

TODAY'S CHOICE:

EMPLOYEE SATISFACTION OR THE POACHER

Headhunters, home builders, and other industries are looking for talent. If you ignore employee satisfaction, your human capital will be hired away.

By Charlie Scott, Contributing Editor



Today's hot housing choice: employee satisfaction or the poacher?

Many experts say that expecting employees to take better care of customers than their employer

takes care of them is unreasonable. There is a lot of truth in this reasoning, but in addition to customer satisfaction implications there are other significant business operational threats to consider.

When the industry tanked in mid-2000, most home building company owners let employee satisfaction go to the back burner, feeling if an employee still had a job, then they had darn well be satisfied. The drastic market decline forced most builders to reduce staff, eliminate bonuses, trim benefits, and even reduce salaries. These adjustments were painful beyond imagination, yet necessary. How are the long term consequences of these actions manifested today? This article will examine several consequences, but first a little back story.

Many seasoned home building professionals know the industry spends little time in equilibrium and more time naturally cycling up and down. In prior articles and blogs, I accurately predicted six-plus months in advance the land/lot shortage, hard cost increases, and the pinch in skilled labor among trade partners. In each case, we encouraged our

readers and clients to proactively prepare for the next phase of a recovering market. Many did not and paid the price for ignoring these rebound cycle threats. As our industry cycles through recovery, it is time to prepare for the next major threat to your company's success—the poaching of your top employees.

Poaching has already begun in every functional area—sales, project management, finance, land development, estimating, purchasing, warranty, et al. In my last six home builder presentations, I asked for a show of hands by any employee that had received recruiting calls in the prior 45 days. The average show of hands was 35 percent—yikes! I didn't dare ask how many had cyber-trolled on LinkedIn and other social media sites, but I would guess more than half. One industry expert told me that LinkedIn is a prime source of two-way cyber-trolling, both inbound (recruiters) and outbound (employees).

HEADHUNTER HEADLINES

To set the stage, let me return to a conversation that I had one year ago with Veronica Ramirez, CEO of Joseph Chris Partners, one of the industry's leading employee recruitment and placement firms. Ramirez said, "At the height of the last housing cycle, Joseph Chris Partners averaged 250 home building job orders on any given day." An open order is basically a home builder client asking the headhunter to find a qualified individual,

TOP 10 WAYS TO INCREASE EMPLOYEE SATISFACTION

By Charlie Scott

1 Identify the top employee dissatisfiers and company misbehaviors via third-party survey. Good surveys done by an outside company will gather information about employees' feelings and company improvement ideas. Many surveys will benchmark your employee satisfaction ratings against other builders. Gap analysis will help the company identify sources of potential future employee loss.

2 The 3 Cs: Communicate, Communicate, and Communicate. There is no such thing as overcommunicating company results, directions, challenges, trends, etc.

3 The 4th C: Celebrate. One of the lowest-scoring categories remains "lack of celebratory culture." Celebration does not have to be expensive trips, perks, etc., but rather showing appreciation and recognition for the work done in all functional areas. Hold staff and significant other celebration/information meetings to show your appreciation for the employee's family support during the past four years of increased hours, lower pay, and family stress.

4 Get your derriere out there. Get out of the ivory tower and out to the field and sales offices. Being on the playing field is the most supportive behavior management can demonstrate.

5 Gratitude. Thank employees who have done double- and triple-duty jobs to help pull the company through the housing depression. A sincere thank you or a thoughtful thank-you card can go a long way. Remember the old saying, "They don't care how much you know until they know how much you care."

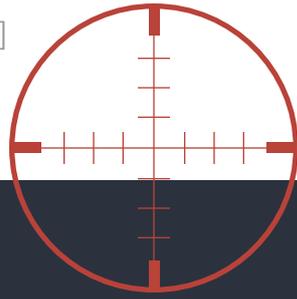
6 Tell them how they rate. Conduct employee reviews at least once per year and have ongoing and honest dialogue about their challenges, needs, and dreams.

