



Getting the best
out of your people at work

Introduction

Starting a small business and running it successfully is one of the greatest challenges people can face up to – and yet today almost four million apparently ordinary people in the UK have risen to the challenge, and continue to do so every day.

Taking on employees and managing them well takes the challenge to a new level, as does the decision to go for business growth. If this is what you have decided to do, then this booklet is for you.

The advice contained in this publication is hard-won and practical guidance learned in the field by small businesses like yours. None of the material here is derived from abstract business theory or textbooks – it is all down-to-earth and common sense information drawn from real-life experience. Everything in this booklet is aimed at improving the bottom line, and making your small business a more rewarding and satisfying place to work for both you and your employees.

This guide contains details of regulations and other information. It is not comprehensive or a substitute for independent, legal or other expert advice. Every reasonable effort has been made to ensure that the information in this booklet is accurate, but no responsibility can be accepted for any errors or omissions.

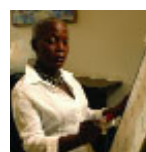
This guidance is issued to provide users with general background, and is not intended to be, nor should it be considered as amounting to legal advice which is capable of being relied upon. Users should seek their own independent legal advice where required.

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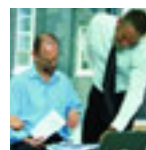
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Work-life

WORK-LIFE BALANCE AND FLEXIBLE WORKING INITIATIVES WORK...

We now have a body of hard evidence that shows this. Many small firms report that they have achieved concrete business benefits from introducing flexible working practices.

As an employer, ensuring a better work-life balance for your staff could mean that you benefit from having a more flexible, loyal and motivated workforce.

You may also enjoy direct benefits that go straight to the bottom line – such as a drop in absenteeism and reduced staff turnover, resulting in less money spent on recruiting and training replacement employees.

And, as the labour market changes the pool of talent available to employers changes with it. Flexible working could help you attract the people you want from this changing labour market. It could also improve your business performance and even help you move ahead of the competition.



It can be expensive recruiting and training new staff. Businesses that offer flexible working are more likely to see parents return to work after having children. For every member of staff that returns to work, money and time are saved.

balance & flexible working

The Benefits

Motivate your staff

Employers that introduce flexible working patterns can reap rewards in the form of greater staff motivation and loyalty, and increased flexibility. Case studies show that businesses that have introduced flexible working practices in their workplace benefit from increased goodwill and a more flexible attitude on the part of employees. This applies to large firms as well as small ones – BT, for example, found that when it allowed some staff to work from home, their productivity was higher than that of their office-based colleagues – in some case, 30% higher.

Reduce your staff turnover

Every time a member of staff leaves a small firm, it causes problems. A large company with thousands of employees may hardly notice if somebody quits – there are always other people around to do their work. Not so in a small business. You have invested time, money and training in your people – it makes sense to try and keep hold of them. Research shows that staff turnover is significantly lower in those organisations that have four or more work-life balance initiatives or flexible working practices.

Save on recruitment costs

It can be expensive recruiting and training new staff. Employers that offer flexible working are,

The benefits to your business

● Boost staff motivation and loyalty

Loyal and motivated staff are more productive

● Save money

Flexible working reduces staff turnover, saving recruitment and training costs

● Cut down on absenteeism

Surveys show that flexible working cuts down the number of days lost to staff sickness

● Extend your business hours

By letting your staff work when they want to, you can extend production and offer a better service to customers at no extra cost

for example, more likely to see parents return to work after having children. For every member of staff that returns to work, time and money are saved.

Reduce absenteeism

Experience shows that giving staff more control and choice over the hours they work and how they deliver their work leads to a greater sense of wellbeing in the workplace, and reduces the number of days staff take off sick. A recent





survey for the Chartered Institute of Personnel and Development (CIPD) revealed that, on average, every year employers lose £567 per employee through days taken off sick.

Using flexible working options to help manage your staff and organise your work helps the business cope better with unplanned absences and emergencies. The CIPD recommends flexible working as one of a number of key tools to reduce the impact of days lost through staff sickness.

Attract and retain a talented workforce

Measures such as flexi-time are high on many candidates' wish lists, so companies which can demonstrate that they offer flexible working are likely to attract talented individuals.

Flexible working practices can also help you hang on to talented staff, as they see the benefits of staying with your company rather than moving on. This could also save you money. A survey conducted in 2003 showed that 40% of businesses that took measures to improve the work-life balance of their employees saw improved rates of staff retention.

Improve customer service

Customers increasingly expect to be able to get goods and services outside 'normal' working hours; many want to shop or contact service companies before they themselves go to work, or on their way home in the evening.

Workforce flexibility helps businesses adapt to changing market demand. For example, if some of your staff would rather start an hour early, and others would rather start an hour later, then you can be open for business for two hours extra every day without increasing your costs. If you are available to do business when your competitors are not, then you are likely to pick up extra work.

Small businesses that have implemented flexible working initiatives in their workplace tell us that the customer, and in turn their business, benefits.

What sort of flexible work practices suit small businesses?

There is a range of flexible working practices you could consider introducing to enhance the work-life balance of your staff.

Some measures focus on how much time an employee works, enabling staff to condense working hours and have longer weekends. Others, such as flexi-time, shift working and term-time working, focus on when staff work. It's key to consult your staff to find out which practices would best suit them. The measures below are not 'one size fits all', and some will work better for different business types.

Working patterns that focus on when staff work

- **Job sharing** involves two people sharing the duties of a post that would normally be done by one person. Both work part-time and share the pay, holidays and other benefits. This allows you, for example, to employ two talented part-timers with complementary skills whilst paying the equivalent of only one wage – and when one is on holiday, your firm still benefits from the knowledge and expertise of the other.
- **Term-time working** is when someone on a permanent contract can take unpaid leave during school holidays.
- **Time off in lieu** is compensation for staff who work extra hours – they and their manager agree when they can take this time

off. This means that your workers can put in extra hours when things are really hectic, and take time off in lieu when things are quieter.

