

Good morning, everybody. Dennis Engelbrecht with The Family Business Institute. We build better contractors, so let's dig deeper today.

I read an article in the last couple of weeks, and this article was put out by MIT Sloan Business School, and they do a magazine, whatever, but it was about the great resignation. All right, everybody I'm sure now has heard the term, the "great resignation" amazingly at the beginning of 2021, 40% of employees were thinking about leaving their jobs. And then during the course of '21, this is actually over a six-month period in the middle of 2021, 24 million people did leave their jobs. All right. So, in this article, of course, they're going on to investigate and explain why. So of course, as most of these collegiate articles do, there's a study there. And what they found was that pay was not the biggest issue going on.

It's certainly an important issue and it plays into some of their suggestions in several ways, but a toxic corporate culture was really the number one reason people left and that had, at least according to the survey, more than 10 times the effect of how people viewed their pay and benefits package, for example. So, a toxic corporate culture, that's the first thing. Now, luckily, most of you I'm talking to have been subscribers of ours or members of our peer groups, or clients or whatever. And I happen to know that most of you do not have toxic corporate culture, but of course you want to keep that high in your mind that having a great culture continues to be the number one reason that people want to stay with your company and the number one, people will leave it, should you fall off the wagon.

One of the other aspects of this article though, found that the failure to recognize good performance was two and a half times more important than pay and benefits. Now I found this to be the most interesting part of the article about the great resignation, or on the reverse side of that, about retention, because this particular aspect had more effect on the best and brightest in your organization, than it did on the rest of the folks. So, not only did the failure to recognize importance have two and a half times overall more effect than this traditional pay and benefit package, but that was manyfold times that for the best and brightest. So, the best and brightest, that was basically their number one reason for leaving. So, we all know we want to keep our best and brightest, great companies are certainly built out of great performers and we need those folks to be successful.

So, how do you do that? How do you make sure you're recognizing performance? Well, first of all there's fairness to your system and people have a sense of fairness and fairness is easily seen in a couple of ways. You know, of course, in most cases, bonuses are given out confidentially, but it always seems a couple weeks later, everybody seems to know what everybody got. Right. Well, you certainly want to make sure that your best and brightest are being compensated significantly more than your average or run of the mill folks, or the underperformers. All right. And I hate to say it, I've seen so many companies where, all right, well, the really good superintendent's making 125,000 and the average one's making a hundred thousand. Well, there's more than a 25% difference in results between your best and your average.

Now, in some cases, you may be making that up more in bonuses or incentives or in some other way, but in a lot of cases, I see a lot of people sort of all-around that medium and really, there's probably a greater disparity in performance there. So, I would challenge you to look at what your best and brightest are making and make sure that it's significant enough to really reflect the value that they're bringing to the organization. Then also, think of the company overall, are we putting out enough in our reward system, in terms of bonuses and things overall, or is more of it being plowed back in for the owners themselves, or for the company. Make sure you have a good fair bonus system. Recognition is key also, remember that the statement was, the failure to recognize performance.

So, thank you go a long way. Plaques, citing people as you're telling stories, or talking about the year in review or whatever, making sure that folks are recognized. We also have a bit of an issue in the construction field in that the end game for a lot of our great performers might be as a project manager, as a superintendent. So, let's say you got a great 35- or 40-year-old superintendent and their goal in life is just to be a great superintendent. So, how do you continue to

give them the recognition and keep them motivated when they're really going to be in the same position? They're not going to be the president of the company, and possibly not going to be an owner or the owner of the company. Their best fit is going to be that fantastic superintendent.

So, you've got to find a way through that recognition, through your thank yous, through your appreciation and through your pay and bonus systems, to make sure that those folks are really honored for what they are, which is experts at their practice. And sometimes those folks that stay in that same position get lost in this whole chain of people going up the ladder of success and being honored. So, make sure you're honoring those tremendous cogs in your business, whether a estimator, project manager, project assistant, whoever they are in your organization. But if they're the best and brightest in your organization in whatever position, you've got to make sure they're being rewarded well, and they're being recognized. And that's really up to you. So, one last thing on keeping your best and brightest. Now, there certainly is a success aspect to this and many of the best and brightest do want to grow in the organization.

They do want to be leaders; they do want to be owners. They do want to achieve financial success for themselves and their families. So, make sure in your organization that you have a clear and visible pathway to that success, whether that's a pathway to individual ownership in the company, or some sort of group ownership, or whether it's a deferred comp plan or something like that. What most really smart, successful entrepreneurial people want, is they want that pathway to wealth that they see that the owners and leaders of companies have been able to achieve in front of them. So, that can come simply through pay and bonus, but more often there needs to be something with that. So, very important that you have those pathways in your company, so that folks don't get to a point where they only see their pathway to wealth and success as being outside your company.

So again, focus on keeping your best and brightest. Don't let the great resignation hit home with you. Make sure you're rewarding those folks, recognizing those folks and finding a pathway for their future. Again, Dennis Engelbrecht, Digging Deeper, thanks for tuning in.