



Intellect and Creativity

*Management Consulting for
Small and Medium Enterprises*

Executive Analysis Report

Key Challenges Facing
Small Businesses in 2019

Chapter 2. Shortage of qualified people

Executive Analysis Report: Key Challenges Facing Small Businesses in 2019

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Chapter 2 Shortage of qualified people

According to the 2018 Talent Shortage Survey released by ManpowerGroup, more employers than ever in the U.S. are struggling to fill open jobs. Of the 2,000 employers surveyed, 46% said they can't find the skills they need, with skilled trades workers, drivers, sales representatives and health care workers the most difficult to find.

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In the case of Small Businesses that situation is even more severe. The National Federation of Independent Business, the largest small business association in the U.S., in its July 2018 Jobs Report states that 88% of owners hiring or trying to hire reported few or no qualified applicants for the positions they were trying to fill. That percentage is not surprising, since Small Businesses accounted for 63 % of the net share of new jobs over the past six years (according to the Small Business Administration).

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Middle-skill jobs, those which require education beyond high school but not a four-year degree, make up the largest part of the labor market in the United States (53%) but only 43 % of the country's workers are trained to the middle-skill level, according to the National Skills Coalition.

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All too often, key industries in the U.S. are unable to find enough sufficiently trained workers to fill these jobs. The fact that 48% of job openings in the U.S. in the next 5 years will be middle-skill jobs (National Skills Coalition) will cause finding qualified applicants to be even more challenging.

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As the labor pool tightens and more baby boomers retire, employers of skilled trades workers have to look to younger generations (More than 60 % of skilled trades workers are 45 or older in some North American locations). And every industry is impacted. From manufacturing to mining, transport to trade, employers cannot find the people they need with the right blend of technical and soft skills.

Furthermore, the changes imposed by the Digital Revolution are adding significantly to the problem. The transition to a Digital economy is creating a big skills gap across a broad range of industries in almost any position. Digital skills go beyond technical skills and include business, marketing, collaboration, communication and leadership skills specific to a digital world.

In summary, for Small and Medium business, trained employees are difficult to find, and this trend will continue in the future boosted by the changes imposed by a Digital world.

So, how should small businesses find and retain the talent they need to keep growing?

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Small Business strategies to find and retain talent

One of the most effective strategies Small Business can implement to build and develop their workforce is to get their employees **young** by recruiting top high school or Bachelors' performers, and then grow their own talent by apprenticing/mentoring the ones that want to stay beyond their initial internships.

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Many small businesses also partner with local community colleges—both in helping to develop educational programs and curriculum aligned with relevant skill sets, and in providing internships and jobs to students. Some business owners host workshops and learning events for local high schools, community colleges, and trade schools. In this way they help train and prepare students while also making connections with potential future employees.

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Networking can also be very effective. Candidates who come in through referrals usually have a more accurate picture of the company than those who come in through ads, and in most cases employees and contacts will recommend only people they believe will be a good match.

Referrals through networking can also be very effective.

In the Digital age, companies are beginning to tackle digital skills shortages by upskilling their own workforce investing in learning platforms and development tools to build their talent pipeline, even in the case of small businesses. And hands-on skills training is the way to implement successful training programs.

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Digital marketing and social media management skills are probably the best areas to begin when a company decides to start upskilling its workforce. Closing the digital skills gap in small business is critical for their sustainability and ability to outperform the competition.

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Great talent may also be found in unexpected places. Some forward-looking companies focus on finding candidates with great attitude, core competencies and transferable skills versus having specific technical skills. When people have the right attitude, they are both motivated and adaptable which makes them more open to learning new skills. With the right attitude and enough effort most new skills can be learnt and mastered quickly.

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Planning and dimensioning the workforce

Before finding talent, a company needs to plan its operations and processing capacity, draft its organizational structure (roles and responsibilities, and the skills needed) and dimension its workforce. Yet in most small businesses those activities rarely take place. Usually, the workforce is the consequence of a sequence of opportunistic decisions and cash constraints.

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Furthermore, in many small businesses, the owners assume many administrative and operational responsibilities without having the time and required know-how, what is usually called “wearing too many hats”; almost always exhibiting an average performance at best.

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This situation prevents the owners from dedicating the necessary time to business development, planning and managerial tasks. And to run and grow a business effectively, an owner or managing director needs to be removed from the distractions of running the day-to-day operations.

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Not having an operational plan and adequate workforce means a big opportunity cost for the business. Therefore, the best small companies have sound plans, organizational structures and skilled personnel (or outsource those areas to specialized companies).

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If a small company wants to build a successful business that thrives on the backs of talented and disciplined people, then it should evaluate where things currently stand and how it can make deficiencies into strengths.