GLOBAL BUSINESS TRAVEL

How medium-sized companies can win the battle for talent

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Introduction

Medium-sized companies occupy a unique place in many economies.

In addition to the sheer number of people they employ—between 15% and 25% of all those holding jobs in many Western countries[1,2,3,4,5]—medium-sized companies often operate in niche markets and grow more quickly than companies in other parts of the economy. They also act as the backbone for bigger businesses, which depend on their unique capabilities and specialised skills.

Medium-sized companies (the definition varies by country) also have some unique challenges. Those that are in the fastest-growing verticals usually face competition from their larger peers, whether in the marketplace or in the quest for top talent. In particular, a medium-sized company can often find itself in a hiring bidding war with a larger company for the same person—or for a person the larger company already employs. If the medium-sized company doesn't win the bidding war, the disappointment is magnified. Medium-sized companies' relatively small staff sizes make each hire that much more important.

This report—written by The Economist Intelligence Unit and commissioned by American Express Global Business Travel—examines the hiring obstacles faced by medium-sized companies in five of the world's biggest economies: Australia, Canada, France, the UK and US; it also looks at the strategies that companies are employing to overcome those obstacles. The report is based on analyses of these countries' job markets, employment trends, populations and regulations, as well as on interviews with executives of medium-sized companies and industry experts.

01

CHALLENGE

Big companies typically offer higher pay and better benefits

When qualified workers are scarce, larger companies frequently have an edge in attracting new talent. They can typically offer a more robust benefits package, higher wages, more opportunities for advancement and, sometimes, a greater sense of job security. For some candidates, part of big companies’ appeal is brand recognition.

01

SOLUTION

Compete on flexibility, access and responsibility

Smaller companies should play to their strengths: flexibility, speed and less hierarchy. Despite the advantage big companies may have in pay and benefits, they are generally less responsive to employee requests to work nonstandard hours or to work remotely. (A recent sign: IBM, one of world's biggest employers, is curtailing its years-long practice of having employees telecommute and making a considerable portion of its workforce return to the office.[6]) Larger employers may also be slow to make special compensation adjustments in situations that warrant it.

This is something that smaller companies can use to their advantage. "At smaller companies, there aren't the same rules that slow down larger organisations," says Gad Levanon, chief economist, North America, for The Conference Board in New York. "They can be more nimble."

At a time when labour market conditions are changing rapidly, being able to offer flexibility and other benefits that don't break the bank, such as more favourable corporate travel policies or financial education services that can help employees rid themselves of student loan debt, can greatly enhance the appeal of a medium-sized company.

Medium-sized companies can also provide some non-wage benefits, including earlier access to key decision-makers. "If you're an entry-level person in our social media department, you're going to have an opportunity to work with the founders and with everyone from the CFO to the lead designer," says Mark DiMassimo, a founder of DiMassimo Goldstein, a 95-person advertising and branding company in New York.

DiMassimo Goldstein's clients range from well-established names, like Memorial Sloan Kettering Cancer Center, to the more recently established food delivery service FreshDirect. For workers interested in exposure to more experienced managers and in helping the firm innovate, Mr DiMassimo says "the door's open".

02

CHALLENGE

Difficulty finding workers for 'old economy' jobs

Some medium-sized businesses, those in fast-growing and dynamic markets, have little trouble gaining the interest of prospective employees. However, many have profiles that younger candidates might consider old-fashioned—construction, manufacturing and conventional food services. That can make talent attraction problematic. "These are jobs that are generally more difficult for small- and medium-sized organisations to fill," says Ivan Neville, manager of labour market research and analysis for Australia's Department of Employment.

Even sectors once considered attractive and leading-edge, such as automotive or aeronautics, have lost their lustre next to Silicon Valley-style firms. Indeed, around the world, older technology companies, often specialist suppliers in the middle market, are having to make significantly greater efforts to find the workers they need.[7]

02

SOLUTION

Take advantage of internships, vocational schools and government programmes

CTE's LiftOne division operates in the field of materials handling—leasing and servicing forklifts in the southeastern United States. Managers there know all about recruitment challenges. Although LiftOne's equipment is increasingly digital—forklifts today often have autonomous features and some don't even require a human operator—the business is still widely perceived as "old economy", says Bill Ryan, an industry adviser who was formerly LiftOne's president (he left his full-time role in March 2017, and now has his own consulting firm). Businesses like LiftOne and its sister company Carolina CAT, which sells construction equipment, don't have the drawing power to sit back and wait for good applicants to come along, Mr Ryan says. Instead, they must proactively go out and find the workers they need.

