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Seven Strategies to Survive the Post-Pandemic Labor Shortage

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Small and medium-sized family businesses, which employed a large proportion of the labor force before the COVID-19 pandemic, are reeling from the post-pandemic challenge of retaining current staff and recruiting new employees. This is particularly true since qualified job candidates are now prioritizing work-life balance and alternative work arrangements.

This article provides seven strategies to help family businesses retain their current non-family employees and attract and select new talent in the post-pandemic labor market.

Introduction

As economies rebound from what we hope is the worst phase of the COVID-19 pandemic, family businesses are faced with several human resource management (HRM) challenges. As in the pre-pandemic economy, they still find it difficult to attract and hire qualified non-family employees. Like other businesses, family firms are seeing more employees resign, and thus more turnover, because of increasing work/life balance challenges. In fact, Anthony Klotz of the Texas A&M Business School has predicted that a "great resignation" is underway: a period when a large chunk of the labor force severs employment contracts with their employers. Moreover, competition for qualified information and communications technology (ICT) professionals is keen because so many companies need help shifting their workforce from offices to online work. In short, the post-pandemic labor market has created a huge human capital challenge for most family businesses.

During the pandemic, Waldron and Wetherbe (2020) recommended a system called CARE (for Communicating plans, Accentuating organizational support, Rewarding perseverance, and Empowering for productivity) for managing employees during the crisis. The post-pandemic phase brings additional challenges. These seven strategies can help family businesses retain their non-family employees and attract new talent.

Goal #1: Retaining Non-family Employees

Strategy #1: Introducing an ownership sharing plan

One effective strategy to improve employee retention and productivity is to share ownership with employees. However, the traditional employee stock ownership plan may not be an option for family businesses when the controlling family is focused on achieving its non-economic goals (retaining family ownership, providing jobs for family members) as well as its economic goals. Instead, family businesses can use ***profits interest and/or capitalinterest grants*** to gain similar results. Profits interest grants give employees rights to parts of the business' future profits, subject to vesting agreements. Capital interest grants give employees rights to a part of the business' assets, subject to vesting agreements.

Although not a family business, one small business that effectively employed this strategy in the past is Zentalis Pharmaceuticals LLC.[1] Sharing ownership through profit and capital interest grants benefits family businesses in two ways. First, it links employees' current and future wealth to the business' performance. In turn, this helps employees feel that their jobs matter. This boosts their feeling of responsibility to the job, performance, citizenship behaviors and commitment to the family business. Second, in contrast to stock ownership plans, profits and capital interest plans allow families to share ownership with non-family employees without seriously impacting the family's nonfinancial goals.

Strategy #2: Introducing financial incentives

Small family businesses can also improve employee retention and performance by using financial incentives, such as gainsharing and profit-sharing plans.[2] Whereas profit-sharing plans involve distributing a certain proportion of the business' annual profits to the employees, gainsharing plans are group-based plans that give bonuses to employees when a predetermined performance goal is reached. Both types of plans help employees feel their jobs are more meaningful, and increase their personal responsibility for desired outcomes. The results are higher performance and less turnover.

One family business that implemented a financial incentive plan is the Groupe Gérard Joulie restaurants in France.[3]During the last big economic shock – the Great Recession of 2007-2008 – the company designed and implemented a voluntary gainsharing plan allowing employees at the Bouillon Chartier restaurant to earn a bonus of 4% of their annual wages when targets were met, or up to 12% when the targets were surpassed.

Note that profit-sharing is different from a profits interest plan in terms of how the recipients are treated under the law. Whereas profits interest recipients are treated as self-employed partners in the business, profit-sharing participants are still treated as employees.

Strategy #3: Introducing non-financial incentives

In addition to financial incentives, family businesses can also introduce innovative non-financial incentives such as health and wellness subscription vouchers, social inclusion training, free training that improves their skills, flexible working hours and paid leave. Family businesses can provide these incentives by partnering with affordable vendors in their environment (e.g., You Fit, Open Path Psychotherapy Collective, Lutheran Services Florida, and local universities).[4] The non-financial incentives offered by the company might be promoted in a way that fits the challenges of the current work environment, or that is aligned with enhancing the employee's pursuit of work-life balance.

Strategy #4: Sharing leadership

Another strategy available to family businesses seeking to retain their employees is shared leadership -- when the manager encourages team members to be part of the team's leadership process. Managers can invite team members to participate in decision-making and give them more authority to enforce rules. This helps non-family members perceive themselves and their contributions as being pivotal to the family business, and makes them less likely to want to leave.

