



PART FOUR
**People and
performance**

THIS PAGE IS INTENTIONALLY LEFT BLANK

Rewarding good performance and lowering corporate risk

*In rewarding performance, risk is too often ignored. Time to rethink, says **Will Cookson** at Mazars*

Introduction

In a period of financial fragility the perception of many employees is that they are working longer and harder and yet are financially worse off. Pay freezes and reduced discretionary compensation, coupled with a 50 per cent top rate of tax and higher National Insurance contributions mean some employees are worse off than they were a year ago. Add to that the increase in other personal taxes and a decrease in tax relief on pension contributions and the picture is far from rosy.

This is, however, an ideal opportunity for employers to refocus employees on the link between performance and reward. If they perform then one would expect benefits to the organization.

For any reward structure to be successful stakeholder engagement is critical, but in many cases there is no such buy-in. How many employees truly appreciated and valued the performance conditions attached to their rewards during the 'boom times' when payments were effectively guaranteed? In any performance-based plan, which employees understand the relationship between their performance, that of the company and the quantum of the reward?

Rewarding performance

The attention of both the media and shareholders is now firmly fixed on performance-related reward. This started with bonus payments by banks, but is now filtering into all areas of business, with companies spending more and more time on their performance reward strategies.

It is now recognized that short-term performance targets that led to generous bonus payments did not recognize the long-term risks of the behaviours they were enforcing. This lesson learned by the banks, at great cost, is one that all businesses should consider. The key word is 'risk' and how that can be minimized while motivating and retaining individuals within the business.

The reward mix

The cost to a company of employee reward is one of its largest costs and it is critical that the company has the right mix of cash, equity and other forms of reward to drive performance.

Smaller companies, or those in their infancy, may look more to equity as a means of attracting and/or retaining key individuals.

Quantum of the reward

The level of the reward should be a reflection of the performance and the associated impact for the business. The size of bonus pools should be linked to the overall performance of the company. Employees' reward payments should thereafter be linked to both the individual's performance and the performance of the business. In the situation where performance of the company is poor, employees should be clear that this will reduce the value of the reward delivered, if any reward is made at all.

It is also critical to assess the level of reward payable at any one time, and how this will impact on the business, eg cash flow, and on the individual. Modelling a plan and giving employees an indication of how their bonus might look given certain conditions is one way to reinforce what you expect from them and also helps manage their expectation.

Managing risk

Historically the link between performance, reward and risk was largely ignored. Reward arrangements were typically viewed as a means to attract, retain and incentivize individuals. This in itself has elements of reducing risk because, for example, retention gives continuity and good performance, driving the business forward.

What we have seen recently, however, is that risk-taking behaviours to meet performance targets and deliver rewards severely impacted the global financial system, the ramifications of which have been widespread. As a result, companies are becoming more thoughtful in the way they structure reward to discourage excessive risk taking.

There are many ways to manage the risk elements; for example, making entry to an incentive plan conditional on risk-based performance conditions. Once a person is

in a plan, a business's risk can be further reduced by combining financial targets with Key Performance Indicators (KPIs) within the organization's appraisal system.

Here are some examples of performance conditions linked to risk:

- If a business has cash issues, you can reduce debtor days and/or increase credit terms.
- In order to avoid over-aggressive sales tactics, often the 'over-promising' of delivery and service, client retention or satisfaction surveys may be incorporated.
- If product defects could affect an organization's reputation, the focus could be on quality control and, say, the level of returns/complaints.

A further element, which again came from recommendations following the banking crisis, is that large performance payments should be capped, with the excess being payable over a further period and again subject to risk-based conditions.

Performance conditions

Attaching performance conditions to reward, whether it is a cash bonus or an equity-based reward, puts an element of reward 'at risk'. In the situation where the company and/or the individual do not perform, the reward is reduced or not paid.

Performance conditions can be absolute or comparative. It is generally considered that a measure of performance linked to comparator companies is preferable to absolute conditions. A business may perform well against its competitors during a difficult period, which would not be recognized by an absolute target.

Typical financial performance conditions include profit, turnover, earnings (often EBITDA – earnings before interest, taxes, depreciation and amortization), Total Shareholder Return (TSR) or Earning Per Share (EPS).

Performance-related reward

Employee share ownership is a well-established method of encouraging employees to develop an interest in the growth and performance of their employing group or company and thereby an increased contribution towards its future successes. The use of equity is a mutually synergistic approach for the company and employee, enabling the employee to participate in the growth in value to which their performance contributed. Depending on the type of arrangement implemented, it can be a powerful way to reward loyalty and drive future performance.

A simple deferred cash bonus arrangement is a common incentive measure. Some cash bonus schemes are designed to mimic share ownership, often called 'phantom share plans'. The use of equity is common for all employees in listed entities, but in private companies is generally restricted to executives and senior management.

Beyond the arena of all-employee shares scheme arrangements that serve almost as savings plans, eg SAYE, specialized share schemes have evolved to reinforce the link

between performance and reward. For those with these plans in place, or any form of performance-related award, there should be a periodic effort to reinforce the links to performance and empower key individuals to drive the growth of the company, which in turn will deliver personal reward.

Companies may also want to review how schemes have been targeted and their value or allocation determined in previous years. We find a number of bonus plans no longer achieve their goal, and the business is therefore leaking money. Some plans are even counter productive to a business.

Some businesses will use an Employee Benefit Trust (EBT) to run their incentive arrangements, whether cash-based, equity-based or a mixture of the two. There are often little or no tax incentives in using an EBT, although tax planning can be considered, rather the EBT ring-fences cash and/or shares from the company and employees can see there is a clear 'pot' of incentives that they can earn.

