

April 11, 2019

Dear Fellow Decision Maker,

Thank you for attending today's live panel - Finders Keepers: The Search for Qualified Employees.

You want to hire qualified workers, but you can't. We're going to talk about that. We're going to tell you a few things to give you some leverage over other potential employers who are trying to hire your candidates and even trying to take your current employees.

But first, consider, should you hire more people? According to a semi-annual survey by the National Association for Business Economists, three-quarters of the economists expect a recession to begin by the end of 2021. We'll let you address that question for your company since your demand of labor is unique to you, though I'm happy to discuss it with you after the panel. In today's panel we're going to focus on what many of my fellow business owning colleagues see a major pain point – they need, but can't find, qualified workers.

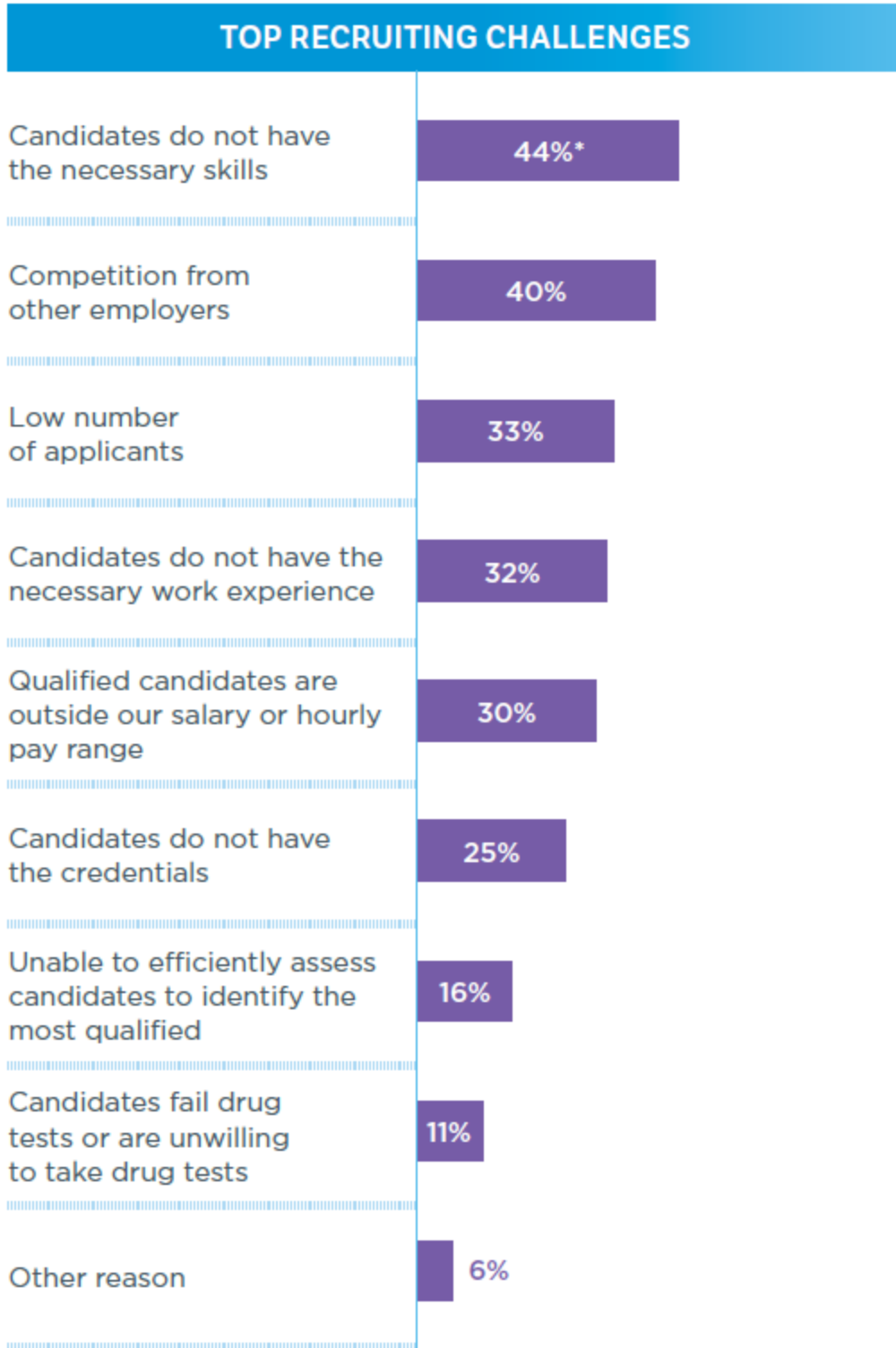
My firm publishes the Berkshire Business Confidence Index (BBCI). The BBCI is a sentiment survey sent quarterly to 4,000 Berkshire County business owners (let me know if you'd like to be on the list). Its methodology is similar to larger surveys such as the National Federation of Independent Businesses (NFIB) Small Business Survey, or even the AIM BCI. The questions are different, but their intent all the same. The BBCI differs in that 1) in addition to the consistent questions that are used to calculate the index, it regularly asks both more contemporary and open-ended questions, and 2) it's (as far as we know) the only such local business index in the nation. The beauty of a local survey is that we business owners get together and talk intimately about those problems and how to solve them.