To this end, parent company CTE, which is based in Charlotte, North Carolina, is working with local high schools to encourage students to attend vocational school at nearby Piedmont Community College. That college now offers courses in advanced hydraulics, allowing students to work on equipment provided by LiftOne's suppliers. In theory, a student can walk out of Piedmont with a degree and walk into a job at LiftOne. "Someone with an associate's degree, who's got a good work ethic, a positive attitude and an ability to think on their feet, can make $50,000 a year pretty easily" as a technician in the materials handling industry, says Mr Ryan, relaying the pitch the company uses. "The top-paid guys are in the $80 to $90 thousand range."

CTE also sponsors vocational school students whom it sees as high-potential future employees. As part of a tuition reimbursement programme, the students work in departments like shipping during the day and attend community college at night, says Mr Ryan. The construction division of CTE—Carolina CAT—has had this programme in place for three years and has hired more than 20 students. On the materials handling side of the business, LiftOne hopes to use a similar model and replicate Carolina CAT's success.

In 2005, when Mr Ryan first joined LiftOne, the firm had 107 people; 12 years later, it has grown to more than six times that size through acquisitions.

In some parts of the US, state and local governments are entering into innovative partnerships and programmes to help employers find workers with the skills they need, including workers who don't start with college degrees. An example is Skillful, a partnership between Colorado, LinkedIn and the Markle Foundation that is intended to take those with no degree and train them so they can succeed in the fields of information technology, advanced manufacturing and healthcare.

03

CHALLENGE

Limited HR resources

Medium-sized companies use some of the same resources as larger companies to attract job candidates: postings on LinkedIn and on their own websites, in addition to external recruiters. But all of these approaches require the time and attention of someone inside the company—time that thinly stretched HR staffs may not have. In many cases, the burden of recruitment falls directly on managers who may already be struggling to keep up with heavy workloads.

03

SOLUTION

Word-of-mouth and flexible hiring

While every size company relies on word of mouth to some extent, it is often a medium-sized company's primary recruitment tool. "That's the main area where we get new talent—from existing employees who enjoy working for us," says Imran Hakim, founder of Hakim Group, a network of optometry practices in the UK that employs more than 400 people. Staff referrals are valuable, Mr Hakim says, because the employee making the referral can speak credibly about the work environment. The employee also has some skin in the game in having recommended the candidate.

Some companies encourage referrals by offering bonuses to employees for recommendations that work out. Hakim Group doesn't use such incentives, preferring to let the process of referrals unfold more naturally. Indeed, Mr Hakim says a bonus programme could create a quantity-over-quality issue in terms of the candidates the programme produces.

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>
> **Imran Hakim**
> Founder of Hakim Group

Occasionally, medium-sized companies have the latitude to create custom jobs in order to entice a candidate the company truly wants. The idea: be bold when a candidate who would deepen the management bench comes along. "We're not frivolous about it," Mr Hakim says when asked about loosening the company's purse strings to secure a particularly attractive new hire. "There are definitely times when we say, that would be a luxury right now. There is that sense-check. However, quite often there's a little bit of flex and I will allow the budget to take on that talent sooner than the budget would otherwise allow."

04

CHALLENGE

Overarching labour force shortages

The percentage of the working population is expected to drop significantly between 2017 and 2030, creating major labour shortages in Australia, Canada, the United States, Brazil, China and Germany. In strict quantitative terms, the shortages are simply “a reality”, says Konstantinos Pouliakas, a researcher at the European Centre for the Development of Vocational Training (Cedefop). He says that “labour markets are inherently dynamic and adjust”, but that it’s still important for there to be changes, including what he calls a modernisation of European education systems, with curriculums that are in closer alignment with labour market needs and more work-based learning as part of school programmes. In the meantime, in countries with labour shortages, medium-sized companies could find themselves in a tough competition with larger companies able to pay higher salaries or offer hiring bonuses.