7 Check the paycheck. Review and compare every employee's salary and benefits against the many online salary resources. Some of these sources may not be home building specific, but an estimator or purchasing agent for home building is a viable candidate for purchase and estimating in many other industries, too.

8 360-degree reviews via third-party survey. Find out which company managers rate highest and lowest in team communications, trustworthiness, team building, following company policy, fairness, and integrity.

9 Listen, acknowledge, and share the company shortcomings. Demonstrate that the voice of the employee has been heard.

10 It is no longer called human resources. It is now known as human capital—Treat the company's human capital with the same (if not better) respect and attention as your top equity sources, trade partners, etc.



HOW TO FIND GREAT CANDIDATES FROM OTHER BUILDERS

By Charlie Scott

- 1** Visit communities, attend home building association events, and develop a local network.
- 2** Talk to trade partners and Realtors. Between these two groups they often know more about your front-line staff's thoughts, feelings, and morale than you.
- 3** Ask your current employees to network and help in any new hire searches. Just like in new-home sales, the referral is the most potent and highest-converting source of success. Some companies offer referral fees as a preferred way to find talent. Don't forget about past employees who may have left for greener pastures. If you asked, 10 to 15 percent would likely come back.
- 4** Network with professional placement firms and, just as with other trade partners, emphasize total cost/quality, not just the initial price.
- 5** Develop a professional development/training program. Very few benefits are more cherished by a high-achieving new recruit than an organized and thoughtful onboarding program. This is an excellent opportunity to expose a new recruit to your culture.
- 6** Don't be afraid to look outside the home building industry for talent with transferable skills.

usually from a fellow builder. When the home building market collapsed, so did these open job orders—down to just two open job orders at any given time in 2011. Now that the market is back, Veronica reports that their job orders from home builders are up to an incredible 90 open job orders on any given day and still steeply climbing. They are successfully filling these positions with well-qualified, currently employed candidates.

The increased demand and competition for staff makes sense as builders in most markets report significantly improved sales, closings, and backlogs. A recent study of 25 geographically diverse builders by my company, Woodland, O'Brien & Scott, showed year-over-year closings up 47 percent and backlogs up an additional 67 percent—now that's significant improvement. The rebound has not only increased home builders' confidence, but also workloads and the desperate need for talented office and field staff to process this work.

A major problem is that many of yesteryear's most promising young field and office talent have left home building for greener and more stable industries, causing an unprecedented labor pool shortage. As such, builders are faced with two choices—the more time-consuming choice of hiring, training, and growing their own industry professionals, or the second, quicker and increasingly popular solution—search, solicit, and acquire aka professional searches (headhunting, poaching, etc.).

According to Roger Fiehn, owner of Roger Fiehn & Associates, a long-time human capital acquisition expert, "Many home building companies have turned to professional search services to fill important operational, mid-management, and C-level positions." Roger offers tips to employ these seeking services (see sidebar). While this news may be good for the searching goose, the losing gander can suffer significant capital loss of experienced employees.

That's right—headhunters on behalf of your direct competitors are cyber-trolling for and targeting your experienced salespeople, construction personnel, estimators, purchasing agents, customer service staff, and executives. The smart home building leaders are already ahead of this curve and are proactively seeking and resolving as many employee dissatisfiers as possible before key employees leave.

IMPROVING EMPLOYEE SATISFACTION

Proof for this proactive emphasis on improving employee satisfaction is that my company received more calls to administer our employee satisfaction survey in the past twelve months than in the past five years combined. Third-party surveys allow employees to provide honest, constructive criticism, benchmark the builder's employee satisfaction with other leading companies, and prepare strategies to improve employee satisfaction or pre-strategize new staffing plans. Such surveys also give employees the option to remain anonymous, and about 60 percent choose this option. Impressively, the completion rates for our employee surveys run between 75 to 85 percent and include many operational improvement ideas, too. Finally, a well-done survey should evaluate all the key financial, structural, emotional drivers, and work processes. It is not just about salary; we believe there are approximately 60 attributes that are related to employee satisfaction.

