Research insight

May 2014

in collaboration with

Sheffield Hallam University

Hands-on or hands-off: effective leadership and management in SMEs

WORK WORKFORCE WORKPLACE

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

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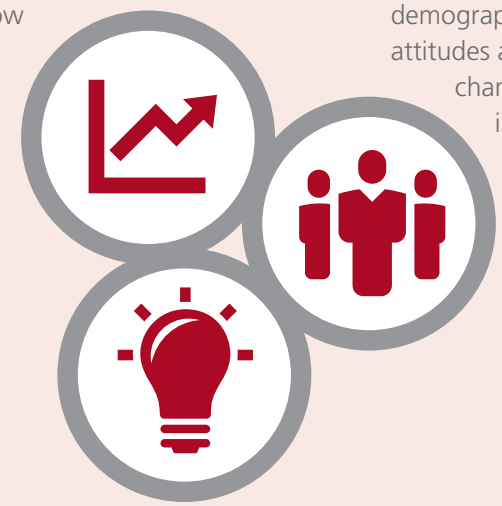
WORKFORCE

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



WORKPLACE

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

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Leadership in SMEs

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This report was written by Ksenia Zheltoukhova at the CIPD in collaboration with Dr Louise Suckley at Sheffield Hallam University.

We are grateful to all the individuals we interviewed across the nine SMEs that took part in this research:

EducationCity
GiveMeTap
Independent Training Services
JRI Orthopaedics
Millers Oils
Pyronix
RISC
We Are Pop Up
Yorkshire Wildlife Park

About the report

In 2012 the CIPD published research looking at exemplary HR practices that lead to sustainable organisational performance in SMEs. The research identified four distinct stages of SME transition, each characterised by different people management issues and opportunities. The practices adopted in the transition between the stages were shown to make a true difference to the long-term performance of an organisation.

This report, one in a series of publications about people management in SMEs, looks at what the organisational transitions mean for leadership and management in the SME context. Our work covers the variety of individuals at the top of the organisation (owners, founders, partners, and senior executives) as well as the potential of others within the organisation (middle managers and front-line staff) to demonstrate leadership and take on management roles at different stages of SME transition.

The research also considers the overall *leadership* capacity of SMEs – the structures, the culture, and the external context that can enable and support leadership, or, alternatively, act as barriers to effective leadership and management in these organisations across the four SME stages.

Building on this research, we are producing a practical tool to further support SME leaders in gaining an awareness of their individual leadership and management capability, and in identifying the leadership and management capacity that their organisation needs at a particular stage in its development.

The stages of SME transition

Introduction

Organisations with up to 250 employees currently make up 99.9% of all businesses in the UK (BIS 2010). SMEs are critical to the UK economy as they provide employment, innovation, and create economic value. The organisations that are particularly important for the UK economy are the so-called 'high-growth' firms – enterprises that grow considerably and quickly, therefore, creating more jobs (NESTA 2009). In the UK SMEs represent 51% of value added by high-growth firms, although this figure is below European average (BERR 2008), pointing at potential barriers for growth in this sector.

Recent research highlighted that 41% of high-growth firms find deficiencies in management and leadership competencies to be an obstacle to business growth (Lee 2012). Similarly, only 57% of SME employers in the Small Business Survey feel that they have strong people management skills; training had been supplied to managers in only 32% of the responding SMEs (BIS 2012).

The CIPD's own research on leadership and people management shows that there is an appetite among SME leaders and managers to unlock the creativity and productivity of their staff. More than 60% of SME business leaders in our latest *HR Outlook* survey said they intend to achieve growth through developing the leadership capability of managers (CIPD 2013a). Various programmes have already been put in place by the UK Government to understand and support SME growth, although greater accessibility of advice on leading and managing in an SME is desired.

We hope that the findings of this research, although based on a small number of case studies, will help SME leaders to develop an awareness of their own leadership and management capability, as well as to understand which contextual factors impact the leadership and management capacity in their organisation. Real-life examples presented in the report illustrate some of the practices that other companies have found to be effective at different stages in their transformation.

The research

Nine SMEs took part in this research in early 2014 (Table 1). In each SME we conducted face-to-face and telephone interviews with individuals who talked about their experiences of what leadership and management looked like in the context of their organisations. The respondents included owners, founders, directors, middle managers, and employees, depending on the organisational size and structure. In addition, we asked senior managers and directors to reflect on their expectations of how the organisation is likely to evolve in the future, and what implications the future could have for leadership and management.