The timelines over which performance is measured and value is realized should support and be aligned to the company's key objectives. Performance periods that are too long can reduce the perceived value of the awards and cease to drive the appropriate behaviours. If too short, they may reward short-term targets at the expense of sustainable underlying performance.

Conclusion

The potential positive impact of performance-related reward arrangements on a company can be significant, even where it may only be relevant to a small population of key individuals. It is imperative that the performance measures used should support the company's strategy and be in the interests of the shareholders. Moreover, the performance measures should be capable of being assessed on a consistent basis and the link of performance to reward understood.

Ultimately, one size does not fit all. Companies differ in their activities, their size, their culture and their business drivers. Whatever the company, it is possible to structure performance-related reward to support the business, the leadership and enforce the behaviours the company encourages.

Will Cookson heads up the Equity Incentives Group of Mazars LLP in London. Will was assisted by Amanda Stapleton, a tax manager in his team. They both trained with Big 4 firms and later worked in industry before joining Mazars, Will at GE Capital and Amanda at Coca Cola.

With over 1,000 titles in
printed and digital format,
Kogan Page offers affordable,
sound business advice

www.koganpage.com

You are reading one of the thousands of books published by **Kogan Page**. As Europe's leading independent business book publishers **Kogan Page** has always sought to provide up-to-the-minute books that offer practical guidance at affordable prices.



Individuality Matters to our Partnership



We recognise that every client is individual and has particular legal requirements.

Our approach

We seek to anticipate your legal needs by understanding your business and by developing a close working relationship with you.

We aim to reduce the burden of the legal aspects of decision making, enabling you to maximize opportunities whilst limiting your business, financial and legal risks.

We structure our services with a view to saving expensive management time, thereby producing cost effective decision making.

Our expertise

Since the firm was founded over 50 years ago, we have developed an acknowledged expertise in the areas of corporate & commercial law, litigation, property, employment and franchising law (please see the employment and corporate law chapters to which we have contributed in this book). We also have a leading reputation as legal advisors in the media and hotels sectors.

We take pride in watching our clients' businesses grow and assisting them in that process wherever we can.

For more information about how we can help your business visit www.gdlaw.co.uk or contact Belinda Copland bcopland@gdlaw.co.uk

Employment policies

4.2

Belinda Copland at Goodman Derrick discusses the challenges that enterprises encounter in developing their employment policies as they grow from the few to the many

One of the initial challenges for a growing business, once it is clear that its needs cannot be met by its current level of staff, will be to decide whether its policy will be to recruit new employees, or whether to take an alternative approach to direct employment that might be more suitable. The nature of your business combined with uncertain economic times may demand that flexibility is paramount. You might consider, for example, taking on agency or freelance staff to undertake the work, or in some circumstances, it might be that the work could be outsourced to a specialist service provider.

This chapter gives you an overview of the pros and cons of each of these options and also outlines the policies that a growing business ought to have in place as it grows from the local to the national and from the few to the many.

Direct employment

One hope in employing staff directly is that your employees will be more loyal to your business. Through the use of properly drafted incentive schemes, employees' income can be directly linked to the success of the business, thus motivating them. Your own employees may also be less expensive than agency or other short-term staff and you can exercise a greater degree of control over their activities.

On the other hand, the disadvantages of increasing your headcount include the time and resources spent on the recruitment process itself (eg advertising, interviews and reference checking) and the lack of flexibility in relation to staff numbers.

Agency/freelance staff

The key advantage of using agency workers is the obvious flexibility. You might engage temps to cover a particularly busy period on a temporary basis, or you might do so on an open-ended basis where your future requirements are uncertain.

On the downside, using temporary workers can be more expensive than having your own employees, since the associated agency fee increases the overall costs. Given the nature of short-term engagements, the worker him/herself is likely to be less loyal to your company, and you must still assume certain responsibilities and liabilities for them even though they are not your employee (eg the legislation that gives protection from all forms of discrimination applies to temps just as much as it does to employees).

Employers usually assume that an agency worker can never be considered to be one of their own employees. In most cases this will be correct; there will be no direct contractual relationship between your business and an agency worker and your contractual relationship is with the agency. However, the employment status of agency or freelance workers is not always a straightforward matter, particularly in the case of long-term assignments and will depend upon all the facts in any particular case. You need to be aware of the possibility that a tribunal could find that an agency worker is your employee. Current case law suggests that this is a less likely interpretation of the usual position but as the law on this point has fluctuated over the years, it is important to consider the position properly.

Employment agencies will usually draft contracts that attempt to address this situation. The contract will set out certain facts which support the position that the agency worker is not your employee. Typical contract provisions include those stating that the worker is not an employee, has day-to-day control of their work and perhaps has the ability to send in a substitute if they themselves are not available. However, if this does not reflect the reality of the relationship between you and the worker, these provisions are ineffective and you could be responsible not only for any employment-related claims, but also for any tax and NICs that have not been paid throughout the working relationship. It is therefore vital that the paperwork is properly drawn up from the outset *and* the relationship allowed to work in the way that is intended.

Similar precautions should be taken in the case of freelance workers or consultants whom you engage directly, rather than through an agency.

A final cautionary note about temporary workers relates to pay and benefits. At the moment, you have considerable freedom in relation to the terms and benefits you provide to temporary workers and it does not matter that the terms offered are less favourable than those you provide to your employees (provided that the difference is not for unlawful discriminatory reasons). An important point to note is that this freedom is diminishing. When the Agency Workers Regulations 2010 come into force (which is expected in October 2011) employers will have to provide temps with the same basic working employment conditions as to working time, holidays and pay as are provided to their employees, once the temp has completed a 12-week qualifying period. This legislation will not, however, affect directly-engaged freelancers or consultants. These Regulations will also give temps rights to other benefits such as

information on permanent vacancies and access to ‘amenities or collective facilities’ that you provide to your employees, such as a canteen or childcare facilities.

