

INSIDE

Poor company culture is costing the UK economy £23.6 billion per year

Why culture is as important as business strategy

The workplace culture strategy and recommendations for small businesses

The Culture Economy

Proving the impact that company culture has on our wider economy and society.

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Foreword

Most of the UK's great businesses were started by entrepreneurs with a specific skill or passion – or by those who spotted a creative gap in the market.

As that business continues to grow to the next level, the initial flush of entrepreneurial zeal is superseded by the need to swiftly acquire the leadership, managerial and team-building skills needed to ensure the business can flourish long-term.

All the hard work and inspiration that goes into powering a commercial business idea and then taking it as far as it can go and beyond, are often two different and distinct skill sets.

The reality is, creating the right culture and leading from the front is vital for today's SMEs. But it's not always explicit, and it's often not right there at the core of things when entrepreneurs are dreaming up their big ideas. What is becoming clear however, is that it should be.

This report shows how a positive culture gives businesses a clear competitive advantage. It can insure against potential turbulence if the culture is wrong, such as poor quality of work, complaints and a high staff turnover.

Put it like that, and it's hard to pick holes in the business case for creating and supporting a positive culture in the workplace.

It's clear investing time and money in the people who work for and with you stacks up on every level. And while many might prefer to stick to working on more familiar elements of the business model, this report makes the point that leading from the front and making an authentic, personal commitment to company culture will reap sustainable rewards.

The call is clear. Company culture is as important as business strategy when it comes to growth and long-term success.



*Emma Jones,
Founder at Enterprise Nation*

Introduction

The UK SME community is the core of the UK economy; responsible for a turnover of £1.9 trillion in 2017 (51% of total private sector turnover) and having seen growth in numbers of 64% since the turn of the millennium. Today there are an estimated 5.7 million small and medium size businesses in the UK .

The numbers are only one part of the story. SMEs are driving cutting-edge technology, working alongside global enterprises, collaborating in supply chains across the globe, setting new standards in direct marketing and sitting at the heart of local communities across the UK.

They are on the front line of every social and economic challenge, exposed to and engaged with all of the key trends referenced in this report. Whether this favourable environment will work for your SME boils down to culture.

There is an increasing sense of distrust and alienation with big business and globalisation. Resulting in people looking for something different, something that speaks to and for them. People increasingly expect businesses to make a positive difference to their lives and the society around them.

It's how things get done in your business, it's the feel of the work environment, it's the way people treat each other, it's your espoused values and standards, it's your implicit attitudes and behaviours.

Culture, we hear you cry, what's that compared to efficiency, finance, innovation, investment, marketing, productivity and skills? And what is culture anyway?

Your business culture encompasses all of these issues and more. It defines your possibilities and frames your potential.

It's how things get done in your business, it's the feel of the work environment, it's the way people treat each other, it's your espoused values and standards, it's your implicit attitudes and behaviours. It's the 'water cooler conversation' and the boardroom behaviour.

All of which will determine who chooses to engage with your business and who places their trust in your business. Trust is the greatest challenge in today's culture economy and potentially the greatest competitive asset for SMEs.

Why culture?

We understand the pressures that small and medium size business owners face. Yet we urge you to make your culture as high a priority as possible and to integrate culture into your business strategy as closely as possible.

The implications in terms of time, resources and commitment are clear – but we know it is worth it.

The evidence is there. A strong organisational culture drives positive results across the spectrum of business metrics. Your culture is directly linked to sustained organisational success – however you measure success or growth.

Negative working cultures have a direct impact on individual health and wellbeing. For example, the HSE Health and Work Strategy revealed that

work-related stress is the second greatest cause of occupational ill-health, representing 37% of all cases and 45% of working days lost. Recent data from the Office of National Statistics highlights that chronic work-related stress affects over half a million UK workers and leads to 12.5 million lost working days.

In addition, evidence shows that small businesses are struggling with productivity, part of this issue is management quality – a huge contributor to healthy productivity. It also tells us that there are pockets of outstanding productivity performance that we can learn from.

Society is in constant flux. There are record numbers in employment, record numbers of women in the workforce, record BAME representation, a multi-generational workforce, challenges around health, disability, mental health and wellbeing. The evidence tells us that embracing diversity effectively drives organisational success. A positive culture is critical to effective integration.

There are political, economic, social, technological, environmental and legal drivers affecting us all. As such, businesses must embrace agility, innovation and resilience. Culture is critical to achieving this effectively.

Your customers have never had so much choice and such high expectations. The lens has turned toward customer retention and lifetime value. Success in this environment demands empowered employees focused on delivering excellence in all aspects of the customer experience.

The cultural context – an age of scandals?

It can feel at times like we are living through an unprecedented volume of business malpractice and scandals. We have witnessed the slow-motion car crash at Uber, the long-running issues with Harvey Weinstein and the Weinstein Company, issues at Vice Media, the gender pay gap at the BBC, the

sexual exploitation issues at Oxfam, the RBS GRG team's attitudes and behaviour and the President's Club dinner.

Equally it can feel that this has never stopped, from the accounting frauds at Enron and Worldpay back in 2002, through to Tesco's overstated earnings and of course the over-arching and still felt shadow of the Global Financial Crisis (GFC).

It's hard to believe that any of these recent events could have taken place in the context of a positive, inclusive, human workplace culture.

Smaller businesses may feel that they are removed from the stories dominating the news agenda, and yet there is a significant and important continuity.

We are all operating in a world of unprecedented connectivity, closely linked to a new level of citizen and consumer empowerment. Everyone can have a voice. And while you may not lead the national or global news agenda for days and weeks, you can be sure that issues within your own businesses will be shared and known across your constituencies. Thus, your reputation, recruitment and business will inevitably feel the effects – whatever size business you are.

Put simply, there is no hiding place for organisations. Now is the time to be bold and proactive, to take a close look at all aspects of your business operations, to engage your teams and leaders, and to find a positive and authentic way forward to sustained inclusive success.

The 360-degree brand of the future is like a stick of rock, authentic all the way through. No disparities between the public and private face, what you see is what you get, what you hear from your customers will be consistent with what you hear from your employees and stakeholders.

So, ask yourself honestly; is your workplace somewhere that you would choose to show up to?

Somewhere you would bring your whole self to? Somewhere that would inspire you to go beyond the call of duty? Does it offer a supportive community and an over-arching purpose? Now put yourself in the shoes of your employees, what would they say about your business culture?

Our approach

This report is based on an extensive global literature review. The cultural lens is rich and expansive – including issues such as psychology, employee engagement, productivity, health and wellbeing, personal development, together with business purpose and values.

This has been complemented with a number of interviews with SME leaders, offering inspiration and insight through their personal stories and experiences. We are deeply grateful to all involved for their support and for being so generous with their time and ideas.

Rather than providing footnotes throughout the body of the paper we have provided a rich bibliography as the final section of the report. We hope that you will find this a valuable resource.

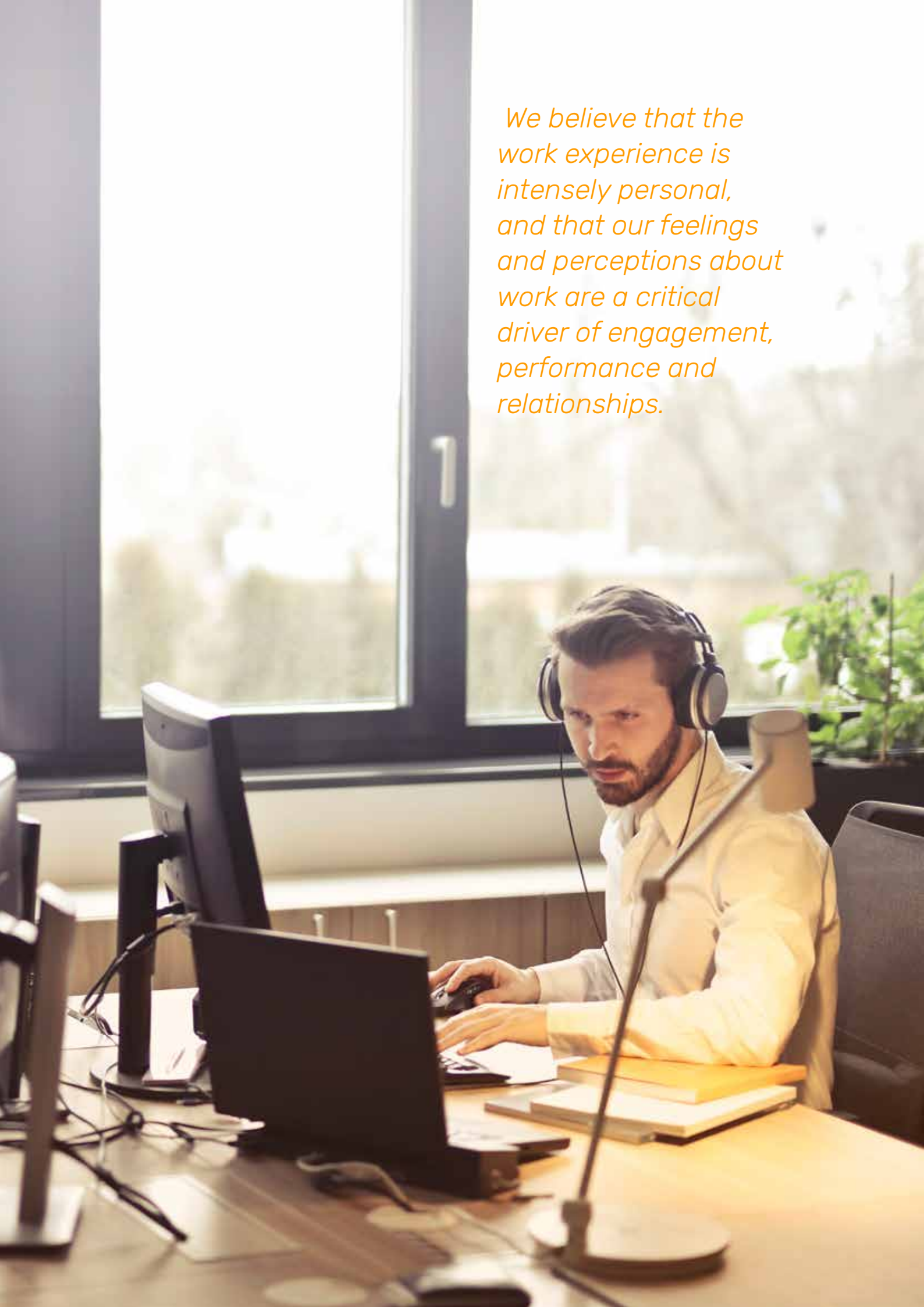
List of companies and interviewees

- Lars Jörnnow, Partner at EQT Ventures
- Danny McCubbin, Culture Manager at Jamie Oliver Ltd
- Jess Gilbert , Head of Engineering at Masabi
- Nikki Gatenby, Chief Executive at Propellernet
- Mapara Syed Fernandez, People Manager at Talon Outdoor
- Peter Brennan, Chief Executive at Vapormatic
- Ed Newbould , Head of Personnel & Development at White Cross Vets

Original survey research

Finally, the research has been supplemented with some original survey research to provide original proprietary data on some of the issues addressed within the report. Opinium Research ran a survey with a representative sample of 2,005 UK adults, supplemented by 500 SME senior decision makers between the 8th and 12th March 2018.

We believe that the work experience is intensely personal, and that our feelings and perceptions about work are a critical driver of engagement, performance and relationships.



Chapter 1

Business, culture and society

Executive overview

The world of work does not exist in a vacuum. In fact, the concept of a distinct separation between work, society, and individuals can be traced back to the enlightenment and the accommodation of faith and reason.

Fast forward to now, work is embedded in, and a key part of, society and culture. As such, business leadership and management should reflect social and cultural change and expectations.

It's clear there is an issue of management quality in the UK. The OECD highlighted this in relation to UK productivity, while the Chartered Management Institute (CMI) report revealed effective leadership can improve productivity by 32%, even as 43% of workers rate their own manager as ineffective.

In fact, our own research reveals that only 23% of UK workers say they have a lot of trust in the leaders and managers of their company. While among the 20% who say they don't trust the leaders of their company a key reason is the perception that 'they don't know what they are doing'.

Beyond social and cultural trends, including the rise of self-expression relative to deference, the growth of flexible and autonomous employment, and the crises of trust and future confidence, there is a need for businesses to embrace the diversity of the UK more effectively in order to drive business success.

The SME community is well placed to capitalise on new opportunities, to play a key role in addressing challenges and in doing so, to increase individual and collective business success.

