Recruiting and developing talented people for SME growth
Championing better work and working lives

The CIPD’s purpose is to champion better work and working lives by improving practices in people and organisation development, for the benefit of individuals, businesses, economies and society. Our research work plays a critical role – providing the content and credibility for us to drive practice, raise standards and offer advice, guidance and practical support to the profession. Our research also informs our advocacy and engagement with policy-makers and other opinion-formers on behalf of the profession we represent.

To increase our impact, in service of our purpose, we’re focusing our research agenda on three core themes: the future of work, the diverse and changing nature of the workforce, and the culture and organisation of the workplace.

WORK
Our focus on work includes what work is and where, when and how work takes place, as well as trends and changes in skills and job needs, changing career patterns, global mobility, technological developments and new ways of working.

WORKFORCE
Our focus on the workforce includes demographics, generational shifts, attitudes and expectations, the changing skills base and trends in learning and education.

WORKPLACE
Our focus on the workplace includes how organisations are evolving and adapting, understanding of culture, trust and engagement, and how people are best organised, developed, managed, motivated and rewarded to perform at their best.

About us

The CIPD is the professional body for HR and people development. We have over 130,000 members internationally – working in HR, learning and development, people management and consulting across private businesses and organisations in the public and voluntary sectors. We are an independent and not-for-profit organisation, guided in our work by the evidence and the front-line experience of our members.
Recruiting and developing talented people for SME growth

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Acknowledgements

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We would like to thank the 13 case study organisations who gave us access to their people and to those people for taking the time to speak to us about their experiences and share their insights.

Arolite
CC Young & Co.
Choccywoccydoodah
DUO
EducationCity
IMarEST (The Institute of Marine Engineering, Science & Technology)
Julia’s House
MJF Cleaning
Naked Wines
Probrand
Secret Escapes
UKFast
Watford Community Housing Trust
Introduction

This is one of a series of reports looking at different aspects of various people management issues in SMEs. It is intended for anyone with responsibility for the people approach in their organisation, whether you are an HR professional, owner/founder, business leader or office manager.

We have adopted the European Commission definition of SMEs, which classifies micro-organisations as those having fewer than ten employees, small organisations as up to 50 employees and medium-sized organisations as up to 250 employees.

SMEs are the growth engine of the UK economy and currently two-thirds of the workforce work in this sector. They are also a good source of job creation, with positive hiring intentions. The spring edition of our CIPD Labour Market Outlook survey asks employers about their recruitment and redundancy intentions. It measures the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels. SME employers are significantly more positive about their employment prospects (+52) than large employers (+11).

In an SME your people are your business, so recruiting the right talent is imperative. But with often limited material and financial resources and one in four businesses highlighting hiring skilled staff as a barrier to growth (FSB 2014), it can be necessary to think creatively about how you do this. This report examines the different approaches organisations can take to recruiting and developing their people.

Of course the challenge doesn’t stop there; to get the best out of your people you need to help them develop both professionally and personally so they want to stay with you and are able to perform at their best to achieve your organisation’s goals.

Our previous research with SMEs uncovered various recruitment and people development challenges commonly faced. For example, during periods of rapid growth it can be tempting to hire people quickly to fill posts. But it’s important to make sure they fit with your organisation culture and identify with your values, otherwise they are unlikely to go that extra mile for you, deliver service in the desired way and ultimately they won’t stay with the business very long.

Furthermore, as the workforce grows and team structures are introduced, it becomes necessary to appoint line managers – how can you help them develop the skills needed to lead teams? And there comes a point when you reach a certain workforce size that establishing career paths for people becomes viable. Workforce planning and thinking about succession is vital for the smooth running of the business, but also to help staff see a future with your company.

In this report we build on those findings from our previous CIPD research, looking at how our 13 case study organisations have addressed some of the main recruitment and talent management challenges and opportunities. It is hoped that this practical focus will spark ideas of approaches that may work in your organisation context.

‘In an SME your people are your business, so recruiting the right talent is imperative.’
Our research

The research was conducted between January and March 2014 with 12 case study organisations (Table 1) of a range of sizes and industries.

Within each case study organisation we conducted interviews to examine how they have changed their approaches to recruitment and talent development over time in line with business needs.

Here we pull out the main themes from these interviews which may be helpful when thinking about your organisation’s approach to recruiting and developing people. We provide practical examples from our case studies to bring the themes alive.

The report is organised into five sections:

1. The importance of hiring the right people
2. Finding the right recruitment process for your organisation
3. Make development a key part of working for your organisation
4. Developing management capability
5. Looking to your future talent
<table>
<thead>
<tr>
<th>Case study organisation</th>
<th>Who they are</th>
<th>Do they have an HR professional?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arolite 12 employees</td>
<td>Established in 2009, Arolite is a family-run business which sources, services, maintains and refurbishes commercial catering equipment, nationwide.</td>
<td>Finance and HR manager</td>
</tr>
<tr>
<td>CC Young &amp; Co. Circa 45 employees</td>
<td>Founded in 1998, CC Young &amp; Co is a firm of chartered accountants and registered auditors specialising in the music and entertainment industry.</td>
<td>Associate director of operations has HR responsibility</td>
</tr>
<tr>
<td>Choccywoccydoodah Circa 50 employees</td>
<td>Choccywoccydoodah is an art and design-focused chocolatiere based in the city of Brighton. They specialise in chocolate, one-off sculptured fantasies, bespoke wedding cakes and chocolate gifts.</td>
<td>Founders and shop managers have adopted an engaging and inspiring people management role</td>
</tr>
<tr>
<td>DUO 55 employees in low season and circa 100 in high season</td>
<td>Founded in 1974, with a head office in Bath, DUO is now international. They design women's footwear which is handcrafted and made-to-measure, with boots offered in 21 calf sizes and shoes in 3 widths.</td>
<td>HR and talent development manager</td>
</tr>
<tr>
<td>EducationCity 90 employees</td>
<td>EducationCity.com is a leading developer and publisher of educational content with offices in Rutland, UK and a US sales base. Founded in 1999, they are dedicated to creating new ways of delivering curriculum content through technology, and are used by 15,500 schools.</td>
<td>HR manager</td>
</tr>
<tr>
<td>IMarEST (The Institute of Marine Engineering, Science &amp; Technology) Circa 50 employees</td>
<td>IMarEST is the international professional body and learned society for all marine professionals. IMarEST was founded in 1889 and is now the largest marine organisation of its kind, with a worldwide membership based in over 100 countries. It is a registered charity and the first institute to bring together marine engineers, scientists and technologists into one international, multi-disciplinary professional body.</td>
<td>Head of HR and Learned Society</td>
</tr>
<tr>
<td>Julia's House 130 employees (70 FTEs) and 400 volunteers</td>
<td>Julia's House is a Dorset-based charity dedicated to helping life-limited children and their families across the county and in south Wiltshire. The charity was established in 1993 and the hospice itself opened in 2006. In 2014, the Community Team has now grown to around 70 nurses and carers, and at any one time Julia's House is caring for up to 100 children.</td>
<td>Part-time HR director, a full-time HR assistant and a part-time HR assistant</td>
</tr>
<tr>
<td>MJF Cleaning Circa 120 employees</td>
<td>A specialist cleaning contractor, established in 2006. With their head office in Darlington and a Leeds-based satellite office, they manage numerous industrial and commercial multi-site services throughout the north of England and Yorkshire.</td>
<td>HR manager, HR assistant and graduate trainee</td>
</tr>
<tr>
<td>Naked Wines</td>
<td>Founded in 2008, Naked Wines is a customer-funded wine business that funds wine-makers all around the world. Their customers, called Angels, fund talented, independent wine-makers and get rewarded with delicious wines at wholesale prices in return.</td>
<td>Founder engages and inspires staff</td>
</tr>
<tr>
<td>Probrand Circa 220 employees</td>
<td>Established in 1992, Probrand is a major supplier of top branded computer products. As the complete computer company, Probrand aims to connect IT buyers to the very best-priced products in the shortest possible time through online or traditional telesales methodology.</td>
<td>Two HR managers and a recruitment manager</td>
</tr>
<tr>
<td>Secret Escapes Circa 120 employees</td>
<td>Launched in 2011, Secret Escapes is an exclusive, members-only travel club, specialising in ‘flash sales’ of luxury hotels and holidays. They negotiate exclusive rates and membership is free.</td>
<td>The founders take an inspiring and engaging leadership role</td>
</tr>
<tr>
<td>UKFast 225 employees</td>
<td>Established in 1999, managed hosting provider UKFast offers dedicated servers, cloud hosting, and co-location services in highly secure UK data centres.</td>
<td>HR manager, two recruitment managers (but they call them 'The People Team')</td>
</tr>
<tr>
<td>Watford Community Housing Trust 160 employees</td>
<td>The trust provides homes and services to over 20 local communities throughout Watford and parts of Three Rivers. They own and manage nearly 5,000 affordable homes. Being a Community Gateway organisation, tenants and community empowerment are at the heart of everything they do. Tenants and leaseholders can become members of the trust, enabling them to get involved in decision-making and vote on important issues.</td>
<td>Director of resources, whose areas of responsibility include HR and organisation development, head of human resources, two HR business partners and HR co-ordinator</td>
</tr>
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1 The importance of hiring the right people

The right people will help your business flourish. Making a wrong hire costs money, it can be difficult and time-consuming to part ways, and having the wrong person on board can disrupt the status quo for other employees.

Hiring the right people isn’t just about hiring the people who have the technical abilities you need; it’s about finding those people who will enable your business to succeed. Much research has found that hiring for attitude and values is essential, particularly in a small business where one person can have a significant impact on the culture.

Jonathan Bowers, Managing Director, UKFast, believes that taking on new people has the potential to either enhance or dilute your business’s potential: ‘Possibly their hardest choice in employing anybody was the first person they ever employed because they diluted the business by 50% by bringing somebody else in. That has the opportunity to improve the business immeasurably, or dilute it. That’s the focus that we have always put on bringing in new people; how are they going to enhance the mix?’

The kind of roles you’ll be recruiting for and the skills and capabilities the business needs are likely to change as the organisation develops. For example, in the early days you want people who can take a leadership role to get on and get the job done, but who also have specific skills to manage a certain part of the business. With operational growth, you’re likely to want to hire a notable number of operational or production staff. Organisations we’ve worked with have also talked about reaching a point when there’s a need to professionalise each function, such as appointing or hiring in an experienced finance or marketing director.

However, no matter what role you are recruiting for, the findings of this report point to two essential questions you need to think about:

1. Does this person share our organisation values? If not, they may not deliver customer service the way you want, they may disrupt your culture, they are unlikely to feel they fit in, and will ultimately not stay long. People who are passionate about what your business aims to achieve will be the ones who will make the right decisions for the business and go the extra mile to make it a success.

2. Can I see this person growing with our company? People with the desire to learn and who are flexible to try new things will be the ones who help your business remain agile and innovative. They are more likely to be able to see a future with your business, be willing to learn new skills and develop themselves when new opportunities become available. Your investment in training and developing them will reap long-term rewards.

In the next section we explore the different recruitment approaches our case study organisations have adopted. They also talk about how they have changed their approaches over time as the needs of the business changed.

‘Hiring brilliant people and having the power of having seen what brilliant people can do, when you get a real, real superstar, and I can think of a number throughout the business, you can see how much they can achieve for you. You think about the leverage of multiplying that by several times, that’s why you do great people stuff. The power of well-motivated, well-directed employees is huge.’ Alex Saint, Co-Founder, Secret Escapes
2 Finding the right recruitment process for your organisation

We asked our case study organisations about the hiring approaches they use and how those approaches have evolved over time. The findings suggest there are four fundamentals that need to be in place in order to attract and recruit the best candidates:

1. An attractive but realistic employment proposition
2. A consistent approach to hiring across the organisation
3. A recruitment approach that looks for cultural fit, not just technical skills
4. A streamlined recruitment process.

An attractive but realistic employment proposition
To attract the best talent, applicants need to know what it’s like to work for you. For SMEs it can be difficult to compete with the big-name organisations to find the best talent, but there are ways of getting the organisation name known within the industry and so to potential candidates. Some organisations have a social media presence; some have a section about their values on their website, or a podcast or video from employees about what it’s like to work there; some form links with local colleges and universities; some establish a presence in the local community; others enter awards to get formal recognition for being a great place to work.