Outsourcing

You might want to consider outsourcing certain tasks, eg payroll, IT or HR functions, to specialists. The advantages are that it may be cheaper than employing staff directly, especially where there is insufficient work for a person dedicated to the task or there is no current expertise in the area. You would also have no employer’s responsibility for the people undertaking the work.

The disadvantages are that where the work has previously been carried out in-house, or if you decide to transfer the work from one supplier to another, or bring it back in-house, there may be implications under the TUPE Regulations.

These Regulations *preserve the legal and contractual rights* and the employment of your employees in the event that the undertaking in which they are employed is transferred to another employer. The Regulations also give employees specific and detailed rights to be informed and consulted about any transfer and failure to comply with the prescribed rules and timescales gives employees the right to compensation.

If you are bringing services back in-house from a service provider, or if you are acquiring the assets of a business as part of your plans to grow your own business, you may be taking on more than you bargained for as the employees carrying out the work may be automatically transferred to you under the Regulations.

The TUPE Regulations are complex and could merit an entire book of their own. However, since they are not the focus of this chapter, suffice it to say that legal advice ought to be sought as to your potential liabilities when considering any contract to outsource part of your business.

Employment policies and procedures

Expanding from a handful of employees in one place to having a larger workforce in one or more locations makes it all the more important to set out clearly the standard policies and procedures regulating employee rights, obligations, expectations and behaviour. You should take the earliest opportunity to set out your company’s approach to such matters and also stipulate how, in turn, you expect your employees to conduct themselves. It is advisable from both a legal and an industrial relations perspective to have something in writing to which employees and their managers can refer in appropriate circumstances.

A staff handbook becomes an important part of your internal documentation if 1) careful thought is given to its contents and 2) you then use it properly (rather than only take it off the shelf when things have gone wrong!).

Which procedures are required?

A health and safety policy is a legal requirement. The only other internal regulatory documents that lawyers would consider absolutely essential are disciplinary and grievance procedures. However, you should consider which others may be relevant to your business.

A diversity or equal opportunities policy is important to encourage a diverse workforce as you grow and to reduce the risk of costly claims for discrimination. The policy should cover all areas of the employment relationship including recruitment, employment terms, training, promotion and dismissals.

Other possible issues to cover in your handbook include:

- Anti-harassment and anti-bullying policy: a clear zero-tolerance statement is useful, along with directions as to what an affected employee should do.
- Leave: not just annual leave (where you can stipulate a variety of matters such as periods/circumstances when leave should not be taken) but also your policy as regards other types of leave such as bereavement or time off to care for dependents.
- Sickness absence: a policy can cover your reporting requirements that the absent employee should follow. You can also reserve the right to send an employee to your own appointed doctor.
- An expenses policy: what can be claimed, will you pay for first- or second-class travel, what is the timescale for submitting claims, what evidence is required.

It is also wise to include a policy governing the use of your company's IT and telephone systems. As you expand and become more remote, it is less easy to keep an eye on what your employees are doing and you may need to use other ways of checking what use employees are making of the equipment. Spending too long on personal e-mails or visiting inappropriate websites are common bugbears for today's employer. In addition, unauthorized e-mails sent by employees from their work e-mail address can bring your own company into disrepute if those e-mails were offensive in any way. It is therefore important to state that misuse of the company's e-mail, IT and telephone facilities will be considered to be 'misconduct' or even 'gross misconduct' if the circumstances warrant it. You can then handle any breach of the policy as a disciplinary matter.

In order to check that employees are complying with your IT policy you may on occasion wish to monitor your systems. Your IT policy should therefore inform staff that you reserve the right to intercept and monitor all communications made via the company's systems. You can state that monitoring is only carried out to the extent permitted or as required by law and as necessary and justifiable for business purposes. In other words, it is not a snoopers' charter but it does give you the right to make checks to enforce your rules.

Each business is going to have its own particular concerns and therefore a staff handbook is not a one-size-fits-all document. It is worth taking advice from an employment law specialist to tailor something to fit your requirements.

Belinda Copland is a consultant in the employment department at Goodman Derrick LLP in London. Goodman Derrick is a dynamic law firm with a broadly based commercial practice, representing both UK and international clients. The firm has developed an acknowledged expertise in the areas of media law, corporate and commercial law, litigation, property, employment and private client. Belinda can be contacted by: telephone: 0207 404 0606; or by e-mail: bcopland@gdlaw.co.uk. For further information about the firm, please visit their website: www.gdlaw.co.uk.

THIS PAGE IS INTENTIONALLY LEFT BLANK

Taking on an employee

4.3

*Help wanted? **Businesslink.gov.uk** offers advice on how to comply with regulations when taking on an employee and how to boost their skills*

As your business grows you may decide to bring in outside help, particularly if you think your business would benefit from specialist skills. Taking on an employee can also free up your time, allowing you to pursue new opportunities or markets.

However, some business owners believe employment laws are too complex and this can deter them from taking on an employee. Keeping up to date with changes to employment laws can be a greater challenge for smaller businesses, which often don't have the resources to employ dedicated HR specialists.

We've provided a summary of simple tips to help you through the process of taking on an employee. We also look at how to conduct a training needs analysis and ways to address any skills gaps to help you grow if you have existing employees.