This is not a trade-off, the evidence is there, embracing social issues and especially diversity is good for business.

Cultural trends

Deference vs. self-expression

There is a need for today's workplace cultures to engage with social and cultural trends and expectations, perhaps especially in relation to younger workers.

As Danny McCubbin, Culture Manager at Jamie Oliver Ltd, told us "people have found their voice and they expect to be able to exercise that voice" within their workplace. And they expect to be able to exercise that voice within their workplace.

Today we understand the importance of our environment to our attitudes and behaviour – and the importance of flexibility in managing our pace and place of work where possible.

Today, respect and authority must be earned by actions and attitudes, not freely given according to status or hierarchy.

Contemporary responses include the drive to flatten organisational structures and a coaching ethos (see the fascinating Masabi case study) but also much greater visibility and direct, personal interaction with leaders who are today striving to inspire and enable, rather than to motivate or coerce.

Culture Manager at Jamie Oliver Ltd told us "people have found their voice" and they expect to be able to exercise that voice within their workplace.

Trust and confidence

Looking at today's operating environment we can see a direct link to the widely reported 'crisis of trust'. While we might challenge some of the hype surrounding the subject, there is no doubt that what is new is the depth and breadth of this mistrust; through the population and across institutions and the establishment.

The Edelman Trust Barometer, launched in 2000, is a useful reference point in this context. After a period when business appeared to benefit from the loss of trust in other institutions – media, political and religious – we can now see that business, and indeed the charitable sector, are just as affected.

But remember the opportunity. This is about the establishment, perceived as remote and out-of-touch; for instance, the 'Davos Man' and the Westminster Bubble. This should be the antithesis of the modern SME, positively engaged with its communities within and without its formal parameters.

The drivers of this loss of trust are long-running and varied but there can be little doubt that in the UK, the global financial crisis, austerity, stagnant real incomes and rising inequality have fuelled a new phase of mistrust.

But remember the opportunity. This is about the establishment, perceived as remote and out-of-touch.

A number of our interviewees made reference to the support that their businesses provide to individual employees and colleagues experiencing financial challenges. We heard of a significant increase in applications for company loans in recent years, the

opportunity to demonstrate business values through golden moments of support while others spoke of financial matters being raised in the context of wellbeing check-ins (highlighting the negative impact of such external stresses).

Brexit

The socio-economic issues briefly outlined above coalesced in the Brexit vote. This is already providing new challenges for businesses as they consider the possibility of a UK economy shorn of the European labour to which they have become accustomed.

Today's recruitment challenges are to increase the attractiveness of roles for the domestic market and to engage new audiences in recruitment activities. Thus, forward-thinking businesses are taking the temperature of their company culture and focusing on the areas that they may need to improve.

Socio-demographic trends

Women and work

Unprecedented in history, the vast number of women in today's workforce is a critical catalyst for change in business and organisational cultures.

And while recent analysis of the gender pay gap has highlighted persistent sexual discrimination in large employer organisations, much attention is focused on the glass ceiling and the still small number of women at the highest levels of business and society.

The FTSE 100 is often referred to in this context, with still only seven female Chief Executives in the multi-national business elite, despite significant public work being done to increase female representation on PLC boards and Executive Committees.

In fact, there are more men called Dave (or Steve) at the top of the FTSE than there are women. And

this is in flagrant disregard of the evidence for the positive impact of gender diversity – as McKinsey research highlights:

“Between 2011 and 2015, the most gender diverse quarter of companies were 20pc more likely than the least diverse to have above average financial performance”

Yet the number of women in low paid and/or part-time employment is a significant feature of the UK economy. This speaks to the paucity of affordable child-care, continuing expectations of women as the primary carer and the slow take-up of newly liberalised parental leave parameters.

One in five women say they are overlooked for promotion.

Latest figures suggest only 2% of new fathers have taken advantage of this flexibility which raises many questions as to how this is being promoted or positioned within business cultures.

Our own research reveals that, of those working women who don't trust the leaders and management of their companies, 69% say that this is because they don't feel supported by them – compared to 50% for men. While one in five say they are overlooked for promotion.

Flexible working and self-employment

Part of the response to these issues is the rise of flexible and remote working, which has doubled in the last 20 years to five million people.

This is another challenge for organisations in sustaining a coherent culture, providing requisite technology, and in supporting positive, effective relationships across the workforce.

In many industries we have now accelerated from flexible working to self-employment, virtual networks, ad-hoc project teams and time limited contract roles – all forms of arms-length employment.

All of which reflects societal trends toward individual autonomy, self-determination and, ultimately, personal fulfilment. The rise in self-employment is a striking feature of the post-crisis economy – with the latest analysis suggesting 4.8 million people are now self-employed, up almost 50% since 2001.

Most organisations will combine different types of employment in what Charles Handy described as 'The Shamrock Organisation'. But businesses should be aware of the fact that while these new models of employment are a positive choice of many, for others, casual employment is a key source of insecurity and anxiety.

Ethnicity and work

European workers are a relatively small part of the ethnic mix in today's labour market. It remains the case that many BAME communities are generally underachieving in the UK economy and society. Of course, there are significant differences between communities, including the context and timing of arrival, skill, experience and education levels, financial resources and UK connections.

The same McKinsey research mentioned in the context of gender, highlighted even greater business benefits accruing from an effective focus on both gender and ethnic diversity. These benefits were greater in the UK relative to their global sample – reflecting the importance of connecting with our multi-cultural society:

“Between 2011 and 2015, the most ethnically diverse quarter of companies were 33% more likely than the least diverse to have above average financial performance.”

Complementing that analysis, the government has announced an extension of the McGregor-Smith independent review of the workplace experience for UK BAME communities. The new phase of work will focus on action taken against the original review's recommendations.

Once again, the evidence is there – the original review argued that the UK economy could benefit from a £24bn boost if BAME workers had the same opportunities as their white colleagues.

Only very recently, Lloyds Bank changed the game by becoming the first FTSE 100 company to announce a very public commitment to increasing the proportion of BAME workers in senior management roles – and across all levels of the workforce – by 2020.

Age and the workplace

While it is well known that in the UK and much of the world the population is ageing, less attention is paid in the UK to the baby boom driven by younger minority ethnic communities.

Within the labour market there are new challenges for employers in managing a workplace that could feature four distinct generations (for the first time in history).

Described as generational equipoise this presents new challenges for organisations across a wide spectrum including technology use, aptitude and confidence, workplace environment, working hours, working culture and social attitudes.

The relationship between the generations is increasingly categorised as one of conflict. As ever, we must move away from a zero-sum psychology and recognise the tremendous benefits of working collaboratively and pairing vast reserves of expertise and experience with contemporary thinking and

youthful energy. Mentor schemes can play a powerful role for example.

Generational perspectives can be surprising; our research showed the highest levels of trust in leaders and management among young people (18-34-year olds) and the lowest among 35-54-year olds.

Disability, health and wellbeing

While some disabilities are directly linked to ageing (e.g. sensory impairments), many more are not, and reflect modern life and lifestyles. Mental wellbeing and obesity are, for example, significant challenges for employers.

Happily, the proportion of the disabled population in work is at an historic high but there are still major issues even for those in employment in terms of pay, progression, support and more.

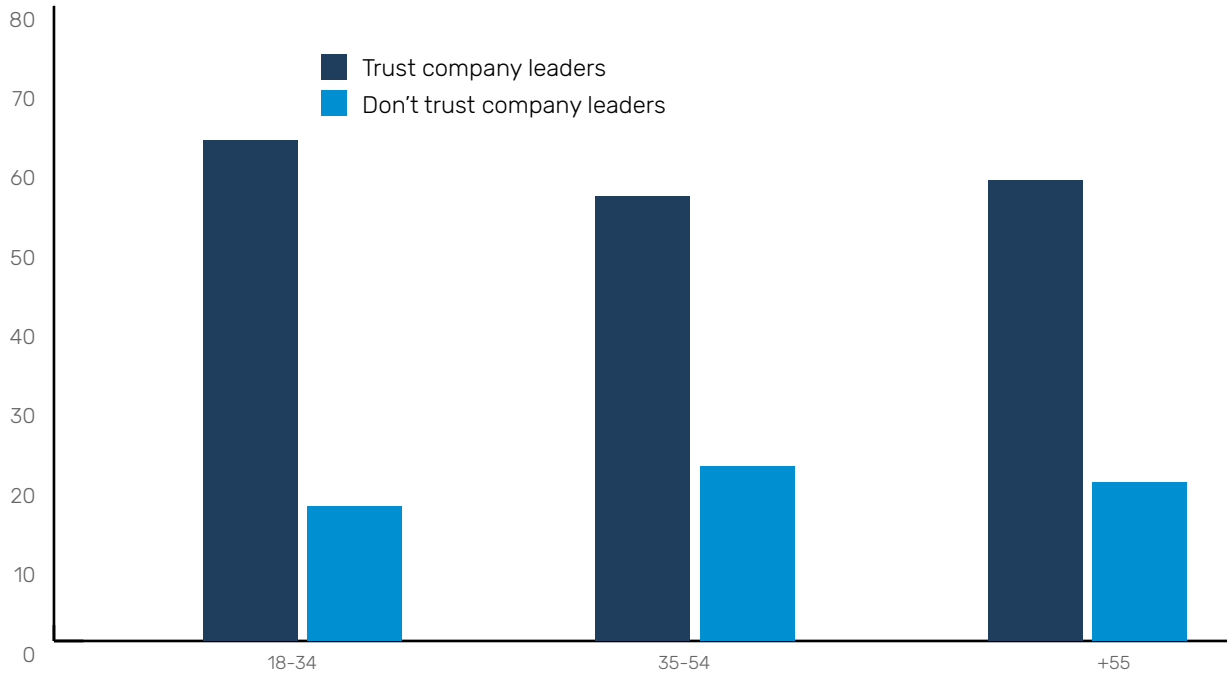
According to the ONS, there is a gap of up to 30% points in the employment rate for the disabled compared to able bodied adults.

Summary

Not a short list of challenges for SME owners; from social attitudes, trust, societal tensions including gender, age and ethnicity, to the sheer diversity of the working population and the record levels of employment.

Apart from the internal challenges this scenario presents, it should also highlight the importance of diversity for business success. If your workforce does not reflect your operating environment, it's unlikely you'll be able to anticipate and respond to the changing needs of different communities and audience segments to the detriment of your innovation pipeline and long-term success.

GENERATIONAL DIFFERENCES BETWEEN TRUST IN COMPANY LEADERS



Source: Opinium Research. March 2018. Base: 1,235 current UK Workers



Recommendations

1. Grow trust in the workplace

Everywhere you look in the research you will see reference to the importance of trust. So, what is it that drives trust within an organisation?

According to the Great Places to Work Institute employee trust is driven by:

- Values and Ethics
- Communication and Involvement
- Teamwork
- Recognition
- Empowerment
- Accountability

Evaluate your commitment to these. Are you leading by example, being generous with time, attention and focus? Managerial empathy, generosity and support will bring their rewards.

2. Build positive relationships across stakeholders and supply-chains

Positive, open and collaborative relationships across all business stakeholders and through the supply chain are essential to any business. These relationships shine a light on your culture and positively differentiate your business in the market. In doing they help businesses to develop new opportunities and efficiencies, as well as increasing business resilience.

3. Local profile and visibility, community partnerships and networking

All too often small businesses are remote and hidden away from their local communities. Make your business different, get involved, involve employees in community projects, bring the community in, talk to other businesses, start-ups, local agencies or academia and think about apprenticeships and other local needs.

4. Targeted outreach

How can you extend your reach across the community? For example, how can you better access BAME talent? How can you reach returning to work mothers, access the expertise of older workers? What forums and groups can help you achieve these goals? What market opportunities could you develop?

5. Retain talent

Critical to the long-term success of any business is engaging and retaining key personnel. Netflix talk of a 'keeper test' that can be applied – how hard would you try to stop someone leaving?

Chapter 2

Understanding organisational culture

Executive overview

Understanding organisational culture is important. Our research has highlighted the difficulties of discussing culture within the workplace. Indeed, some commentators recommend avoiding the term entirely and finding words that cut through in your own environment.

Conversely embedding explicit, sincere, day-to-day cultural conversation into the workplace can be considered a true mark of success. Our friends at ramsac, for example, have developed a wonderful expression – take me to the cauliflower – which allows individuals across the company to communicate their cultural expectations clearly and simply.