04

SOLUTION

Tapping global pools of labour and breaking old hiring habits

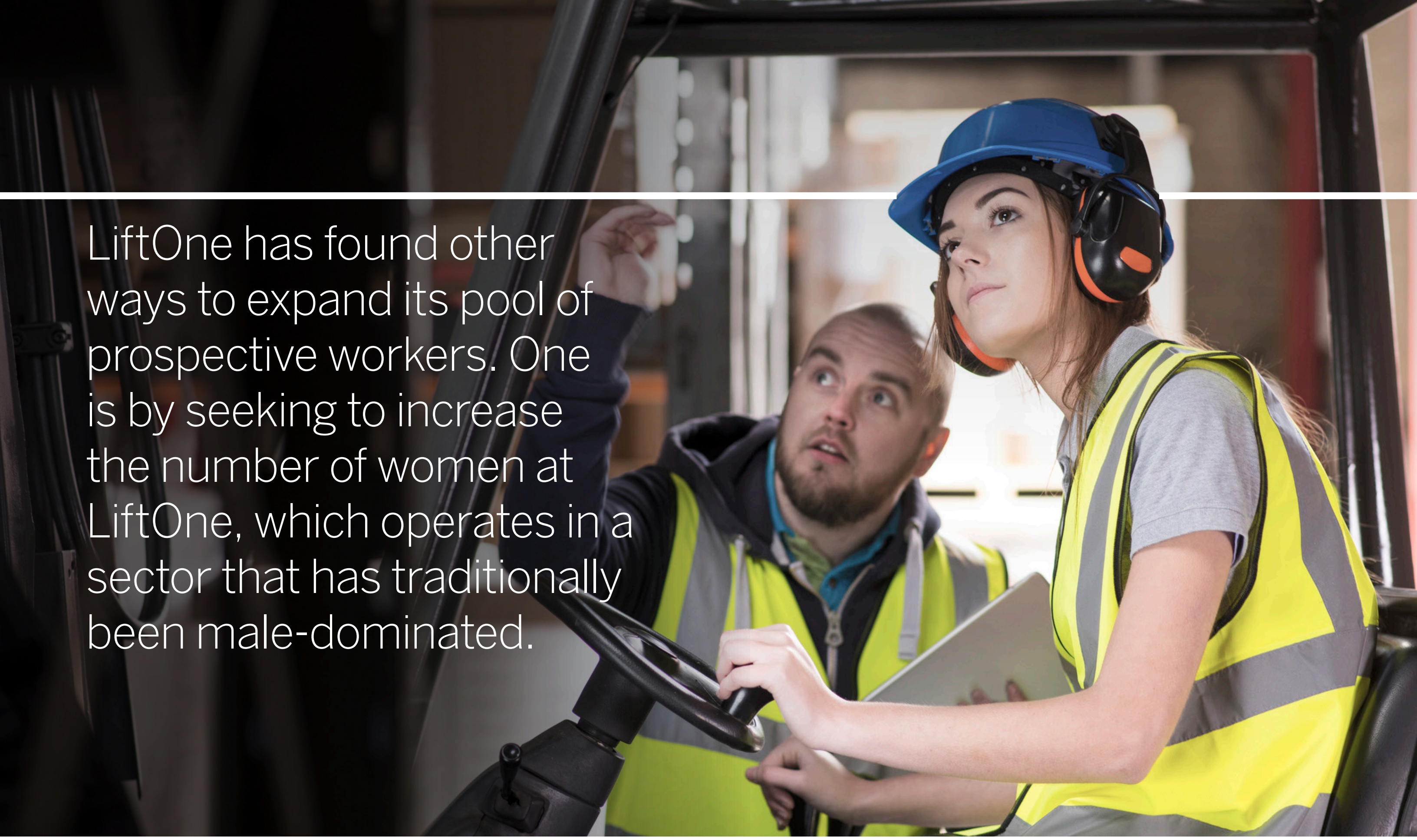
One way for developed economies to address their labour and skills shortages is to increase their reliance on imported talent. All countries researched for this report are high on a list of places that nationals of other countries, when asked, say they would migrate to for work.[8] "Talent is kind of borderless," says brand expert Mr DiMassimo, whose company has secured H-1B visas for New Zealanders, Singaporeans, Australians and Koreans.