Sometimes those conversations are public, as a group of business owners will join the Berkshire Money Management Business Roundtable podcast. But the real conversations happen after the cameras are off, and when business owners meet with me privately, either in the conference room, or over a meal.

The BBCI has revealed that Berkshire County-based business owners are experiencing the same significant challenges as their colleagues across the Commonwealth as well as the nation. Not the least of which is finding qualified employees to help satisfy capacity constraints created from increased demand.

For some, saying that you "can't hire good people" is a trite statement that is an assumption based off recent personal experience of using outdated and flawed hiring practices. But that's not you. You recognize the need to adapt to a new world. **Hirers need to rethink their process. It's an employee's market, not an employer's. The current job market is candidate driven. Talent picks you, versus you picking them.**





**% of executives who cite this as one of top three recruiting challenges*

How many times have you interviewed someone and said, “you’re here to interview us, too” and not at all meant it? Not too long ago we business owners had all the power; we could choose among a long list



of potential candidates. **Now the employees have the power, and you must understand what motivates them, find out why they are looking for a new opportunity, and learn what about your company makes you attractive, and then give them more of that.**

Hiring and employee retention is one of the top concerns for business owners in 2019. If that includes you, you need to have a plan in place now because the metrics are against you. Nationally, there are 1 million more job openings than unemployed workers. Literally 1 million. **The problem of not having enough workers is glaring – you have an opportunity to take on more clients and outpace your competitors as you grow market share, but with a lack of qualified employees you can't gain that advantage.**

I read a lot of best practice white papers, blogs, articles, and books. Those that are least meaningful to me are the ones that spend more time on concept and less time on strategy. I'm willing to bet that if you've read this far, you're past the need for concepts and you are interested in some tactics. Let's discuss some.

Short-term tactics:

- Studies show that people won't leave a job for another (even if it's leaving a bad job for a good job) without at least 3% raise. You may know you're a better fit for them, but hiring a worker is less of a life changing risk for you than it is for that same worker to change jobs. You need to help them rationalize their emotional move.
- How many of you get resumes from "salary shoppers"? There is statistic released by the Bureau of Labor Statistics (BLS) called the "quit rate". A high quit rate is sign of optimism, with workers feeling they can get a better job, so they shop around their resume. The quit rate is currently at a level higher than even during the dot.com bubble. So we're getting a lot of people who send us incredible resumes, but they want a lot. I offer them a lot, but only if certain achievables are met. You can close a hire by giving them more than what they want if they do what they say they can, but you're protected if they don't. You don't have to offer only an hourly rate or a salary. You can offer bonuses based on your new hire hitting metrics that are important to you. This way you can get someone that seems like a star but protect yourself if they burn out.
- Get your employees involved in the search, and boost their morale at the same time. If your current workers provide you an employment lead, and you make the hire, give the referring employee a bonus.
- Connect with your local colleges. Some of your best employees may not have even graduated yet. That's worked well for me.
- **Target your competitors' employees.** That's worked really well for me.
- Outsource to a firm that can handle the task you're hiring for, or utilize the gig-economy to provide help on projects. Not every "hire" has to be a W-2 wage employee.
- Don't rely too heavily on the bachelor's degree. Employers increasingly require bachelor's degrees for positions that formerly required less education, even when the skill sets had not changed. The requirement of hiring over-qualified employees is a remnant from when available workers were more plentiful.
- **Hire a "fractional CEO."** Business owners tend to get stuck working "in" the business and can't work "on" the business. You have an opportunity to hire business coaches, like Berkshire Money Management, to lead you through growth initiatives using tools such as The Value



Builder System. **See the enclosed Value Builder System brochure and the “Business Owner’s” section of BerkshireMM.com for more information.**

You must change your mindset. You cannot apply your old way of thinking to recruiting. Help wanted ads are being replaced by marketing expertise and maintaining an employer brand. Interrogation style interviews must be replaced with a central focus on the candidate experience. The view of an employee as an expense must now be more clearly seen as the investment and the asset they are. Treat hiring that valuable employee as a priority – **treat the process of hiring like you’re trying to close your next best customer.**

Best practices:

- Don’t dilly-dally. The best employees on the market are in high demand and are being hired fast. Be accommodative in terms of scheduling interviews, and prepare a hiring package template, listing payment, benefits, perquisites, etc. Data from Harvard Business Review found that 60 percent of employees indicate that benefits and perks are a major factor when accepting a job offer, and 80 percent of employees would choose additional benefits over an increase in pay. Be prepared to tell them why you’re different, and a better fit for them. Not just “better,” but better for them.
- Keep the hiring process engaging. Even if you feel as if you’re not close enough in the decision making process to make the hire, schedule a follow up anyhow. Or at least text them (yes, text) and stay in touch. It’s an employee’s market so you need to work to stay on their radar. You want your potential new employee to feel wanted. To boost candidate engagement, outline each step of the hiring process so candidates know what to expect and when – and don’t leave candidates hanging between hiring steps. Develop a relationship with them. A primary reason candidates don’t accept an offer is because of the way they were treated during the hiring process.
- Recruiting is marketing. You can’t just “post-and-pray” with help wanted ads. It’s not the Field of Dreams; if you post it, they will not come. Lean on professional networks of your current team, trade groups, and business associations. Our prospective clients don’t just talk to us because we’ve identified them as a lead. You can’t assume that your potential employees will reach out to you just because you – and everybody else – is hiring. You must reach out to them.
- Tell them what they’re going to do. Be clear in your job description. Be sure to articulate not only specific roles and responsibilities, but what their career path and training will be. As you read this you’re probably saying that you do that. But humor me and reconsider if that’s true. I talk to business owners all the time and when I ask them what role they’re trying to fill, I hear buzzwords and clichés and vagueness. Mostly the “job description” reads less like what a position looks like or how it fits into the company’s mission, and instead looks more like a recruiting document that describes things like educational needs, certification, and required technical skills. Starting a new job is a huge deal to the new employee. **You need to offer clarity on what they’ll be doing for you. Nothing stalls a decision in life like confusion. Remove that confusion and offer clarity.**
- Give them a career path. When it comes to making career moves, today’s top job seekers are looking for much more than simply an exchange of time for money. Rather, one of the main factors top employees look for in new roles is a clearly defined career path and opportunities for long-term growth.



