

FEBRUARY 2013

HUMAN RESOURCES

BDC VIEWPOINTS STUDY
Research and Market Intelligence at BDC



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SUMMARY

The objective of this study is to better understand human resources practices in Canadian companies. To do so, BDC interviewed 536 BDC ViewPoints entrepreneur panellists in February 2013.

On a whole, the results of this survey highlight several HR management needs. Few entrepreneurs have a person on staff who is exclusively dedicated to HR even though the companies face major human resources challenges. Recruitment and retention, as well as performance management, are the main issues that entrepreneurs expect to have to deal with over the next three years. Motivating employees and offering advantageous benefits are effective retention tools. However, offering flexible working conditions are not the norm in SMEs, and only a small minority of entrepreneurs offer their employees a profit sharing plan. With that said, the situation will no doubt change over the coming years in reaction to the many anticipated demographic changes.

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SURVEY HIGHLIGHTS

The objective of this human resources (HR) study is to better understand HR practices in Canadian companies. More precisely, we wanted to gain more knowledge on certain issues: when the presence of an HR representative becomes necessary, what the biggest HR challenges are for SMEs, how employees are recruited, and what conditions are offered to employees in SMEs.

To do so, BDC interviewed 536 BDC ViewPoints online entrepreneur panellists in February 2013. Here are the results that stand out the most in this study.

First off, very few SMEs have a person who is exclusively dedicated to HR. We observed that companies with 20 employees or more are more likely to hire someone to be responsible for human resources.

Companies face major human resources challenges. Recruiting and retention (74%), as well as performance management (71%), are the main issues that entrepreneurs expect to have to deal with over the next three years.

Taking a closer look at recruiting, we observed that the respondents rely largely on their network of contacts when looking for new employees. In fact, the recruiting methods deemed the most effective are referrals from employees (42%), from a business network (38%) and from friends and family members (35%). Furthermore, when they are in the hiring process, only slightly more than half have their candidates take tests. When they do use testing, they mostly rely on very concrete tests: practical work assignments (59%) and skill testing (51%).

Motivating employees is a challenge in itself. Entrepreneurs responded that they mainly use the following techniques: setting a good example and providing leadership, involving employees in the decision-making process and fostering a positive and fun work environment.

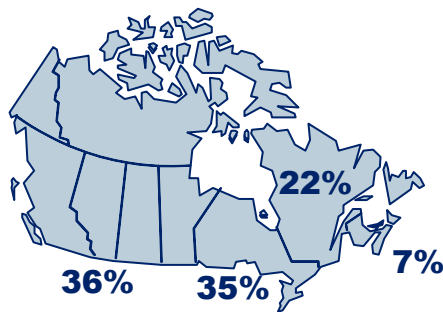
Lastly, when it comes to benefits and working conditions, flexible working conditions are not particularly popular with our respondents. Nearly three in ten respondents do not offer any at all, and of those that do, the range they offer is limited. More than three quarters of the entrepreneurs surveyed do not offer a profit-sharing program to their employees.

CONTEXT AND METHODOLOGY

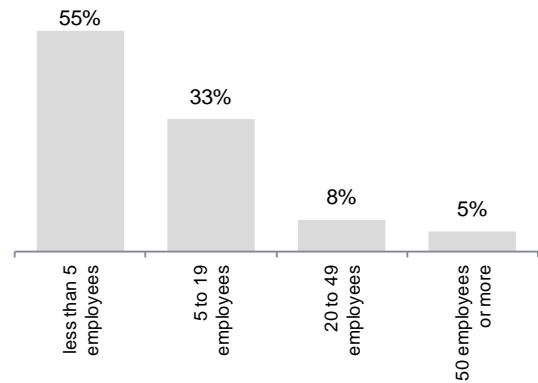
An invitation for the survey was emailed to 2,537 BDC ViewPoints entrepreneur panellists on February 5, 2013. The survey was available online from February 5 to February 18, 2013. In total, 536 entrepreneurs responded.

The results of the survey were weighted according to the region and size of the companies. BDC's Research and Market Intelligence team analyzed the results and prepared a research report.

RESPONDENTS' PROFILE



% OF RESPONDENTS BY REGION



COMPANY SIZE



PERSON DEDICATED TO HUMAN RESOURCES

Most of the respondents (84%) indicated that they do not have employees who are exclusively dedicated to HR in their company. A small proportion of respondents employ someone full time (7%), part time (7%) or under contract (1%) to carry out HR tasks.