Our most recent employee satisfaction studies show a disturbing trend. Even though many home builders have experienced dramatic increases in sales, revenues, and profits, management's emotional hangover continues. In other words, management still mandates that their smaller staffs wear multiple hats to sell, process, build, and service significantly more customers. This extra work is generally met with little praise, recognition, celebration, or added compensation despite tremendous year-over-year growth. Many employees



TIPS FOR SELECTING A SEARCH FIRM

by Roger Fiehn

- 1 Do your due diligence—Evaluate multiple search providers.
- 2 Make sure search providers have experience with home building and have successfully placed similar positions.
- 3 Check with two to three past clients (hiring managers) of the search provider and with the individual placed.
- 4 Speak directly with the search firm representative that would be your point of contact. Discuss timeline, specific responsibilities, performance guarantees, and compensation details.

listed “lack of a celebratory company culture” as one attribute that is nonexistent or barely present at their companies.

How can this be, when companies are experiencing growth and recovery? The answer is simple. Management continues to possess pre-market decline anxiety. They are sustained recovery skeptics and obviously out-of-sync with current reality as far as their employees are concerned.

What will it take for management to accept that today’s market recovery is real? When will they acknowledge that their reduced staffs are overworked and significantly strained to meet today’s increases in both unit volume and customer expectations? Maybe when they realize the perfect employee dissatisfaction storm—hard working employees faced with ever increasing work/time demands in a less than appreciative and stagnant compensation environment.

Those of us who have managed home building companies know that it is far better to identify what the company can do to improve satisfaction and morale before an employee resigns rather than afterwards. Once an employee tenders a resignation, any success in salvaging him or her is short lived. And why is it that many home builders seem to value their trade contractors more than their own people? I recently heard from an employee who was miffed that his boss offered a \$5,000 bonus to a framing contractor to frame one house, but rejected a \$1,500 raise to an employee for an entire year’s work. Think about that.

What can you do to get in front of this recovery cycle’s next threat? First, evaluate your workers’ contributions and thank them for their role in the recovery. Second, communicate the plan for continued growth and how this future workload is going to be processed and benefits shared. Third, consider hiring a firm to act as the third-party voice of the employee to see where your employees’ satisfaction (and dissatisfaction) ranks among the industry’s top performers. Fourth, determine salary and replacement costs for every key employee (approximations

are available via many websites). Put an emphasis on making sure your top performers are the most satisfied. Last but not least, do not try to rebuild four years of equity loss on the backs of an overtaxed and underpaid staff. Employee resignations could prove to be every bit as painful (financially and emotionally) as the employer-driven downsizing cycle of 2008 to 2010.

Human capital is a valuable asset that should be managed to the same degree (or better) as other company assets. Retaining the highest-performing talent and fostering employee satisfaction will help protect your human capital and maximize its return for everyone. Care for it and it will perform. Measure it and it will conform.

This week’s management-meeting questions of the week: Do we really know our current employee satisfaction ratings? What potential employee losses are looming? And, are we recognizing, celebrating, and equitably sharing our company success with our staff? **PB**

Charlie Scott is a principal at Woodland, O’Brien & Scott, a customer satisfaction research and consulting firm that specializes in Voice of the Customer and Voice of the Employee programs to help guide home building companies to higher levels of operational excellence. He can be reached at CharlieS@woodlandobrien.com.



TOP 4 REASONS AT-RISK EMPLOYEES STAYED WITH THEIR COMPANY THROUGH THE DOWNTURN

by Veronica Ramirez

- 1 “The devil they knew was better than the one they didn’t.” Some employees did not change jobs because they knew their current employer’s financial status and didn’t want to be in the dark with a new employer.
- 2 “LIFO – Last In, First Out”—Many feared being last hired and first fired at a new employer if the housing decline continued.
- 3 “They are Musketeers: All for one and one for all.” They genuinely wanted to help their employer survive the housing depression, even with lower wages, bonuses, benefits, etc.
- 4 “Sea sick averse”—They were concerned about handling the industry’s emotional ups and downs and re-starting a new career at the same time.