

Transcript

Krystal Hobbs 0:04

Welcome to Beyond The Tools, the podcast that helps contractors attract more leads, grow their business, and finally get off the tools. In each episode, you'll discover marketing tactics that work. You'll get actionable insights from other successful contractors, and connect with experts to help you grow. I'm your host, Krystal Hobbs, owner of a social media agency that helps contractors attract and convert more leads. Get ready to take your business to the next level so you can finally enjoy the fruits of your hard labor. Ready, let's go!

Krystal Hobbs 0:46

Hey, contractors, welcome to the Beyond The Tools podcast. I'm your host, Krystal Hobbs, and today's guest is an absolute legend in the heating and cooling industry. Lawrence Castillo is the president and operating partner of Brody Pennell Heating & Air Conditioning, the 77-year-old market leader in the Los Angeles residential HVAC market. Brody Pennell has been voted the best heating and air conditioning company by the readers of the LA Times in both 2021 and 2022. And Brody is one of only two Carrier dealers in the nation to have won the President's Award every year in its existence. Pretty impressive! Lawrence is widely recognized as one of the top operators in the North American market in residential HVAC earlier in his career. He served as the General Manager of three of the largest residential HVAC businesses on the West Coast, each with over 150 vehicles on the road, including the nationally renowned Service Champions in Orange County. What's really cool about Lawrence is that he has operated businesses both in Canada and the US, and has seen firsthand some of the challenges that are different between those two markets. In our conversation today, we really dig into recruitment and how important it is to always be recruiting. I'm super grateful to Lawrence because he really has shared a lot of his secrets for finding new employees, their exact process to attract and build up talent, and some of the things that they do to make sure that their employees are happy and stay long term, even as far as giving incentives for referring other employees into the company. If you're like most home service companies, and you're really struggling to find and keep the right team members, this conversation is a must-listen. So let's head on over and chat with Lawrence.

Krystal Hobbs 3:00

Lawrence, welcome to the show. I am so excited to have you here today.

Lawrence Castillo 3:04

Glad to be here, Krystal. I appreciate you inviting me on and always great to share a little bit of knowledge with my fellow contractors, both north and south of the border. So, I'm really happy to be here today.

Krystal Hobbs 3:16

Love that. And I know we have so much that we can dig into. And with someone with a track record like yours and such a great experience in the industry, I don't often ask for a backstory. But I loved hearing a little bit about what you did before you started working in the trade. So can you tell us a little bit about that?

Lawrence Castillo 3:41

Sure. And quite frankly, you're the only one that I've ever shared that story with. There's nobody in my 25-year career in heating and air conditioning that's ever told the story. Before venturing into heating and air conditioning, I was the executive director of the largest wild animal sanctuary in the United States, which is here in the Angeles National Forest in Los Angeles. And we had five or 600 animals and it was on, I don't know a few 100 acres. And I had no experience with this. I was hired because I had experience running a business. And it was honestly the hardest job that I've ever had. It makes heating and air conditioning so easy. And on the days that I'm having a tough day, I just say to myself, remember the sanctuary and the animals. It was really difficult because it was massively underfunded. And my job was to manage.

I had over 100 employees and I had all these five or 600 animals and I not only had to get the people paid and the animals fed. And we have like 50 Lions and 130 chimps and just it costs a lot to feed them. This sanctuary was open to the public once upon a time, and it had been closed for safety reasons. And so it was open for many, many years. Lots of people in Los Angeles visited it and donated over the years. And so then it closes, and no one can visit. And when no one can visit, it's forgotten about. And as a result, no money's coming in. And so I'm having to just perform miracles every two weeks to hit the payroll. And every few months, a huge estate would come in, and somebody left us \$600,000. That used to go there as a child, and these would come in, but I'd have to take that \$600,000 and just stretch it and make it last. So just perform a miracle constantly just to keep people there and keep everybody fed. And it was just, it

took years off of my life. But it was an incredible experience. Right? Like, where else do you have a grizzly bear walking through your office? Or I just saw incredible stuff, incredible stuff. And so I do remember it on the days that air conditioning seems tough.

Krystal Hobbs 6:09

That's an incredible experience. And I imagine it does lay a foundation for when things are a little bit difficult in business, you've been through much worse.

Lawrence Castillo 6:22

I would wait by the mailbox for the mailman and look for those checks to arrive. And meanwhile, trying to keep the thing going. But they closed it last year after many years. And a lot of people in Los Angeles remember it fondly. And it was a great opportunity, a lot of celebrity involvement. They would all come. And the funny thing is the celebrities would come up there and they'd pose with the animals and they'd get their Instagram moment. But nobody was writing checks, right? They liked the involvement of having a boa constrictor around their neck, but nobody was gonna write a check. Anyway, it was a long time ago. But, I really haven't shared that with anybody. But that's what I did before I ran into heating and air conditioning companies.