Goal #2: Attracting and Selecting New Talent

Strategy #5: Recruiting and training current employees for expanded roles

As suggested earlier, one of the most critical issues facing family businesses in the post-pandemic labor market is the global shortage of information and communication technology talent. To address this situation and fill current and future ICT vacancies, family businesses can adopt a long-term strategy of training their current employees for these roles. They can enroll employees in online ICT courses such as those provided on the Coursera, Udemy, and Pluralsight platforms. Providing paid leave and tuition reimbursement for employees to participate in several short-term immersive courses (e.g., computing with AWS, AZURE, and GCP, and full-stack applications with goLang) brings at least two benefits. First, it allows a family business to build its ICT department less expensively. Second, it helps employees improve their skills and their opportunities without leaving the firm, and could make them feel more valued and supported by the controlling family and the business.

Strategy #6: Using online social media/networks for recruitment

Social media is another creative and affordable recruitment strategy available to family businesses. One small family business that has mastered this strategy is Troy's Barbeque in Boca Raton, Florida. While recruiting on social media websites such as LinkedIn is no longer new, family managers can also use non-professional social media websites such as Facebook, Instagram, and TikTok. Troy's Barbeque has successfully attracted and selected applicants for its local branches by advertising vacancies on its Facebook and Instagram accounts (even during the pandemic).

Family businesses can share vacancies on various

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social media platforms. To attract and screen the best candidates, they can post skill challenges on social media as part of the application process. For example, a restaurant with kitchen vacancies can ask interested applicants to post a video of themselves making specific dishes. The videos can help managers select the best group of applicants to interview. This helps managers search for candidates less expensively and fill jobs faster, reducing potential productivity losses.

Strategy #7: Tapping personal networks for recruitment

Whereas family businesses mostly exploit social ties to secure sales, they may also be used for recruiting in the post-pandemic era. Using social network ties effectively can take two related yet distinct forms (a) using community and non-governmental organizations (NGOs) and (b) requesting employee recommendations.

Because their central objective is to support the community, local organizations and NGOs such as AMVETS typically have updated and comprehensive knowledge of people who are seeking jobs. These organizations also may have reach beyond the immediate community. Through personal outreach and advertising with these local organizations, businesses can connect with qualified applicants willing to work for less money in exchange for the communal environment that the family business offers. One entrepreneur we know, an Army combat veteran, attempted to fill vacancies at his company by visiting the local reserve center. There he spoke personally with some fellow veterans about employment opportunities and found several new employees who fit well with his company mission and culture.

In addition, current family business employees may have information about potential applicants - in the community and even within their own families. Family business managers should encourage employees to recommend candidates for vacancies that arise during this post-pandemic period and beyond.

Overall, offline personal and social networks for recruitment are beneficial because they are (a) less costly compared to several alternatives and (b) targeted at potentially willing and capable employees, which conserves resources in the staffing process. Due to their interests in the business' success, current employees are less likely to recommend someone who would be a poor performer.

Takeaways

To survive in the post-pandemic economy, we offered seven strategies that family businesses can use to address key HRM goals to retain current non-family employees and attract and select the best qualified non-family employees. Nearly all family businesses must achieve these goals to survive and grow. The strategies, all of them inexpensive and doable, include:

a. Introducing ownership sharing plans.
b. Introducing financial incentives.
c. Introducing non-financial incentives.
d. Sharing leadership.
e. Adopting upskilling as an internal staffing strategy.
f. Exploiting online social media networks for recruitment.
g. Exploiting personal networks for recruitment.

We suggest that family business owners and managers first look at how much they are already using these strategies. Then they should look at how competitors and other family firms in their networks are using them. A family business center, or entrepreneurship center, at a local university may be a good point of initial contact to gain more information on designing and implementing the strategies we suggest. We are convinced that applying all or some of these strategies would help family businesses navigate the challenges of the post-pandemic labor market.

Notes

1. Whereas Zentalis Pharmaceuticals LLC went public in 2020, it previously utilized a profits interest plan in 2017 "to attract and retain individuals of exceptional talent." Details of this plan are available at https://www.sec.gov/Archives/edgar/data/1725160/000119312520065202/d827765dex101.htm
2. Although pay increases are also plausible, we believe gainsharing and profit-sharing plans are more sustainable for family businesses.
3. A detailed description is available from Philippe Wallerich (https://www.linkedin.com/pulse/example-successful-gain-sharing-plan-most-popular-philippe-wallerich)
4. ESSEC Business School offers a short course on diversity and inclusion through Coursera

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(https://www.coursera.org/learn/diversity-inclusion-workplace).

Reference

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