Avoiding discrimination when recruiting

When hiring an employee you must make sure your recruitment and selection decisions are made in a fair and non-discriminatory way.

You must not discriminate on the grounds of someone's sex, sexual orientation, gender reassignment, status as a married person or a civil partner, race, colour, age, nationality, ethnic origin, national origin, religion or beliefs.

Discriminating against someone because they have a disability, are pregnant or take maternity leave, or because they're a member or non-member of a trade union is also against the law. You must also avoid discriminating against someone because of association, eg rejecting an applicant because they have a disabled dependant.

At all stages of the recruitment process, from writing the job description and advertising the vacancy, through to interviewing candidates, making the decision and making an offer, you should state clearly what tasks the person will have to do and what skills they will need. Avoid listing any requirements that are not directly related to the job, eg the candidate's marital status or race.

You could consider using the services provided by Jobcentre Plus to help fill your vacancy. Jobcentre Plus is a government agency within the Department for Work and

Pensions. It holds the UK's largest listing of vacancies. This is supported by a great deal of knowledge and local services, all of which is free of charge. For more information see <http://www.businesslink.gov.uk/jobcentreplus>.

Preventing illegal working

You must check whether your workers have the right to work in the UK. Some people are automatically entitled to work here. Others may have restrictions on how long they can stay, whether they can work or the type of work that they can do.

It is a criminal offence to knowingly employ anyone who doesn't have permission to work in the UK or to do the type of work that you're offering. The penalty for this includes imprisonment and/or an unlimited fine.

You could also receive a civil penalty if you fail to properly check that a worker has the right to work in the UK. Therefore, you should take steps to prove a new recruit's eligibility to work. For more information see: <http://www.businesslink.gov.uk/migrantworkers>.

Providing a written statement

You must give your employees a written statement of employment particulars within two months of them starting work for you.

The written statement must include a number of key pieces of information such as:

- the name of the business and the name of the employee;
- the date the employment began;
- salary and when it is to be paid, eg weekly or monthly;
- hours of work and holiday entitlement;
- entitlement to sick leave and sick pay;
- pensions and pension schemes;
- the entitlement of employer and employee to notice of termination;
- disciplinary and grievance procedures.

For more information see <http://www.businesslink.gov.uk/employmentcontract>.

Paying your employee and deducting tax

As an employer you have obligations regarding wages and tax, and while we can't list them all here, some of the key things to be aware of are highlighted below.

When you take on your first employee, you must register as an employer with HM Revenue & Customs (HMRC) and set up a PAYE (Pay As You Earn) scheme. This is used to deduct income tax and National Insurance contributions directly from your

employee's gross pay and to collect your employer's National Insurance contributions. You must ensure you deduct tax and National Insurance contributions from your employee's wages and that these are paid to HMRC.

Also, almost all workers in the UK have the right to be paid at least the national minimum wage so make sure you comply with this requirement.

You must give each employee a written itemized pay statement, usually known as a payslip or wage slip. You must issue it at, or before, the time you pay your employee. It is also unlawful to make unauthorized deductions from your workers' wages. For more information, see <http://www.businesslink.gov.uk/payingyourstaff>.

While we can't list all your legal obligations when taking on an employee in this article, this information can be found on the Business Link website: www.businesslink.gov.uk. For example, you also need to be aware of your obligations regarding pensions, employers' liability compulsory insurance and health and safety.

Training helps support growth

As your business grows and changes, the range and complexity of the skills your business needs may change too.

Getting the most out of new and existing employees' skills is crucial to your businesses' success. Being able to provide the right training can help to unlock an employee's potential and improve your businesses' performance.

To help you identify any skills gaps, you might consider conducting a Training Needs Analysis (TNA). This is a systematic way of investigating your Training Needs and identifying your employees' skills and knowledge gaps.

To conduct a TNA you need to:

- assess the current skills of individuals at all levels of your business;
- quantify the total skills available to your business;
- identify the skills you need to take your business forward;
- analyse the gap between your businesses' current skills resources and future skills needs;
- plan for bridging that gap with appropriate training.

It is crucial to assess skills gaps at all levels of the business. Seeking employee input can be particularly helpful as they are more likely to experience the day-to-day problems that might be avoided by improving skills through training.

When carrying out a TNA it makes good business sense to:

- consider the full range of training available, such as professional and personal training, and process-related skills;
- consider the different levels at which training can occur across different areas of the business, including your business and its immediate suppliers and customers, all departments in your business, or specific departments or individuals;
- carry out a full cost/benefit analysis for each training need.

Make sure you conduct a TNA before embarking on any training – this, as well as consultations with your staff, should form the basis of your decisions about what training is appropriate.

Making the most of your employees' skills

Once you have identified any skills gaps through a TNA, consider how you can fill these. Expanding the skills of existing employees – instead of bringing in someone new – can be a cost-effective way of addressing any skills gaps in your business. It can also have an added benefit of improving job satisfaction.

To assess the existing skills of your employees, ask yourself:

- Are you using all the skills at your disposal as efficiently as possible?
- Are you currently making the most of the potential of your staff?
- Does someone have untapped potential or an important skill they're not using in their current role?

You could then provide training that enables someone to carry out their existing tasks more efficiently or to a higher standard.

You might need to seek training for an individual so that they can take on a different role in your business, eg a position with increased responsibilities or an entirely new role that will allow your business to move into new areas of work.

A formal *development review process* helps to keep track of the skills and training of staff at all levels in your business. A development review could be as simple as an annual meeting with each employee where you establish a training and development plan for the year. It also allows you to draw up skills development plans that align the needs of your business and the personal goals of your employees.