- **Flexi-time** gives people choice about when they work. There is usually a set of core hours (e.g. 10am-12 midday and 2-4pm) that staff need to work. Outside these times, staff can vary their starting and finishing times.
- **Compressed working hours** (also known as **consolidated hours**) allow staff to work their total number of hours over a shorter working week, for example a four-day week. Many firms opt for this when they need to extend the working day by a couple of hours, perhaps to increase the daily output of a factory, but don't want to bear the costs and hassle of setting up a system of overlapping shifts.
- **Part-time working** allows small firms to fill vacancies that don't justify hiring a full-timer. Many smaller firms find that they need the help of another person for a few hours every day, or someone working only two or three days a week.
- **Annualised hours** are based on the number of hours you have to work over a year rather than a week, and staff hours are organised to fit in with busy periods in the business.
- **Shift working** enables a business to extend opening or production hours, with employees working two or even three different shifts over the working day, which may even extend to the full 24 hours.
- **Shift swapping** allows employees to re-arrange shifts among themselves to suit their needs – as long as the needs of the business are met too.

- **Self-rostering** agrees the number of staff and the skills mix required for each day, and then allows the individual to propose the times they would like to work. Shift patterns are compiled from this, accommodating individual preferences as much as possible.
- **Staggered hours** are where employees have different start, finish and break times to cover longer working days. In effect, this is a mini-version of shift working.
- **Phased or flexible retirement** allows staff to reduce their hours in the run-up to retirement, and in some cases carry on working part-time in a consultative role. This allows your most experienced workers to continue contributing their expertise to your business – and passing that expertise on to the younger people in your team – while at the same time enjoying more leisure time.

Working patterns that focus on where staff work

- **Home working or tele-working** allows staff to do their jobs from home, and suits staff who need to be mobile, such as service engineers. Allowing office-based staff to work from home as and when needed, on an informal basis, is also an option. Being prepared to allow home working often means that employees with occasional child care issues can keep working for you rather than having to find a new job.

Working patterns that give staff a complete break

- **Maternity leave, paternity leave and adoption leave** allow staff to take a break from work after the birth of their child, or

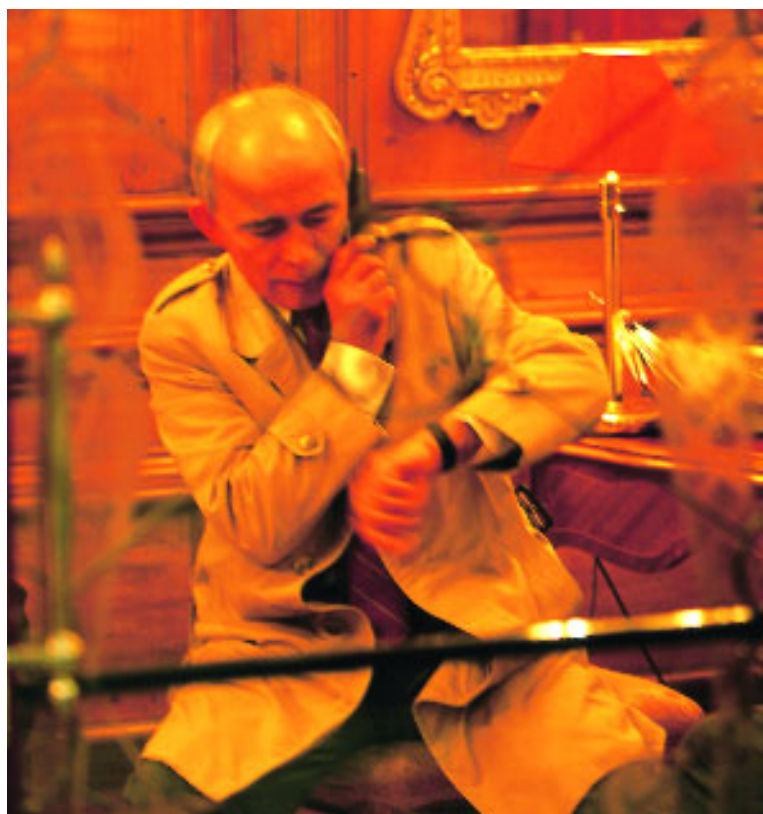
after a child is placed with them for adoption.

- **Parental leave** allows staff to take time off to care for a child in the early years.
- **Sabbaticals or career breaks** are generally unpaid breaks from work that allow staff to go travelling or take an educational course to gain new experiences or skills.
- **Study leave** gives staff time off to study a work-related course.

The evidence

Over the last few years, more and more small firms have introduced work-life balance initiatives and flexible working.

- There has been an increase in the provision of flexible working practices. Provision of



each practice has roughly doubled since the Department for Education and Skills commissioned the first work-life balance study in 2000.

- The CBI's 2004 Employment Trends Survey showed that UK employers across the board offer a range of flexible working arrangements:

● Part-time working	84%
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● Flexi-time	31%
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● Job-share schemes	38%
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● Career breaks and sabbaticals	20%
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- The Spring 2004 Labour Force Survey showed that more than 9m UK employees are benefiting from one or more flexible working arrangement (including part-time working).

There is now a compelling body of research that shows the business benefits of introducing work-life balance initiatives.

- Many workplaces offer more holiday entitlement than the minimum required by law, and the majority of employers say the introduction of work-life balance measures has had a positive impact on:

● Employee relations	71%
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● Employee commitment and motivation	69%
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● Labour turnover	54%
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● Improved productivity, absenteeism and recruitment	50%
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- 39% of workplaces that offer four or more flexible working practices found their financial performance was better than similar companies in the same industry.

- A recent DTI report cited benefits experienced by employers who received funding for work-life balance initiatives:

● Financial savings	81%
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● Reduction in staff turnover	68%
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● Reduction in absenteeism	50%
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In a 2003 DTI survey of employers:

- 75% of managers said there were minimal or no costs involved in introducing family-friendly working practices.
- 66% of managers who provided some form of flexible working practice considered it to be cost-effective.

Why it's time to look at flexible working

We are now largely a knowledge-based economy. The skills of your employees are key to your business's productivity and profitability.

The importance of attracting and retaining the right staff with the right skills for your company can only grow. Employees are increasingly saying that the scope to work flexibly is as important as salary when making decisions about their careers, and employers are already actively using flexible working practices to target recruitment

at demographic groups such as women returning to work after having had children.

The labour market is changing too. Only 35% of employers operate standard hours, so many of us now do not work the traditional nine to five.

More women are re-entering the workplace after having children.

And, as the population ages, so does the labour market. An ageing population means that the

number of people caring for elderly relatives will grow. These groups will increasingly look at the flexible working options an employer provides when assessing which job offer to accept.

It's well worth weighing up the flexible working options for your company, whatever your size. Offering your staff flexible ways of working or other benefits might bring you considerable business rewards for little or no cost.