The main reasons that lead entrepreneurs to hire someone for this is the difficulty, importance and extent of the task, the growth in the number of employees and the need to have someone take care of training and recruiting.

As a result, it is not surprising to note that the more employees a company has, the more likely it is to have a person who is responsible for human resources within the organization.

- > Less than 5 employees (8%)
- > Between 5 and 19 employees (15%)
- > Between 20 and 49 employees (35%)
- > 50 employees or more (66%)

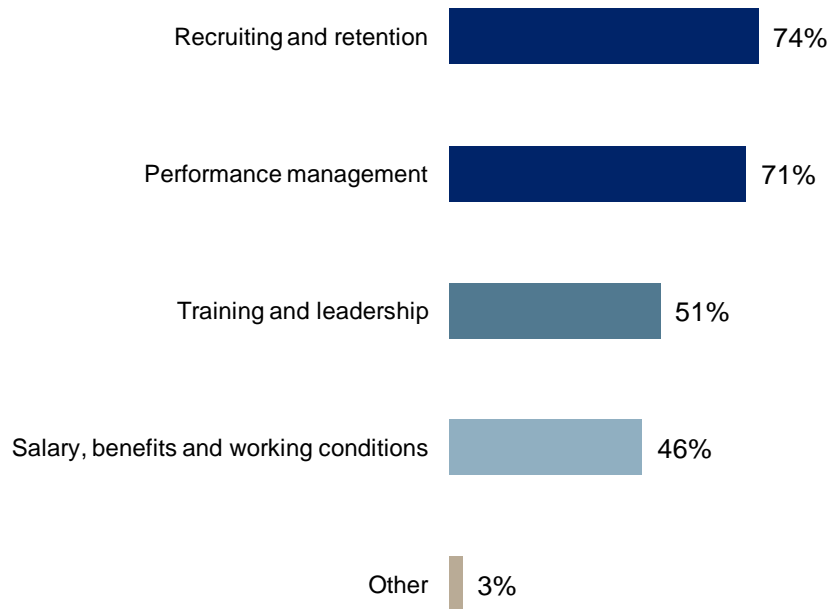
The majority of respondents (92%) that have staff assigned to HR in their company employ one to three HR specialists (67%: only one; 25%: two or three).



MAIN HUMAN RESOURCES-RELATED CHALLENGES

The HR challenges expected by entrepreneurs over the next three years are primarily related to recruiting and retention (74%), as well as performance management (71%).

GRAPH 1: HR CHALLENGES EXPECTED OVER THE NEXT THREE YEARS
What will your biggest HR challenges be in the next three years?



Base: All respondents. Those who preferred not to respond were excluded from the calculation base. Multiple responses were permitted (n=514).

From an employee recruiting and retention standpoint, the entrepreneurs are mainly concerned with the following aspects:

- > Recruiting skilled workers (45%);
- > Retaining good employees (44%);
- > Recruiting employees (38%); and
- > Filling temporary vacancies (11%).

If recruiting and retaining qualified employees are also part of your challenges, we invite you to read the following articles:



- > [Art of the Pitch – The tricks to recruiting top talent](#)
- > [How to hire the right people for your business](#)
- > [Ready. Aim. Hire!](#)
- > [Success story: Hold on to your stars](#)

Performance management is also a challenge for several entrepreneurs. More specifically, improving productivity (37%) and managing employee performance (32%) are the aspects that pose the most problems.

Lastly, a third of respondents (33%) said they were concerned with the idea of offering competitive wages to their employees.

We noted a few significant differences related to company size or region:

- > Respondents in Quebec are most likely to consider that managing downtime efficiently is a challenge for the coming years.
- > The bigger a company, the more important it is to offer training and coaching programs to employees.
- > Challenges related to training and leadership are more frequent in companies that have more than five employees.