What is it that makes your organisation a great place to work? What are your key messages to potential employees and to candidates who apply for a role? It’s important to communicate what your organisation does, what’s exciting about it, and what you stand for as a business in terms of your values. But also our case studies told us that you need to be open and honest about the reality of the role, giving people the chance up front to decide whether or not the job is for them, and lessening the chance of them leaving within a few months of starting.

One aspect of Choccywoccydoodah that its co-founder shouts about is: ‘We’re a very exciting business, so that helps. We’re exciting on varying levels. We’re exciting because we work with delicious things all the time; we just work with chocolate and cake.’ However, Christine Taylor also explains to applicants what the job involves.

Watford Community Housing Trust

Steve Phillpott, Head of HR at Watford Community Housing Trust, explains how they are building their employer brand: ‘Our ambition is to be an organisation of choice; that’s a key part of our business plan. This is about ultimately getting an honest and meaningful brand image out there. Our employees talking positively about us as an employer will mean that as we grow, there will be people hammering down our door to come and work for us, because they’ll know what a good package we offer.

‘That’s why our focus has been on the pay and rewards offer, initially. That then gives us something to sell, and our employees something to share with their connections. As we’re moving forward over the next year or so, we’ll be looking at building up the Internet offer, the application, selection and induction processes, to make sure that our on-boarding happens in a really seamless way, and reflects people’s perceptions of who we are.’
‘As the workforce grows and typically hiring is devolved to multiple line managers, there needs to be a mechanism for ensuring a consistent approach is maintained across the business.’

Ensuring a company-wide recruitment approach is something Claire Alexander, HR and Talent Development Manager at DUO, is considering as the business continues to grow. At the moment the department heads have responsibility for recruitment within their areas of the business and understand the culture, but within a growing retail company where the stores do their own recruitment, more formal guidelines will be required.

‘All of the heads of department have been recruited by Nick, so I think they all pretty much share the same thoughts about, “Will this person fit with our culture and way of doing things?” But we’ve uncovered a couple of things where we need to formalise our processes a little bit, making sure that we’re consistent across the board. The retail stores do their own recruitment and they’ve just revised their recruitment policy which they send through to me to make sure that it fitted with the DUO ethos and it’s actually a great starting point for a company-wide review.’

Sara McTrusty, HR Manager at MJF Cleaning, describes how she revised their recruitment approach, making it more robust and consistent across the business. ‘Lots of good things were happening, but a lot of things weren’t always being written down. Sometimes we would just recruit on a five-minute chat. What I did was spend one-to-one time with some of the managers and wrote out procedures and processes. So it’s putting some of the basics into place. Then making sure everybody is aware of what needs to happen, but also understanding why. So trying to educate them as to what could happen if you recruited, not just the wrong person, but if perhaps you weren’t documenting what you talked about in the interview.’
Probrand have got to a size where they decided to hire a recruitment manager and bring recruitment in-house. The recruitment manager is working closely with line managers to develop a consistent hiring process across the three companies under the Probrand Group. She is also challenging their current approaches to get them to think more deeply about the roles they are hiring for and how their approach influences the people they will attract.

‘We’ve put into place a vacancy authorisation process, so that the managers have to take control of why they’re recruiting; what impact it has on the business, justify it. I then meet with them to talk about benchmarking salary and whether that person realistically is in the market, and are they the person they’re looking for?’

‘For example, I’ve just had a meeting about how sales people are hired. There are different options that I’ve been able to discuss in terms of, would you look at a graduate coming in? Would you look at somebody returning to work, of internal moves between the three businesses, etc.’ Vicki Walker, Recruitment Manager

Although a consistent approach to hiring is important, we need to avoid the temptation of always recruiting in our own image. Much CIPD research has demonstrated the value of hiring a diverse workforce.

‘Diversity is also something that we are getting quite big on. We have got a much more diverse workforce than we had before. If we look at our workforce, there is a 50% female and 50% male split, which is very different to the membership at large, which currently is 3% female and 97% male. That is our next challenge. How do we become relevant and appealing to the young female oceanographer as well as the old male engineer? If we can demonstrate that we are gold standard as the executive, and the fact that we are diverse, that will help. I have learnt in my career that there are different skills that are required in a company as there are blind spots you just don’t see unless someone points them out. Yes, having a diverse workforce is a nice thing to do and it’s the right thing to do, it is the fair thing to do, but actually there is a very hardnosed reason to do it. It makes the team more efficient and effective and helps the organisation succeed.’ David Loosley, Chief Executive, IMarEST

UKFast

UKFast look for people who fit with their culture and their values, including if they have ‘the paper round gene’, showing they’re willing to work hard and they are driven.

Jonathan Bowers, Managing Director, explains: ‘The three things that we’ll ask are: can they do the job, will they do the job and will they fit in? The hardest one out of the three is will they fit in, the other two you probably find the majority of the time, because it’ll tell you that on the piece of paper that they’re sending through to you, but everything else is just delving a bit deeper to find out what they’re like.’

He elaborates: ‘Something we’ve always looked for from the start, we look for the skills that you can’t teach. We look for the people who have taken the same kind of opportunities, who have the paper round gene. It could be a paper round, it could be childminding, it could be washing cars, it could be doing ironing, whatever people chose to do age 13 in order to take some responsibility, earn a bit of money, stand on their own two feet. That’s important to us because it shows that they haven’t necessarily taken an easy ride through life and they want to contribute.

‘In terms of recruitment we have a score sheet when people come in and we score people on values. Alongside the skills that they have got which in a technical environment are important to us, we score people based on what I would call the chances that they will love working here and want to contribute and that’s based around our values. We score them on ten different areas, five of which are very obviously our core values. So we end up with a score of anywhere between 0 and 45 and the pass mark for somebody to come through to a second interview is 30. So that way we know that when people come in they are naturally going to be supportive, passionate about what they do, they are going to have that dynamic attitude and that innovation about them in one way or another.’
EducationCity

EducationCity have changed their recruitment approach over time to put much more emphasis on recruiting for culture and values fit, and for people who have a passion to learn, than on people having previous experience.