A summary of the leadership and management approach taken by each SME can be found in the Appendix.

Table 1: Summary of organisations with brief descriptions

Organisation	Number of employees	Nature of business
EducationCity	90	Provider of e-learning resources.
GiveMeTap	3	Social enterprise providing access to clean water to people in Africa.
Independent Training Services	65	Education and training provider.
JRI Orthopaedics	105	Manufacturer of orthopaedic implants and surgical instrumentation.
Millers Oils	120	A leading independent blender of oil and fuel additives.
Pyronix	145	Manufacturer of security and intruder alarm equipment.
RISC	29	Independent advisory firm, working with oil and gas, and industry-related companies.
We Are Pop Up	7	Online service connecting landlords and tenants of short-term commercial space.
Yorkshire Wildlife Park	Circa 200 (including seasonal staff)	Wildlife park.

Leadership in SMEs – what does it look like?

'While for some time leadership has been considered to be a virtue of individuals, concentrated at the top of the organisational hierarchy, more businesses today (including SMEs) recognise the need for leaders throughout the organisation.'

Inevitably, 'leadership' in SMEs is associated with the capability of one or several individuals at the top of the organisation. This can be linked to the historic role of the owner or founder, who has been at the origins of the start-up, as well as with the functional role of the senior leaders in providing the vision for others within the team. The quality of leadership at this level largely depends on the individual capability of those in formal managerial roles. One employee of an SME says:

> *For me, leadership means someone who oversees all the running of the company and someone you look to for direction. Like a role model – you look up to them and follow what their beliefs are.*

While for some time leadership has been considered to be a virtue of individuals, concentrated at the top of the organisational hierarchy, more businesses today (including SMEs) recognise the need for leaders throughout the organisation. Various contextual factors, such as a challenging economic context, global competition, and a greater exposure of the business process to the customers, have called for a need to adapt quickly, to diversify in products and in markets, and to balance the amount of autonomy and control that front-line employees are given in making decisions on behalf of the business. One SME leader said:

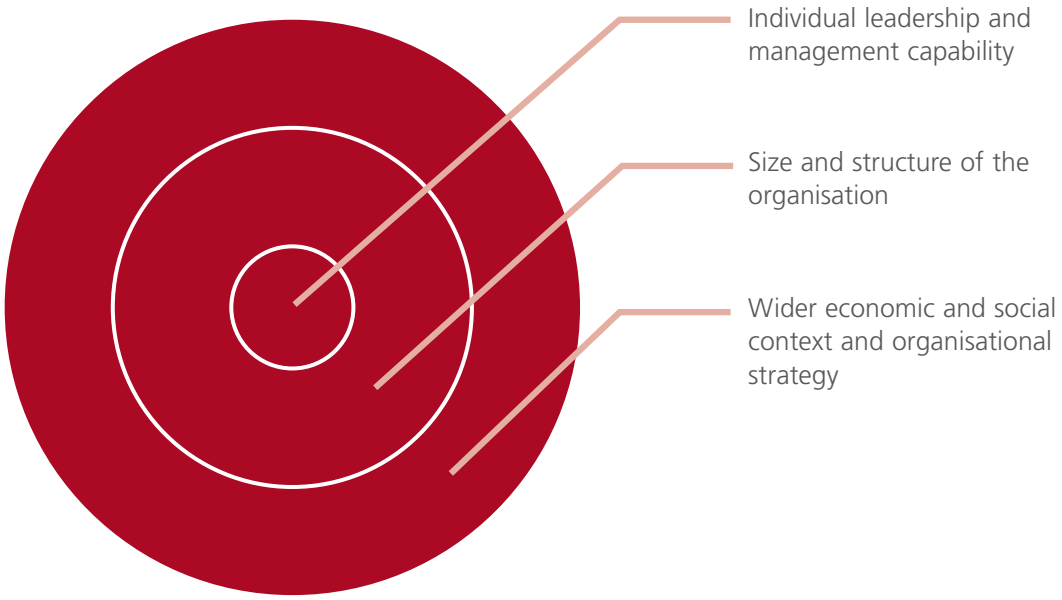
> *We try to have an ethos where everyone is a leader. Obviously, we have a structure, but it's not about having people in managerial roles to dictate to the people beneath them. It's about everyone having the sense of leadership and empowerment to lead themselves, is what we're sort of trying to feed down.*

