

## **Strategies for Success—Billings Business News**

### **Great Employees—the glue of a successful business**

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In the past several weeks, I have visited with several clients who all have the same perceived problem—the lack of motivated, well educated and well skilled employees. In the minds of many employers, there is no one in the world today who wants to work.

As I ask a few questions, it becomes readily apparent to me what, at least, part of the problem is. My first probing question relates to salary. How much are you paying this employee? The answer is usually somewhere below, equal or slightly above the minimum wage amount. That becomes the first problem today.

Many employers believe, wrongly, I might add, that because we are located in Montana, employees will take less money because they are either “back home”, the “Big Sky” factor, the “Wide Open Spaces” factor or any number of other ill conceived beliefs about employees. While it may be true that many people may be willing to relocate here for lower wages as a trade off to a great location, outstanding outdoor activities, close to family, or some other host of reasons, the bottom line remains the same. Employees need a certain amount of money to make an adequate living.

There may have been a time when lower wages and salaries were acceptable for a location. One of the analogies that I like to use when discussing these matters is the three legged stool. One leg is job, the second leg is salary/wages, and the third leg is location. You can have two of the three; however, there is always one short leg. For Example, one who has a good job and good location has a poor salary. A good salary and good job equates to a poor location. As a business owner in today’s rapidly changing global environment, you must be constantly aware of the environment in which your employees work. You must also be aware of the many external factors, other than salary that motivate employees.

Health care benefits today remain a great motivation for many people. Many employees will take less salary for some type of health care benefit. Having a health care benefit or any other benefit does not obviate the need and requirement to pay a competitive salary; however, having some type of benefit package may motivate some employees to a greater degree.

In today’s world, a salary equal to \$12/hour equates to about a \$25,000 year salary. It remains nearly impossible for anyone who has family support responsibilities to maintain even a modicum of family life with such a salary. Yes, I know that many folks here in Montana make and

live on lower salaries. My point is that you, as an employer, need to give real strong consideration to how you are compensating your employees if you are indeed going to find employees first and secondly, able to maintain and grow your business. However, the days of just barely minimum wage or slightly above minimum wage employees to work in your business are long gone.

Many employers need but do not possess a long range strategic plan for their company. This is probably one of the most important documents in your business today. An active, dynamic strategic operations/organizational plan will guide your business into the future. Yes, this is tough work and hard to accomplish—however, the work expended today will reap long term benefits tomorrow. The strategic plan should address how your company is going to compensate the employees, what steps are needed to raise the compensation and how you are going to achieve each of those steps.

A recent Wall Street Journal article addressed the significant increase in business of local and regional home grown and home owned electronics companies. The point was that local or regional companies were seeing much greater increase in business than many of the large box stores. Further investigation revealed that the key to these sales increases were primarily two fold: 1—Local or regional stores had better qualified and much more knowledgeable employees who were paid significantly better than the big box stores. Compensation in many cases was some combination of factors comprised of a base salary and commission. With technology changing at the speed of light each day, local and regional company employees kept abreast of new technology to a much greater degree than box store employees. Number 2—many customers did not like going to a box store, having a clerk that had pierced eyebrows, chewing gum and not showing a genuine interest in the customer needs serving as their clerk.

Benefits and salary are the key components to attracting and retaining good employees. A key factor that is many times not considered is the fact that greater employee salaries and benefits result in happier, more satisfied employees. Constant churn of employees, i.e., hiring an employee and then having he/she leave in 2-6 months because of unhappiness costs significantly more money than paying a higher initial starting salary with some benefit package. The fast food industry has learned that higher salaries attract and retain better employees. Some fast food establishments offer some type of health benefits to their employees in order to attract and retain employees.

Many small business owners have experienced the loss of one or more key employees to a competitor. When asked why these employees left, the reasons given are normally quite simple, but sometimes profound. Some employees left for the same money, however, an extra week of vacation, better medical benefit co-pay, tuition assistance for education or one that is becoming much more common today, flex time. Flex time is especially important to employees who are new parents or who wish to have greater flexibility in their lives. This is especially true of the millennial generation workers today. Millennial generation workers want and demand much greater flexibility in their work schedules than either baby boomers or Generation X or Y employees. As an employer, there is no reason to fight this generational difference. After all, you loose—either you

fail to attract and retain good employees, or more common, you are unable to attract any employees what so ever.

Academic studies have shown that employees who are granted flex time, allowed to work from home or other office off site location are actually more productive than employees who are present for duty 8 hours each day. Some thought needs to go into these types of programs; however, it is relatively easy to set up a flex time program that generates a greater return on investment for you, the employer, as well as the employee.

Salary and benefits are tools that make your firm more competitive and allow you to attract and retain employees. Don't be fooled that "just because nobody else does it" you should not have to either. Take the counter point, Have your firm lead the industry and see what kind of growth and satisfied employees you will retain. The results might surprise you.

A team of your advisors, the accountant, a benefits counselor, your lawyer as well as your financial advisor are some of the resources that you, as a business owner, need to engage to put these plans into operation. Each member of your advisory team has specialized skill, expertise and competence in their specific areas of expertise. When they work together on your problem, the result is a much greater and more homogenous result than if you tried to do it yourself. Talk to your accountant or financial advisor to begin this process. They will know whom to call to involve the other team members. The final result will be a program which is richer, better and more attractive than if you tried to cobble something together yourself.

Do not worry about program cost. Yes, it may cost more than you are paying today. However, cost is only one component of increased profitability and growth. Do you really care if you pay more, if you're business increases and your sales increase? Yes, you have to do the analysis to see that the benefits outweigh the costs, which, if a new compensation program is developed in concert with your advisory team will normally result. After all, the accountant will normally not allow you to make a decision where the cost is greater than the benefit.

If you have questions or just want to talk more about these matters, give us a call—406-672-6387.