Measurement

Coyness in discussing or prioritising culture speaks to traditional management training including the importance of measurement. Effectively measuring culture can be hard. In our interviews, we heard a mixture of methods in play, with a primary emphasis on surveys. These are often used to identify issues which can then be explored through group work. The weakness is that surveys are often long, hard to complete, infrequent and a lagging indicator. As such, there is a significant shift toward real time feedback through different platforms – including from breatheHR.

Cultural chasms

Our research highlighted the challenges facing businesses as they grow. Evolving from the founding team to a larger community is difficult and issues will arise in the transition. You can also apply this thinking to the difficulties of business transformation. Described as the 'cultural chasm', it is particularly pronounced in fast growth companies

– as highlighted in our interview with EQT Ventures. Clear leadership is critical in these scenarios.

It isn't the values written on the wall, the office bean bags or table tennis tables, it isn't even the leadership style. It is all of these and more, including day-to-day attitudes, behaviours, and conversations.

Defining culture

There are many definitions of culture. We mentioned some of the more familiar descriptions in the introduction, but what should be clear is that culture is not reducible to any of its component parts.

It isn't the values written on the wall, the office bean bags or table tennis tables, it isn't even the leadership style. It is all of these and more, including day-to-day attitudes, behaviours, and conversations.

Purpose

ramsac's story highlights the importance of finding a cultural hook that's unique, authentic, funny and memorable. Another important consideration in developing your culture is the role of business purpose – beyond profit – what authentic purpose does your business serve? How can you use that purpose to inspire and engage your workforce?

What is culture?

In our interview, Lars Jörnrow from EQT Ventures admitted to humility in the face of culture and the challenges of measurement. Lars spoke of culture as being a combination of leaders as 'standard bearers', the 'shared values' of an organisation, and the 'everyday behaviours' between colleagues within the organisation.

Which is a neat way to introduce a multi-layered approach to culture. In fact, some people speak of peeling an onion in terms of really getting to grips with an organisational culture.

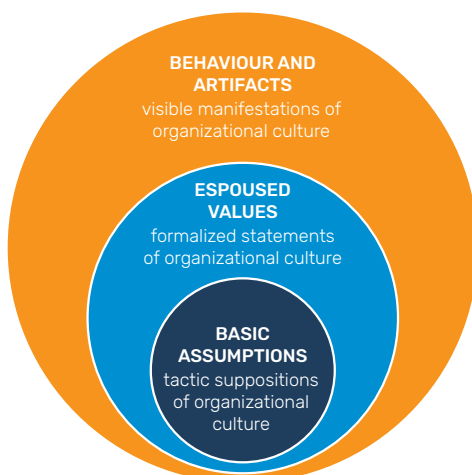
Edgar Schein viewed culture as a dynamic concept, not something that could be picked up from the shelf, imposed or handed down.

Elements of culture

For Schein there are three distinct layers of culture:

1. Artefacts – visible manifestations of the organisation (dress, office, value statements, documents)
2. Espoused beliefs and values – as demonstrated in behaviour and revealed in surveys
3. Basic underlying assumptions – unspoken, taken for granted, framing parameters

SCHIEN CULTURE MODEL



Source: <http://drvidyahattangadi.com/edgar-scheins-three-levels-organizational-culture/>

We can all communicate the first level – artefacts – the visible manifestation of a culture. We may find it more challenging to capture levels two and especially three.

As a result, people fall into the trap of confusing culture with things, as Jess at Masabi highlighted with specific reference to the tech sector and the prevalence of informal office environments. For others it might be the dress code, the communal kitchen (Jamie Oliver) or similar.

Despite these complexities our research revealed that more than eight in ten UK SME leaders are confident that they can describe their organisational culture, with three-quarters confident that their view would match that of their junior employees.

Chasms and change

Unfortunately, it is the third tier of basic underlying assumptions that must be understood by leaders if they are to successfully transform their organisations.

With today's culture and operating environment, all organisations, depending on their history, will experience a degree of cynicism around change. For some, this will be driven by the anxiety and defensiveness engendered by challenging their basic assumptions.

"Leadership is the source of the beliefs and values and the most central issue for leaders is to understand the deeper levels of a culture (...) and to deal with the anxiety that is unleashed when those assumptions are challenged."

This is where many leaders of organisations can find themselves at a loss. In one interview we were told the story of how a previous MD had only ever walked into the warehouse with a manager as chaperone to make any introductions to workers on the floor.

You can well imagine the difficulty of understanding basic assumptions and culture from that point of view. But why are these basic assumptions so important? Because they quite literally frame our world, our understanding of the possible.

Described as the cultural chasm, it is argued that 70% of new businesses will experience this issue in years three to four. The key lesson in managing growth or transformation? Keep communicating at all levels.

As such, many young organisations will experience particular difficulties as they scale their business and stretch their culture to adapt to their new realities. This can help to explain some of the issues experienced by the high-growth Silicon Valley tech sector whereby they prioritise growth over anything else.

Described as the cultural chasm, it is argued that 70% of new businesses will experience this issue in years three to four. The key lesson in managing growth or transformation? Keep communicating at all levels.

Strategy and culture

In our interviews we discussed the well-known quote 'culture eats strategy for breakfast', typically attributed to Peter Drucker.

We received some mixed responses, with some emphatically in agreement – culture is the strategy – and others seeing a separation of roles between the two domains.

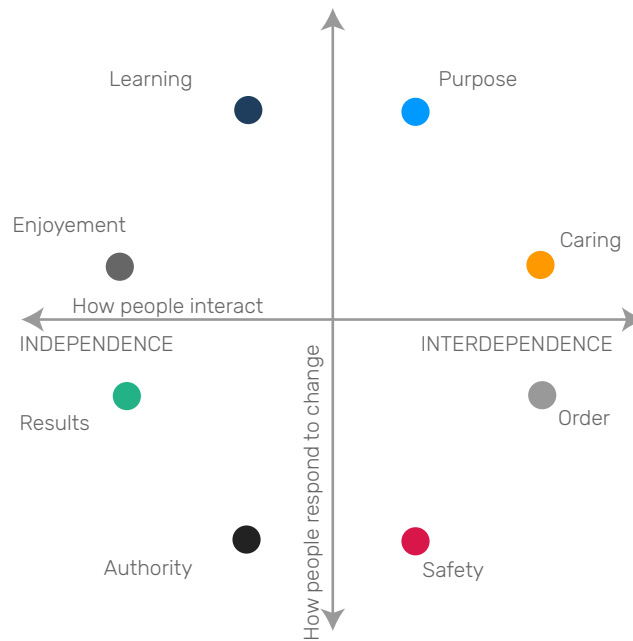
This is in keeping with expert opinion which continues to oscillate. For example, the latest edition of the Harvard Business Review includes a 'Leaders Guide to Corporate Culture' that opens up with the following cut-out statement:

"Strategy and culture are among the primary levers at top leader's disposal...Strategy offers a formal logic for the company's goals and orients people around them. Culture expresses goals through values and beliefs and guides activity through shared assumptions and group norms"

In an impressive meta-study, the HBR authors have developed a framework for understanding – and crucially measuring and managing – the eight distinct cultural styles identified. The framework maps these styles against two axes of 'people interactions' and 'response to change'.

The framework can be used to provide insight into the relationship between sub-cultures within an organisation, identifying where friction can lead to confusion and impact negatively on employees.

HBR FRAMEWORK



Source: Spenser Stuart from "The leader's guide to corporata cuylture" by Boris Groysberg, Jeremiah Lee, Jesse Price, and J. Yo-Jud Cheng, January - February 2018

Culture and leadership

"Organisations become shadows of their leaders"
(Larry Senn)

The story of culture is fundamentally intertwined with that of leadership and, as the issue of cultural chasms makes explicitly clear, for fast growing organisations.

Dan Pontefract refers to the critical importance of developing a systemic leadership philosophy:

"A leadership philosophy is made up of behaviours and expectations that inform an employee of their interaction responsibilities. If there is no leadership philosophy, there is no way for an employee to know how they are expected to behave. The leadership philosophy cannot be something found on the walls of board rooms or on the company intranet, either. These behaviours must be inculcated across the organization, starting with leaders of people".

Ultimately, a strong and effective culture must not be afraid to exclude. There will be people who do not feel comfortable with change and with the culture espoused by the leadership team. That is natural and shouldn't be resisted in that a new culture needs to recruit people who positively buy into the vision and direction of travel.

As has been said, good culture stems from its leadership having a clear idea of what they want from people. Clarity of role and expectations is critical to individual success as we will see below.

This links directly to the importance of transparency among leaders and managers. Half of our survey (50%) respondents cited a lack of transparency as the reason why they don't trust their business leaders.

Business and purpose

A clear sense of purpose and meaning at work is critical to business success. It is widely recognised that extrinsic drivers, for instance salary and bonuses, don't achieve much in terms of engagement, so we need to harness intrinsic human drivers – creativity, growth, meaning, purpose – in order to truly engage people.

This is often positioned as a response to the expectations of younger generations. In reality, this goes deeper and speaks to our understanding of humanity itself. Aristotle, for example, saw a life driven by purpose as the end state of human flourishing.

A clear sense of purpose and meaning at work is critical to business success.

Definitions and formal value of organisational purpose

The EY Beacon Institute provides a formal definition of purpose as follows:

"Our working definition of purpose is an aspirational reason for being that is grounded in humanity and inspires a call to action"

They go on to highlight five key ways that purpose positively impacts on an organisation:

- Purpose instils strategic clarity
- Purpose channels innovation
- Purpose is force for and a response to transformation
- Purpose taps a universal need
- Purpose builds bridges

Charles Handy, one of the great management thinkers is very clear regarding what he calls the myth that profit is a purpose – profit should rather be understood as a means to a higher end not an end in itself.

Again, these are questions and challenges asked of global enterprise. If we turn it around then there's a great opportunity for agile SMEs to stake their claim to a meaningful role in consumer's lives.

This directly links to Havas Group's Meaningful Brands Index, which essentially asks consumers which brands they would miss if they disappeared. Distressingly for those brands concerned 74% could disappear overnight and not be missed – even as the most Meaningful Brands outperform the stock market by 206% over 10 years.

Again, these are questions and challenges asked of global enterprise. If we turn it around then there's a great opportunity for agile SMEs to stake their claim to a meaningful role in consumer's lives. In fact, in these lists, the best performing companies are typically engaged in retail, with supermarkets to the fore. This highlights the importance of frequent touchpoints, the store experience, friendly staff and more. All attributes that should be core to the SME philosophy.

It is also important not to overlook the reference to the business as a community by Charles Handy.

Meaningful work

More recently, Dan Ariely, in a well-known 2012 TED talk, discusses some of these themes, identifying the difference between meaningful and what he describes as 'sisyphic work'. He says, most 'people understand that meaning is important but not necessarily the magnitude'.

Ariely identifies four key characteristics of meaningful work: creativity, challenge, ownership or identification and pride.

Purpose clearly has an important role to play in developing meaningful work. The deceptive simplicity of this statement from Dan Pontefract (author of *The Purpose Effect*) is outstanding in this regard:

"The purpose of any organisation ought to be to provide service to benefit all intended stakeholders"

Note the similarity to the mission of our friends at Propellernet; 'to make life better'.

Again, our survey research confirms the argument with a quarter of respondents lamenting poor vision for the company as a reason for their lack of trust in their business leaders and managers.

Qualifying purpose

Many commentators argue that businesses should stick to business – especially when you're working hard to build up a successful company.

And, while we can't agree, we can offer some support for concerns around the dilution of business focus and therefore commercial performance.

It's worth noting here that while 72% of the SME leaders we surveyed agreed that company culture was important to business, 60% thought culture was a 'nice to have' rather than an essential requirement for a business.

Academics from the Harvard and Stern Business Schools set out to understand whether so much talk of and around purpose was actually delivering business results. Their extensive dataset from the Great Places to Work Institute included 450,000 survey responses covering 429 USA companies with a focus on employee beliefs about their employer.

It's worth noting here that while 72% of the SME leaders we surveyed agreed that company culture was important to business, 60% thought culture was a 'nice to have' rather than an essential requirement for a business.

They found that there is no direct correlation between purpose and performance in either direction. However, and much more interestingly, further (factor) analysis identified two distinct types of companies with purpose:

- High purpose and high comraderie (e.g. fun place to work, in all in it together, family feeling etc.)
- High purpose and high clarity (e.g. Management make expectations clear, has a clear vision etc.)

Their final conclusion:

"Our study suggests that purpose does, in fact, matter. But it only matters if it is implemented in conjunction with clear, concise direction from top management and in such a way that the middle layer within the firm is fully bought in".