Recently it has also been argued that despite the capabilities of individual leaders and managers, their *ability* to apply their skills effectively depends on the impact of internal and external factors, such as culture, structures, and the wider economic and regulatory environment. In that sense 'leadership' exists as the relationships between individuals and can be supported or blocked by the organisational processes and culture (Tate 2013). For example, in the *HR Outlook* survey (CIPD 2013a) the key challenges to leadership capability in SMEs were 'managers' lack of time' (51%) and 'managers have other important priorities' (35%), followed by lack of training (34%). One senior manager in an SME said:

> *Enabling is about bringing both business and people together. That means, "Have they got the right resources? Have they got the right level of authority? Are we continually developing them? Are they doing the right things at the right time?"*
>
> *So it's about removing barriers. If we removed one barrier, what else could stop you achieving?*

For the SME context, where rapid growth is more likely, but

Figure 1: Leadership in SMEs viewed from a systems perspective



equally the cost of a mistake can be dramatic, understanding of leadership and management as a system can be critical for an organisation's success (Tate 2013). We therefore identified three groups of factors that impacted on the quality of leadership and management in the SME context. These groups of factors are:

1. Individual leadership and management capability and experience (skills of entrepreneur/owner/founder versus skills of a managing director; skills of people managers within an SME).

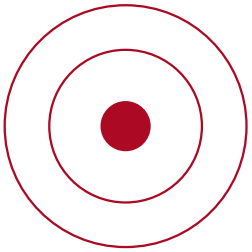
2. Size and structure of the organisation (impact of hierarchies, communication channels, availability of resources).

3. External context and organisational strategy (need for growth versus consolidation, choice of labour-intensive versus 'smart' working solutions).

In practice, these factors interact with each other; for example, organisational strategy and external environment can dictate growth and changes in organisational structure. In the same manner, SME transition between growth stages calls on different aspects of leadership and management capability.

In the next sections of the report we discuss the detailed insights around each of the three groups of factors that are relevant to understanding leadership and management in SMEs. We conclude by drawing out key insights for organisations that are considering leadership and management in their business.

1 Individual capability of leaders and managers



A key factor defining the quality of leadership in an SME is, inevitably, the skills and experience of those heading up the organisation, as well as the individuals with people management responsibilities within an SME.

In this section we explore how the history of the top leader within an SME (leading it from the start, or coming into an Established Organisation), as well as the range of past and present experiences of leading and managing, can impact on their ability to take their firm through different stages of growth. We also consider how individuals develop to become effective people managers in SMEs.

We separately consider how individuals develop the capability to become people managers in an SME context.

Making a transition from a hobby to a business

A key question to consider in understanding leadership and people management in SMEs is the profile of the SME leaders. Previous research has shown evidence of common characteristics of effective start-up leaders (Gartner 1988). These include: need for achievement, internal locus of control (belief that success is guided by personal decisions rather than fate or luck), tolerance for uncertainty, and entrepreneurial orientation (experimentation, risk-taking, proactiveness, aggressive competition).

At the same time, running a business may require a different set of skills, including commercial acumen, a focus on sustainability, and most importantly skills of managing other employees, who do not necessarily 'live and breathe' the business from its origins. One SME leader says:

> *We're not 22-year-olds, it's not like everybody's living in shared flats. People have wives and families and babies and although our salaries are quite high, how do you engage people who are used to working in quite a structured framework when everything's changing all the time?*

Where firms are run by the founder or the wider family, making difficult decisions about the organisation can be too 'close to skin' in the words of one of the SME leaders. A recent small business survey (BIS 2012) indicates that 62% of SMEs in 2012 were family-owned (defined as being majority-owned by members of the same family), and over 30% of these businesses have been owned by the family for two or more generations.

While family-owned/family-run businesses have some advantages, there are also times where a decision needs to be made by the owner to let go of the day-to-day operations, as the interests of the business's sustainability and the people within it may not be aligned with the interests of the owners.

