

Insights Into How Small Businesses Hire

Leaders and hiring professionals in small businesses are continually dealing with the challenges of recruiting, vetting and hiring both employees and contractors. They want to know which recruiting channels deliver the best results, what screening tools and methods other companies use, how to run successful referral programs—and a good deal more.

To find the answers, we surveyed **515** small business owners and operators across a range of industries. This report summarizes what we learned.

Small businesses know what works

In some cases, small businesses aren't fixing what isn't broken. They still prefer to screen candidates by their resumes (**58%**) and their work samples (**17%**). They find contractors through their personal networks (**75%**), and they want to be geographically close to their talent pool (**45%**).

They value innovation too

This isn't to suggest that they're failing to evolve. When it comes to recruiting talent, small businesses are eager to take advantage of online channels. They post jobs online and use resume databases (**48%**) more than any other channel. They're finding new kinds of talent as well, learning that they can be successful when they hire for aptitude instead of skill alone (**80%**).

There are opportunities ahead

There's room for small businesses to further integrate the traditional with the innovative. In the pages that follow, we will present our key survey findings and share our insights into how small businesses can take advantage of technologies, like LinkedIn, to strengthen and support their traditional hiring strategies.

Highlights

- ✓ 80% of small businesses hire graduates but only 12% have formal graduate recruiting programs
- ✓ For most businesses, contractors comprise no more than 20% of the total staff
- ✓ Offline job ads and career fairs are not widely used (both by only 4%)
- ✓ More small businesses screen candidates with LinkedIn than with company exams (8% vs. 6%)

Topic sheets in this report

Talent Search

- [Where do small businesses find talent?](#)
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Talent Search: Where do small businesses find talent?

Online channels lead the way

Where do small businesses find their talent? Online channels lead the list. Job postings are popular and effective. They're used by **64%** of the small businesses surveyed, and **49%** cite online channels as a successful source of hire. Around half of respondents used online resume databases, such as LinkedIn, with a similar rate of success.

By comparison, offline channels are now relatively niche: conferences, career fairs, and offline ads (such as newspapers) are each used by less than a quarter of small businesses, and they deliver low satisfaction rates. Referrals were, however, mentioned as a useful channel by many businesses.

Agencies deliver hires, satisfaction

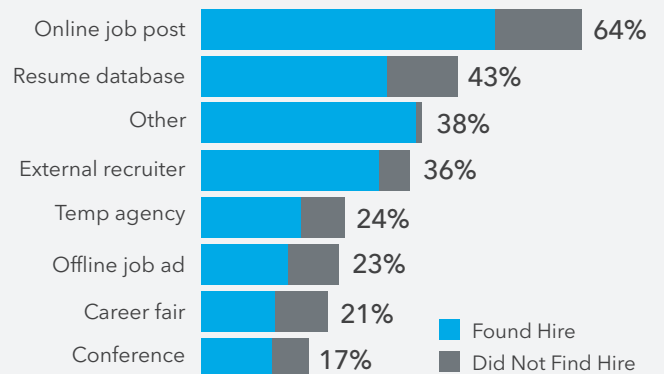
External recruiters are almost as popular as online channels, and they deliver results. Our survey found that **84%** of companies who engaged with external recruiters made a hire. Although the price is often higher than a job post, satisfaction rates are still very high. Temp agencies are less common, and only a quarter of small businesses have staffed up this way.

What small businesses should do

- ✓ Get your company ready for online hiring by building a web presence showcasing your company and team. [LinkedIn Company Pages](#) are an easy and effective place to start.
- ✓ Post well-written and targeted online job posts using tools such as [LinkedIn Job Posts](#).
- ✓ Search LinkedIn to assess the candidate landscape. Consider [upgrading](#) to gain better filters, visibility, and the ability to reach beyond your network with InMail.
- ✓ Use LinkedIn to find recruiters in your area, and even sort by recruiters who have worked with people you know. Use [LinkedIn people search](#) with keywords like "recruiter" and "staffing." For your industry selection, add "staffing and recruiting."
- ✓ Develop a referral program.

Comparing channel success rates

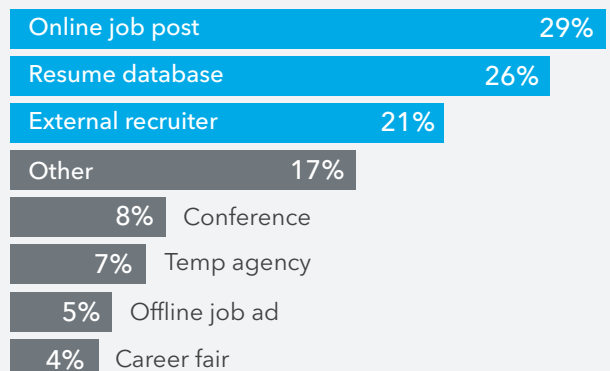
In the last 12 months, which hiring resources did your company use and find success with?