Krystal Hobbs 7:10

So how did you go from the sanctuary to heating and cooling?

Lawrence Castillo 7:16

A friend of mine (and our kids went to school together), had a company that had just fallen upon hard times. He came from the commercial side of the business and got into the residential side and just didn't really understand what he needed to do to be successful. So I walked in there as the GM on the first day, and I had no experience in the industry so I had to teach myself. And within 18 or 20 months, we turned that company around and sold it to a national consolidator. And it was great. I just learned so much from a great first experience. And that was the job that saved me from the animal sanctuary. So, it was a long time ago but just friends whose kids went to school together.

Krystal Hobbs 8:01

That's awesome. And I know what's really unique about your experience is that you have managed heating and cooling companies both in Canada and the US. So, I'm

curious about what you've seen as some of the biggest differences between those two markets.

Lawrence Castillo 8:18

That's something that it's hard for me to be able to explain to my friends here in the States, how different it is in Canada. I worked in British Columbia and I ran a company in Vancouver, that was the largest residential heating and air conditioning company in the country. 100 plus trucks and just an amazing reputation, just a long-term success, and a part of the fabric of Vancouver, and what my friends here probably wouldn't understand is that to staff your business in Canada, what we had to do was I couldn't just... Here in California, I'm recruiting young people with personality, and I can train them in the technical aspect, right? We put them through our training program, and we turn them out as technicians and they're working on furnaces 10 weeks later. And in Canada, you can't do that. You need a gas ticket, and a gas ticket is a serious business, so you can't just recruit people off the street. And in that city, there are 100 high rises going up. And all the skilled labor is in those high rises on the 32nd floor out of the rain, and in Vancouver, that's a thing. So, they're out of the rain and they're working for their union wage and they're not going to budge.

So, you have to get creative in order to recruit. So, we were recruiting from the other provinces trying to appeal to the people in Winnipeg and Calgary and Toronto saying, "Hey, it's not cold in Vancouver. There's no snow." Furthermore, I was doing zooms every week with international candidates from Europe. A lot of those folks were interested in moving because their families had come over and had already settled in Canada. A lot of Americans don't realize what a multicultural place Canada is. And so these people from, I worked in England and Ireland, they would do a zoom interview. They wanted us to sign a work permit for them so that they could relocate their family. And then that's another thing that I Americans don't quite understand is that in order to go to Canada to work, you have to have a permit, right? You can't just move across the border and look for a job. It doesn't work like that. So, I had to really get creative recruiting out of the province. Recruiting in America, we would place ads over the border, just trying to get some interest, and then we could talk to people about work permits. So it's different but just love Canada, and just love all my contractor friends up there. And everybody's fantastic and half of my family and friends are up there. We miss it, was up there a couple of weeks ago.

Krystal Hobbs 10:59

That's awesome. I love speaking to Canadian guests, as well as guests who understand my land.

Lawrence Castillo 11:09

Love it. My son, he's half Canadian so he sings, "O Canada", and he knows most of the words and doesn't know any of the words of the national anthem, but he knows everything about "O Canada." So my wife is working hard to make sure he, the Canadian side of him, is always showing.

Krystal Hobbs 11:27

That's awesome. So I know a lot of business owners when it comes to growth, they think of sales primarily. But a big part of your strategy with the various companies that you've managed has been really on the recruitment side of things. So what's been the secret for you to be able to keep attracting new employees?

Lawrence Castillo 11:51

It's having a plan for that growth. There are a lot of contractors who don't have a plan. And you can ask them if they have a plan, and they say they do but they don't. Recruiting needs to be a system just like anything else in your service business. If you're heating and air conditioning, or plumbing, you have a process for replenishing your truck stock, you have a process for running a sales lead, you also have to have a process for how you're going to bring new talent into the business. And if you don't have that process, it's not going to work. So for me, it's something that I learned a dozen years ago, and it really was my first experience in seeing how and helping to develop a system to recruit people into a business. I worked for a company in Orange County called Service Champions. And at that time, we were about a 15-16 million dollar business. And we knew we had something special going on but we knew that we couldn't grow the business unless we had a real process. So we developed Service Champions University, and we wrote a curriculum. And we had trainers, and we had this whole process, but we needed to be able to get people into the business. So what we did was we hired two people full-time who would be in charge of recruiting. They worked 40 hours a week to recruit. We had a budget set every year and said, "Hey, we're 15 million this year. We want to be 21 million next year and 28 million in the year after." And you just can't do it without the manpower. So, we have those two individuals who were responsible for the recruiting and it was for new talent. But we also were looking to identify the underperformers in all departments, we were trying to exchange at the bottom 10% as good businesses do.