However, it can be tricky for smaller companies to capitalise on immigrant talent—the paperwork is quite a bit to manage. "If you only have one or two HR people, it's pretty taxing," says The Conference Board's Mr Levanon.

That said, governments in the countries covered in this report are all taking various steps to help local companies compete. France's "competencies and talent" residencies visa, for example, is given to university graduates and others with special skills (including seasoned executives); it allows them to work in France for three years. Cedefop's Mr Pouliakas says the EU is also taking steps to ensure that EU employers understand the level of comparability in degrees earned outside the EU. The aim is to enable the employers themselves—including small- and medium-sized enterprises—to understand the skill levels of different immigrants. "It's a way of superseding the most important barrier," Mr Pouliakas says, "which is that these non-natives don't necessarily speak European languages so well." He adds that the performance of non-natives is typically comparable to that of natives once any language barrier is removed.

As for Canada, companies there can now bring in more low-skilled workers from abroad thanks to an expansion of the country's decades-old temporary foreign worker programme. "Skills mismatch in Canada is a pretty big problem," says Dan Kelly, president of the Canadian Federation of Independent Businesses. He explains that, while Canada has a lot of college graduates, the country also has a big need for construction workers, farmhands and hotel workers. Canada's immigration system, which Mr Kelly acknowledges has its challenges, has been a "pressure release valve" for some of these labour gaps, he says.

Kastelen Sausage & Fine Meats, a butchery in Alberta, is one Canadian company that has taken advantage of the temporary foreign worker programme. Kastelen operates in a rural area about



20 miles east of Edmonton with a thinly available workforce—people living there often prefer working in the nearby oil fields. That has compelled Kastelen to turn to the foreign worker programme, which has allowed the company (with some 20 employees) to bring in workers from the Philippines, Ukraine and elsewhere. Rose Braun, Kastelen's office manager, acknowledges that the foreign worker programme has its drawbacks—including the many months it can take for the government to determine that a foreign worker is indeed needed and for the foreigner to receive a work permit—but says it has been a good source of experienced butchers and other workers for Kastelen.

The attraction of "non-local" staff is not an exercise confined to luring talent from abroad. It can refer to telecommuters or those who maintain home bases and personal lives at a significant distance from their worksite. For example, at the height of Australia's natural resources boom, companies with operations in the country's remote areas were bringing in people from other parts of the country "on a fly-in, fly-out basis", says Mr Neville of Australia's Department of Employment. Large mining companies did this the most, but some medium-sized companies—mainly service providers to the miners—were involved as well. Although the practice has declined as Australia's energy market has cooled, it's a strategy that companies experiencing talent shortages can still employ.

Mr Ryan, the adviser in the materials handling industry, says immigrants haven't been a source of talent for the companies in his field, which tend to hire locally. But LiftOne has found other ways to expand its pool of prospective workers. One is by seeking to increase the number of women at LiftOne, which operates in a sector that has traditionally been male-dominated. To this end, LiftOne is tapping into a "Women in the Industry" initiative spearheaded by the Material Handling Equipment Distributors Association.

"We realised we had a stereotype" in how we were hiring, Mr Ryan says. "We said, 'let's see if we can change that.'" While some female employees of LiftOne still refer to it as an "old boys' club", Mr Ryan says, the mere presence of those women is changing the perception.

LiftOne is also making an effort to recruit job candidates from among North and South Carolina's sizeable minority populations. In the past, minorities weren't a big part of LiftOne's employee base. "It's all about increasing the supply of talent we have to draw on," Mr Ryan says.

Outside vendors have also been a popular way to address internal labour shortages. Across industry sectors, many middle-sized companies employ vendors for technology support, help with tax accounting and travel management. Rather than hire new talent to bring this work in-house, it may prove sensible to continue leveraging outside resources.

05

CHALLENGE

Retaining seasoned workers

Some of the most valuable workers at medium-sized companies are those who have been around the longest. They are the ones with the customer relationships, the institutional knowledge and the market insights. They are also often workers who are getting ready to leave—permanently.