One respondent says:

> *At that time the company was a typical family-owned company where everything was about the family. The owner had a boat as a hobby. Whether you were working in, or whether you were down painting the owner's boat, was dependent on what he felt like on the day.*

As the organisation matures, some founders are able to identify a strategic need for the business to be managed by someone who is not as close to the business as they are. They appoint an internal or an external candidate to take over or assist with the day-to-day management, depending on the type of leadership their business needs at that particular transition stage. One senior leader says:

> *Becoming chairman of my own company was the hardest thing I ever had to do because I wasn't the backstop for the final decisions. I chaired other companies but I wasn't as emotionally attached as with the business, which was my baby and I knew everything about it. I had to learn to allow people the right to decide. I was challenged.*

In the same way, the shift towards formal working practices often sees the change in relationships from 'friends' to 'partners' and 'colleagues' at early stages of SME growth. Establishing professional

relationships between individuals running the organisation can be a common issue for SMEs, as 55% of them are run by a team of partners/directors, with 9% of SMEs run by more than three partners (BIS 2012).

At the start-up stage, it is likely that individuals coming together to form a working team have personal connections as friends or former colleagues: they rely on their previous experiences of working together to ensure that the person-fit is right in a new business. However, several respondents told us how the dynamic within the team had to become more structured to ensure the working success of the team heading up the business. One SME leader explains:

> *Things changed in a very subtle way. It's down to whom do you copy on an email? What information do you let go? Especially if you start with friends, you want to share everything, it's very open and very transparent at the beginning. But as the business grows, separation of roles starts.*

Discovering individual leadership styles through experience

Some start-ups might begin as the founder's 'hobby' or 'passion', where entrepreneurs do not necessarily have skills for leading or managing others. A CIPD survey last year showed that the confidence of SME leaders in applying skills for managing others can drop as the size of the organisation increases: 52% of leaders in micro-enterprises (up to ten employees) were confident in their ability to manage others, compared with just under 40% of leaders in small (10–49 employees) and medium-sized (50–249 employees) companies (CIPD 2013b).

In the same way, the middle managers emerging within the organisation as an SME grows may also lack skills of leading and managing others. Our research shows that at early stages of SME growth – and potentially all the way to a 'consolidating' stage – individuals are appointed to management positions sporadically, often because they have been in the organisation the longest and are expected to pass their skills along. One respondent says:

> *There are going to be challenges, just in terms of hiring more junior people and managing them, as we haven't actually done too much of it yet… There are very few people that I've come across, who would start off in a position [of expertise], who would then want to transition into doing nothing but managing people.*

However, it is not until much later that people managers in SMEs begin receiving formal training for their roles. A CIPD survey (2013) shows that between 47% and 58% of managers have received training for their roles, depending on the size of SME, compared with almost three-quarters of managers in large organisations. Furthermore, only up to a quarter of managers in SMEs receive training on people management skills, compared with 41% of those working for large organisations (see Table 2). Lack of awareness of skill gaps, financial shortages to fund formal training, as well as lack of time for informal coaching or for releasing individuals for learning opportunities within the context of conservative resourcing in SMEs, can all contribute to relatively low coverage of managers and leaders in SMEs with relevant training. One HR manager says:

> *Because the organisation developed so quickly, we've put people in managerial and leadership positions, "Right, today you're an assistant and tomorrow you're a supervisor". Actually, we did not give them any sort of training to get them to meet that level. One of my priorities at the moment is to give them the skills to be able to fulfil those positions in the short window when they're not too busy to sit and do training.*

Table 2: Training received by those with responsibilities for managing others (%)

	Micro (2–9)	Small (10–49)	Medium (50–249)	Large (250+)
Any training	47	50	58	74
People management skills	20	25	20	41
Leadership skills	24	24	15	47
Developing staff	15	20	25	34

2 Implications of organisational size and structure for leadership and management

'The type of leadership that an SME needs changes as the organisation grows in size, expands across national and international locations, and matures in its approach to people management.'

The second factor impacting leadership and management capacity in SMEs is associated with the size of the business and the structures that emerge as the organisation develops. On the one hand, SME growth sees formalisation of business processes, people management practices, and organisational structures. On the other hand, some of these processes, for example, emergence of hierarchies and greater definition of job roles, although essential for business growth, can act as blockers to organisational agility within the external context.

The type of leadership that an SME *needs* changes as the organisation grows in size, expands across national and international locations, and matures in its approach to people management.

While the early stages may require directive leadership and management styles aimed at overcoming the uncertainty of the business strategy and short-term effectiveness, more trust is invested in junior managers and employees as the organisation consolidates, with leadership beginning to devolve down to the front line.

