

3 Keys to Identifying a "Key" Employee

Key employee incentive planning and management team development are important issues to business owners at all stages of the business life cycle. Employees, through the training they receive, the processes they follow and the skills they bring to the table, often represent a critical (and sometimes the only) defining factor in the transferable value of the business. Whether you intend to stay in your business until age 100, or exit as soon as possible and never look back, your employees can be essential to the success of those plans for the future.

The term "key employee" can mean different things to different people. Before you head down the path of identifying key employees in your business and creating plans for the future that include them, either directly or indirectly, you may want to take stock of the entire employee group and spend some time thinking about which of those employees are truly "key" to your future. A true key employee has three critical qualities.

1. He or she has a direct and significant impact on the value of the business. The employee's role in the company, responsibilities and decisions impact sales, profitability, growth, product development or another critical value driver in the business.
2. His or her combination of skills and experience would be very difficult to replace. The employee has a unique capability that increases the value that he/she brings to your organization – something your competitors wish they had. It wouldn't just be inconvenient or uncomfortable if you lost this employee. It would damage your business.
3. He or she will participate in a meaningful way in the strategic future of the company. The employee has a vision for the future, brings ideas to the table, and solves problems creatively.

As a result of these characteristics, the loss of a key employee will result in financial loss to the company and will delay the owner's exit from the business.

True key employees realize their own value and are willing to contribute that value to your business in order to help it grow and succeed. What do they want in exchange? Well, that depends. As an owner, it is your job to recruit, motivate, reward and retain these key employees. Opportunities for advancement, formalized



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incentive planning and retention measures may play a role in how successfully you leverage a key employee's value. And if an employee is important to you but is not actually "key," you may still want to include that employee in a meaningful way in the future of your business, but the tools you use will change.

We can talk with you about the unique characteristics of your key employees. We'd like to help you develop a customized strategy to integrate the value of your key employees into your successful future.

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