and these opportunities normally goes to “friends” rather than being based on ability.

The simple solution to this problem lies in communication, allowing or establishing social gatherings and involving different departments when discussing upcoming projects, challenges and goals. The weekly stand-up meetings are great as a starting point within departments and then the monthly meetings where everyone is present.

One other area that presents an opportunity is having managers frequent the sites their teams are working on. This is not done to check on progress only, but to discuss any issues they are facing, seeing if they need any assistance and recognizing the conditions they are working in. It shows employees you care and value their efforts.

These may seem like common knowledge, yet you may be surprised to see how few do it. It is easier to just talk to the team leader and get everyone out to site than it is to listen, communicate and assist with problems. Again, the focus is on revenue, not people. There must be a balance and that is what is often missing. If business owners get this balance right, productivity levels improve, quality improves and the profits improve.

Achieving this balance does require some effort, but the returns will by far outweigh it. Where employees are engaged, those site conditions they may face at times is no longer a show-stopper. They will embrace it, get the job done and move to the next site.

Development



This is a major area of concern and one that creates a lot of friction. In the trades arena, there are specific licenses for just about every task. In some cases, employers will carry the cost to obtain them, but more often than not, the employees are responsible to obtain them at their own cost. The reason? Employers have become hesitant to invest as they believe the employee will leave as soon as they have all these licenses. Note that this perception is formed on history and there is no consideration given to the reasons. The entire mindset is that they will leave, thus I will not invest.

From the employee's perspective, many wear this cost and do leave, but many will not do it and where a specific "ticket" is required, they will stand back and wait for someone that has it to turn up and do the work. Relate this to the same calculation used before and the cost of paying for it suddenly becomes attractive.

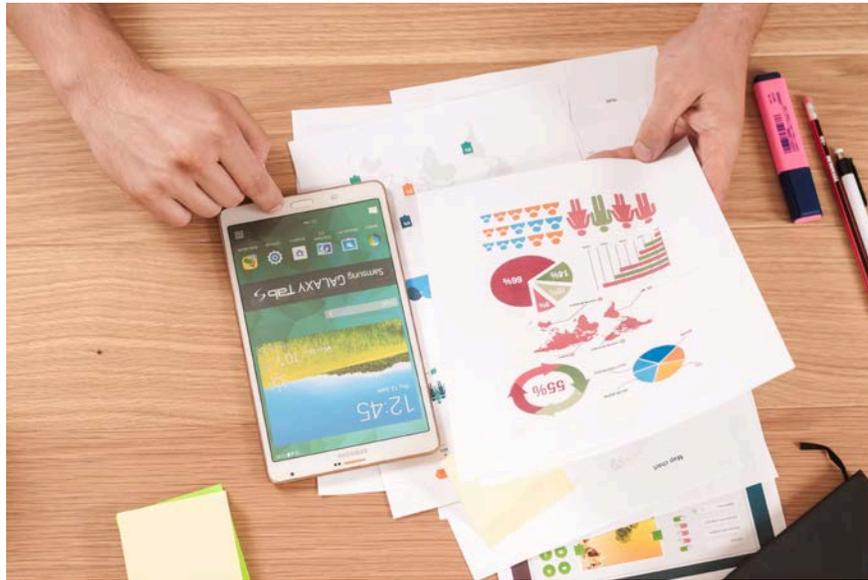
Where the license, or "ticket" as it is referred to, is for the operating of machinery, you will often find the company has paid for some senior staff members to get them. Where there is a need for this machinery on a site, they will be the ones that need to go and do it. This leads to the team on site having to wait and this impacts on productivity. (needless to state how it impacts on the morale of the team)

There are also companies that will foot the bill, but all these "tickets" are kept by the company in the office. If the employee leaves, he/she will leave without these.

Up to this point the focus has been on these so-called "tickets" but it does go beyond that. Companies have become hesitant to invest in skills development for the same reasons. It seems to have become easier to simply employ someone else that may have the required skills and then the work gets done. Again, the message to employees is not a good one, but it is not noticed. When an employee decides to accept an alternative offer, the comments from management is "just as well we did not spend the money on training him/her". In other words, it becomes a measure of justifying the decision and not one of understanding the reasons.

We must be realistic though. If a company does invest in the training of their staff, there will be occasions when a staff member will leave no matter what the employer has put in place in terms of work culture. It does happen and will continue to do so. It should not deter from training staff and developing those specialist skills that will set a company apart from its competitors.

Leadership



Here lies our biggest problem. We simply expect business owners to be natural born leaders and know how to deal with all the issues found in the workplace. The fact is that most are specialists at what they do and build their entire business around that skill. Once it starts growing, they employ staff to facilitate this growth and then find themselves battling issues they have had no experience in.

Then comes the knee-jerk reaction and the 1950's management style of reward and punishment. When this fail, they tend to over-correct and become every employees' best friend. Suddenly they find themselves spending more time in damage control mode rather than doing what they should be doing.

This is the area where most of the focus should be on. Training Business Owners to be Leaders and equip them with the skills to achieve positive engagement from their employees. Considering how many of these businesses struggle to survive, it is clear they need help.

Their business environment is constantly changing and it is getting harder to remain competitive. If they can be guided to engaging and harnessing the skills and expertise of their employees, they will have a greater chance at success. Getting this message to them though is the most challenging part.

Business owners have one thing they focus on and that is expenditure. It is very hard to show them how spending money on their own development will improve their business, let alone spending money on the development of their employees.

If we can bridge this gap, the transformation of workplaces will become a reality not only in large corporate business, but also in the service industry.

Please note:

The content of this document is based on my experience in the industry and not on any official research undertaking.