This section considers the stages of organisational growth, identified in earlier CIPD research (2012), and explains the implications of the nature of each stage for leadership and management. Between the stages of SME growth we find 'inflection points', which require leadership and management practices to evolve for an SME to remain sustainable and gain competitive advantage.

Table 3. Which THREE leadership and management skills are the most important in your role? (% of respondents)

	Entrepreneurial Edge	Emerging Enterprise	Consolidating Organisation	Established Organisation
Managing immediate operational needs	57	51	47	54
Managing people (performance management, developing staff)	28	41	52	56
Planning for the future	44	41	44	44
Budgeting and financial planning	41	31	37	37
Setting direction	28	34	32	27
Collaborating with external stakeholders	22	32	23	27
Communicating direction	20	28	24	24
Fostering innovation and creativity	31	17	17	12
Risk management	13	21	17	15
Don't know	2	1	1	–
None of the above	4	1	1	1

Based on a YouGov survey of 578 senior decision-makers in SMEs

From Entrepreneurial Edge to Emerging Enterprise: spinning too many plates at once

The first stage of the SME growth, which we call Entrepreneurial Edge, is characterised by contingency, fluid structures and strategy, flexible roles, and informal communication and knowledge-sharing. Previous research has argued that entrepreneurs 'grow' into a primarily leadership role as the organisation's size and complexity increases (Kempster and Cope 2010).

At this stage the leaders or the entrepreneurs have multiple roles to play, as they balance the day-to-day and strategic needs of the business. These individuals are often involved in virtually anything that is going on with the organisation, and become at times overwhelmed by the short-term 'survival' tasks. One leader says:

> *Right now, I have to get into a lot of day-to-day operational stuff. It is hard to constantly be out to do that strategic, long-term thinking, as much as I would like to be doing. I spend probably 80–90% of my time actually just doing day-to-day routine stuff.*
>
> *Because we just do not have the capacity to respond to customer queries, talk to people online, follow up sales leads, close sales deals, talk to [international] suppliers, think about new product designs, etc. It gets quite difficult to take a broader view of the whole organisation.*

In the absence of formal management processes entrepreneurs also have to deal with the basic people management issues. This is why their ability to lead through inspiration and vision is key to engaging with the intrinsic values of their team. Entrepreneurial leaders are keen to select like-minded individuals who can quickly buy into the organisational purpose, so that further requirements on the leader to motivate staff are minimal. Distributed leadership – one which is shared by all of the team members – is common at the entrepreneurial stage (Cope et al. 2011). One respondent says:

> *It is really about getting in the people who have real initiative and have a real passion for what we are trying to pursue, to therefore do things off their own back without being explicitly always told, "Oh, by the way, have you done this? Oh, well, you have to do this." Next hour, give the next routines.*

However, as Grenier (1994), in describing the growth crises that organisations experience in their development, previously highlighted, the first transition point from entrepreneurial firm, where individuals lead through inspiration and informal communication, ends in a leadership crisis, calling for a professional management approach.

Leaders of Entrepreneurial Edge are inspiring visionaries: leading through common purpose, inspiration and variety of tasks.

Inflection point: emergence of roles and structures

In order for an organisation to remain sustainable it needs to achieve focus and reject some of the opportunities that can be unreachable due to the resource limitations associated with the organisation's size. A strong top–down leadership provides a sense of direction; the decision-making begins to concentrate at the top of the organisation, while the execution lies with the rest of the team.

If clarity of vision is not achieved, the SME risks spreading resources too thin, trying to chase various opportunities. One employee in an SME says:

> *Sometimes, the meetings can become very argumentative and we can get fixated on arguing on points, they're not really that important to the purpose of discussion at the moment. No one really makes the decision.*

Leaders of Emerging Enterprise are directors: providing clarity of vision, which is interpreted by the team working collaboratively.