And so, we established that process, and we sat down and we did the math, and we said, "Hey, how many people are we going to need over the next 12 months to hit our budget? How many people do we need over the next three months?" We had our calendar deadline dates by this date, we have to have this many new people in our new training class, and we established ratios. And we said, "You have to have this amount of interviews in order to hire this amount of candidates." So we just tried to make sure that we were the kind of business that people wanted to work in. And I speak to a lot of young people in some of the trade schools quite regularly and I advise them and I say listen, you're interviewing the contractor, the contractor is not interviewing. You're doing your research and you want to work for a five-star company.

You don't want to work for a three-star company that doesn't care about its online reputation because if they don't care about their customers, they are probably not going to care about you as an employee. And so, these are the things that we did in order to establish that plan. And of course, then you have to establish the budget, just like your marketing budget, you say that you're going to spend X amount of X percentage of sales toward, the marketing of your business this year and a variety of different mediums, right? It's going to be "Hey, we're gonna spend this much on television, this much on billboards, this much on direct mail." And you have to decide where you want to spend it in recruiting. How much am I going to do with Indeed? How much am I going to put into trade schools? And how much money are we going to spend with all the different mediums? So, I've tried to be creative, everything from geo-fencing my competitor's buildings, and the supply houses, right? It's an easy peek and the start of utilizing my existing employee base. We have all these people that work for us, any technician that works for me knows 10 technicians that work for other companies, right? And all they do is talk to each other about what's wrong with the business that they work for. And so, I make sure to utilize them. They're a great source of recruiting. They need to be incentivized but we make sure to let them know that we're looking for good people here. So, it's just to be able to recruit successfully, you have to have a plan. And it's not simple. You need to really drill it down to the details.

Krystal Hobbs 16:36

So when you're looking at incentive programs for referrals, what does that look like? Or what are some of the things that that might entail?

Lawrence Castillo 16:47

We're generous and we offer 1000s, depending upon the position. We're looking for customer service agents, installation coordinators, salespeople, and technicians. We're looking for all these positions. And so we'll say, "Hey, we'll give you a certain amount of a thousand dollars, if you can bring a qualified candidate to us that we hire." But then we pay it in stages, right? If they stay for three months, we'll give you X amount upfront. And if they stay for three months, we'll give you another X amount, if they stay for six months up to a year, right? And in that year, they should get the full amount. We just tried to protect ourselves if they leave the business for some reason.

Krystal Hobbs 17:31

That's smart. And I know, you talked about going into trade schools and speaking with students there, how has that played into your employee attraction strategy?

Lawrence Castillo 17:43

It's quite important. We have relationships with a number of trade schools and we're quite involved. And the good trade schools, their job is to educate these young folks, but then also to help them be placed. And good trade schools have relationships with really solid companies. But there are a lot of companies out there that just don't have a way to, it's sort of like the companies that are doing a bunch of work for a home warranty, if you don't have enough business to keep your company busy, then you're going to look for a way to pick up some calls from another stream. So, some smaller companies have relationships with these trade schools that probably aren't a good fit. And typically the guys that come out of trade school and go there, they're unhappy. And sometimes they get disillusioned and even leave the industry. So we make a point of establishing good relationships with the trade schools. They see our ratings. They see who we are in this marketplace, and they understand the kind of business that we are in. And I go and I speak with these students, and we have them here. That relationship is important. So, I'm talking to these students constantly. They're in here for interviews and I'm going on-site. And, there's a common denominator with all of them.

Mostly, they're young, right? And they know somebody in the industry or their dad or their brother or something triggered an interest. Sometimes it's just that they like working with their hands and their mechanics. So they said, "Hey, this might be a good way." And when they do come in, and for an interviewer, I do go chat with them. I make sure to explain to them that what we do here is a customer service job. It's a little less mechanical than they think it is. And it's a lot heavier bent on customer service. So I want them to understand that from the beginning, right? It's great that they're

mechanical and that's appealing to them, but they're not going to have success in our industry unless they can talk to a stranger. You walk on to three strangers' homes a day and it's weird, right? Like, people don't want you in their house and they want you to take care of your business as quickly as possible and pay and leave the check there on the table, and that's it. And in order to have success, you have to be able to talk to a stranger and make them feel comfortable and get them involved and educate them. And there's so much. And our guys here are really great at it. We have all these five-star reviews all over the internet, and people are happy to leave these reviews because the experience that we give is so unexpected. We tried to just make it a really great thing. And so I explained this to the students. And I think they really get a different appreciation for what you know, they're in a nine-month course to get their certificate. And this hasn't been explained to many of them, like, they think that they're going to be taking apart motors and rebuilding them. And that's not what we do, right? We go out and we just make people happy. And we're the heroes and we save the day and give them their heating and cooling back. And so try to educate those young people. But the trade schools have been a great source of talent for us.