RECRUITING

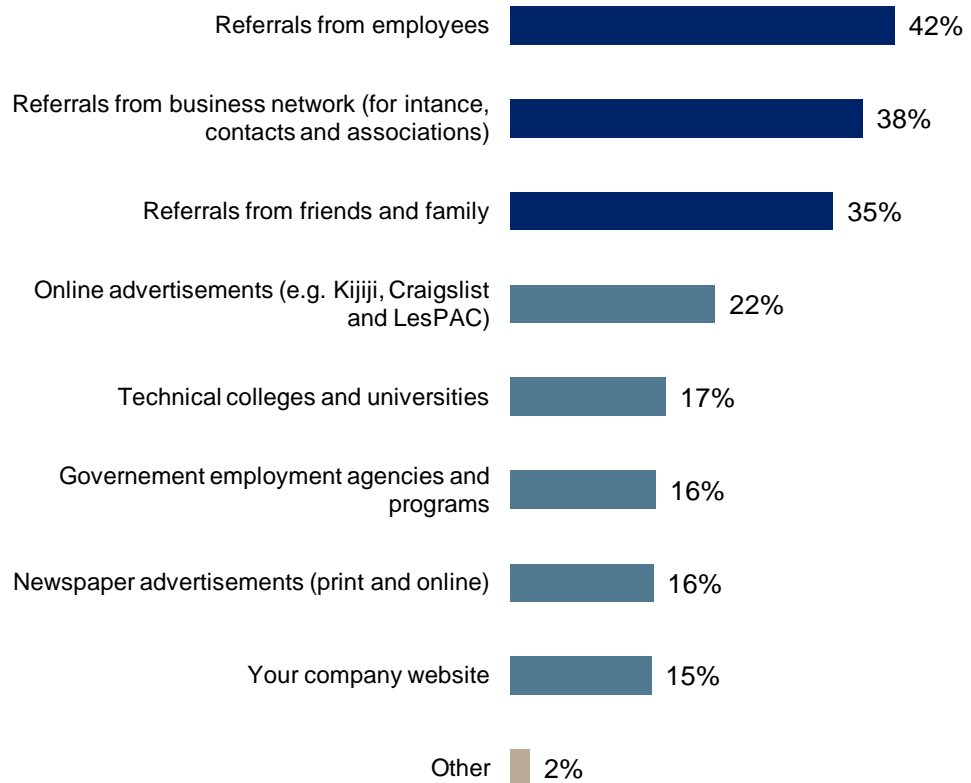
RECRUITING METHODS

We asked entrepreneurs to identify the most effective recruiting methods when looking for new employees. The three most frequently mentioned recruiting methods are related to referrals:

- > From employees (42%);
- > From a business network (for example, contacts and associations) (38%); and
- > From friends and family (35%).

Maintaining a good network of contacts therefore appears to be essential for recruiting.

GRAPH 2: THE MOST EFFECTIVE RECRUITING METHODS
What are your most successful channels for recruiting new employees?



Base: All the respondents. Those who preferred not to respond were excluded from the calculation base. Responses <15% are not presented. Multiple responses were permitted (n=528).

We also noted that online recruiting is increasingly popular. Although only 12% of respondents consider that social media is an effective recruiting method, it is now part of the HR toolkit that entrepreneurs can use.



If you would like more information on this subject, BDC has published [an article](#) to help you use social media for recruiting activities. If you would like more information on online recruiting, consult [this article](#).

We noted a few statistical variances that were worth mentioning:

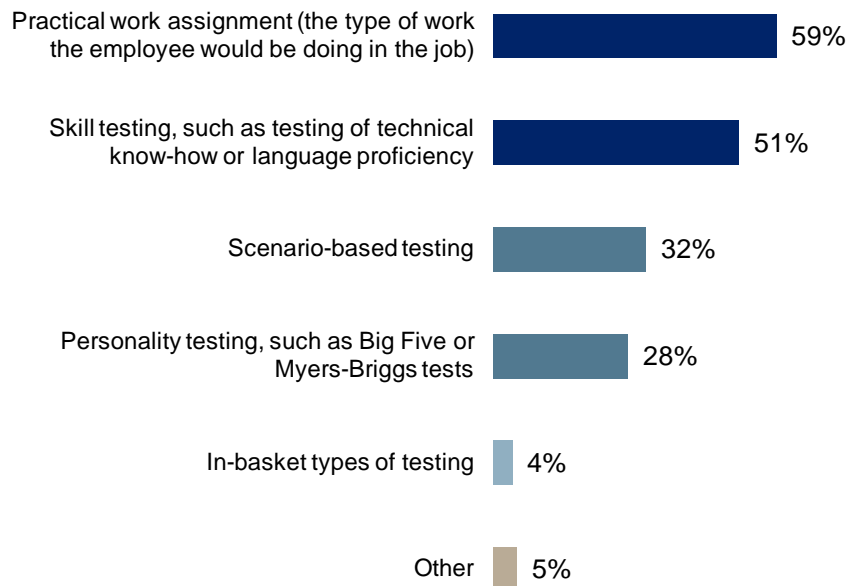
- > Respondents in Western Canada were more inclined to use online advertisements (Kijiji, Craigslist, LesPAC, etc.) for recruiting new employees.
- > In Quebec, government employment agencies and programs and specialized employment websites (Workopolis, Monster, Jobboom, etc.) are the recruiting methods deemed the most effective.
- > Placement agencies and professional recruiters—the most expensive recruiting methods—were deemed most effective by companies with more than five employees.
- > At companies with more than 50 employees, employment fairs are most frequently deemed effective.