Challenges of delivering on purpose

No-one would pretend that any of this is easy or straight-forward. Many readers may indeed be scratching their heads as to what their defining purpose is, could or should be. Even if clear on the purpose, implementing it in a meaningful manner can be expensive and time consuming, for example, another priority to add to the list and another item for the agenda.

Rest assured that if that describes you, you're not alone. Chief Executives at some of the best resourced companies in the world feel the same. The PwC Pulse revealed that 'more than half of CEOs said short term operating pressures and business goals presented a serious challenge to implementing purpose within culture and strategy'.

Furthermore, half of CEOs believe their employees have difficulty in connecting their work to their company's purpose and values, and 67% feel their companies lack an understanding of how to translate purpose and values into concrete actions and behaviours.

This may be because employees are not always brought on with purpose in mind: only 28% of CEOs thought that attracting employees committed to seeing a purpose in their work was very important while only 16% strongly agree that their initiatives around people and culture foster the behaviours necessary to achieve their strategic goals.

Happily, for the SME community, the barriers to integrating people, purpose and strategy were largely seen to revolve around the scale and complexity of their organisations. And, even better news for start-ups, legacy was the major issue for many organisations.

Summary

Culture is multi-layered with the deepest aspects living inside individual heads.

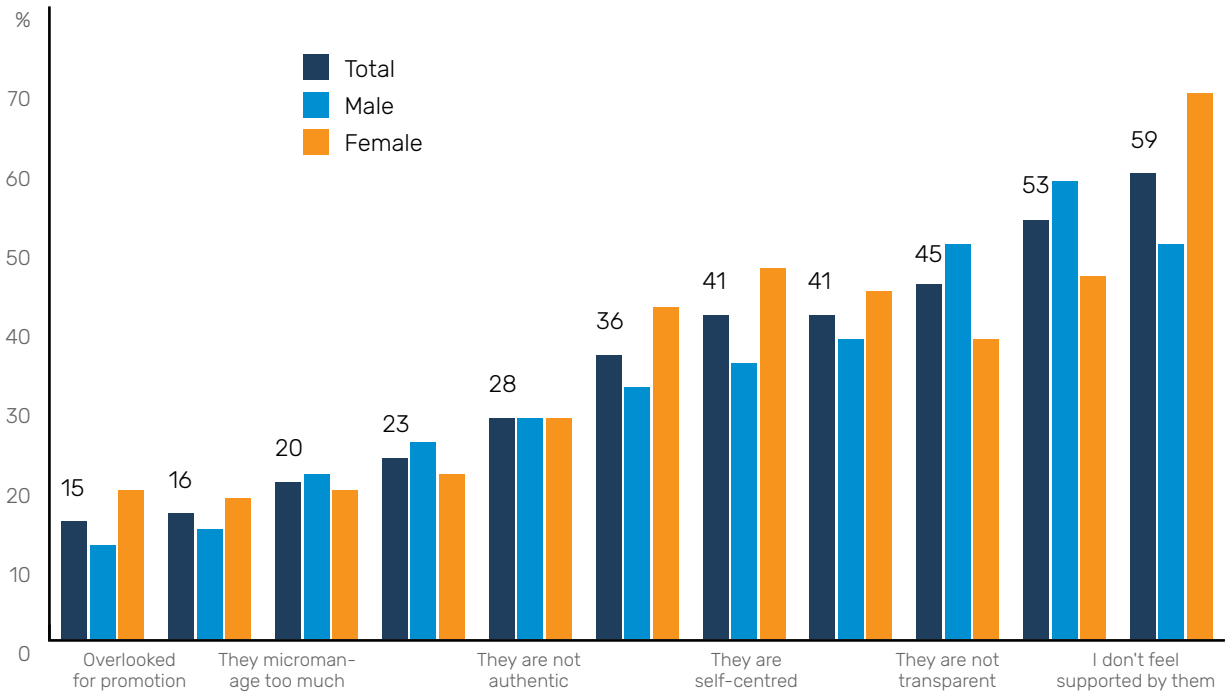
Making work meaningful and imbuing work with purpose are topics that certainly can elicit scepticism, but they are key questions to address if we are to get the best out of our people.

Our survey research validates this approach. Of those UK workers lacking trust in their leaders; 28% cite a lack of authenticity, 35% self-centredness, 38% playing too much office politics and 50% a lack of transparency as among their reasons for this lack of trust.

What is unavoidable in all of this is the role of leaders, especially founders, in setting the tone and living the values they want others to adopt. A healthy positive workplace culture requires confidence and trust in the leadership team, clarity of roles and expectations, clear direction and more.

Our survey research validates this approach. Of those UK workers lacking trust in their leaders; 28% cite a lack of authenticity, 35% self-centredness, 38% playing too much office politics and 50% a lack of transparency as among their reasons for this lack of trust.

UK WORKERS: RATIONALE FOR LOW TRUST



Source: Opinium Research. March 2018. Base: 247 Current UK Workers with low trust in their company management



Recommendations

1. Start with the facts

Using the most authentic approach for your organisation, gather as much information as possible around the elements of your business culture. Use this as the foundation for sustained conversations around culture in the workplace.

2. Identify the gaps

It is highly likely that there will be sub-cultures within your organisation. This is not always an issue, in fact, it can be desirable. But you need to understand where conflict and dissonance may emerge. You must also establish where middle management sits in terms of the culture and purpose.

3. Revisit your business strategy and immediate objectives and targets

What are the implications for your culture and for the individuals most directly affected? What do you need to do to keep people on board? Can you shift their anxieties in a positive direction? What support or external resource might be required? What are the implications for recruitment?

4. Think about purpose

How to make all aspects of your business operations part of a meaningful mission. What are the particular hooks that are true to your organisation and able to engage people?

5. Communicate your aspirations, keep communicating at all levels of the organisation and beyond

Make yourself available to employees, strive to lead by example and to engage with employees' real concerns and issues, build confidence and trust.

Chapter 3

Culture and the human economy

Executive overview

Any organisation considering investing in culture should be clear on their objectives, whether it's increasing engagement, retention, customer satisfaction, speed-to-market, or profitability.

People, technology and management: agility required

It has been said that technology is changing at five times the pace of management. This pace of change can be destabilising and result in significant disruptive impacts on our business models and markets.

The emphasis today is on building agility within an organisation. Agility is about responsiveness and adaptability. It cuts through hierarchies and places a premium on empowered people making rapid, devolved decisions.

Agility is about people not processes, and the concept has been stretched far beyond its IT roots.

The human economy

This is a phrase adopted by LRN in relation to today's environment. In contrast to the focus on us all learning to code and be fluent in tech development it switches the dial. We cannot compete with automation, machine learning and AI. But what we can do is add a powerful, differentiating overlay by emphasising the importance of our fundamental human qualities.

If we want to be meaningful, trusted and engaging for our customers and stakeholders then these are the fundamental prerequisites to building long term relationships.

The price is too high

Toxic workplace cultures are an all-too-human story of anxiety, burn-out and stress. This has a profound effect on our physical as well as mental health. For businesses, this is directly related to the costs of absenteeism and presenteeism. And for society, this places yet further strain on public services. Yet investment in these very areas is positively correlated with improved business performance.

Technology should be a servant of people, not our masters. If we are serious about helping our people to realise their potential, to take on added responsibilities and to make effective autonomous decisions, then they must be mentally and physically healthy.

Robotics and automation

It is hard to underestimate the attention and interest in these issues, or their differential impact on individual workers' future confidence and sense of security. Report after report highlights the dangers to our employment prospects as more and more jobs face automation.

Of course, this interest has coincided with the increasing impact of such technologies on white collar roles. Businesses have been integrating robots and automation for some considerable time and are now moving into an age of 'co-bots'. These robots are increasingly (AI) capable and integrated into working processes, acting as de facto colleagues.

Jacob Morgan introduces a salient perspective to this discussion, one that directly links back to the fathers of management theory. Morgan argues that too many jobs today are designed for robots – such

is the level of abstraction around processes and standardisation – and that today we are seeing these jobs being returned to their rightful owners.

Transparency paradox

Examining work at a state-of-the-art Chinese manufacturing facility, research revealed that providing workers with a degree of privacy delivered significant improvements in collaboration, problem solving and productivity – ultimately delivering an increase in performance of 10-15% on the experimental production lines.

This directly relates to the potential to misuse today's technologies, for instance wearables, and the vogue for workplace analytics, as reported for example in Amazon distribution centres. Employer beware, too much transparency (aka surveillance) can be significantly counter-productive.

Humans wanted

The race is on to transform our workplaces to harness the benefits of data and digital technology. Yet digital transformation has had a mixed press, with many large-scale organisations struggling to capture the benefits – even after repeated transformation projects (typically driven by familiar global consultancies).

We don't propose a detailed critique here, but we can see that many programmes fail because they fail to factor in the human and especially the cultural context. It has been said that 90% of such 'change programmes' are about emotional commitment and that 'where culture is ignored... change programmes will inevitably lead to [unanticipated] collateral damage'.

What is increasingly apparent is that what is required in this technology mediated age are enhanced human attributes to complement and

take advantage of the process efficiencies achieved through automation (known as Robotics Process Automation (RPA)).

There is also an important relationship with diversity in this context, whether that is about designing inclusive digital experiences such as catering for the particular needs of impaired audiences for example. Or effectively designing decision-making algorithms, the lack of diversity in Silicon Valley has been highlighted in relation to some of the more spectacular failings of such algorithms.

Organisational agility

The pace of technological change will not relent any time soon. The rapid advances in artificial intelligence and related autonomous systems, quantum computing, genomics and more will certainly create more change in the next decade than in the last twenty years.

Recent research showed that senior company executives are confident improving organisational agility will improve their competitive advantage, deliver higher customer satisfaction and lifetime value and achieve higher employee productivity and retention.

You might also consider agility in a broader manner as enabling swift and imaginative business responses to changes across the spectrum of the operating environment and particularly in relation to changing customer needs and expectations.

SMEs are ideally positioned to work in an agile and responsive manner relative to their large enterprise peers, often a feature of early stage growth, this approach must be sustained into business maturity.

SMEs are ideally positioned to work in an agile and responsive manner relative to their large enterprise peers. Often a feature of early stage growth, this approach must be sustained into business maturity.

An agile culture

Agile is about accelerating or enhancing organisational learning. For the Agile Business Consortium, an agile culture is:

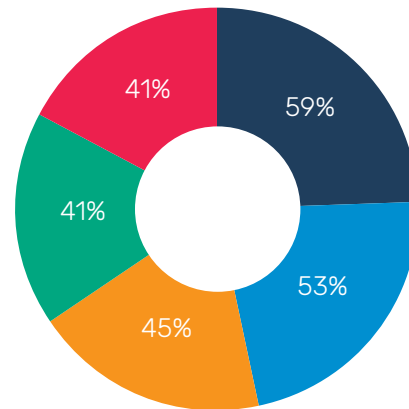
'An environment that is underpinned by values, behaviours and practices which enable organisations, teams and individuals to be more adaptive, flexible, innovative and resilient when dealing with complexity, uncertainty and change.'

Henry Stewart also makes clear in his analysis that the number one frustration employees experience is micro-management. Instead, employees want managers to:

"Make clear the guidelines and what you want [staff] to achieve. And then give [staff] the freedom to work out how to achieve that".

Our own survey research speaks to these issues with 21% citing micro-management as a reason for not trusting their managers.

TOP REASONS FOR NOT TRUSTING MANAGEMENT AND LEADERS



- Not feeling supported by them – 59%
- They don't appear to know what they are doing - 53%
- They are not transparent – 45%
- They play too much office politics 41%
- They are self-centred – 41%

Source: Source: Opinium Research. March 2018. Base: 2,005 UK Representative Employees

There is no doubt that agile working practices are challenging. How do self-managing, high performance teams link back onto the wider organisational environment? And what is the management role?

Trynka Shineman, Vistaprint:

"It's about defining what shared success looks like, how you frame outcomes and how you provide the right support. So, the leadership role fundamentally changes from delegating tasks to enabling outcomes, and empowering individuals and teams to make their own decisions"

Summary

Some people need assurance that this is not an either/or scenario – it is not technology or people – but very much technology and people working in partnership to deliver on increasing customer expectations and business requirements.

Technology and automation should be used to support and enable the development of a positive, empowering workplace culture, one focused on using key human attributes and offering considerable scope for personal development.

The price is too high

Many of us will have grown up with tales of the relentless pace and commitment of Japanese working culture. Tragically, death caused by overwork is so familiar in Japan that the phenomenon has its own word – Karoshi.