‘It depends which department we’re recruiting for. But in sales, with the new business team, we absolutely do not want prior sales experience. What we want is fire in the belly. It’s people who are passionate. They have an energy that they bring in through the door with them. We have a surprising number of people within the sales department now who have come up from other customer-facing service roles, from bar and waiting staff to hairdressers and beauticians. This might seem strange, but, actually, if you think about their customer service skills, and the fact that they have to, very carefully, put people at their ease and talk to them, and develop confidence in the product that they are providing. Those are such transferable skills, onto selling our product and developing a relationship with the customers and the trust.

‘Whereas if we get somebody who has been in a call centre or a very sharp, practised sales environment, where it’s all about chasing profit, at the expense of anything else, they’re just not going to treat our customers the way we want them to be treated, and we have had some people in like that. We very swiftly had to make decisions that, “Either you change and adapt to our culture,” or, “I’m sorry, it’s not going to work.”‘ Kate Sanderson, HR Manager

MJF Cleaning

With a noticeable increase in the number of staff MJF Cleaning needed to hire as more contracts were won, the recruitment process needed to be streamlined to be as efficient and effective as possible. Sara McTrusty, HR Manager, recounts, ‘We started doing telephone interviews from the office and then we’d ask the area managers to then make contact with the best people we’d screened. They would hold interviews face-to-face on sites. You’ve already kind of tested the candidate that they’re able to turn up and they found the place and things like that, which helps. They get to meet the team as well.’

When the company needed to recruit a significant number of staff at once to work at three new sites on Teesside, the company held a recruitment day. To save on costs, they approached one of their clients who owned premises that were closed during the day and asked if they could use the building. MJF Cleaning could train their staff in one place in one day, and the client got a free intensive clean of their premises. Applicants were asked to do a short work trial which tested their skill as well as showing them what the job involved.

And from this larger-scale recruitment approach, MJF Cleaning has been able to establish a ‘talent bank’ of people for whom there isn’t currently a job available but who could be taken on straight away as new business comes in. The leg work has already been done as they have been telephone-screened and interviewed.
A recruitment approach that looks for cultural fit, not just technical skills

A separate piece of CIPD research with SMEs has looked at how you keep your culture, purpose and values at the heart of your SME. This research highlighted the importance of recruiting for cultural and values ‘fit’. The main message across our case studies is that values can’t be taught; the match between individual and company values is either there or it isn’t.

‘It’s about the person’s overriding attitude and whether you think they fit with the company. I have found in my experience, if I recruit the people with the right attitude, I can usually coach them and give them the technical expertise they need. But it doesn’t necessarily work if you bring someone in just technically, to be able to give them the other skills that they need, if they haven’t got the right attitude.’

David Loosley, Chief Executive, IMarEST

Choccywoccydoodah attracts applicants who already love their products and ethos by advertising job vacancies on social media, Twitter and Facebook as well as putting signs in their shop windows. This means they are directly targeting people who either already follow them on social media, or are visiting their stores. They further assess the cultural fit of candidates by inviting them in to work a paid trial shift with the team. The whole team then decides whether to hire that person.

Secret Escapes are clear about the kind of people they want to recruit. The business still tries to recruit for the values and attitude that was integral in the early days as this is seen as a key part of their recipe for success. ‘Inevitably you need technical skills in every area. You take that as a given. But on top of that, they need a kind of winning attitude as we really value the kind of people who make a difference. The difference for us is between someone who talks a nice game and somebody who can really make mountains move by their ability to get stuff done. In an execution business like ours, that’s the kind of person who we really, really value. You need people who are really comfortable taking the initiative.’

A streamlined recruitment process

As the frequency at which you need to hire people increases, so does the administration that accompanies it. With the risk of slowing down the recruitment process, creating a backlog of admin and recruiting the wrong people, it’s important to find ways of increasing the efficiency of the hiring process (see MJF Cleaning case study example). Increasing hiring efficiency could be through streamlining the process, automating record-keeping, screening a number of people at once or using recruitment agencies.

With a small number of employees, records are often kept on spreadsheets or in paper-based filing systems. In periods of fast growth when you need to hire good people fast, the system you created in the start-up days of the business may hinder your recruitment process. Finding ways to automate the process can help free up your and your managers’ time to be interviewing and on-boarding people.

Steve Phillpott, Head of HR at Watford Community Housing Trust, reflects on how their approaches have changed: ‘We’ve purchased a self-service system for managers, for basic things like holidays,’
‘Once you have recruited the right people, you need to ensure they have the skills they need to do the job and hold on to them by enabling them to grow with your company.’

Efficient record-keeping was also important for our case studies who needed to keep track of the training employees had done for health and safety reasons. Sara McTrusty, HR Manager at MJF Cleaning, explains, ‘I looked at what we were doing with training and how we track information. Because it’s a small team and because they’ve grown together, there’s often a reliance on you just knowing what that person’s done. A lot of it’s in their head and it’s like, “give me the certificate so I can actually make a copy of it, and put down when it’s going to expire, so we know when we need to send them on the training again”.’

Overall, having these fundamentals in place will help to make the recruitment process efficient and effective. Once you have recruited the right people, you need to ensure they have the skills they need to do the job and hold on to them by enabling them to grow with your company. Our top tips below summarise key learning from our case studies. In the next section we go on to consider how you can make staff development a key part of working for your organisation through discussing the types of approaches to developing talent that we’ve found to be successful in SMEs.

Top tips for recruiting talented people

- Openly share externally why your organisation is a great place to work to attract the best talent.
- Use social media to establish a community of people who identify with your business and could be potential employees.
- Discuss the reality of job roles with candidates.
- Establish a formal recruitment process to ensure quality and consistency of hiring across the business.
- Structure the interview in a way that allows candidates to talk about their passions and values.
- Invite shortlisted candidates to meet the team, who can give their opinions about cultural fit.
- If you have more candidates than current jobs, create a talent bank of their details for when roles become available.
- If you feel all your time is taken up with recruitment admin, it’s time to automate your processes.
3 Make development a key part of working for your organisation

CIPD research has consistently found that giving people the opportunity to develop and learn increases their job satisfaction and motivation, makes them feel more engaged and also more likely to stay with the organisation. Choccywoccydoodah invests a lot of time training their people in-house because ultimately, as Christine Taylor, co-founder, says: ‘If you’re going to be good enough to work for us, we have to invest a lot in you.’