TESTING CANDIDATES DURING RECRUITING

We asked respondents who test candidates during the recruiting process to indicate the types of tests used. The most frequently cited tests are very routine in nature: practical work assignment (59%) and skill testing (51%).

GRAPH 3: TYPES OF TESTS

What type of testing do you conduct, either during or after the recruiting process?



Base: Respondents who indicated that they test candidates. Those who preferred not to respond were excluded from the calculation base. Multiple responses were permitted (n=202).

According to our respondents, using personality and skill tests comes with both advantages and inconveniences. These are the main ones that were indicated:

ADVANTAGES

- > Get more information on a candidate and confirm certain information that was provided
- > Avoid surprises
- > Identify candidates whose profiles are consistent with the company's culture and the future work team

DISADVANTAGES

- > Long process
- > Reliability and validity of responses can sometimes be called into question
- > High costs



Several researchers question the use of personality tests in the hiring process and wonder whether the [high costs of such tests are worth their advantages](#). When using these tests, the results should not be used as the sole deciding factor, but should be viewed as one aspect among others in the hiring process.

EMPLOYEE MOTIVATION

Keeping employees motivated can be a major challenge for employers. We therefore asked entrepreneurs to indicate their most effective techniques. Three techniques stood out from the rest and are illustrated in the following graph:

GRAPH 4: TECHNIQUES USED BY ENTREPRENEURS TO MOTIVATE THEIR EMPLOYEES
In your experience, what are some of the best techniques for motivating employees?



Base: All the respondents. Those who preferred not to respond were excluded from the calculation base. Responses <40% are not presented. Multiple responses were permitted (n=533).

It is interesting to note that clearly communicating the company's results, plans and vision is a technique that companies with more than 20 employees use most often.



In a recent article published by BDC, we learn that offering non-monetary incentives to employees have a positive effect on their satisfaction. For non-monetary incentive ideas to keep your employees engaged, read [this article](#).



THE CONFERENCE BOARD OF CANADA HAS IDENTIFIED 11 FACTORS THAT MOTIVATE ENGAGEMENT¹:

- > Trust and integrity
- > The nature of the work
- > A clear idea between individual performance and the company's performance
- > Possibilities for professional advancement
- > Pride with regard to the company
- > Colleagues/co-workers
- > Employee development
- > Personal relationship with the manager
- > Pay equity
- > Personal influence
- > Well-being

¹ The Conference Board of Canada. *Employee Engagement: What Works Now?* December 2012.

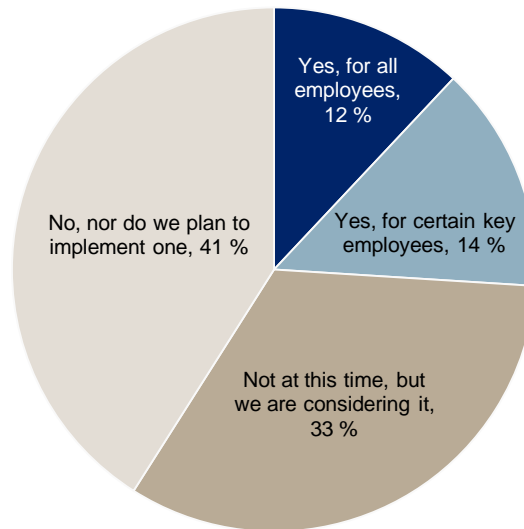
ADVANTAGES AND WORKING CONDITIONS

PROFIT-SHARING PROGRAM

Profit-sharing programs are not popular with SMEs; only slightly more than a quarter offer them to at least some of their employees.

Small companies (less than 5 employees) are less likely to offer a profit-sharing program. However, this can be an effective retention tool if it is used appropriately.

GRAPH 5: PROFIT-SHARING PROGRAM
Do you have a profit-sharing program at your organization?