Online channels rank highest in terms of both overall usage and successful hire rates, with external recruiting a strong third.

Overall channel satisfaction

Which methods for finding candidates have you been satisfied with?



Online channels and external recruiters own the top three spots when it comes to satisfying the needs of small businesses.

Talent Search: Tap the potential of adaptable hires

Identifying unexpected talent

Adaptable hires—recent graduates, returning veterans, and those changing careers—can become star employees for companies of all sizes. Our research found that **8 out of 10** small businesses have found success when hiring for *aptitude* as well as experience. These companies are hiring and training candidates with limited industry or role experience, but plenty of talent, energy and ability to learn.

Small businesses can do more

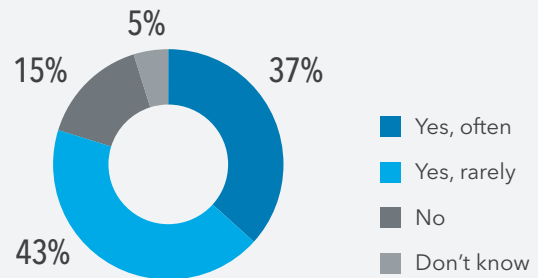
Given the success small businesses have had with adaptable hires, you'd expect more small businesses to step up the effort and make adaptable hires a part of their formal HR strategies. But that's not the case. For example, only **12%** of small businesses have dedicated recruiting and training programs for college graduates.

What small businesses should do

- ✓ Broaden employee search criteria. You can learn a lot using a [free people search](#).
- ✓ Search for intern or graduate hires. Use our free [intern and entry-level job postings](#).
- ✓ Connect with universities, industry associations, veteran organizations and other groups. Start by exploring the [LinkedIn groups](#) in your area.

Adaptable hires prove their worth

Do you hire those who do not fit the specific job requirements on paper and are still successful in the job?



80% of our respondents find success when they hire for potential instead of experience alone. Almost half have seen consistent success with this approach.

Time to get serious about grad hiring?

80% of small businesses hire graduates **12%** have a dedicated program

In their own words

Small business leaders have found star employees by seeking adaptable hires.

“We hired a recent graduate with no specific experience in machine learning. She had strong interest in it, so we hired her. She moved into a successful machine learning/recommendations role.”

“We hired a web editor/producer who had never produced a media site before, but had a range of multimedia experience, was incredibly innovative and creative, and inspired confidence.”

Talent Search: Using contractors to complete the talent puzzle

A small but important part of the workforce

Freelancers and contractors play an important role in small business talent strategies. In fact, **80%** of the companies LinkedIn surveyed reported that contractors are a part of their team. Typically, contractors complement the full-time workforce for specialist or temporary needs. For almost two-thirds of small businesses, contractors comprise less than **20%** of their total personnel.

Most small businesses self-source

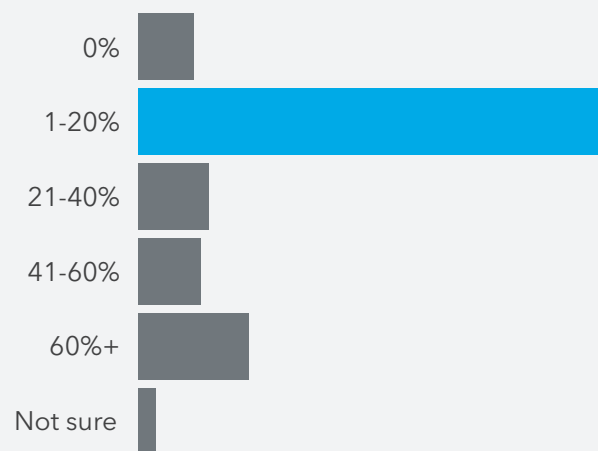
For most businesses, hiring contractors is a do-it-yourself effort: **75%** hire their contractors directly, through personal contacts and networks. After network sourcing, staffing agencies were the next most common channel, used by **22%** of small businesses surveyed. Freelance platforms are the smallest: only **5%** of surveyed small businesses use them to find contractors. In terms of satisfaction, the most effective sources were personal networks and LinkedIn. With LinkedIn, businesses can reach beyond their immediate network via connections, which is particularly helpful when looking for a specific skill set.