From Emerging Enterprise to Consolidating Organisation: the art of letting go

Once the senior roles differentiate and specialise at the Emerging Enterprise stage, the role of the SME leader is to provide strong direction and keep the growing team focused on a single goal. At this stage a more directive leadership style can prove more effective to provide clarity of vision and achieve greater results in the short term (Ensley et al 2006, Lorinkova et al 2013). One respondent explains:

> *You always have all the plates in the air. Where do you stop doing one thing and start doing another thing? I think the main thing is stopping, taking a step back and saying, "Is this true to our mission? Is what you're doing right now, is that helping that? What's our core mission? How do we do that? Okay, so although right now Facebook marketing is cool but is that what we need right now or do we need to be out selling the product?" It's weighing up the pros and cons.*

At the same time, as the organisation grows further, some of the negative sides of the traditional top–down leadership begin to emerge. For example, strong top–down hierarchy can hinder empowerment at the front line, particularly if the leader is attempting to control day-to-day operations without sufficient contact with the business, as their time is consumed by managing strategic direction and external relationships. One SME employee says:

> *[Our leader] demands loyalty and to know who is the top dog here. If people don't accept that, then they can struggle to get themselves recognised. [This leader] is brilliant on the business side, but there are aspects of personality which, if you don't know how to deal with, then you won't make the grade here.*

The CIPD *HR Outlook* (CIPD 2013a) shows that business leaders become more concerned both with leadership capability and lack of employee trust when the organisation reaches 10–19 employees. This is the stage when the day-to-day contact between the leader and the followers becomes more limited, due to the growing span of control for those at the top of the organisation. In the case of the owner-manager organisation, it is sometimes also the point at which the founder may decide to step back to a strategic role, and delegate day-to-day management of the business to other experienced colleagues, so as not to become too internally focused. One SME director explains:

> *This company developed as an owner/manager organisation with one pinnacle person who kick-started the growth of the organisation a long time ago. But an owner/manager can't do everything themselves – and the earlier they understand this the better we are. The organisation reached a ceiling where it was just limited by the individual's capacity and capability and found that it was on a downward spiral because the individual had lost that capacity to do anything else.*

Inflection point: diversification of management lines

As the organisation grows in size, functions diversify and specialise, with more junior members of staff taking on day-to-day operations, and the experienced individuals educating newcomers, and focusing on more complex tasks. The SME leaders begin to delegate operations to a team of trusted senior managers, while themselves shifting onto strategic priorities and managing the external relationships of the business. One leader says:

> *To begin with, when we were a small team, a lot of my management style was actually hands-on and I've actually done every job here. Now, we've got managers in place and I'm much more operational and I supervise people, whereas before it was a doing role.*
>
> *I still like to be hands-on; I get very frustrated if I'm stuck in the office a lot. But I am letting go a little bit. Looking back now, I know I used to micro-manage people. Now I have to give the responsibility to different managers and allow them to manage their teams, while I keep up to date with every department.*

As the functions emerge the SME leader needs to devolve the decision-making to the senior managers. Failing that, senior managers become figureheads, without real power in the business, preventing the top leader from focusing their time on the strategic goals of the organisation.

Leaders of Consolidating Organisations are pastors: overseeing formalisation of managerial structures and delegating execution to senior managers with responsibilities for a specific part of the business.

From a Consolidating to an Established Organisation: a need for co-ordination

At the Consolidating Organisation stage the roles are increasingly defined, as formal people management processes begin to emerge. Most employees would have received job descriptions, and there are normally clear functions across the business. The day-to-day operations are led by a team of senior managers, each typically responsible for a function within a business. These individuals are responsible for linking the day-to-day delivery to the strategic goals they receive from the top leader and/or the board. One middle manager says:

> *We see ourselves as leaders, as role models, for the rest of the organisation. We're all very ambitious and we all have a clear vision for the future – that runs through our veins and we see that that becomes replicated throughout the organisation.*
>
> *It's about being prepared to put your head above the parapet, take responsibility, take ownership, accountability for things. Also in terms of the people that work for you, that you're somebody who is trusted.*

In the meantime, a CIPD (2013b) survey shows that middle managers increase people management responsibilities as the organisation grows in size (see Table 4). As mentioned before, these individuals may have been appointed to the managerial positions on an ad hoc basis, simply due to having the most experience in the organisation. This is why the role of the senior leaders is to provide the direction of travel for the rest of the business, but also to support the middle managers with developing the skills necessary for running their teams and dealing with people issues. One senior leader says:

> *I try to avoid delving too far down. By working with each of my senior managers, I act as a coach and I facilitate the way that we're doing things. If things are not working quite well, I don't change my style and become autocratic because it's easier.*
>
> *I, actually, go through it with them. They find that frustrating; I know they do. "Well, just tell me what to do" is the ultimate question. Well, no, I'm not here to tell you what to do. We're here to find a way to achieve what we want to do.*

Inflection point: breaking down the silos to empower the leaders within

The consolidating stage can be characterised by the organisation 'taking a step back' to reflect on the present situation and identify the direction for the future. However, a prolonged period of formalising and systematising can also hamper the entrepreneurial spirit within teams and contribute to overly bureaucratic decision-making processes, as functional silos emerge.