STEPS TO TAKE

RESEARCH

- Decide which flexible working practices might be suitable for your business, and which might deliver you real business benefits. Remember, you don't have to do all of them at once!
- Get some practical advice from your Business Link advisor, or access www.businesslink.gov.uk and check out the 'Employing people' section.
- Contact ACAS for a free copy of Parents at Work, a booklet that guides employers looking to help their employees balance their work and home life. Telephone 08702 429090 or go to www.acas.org.uk to download a copy.

MAKE THE BUSINESS CASE

- Don't rush into making changes before you've analysed the benefits of those changes.
- It will help to write down what you're thinking of doing, and the possible benefits. Look internally at some of the savings you might make, and externally at whether the changes mean you will be offering a better service to your customers.
- Plan how you're going to manage the changes, and establish a timetable.

INVOLVE STAFF

- Find out about your employees' needs and expectations – talk to them about some of the changes you could make, and explain the benefits to the business and to them. See if they are attracted by the ideas you're putting forward, or whether other changes appeal to them more.
- In general, employee involvement in the planning process will increase the likelihood of long-term success.

MONITOR PROGRESS

- Measure the effects from the start. Make sure you have up-to-date figures on the sickness absence rate, number of women returners and recruitment costs, so you can compare one year down the line. Try to keep figures that allow you to work out whether productivity is improving month on month as changes are introduced.
- Get feedback from your employees. This can be done formally through appraisal interviews or at informal staff meetings. If your people don't feel that their lives have improved through the changes you're making, then something isn't right and needs to be fixed!



Creating a

WHY IS A SKILLED WORKFORCE IMPORTANT?

The best businesses appreciate the value of a skilled workforce. They know that investing in employees enables them to do their jobs better and consequently improves business performance.

In today's business environment, the need to invest in your staff has become crucial. In fact, underestimating the importance of skills in the workplace could lead to major recruitment problems. According to a recent survey by the Chartered Institute of Personnel and Development, 28% of employers plan to recruit from abroad to fill gaps in their skills base.

Additionally the changing demographics of the labour market, in particular an ageing workforce, means that employers need to consider the impact on their employee and business needs.

As businesses diversify to meet customers' increasingly sophisticated needs and to become more competitive, a talented, flexible workforce will be their biggest asset.



The headline benefit of training is that it taps into your employees' potential and equips you with a more able workforce. Taking an interest in their career development means they are more likely to stay with you longer.

skilled workforce

The benefits

A fully skilled and flexible workforce can help small firms thrive, and can address persistent problems such as skills gaps, as well as introducing better ways of working. Equipping staff with additional skills can help your business in a number of ways.

Develop your staff

The headline benefit of training is that it taps into employees' potential and equips you with a more able workforce. Taking an interest in the career development of your staff and offering opportunities for progression means they are more likely to stay with you for longer.

Attract the best people

If you understand exactly what skills are required for a particular post, you are far more likely to select the most appropriate candidates from a stack of application letters. And if you have a culture of training and developing your staff – and make that known to candidates – you are likely to find that the better candidates will be minded to accept a job offer from your firm.

One of the biggest problems for ambitious people joining smaller firms is that often there isn't a well-defined promotional path to the top. But sometimes offering people the chance to develop their own skills and undertake training can

The benefits to your business

● Increase productivity

A skilled, well-trained workforce works smarter and faster

● Better people will want to work for you

A firm committed to developing its staff will attract the best candidates

● Save money as you grow

Bring out new products or move into new markets by training up your existing people

● Happier, more committed staff

People work harder for firms that obviously care about their development

compensate for the lack of a career structure, while benefiting your business in the process.

Become more competitive

The success of your business depends largely on the people who work there. A more knowledgeable, flexible workforce can help you stay ahead of the competition. Skilled employees enable managers to move out of hands-on operational roles and focus more on strategic issues.

Become more flexible

Staff who are able to perform more than one role



can often provide cover in times of sickness or absence, allowing your business to continue operating at full capacity. There is also added value in staff who have a wider understanding of the business and can therefore contribute ideas and resources beyond their job role.

Improve innovation

An organisation where employees continue to learn and develop new skills is more likely to be

innovative and foster new ideas. This can lead to improvements in working practices, better products and services, and more engaged, fulfilled employees.

Expand your offering

Additional skills and capabilities enable your organisation to expand in existing markets or even move into new ones.

STEPS TO TAKE

RESEARCH

- Start by identifying any problems and working out whether training would help your staff overcome them. If you need help doing this analysis, contact your Business Link advisor.
- Think about how training could add value to your business – either right now or in the future if you are planning for growth. Training staff to perform a wider range of roles could help your business become more flexible and deal more effectively with staff absence or recruitment problems.
- Establish exactly how training could help. For example, if your business is experiencing a high volume of customer complaints as a result of a lack of product knowledge among staff, then training could help.
- Decide how you are going to carry out your training – consult your Business Link advisor as to the right source of training – and whether it should be done as part of a wider scheme, such as Investors in People.
- Work out the costs of training, and the likely benefits.

CONSULT

- Talk to your staff about training, and ask what they think they need to do their jobs better.

- Once you've drawn up a training plan, go over it with the relevant employees – they may spot something you've missed.

PLAN

- Set training objectives to make sure you see real results – make them activity-specific and set a deadline, and where applicable determine what standard you want to reach.
- Write out a training plan, outlining all training activities for the year. Keep a record of the costs, including the costs of bringing in people to cover for those away on training.
- Ask your Business Link whether there are grants or other forms of financial assistance available to help cover the costs of training.

EVALUATE

- Get feedback from employees. If what they learnt could be beneficial for others in your firm, arrange for the individual to run a seminar.
- Refer back to your training objectives and overall business objectives to get a more accurate, quantifiable idea of the impact training has had. Sales, costs, staff turnover and customer satisfaction levels are good indicators of improvement.



Diversity

THE LABOUR MARKET IS BECOMING MORE DIVERSE...

Over the last decade, the shape and character of the UK workforce has been changing and evolving. The result is that hiring policies that seemed appropriate a decade or so ago are now simply out of step with reality.

Now, there are more women in employment, fewer young people entering the labour market, an ageing workforce and greater numbers of employees from ethnic minority groups.

More and more employers are benefiting from the unique blend of talents that this diverse labour market offers – by promoting diversity, equal pay and equality of opportunity within their workplaces.