Finally, as your business grows, the skills your business needs will probably grow too. It helps to think ahead about the skills you'll need. Recruit with a view to how your business might develop in the future, and try to recruit individuals who'll be adaptable and able to develop a wide range of skills.

Businesslink.gov.uk is the official government website for businesses of all sizes. It provides people with easy access to authoritative information, transactions and support to help them conduct their dealings with government and to find the information they need. While the information provided is correct at the time of writing, regulations and policies change so readers are advised to check the website for the most up-to-date information. For more information, see: <http://www.businesslink.gov.uk/employmentandskills>.

The sharpest minds need the finest advice. **Kogan Page** creates success.

www.koganpage.com

You are reading one of the thousands of books published by **Kogan Page**. As Europe's leading independent business book publishers **Kogan Page** has always sought to provide up-to-the-minute books that offer practical guidance at affordable prices.





**ROBERT GORDON
UNIVERSITY • ABERDEEN**

GAIN AN ADVANTAGE OVER YOUR RIVALS

Studying for an MBA at Aberdeen Business School is the smart way to get ahead in your career. Fully accredited by AMBA – this prestigious course is available online, full-time and part-time. Partial scholarships may also be available – so just ask us for details. As a part of Robert Gordon University, we were named the UK's best modern university in The Times Good University Guide 2010. Accolades such as these reflect the quality of our courses, which also include:

- > MBA Oil and Gas
- > MBA Transport Strategy and Management



**DISCOVER YOUR REAL POTENTIAL BY WORKING TOWARDS
AN MBA WITH ABERDEEN BUSINESS SCHOOL.**

**FOR FURTHER DETAILS CALL 01224 263428, EMAIL: A.SCOTT@RGU.AC.UK
OR VISIT US ONLINE AT WWW.RGU.AC.UK/ADVANTAGE**

THE PROFESSIONAL UNIVERSITY

The Robert Gordon University, a Scottish Charity registered under charity number SC013781.

**Accredited by
Association
of MBAs**

ADVANTAGE ABS

Training for growth

4.4

David Gibbons-Wood and Gemma Kearney at Aberdeen Business School discuss direct – and indirect – benefits of training in driving forward a business

Traditionally, smaller businesses don't engage in training to the same extent as their larger counterparts, due in part to time and cost pressures. These barriers are further compounded in a recessionary environment, where training is often one of the first areas to be axed in an attempt to cut costs. However, there are strong arguments for participating in training, especially for smaller businesses emerging from a recession and preparing for growth.

The Business Skills for Growth project commenced in September 2008. The project was part funded by the ESF (European Social Fund) and the Aberdeen Business School, Robert Gordon University. The central aim of the project focuses on the development and provision of short courses to improve SME business skills in specific need areas. The project targets SMEs and recent business start ups with a core objective of increasing business growth and assisting productivity. While the direct benefits of training are well known, over the last 18 months we have been providing business skills training to small and medium enterprises across a range of sectors, and participants have reported a range of valuable indirect benefits. This chapter provides an insight into these often-overlooked benefits and offers advice on how managers can ensure that their organizations maximize the benefits of training.

Now is an ideal time to participate in training as you may be able to dedicate more time to it than when your business is stretched to full capacity. Indeed after a difficult economic period, engaging in training may boost employee morale and send a positive message about the future, while ensuring that your business is fully prepared for the upturn.

However, training remains an investment in both time and money and it is important to achieve the maximum return on your investment. The direct benefits of training are clear and include the acquisition of new skills, problem solving and increased knowledge of a specific topic. Many of the Business Skills for Growth participants reported these improvements, with numerous examples of participants changing their business practices to utilize their new skills. Indeed, one participant overhauled his entire website and used his new skills to improve his online sales. Another improved her firm's financial understanding by using her new skills to produce more detailed monthly management accounts to help the firm truly understand their financial position. Importantly, there are also a multitude of indirect

benefits from training and these can contribute significantly to the growth of the business.

These indirect benefits include:

- an opportunity to interact with other businesses with less pressure than formal networking events;
- a method to generate new ideas, consider new trends and gain insight;
- increased confidence and the motivation to apply new skills;
- time to reflect on business practices and garner a fresh perspective.

In fact, many of the participants in our business skills training programme have reported that these indirect benefits have proven extremely valuable. For example, participants have reported building new relationships through the training programme, which have led to new partnerships and the winning of new business. Other participants have benefited from increasing their overall business understanding, which has led to more confidence in negotiation situations and improved purchasing power. While other participants have relished the opportunity to reflect on business issues and discuss these in a non-competitive environment with those in the same situation, appreciating the clarity and support provided.

Nonetheless, some participants gain more from training than others, as everyone adopts a different approach to training. Many people are passive in the training process, merely treating the training as an isolated event, but to gain the most from training, participants must adopt a proactive approach. As such, we have compiled a useful Five Step Checklist to help managers realize the full benefit of training.

Five steps to realizing the benefits of training

1. Conduct a training audit

The first step is to understand exactly what training is required at every level in the business. Hence the training audit should consult all employees and ask them to consider:

- What problems have they encountered in their day-to-day operations?
- In which areas do they feel they would benefit from training?

By asking employees to reflect on their role in the organization, a true picture of the training required will emerge and including employees in the process will also increase their commitment to the training. This practice may also save time and money, as training is often selected on the basis of old habits and the audit will highlight exactly what is required, allowing the refocusing of resources.

2. The training search

Often, training is sought on an ad hoc basis, as a reaction to an immediate problem. However, by conducting a training search managers will have a better understanding

of the training available and new initiatives may come to light. A good starting point is to contact the Government Business Support Agencies, the Chamber of Commerce and local colleges and universities, as these organizations can provide support to growing businesses. These organizations may also be able to tailor their support to help, if the training you require is not currently offered.