Which leads us to discuss the impact of negative workplace cultures – and stress – on our own society. Stress was once described by the UN WHO as a 20th century Epidemic. Given the latest figures from the UK Health and Safety Executive this is very much a 21st century issue too.

It is clear from the evidence that a negative workplace environment has profound effects on health. Research by MIND in the UK suggests that poor mental health in the workplace is costing the UK £100bn pa through a combination of absence and presenteeism – particularly prevalent in times of financial strain and economic insecurity and significantly costlier than absenteeism.

Presenteeism, whereby individuals are at work for more hours than needed, can have a huge impact on performance and engagement. It is something that can, and should, be identified through regular check-ins with employees across the organisation.

Health and wellbeing on the agenda

It is clear that something important has happened in terms of our view of working environments. There is now significant evidence of the negative impacts on individuals of toxic workplaces.

We have seen the UK government – under Theresa May – launch reports including *Thriving at Work (Mental Health) and Improving Lives (Health and Disability)*, as well as the CIPD with their *Employee Outlook Report – Mental Health in the Workplace (2016)* and of course the Health and Safety Executive (HSE) – note especially their Management Standards.

Last year also saw the publication of Matthew Taylor's government commissioned report into the Gig Economy published. In which context, do note the recent story about DPD and an employee who died from diabetic complications – having been fined £150 for taking time off to attend a previous doctor's appointment.

Overall, while we may still find it challenging to discuss some of these issues openly, we do all need to be aware of the scale of the issues addressed. For example:

"In any one year, over 1 in 4 people in the general population and 1 in 6 workers is likely to be suffering from a mental health condition. With over 31 million people in work in the UK, this is equivalent to over 5 million workers who could be suffering from a mental health condition each year" Deloitte – A Tipping Point? (ONS survey data).

Health and wellbeing driving ROI

SOMA analytics' *Mental Health and Wellbeing (2017)* report focused on references to mental health and/or wellbeing within FTSE 100 annual reports. It found 74% of these businesses did not mention

mental health at all, and 33% didn't refer to *wellbeing* at all. But SOMA are more interested in highlighting the results of the next stage in their analysis.

The results that they developed are astounding:

"FTSE 100 companies including a high number of references to health/wellbeing delivered three times more profit on average than their peers."

They explain this phenomenon as follows:

"In short, mental health or wellbeing mentions are an implicit measure of corporate investment in employee health and that this is reflected in increased profitability."

While the approach may be novel, this only confirms wide ranging evidence of the business costs related to workplace absences and presenteeism – but also a range of work showing the positive effects of a healthy workplace culture.

In fact, we found a third of British workers (34%) quit their job due to poor company culture, this is costing the UK economy £23.6 billion per year.

For example, the Great Workplace Institute 2017 report highlights the long term positive impact of being ranked as a best workplace. Extensive analysis of global workplace surveys and related company data by Alex Edmans at London Business School reveals that:

"The best workplaces have stock returns that are better than their peers by between 2-3% points per year [over a 26-year period]"

Equally HBS Professor James Haskell, in the Culture Cycle argues that:

"An effective culture can boost organisational performance by almost a third over a culturally unremarkable competitor"

We concur. Culture is not a soft option. Its impact on profit can be measured. In fact, we found a third of British workers (34%) quit their job due to poor company culture, this is costing the UK economy £23.6 billion per year.

Health and relationships

A crucially important aspect of a positive workplace culture is the cultivation of social connections and relationships. Toxic, stress-filled workplaces affect social relationships and consequently individual health and wellbeing. Research by Sarah Pressman at the University of California found that the probability of dying early is:

"20% for obese people, 30% higher for excessive drinkers, 50% higher for smokers but 70% higher for people with poor social relationships"

That is staggering, and while work is not solely responsible for the quality of our social relationships, there can be little doubt that it is an important factor, not least because of the share of time spent in the workplace, but also the impact on other aspects of life (and personal confidence).

The SME leaders we surveyed recognise the importance of a positive workplace culture in this context. 69% of those who saw a positive impact from culture on business performance cited improved morale, atmosphere and relationships.

Health and hierarchies

Interestingly, those at the top are relatively insulated from the negative impacts of workplace stress. Research from the Karolinska Institute, for example, shows that the lower someone's rank in a hierarchy, and the more negative their perception of the leadership above, the greater their chances of cardio-vascular disease and death from heart attacks.

Note that this refers to perception and it may well arise despite your very best efforts to build positive relationships and a healthy working environment. It only serves to increase the importance of spending time with individual employees and reaching beyond your core circle to take the temperature from elsewhere in the organisation.

Remember our survey findings – more than one-third of UK employees cited leaders' self-centredness as a reason for their lack of trust, together with the 59% who mentioned a lack of support.

Another study from Harvard's Kennedy School of Management showed that people at higher levels of business hierarchies experience lower stress than those further down the tree. The key argument being that the perception of control is key to reducing stress and its negative impacts.

"It's not so much what you're doing as your perceptions of what you're doing. Many middle level managers can make decisions, but they don't have the control to implement them or, you know, to carry them out."

Today we are seeing ever more organisations embracing such thinking and developing flatter, more agile and empowering approaches to their business.

Health and the work environment

Health and wellbeing can feel like intimidating issues to address, especially if you don't have a history of engaging with the subject. Training is a key step, we heard from Vapormatic in Devon that they are introducing mental health training for their managers in order to provide better support to colleagues.

Other interviewees referenced company health schemes and, more importantly, regular wellbeing check-ins with employees – helping to surface issues before they can cause lasting damage. Others referenced mindfulness and meditation training to help people to manage stress.

Apart from such structured approaches we should look at what we can do with the work environment.

Are people able to work flexibly while on-site – can they get away from their regular location? Are there plants and other greenery on the premises? Do you provide water, fruit etc.? Is there space for communal eating?

What about email policies? Information overload is a key cause of stress and anxiety at work and beyond. We heard from Talon Outdoor how they had successfully introduced a 7-7 email policy to help to manage excessive out-of-hours communications. Importantly, this included awareness sessions for managers and extended to advising clients of the policy and the rationale behind it.

Health and societal costs

Finally, while so much of the literature is focused on the costs to business of poor health and wellbeing there is clearly a significant social cost too. For example, a major Canadian study revealed a strong relationship between use of public healthcare services and stress caused by poor working practices.

This is particularly interesting at a time of public service austerity and when the NHS is straining under the sheer weight of demand. More, great, healthy, places to work will certainly help to ease the burden. The research found a statistically significant association between high and medium job strain (stress) levels and the volume of visits to general and specialist physicians – 26% and 27% higher than low job strain peers respectively.

Summary

Whatever your personal thoughts on the role of culture and the relationship with business success, the negative impact of bad workplaces on individual health and wellbeing is surely the single most important reason to take this seriously.

'Look after your people and they will look after your business' was the core message from the founders of Talon Outdoor. Nowhere does this ring so true as in relation to health and wellbeing. Importantly there are many small steps that you can take, with minimal investment, that can make significant difference, whether it is office plants, break-out spaces, email policies, social events or similar.

But there are also significant challenges to traditional management hierarchies and the demands made of people relative to the degree of control that they perceive. Some may go for ambitious restructures, focusing on coaching, individual autonomy and flatter hierarchies. Others will recognise the importance of communication, transparency and engagement with individual employees.

Building trust across the organisation will have a profound impact, supporting positive relationships

and pre-emptive dialogue and creating flexible solutions for individual employees.

In essence, manager's today need to make time, grow trust and engage with tenderness in order to build positive workplace relationships and a supportive culture.



Recommendations

1. Company healthcheck

Start with the evidence. Audit the health and wellbeing of your workforce via surveys, individual face-to-face conversations and discussions with the senior staff. Once you've done that you'll be able to identify issues, which you can delve into further with staff to understand the root cause. Make this an ongoing and open process where everyone's feedback is valued and not held against them.

2. Benefits revamp

Consider the role of employee benefits including gym memberships, cycle-to-work schemes, life insurance and employee health schemes. Of course, you can't please all of your employees all the time but these benefits, on the whole, should be things that are of benefit to them. It's worth taking stock every year to get feedback on how your employees would rather that money spent, it could garner some interesting feedback.

3. Tracking annual leave and working hours

Monitor working hours and holiday take-up – excessive overtime or inadequate holiday take-up are key signals of underlying issues. By tracking these you will be able to spot potential warning signs, integrating this with regular one-to-one check-ins with staff can help as a cue to understand deeper rooted problems.

4. Internal process improvements

Examine how you can improve the working environment to everyone's benefit – including information flows such as email, how can this be managed to best effect? Would migrating to a tool like Slack be more efficient? Or should people adopt military-style emails where the purpose of them is clear from the subject line whether it needs to be actioned immediately or is a lower priority item to read over later?

5. Foster an open culture

Ultimately, to make any of these changes and access how your business is doing, an open and honest culture needs to be at the core of this. If your staff doesn't feel they can come forward with their honest feedback, you're going to end up surround yourself with 'yes people'. Make this is an open, collective, communal focus. Creating space for mental health and wellbeing discussions requires a trusted collaborative, caring culture.

Chapter 4

Culture and productivity

Executive overview

Britain's growth in productivity has stalled in the decade since the global financial crisis. The Chancellor recently addressed it in the Spring Statement saying the challenge is one of his top priorities. Why? Because 80% of growth in the last 50 years has come from productivity improvements.

Many workers have seen this fall in productivity reflected in stagnant, if not declining, real incomes over the last decade, with the UK forecast to be bottom of the OECD (35 countries) table for real wage increases in 2018. With the Government making innovation and productivity key areas of focus for the years ahead including, the launch of the Industrial Strategy and the recent review into growing the Artificial Intelligence capabilities in the UK, this is one puzzle that needs to be solved.

Shining a light on management

We heard from the Chartered Management Institute that effective leadership can lead to a 32% increase in productivity, revealing that business management has a key role to play. Crucial to this focus on management is the question of culture, especially in relation to agility and autonomy.

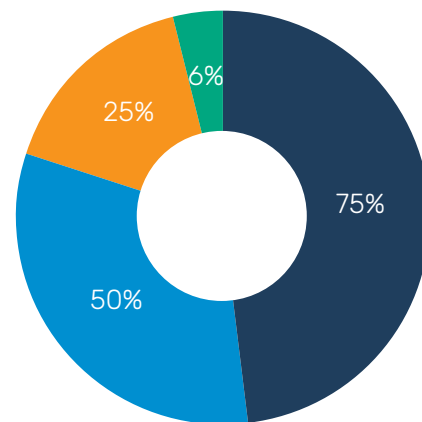
In fact, our research revealed three-quarters (75%) of SME decision makers say they are satisfied with their businesses productivity – hinting many SMEs are in denial.

Opening up to collaboration

Openness is a key aspect of successful businesses. Equally, it is argued that too many under-performing businesses simply do not realise they have an issue with productivity.

In fact, our research revealed three-quarters (75%) of SME decision makers say they are satisfied with their businesses productivity – hinting many SMEs are in denial. With over one in five (22%) admitting they don't measure productivity levels at all. With over one in five (22%) admitting they don't measure productivity levels at all.

SME DECISION MAKERS VIEW ON PRODUCTIVITY

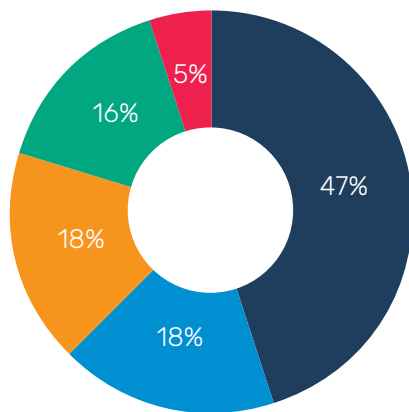


- 75% of SME decision makers are satisfied with business productivity
- 50% of SME decision makers are quite satisfied
- 25% of SME decision makers are very satisfied with business productivity
- 6% of SME decision makers are dissatisfied with business productivity

Source: Opinium Research. March 2018. Base: 500 SME Leaders

A key collaboration is of course between people and technology. All businesses need to examine how they are harnessing automation and cloud-based services to enhance business performance.

HOW SME DECISION MAKERS MEASURE PRODUCTIVITY



- 47% measure productivity via money in versus money out
- 18% measure productivity via production volumes (per period)
- 18% measure productivity via headcount and revenue
- 16% measure productivity via their finance team
- 5% measure productivity via an app / technology tool

Source: Opinium Research. March 2018. Base: 500 SME Leaders

Culture and productivity

All too often when productivity is being discussed, attention immediately turns to the individual worker; be that their attitude, aptitude, education or skills. Rather less attention is typically paid to a holistic view of the workplace including management, training and the employee experience.