Creating a fair and diverse workplace can improve the performance of your own business – indeed, can end up improving your bottom line.

& equality

What does 'diversity and equality' mean for a small firm?

Small firms that are prepared to work to achieve diversity and equality in the workplace don't necessarily have to make drastic changes to working practices. Much of it is simply part and parcel of good people management.

Diversity

- Is about individuals and including everyone.
- Means not treating people less favourably because of differences such as age, race, gender, disability, lifestyle, sexuality, working pattern, responsibilities or skills.
- Values differences and aims to harness those differences to the benefit of both the organisation and the individual. It's about all differences; not just those based on gender, race or disability.
- Aims to create equality of opportunity for everyone whilst recognising that some people face barriers that others do not.

The benefits to your business

- **Hire better people**
Discrimination – as well as being illegal – means you may be excluding the best people for your business
- **Know your customers better**
A workforce drawn from all aspects of the community is better placed to understand all your customers' needs
- **Improve innovation**
People of varying ages and cultures bring new insights into your business thinking
- **Win a reputation as a fair employer**
And a better reputation means yours is the kind of firm people want to do business with

Equal opportunities

- Ensures people are treated in a non-discriminatory way.
- Challenges any behaviour that could be regarded as inappropriate or unfair.
- Ensures that systems and procedures do not discriminate unfairly against individuals or groups.



The business case for diversity and equality

All organisations need to take diversity and equality in the workplace seriously – for business reasons as well as legal ones.

We'll come to the legal aspects later. First, it's worth pausing to think about how creating a fair and diverse workplace can improve the performance of your own business. In other words, consider how hiring a diverse workforce – old and young, men and women, people of different races and religions – can end up improving the bottom line.

Hire better people

Recruiting from a wider pool of talent means you are more likely to fill vacancies with the best people for the job. Casting the net far and wide also means less time spent on the recruitment process and faster appointments.

Understand your customers better

By reflecting the diversity of the communities you serve, you can improve your customer service – if your employees understand

customers' needs, they can give you ideas on how to meet them better.

Offer a more flexible service

A diverse workforce allows you to offer a more versatile service. For example, employees with children may be interested in flexible working hours, which could allow you to operate beyond standard business hours.

Improve staff morale

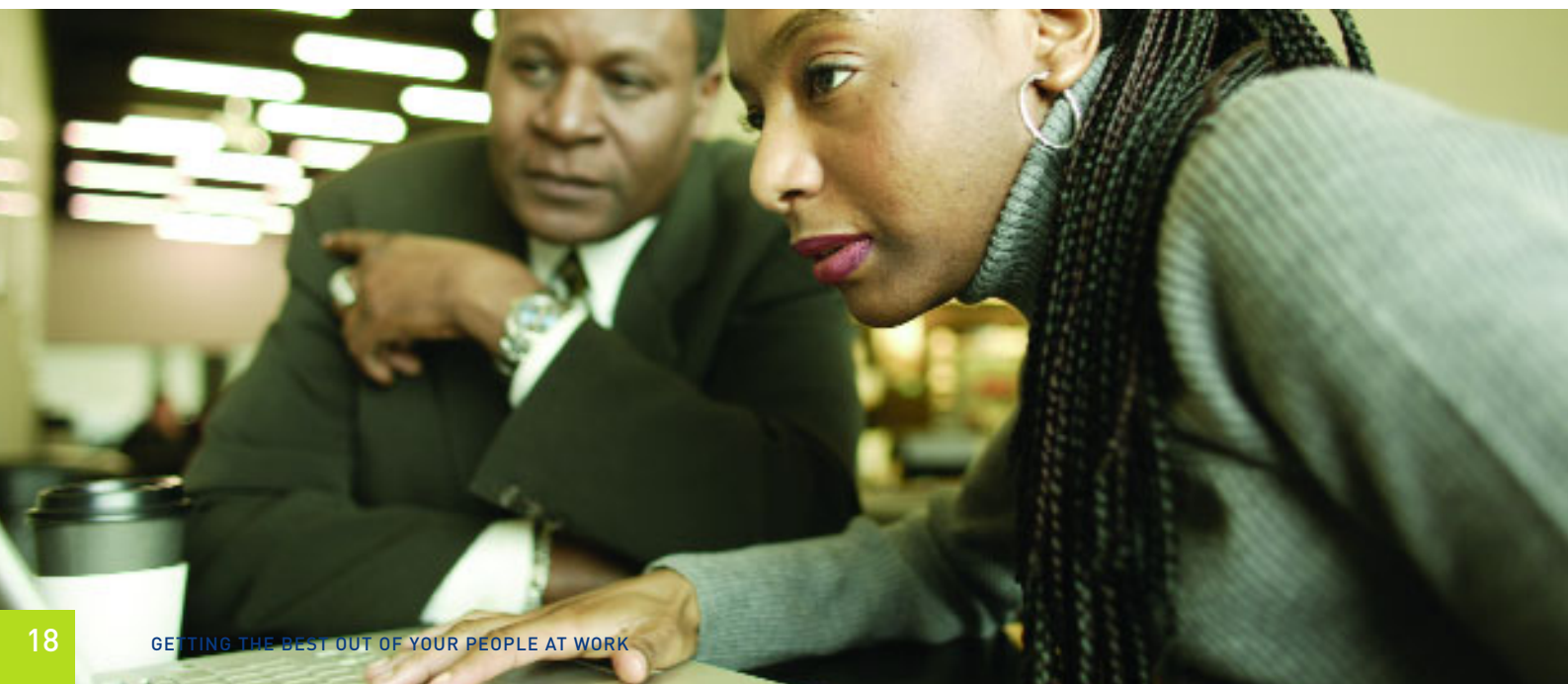
By reducing unfair treatment of staff and minimising grievances at work, your staff will be happier and more productive. This means less sickness and stress-related absence, and lower staff turnover.

Improve innovation

If your employees come from a range of backgrounds and offer a variety of talents, they can bring new ideas and innovation to your business. This will help you maintain your competitive edge.

Create a positive reputation as a fair employer

Businesses known for their equality and diversity practices will project a more positive public image than those that aren't. This can affect your reputation with potential employees and customers alike.



What the law requires of you

Your employees expect to be treated fairly and considerately, and this expectation is based on legal rights. It is unlawful for you, as an employer, to discriminate against people on the grounds of sex, race, disability, sexual orientation, religion or belief.