Making learning part of your culture means staff development will be a continuous process rather than something that always needs to be formally instigated and can easily drop off the to-do list. At UKFast, development is a core part of working for the company and starts from the day people join: ‘What we’ve started doing is as part of people’s induction we’re actually factoring in some professional development time. It’s actually looking at what their needs are, what their vision is, where they would like to go with career training and personal growth. Then from there onwards we can actually start to build a picture and we can start having the conversations. We recruit people who want to learn, want to develop, so it becomes a natural progression.’

Of course a major barrier to offering staff development in SMEs is the cost. Our CIPD 2014 Learning and Development survey asked organisations about their budgets. Most organisations (78%) with more than 250 employees said they have a training budget. Unsurprisingly, smaller organisations are less likely to have a specific budget for staff development (39% of organisations with fewer than 50 employees; 58% of those with 50–249 employees).

With cost constraints it’s especially important to conduct a thorough training needs analysis before deciding on what staff development to invest in. It’s also important to think about what approaches would work for your organisation. For example, if you are hiring an external trainer, it’s important they are able to understand your business and how it works. Some of our interviewees said that development approaches need to be tailored to their context and ‘the way we do things round here’.

Claire Alexander, HR and Talent Development Manager at DUO, explains, ‘the manager development programme, I’ve tailored around the needs of the managers and what they actually do here to make it feel very relevant. I think, to come in and then to announce, “Right, I’m going to put this talent development programme in place, because this is pretty much the training I delivered at this massive organisation before and, I’m now going to try and use the same material here,” receives kind of a brick wall and a lot of concern and negativity.’

In our learning and development survey we also asked employers about the development approaches they used. SMEs are more likely than large organisations to use coaching by external practitioners and external conferences.’
Recruiting and developing talented people for SME growth

With circa 50 people, IMarEST is thinking more creatively about how to fill new posts in a way that also provides staff with development opportunities. Ben Saunders, Head of HR and Learned Society, explains: ‘Our chief executive and I are very keen on development of people and providing opportunities for them to grow professionally. In the past we said, “We need a marketing executive, so let’s go out and recruit one.” What we’re now saying is, and we did this very recently, “We will second somebody from our membership team, who has got an interest in marketing, over to the marketing team. If it works out, then we will look to make him/her permanent in that team. If not, we then end the secondment and can bring him/her back to their previous job.” So it’s providing those opportunities that really weren’t there before.

‘We also had a junior manager who had been on the road undertaking membership recruitment activities in the UK. She wanted an opportunity to develop, so we’ve just seconded her out to Australia to be our person on the ground over there to enhance the presence of the Institute and be responsible for the membership growth and branch management in Australia and New Zealand. It’s a two-year secondment and guarantees her original job back in the UK.’

IMarEST also encourages its staff to undertake personal development activities to become experts in their respective fields. This approach is in line with being a professional body, which promotes professional recognition to those working in the marine industry. All employees of IMarEST are automatically made Affiliate Members of the Institute when they start at the Institute with access to the same benefits as other members. This move has helped staff to gain a better understanding of the sector, the current issues faced by members in their jobs and new advancements in the industry, all of which will ultimately affect how the Institute operates. In addition, each member of staff is entitled to claim one professional body fee from the Institute, provided it is relevant to his/her role.

In an SME, when upwards promotion isn’t always possible, thinking about other valuable development opportunities is essential to retain staff and keep them engaged.'
Spending short periods of time with other departments to get a better understanding of the organisation’s processes that precede and follow what you do within your role can be an effective development approach for the individual and the organisation. Having this insight can lead to people making small changes to the way they do their job which speeds up processes, decreases errors and waste.

And people moving between departments stops silos forming, as they found at EducationCity: ‘One of the things that made a big difference is nobody had ever moved from the sales organisation to the development organisation or vice versa, and quite quickly we had two quite key people who made that transition. And that alone made a huge difference. We have had people cross over from sales into technical as well.

A lady who was running our new business team is now our product manager. She brought that whole wealth of knowledge of what the customers want and how they interact with the product into now designing the product.’

A few of our case studies promote internal knowledge-sharing. Aaron Saxton, Director of Training and Education, says that at UKFast, ‘We have regular “learnches”, learning lunches, and we’re offering some optional training before work. We must have anything between I’d say 20 and 40 people that turn up at 8:00am to do optional training. We believe this isn’t a job, this is a career. If you invest in a person, whether it be from a curriculum, an exam, an accreditation, from training, professional development, the by-product of that will be success on varying levels.’

Other organisations use social media to promote internal knowledge-sharing and learning through engagement with customers and suppliers. With many social media tools being ‘Freemium’, with the basic programme being free but sophisticated add-ons being charged for, they are a low-cost way of enhancing your learning culture. To give just two examples, social media platforms can be used to promote discussion about certain business projects, providing a trail of useful learning and ideas, and to create short presentations, webinars, or webcasts which provide learning in bite-sized chunks to learners at their desks or remotely.

The CIPD has conducted dedicated research looking at how organisations have used social media for business benefit. You can

### MJF Cleaning

MJF Cleaning takes a multi-faceted approach to staff training, all delivered at low cost. Training is essential to live up to the company value of quality and because staff are working on industrial and commercial sites which have particular health and safety requirements.

Work shadowing with more experienced people is one approach used to maintain cleaning quality. Cross-training is starting and people are being encouraged to buddy up and learn the roles of other team members so they can cover for them if required. Like in most SMEs, if someone is off sick or on annual leave, it is clearly apparent so people need to pull together as a team to get the job done.

And staff are now offered the opportunity to work towards NVQ qualifications in cleaning and support services at no cost to them. Fifty per cent of staff are enrolled on the course and it is now actively introduced to new starters as part of the recruitment process.

Martin Ferguson, Managing Director, describes how the approach to training is becoming more company-wide: ‘We do some upfront training with our daily cleaning staff, our industrial, they get some upfront cleaning, and then they obviously get on-the-job training.’ At the beginning of 2014 there was an intensive training day, with stations, a bit like speed dating. Somebody would be at each station demonstrating what they need to do with a particular machine, demonstrating a particular skill or task. Then each person would go round and have a go at each task.