Online learning is also often overlooked, but may provide a flexible option of accessing the training that you require. You could also consider forming a training alliance with other business associates, who aren't direct competitors, whereby all members work together to support each other's learning as this can confer significant benefits.

3. Consider training as an ongoing process

Encourage participants to be proactive in their attitude towards training and learning. While training workshops and seminars may be one-off events, learning should be viewed as an ongoing process. Therefore, utilize training opportunities to build new relationships and continue learning after the event by following up on the ideas generated by the training process and enacting new methods of working. Where possible, provide feedback and engage with the training providers to help build on the training process. The new situations provided by training often prompt fresh thinking and participants should aim to capitalize on these new perspectives.

4. Evaluate the training process

It is important to evaluate the training process to understand the possible benefits and identify areas for improvement. Feedback should be obtained immediately after training to ascertain participants' initial reaction. However, time should be allowed to elapse to allow participants to apply their new skills in their role. A more in-depth evaluation should then be conducted three to six months after the initial training to fully understand its impact. In-depth questions should be included; for instance, asking participants to provide examples of how they have applied what they learnt, may prove fruitful. Evaluating training on this basis will refresh the learning process and encourage participants to refocus on the content of the training.

5. Reflection

Growing a business is a combination of many factors and engaging in training prompts participants to reflect upon their business practices. This reflection allows more strategic thinking about the future direction of the business. Thus we urge participants to take time from their busy schedule to reflect upon what they have learnt, as in doing so clarity and insight are often realized.

This Five Step Checklist is a comprehensive process and although managers may be concerned that the process is too time consuming, we believe that it is time well spent to ensure that the business achieves the maximum return from the investment in training. Overall, by engaging in training and regarding it as an ongoing process businesses may realize a multitude of both direct and indirect benefits.

David Gibbons-Wood is the director of the Centre for International Labour Market Studies (CILMS). Gemma Kearney is a research assistant at CILMS. The Business Skill for Growth project is funded by the European Social Fund and delivers leadership and management courses to SMEs across northeast Scotland. CILMS is a multi-disciplinary research centre, based within Aberdeen Business School, with the remit to undertake research and consultancy in the areas of education, training, skills, employment and local, national and international labour market policy. Tel: 01224 263104; e-mail: d.gibbons-wood@rgu.ac.uk.

With over 1,000 titles in
printed and digital format,
Kogan Page offers affordable,
sound business advice

www.koganpage.com

You are reading one of the thousands of books published by **Kogan Page**. As Europe's leading independent business book publishers **Kogan Page** has always sought to provide up-to-the-minute books that offer practical guidance at affordable prices.



A. STEELE ASSOCIATES

EXECUTIVE SEARCH AND SELECTION

A. Steele Associates (ASASS) was established in June 1998 and offers twenty five years experience in senior level Search Assignments across a wide range of general and senior management disciplines in sales, marketing, credit management, operations, support and technology. Our expertise has developed particularly in the identification of individuals for start-ups or re-organisations and the subsequent culture development and change processes.

Tel: 01798 815996

Fax: 01798 875817

E-mail: asteel958@aol.com

With over 42 years of publishing, more than 80 million people have succeeded in business with thanks to **Kogan Page**

www.koganpage.com

You are reading one of the thousands of books published by **Kogan Page**. As Europe's leading independent business book publishers **Kogan Page** has always sought to provide up-to-the-minute books that offer practical guidance at affordable prices.



Executive search for smaller businesses

4.5

Alex Steele has ten ways of finding the best candidates in executive searches

There are a number of services available in the recruitment market and by far the most common is contingency, ie agencies supplying CVs and only being paid a fee if an individual is hired – the fee is contingent on a hiring being made. Agencies will maintain a database of candidates and/or will advertise your requirement in a composite ad in either trade or national press. Depending on the strength of relationship with the agency this method is low-risk financially but could potentially be time-consuming in people-hours spent wading through inappropriate CVs if the agency is not au fait with your business, plus you may have no control or guarantee that candidates sourced will be screened or, in extreme cases interviewed. Some businesses might enter into a preferred supplier relationship in which they commit to giving that supplier all their requirements but at a reduced hiring fee. It is important in those circumstances to ensure that the best candidates are not being supplied elsewhere at a better rate.

At the other end of the spectrum there is executive search, which, contrary to the general view, is not solely the province of large businesses with equally large budgets and can be tailored to suit the needs of any business that wishes to benefit from a bespoke and dedicated recruitment service. Smaller businesses can be deterred from considering executive search services by the misconception that a retained search is an expensive alternative to the success-based contingency process. Although it is true that the overall fee for search services can be higher than those charged in the contingency market, you, the smaller business decision maker, may well take the view that the extra cost is justified in terms of ROI by the bespoke and manageable service that you will receive in return.