What small businesses should do

- ✓ Consider individual contractors to add on-demand skills needed on an ad hoc basis.
- ✓ Use your own LinkedIn network to find reliable contractors. Try a [LinkedIn people search](#) to explore whether your connections know any of the experts you find.
- ✓ Trust staffing agencies to find talent outside of your network.
- ✓ Consider experimenting with online freelancing sites, which can provide an additional outlet.

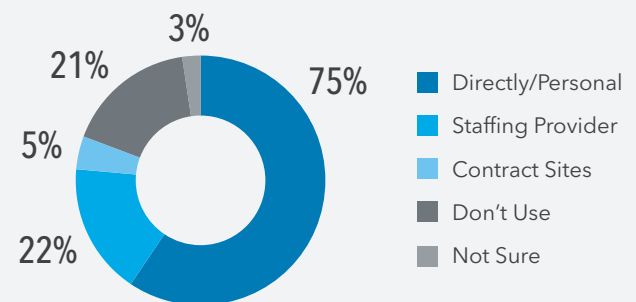
Contractors fill the hiring niche

What percent of your team is contractors or freelancers?



Going direct

Has your company engaged contractors or freelance workers?



Talent Search: Building a winning employee referral program

Formalizing referrals: some do, some don't

Referrals are often cited as an effective source of hire, with benefits for both recruiting and retention. However, small businesses are still divided when it comes to formalizing referral programs. Just under half of the small businesses surveyed by LinkedIn have a formal referral program in place. The other half take an informal approach. This isn't specific to small business: around **50%** of larger enterprises also lack formal referral programs. With an effective approach to referrals, small businesses can gain a talent edge over larger businesses.

Money isn't everything

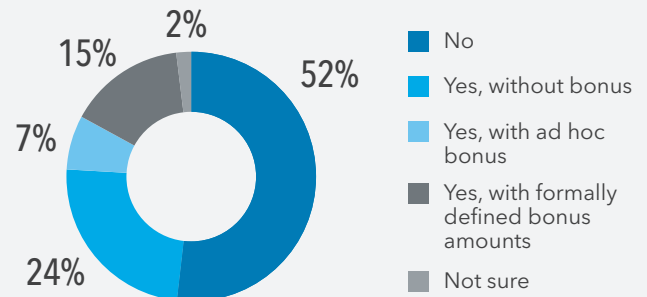
Companies that do operate a formal program don't always provide a referral bonus. **52%** of survey participants do not offer referral programs with financial incentives. Around a third offer defined bonuses, with amounts varying from **\$50 to \$5,000** (see graphic). Small businesses have ample room for creativity in developing referral programs to fit their needs, budgets and cultures.

What small businesses should do

- ✓ Make referrals an advantage: If you don't have a referral program, develop one. You'll be ahead of half the other small companies in the marketplace.
- ✓ Activate your company's networks. Encourage employees to share open roles with their networks through a LinkedIn status update.
- ✓ [Search LinkedIn](#) and look for potential candidates who are connected to your employees. You can also encourage your colleagues to search their networks whenever you're hiring.
- ✓ Be creative with bonuses. Rewards and recognition can be as effective as cash. If you are offering cash, the amount can vary by role, or you can establish it as a temporary program.

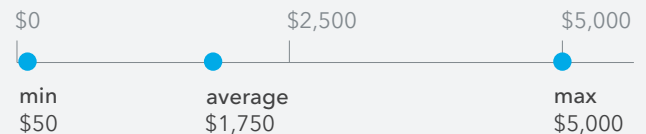
Referral programs aren't universal

Does your company have an employee referral program?



The range of small business bonuses

The average referral bonus is just over \$1,500. The most popular bonus amount is \$1,000.



Talent Search: Triple your candidate pool by tapping into passive talent

The importance of 'passive' candidates

Professionals are not always seeking new job roles, but they may still be open to new opportunities. In fact, for every "active" job seeker, there are three "passive" candidates—professionals who are open to new opportunities but aren't actively applying for jobs. In the one month period preceding the survey, **29%** of professionals on LinkedIn explored a position with a different company. **46%** of those professionals updated their LinkedIn profile or resume, and **40%** researched companies.

Candidates rely on LinkedIn for research

Both passive and active candidates use LinkedIn for career research, with **60%** using it to research companies and 51% using it to view the profiles of employees working at the companies they're interested in. The average candidate follows 12 companies and is connected to more than 130 companies.