Equal Pay Act 1970

The Equal Pay Act gives an individual a right to the same contractual pay and benefits as a person of the opposite sex in the same employment, where the man and woman are doing the same work, work rated as equivalent work, or work of equal value.

Sex Discrimination Act 1975

This Act makes discrimination on the grounds of sex or marriage unlawful. It applies to women and men of any age, including children.

Race Relations Act 1976

This makes discrimination on the grounds of race, colour, nationality (including citizenship), or ethnic or national origin unlawful. This Act covers people from all racial groups. In 2000, the Act was amended to include public functions, even if those functions are carried out by a private business. It also places a general duty on listed public authorities to promote race equality, even when it contracts a private business to carry out any of its functions.

Disability Discrimination Act 1995

This prohibits discrimination against disabled people i.e. if someone treats a disabled person less favourably than someone else for a reason related to their disability. Service providers are obliged to change physical features that make it



unreasonably difficult for disabled people to use their services. The Act applies to all those who provide goods, facilities and services to the public.

Employment Equality (Sexual Orientation) Regulations 2003

Employment Equality (Religion or Belief) Regulations 2003

Regulations on sexual orientation and religion or belief came into effect in England, Scotland and Wales in December 2003. These regulations protect people at work and in vocational training from discrimination on grounds of sexual orientation and religion or belief.

They cover all aspects of the employment relationship, including recruitment, pay, working conditions, training, promotion, dismissal and references. The regulations implement two strands of the Employment Directive – 2000/78 EC.

Age discrimination

Regulations implementing the age strand of the Directive are scheduled to come into force on

1 October 2006. Consultation on draft age discrimination regulations commenced on 14 July 2005. <http://www.dti.gov.uk/er/equality/age.htm>

Legal imperatives aside, there is also a strong business case for creating a fair and diverse workplace. Discrimination in the workplace can have damaging effects on your business:

- Lower morale, increases in absenteeism and a decline in productivity
- Legal action, which involves being taken to an employment tribunal and could include an order to pay compensation
- Knock-on effects on reputation and, subsequently, financial health.

STEPS TO TAKE

RESEARCH

- Start by finding out if discrimination exists within your business – and if so where. Conduct employee surveys – make them anonymous and treat information confidentially, as this will help ensure you get employees' real opinions. Alternatively, have private conversations with all your employees to uncover any hidden tensions, resentments or incidents of harassment.
- Find out whether there is a pay gap between men and women who perform similar roles. Examine the pay roll, remembering to take into account factors like experience and qualifications. There is a useful Equal Pay Toolkit available from the Equal Opportunities Commission (EOC) at www.eoc.org.uk or telephone the EOC helpline on 0845 601 5901.

PLAN

- If you don't have formal policies on discrimination and equal opportunities, you need to create them. Look at other diversity or equal opportunities policies before developing your own – look at www.cre.gov.uk/gdpract/eop_sample.html
- Make sure you have procedures in place for handling disciplinary matters and grievances. Remember that managers and supervisors may need training in these matters.

- Think about how you could alter your workplace to overcome barriers that make it difficult for disabled people to access your services or to work for your organisation.
- Think about how you could offer flexible working options if you don't already. If an employee makes a request for flexible working arrangements, consider it carefully and try to accommodate it.

ACT

- Document your equal opportunities policy and procedures clearly and concisely, so it can be read and understood by your staff.
- Make sure that anyone carrying out recruitment interviews (including you!) is trained to carry out non-discriminatory questioning, and that records are kept – including proper notes on reasons for rejecting each failed candidate. Your Business Link advisor will be able to help.
- Make it clear to your employees that harassment and bullying will not be tolerated. Tell them how to report any incidents without fear of retaliation – even if that means making yourself available to listen to grievances.
- Take complaints seriously – investigate them fully and address them if needed. Keep notes of any complaints and the actions you take to deal with them. If in any doubt as what to do, consult your Business Link advisor.



Partnership

MORE AND MORE EMPLOYERS ARE SEEING THE BENEFITS OF INVOLVING THEIR EMPLOYEES IN THE DECISION-MAKING AND PROBLEM-SOLVING PROCESSES OF THEIR BUSINESSES...

Small firms don't usually hire people at start-up – the principals tend to do everything themselves. However, as the firm grows, you will need to hire people... and the more people you hire, the more they end up being the ones that deal with your suppliers and customers on a day-to-day business.

This is good, because it allows you to expand your business; but it also means that, over time, your employees will know as much as you (if not more) about the nuts-and-bolts of your business and how it operates in practice.

This isn't a threat to you – it's a golden opportunity. But to exploit it, you have to work to draw out the knowledge of your employees.



Employers and employees who work together to make the most of their combined knowledge, skills and experience can often come up with better ideas for business improvements.

& involving employees working

What is 'partnership working'?

All businesses – regardless of size or type of organisation – have issues that affect their people. They need to talk to their staff, exchange ideas and views, give instructions and consider options.

The best businesses engage in ongoing dialogue with their employees, and have the processes in place to make this dialogue happen. This means that employees know their duties, roles and responsibilities, obligations and rights. It also means that they have a real understanding not only of what they are required to do but why. Involving employees will help them to feel their contribution is valued and encourage them to question and improve business policies.

Employers and employees who work together to make the most of their combined knowledge, skills and experience can often come up with better ideas for business improvements and can develop solid, practical solutions to specific problems. Working in partnership can also help avoid misunderstandings that might lead to conflict or workplace problems.

The benefits to your business

- **Make more money**
People perform better when they feel a real part of the business. Better performance means more profits
- **Improve decision-making**
Harness your employees' knowledge, and win their enthusiastic buy-in to important decisions
- **Cut down staff turnover and absenteeism**
Staff who feel valued and consulted are more motivated, less likely to take days off sick, and more likely to stay with you for longer

How does this work in smaller firms?

Working together can take many different forms. There is no single model for achieving effective workplace communication; what works best is what most suits the needs and the circumstances of the particular business and its workforce. The objective is to enhance the contribution of all employees for their individual, collective and business benefit.

At its simplest level, partnership working





means keeping your employees involved in your business – in other words, communicating well with them.

Accurate, timely and relevant communication about issues that will affect the workforce is good practice for any business, and it sends a strong message that managers are committed to the principles of employee involvement.