The CIPD response to the productivity plan, for example, argued that it was 'fatally undermined by the lack of focus on improving the skills of current workers' while the TUC response, from Frances O'Grady to the Productivity Plan stated that:

"There are no shortcuts [to productivity growth].

It's only achieved by long term investment in an embedded culture of positive labour relations. The best businesses are those where employers and the workforce are productivity partners...When workers are engaged and getting a fair share from growth, they deliver better results".

A question of diffusion?

It is worth referencing some of the many explanations put forward to explain productivity performance as summarised in a 2017 House of Commons Library briefing:

- Issues in specific sectors (e.g. finance or oil & gas)
- Low investment in equipment
- Banking crisis and lack of business lending
- Employees moving into less productive roles
- Slowing rates of innovation and discovery
- Ageing population
- Problems/inaccuracies with data quality

We should emphasise that in international terms, using the same measurement methodologies, the UK has a serious issue to address. Productivity is running at 30% below that of Germany and the USA and 17% below the G7 average. The UK has even fallen behind Italy on some recent measures of performance.

Andy Haldane, Chief Economist at the Bank of England emphasised in a speech that the UK economy includes examples of excellence – described as frontier businesses – as well as laggard businesses with low productivity. Here, as in so many areas, we too often fail to look beyond the average figures to look at the distribution of results.

Among an array of insights into UK productivity there was some startling data for the UK SME community to consider:

“Small firms (<50 employees) are on average 7% less productive than large firms and there is a larger and lower tail of small firm laggards”

Haldane also argues that many of these long-tail (low performance) small companies are unaware of their sub-par performance.

That is a particularly interesting point in the context of our own SME research where we saw only 6% of SME leaders expressed any dissatisfaction with their productivity.

Consistent with our earlier analysis, the role of management was also explicitly highlighted:

“There is a statistically significant link between management quality and productivity – and a large one – a single standard deviation in management quality equals a 10% increase in productivity”

To reinforce the point regarding management in the domestic market, Haldane highlighted that firms which export – and so are open and exposed to global competition – have systematically higher levels of productivity than their domestically orientated peers. You will be aware that openness is considered a key element in driving innovation.

With a productivity performance gap of 33% between domestically orientated firms and

That is a particularly interesting point in the context of our own SME research where we saw only 6% of SME leaders expressed any dissatisfaction with their productivity.

exporting firms, that is a serious issue for the UK and individual businesses to address. Equally powerful is the additional point that foreign owned firms based in the UK have average productivity levels 50% higher than domestically oriented UK businesses.

The dispersion of services sector productivity is, for example, 50% higher in the UK than in any other comparable economy. But, surely, where we have pockets of best practice and excellence it is that much easier for us to see a way forward.

The evidence showed not only an average underperformance in productivity by small businesses but also a longer and lower long tail of laggard small businesses including many that may not be aware of the issue, or at least the relative scale of their issue.

For many small businesses so much time is spent on the immediately pressing day-to-day challenges, it can be rare for leaders to find the time to learn about best practice and discuss issues with fellow business leaders.

Yet we know that such interaction and engagement is critical to improvement and innovation – reflecting wider theories regarding the importance of openness to innovation and growth (as shown in the export figures referenced above).

Clustering for success?

This relative insularity reflects research published by Opus Energy in 2017. While they found an overwhelming number of UK SMEs were struggling with productivity, the most interesting output was around the potential importance of (geographic) business clusters in enabling the sharing of best practice. Opus found that only 27% of SME businesses exploring productivity issues have chosen to set-up in proximity to like-minded businesses in order to capitalise on a culture of innovation.

Instead, the primary driver of small and medium size business location was convenience – proximity to home.

Why?

The reasons identified by the research revolved around 'an inherent fear of competition' – including fear that their clients, employees or ideas would be stolen – a negative attitude to collaboration that was seen to increase with age with the 18-34 entrepreneurial cohort most open to and seeing the benefits of working with like-minded businesses operating in a similar field.

We have seen plenty of examples of the positive impact of business clusters with the Silicon Roundabout in London, inspiration for the Tech City organisation perhaps the most famous. Visibility is crucial to attracting investment and the record levels of investment flowing into London-based tech start-ups reflects the importance of critical mass. Other success stories include Silicon Fen in Cambridge and the MedCity triangle linking London to Cambridge and Oxford.

Of course, these are only some of the headline business clusters, there is much more activity taking place in science and business parks across the country, often including local education providers.

It's an interesting aspect of the culture story and one that small and medium size business owners would do well to consider – especially with regional regeneration projects continuing to deliver such opportunities and collaborative thinking.

Four-day weeks for all?

There is great disparity in global productivity performance. Take German workers who are producing the same output approximately every 3.5-4 days compared to their UK peers.

And while that might be the starting point for renewed interest in the idea of the Universal Basic

Income for example, some businesses are actively building time away from work into their cultures. There are already examples of those who have introduced a four-day working week and others that have introduced charity or creativity days across the year.

For instance, at Propellernet every employee has the opportunity to take 12 'Propel days' a year – designed to enable them to get out and to do something creative – reporting back on their experience and learning. Examples of activities undertaken include learning to mountain climb (blindfolded at one point), shadowing a barrister at work, coaching a fencing team, and a fermentation course.

This is an interesting approach and one that emphasises the importance of openness. Charity days can also be an important means of skill sharing and problem solving in different circumstances. This can also help increase team building skills, individual confidence, resourcefulness and agility, while providing real value to the partner charity or community group.

Productivity, technology and automation

One of the most striking features of the issue today is the correlation with the explosion in digital channels and technologies over the last twenty years. As Robert Solow said back in 1987:

"I can see the impact of the computer age everywhere but on my bottom line".

For many this is clearly counter-intuitive. Our everyday experience tells us that we are able to use connected technologies to complete more tasks than we ever could before. Just consider what you can do on your smartphone alone, before leaving home or while travelling.

Connected technologies mean we have access to more information and problem-solving resources

than ever before in history. Equally, many will reflect on the many hours spent deep in our emails and wonder what value this is adding.

If technology is part of the problem then it is equally an important part of the solution.

Partnering with technology for success

It is our relationship with technology that needs to change. Take email as a case in point. It is not broken. Far from it. But our relationship with it is and it is impacting on our wellbeing, relationships, movement and levels of personal interaction. And let's not get started on the impact of social media networks.

It is vitally important for all small businesses to review their use of digital technologies, platforms and services. Where are the time savings and productivity enhancements that can be gained from off-loading tasks to digital platforms?

How can we use connected technologies to more efficiently support and integrate flexible working and shamrock project teams? How can we better and more efficiently service our customers through digital channels?

Ultimately, how can we reduce the burden of administrative support tasks relative to front line value adding activities for each employee and team? This line of thought is well captured in the idea of offloading the menial in order to focus on the meaningful – echoing the thoughts of Dan Ariely.

Of course, this is a space that is fundamental to the breatheHR proposition. In this case automating and managing the day-to-day, and thus freeing time for managers and leaders to focus on the meaningful, including spending time with colleagues and building trust and confidence across the organisation.

Employee engagement

Most people intuitively understand the importance of employee engagement for productivity and performance, but they may still underestimate the magnitude of the impact.

AON Hewitt define employee engagement as:

"The level of an employee's psychological investment in their organisation."

Steelcase argue that only 13% of global employees are both highly engaged and highly satisfied with their work while the latest global workplace study from Gallup puts the figure at 15%.

Our own research revealed that only one third of UK workers (33%) rated themselves as very engaged and focused on a typical working day (rising to 44% of over-55s).

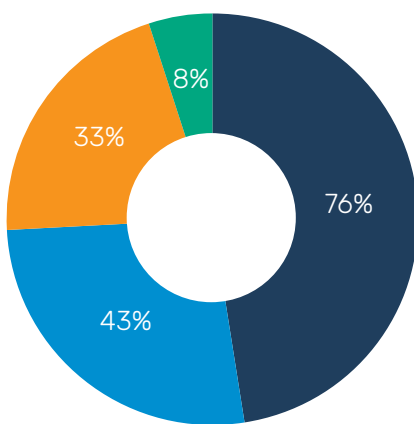
Conversely, less than 10% described themselves as unengaged, yet there is clearly work to be done in this area.

Look around your own business today, what proportion of your colleagues would you describe as fully engaged with the business? What does positive engagement look like compared to low engagement? How is it impacting on your business performance? What can you do about it?

Our own research revealed that only one third of UK workers (33%) rated themselves as very engaged and focused on a typical working day (rising to 44% of over-55s).

Trust presents a complex challenge for many organisations. A major part of the response is to be as transparent as possible but for many audiences this simply will not cut through the mistrust. After all, as someone once said you can prove anything with statistics.

ENGAGEMENT AND FOCUS LEVELS AT WORK



- 76% feel engaged and focused
- 33% feel very engaged and focussed
- 43% feel quite engaged and focussed
- 8% don't feel engaged and focused

Source: Opinium Research. March 2018. Base: 2,005 UK Representative Employees

Therefore, visible leadership, demonstrably living the values espoused and taking time to engage with employee interests and concerns, is required. Leaders must learn to treat people as they would like to be treated.

This relationship between engagement and culture is further developed by TinyPulse:

"When employees act not only to benefit themselves but also the organisation at large they fuel this positive relationship [between happiness and culture] and build culture at the same time. An investment in engagement is an investment in culture"

Pontefract views engagement as emotive; it is how an employee feels about the culture and purpose of the organisation. This approach makes authenticity critical to success. If leaders are guilty of preaching one way and operating in another, this can only breed cynicism toward the culture.

Gallup reported 18% higher revenue per employee in highly engaged organisations based on analysis of their 2015/16 employee engagement surveys cross referenced with firm data.

The evidence doesn't stop there. Nandos, for example, found a direct correlation between reported staff happiness and store performance. This resulted in them recalibrating management bonuses to make 50% attributable to staff satisfaction and happiness.

Improving engagement

There are a host of practical issues that can fuel that positive inter-relationship including:

- Good leadership
- Opportunities for personal growth
- Relationship with manager
- How I feel about the company
- How I feel about my team
- My wellbeing at work
- Making a meaningful contribution
- Getting a fair deal

Recognition and reward

Recognition and feedback is, of course, critical in any organisation and can take many forms. A view strongly endorsed by our interview at Masabi was that facilitating peer-to-peer recognition and feedback was for management to do.

Working with Microsoft, for example, TinyPulse is able to show how 'employees who were prominent

hubs of giving and receiving kudos from both inside and outside of their workgroup outperformed their colleagues'.

The study focused on feedback and recognition devoid of any monetary compensation, while most businesses will however recognise the power of gifts and financial rewards of course.

But you do need to be sensitive to how you deliver recognition. At Vapormatic, for example, they discovered many employees resisted public recognition and have developed a simple, private, direct mechanic to reward people for 'going the extra mile'.

Enabling recognition and measuring engagement

This is a key area for partnership with specialist technology providers, delivering feedback should be as simple as possible, digital channels are hugely powerful in that regard. breatheHR, for example, have developed 'Kudos' capabilities within their HR technology.

Talon Outdoor and Masabi both referenced their use of online platforms to capture weekly metrics from employees. While such an approach clearly helps to identify issues before they become problems, at its best it is integrated with face-to-face time with employees.

It is important to recognise the role of such tools, and that they are but one part of the repertoire:

"The main goal of surveying your employees is to start a conversation toward understanding what will raise your employees' level of personal investment at work... By enabling employees to not just bring up challenges but to brainstorm solutions, you empower them to lead and institutionalise the value of pro-active action (TinyPulse)"

Summary

Productivity is one of the key questions of our economic times. It is a challenge that needs to be recognised and addressed by all stakeholders. It is deeply concerning that so many businesses appear not to be aware of their relative performance.

Improving productivity has a huge range of benefits from business performance and survival to individual incomes and wellbeing. It is positively correlated with employee engagement and business culture. Ultimately, improving productivity has a positive impact on our public finances through increased incomes yielding greater tax returns – a central issue behind our decade of austerity.

It is vitally important that businesses open up to best practice and collaboration. The fastest path to productivity gains lies through your workforce, not only in terms of improving engagement levels, but also opening up to enable workers to solve their own problems. This is one of the core elements of a coaching culture, and, as we saw when we referenced the transparency paradox, it can yield impressive productivity gains.