The ultimate aim is to have a training facility in one of the nearby buildings: ‘We’d like the upfront training to be more intensive and to create some mock-up areas, some mock-up stations, real environment sort of stuff. For example, to mock up some of the stuff we’ll encounter when we go in to clean a new-build ready to hand over to the client; plaster all over the place, paint on the floors. We’d look to mock that up, so they’d get a day of intensive training on what products we use, what it’s used for, how we use it. So when we go on to site, they’re prepared.’
At IMarEST, people are encouraged to gain a wider perspective of the marine industry, to better understand the needs of professionals out in the field, and to help them make more informed decisions within their job roles for the benefit of their members.

‘I have got a registrar on my team, who is responsible for people going through our membership and professional registration process. I have recently said, “Why don’t you go out for me and do some of the accreditation visits as part of a development opportunity? Go out and see the qualifications that are coming through so you can appreciate what these universities are doing with their courses. This gives you a wider perspective.”

‘In addition when we take part in big exhibitions where we’ll go to promote the Institute to potential members, like SMM in Hamburg for example, we send people out there on development opportunities with our membership recruitment team, to not only man the stand and to engage with potential members, but also to really get an overview of what the marine sector is really like.’
UKFast

UKFast needed to think creatively to retain the very talented coders who may look to start their career with UKFast, gain some experience and then move down to London as the perception is that is where the opportunities are in the industry. This group of people are highly motivated and enthused by opportunities to constantly develop and demonstrate their skills. Jonathan Bowers, Managing Director, explains how they offered them these opportunities.

‘We have probably some of the most intelligent and educated coders and developers in the UK and some of them still think about the possibility of getting a job in London because that’s where they always thought they were going to have to go.

‘Our job here in creating an office like this and developing people’s opportunities is to encourage people who naturally want to churn from one business to the next to see a long-term career with UKFast. So these guys that develop innovative products, they come to us straight from university or straight from their back bedroom.

‘As a business we give them the learning and we put them on jobs, projects and challenges that allow them to learn more than they necessarily thought was possible. We develop them over a period of time doing telephone support helping our clients four days’ a week with one day working on their own projects. If we didn’t have this culture they potentially wouldn’t stick around in order to create the amazing products that are going to change our clients’ lives. Our challenge then is what project can we give them next?

‘At that point they start to work on their own things and develop their own project and are able to say, “I created this.” Whether it is a piece of monitoring software or it’s a security tool or it’s a whole Cloud infrastructure. So we get them to that point through the culture in the business. They tend not to walk in with the ability to do it.

‘So we are constantly looking for challenges that will ignite their spirit. We’ve got one chap who two years ago was asked to look into how we could integrate our software systems into a Cisco telephone system. He came back after a couple of weeks and said, “I’ve been looking into this but would you give me the chance to write a system instead of using Cisco’s? I will write one from the ground up that is completely ours.” And we said, “Wow, if that is what excites you why don’t you take the next few months looking at it and do it?” He did and this guy worked on it full-time and he came back after six months with the system that we use now.

‘It means that for the business we saved £150,000 that we were going to spend on a telephone system by using our own in-house system. It also meant that because we built it ourselves and we’ve built all our own systems it all links in perfectly.’

Top tips for developing your talent

• Before investing in staff development activities, make sure they are addressing a clear need and will be delivered in a way that suits your organisation culture.
• Encourage cross-training to help people extend their skill set as well as safeguard the business against losing people who hold certain types of job-related knowledge.
• Design a volunteering programme to develop core skills across the workforce, as well as forge links with the community.
• Promote internal and external secondments as a development opportunity for career progression.
• Create the space for learning lunches which enable staff to share their knowledge and expertise with others across the business in a more informal way.
• Introduce a social media platform internally to encourage people to share ideas and promote discussion about business projects.
• Encourage people to spend time in other departments to understand how the whole organisation operates.
• Don’t keep strategic projects as the privy of the senior team. Encouraging people at all levels to get involved in business improvement promotes innovation across the organisation.
4 Developing management capability

Finding ways to develop manager and leadership capability is essential for the long-term health of the business. A bad manager can have a negative effect on business performance. Martin Edwards, the chief executive at Julia’s House, articulates it well: ‘It’s the experience of the line manager that greatly dictates whether somebody stays or leaves their employer. If you can, invest time in training people in how to manage people. Over time, those things put together will not just be good for the organisation in terms of the quality of work that’s done, they will have a bottom-line impact as well in terms of reducing staff sick leave and reducing turnover. It takes a couple of years to see those results come through; they won’t come through in the first 12 to 18 months. But they’ll save the time you would’ve spent recruiting or managing disciplinaries.’

An overarching finding is that often in an SME people become line managers because they have been at the organisation for a long time and understand its operational workings. When someone is appointed to a manager role there is a tendency to assume they will just know how to be a good manager without any training.

Our CIPD research on leadership and management in SMEs (2014) found that just less than a quarter of managers in SMEs receive training on people management skills, compared with 41% of those working for large organisations. Common reasons for the low level of manager training include: lack of awareness of skill gaps, limited funding for formal training and lack of time for learning away from the job within the context of conservative resourcing in SMEs.

Naked Wines have changed their approach to recruiting managers to make it more focused on whether someone will be a good manager rather than whether they will be the best technically. ‘Our recruiting has changed from traditional interviews, and a skills-based “Here’s a set of data, tell me which customer segment is the most valuable” kind of thing, to more of a real-life management issue. “Two members of your team come to you. They’ve had an argument. A says this and B says that. What are you going to do?” What we look for is when someone says, “Well, it sounds to me like A is right,” and they’re trying to guess the right answer. That’s not what we’re looking for. Whereas if they can come up with a mechanism for resolving the issue, or a mechanism where the two people figure it out for themselves, that’s the kind of positive behaviour we’re looking for, because it’s back to our company principle of “Don’t debate, prototype.”’

A few of our case studies talked about specific approaches they have taken to develop managers’ skills in people management. For example, at Choccywoccydoodah, Christine Garratt, co-founder and the financial director of the company, ‘organises that all the managers do Acas courses, so that they understand the correct terminology to be used in the workplace, and the right way to approach certain situations; to distinguish the difference between bullying and harassment, for instance. Without making it an oppressive part of anybody’s job, everybody who has a responsibility for somebody else within the company, so any senior person that has responsibility for any junior person, will go through an Acas course in the office. If anything becomes difficult or tense, Christine is always willing to advise.’