High level of trust presenting professional image online

Candidates trust online channels as a place to share professional and personal details. **57%** of candidates are comfortable sharing their information on professional sites such as LinkedIn. The story is a little different on social media sites like Facebook and Twitter, where only **39%** of people are comfortable sharing personal details.



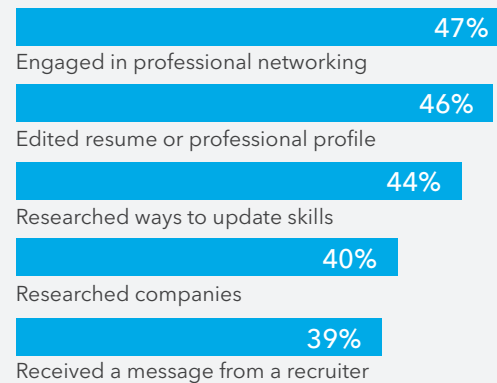
There are three times as many passive candidates as active job seekers today.

What small businesses should do

- ✓ Candidates are always on the lookout for opportunities, so keep your company information (on both professional and social sites) updated and compelling to candidates.
- ✓ Make sure that your colleague's profiles display your company name and logo properly.
- ✓ Encourage your colleagues to follow your company page and **share updates** to broaden your reach.
- ✓ Provide next steps for active and passive candidates to take once they've found you. Share updates on your company page, so followers receive your content, or consider creating a **LinkedIn group**.
- ✓ Check that your recruiting team can be found on LinkedIn, so candidates can explore your company and ask questions confidentially.

Top candidate activities

Which of the following activities have you participated in during the past month?



Professional networking, keeping profiles up to date, and ongoing research are top candidate activities.

Evaluating Talent: Painting a complete candidate picture

Traditional resumes are still the core

Tried and true wins the day for small businesses when screening prospective hires. Resumes are the core screening input, with **57%** of the 500+ small businesses we surveyed ranked it first in importance among six information types. Work samples are next (**17%**), reflecting the value of real, immediately applicable skills in the small business environment. Cover letters, a candidate's LinkedIn profile, and pre-employment testing are also important considerations.

LinkedIn profile is primary online identity

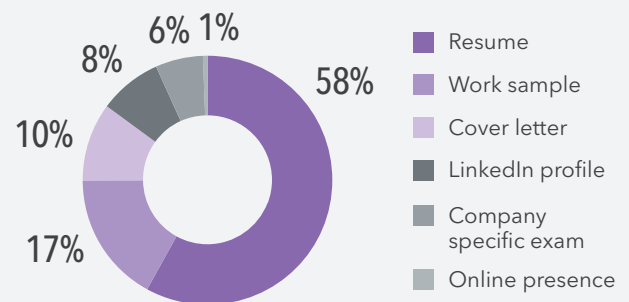
Insight gained from a candidate's online identity is less utilized than one might expect in this age of social media and ubiquitous internet. Only **9%** of small businesses consider online as their most important source of candidate insights. But the professional profile is still critical: nearly half of small businesses use the array of information on a candidate's LinkedIn profile as one of their top three sources for screening. With over one billion endorsements now on the LinkedIn platform, this percentage is likely to grow.

What small businesses should do

- ✓ Look at work samples. See whether the candidate has uploaded samples to their LinkedIn profile or provide links to their work online (e.g., a blog, SlideShare).
- ✓ Conduct due diligence on previous roles. You can use LinkedIn to get references from people who have worked with a candidate before, just be sure to get the candidate's permission first.
- ✓ Use a broader portfolio of information to assess cultural fit and distinguish between candidates. Use the core resume to create a shortlist and then use cover letters and online presences to find the best fit.

The most important screening tools

Resumes and work samples are considered the most important screening tools by **73%** of small businesses.



73%



of small businesses consider a candidate's LinkedIn presence more valuable in their hiring decision than profiles on other sites.

Evaluating Talent: What really matters on a resume

Experience first and foremost

Resumes are the most important tool for small businesses when screening prospective hires. So what do hiring managers look for? It's all about prior work: **87%** focus on functional work experience, and half consider past employers to be critically important in assessing candidates. It's more important than ever to understand the details of these prior roles fully, and rich LinkedIn profile information can help.