Having made the decision to invest in the services of a search consultancy you might wish to brief a number of firms and ask them to pitch. Firms can be selected on the basis of reputation, particularly if specialist in any given market, by word-of-mouth or by reference to any number of trade directories. There are a number of risk management and comfort criteria that should be met before signing on the dotted line. The following are the key issues:

- 1 Insist on meeting all the people likely to be involved in the conduct of the assignment, ie not only the consultant who would lead the assignment but anyone likely to be representing the business in the marketplace. *Would you be inspired to join your business if you met these people?*
- 2 Feel confident that these individuals would add value to the process by projecting a professional image through their understanding of the business, its products, its management ethos and its potential. *Do they have a feel for your business? Do they share the passion? Can they sell it?*
- 3 Feel comfortable that you could work with the lead consultant and that you are prepared to be guided by him/her, moreover be able to accept constructive comment on how the assignment should proceed. They may tell you that the company needs to project itself differently at interview stage or that the impression that candidates are gaining from the interview process is not as originally planned and needs to be altered. However, you must also feel comfortable that the lead consultant is similarly mature and reasonable enough to act upon any constructive comment that you may feel it necessary to make. *Be flexible and open to new ideas but you are buying their expertise, so make it work for you.*
- 4 Ensure that all candidates, particularly those who are unsuccessful, will be treated professionally and courteously so that they retain a positive view of your business to take back to the marketplace. *The recruitment process, particularly search, is a PR/marketing opportunity so take full advantage.*
- 5 Ensure that regular, at least weekly, updates on progress–timeline would be available throughout the assignment. *Be aware of your responsibility to process candidates at an appropriate rate as well as the need for candidates to be presented for consideration within the timelines agreed.*
- 6 Read the terms of business thoroughly and be absolutely clear on those terms that relate to when retainers and stage payments would be payable and what criteria would have to be met in order that those payments are due. Generally speaking, retainers would be payable at commencement of the assignment, eg your signing of the agreement/contract. Shortlist fees, where appropriate, would be payable upon your acceptance of the shortlist. Shortlist definitions may vary but are usually either upon your acceptance of the proposed shortlist or your completion of the shortlist interviews. Completion fees are payable upon completion of the assignment, ie written offer, acceptance of and confirmation of start date. However, in the case of long lead times, ie extended notice periods and/or covenants leading to ‘garden leave’ periods, there may be some flexibility. *Read the terms of business and proposal document carefully and query any issues that are not clear.*
- 7 Most search businesses will have reasonable clauses to protect their commercial exposure during an assignment so again you must be clear on what is expected of you and what is deemed reasonable by either party. Those clauses are usually included to cover costs should an assignment not reach completion, which, for the search firm, is not only a financial issue but

potentially one of reputation. *Therefore it is imperative to ensure that both parties agree specific and reasonable terms that cover such an eventuality.*

- 8** Ensure that an agreement is reached to cover the way forward in the, albeit unlikely, event that the successful candidate leaves your employ in the short-term, typically 6 or 12 months. *Each case would be judged by you and your search firm on its merits and the strength of your ongoing relationship and the mutual trust that you develop would be key in reaching a workable agreement.*
- 9** Understand in advance what your likely expenses exposure would be. In most circumstances a search firm would seek recompense for candidate expenses incurred during the course of the assignment and would normally cover reasonable travel/accommodation expenses within the UK. If the search criteria included overseas candidates then clearly the travel expenses would be higher. *Make sure you fully understand your exposure prior to signing any agreement.*
- 10** *The relationship between you and your search service provider should be a mutually beneficial business partnership with both parties concerned solely with the hiring of the best candidate available while enhancing your reputation and standing in your marketplace.*

A Steele Associates was established in June 1998 and offers 30 years' experience in the conduct of search assignments across a wide range of general and senior management disciplines in sales, marketing, risk/credit management, treasury, operations, support and technology. Our expertise has developed particularly in the identification of individuals for start-ups or reorganizations and the subsequent culture development and change processes. Contact Alex Steele on: tel: 01758 815 996 or 07525 608 761; e-mail: alex@asteel958.demon.co.uk; website: www.asteelassociates.com.

THIS PAGE IS INTENTIONALLY LEFT BLANK

Improving workplace performance

4.6

Dennis Jones at the Association of Business Practitioners discusses how to make sure you train your team to deliver your strategy

As the saying goes, ‘What gets measured gets done’. The same principles apply for awarding organizations; if you can measure something, then you can benchmark it, and you can therefore look to improve upon it. (Assuming, of course, that you don’t want to make things worse or provide a lesser service to your hard-won clients.)

Training fit for purpose

In an era of increasingly rapid social and economic change where employer organisations and the individuals who work within them are being tasked with producing better results with fewer resources, it makes good economic and business sense to ensure that training is fit for purpose. Training must deliver learning outcomes that allow learners to demonstrate the knowledge and skills necessary to either generate income or effect cost savings as efficiently as possible. These are fundamental steps for every business whether it is in growth phase or contracting due to the current economic downturn.

Let’s be positive here and look at ‘growing your own’. If an organization is to sustain growth then it makes sense to focus on the human resources in order to capitalize on the personnel already available. Without going into too much academic theory, we are talking about developing the ‘resource-based’ view in order to obtain sustainable competitive advantage.

Tangible resources are all too often matched or bettered in an increasingly short space of time. An example of this is the iPhone, which has enjoyed huge success. However, Google’s Android system is getting rave reviews and winning many new friends as it offers more free ‘apps’ than its rival. Even Microsoft is hitting back (to great acclaim) with a new mobile version of Windows 7 after its somewhat lacklustre last few years in the mobile market.

The differences lie, therefore, not in the technology but in the inimitability of the people and the systems they deploy in the front line to gain and retain the hearts and minds of the customer. What sort of strategies does your organization use to attract customers? What skills and abilities are required to do so? How do you inculcate that winning mentality? How do you capture it in terms of training, learning and development? Most importantly, how do you benchmark it so that you know that your hard earned and hotly contested training budget is being spent efficiently and effectively? Those people who can't show results will fear the worst when the next round of cost savings (endemic in all companies in these times) comes around.

Many organizations are happy to train their core personnel, those permanent employees who are on the payroll and tasked with making real differences in the lives of your customers. But what about the army of subcontractors and associates who are often the face of your organization?