If you win an important contract, don't just let your staff find out by rumour and gossip – tell them directly, and not just by sticking a terse memo on a noticeboard. Talk to them, and tell them what the contract means and what it will involve. By the same token, if you face a particular problem, don't wrestle with it all by yourself; if appropriate, talk to your staff about

it, and don't wait until the problem is so large that it cannot be resolved.

More organised partnership working can be achieved using regular meetings. These can either involve the whole staff in very small firms, or can be done department by department in slightly larger businesses. The meetings should encourage contributions from employees (or their representatives if there are any), and should also provide the platform for you to explain how the business is doing and the issues it faces. If the staff don't know what you're trying to do, then they can't contribute any ideas!

You can also consider putting together small teams of employees to discuss specific issues and come up with ideas for resolving them.

The Information and Consultation of Employees Regulations 2004 require firms to inform and consult their employees about significant workplace developments. The regulations currently apply to firms with over 150 employees (100 employees from April 2007 and 50 from April 2008). Firms with fewer staff will not be affected. There is more information at www.dti.gov.uk/er/consultation/proposal.htm and at www.acas.org.uk/publications/B06.html

The business benefits

Employers and employees who develop dynamic and effective partnerships will make the most of all available talents and abilities.

This type of workplace partnership, where employees are involved in the challenges facing business, should be a natural part of the processes for problem solving, ideas generation, business improvements, and

employment issues. Businesses that have already adopted a partnership approach report improvements in workplace relationships, trust, commitment, openness and honesty.

They also report lower staff turnover and lower levels of absenteeism. Their employees feel valued and this, in turn, has led to increases in productivity and bottom-line performance.

Consultation, as distinct from partnership working, is more of a two way process – where management and employees consider and discuss issues that affect them both.

Although management still retains the right to make the final decision, it is important that the views of employees are considered before making a decision.

For example, asking a team of people to develop their own working arrangements and code of conduct can foster a real sense of involvement from employees. Very often they are best placed to see what needs to be done and how, while supported by management which still retains the final decision-making



responsibility. In these cases, a win-win outcome is achievable, employees feel more valued, and there is less risk of conflict and a greater feeling of shared working responsibility.

There are several core benefits of partnership working and involving employees in the decision-making process:

- **Improvements in employee performance** People can perform better when given regular, accurate information about the business, its aims, objectives, and priorities, and how these translate into their work activities.
- **Better decision-making** Collective problem-solving provides a wider and better range of solutions, and improves the

chances of buy-in to changes

- **Greater trust** Open, honest discussion and the opportunity to discuss problems constructively can lead to more trusting relationships between management and staff.
- **More motivated staff** Employees who are actively involved in designing the content of their job, and who understand the connection between their role and the business's needs and objectives, tend to be more committed and have more job satisfaction.

Overall, these benefits can improve business performance, raise standards of customer service and translate into impressive cost savings and increased profits.

STEPS TO TAKE

PLAN

- Work out how you want to implement partnership working, and which communication channels are appropriate to your business.
- Decide whether you want to roll out everything at once, or introduce new communication channels gradually. Often, starting small and building up allows people to get used to the new processes.
- Decide in advance and try to agree with your staff the issues you are initially going to put to employee consultation – you can always add more (and more sensitive) issues once trust has been established on both sides.

CONSULT

- Talk to your junior managers or supervisors and convince them of the benefits of partnership working and consultation, so that they don't feel cut out of the decision chain or undermined.

ACT

- Make sure that you have concrete and specific issues to discuss at your first meetings... once the ice is broken, they will develop into useful, free-ranging discussions.
- Get someone to take notes and circulate action points afterwards – ensure that these are followed up and reported on for the next meeting.



Better Per

IS YOUR FIRM A HIGH PERFORMANCE WORKPLACE?

A high performance workplace is one that gets the best results possible from every part of the business – with a particular focus on the people working in it and the contribution they make to overall performance.

The best small firms become high performance workplaces by employing highly skilled, well trained and properly rewarded people.

In these firms, managers and owners build good relations with the workforce, take a positive approach to communicating with them and involve them in important decisions. The end result is a more energised and productive working environment.



Though the product or service your business provides may be similar to others on the market, your people can set you apart.

through your people formance

The people factor

For small businesses, people are usually the factor that sets them apart from their competitors.

Though the product or service your business provides may be similar to others on the market, your people can set you apart. Recent research indicates that competitive advantage is increasingly gained through people. In fact, a study carried out by the Industrial Society (now known as the Work Foundation) showed that organisations that work in partnership with employees are 34% more likely to enjoy better-than-average financial performance, and 24% more likely to experience high labour productivity growth than non-partnership organisations.

It is quite rare for a small business – or, indeed,



The benefits to your business

- **Improve business performance**
Firms working in partnership with their staff are 34% more likely to have better financial results than the average
- **Achieve fast growth**
High performance workplaces have an energised, hard-working culture that looks for constant improvement
- **Improve morale**
Investing time and effort in your people results in a happier and more productive working environment
- **Cut costs**
Save money on recruitment and training by being a firm people want to work for

any business of any size – to come up with a product or service that is genuinely unique.

Most business success and super-growth comes about by offering an improved version of something already familiar, or superior customer service, or a streamlined and efficient delivery system, or a more efficient production model that allows price cutting... in other words, small businesses that really soar do so because they are achieving high performance.



Common characteristics of a high performance workplace

There is no set formula for becoming a high performance workplace, but there are five common characteristics. Any small business – whether a manufacturer, a sales organisation or a service provider – can adopt these characteristics, regardless of sector.

1. You manage your people well

- **Effective management and leadership** This means setting a strong vision and values, focusing employees on common goals and providing inspiration and motivation.

- **Fair and open recruitment** Hiring your new employees from a wide and diverse field.
- **Establishing proper people processes** When your people have problems, these are dealt with openly and fairly, using processes that are transparent and known to all staff.

2. You involve your employees

- **Information and consultation** Employees are informed about major employment issues; you consult them when making key decisions or introducing changes.
- **Partnership and employee engagement** You involve your employees in problem solving and job design.
- **Teamwork and autonomy** You give your staff greater responsibility; you encourage your managers to focus on strategic problems rather than letting them bury themselves in operational details that their staff can handle perfectly well.

3. You practise diversity and equality

- **A diverse workforce** You recruit from all areas of the community, drawing on different experiences and traditions.
- **Promoting equal opportunities** All employees get the opportunity to fulfil their potential; you provide equal pay, and comply with all equality legislation.