Education matters, but not pedigree

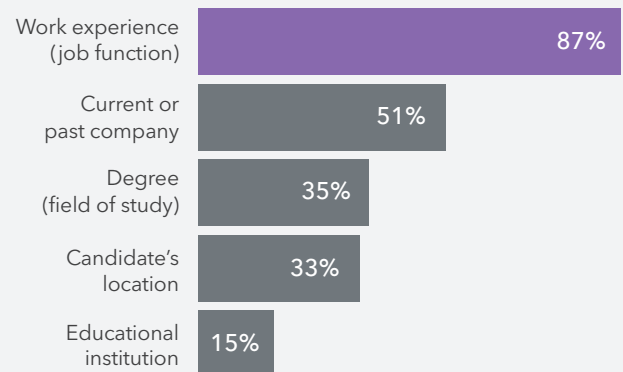
Small businesses consider education to be the second highest screening priority. **16%** of small businesses value a college degree above all else, but the pedigree is the least important factor. Only **7%** consider the school that a candidate graduated from as important. Small businesses showed a willingness to hire outside their region, and two-thirds of small businesses don't consider location to be a critical requirement for a candidate.

What small businesses should do

- ✓ Use references to understand a candidate's duties and performances in prior roles. Recommendations and endorsements on LinkedIn profiles can offer extra insight.
- ✓ When considering past experiences, see if candidates share details about their experience online. LinkedIn profiles can include images, presentations, and videos for professionals to showcase their work. LinkedIn members can also list past projects, certifications, and patents.
- ✓ Consider hiring outside your region. Small businesses that are flexible on location can target a much wider pool of candidates.

Experience matters most

What factors matter most in screening candidates?



"Matter most" defined as ranking the factor 8-10 on a 10-point scale of importance.

The Location Factor: Should you go where the action is?

Small businesses prefer talent hubs

The majority of small businesses want to be part of the “hub,” geographical areas with high concentrations of both relevant professionals and companies. More than two-thirds of small businesses prefer to locate themselves in areas of industry concentration, with a bias towards large cities.

Despite challenges, few contrarians

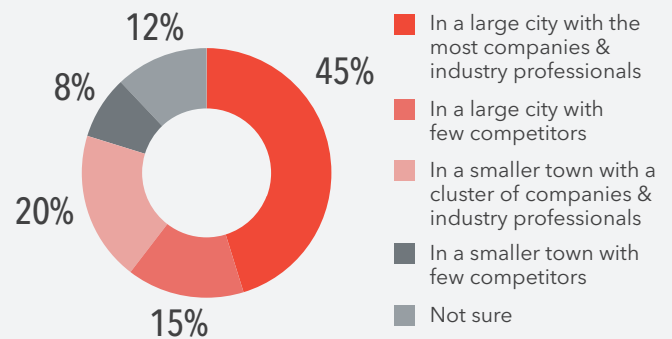
Although small businesses prefer hubs, they face challenges competing with larger companies nearby. Competition and compensation are the most frequently cited obstacles to making hires in industry hubs. But despite these hiring challenges, only 23% of small businesses we surveyed expressed interest in relocating.

What small businesses should do

- ✓ Consider industry hubs when looking to relocate or open a new office. Remember hubs aren’t always big cities—many regional centers with specific strengths are emerging. When considering a new location, conduct a [LinkedIn search](#) to learn about the concentration of relevant professionals in that area.
- ✓ When hiring outside of a hub, emphasize the unique benefits of your location to prospective hires. Maybe your region is emerging as an industry hub or offers lifestyle benefits over urban locations.
- ✓ If it’s difficult to compete for talent on pay or brand, consider highlighting other company values on your [LinkedIn Company Page](#) such as opportunities for professional growth, job responsibility, and company culture.

Locating for success

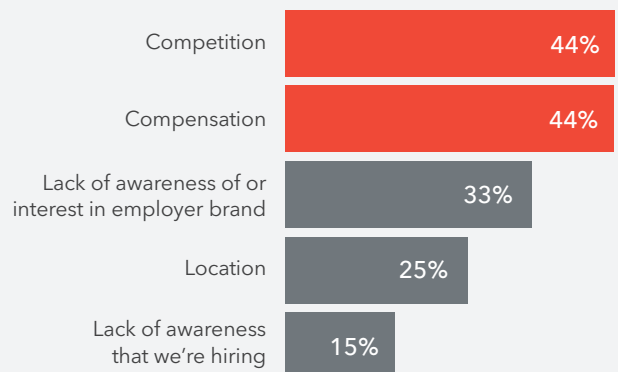
In an ideal world for attracting and retaining talent, where would you prefer your company to be based?



To find the best talent, most small businesses want to be in the center of the competition.

Location not the biggest hiring obstacle

What are your company's biggest obstacles to attracting the best talent?



Only one quarter of small businesses find location to be a major obstacle to attracting talent.