Krystal Hobbs 21:10

I want to go back to the growth plan side of things. So when you're planning out the hiring, that you're doing for the year, how much of that is proactive and how much of it is "we need to make sure that we're at a certain level of business in order for us to go through with that hiring plan"?

Lawrence Castillo 21:33

My business has been very deliberate. We've hired 40 people since December of last year. And that was all done with a purpose in mind. We have a budget that we set for the following year, and we say, "Hey, we're gonna do this much revenue." And it's just math. How much manpower do we need? Because if you know how many service technicians you have, what their truck revenue is going to be, and or how many salespeople and what their revenue per lead is going to look like or it's just, it's all math. So, it's a very important part of the budgeting process. And if you do it proactively, you don't have to, there's no reactive part of it. I hired a lot of people in December and January of last year. And at that time of the year, guess what, nobody's hiring, right? Companies have had some of their worst months in those two months. And I knew in order to prepare for the summer, I had to get these people into the business, and get them trained so that when April and May were rolling around, they were qualified

enough to run maintenance visits. And we continue their education to get them from maintenance to service but you just can't stop recruiting. You always have to be recruiting. Always. Never stop. Because just when you think you have reached your optimum level of staffing, guess what? Somebody goes out with COVID. Somebody's relative dies, and they have to leave for a month because they have to take care of the arrangements. Somebody moves away. Somebody ends up in the hospital. There's always something and then all of a sudden, you're short. And if you haven't planned for this, if you haven't been recruiting people and interviewing people, you're not going to recover from that. And you're going to constantly find yourself at a deficit. So if you're hiring and hiring, and interviewing and interviewing, you don't find yourself in that position. On top of that, I have to be thinking about the number of vehicles that I need to keep them rolling on to keep us where we need to be from a revenue perspective. And you have to match that with the bodies. There's a whole master plan. Do you know that meme of the guy with all the strings? And we've got that on this other wall. You can see here, I've got the whole "trying to figure out how to make it all work." So, it's all about having systems and processes and a plan.

Krystal Hobbs 24:03

And you talked about having two recruiters full-time that do this for you. And I know most of the companies that you've got like 150 plus vehicles on the road. So if we take that down, I'm thinking of our average listeners probably not at that level, at what point does it make sense to hire a recruiter, or what advice would you give in that regard?

Lawrence Castillo 24:31

I would say if you're a small contractor with let's say you've got between 10 and 20 trucks on the road, and you have aspirations of being a bigger business, as the operator owner, whoever is running the business, you have to look at how much time you have to devote to recruiting. And I can tell you for sure, because when I was running smaller businesses, oh, I was a control freak. I wanted to do everything myself. Nobody could write an ad as well as I could. Nobody could interview the candidates as well as I could. And I didn't trust anybody with it. And so as you're trying to grow a business, there's so much that you have to deal with - upset customers, you're trying to redo pricing, your this, that, and the other. And guess what doesn't get done? The recruiting. I'll get to it tomorrow. I'll run that new ad tomorrow. And it just doesn't get done. And that process repeats itself every day. And you don't add new people to the business and your contract and you shrank and you were 20 people and now you're 17, and you're

wondering why you can't find any technicians. It's too late at that point. Now you're at a deficit of three people. So, I think, any business that is serious about growing should have one person devoted 40 hours a week to sourcing talent. It's your step to getting from 20 employees to 25 and 25 to 40. And without that person, I can certainly tell you, I couldn't have hired 40 people here in the last calendar year if I didn't have people devoted to recruiting because I wasn't going get it done.

Krystal Hobbs 26:09

Absolutely. And I'm smiling because we just hired our first recruitment firm. They're not an in-house recruiter. But I've definitely seen that this is something I need to hand off because it's so time-consuming, even the screening and interviewing process and all of that, it takes a lot of time.

Lawrence Castillo 26:32

Congratulations, that's a great move. The next time we talk, you're gonna have people working for you.