Coaching is a common practice used to develop management and leadership capability. Coaches can be internal or invited from other organisations. Martin Edwards, Chief Executive of Julia’s House, explains how coaching can help managers deal with specific people issues they face: ‘Our HR director is probably the key person in
coaching line managers in how to deal with difficult situations. That is probably the single biggest thing we do to reduce the number of formal procedures like disciplinaries and grievances. Because, by that stage, it becomes very time-consuming and deeply upsetting for everybody involved.’

For further information on delivering an effective coaching programme, you can download our practical tool: Coaching at the Sharp End: Developing and supporting the line manager as coach (see ‘References and further reading’ section).

Having considered various development options for existing staff, the final section of this report looks at how to plan ahead for the talent you’re going to need tomorrow.

Julia’s House

A challenge faced by many organisations is that taking on a people management role can take people away from their vocational role at which they excel and that engages them. At Julia’s House, HR Director Diane de Souza recognises that taking on a people management position is a big step and one which requires support and training.

‘They qualified as nurses. They entered the role of nursing as a vocation, that is what they love doing. Then all of a sudden they find that they are managers because they want to progress their career, but it takes them away from the hands-on, clinical care. Yes, they definitely still have that, but they are dealing with a lot more around managing carers. We need to make sure that they have the competency to deliver what they have to do, but also manage some really difficult people issues. It is about understanding that you can be a kind and caring and compassionate person, but there are occasions where you have to manage underperformance, or conduct, effectively. About it being of benefit to the organisation. About fairness with colleagues, and also about safety.’

Diane developed a training course for all managers at Julia’s House which is run each year. ‘I ran a diagnostics session with them. Just talking about what problems you face in your role as a manager. From all of those discussions I mapped out a training programme for their development throughout that year, phased in over the year, addressing all those training needs that they had. Then early last year, ran a follow-up session with them: “This is what we worked on in the previous programme. What are the types of issues you now face? You have gained more experience.” Again, we have delivered another training programme to deliver those needs that they had.’

This needs-based approach to training helps identify key issues and ensure consistency of employee experience across the organisation: ‘What you’re establishing all the while is consistency across the organisation. So whoever you are at the front line, it’s not an accident as to whether you’re well managed. It’s not left up to whether your manager happens to be a good people person or not.’ Martin Edwards, Chief Executive

Top tips for developing managers

• Appoint managers and leaders based on how their personal values match those of the organisation, not on their technical expertise alone.
• Create a dual progression route so that your best technical people don’t feel they have to become a manager to further their career.
• Don’t let new managers fly solo. Invest in management training so it’s not down to luck whether your employees have a good manager or not.
• Support managers with ongoing coaching so they feel able to deal with new people issues that emerge.
• Take a look at our management and leadership research referenced at the end of this report.
5 Looking to your future talent

‘Adopting a forward-looking talent management plan can enable more planned hiring.’

Adopting a forward-looking talent management plan can enable more planned hiring. Careful thought needs to be given not just to the skills the business needs now, but what will be required to meet longer-term organisation objectives – for example, hiring someone who has the skills you need currently, but also the potential to grow with the company, developing into new roles that are likely to emerge.

In this section we discuss the two main themes that emerged from our case study research concerning how to secure your future talent pipeline:

- home-growing the future workforce
- succession planning.

Home-growing the future workforce

If you can’t find the skills you need in the marketplace, some organisations are developing a home-grown approach, employing young people. Youth unemployment is still at a record high, with too many young people struggling to find their first job, meaning young people can be seen as a largely under-tapped talent pool. Our wider research has found that there is a clear business case for the recruitment of young people: investing in young people supports long-term productivity and competitiveness in an ageing society, with fast-paced technological change and an increasingly global market. Recruiting young people brings business benefits such as building a talent pipeline, improving workforce diversity and bringing new ideas and skills into the workplace.

IMarEST

IMarEST is looking at ways to develop its talent pipeline, including adopting practices used within the marine industry for which it is the professional body. Ben Saunders, Head of HR and Learned Society, explains: ‘In the merchant navy, what they do is they work up from an cadetship right the way up to chief engineer on board a ship. If you look at the big cruise ships, the chief engineers have started off as cadets at either 16 or 18 years of age working their way up the promotional route, and eventually sometime around 40 years of age they become the chief engineer on board a cruise ship, a big achievement. That is a standard route within the merchant navy and our membership. More recently, we have seen other companies within the marine sector introducing apprenticeships and they speak highly about the benefits of an apprenticeship scheme. Consequently, we have decided that we’re going to bring in some office apprentices.’

They have also just recruited their first graduate trainee. ‘We’ve brought in a graduate training scheme with a view to capitalising on the benefits a graduate can bring to the workforce. The graduate trainee will sample the four major parts of the business. We’re saying, “Six months you’ll be in the marketing function. Six months later you’ll be in the business development team. Following that you’ll be in operations, and the last six months you’ll be in the technical team. For the Institute, the key driver of introducing the scheme was to gain a different perspective for the Institute’s Executive. Many of the organisations we work with have either graduate and/or apprentice training schemes. They speak highly about the enthusiasm, skills and different perspectives these people can bring to the workforce. For an organisation like ours, which is keen to represent people of all ages within the marine sector, it did not take us a long time to decide that we needed these skillsets within our workforce.”’
Recruiting graduates and apprentices is becoming more common in SMEs, but to be successful, there needs to be a clear business rationale for hiring them and a development plan in place. Recruiting young people needs to be seen as a long-term investment rather than a cheap option.

Probrand has hired a number of apprentices and young people straight from school. They have provided life skills support to those who would benefit from it, on top of job-related training. For example, ‘we support one of our apprentices on the management of personal finance, areas that the school curriculum doesn’t cover. She has a personal finance spreadsheet that we review with her and pose questions such as “Do you really need to buy that? Is this something you really need?” Consequently, she is planning ahead in order to save money to take her family to Florida in 18 months’ time.’ Kieran Martin, Manager

‘As a business we have always appreciated the value in supporting apprentices from the time of the Youth Training Scheme (YTS) to the modern apprenticeships today and have invested resources into training and growing our own talent. This talent has subsequently brought new and fresh perspectives to our business and has proven invaluable to our progress and growth.’ Alison Garvey, HR Manager

‘You can bring in excellent talent at varying ages, whether graduates, school-leavers, or out of other businesses. What we often find is we have to re-train these individuals. Not just in terms of the technical element of who we are but in terms of their values, their culture, their attitude. So why not get them straight from school and immerse them as part of our core values and our culture, and educate them on their journey on the way through? “Earn whilst they learn”, so to speak, and get an A-level qualification off the back of it.’