4. You create a proper work-life balance

- **Variety of working patterns** This means introducing flexible working options, including working from home; you consult with your employees to create a balance between work and home life.
- **Matching work to demand** Traditional shifts and working days are rearranged to optimise your firm's performance; you introduce more flexible working practices that benefit business performance directly, as well as practices that improve staff morale and loyalty and therefore benefit business performance indirectly.

5. You use training to develop your people

- **Create a skilled, adaptable workforce** Offer relevant training and encourage wider learning.
- **Provide opportunities for progression** Focusing on employee growth and development not only improves business performance, but also shows your people how they can improve themselves and progress.

The benefits of creating a high performance workplace

The five characteristics given above are all complementary – if you have any one or more of them, it becomes easier to implement the others. So the benefits are cumulative – businesses that are strong in all five areas will see more benefits, and to a greater extent.

The main areas where you will see improvement include communication, flexibility and productivity – all of which should have a positive impact on the bottom line.

Good people management

- Improves employee motivation and performance
- Attracts the best talent to your firm
- Settles disputes quickly and effectively
- Raises productivity levels.

Employee involvement

- Encourages greater ownership and responsibility from employees
- Gains more commitment and motivation from employees
- Improves customer service.

Diversity and equality

- Maximises employee talent

- Improves workplace relationships
- Encourages more creative solutions and working practices.

Flexible work organisation

- Enables longer operating hours and brings more flexibility in working arrangements
- Leads to happier, more productive staff
- Develops a smarter, more responsive business.

Training and development

- Improves your competitive edge
- Allows your firm to adapt swiftly and respond to changing market conditions
- Raises the profile of the business – you become known as a firm worth working for
- Retains people and reaps the rewards of training investment.

STEPS TO TAKE

RESEARCH

- Start by looking at what your workplace is like now. Are there any major or persistent problems, such as customer complaints, sickness or absenteeism, poor performance or use of resources, skills shortages or gaps, or low morale?
- Audit what you do at the moment in the five areas outlined above. How far away are you from turning your firm into a high performance workplace?
- Find out about what legislation your business has to comply with – you can find a list of employment-related acts at www.dti.gov.uk/er, the DTI Employment Relations website. You can get further advice from your local Business Link advisor.

CONSULT

- Find out what your employees think about the way your business is run. Any changes you introduce should aim to address issues raised by your employees and help them to work smarter.

- Consult your junior managers and supervisors. They, above all, have to buy in to what you're planning.

ACT

- Don't try to introduce everything all at once. Let each new development or process sink in, have its teething problems corrected, and become embedded before you roll out the next phase.
- Make sure you are sending out clear and consistent messages during rollout. Make it clear that each measure is part of an overall strategy to improve how employees work and consequently raise business performance.
- Keep highlighting the benefits to your people as each phase rolls out.

MONITOR

- Set clear objectives with targets and goals to work towards – this will help to focus your project and keep your staff engaged. It will also help you keep track of the financial impact of your project.



Inspiration

THE INSPIRATION GAP

In a survey of more than one and a half thousand managers, people were asked what they would most like to see in their leaders. The most popular answer, mentioned by 55% of people, was 'inspiration'.

When asked if they would describe their current leader as 'inspiring', only 11% said yes.

The two attributes that people actually mentioned most often when describing their leaders were 'knowledgeable' and 'ambitious'.

As well as this thirst for inspiring leadership, there's also evidence to support the idea that businesses with inspiring leaders perform better. This applies not just to giant corporations with globally-recognised leaders, but to small businesses.



The very fact that you have created a new business from nothing, and grown it sufficiently to hire employees, is itself a cause of inspiration.

nal leadership

When inspiration translates into profits

***The Sunday Times* publishes an annual survey of the 'Best Companies to Work For', which is compiled from the opinions of the companies' own employees. One interesting fact is that those 'Best Companies' that are publicly quoted consistently outperform the FTSE All-Share Index.**

Five year compound returns show a 5.7% negative return for FTSE All-Share companies against a 13.6% gain for the Best Companies. Over three years, the returns were -11.3% and 6.7% respectively while, in the last 12 months, they were 23.1% and 44%.

The 'Best Companies to Work For' have also performed impressively on staff turnover, sickness rates, absenteeism, and the ability to recruit good quality people.

Of course, those companies that make it to the survey are all large firms – but the principle holds true for small companies too. In fact, because the leader of a small firm is so much closer to his or her employees, the quality of leadership you provide is even more crucial to your people.

The inspiring business leader...

- Has a strong strategic focus
- Communicates well with staff, and takes their ideas on board
- Is a risk taker
- Is accessible to staff
- Places value on skills, training, and attitude
- Sets a great example to the workforce
- Is a lateral thinker
- Can be found in tiny businesses as well as global corporations

The other crucial aspect of inspirational leadership in small firms is that *you have the power to make it happen*. Big businesses have huge, drifting, juggernaut cultures that take years to turn around, with legions of managers who have a far more direct influence on their employees than the leader ever can. Not so in a small firm. A simple thing like taking your employees out for a drink, or calling a staff meeting to discuss some issue, has an immediate and direct impact.

Finally, you may look at the characteristics of an inspirational leader and say (perhaps grumpily): 'Well, that ain't me, and that's that.'

Don't despair. Look at the list again. The very fact that you have created a new business from nothing, and grown it sufficiently to hire employees, is itself a cause of inspiration. The very fact that you had the vision and energy to launch the business and grow it almost certainly means that, at some level, you already have some of the characteristics of an inspirational leader.

The next section indicates how you can recognise these characteristics, and bring them to the fore.

What makes an inspiring leader?

The stereotype of the inspirational leader as someone extrovert and charismatic tends to be the exception rather than the rule. Although some inspirational leaders certainly do fit this mould, a large number do not. Many are quiet, almost introverted. The following are some of the most commonly observed characteristics of inspiring leaders.

Strong strategic focus

They are very good at ensuring that the business does only those things where it has the resources to do a good job and where it can add real value.

Lateral thinkers

They are particularly adept at drawing on





experiences outside their own sectors and taking a much broader view than the norm. They look at things very laterally and encourage their people to do the same.

Vision and communication

An inspirational leader has a very strong, customer-focused vision of where the business should be going.

Importantly they are also able to communicate their vision so that their people feel they own it and know where they fit into it. The best leaders are great communicators who prefer plain speaking to jargon.