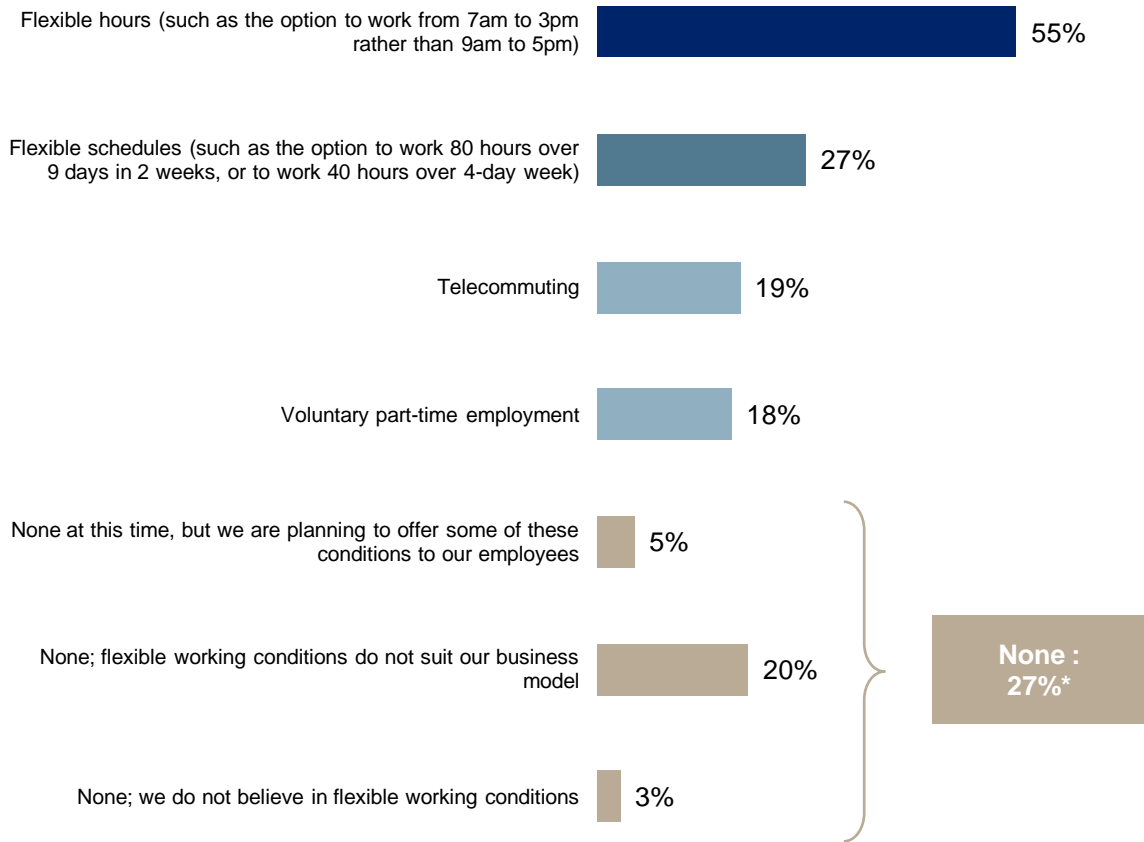


Basis: All respondents. Those who preferred not to respond were excluded from the calculation base (n=530).

FLEXIBLE WORKING CONDITIONS

Several studies show that working conditions play an increasingly important role in employer selection and employee satisfaction. However, the results of the survey indicate that flexible working conditions are not popular with SMEs. Actually, nearly three in ten respondents (27%) do not currently offer flexible working conditions to their employees. Among the most used flexible working conditions, we noted flexible hours (55%), followed at a distance by flexible schedules (27%), telecommuting (19%) and voluntary part-time employment (18%).

GRAPH 6: FLEXIBLE WORKING CONDITIONS
What flexible working conditions do you offer to your employees?



*Base: All the respondents. Those who preferred not to respond were excluded from the calculation base. Responses <15% are not presented. Multiple responses were permitted (n=527).
 Due to rounding, the aggregated result does not correspond to the sum of its parts.

SOMETHING TO THINK ABOUT



According to [recent data](#) from an international survey performed by the human resources firm Mercer, flexible working conditions are among the most important for Canadian employees and are significant [motivational factors](#). This aspect distinguishes us from the United States and Mexico, and shows that Canadian companies should no doubt take this into account to attract and retain talented employees.