Turning to our own research, we identified the outcomes that SME leaders anticipate from a positive workplace culture – including 60% who envisaged better levels of customer service and satisfaction, 55% who anticipated improved employee performance and productivity and 49% who expected to see more ideas and innovation coming from their employees.



Recommendations

1. Measuring productivity

Think about how you measure productivity (if at all) and how it has changed over time. We found the most common way SME decision makers are measuring their productivity is analysing money in versus money out. But is this the best approach for your business? It's important to understand how your competitors measure their productivity? Are there lessons to be learned? Are there a means of benchmarking your performance against your peers effectively?

2. Looking beyond your business

Look at your business ecosystem and supply chain. Where are the pockets of excellence that you could learn from, who can you collaborate with? On talking to various established businesses and SMEs we found some fantastic examples of initiatives in place to harness and foster workplace culture.

3. Audit

Audit your use of technology and the time spent on administrative or back-office functions. As a business owner, your time is much better spent on time considering what sort of culture you want to develop than managing when Steve and Amy can go on holiday this year. Think about what areas could be automated or transferred to online platforms? What would you invest the time savings in?

4. Tracking employee engagement

From our research and talking to other businesses, many are using staff engagement surveys to monitor happiness, culture and more. Although this has its limits, there is a lot of value from them. Especially if you're a mid-sized company. However, if you're a startup or small business, nothing beats a good old-fashioned face-to-face conversation to get your employees honest thoughts. Explore the best approach to measuring and understanding employee engagement. Be open and collaborative with your objectives.

5. Positive incentives

What rewards and recognition are you providing within the business to support a focus on business efficiencies and greater productivity? Are these incentives that are actually motivating your staff? It's worth also considering different generations and their different demands. For one employee free breakfast is great, but for someone often working from home it might not benefit them. Ensure your rewards try and cater to all.

Chapter 5

Business case studies



Business case studies

Jamie Oliver Ltd, London N1

Website: <https://www.jamieoliver.com/>



Interviewee: Danny McCubbin, Culture Manager

- Media business
- Established 2002
- Vast social media following
- Moved into new HQ in 2017
- Circa 130 employees and freelance network (TV / production), now all centrally based at HQ
- Distinctive organisation with community, charitable, education activities central to the proposition
- People and development team, enhanced with a dedicated Culture Manager

Cultural Overview

Jamie Oliver Ltd can be understood as aligned to the 'employee experience' model. There's a strong leadership driven identity and purpose. Authenticity, trust and simplicity run through culture and strategy. Cultural objectives are key to its HQ design. With an emphasis on convivial interaction, it is focused on individual empowerment and personal wellbeing. A cool space and a culture to celebrate empowerment and personal wellbeing. A cool space and a culture to celebrate.

Five key takeaways

1. The space you're in is a really important catalyst and enabler

There's a strong emphasis on the working environment as catalyst and enabler of business culture. Anchored on the staff kitchen that dominates the ground floor entrance. Events space allows the development of a rich programme of activities, such as bi-weekly team lunches. Its purpose is baked into practice.

2. Visibility, presence, openness & transparency around vision – and keep communicating

With a high profile eponymous brand authenticity is critical. Trust sustained by demonstrably living the values and presence across business including lunches and bi-weekly town hall forums. It aims to anticipate any media stories and keep staff informed of all plans and business issues.

3. People increasingly expect business to play a positive role in society

The company benefits from an exceptional sense of purpose with education, charity and community strands built into business model. It attracts the right people to the business, for instance, those who share the purpose and values across food and into disadvantaged communities and individuals.

4. People have realised they do have a voice – and expect a dialogue

Central to the company culture is empowering people to grow and develop. Danny revealed it has a very fluid approach to roles and advancement and an evolving cultural model. All businesses should reflect on the extent to which employees have a voice and how that voice is empowered by transparency and openness.

5. People have a lack of respect and understanding of HR

The business has separated the Culture Manager role from the HR (people and development) function. It recognises HR is widely unappreciated but does a vast range of work to create the processes within which culture can breathe. Culture operates across marketing and facilities as well as HR.

Business case studies

Talon Outdoor, London W1

Website: <https://www.talonoutdoor.com/>

Interviewee: Mapara Syed Fernandez, Head of People



- Specialist out-of-home media agency
- 5 years old in 2018
- Founders exited in 2017 after VC sale.
- Founding team key to vision, identity and culture. No evidence of a cultural chasm. Openness key
- 100 employees today
- Winners of The Times 'Best Small Company 2017' award
- Continually developing cultural offer
- Voted best medium size place to work in Campaign rankings

Cultural Overview

Talon Outdoor can be understood as a business with elements of a 'self-governing' trajectory. There is a clear vision, purpose and resilience. Talon has managed both fast-growth and ownership transition cohesively. The culture framework uses technology to underpin a face-to-face whole person ethos. Culture is informal, open, flexible, responsive, pragmatic, performance led and sociable.

Five key takeaways

1. Founders are pivotal to cultural vision, approach and inspiration

Look after your people and they will look after your business. Vision is to be the best place to work (for people to do their best work). Charitable instincts, natural openness, inspirational leaders, compassionate core, flexible, responsive, performance driven. 'Give and get' philosophy for all.

2. Fast-growth businesses can avoid cultural chasms

Remarkably coherent cultural growth story, avoided values-based approach, developed cultural language through the My Talent platform (six dimensions). Established a depth of dialogue across business, including:

- People forum and team
- Bi-weekly and quarterly huddles
- Two reviews per annum
- Regular 1-2-1s

3. Technology can be used to maximise value of face-to-face management engagement

People team have integrated online tools into the cultural approach, including evolving tracking from bi-annual surveys to weekly work, motivation and pulse tracking, feeding metrics into 1-2-1 meetings and developing the My Talent platform. Seen impact of blended approach in retention (employee churn averages < 10%) and engagement.

4. Wellbeing initiatives should be understood by all stakeholders; internal and external

Talon have a wellbeing-oriented '7-7 email policy' (i.e. minimising work email before 07.00 and after 19.00) that came from an initial staff idea for an email amnesty, developed by the people forum and initially trialled internally. Policy then formalised and communicated to clients, requesting support, very well received and the policy is broadly respected.

5. A positive workplace culture is differentiating and attractive to investors

Talon's blend of transparency and trust was highlighted by the smooth transition to VC ownership, with owners old and new speaking at company huddle's. VC owners expanded some benefits. Strong message that the positive, proactive Talon culture added value to the financial success of business.marketing and facilities as well as HR.

Business case studies

Vapormatic, Exeter, Devon

Website: <https://www.vapormatic.com/>



Interviewee: Peter Brennan, Chief Executive

- Agriculture and light industrial machine parts distributor
- Business established for almost 70 years
- John Deere subsidiary since 2001
- Global reach
- 225 employees
- 100 UK employees on single site
- Strong results orientation and health and wellbeing focus
- Leadership-driven culture including personal development

Cultural Overview

Vapormatic is closest to an 'informed acquiescence' model – blending a results and caring orientation. According to HBR, these are the two most common organisational cultures. It has a clear set of cultural values directly framing their commercial approach. Leadership personifies the cultural proposition. Extending wellbeing offers, providing direct employee support, promoting personal development alongside, global and local integration.

Five key takeaways

1. Big business values can be a positive adjunct to small business dynamics

John Deere brought a new cultural approach to the business. It has a strong focus on culture, values and ethics contrasted with an entrepreneurial, quick growth ethos. Its challenge is aligning the local culture with global philosophy and style. Vapormatic's positive values are largely embedded across the business to benefit of all.

2. Leadership critical to cultural change and credibility

Its previous management focused on results with little direct interaction or visibility with staff. However, the cultural change required a leader to embrace the new values and integrate them across the business. The leader today personifies and drives the company culture while bridging and buffering the global ownership.

3. Cultural message woven into market positioning

The 'parts you can trust' brand strapline emerged as a result of the post-purchase review process between the new owners, the leadership team and the wider business. It is locally derived, but globally aligned, the identity gave ownership of the value proposition, integrity and quality, to Vapormatic.

4. Transparency and communication build resilience

It runs a 'consultation committee' as a key forum for staff and management. Alongside this, it has 1-2-1 check-ins, employee surveys, dedicated project working groups and a leadership 'open door' policy. Having made people redundant in the past, Peter said transparent communication key to sustaining positive engagement.

5. Mind the cultural gaps

Recognising that there are gaps between different business functions and geographies is important. A positive leader can mitigate this through regular personal presence across functions and markets. In addition, it actively engages with employee feedback on issues such as recognition, management effectiveness or wellbeing.

Business case studies

White Cross Vets, Guiseley, West Yorkshire

Website: <http://www.whitecrossvets.co.uk/>



Interviewee: Ed Newbould, Head of Personnel & Development

- Independent chain of veterinary surgeries
- Family business established over 80 years ago
- Growth concentrated in last decade
- 20 branches today
- Multi-award-winning business culture
- Distinct position – scale, values, ownership
- Tight recruitment market and strong employee packages

Cultural Overview

White Cross Vets can be seen in the context of an 'employee experience' business. There's a distinctive vocational purpose that runs through culture and strategy. Their family ethos is blended with the latest thinking. Values and culture are transparent to all visitors and stakeholders. Plus, technology used to support culture results in line managers feeling empowered. It has a strong health, wellbeing and benefits proposition.

Five key takeaways

1. All businesses can embrace culture to drive growth

After a distinctive, 70-year, small scale, family history, 2008 saw a new generation of ownership drive successful business growth while developing an explicit company culture to capture and extend core family values. This led to a consistent brand experience – for customers and employees.

2. Invest in building your community

From weekly emails featuring anniversaries and birthdays to the bi-annual Connected publication and an annual congress; the Christmas party; team reward vouchers for social activities. Alongside this, they have charity and community activities including volunteering days provide external community orientation.

3. Focus on people

The culture is the strategy at Whitecross. Ed believes quality people provide quality care for animals and quality experiences for owners. Therefore, positive culture drives low employee turnover which sustains quality ethos. Their recruitment is focused on finding the right people that fit the culture including strong employee packages.

4. Invest in measurement

They use 'Best Place to Work' style third-party surveys to great effect together with workplace and happiness surveys. Moving towards a real-time customer feedback model with mechanics being installed in surgeries.

5. Have leadership support

The positioning of the P&D office next door to the Chief Executive is symbolic of strong support for cultural ethos, as is the prominence of values across all touchpoints. Support includes investment in online HR administration, devolving activity and releasing resource to focus on cultural engagement.

Business case studies

EQT Ventures, Stockholm

Website: <https://eqtventures.com/>



Interviewee: Lars Jörn, Partner

- Part of EQT, a global alternative investment firm
- The EQT Ventures Fund (EQT Ventures) has over half a billion euros (€0.5bn) committed
- Focus on global tech start-ups
- Primary European focus
- Support proposition deeper than typical VC
- Rich sector experience across founders and team
- Collaborative Nordic DNA: EQT Ventures culture

Cultural Overview

This interview was designed to add a further dimension for our start-up and SME communities by looking at a Venture Capital (VC) perspective. We asked what their approach to business culture is, how it impacts investment decisions and what advice they offer founders looking to scale rapidly. EQT Ventures is especially interesting as it is positioned as half VC, half start-up itself.

Five key takeaways

1. Even for experienced investment professionals culture demands humility

It's incredibly difficult to define (or measure) company culture. Culture is most likely to comprise a blend of the leaders as standard bearers, the shared values across a company and the daily behaviours and conversations within the company.

2. Velocity is the key continuity between culture and strategy from a VC perspective

While there are clear domains for culture and strategy, when it comes to VC-fuelled growth the culture must enable velocity; autonomy, decision making, iterations, risk. Ideas are increasingly commoditised; execution and delivery are the key differentiators today.

3. Leaders should demonstrate awareness of the cultural challenges arising from rapid growth

Don't expect start-up leaders to have all of the answers to evolving their culture through growth. But do expect an awareness of the issues and tensions likely to emerge as a company moves beyond the founding family to a larger scale operation.

4. Leadership teams can be at a cultural advantage compared to the solo entrepreneur

It can be highly beneficial to have a leadership team as the standard bearers for the culture. It's also critical that there should be no gaps within that team in terms of vision and values. Other gaps in culture can be tolerated as long as they're acknowledged and monitored.

5. Key advice – always recruit to the culture and values of your organisation

It's really important for all founders to bear that in mind. Always ask whether this is someone you would want to work with and who would work well with your team/s. Lars recommends multiple interviews across different levels and functions of the organisation.