Aaron is clear that employing young people as apprentices or as graduates shouldn’t be seen as a low-cost hiring decision. Their development needs to be planned in a strategic way that will yield business benefits in years to come.

‘Having the role mapped out to start with is really key, because what we have to look at as a business is, how can we support that journey? It’s a heavy investment for us as a business in terms of time and resource, but when you get it right, the output is phenomenal. Yes, so making sure we’ve got the shadowing, the training, the curriculum all mapped out ready for them when they arrive.’

The Learning to Work programme is led by the CIPD to promote the role of employers in reducing youth unemployment. The CIPD’s purpose is to champion better work and working lives, which begins with young people being able to access the labour market. We encourage and support HR professionals to offer a wide range of access routes into their organisations and ensure their recruitment and management practices are youth-friendly. We also promote direct contact with young people via two youth volunteering programmes to help prepare them for the world of work; Steps Ahead Mentoring and Inspiring the Future.

There are a range of resources you may find useful if you currently employ, or are considering employing, young people. You can find these resources, along with information about the CIPD’s volunteering initiatives, at cipd.co.uk/learningtowork
One of Arolite’s business objectives this year is to enable people to get a better understanding of each other’s roles and to document the tacit information people hold in their heads about the company. They want people to be able to cover for each other during holidays, as well as protect the business if someone left or went on long-term sick leave. Syrita Foster, Finance and HR Manager, outlines their plan:

‘We need to get that knowledge out of everybody’s heads and start sharing it with everybody else. That’s part of the training and development we’re undertaking.

‘For example, if Diana was to take a week off, her job wouldn’t get done because no one else knows how to do it. At the minute Jo is sitting and buddying up with Diana for a week to see what she does on a daily basis. And Jo has spent three days in the accounts team to work out actually what happens in that side of the business. Just so that when she’s doing her job she understands the impact of that on the rest of the business. She’ll do that with the rest of the team as well. So she’s got an understanding of how her role gets us to where we’re going as a business.

‘But the thing is, you’ve got to balance this cross-training with existing workloads. How do we train them as well as them doing their own job? What’s the reality of it? Can they do both? Will we move them on? So it’s all that forward planning.’

Julia’s House

Dorset children’s hospice Julia’s House has developed a succession plan for every management post in the organisation, identifying potential internal successors who could take on the role should it become vacant. Succession planning is a regular item on the leadership team’s meeting agenda, and they frequently review whether prospective candidates currently have the necessary skills or whether they would benefit from further training and development.

As Martin Edwards, Chief Executive of Julia’s House, emphasises, their approach has further business benefits, including helping people achieve their potential, retain star performers and ultimately enabling the organisation to maintain a high standard of care for the children and families they support. Martin stresses that it’s not guaranteed that those identified as potential successors will assume the role, and there is no presumption of an internal candidate succeeding over an external one.

CC Young, a firm of chartered accountants specialising in the music and entertainment industry, has evolved their people development approach in line with both employee strengths and business needs. ‘One of our accountants told us, “I don’t want to have client interaction. I just want to do management accounts. That’s why I became an accountant.” That opened our eyes to the fact that people have different strengths and are engaged by different things. With the business growing, we have room for them at CC Young & Co as we need different types...”
Thinking now about your future talent pipeline and potential successors gives you time to prepare for business growth and change scenarios. In contrast, leaving it until tomorrow could stunt business growth, the fulfilment of a particular project or customer order and put the business at risk.

Kate Dosanjh, Associate Director of Operations

Thinking now about your future talent pipeline and potential successors gives you time to prepare for business growth and change scenarios. In contrast, leaving it until tomorrow could stunt business growth, the fulfilment of a particular project or customer order and put the business at risk.

MJF Cleaning adopted a proactive approach to workforce planning, hiring the people they knew they would need to support the business’s anticipated growth and to ensure they didn’t have to turn jobs away. Martin Ferguson, Managing Director, explains his approach: ‘A company of our size would possibly have three people running the company. There’d be myself, someone who would look after operations and we’d have an admin. That would be pretty much it. Whereas at the moment, we have two area managers, a telesales girl, a sales guy, an HR manager, an HR admin, office admin, operations manager. So we’ve put the investment in up front so that when we grow, we’re prepared for it. Because what I don’t want to do is create an environment down the line where we’re rushing around, we’re not offering our customers what we’re selling because we’re that busy, because we haven’t put the infrastructure in. We made the decision, ourselves, to put all of the investment in up front. We have got a management team that could manage the business if it doubled in size. The only department that would need extra people is the area management team, because they can only visit so many sites in a week.’

Top tips for developing future talent

• Develop a plan of how you see the workforce developing in the future – what additional roles do you envisage and what new skills will you need?
• As well as hiring in experienced people, think about how you can grow your own talent pipeline to ensure the business has the skills it will need in the future.
• As a first step to employing young people, offer short work experience placements and ask for feedback about what it’s like to be a young person in your organisation.
• When hiring young people on a more permanent basis, you will need a well-thought-through induction and ongoing development plan in place to get the most from your future talent.
• Be prepared for the fact that young people may not be entirely work-ready when they join you, needing additional support and management time.
• Think about how older or more experienced staff could buddy up with younger employees as mentors.
• As well as thinking about filling future roles, draw up a succession plan for existing roles.
• Identify the key roles in your organisation which require particular skills or capabilities and think about whether there is anyone who could assume these roles tomorrow if they became vacant.
• Consider what additional training potential successors need to be ready to move into these key roles.
In this report we have drawn out some of the key issues you should consider when developing your recruitment and people development approach. We have illustrated these issues with practical examples and insight from our SME case study organisations.

In conclusion, we hope you found this report useful. It's one of a series exploring different people management issues in SMEs. For other research reports and practical resources we’ve developed for small and medium-sized organisations, please see the ‘References and further reading’ section and visit cipd.co.uk
References and further reading


GTI Media and Step have published a resource for SME employers looking to attract graduate talent.