Krystal Hobbs 26:39

That's awesome. And then when we look at the employee retention piece, which is key if you're going to be constantly hiring, you want people to stay in the business. What have you seen to really set those employees up for success?

Lawrence Castillo 26:59

It starts with not forgetting about them. You work so hard to get them in the door. And if you're not organized after you bring them into the business, they're gonna get disillusioned, and they're gonna say, "They told me all this stuff, how great they are, and nobody's telling me where I need to go and what I need to do." And if they get lost in the shuffle and forgotten about and no one's checking in with them, then, what you end up having is they start from a bad place. And that can be dangerous. But we scheduled meetings with them specifically, just to talk about what they're seeing, answer questions, and let them know we care. What can we answer for you? Because a lot of them, they're young, they're embarrassed to ask. So it's honoring your promises to them. A lot of it is about your culture. Those young new people are going to follow the path of all the others and their opinion of the company is going to be shaped by everybody else. And if you have positive people and a positive culture, then you have a great chance of them just becoming great champions of your brand.

But if you have some disillusioned people, some negative people that are really dangerous for the new young folks that have entered your business. I found that a great secret to having happy employees is to feed them. We just feed everybody all the time here. This morning in the parking lot, we had all the griddles out and they made burritos for everybody afterward managers got together and talked about it. And what we see as they're standing around in the parking lot eating is just the camaraderie and they're smiling and they're talking to each other. And they want that. They want to be a part of something. If you played sports in school and you were ever a part of it (doesn't have to be sports, it can be just some kind of team or club), and you've been a part of some people trying to achieve the same goal. That's something that as you become an adult, and if you're going to work in a high rise, and you're sitting at a desk, punching the clock, a lot of people don't feel like they're a part of that. So, to recreate that feeling for people, it's great, it's fantastic, and you try to show appreciation, and you reward them. We do a lot with giving out gift cards here. All the shout-outs that go out over the texts and the group chat and just all of that stuff to create a positive culture. The retention piece you can't forget about people. I see so many people come in here from other companies and they have been somewhere else and it just hasn't worked out for them. And I think that's part of the reason you go through so much to get people in the door and then you forget about them. And so, it's important to remember them.

Krystal Hobbs 30:05

I love that. And a lot of times, besides obviously, being paid as they should be, and all of those things that it really is about the little things and the appreciation and recognition.

Lawrence Castillo 30:18

The wage is important. I can tell you this, we overpay people coming out of trade school. I think that's critical. In this marketplace, I'm not the biggest company. I might be the most well-awarded and the LA Times keeps voting for us, readers keep voting as the best company in Los Angeles which is great, we love those accolades but we're certainly not the biggest company in town. There are a couple of \$50 and \$60 million companies in town, and all over the airwaves, just saturated, I see their employees and I interview them, and I don't know that a lot of these companies do a great job of staying in touch with people and keeping them happy. So, that's important.

It's important for anybody that runs a business (doesn't matter what kind of business) it's just people feel forgotten about unless you're constantly engaging with them. As an operator, I should be engaging with them. I'm out there in the parking lot with everybody

this morning because it's important. They need to see me out there in the battle with them. And I'm asking them how they're doing, and that's the way I've always done it. You're approachable that way. I can't just walk in the door and lock myself in an office. Nobody's gonna want to work here if that's the case.

Krystal Hobbs 31:43

That's awesome. I feel like we've covered so many practical things to be able to get the right people on your team and keep them there. And I'm sure our listeners are going to want to learn more and to be able to connect with you. So what's the best way for them to do that?

Lawrence Castillo 32:03

Honestly, I'm happy to chat with anybody. I've got so many contractor friends with who I've got a wide network right many years. And the best way to probably reach me is by email. And my email address is my first name lawrence@brodypenell.com. That's my company. And I answer all my emails. I don't have an assistant that does that for me. So I'm here to help and willing to talk to anybody who has an interest in growing their business and being a better contractor.

Krystal Hobbs 32:48

Amazing. And we'll put that in the show notes as well. So if anybody's listening and wants to connect, you can go beyondthetoolspodcast.com for all the details on Lawrence. This has been an amazing conversation and I really appreciate your time. So thank you so much, Lawrence, for sharing with us.

Lawrence Castillo 33:07

Thanks for having me on Krystal.

Krystal Hobbs 33:14

Hey, guys! If you love this episode, if you've learned something here from Beyond The Tools, you can actually head to our website at beyondthetoolspodcast.com and you can sign up to get updates whenever we have a new episode. So go to beyondthetoolspodcast.com, you'll see the option there to sign up and we'll send you the new episodes as soon as they're released.