Business case studies

Masabi, London N1

Website: <http://www.masabi.com/>



Interviewee: Jess Gilbert, Head of Engineering

- Mobile (public transport) ticketing solutions provider
- 10 years old
- 3 Founders still on-board
- 99 Staff; 96 FTE. 75% in London
- Offices in NYC & Boston. Engineering centre in Cluj (Romania)
- Implicit culture not formalised in values per se
- Engineering DNA – collaborative problem solving

Cultural Overview

This interview was designed to add a further dimension Masabi can be seen as an aspiring 'self-governing' organisation. For them, identity and purpose are closely aligned to leadership. The approach includes elements of holocracy, self-governance and is underpinned by a coaching ethos. The business is open and engaged with industry.

Five key takeaways

1. Founders central to Masabi vision purpose and inspiration

The founders are still fully engaged with the business – this includes high visibility and social presence allied with respected expertise and vision. The company values flow from the leaders and this is embedded in an engineering (problem solving) psychology. Public feedback from social media

highlights value of their proposition.

2. Implicit values can stretch and work effectively in a fast growth environment

Masabi has not taken the public values approach, rather allowing values to remain tacit and fluid. It recognises behaviour that's incompatible with culture. It is responsive to issues raised by employees, monitoring employee engagement through weekly online tracking.

3. Culture should not be confused with things (but things help)

Jess recognises that culture works on deeper levels than the work environment. This premise includes flexible working and meeting spaces including large communal kitchen. This enables team lunches, company meetings, ability to host industry meet-ups and support employee involvement. It firmly encourages and supports group social activities.

4. Management structures should be consistent with working culture (and evolve with scale)

The company has outgrown traditional management model. Hierarchy is seen to be incompatible with agile working culture. Demand for greater autonomy and development opportunities. A radical and experimental solution being rolled out with the support of leadership, but not without challenges.

5. Effective cultural solutions should be authentic, bespoke and tailored to business context

What's exciting about the Masabi coaching system is its experimental tone. The experience informs approach to coaching and peer feedback, its agile culture aligns to self-governing teams, blending management and self-governance, regular evaluation, engagement tracking and a focus on results.

Business case studies

Propellernet, Brighton

Website: <http://www.propellernet.co.uk/>



Interviewee: Nikki Gatenby, Chief Executive

- Marketing agency
- 10 years old
- Brighton-based
- Explicit business purpose: 'make life better'
- Multi-award-winning culture
- Culture is the strategy
- 60 precious seats and dreams model
- Business results over 10 years: tripled margin, quadrupled revenue, and 10 times more profit

Cultural Overview

Propellernet can be understood as a type of 'deliberately developmental organisation'. It has a strong, explicit purpose that is woven into the business fabric. There is a defining focus on the individual. Its culture is explicitly the strategy meaning its business growth model and culture are fully integrated. It has a positive, open external company orientation whereby community wellbeing frames commercial decisions.

Five key takeaways

1. Clear founding vision baked into all aspects of culture and strategy

Vision is created through industry experience. It views growth 'at any price' unsustainable. The vision is clear: be the best place to work in the world and its defining purpose is 'to make life better' for clients, colleagues, community and industry. Everything else flows from there.

2. Focus on wellbeing, creativity and personal development driving positive business results

It has a core focus on individual health and wellbeing, with mandatory health plans and holiday take-up. There is also the option to take up to 12 days a year to learn something new. They also have regular wellbeing check-ins. Its whole person ethos is key to building confidence, engagement, growth, sustained professional excellence and creative success.

3. Importance of an external orientation – industry, community, creativity – to success

The business punches above its size in industry profile delivering solutions to industry needs, engaging with Brighton community, especially homelessness, and supports creative engagement. Examples of new skills learn by employees on their 12 days creative days a year include fencing, fermentation and mountain climbing.

4. Values based recruitment and rigorous evaluation key to sustaining and growing culture

Its business values – creativity, innovation adventure, fun and wellbeing – are central to recruitment. Key considerations about candidates are framed by a relationship lens, such as, are they fun or someone you'd like to work with? Nikki sees all prospective hires. It has a six-month extended probation policy and people do walk away from the challenge of the model.

5. Radical re-interpretation of industry norms regarding growth and success is possible

Propellernet has a cap on headcount. Its focus on growing revenue per employee (60 precious seats and dreams model) supports business innovation and diversification. Unlike other businesses, it's willing to lose clients so not compromise on its cultural health.

Chapter 7

Conclusion

This report insists culture isn't a 'fluffy' subject. A range of evidence, theories and examples support this. We have spoken to businesses about their approach to culture, included a range of reference points and practical suggestions on how to develop your own business culture.

Why culture and why now? The torrent of scandals across the business and institutional spectrum, from Silicon Valley to the BBC, from Oxfam to the Presidents Dinner, Uber to Enron, simply shouldn't be happening. And the common thread running through all of these scandals? Corrupt cultures.

Business culture is the frontline defence against such malfeasance. It is hard to believe so many of these incidents could have happened in environments evolved with a clear focus on culture, values, inter-personal respect, inclusivity, diversity and transparency.

This is not a defensive or compliance-based orientation, this as a positive opportunity to recalibrate our businesses and society, to embrace respect and diversity, to develop market opportunities and innovation, to harness the talents of our people, to deliver business success and personal wellbeing.

The tide is turning away from big business. People are increasingly demanding and expecting that business plays a positive role in their lives and that of their communities.

We have discussed today's operating environment and the importance and difficulty of overcoming cynicism, mistrust and lost confidence. We have seen how this climate is negatively impacting on employee engagement – and that engagement is key to productivity. In addition, we have seen the importance of leadership stepping up and stepping back, inspiring, giving a voice and enabling autonomy.

Successful businesses today reflect the communities that they serve. We have seen the evidence suggesting this is especially important in a society like modern Britain. And embracing diversity is not political correctness, it is correct business practice.

We covered the impact of poor working environments on individual health and wellbeing and the report highlights the price paid by individuals, the impact on businesses and the wider impact on society.

And embracing diversity is not political correctness, it is correct business practice.

Overall, we have seen examples of businesses willing to take a radical step and to say that 'the customer comes second' when it comes to organisational priorities.

Expectations of leaders

It is clear that organisational leaders have a profoundly important role to play in the cultural process.

Small business leaders need a complex toolkit to enable them to lead credibly and inspirationally from the front. Leaders must be effective communicators, counsellors and consultants, but know when to step-back and when to step-in.

They must dedicate time to their people and culture, they must give trust in order to receive trust and they must be tender and sincere in their empathy and approach to wellbeing and personal development.

Thus agility, resilience and adaptability are key to success in the new economy.

A woman with curly hair and a red scarf is smiling and looking at a man who is holding a blue folder. They are sitting at a desk with a laptop, keyboard, mouse, and a coffee cup. The background shows another person working at a desk.

This presents the SME community a huge opportunity to be the alternative to this and use culture as a crucial differentiator.

Expectations of brands

Tony Hsieh stated “a brand's position in the market is a lagging indicator of its culture”, and if we have learnt one thing from recent decades it is that individual and organisational malfeasance and hypocrisy will scandalise the public and commentators from wherever it comes.

There is no hiding place from public scrutiny in a connected world. A positive culture grounded in inter-personal respect is the fundamental starting point for sincerely operating in this climate.

There is a strong positive dynamic in play here, consumers trust your employees more than your leaders. So, if your employees recommend your company as a place to work or recommend your products and services to their peers that is the best possible endorsement available.

There is more to today's expectations of brands though. People expect business to play a positive role not only in their individual lives but across communities and society. In this way, business society and individuals are fundamentally aligned in a 360-brand fit for the future.

Expectations of the human economy

We have argued that our digital age creates the opportunity to off-load the menial and to focus on the meaningful. This is the classic expression of the human computer paradigm.

It is directly linked to the behaviours that will make a brand meaningful in today's economy. The digital experience is a hygiene factor for many consumers. It is the personal touch and attributes that will make the difference.

And we can instinctively recognise, as consumers, how this impacts on our day-to-day experiences. It is quite remarkable how different your experiences with different brands and businesses can be – you know which will energise you and which you will avoid communicating with.

For managers and culture, this means empowering workers and giving meaning to their work, increasing autonomy and devolving decision making, embracing all of the potential of agile working practices.

Expectations of society

Small businesses today need to embrace new working models and patterns including part-time, flexible and remote working along with the growth in self-employment. Such shamrock working models present challenges in terms of coherence, communication and consistency that clear leadership and culture can address.

Today's customers and consumers expect more.

It's an old expression, but in many ways what people want to see is the fulfilment of the idea of a Citizen Brand – playing a positive role in communities and society.



Chapter 7

The workplace culture strategy

Here we offer ten practical steps for small businesses to develop a positive workplace culture.

Before engaging your wider business community, we would recommend leaders spend some time preparing the ground by examining the current situation carefully. This will provide a robust foundation for future development and should shape the objectives behind an investment in cultural development.

1. Where are you today (and where have you been)?

What evidence do you have to measure the health of your workplace today? Start with basic metrics like employee absences, retention and turnover. What patterns can you see in the data, how do different business functions and teams compare? How do they compare to your industry norms? What additional insights have you gathered from exit or return-to-work interviews? If you don't have the data, then begin with collecting it.

2. Where are the gaps?

You may have run employee surveys. How satisfied are you with that process and what have you learnt from the outputs? Have you got an engagement metric? What sort of response rate, or quality of response have you seen? What gaps can you see in your understanding of your business culture? How will you go about filling those gaps? What about diversity, are you capturing the experience of different employee segments (age, disability, ethnicity and gender)?

3. What is your role?

Take a step back and consider your own role in the workplace. Can you identify how much time you spend working on HR administration? What about time spent in talking to the business as a whole? How much time spent in 1-2-1 conversations with staff? What about day-to-day visibility? Can you see patterns in who you speak to and spend time with – and who you don't? How often do you talk about behaviour, standards and values (and to whom)?

4. What is your culture?

Using some of the material provided in this report to inform your approach, try to write down your view of the company culture. Think carefully about your own underlying assumptions. What is your vision for the business? Can you identify a purpose – beyond profit – for your business? Think about what different internal groups would say about the company culture. What emotional hooks can you identify that differentiate your business?

5. What is the market saying?

What evidence do you have about the relationship between culture and your business performance? What are customer satisfaction scores (or informal feedback) telling you? How healthy is your customer loyalty, retention or lifetime value growth? Can you start to map internal data points against these market metrics – e.g. employee engagement and customer satisfaction?



6. What does your productivity look like?

What metrics are you using to capture your productivity performance? How effective are these metrics? What are the figures telling you? How does this compare to industry norms? Can you identify where, when and how process efficiencies have taken place? What about new product development and innovation? Examine how that happens within your business today.

7. Audit your use of connected technologies across the business.

Where and how could you save time or automate administrative processes? Where and how could you better capture or deliver market and employee feedback and recognition? What about your employees – are there gaps in their use of digital channels? Are there skill or confidence gaps to be addressed? Are you engaging effectively with your customers and prospects through digital channels?

8. How healthy is your learning culture?


What evidence do you have for the level of professional and personal development within the organisation? Do you set aside budget for training and education and how effective are the outcomes? Do you operate a mentor system within the organisation? Do you bring in external speakers to educate and inspire? How is learning positioned in the organisation? Is the management team training in coaching?

9. Map out all aspects of the employee package

To be successful with culture, and to overcome cynicism, you should anticipate drivers of negativity including (real) earnings, levels of income and employment security, the benefits package provided including health and wellbeing components, annual leave, discretionary bonuses and rewards, flexible and home working opportunities, onsite facilities including food, drink, communal dining and flexible working spaces.

10. Bring in the team

So, you have prepared the evidence, you have identified gaps in knowledge, you have a clear idea of your objectives and key metrics, you have developed your awareness of the company culture. You are ready to engage the business in moving things forward. You will need to build a cross-functional team to drive the programme forward and to ensure that they are allowed the time to do so. Put a roadmap together with clear landmarks and timelines to share with all people in the business. Remain visible and involved in all aspects of the programme.



It's often overlooked that the UK has the best educated population in history, the most globally connected and aware society and the most consumerist culture. Put together, these are powerful drivers for social and business change.

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A man and a woman are sitting at a table in a meeting, smiling and talking. The man is on the left, wearing a dark vest over a light-colored sweater. The woman is on the right, wearing a blue denim jacket and glasses. They are both looking at each other. The background is a plain wall with a framed picture. The overall scene is dimly lit with a blue tint.

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