- **Have more than just the management team interview potential hires. Let the interviewers have access to their potential co-workers – without you around.** It’s amazing for the morale of your current workers that you are asking for their input. And it’s also an opportunity for your potential new employee to see how you value other employees. Plus, if they’re going to spend eight hours a day with these people, it helps close the deal if they know they can get along with their co-workers.

Favorite Outside-The-Box Techniques:

Craig Kahn and Jessica Wells of All Seasons Realty Group, located in Pittsfield, have partnered with a few of the largest area firms who are experiencing a pain point in trying to hire qualified employees. These firms have each expanded their search radius and have brought in candidates from outside the county. Indeed, from across the country. If these new employees take a job here in the Berkshires, they’re going to need a new house. The Realtors have **an arrangement where they bring the prospective employees on a thorough tour of the Berkshires, learn about the quality of life and culture and education and everything else someone might want to know about – all the things they’d normally have to figure out on their own.** And, of course, they are shown local houses for sale so that the potential new employee can better picture their new life, their kids’ school, even their commute. People don’t make decisions when they’re confused. **Jessica and Craig remove confusion, offer clarity, and help you close the deal on new employees.** Additionally, they create a social outlet. People bond over shared experiences so they’ve made sure to connect and engage prospective employees and new hires with their collective social circle, which not only makes it easier for people to feel comfortable in moving to the Berkshires, but happier to remain here –and working for you.

Acquiring a competitor is a prized solution to the problem of not being able to hire employees. Most often when one company buys another it’s either strategic (ex. acquiring a client list or a technology) or financial (ex. a manager buys out the boss). But the most valuable asset of a company may be its human capital. This is a particularly attractive option, for example, if you’re a well-managed company that has kept up with industry trends and matched industry growth rates, yet your competition is still doing business the old way, is losing market share, and is worth less not because the sales team’s skills have diminished, but because management is not providing what the customers wants. Not only can you then buy the competitor at a less-than-premium price, but you can engage and empower the employees with state-of-the-art goods and services to sell. (It doesn’t have to be a sales team; it could be drivers or injection mold makers. I have just seen it occur more often in sales.)

Retaining Employees:

Your competition is trying to take your valuable employees? What are you going to do about it?

- **Love them.** Sounds weird, right? The language we use here is the “BMM Family.” We didn’t hire a focus group to come up with that term; we didn’t read it in an article. We grew into a family, and we all feel it. If someone leaves the family, I guarantee you there will be tears. And while it’s genuine and organic, I admit that there is a benefit to me, the business owner, that my family is likely to stay with one another.
- **Involve them.** We have group meetings and one-one-one meetings to keep everyone in the loop and for me to ask, “what’s not going well that I can fix” and “what would you like to do that I can help you with” and “what are we doing, or aren’t, that we should change?”



- Trust them enough to let them fail. Last year I gave everyone \$1,000 in cash at the beginning of the year. The deal was that if they took the initiative to do something I didn't ask them to do, AND they fail, they get to keep the money. It didn't promote failure; it promoted innovation and created empowerment.
- Unlimited paid vacation time. Don't make your people limit the amount of life they have outside of the office.
- Don't be a jerk. People leave managers, not companies. Don't question them if they need to come in late or leave early. Don't get on their case if they spend a little extra time in the breakroom. Not only do your people need some flexibility in their schedule, they deserve it. And that break during the day, I promise you it'll make them more productive for the rest of the day. Not including an hour for lunch per day, our workweeks are thirty hours per week. That's not a typo. The benefit is that those are an incredibly productive thirty hours because we're energized and my BMM Family is grateful for late mornings and early evenings at work.
- Career path and education. Nothing motivates people more than personal growth. Sometimes that personal growth comes in the form of a professional career path. You don't want your people to consider themselves to be in a "dead end job." You want to provide them education, give them greater roles and responsibilities to aspire to, and collaborate with them. If they happen to be at the pinnacle of their position in terms of title, create initiatives that are greater than what they are doing now. Offer training that fosters the leadership and technical skills of existing employees. Providing newcomers with a career path and internal coaching for advancement can encourage them to stay with the company for a long time. Dedicated employees will feel rewarded for their hard work, and leaders will reap the benefits of low turnover.
- Recognize and reward their good work. Celebrate small and large victories alike. Whether that celebration is a handshake and a thank you, a spot-bonus, or a jovial group dinner, **let your people know they're doing a good job and that you appreciate it.**
- Ask for feedback. Culture should evolve as the needs of your employees change. Have a policy for feedback and let employees know their voices are important in creating the beliefs of the organization. When employees know they have a say in the direction of the company, they are more likely to commit to an organization long term. But do so in a manner where they don't feel as if you're micromanaging. Let them know that your conversations are not tied to compensation; you just want to help them get better.
- Offer employees an opportunity to acquire ownership of your company. I emphasize that they should buy it, not that it be given. Giving equity may help with retention but it does very little to make someone act like an owner if they don't have skin in the game. If you want to "give", then cash bonuses tied to specific metrics are a great way to not only drive results, but to rally the team and boost morale.
- **Strategic Planning. Have your management team spend a day scoring and discussing the eight main categories of an organization: planning, leadership, people, sales, marketing, operations, finance, and legal. The result is the Value Opportunity Profile, which creates a road map for strategic planning.** Berkshire Money Management can lead you through this process.