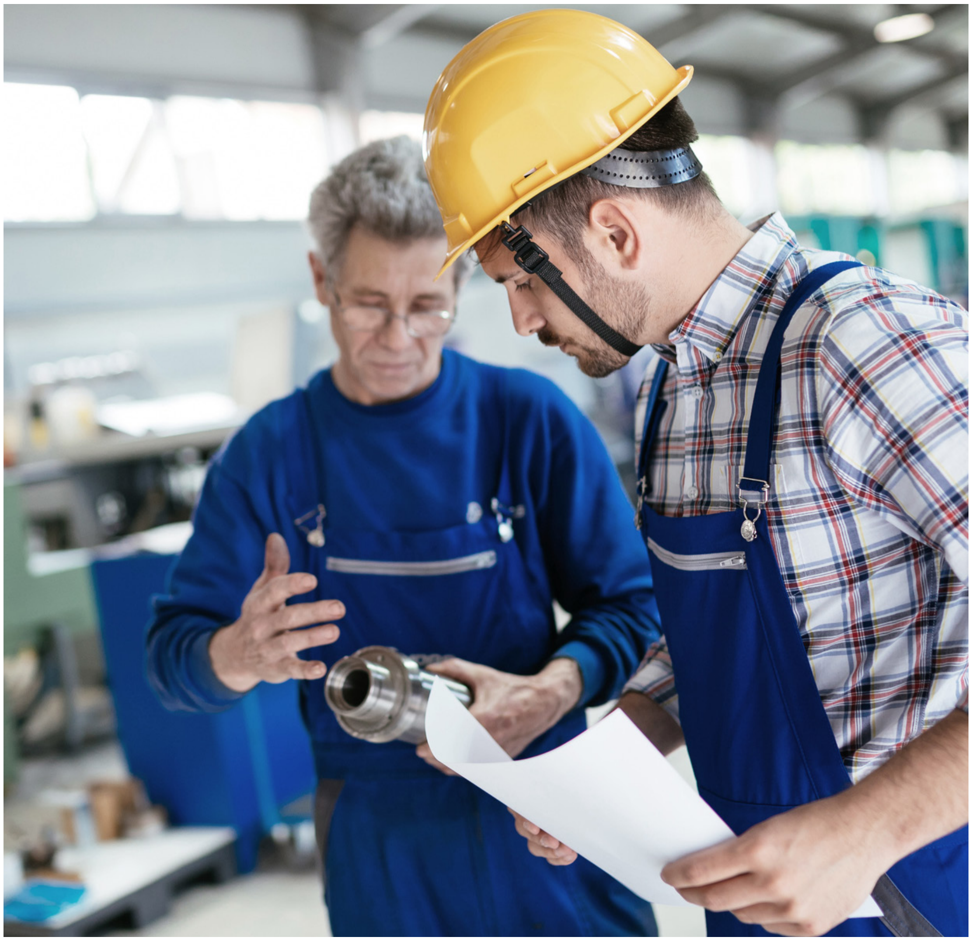
05

SOLUTION

Offer them new roles, including as mentors

Many baby boomers, notably in the US, plan to delay retirement and work past the age of 65, with many envisioning a phased transition into retirement.[9,10] Thus, it may be possible to hold on to those approaching retirement by offering them mentorship opportunities and providing benefits and flexible schedules that allow them, after many years working, to shift more time to outside interests.

LiftOne, the leaser of forklifts, is doing this. “We’re finding ways to retain our guys as they approach retirement, using them as mentors and advisers,” says Mr Ryan, the adviser. It has worked well, he adds. “The younger people are learning about customer service from the senior guys and the senior guys are learning about technology from the younger people. It’s helping our customers in so many ways.”



Conclusion

Talent is a puzzle every medium-sized company can—and must—solve

Anyone who has ever been responsible for recruiting knows there is nothing more satisfying than making a great new hire—and nothing worse than making a bad one. The consequences of hiring decisions are magnified at medium-sized companies, since each new employee plays a relatively bigger role in the company's success.

The question is how medium-sized companies should manage recruitment given the varied challenges that many of them face. The answer is to take advantage of their strengths, including their inherent flexibility and the access they offer to executives; keep their ears to the ground for local talent; and be resourceful about developing new talent pools. Treating recruitment as a priority is the key.

> "You have to be at least as aggressive with your sources of talent as with developing your business... Your success is dependent on it."

Mark DiMassimo
Owner, DiMassimo Goldstein

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