Awarding organizations often rely on staff who are not full time employees (for example, external verifiers (EVs) and trainers), yet these people are often the only real contact many customers or accredited colleges have with the organization. Such people perform vital roles in client satisfaction, and their skills need to be honed and deployed to everyone's benefit.

It therefore makes sense to train these people to create value, maintain standards of professionalism and perform essential customer-service duties. A huge task but one that is essential if one's edge in the market is to be maintained with the proliferation of 'me too', commoditized products.

Why accreditation?

Many human resource and learning and development professionals find it useful to discuss how accreditation might benefit employees' and organizational goals. The reason for getting something independently evaluated or accredited is to confirm it meets a specific standard set by an independent adjudicator in order to ensure quality for consumers. Although anything or anyone can be evaluated, here the term is used to refer specifically to training and education leading to accredited qualifications. Accredited training means that the providers of training (be they employers or private providers and the FE College business units that serve them) have been assessed against nationally and, where appropriate, internationally recognized standards to determine their competence, impartiality and capability.

An accreditation system gives people the means to identify a proven, competent evaluator, ensuring that the selection of a particular form of training is an informed choice and not a gamble. Where people's careers or an employer's business strategy is at stake, there is no substitute for getting it right. Accreditation means that both employees and employers can be confident that the courses chosen will suit their aims, that they will facilitate the achievement of personal as well as corporate goals. It also means that the customer (the learner or their employer) reduces the risk of selecting training that is not fit for purpose.

The qualifications should be selected and delivered according to the employees' needs, interests and aspirations, and, if they are, they will lead to successful progression

at work, which in turn benefits both the individual and the sponsoring employer. By studying accredited programmes employees will not just achieve a qualification; their qualification is not (ideally) the destination but a landmark along the path to further personal and professional development to the benefit of themselves, their employer and their employer's customers.

Types of programme and their benefits

Programmes vary and may include a vocationally relevant qualification that blends academic learning with vocational practice, one where the fundamental knowledge can underpin its application in a work setting, or one that is based on real-life case studies. The training could use either 'off the shelf' qualifications based on the National Occupational Standards already developed by the increasingly important Sector Skills Councils (the recognized voice of the employers and the sectors in which they operate), or newly-created and specifically tailored bespoke qualifications if none currently exist to meet specific demand.

In any event, it is very important that the learner understands the process by which their qualification is assessed, whether it involves proving knowledge in a traditional examination or by building a portfolio of evidence to demonstrate occupational competence based on theory acquired in a more formal learning environment. This varied approach enables learners to identify, and gain credit for, transferable skills. It also provides them with the opportunity to progress on to their next accredited programme or to advance their prospects at work.

Most employers, particularly large 'blue chip' companies in the private and not-for-profit sector, government departments and local authorities, prefer to hire applicants who have gained their training and education from a college or institution with the appropriate accreditation status.

Often the more cost-effective option is accreditation of the organization's own in-house training, not only to ensure that the training itself is fit for purpose, but also that the employees who undertake such courses are educated to the consistent, high standards required by the employer. It is an alternative and often simpler way of ensuring the consistency of training, the continuity of their business's development, and the capability of employees whilst at the same time meeting corporate objectives.

Jason Raife, CEO of The Association of Business Practitioners sums up the importance of accredited in-house training programmes as follows:

It is positive proof of an employer's commitment to help their employees develop the required level of knowledge and skills to improve their business continuously in order to anticipate and meet the needs of their customers both now and in the future. By unlocking the potential of their people they will provide an inimitable service to their customers, giving the company a real edge in an increasingly competitive market place.

Monitoring performance

It is worth bearing in mind however, that accreditation is no guarantee of success. No matter how good the college or awarding body's accreditation process is, it will always remain the responsibility of the learner to make the most of the education or training he/she receives. If, however, a disproportionate number of learners within a particular institution are failing to demonstrate a high level of educational performance, the awarding organization is on hand to investigate the effectiveness of the teaching resources and methods. The awarding body can evaluate what needs to be improved and can support the institution in making the necessary changes.

The role of the awarding organization therefore becomes increasingly important to ensure that learners are receiving appropriate training, achieving the required standards and, just as importantly, that they maintain those standards throughout continuing professional development. The awarding body facilitates and supports the learning organization which, by its nature, becomes a 'growing' organization as it nurtures its employees to develop and progress, ideally creating further employment, learning and training opportunities in the process.

Finally, we must ask:

- What do we need to do in order to keep ahead of our competitors when technology is developing at an ever-faster pace?
- How do we maintain the quality of our customer service, technological know-how and product development to ensure that we are providing products that people want?
- How do we continue to create wealth both for ourselves and for our customers and their customers?

Often the answer lies in continually monitoring the requirements of the market and making sure that a business's most important (and expensive) asset – its staff – continue to deliver the results required, not only by the company but by the customers themselves.

The fairest, most straightforward and effective way is through the process of accreditation, which recognizes that the internal customer is meeting the needs of the external customer to the optimum level. Everyone knows where the 'goal posts' are and everyone is offered the same opportunity to continue to develop and grow. Employers know their continuing professional development is dependent on meeting their company's needs and, most importantly of all, the needs of their customers.

Dennis Jones is International Business Development Manager for the Association of Business Practitioners (ABP), an awarding organization that offers a suite of business and management qualifications, develops accredited bespoke programmes for individual organizations, or enhances and accredits existing 'in-company' awards. ABP's qualifications are designed to be flexible, affordable and highly relevant to work. For more information go to the website: www.abp.org.uk; or tel: 0203 405 2425.