Principled

They are deeply committed, courageous, demanding of themselves and their people and confident, albeit often in a quiet and understated way. What singles them out is an exceptionally strong set of values built on honesty, openness and true respect for their people.

Reflective

What distinguishes them is genuine humility and not being afraid to show vulnerability on occasions. This comes from regular periods of reflection and an unquenchable thirst for learning.

Risk takers

They have a marked tendency to 'bend the rules', take calculated risks, and, on occasions, be guided by their gut feelings. They also tolerate this in other people, recognising that a certain amount of flexibility is essential to adapt to circumstances and make real strides forward.

Accessible

They make time to get out and speak to people. This informal and personal contact is a very

powerful motivator. Equally, when they are at their own desk, they don't close the door and hide themselves away.

Value attitude

They value skills and training very highly, but they also focus heavily on attitude, believing that without the right attitude and motivation nothing will be achieved.

Why people respond to leaders

In the previous section, we looked at the qualities of inspiring leaders. The question is, why do these traits produce results?

Pay is only one component of job satisfaction. Other factors like respect and prestige can be tremendously important in making staff feel good about their jobs. The reason that inspiring leadership produces results is that it contributes directly to fulfilling many of people's emotional needs.

The following are some of the ways that good leadership contributes to improved job satisfaction, motivation and productivity.

Being listened to

A business where only senior managers are allowed to 'have ideas' rarely achieves great staff satisfaction. Inspirational leaders ask for, and respect, what their people tell them about how to do things better, and they provide the resources to ensure that the solutions are delivered.

Being involved

Inspirational leaders involve their people in changes so that those changes will be a success. They give their people the freedom and support to get on with the job. When you walk around these firms, there is electricity in the air – you can feel the energy and buzz.

Having fun

In successful companies, people work hard but enjoy themselves in the process. Fun is a great indicator that an organisation is innovative and is also a key innovation driver.

Being trusted

It's no coincidence that, when you ask people what it's like to work in an organisation run by an inspirational leader, they talk about openness, honesty, respect and trust. These firms can boast highly committed staff who have a great sense of responsibility with respect to their work.

Being appreciated

Recognition is an absolutely crucial element of inspiration, and few things are more powerful, or simple, than a genuine 'thank you'. Inspirational leaders know that it's vital that people feel appreciated and valued, so they show their appreciation through extensive celebration of success – both formally and informally.

Valuing and being valued

The best leaders promote a culture where their people value themselves, each other, the company and the customers. Everyone understands how their work makes a difference. This helps to build a commitment to higher standards where everybody is always looking to do things better.





Further

General advice

Business Link

For practical advice on getting the most out of your business, contact Business Link, the national business advice service. Backed by the DTI, and with a network of highly experienced advisors, Business Link is the first stop for all small businesses – and there is one near to you!

www.businesslink.gov.uk

0845 600 9006

Business Link has a set of guides available for owner/managers of small firms trying to implement best practice.

www.businesslink.gov.uk/abp

Department of Trade and Industry

General business advice and publications for employers.

www.dti.gov.uk/for_business.html

Work-life balance and flexible working

Chartered Institute of Personnel and Development

CIPD's mission is to lead in the development of good practice in the management and development of people. It provides advice on a range of management issues including employment law and employee relations.

www.cipd.co.uk

The Work Foundation

The Work Foundation is a not-for-profit research and management consultancy that exists to inspire and deliver improvements to performance through improving the quality of working life.

www.theworkfoundation.com

Employers for Work-life Balance

Run by the Work Foundation, this website is specifically aimed at employers, and has a section dedicated to small businesses.

www.employersforwork-lifebalance.org.uk/small.htm

Skills and training

Learning and Skills Council (LSC)

LSC is responsible for funding and planning education and training for over 16-year-olds in England.

www.lsc.gov.uk

Department for Education and Skills (DfES)

DfES is the government department with overall responsibility for skills and training.

www.dfes.gov.uk/employers

Sector Skills Development Agency (SSDA)

SSDA has been established to drive forward skills and productivity in industry, and to promote effective working between sectors.

www.ssda.org.uk

sources of help

Investors in People (IIP)

The IIP standard provides a framework to help organisations improve performance through its people.

www.investorsinpeople.co.uk

Diversity and equality

Women and Equality Unit

Together with the Ministers for Women, the Women and Equality Unit is responsible for promoting and realising the benefits of diversity in the economy and on a wider basis.

www.womenandequalityunit.gov.uk

Employment Relations Directorate

Develops legislation and provides guidance relating to employment and HR issues such as pay entitlement and individual employment rights.

www.dti.gov.uk/er

ACAS

Booklet on tackling discrimination and promoting equality, written for employers.

www.acas.org.uk/publications/B16.html

Equal Opportunities Commission (EOC)

EOC works to eliminate sex discrimination in all aspects of life. It provides practical advice and guidance to help businesses put equality into practice.

www.eoc.org.uk

Commission for Racial Equality (CRE)

Good practice information for employers.

www.cre.gov.uk/gdpract/gdpract.html

Disability Rights Commission (DRC)

Information for employers about providing jobs and services to people with disabilities.

www.drc.gov.uk/businessandservices/index.asp

Employers Forum on Age (EFA)

An independent network of leading employers who recognise the need to attract and retain valuable employees, whatever their age. Practical advice, including toolkits and case studies.

www.efa.org.uk

Employers Forum on Disability

An employers' organisation focused on the issue of disability in the workplace. Comprehensive management tools, practical advice and case studies.

www.employers-forum.co.uk

Partnership working

Involvement and Participation Association (IPA)

Partnership Working – A practitioner's guide.

www.ipa-involve.com

Chartered Institute of Personnel and Development

CIPD has a section of its website devoted to best practice employee relations.

www.cipd.co.uk/subjects/empreltns/

ACAS

Booklet on Employee Communications and Consultation.

www.acas.org.uk/publications/B06.html

DTI

Facts and advice on the Information and Consultation of Employees Regulations 2004 are available at the website below.

www.dti.gov.uk/er/ice.htm

Better performance and inspirational leadership

Further information is available from:

Accomplish

www.accomplishonline.co.uk

Best Companies UK

www.bestcompanies.co.uk

Centre for High Performance Development

www.chpd.com

Chartered Management Institute

www.managers.org.uk

FWM LeaderShape Ltd

www.fwmleadershape.com

Inspired Leaders Network

www.inspiredleaders.com

Institute of Directors

www.iod.com/maximise