TOP RECRUITING CHALLENGES BY INDUSTRY*							
	Services	Manufacturing	Wholesale Trade	Retail Trade	Construction	Financial Services	Healthcare
Candidates do not have the necessary skills	46%	44%	20%	29%	46%	33%	49%
Competition from other employers	43%	47%	45%	42%	58%	43%	40%
Low number of applicants	19%	31%	39%	40%	30%	32%	35%
Candidates do not have the necessary work experience	31%	38%	24%	33%	38%	41%	33%
Qualified candidates are outside our salary or hourly pay range	32%	31%	31%	17%	28%	31%	34%
Candidates do not have the credentials	30%	27%	26%	18%	28%	27%	26%
Unable to efficiently assess candidates to identify the most qualified	18%	13%	33%	7%	11%	13%	12%
Candidates fail drug tests or are unwilling to take drug tests	6%	11%	16%	13%	18%	4%	7%
Other reason	3%	5%	18%	7%	1%	2%	2%

*% of executives who cite these as one of top three recruiting challenges

Additional Resources:

Berkshire Money Management works with business owners to defend and grow the value of their business through a process called The Value Builder System. Essentially, we're an employee for you to hire, an employee dedicated to initiatives such as growing top line revenue, improving scalability and profitability, or introducing new product lines (and, yes, we are taking on new projects). One of our partners in this work is the Benchmark Business Group. From their website, BenchmarkBusinessGroup.com and search for "Hiring for Success." You'll find some free resources as well as a coaching option for three, one-hour sessions for you and your team.

Also, for your reference, the articles "Is Quality of Life Really a Selling Point?" and "Hiring: A need, and a challenge", in the July 1, 2017 Berkshire Business Confidence Index.

<https://berkshiremm.com/berkshire-business-confidence-index-issue-2-2/>

Thank you for coming to today's live panel, Finders Keepers: Hiring and Retaining Skilled Employees Panel. To continue the conversation, feel free to e-mail me at AHarris@BerkshireMM.com. Best of luck with all of your business efforts.



Respectfully,

Allen Harris, CVGA, CEPA, CVB, CBVS
Berkshire Money Management

Disclosures: Allen Harris the author of Build It, Sell It, Profit – Taking Care of Business Today to Get Top Dollar When You Retire, is a Certified Value Growth Advisor, and Certified Exit Planning Advisor for business owners. He is the owner Berkshire Money Management (BMM) in Dalton, MA, managing investments of more than \$400 million. Allen’s forecasts and opinions are purely his own. None of the information presented here should be construed as an endorsement of BMM or a solicitation to become a client of BMM. Direct inquiries to Allen at AHarris@BerkshireMM.com.