Continuing to work in operational silos can damage competitiveness of an organisation, even if the processes are adhered to by staff. One middle manager explains:

> *The organisation was at that time divided into two blocks, each headed by one of the founders. In terms of the processes and the decisions within the organisation, absolutely everything was taken by the heads of those departments. Absolutely everything was decided between them, and thrown over the wall.*
>
> *There was no real ongoing interaction between the teams except at the very top. It was very much 'You've got to develop this, and when it's ready, we'll chuck it over the wall.'*

Established Organisation: leadership from within

Where functions have been established, and the processes tested at the previous stage of the SME development, the front line has to be empowered to lead on behalf of the organisation. The role of the senior leaders and managers is to create an enabling environment, in which cross-functional teams can make independent decisions, guided by the clearly articulated vision for the company. One respondent comments:

> *What people have to understand is that it's not down to four people making the decisions to make the change. We [leaders] can create environments and we can create cultures over time, but it doesn't happen overnight. We have to put a lot of energy into that, but it's not just down to us, everyone's got to be involved with it.*

When the organisation is focused on the long-term sustainability of its performance, the leaders begin to reconsider the entrepreneurial spirit within teams that was evident at the start-up stages of their business. To encourage initiative and ownership among employees – with limited ability of the top team to control everything that goes on in the business – there is an apparent need for greater empowerment and trust being invested in the front line. One senior leader gives an example of building employees' confidence in making mistakes:

> *We built upstairs a fantastic space for the employees. All the way through we talked to the people who were going to work in it. But when the storage area arrived, it came with no end [wall], so it looked ugly. The person responsible for the office wanted to be told what colour it was but we just left it for him to sort out. He said, "I think it should be red, because it is one of our corporate colours."*
>
> *That was a terrible choice, personally, but it wouldn't have mattered if it was red. The fact is that he has got used to making decisions. If we empower people, we have to accept some "red ends".*

At the Established Organisation stage the role of senior managers and leaders is less of a hands-on management, and can be

'The role of the senior leaders and managers is to create an enabling environment, in which cross-functional teams can make independent decisions, guided by the clearly articulated vision for the company.'

Table 4: Average number of employees reporting to a single manager/leader (%)

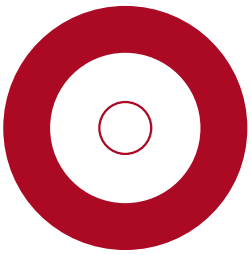
	Micro (2–9)	Small (10–49)	Medium (50–249)	Large (250+)
>10	–	12	24	14
6–10	9	11	9	11
4–5	12	9	9	11
2–3	17	17	17	11
1	21	7	6	6
% of employees without managerial responsibility	39	44	35	47

Leaders of an Established Organisation are guardians: the SME leader has a 'helicopter view' of the external and internal relationships of the business from the strategic point of view, and takes on the role of the guardian of values and cultures within the business.

characterised as creating the 'binding force' for a fairly large number of internal and external stakeholders. First, the role of the leaders is to connect their people to the 'bigger purpose' that the business serves, acting as guardians of organisational values, and stimulating employees' engagement with the business. Secondly, the leaders are best placed to create an enabling context for their workforce, removing the obstacles preventing front-line staff from doing their jobs. One senior leader says:

> *[My responsibility is to] have a sense of a route map, and making sure that then cascades into departmental objectives and individuals' objectives, so they're all aligned. It's on me to lead the Executive Team, the people involved in the day-to-day running of the business, to actually then work that up as a plan and then communicate that to the Management Team and to employees. First, to get buy-in, so they understand why we need to do these things and then, secondly, to empower managers to then go and put initiatives in place, objectives in place, goals in place, targets in place.*

3 The impact of the external context on the nature of leadership and management



The final factor impacting leadership and management in SMEs is the external context. This means that even those reaching an Established Organisation stage may need to review their approach to leadership and management, for example, where a cultural change or a review of the strategic direction is required following the trends in the external market. One SME leader comments:

> *So, I think the role has moved on a lot, especially in recent years. Austerity climate, the need to save money, a step change in the way they procure products – all are challenges for an SME.*
>
> *So I think the market behaviour is very different and I think, also, there are some social aspects as well to that, which is over recent years, you know we are all living in a 24/7 society and people expect instant responses whether it be through social media, email, or text message.*

Our findings show that effective SME leaders lead both internally and externally, taking both sides into perspective, and aligning the internal organisational processes to the changes in the external environment. As part of that, they are required to balance consolidation and change, to identify the need and the appropriate moment for a transition and bring their people along towards a more sustainable business model.

Change is the new normal

Earlier CIPD research found that stages of organisational maturity are not always linked to organisational size in a linear way; in fact, an organisation can move between stages, partly dependent on the evolution of their business strategy. Change management skills of leaders and managers are one of the key priorities of 42% of senior leaders in small organisations and 53% of senior leaders in medium organisations (CIPD 2013).

Some aspects of change are driven by the trends in the external environment, such as the ongoing competition, and the associated risk to lose business if the organisation goes through a period of consolidation and planning for the long term. As a result, even larger organisations can go back to the Emerging Enterprise mode:

> *We talked about having a period of consolidation. We've reached this level and now we need to consolidate everything and we need to upskill people and get more staff in place. It's never happened, because there's always something else.*
>
> *We need to grow, we really do, because if we don't do this we lose customers, but the negative side is that actually we never get to consolidate anything and invest in people. It's tough and I see the argument from either way. I don't think there's a right answer.*

When change arrives too fast, the capabilities of the workforce may have not yet grown enough to deal with the challenge independently. Such situations may require a far more hands-on approach on behalf of the leader, while ensuring appropriate communication at all times. One leader explains the approach to managing the business through the recession:

> *In 2008 we'd just launched a new product, and of course, we'd lost four months' worth of sales because the recession hit and the whole world went into almost meltdown. I knew we had to act quickly. We had to be decisive. We were going to stop all expenditure. Everything had to be signed off by at least somebody in the scale.*
>
> *We needed people to work five-plus days a week but we needed them to take a 10% pay cut. Then I went to the staff and I said, "You all know what's happening in the world." I said to them, "This is what I think we can do. I believe that we can survive but we've just launched a new product. We need to go out and convert as much as we can so I need the sales guys to do that. I need everybody – if you've got a better idea or you've got a different idea, come forward with it and we'll sort it out together. Every suggestion will be looked at, I guarantee that and we'll get back to you within x number of days as to why it's no good or whatever."*

'Our findings show that effective SME leaders lead both internally and externally, taking both sides into perspective, and aligning the internal organisational processes to the changes in the external environment.'

We made that decision.

What I knew was, and I believed we could grow, once we started to grow I could bring people back. We kept the bulk of the staff because as soon as we'd got an order in we could bring people in to fulfil the order.

Flexing leadership style depending on the situation

At the same time if leadership is not allowed to devolve down the line as the organisation develops, the business can 'outgrow' its own people. As more front-line employees are asked to take ownership of the business and to lead from the front, they may have never been given an opportunity to develop leadership skills up to that moment. One leader comments:

The difficulty we've got is that the organisation may outgrow some of the individuals we've got, and that's very difficult. We're trying to move people with us, that's always the best thing to do, but we're 50% larger than we were three years ago. The nature of working means that we need to have better and quicker processes and that creates a strain on some of the individuals.

Effective SME leaders note that empowering their staff in the context of the fast-moving external environment is a balancing act. SME leaders highlight that people are their business, as the organisation's agility to respond to change depends on them. They emphasise the collaborative nature of decision-making and focus on growing the skills and autonomy of their workforce to enable leadership. One respondent said:

What we explain to people is that the world is changing too quickly for the old style of management. If the exponential rate and the rate of change continues, we will see more change in one week in the year 2025 than we did in the whole of the last century. The directors can't possibly believe they are going to keep up with that amount of change, but if you have 120 people trying to keep up with that amount of change, you stand a chance, don't you?

While the priorities of the business may require SME leaders to take quick, authoritative decisions in some areas, they take every opportunity to step back, empower, and coach staff to deal with the problem-solving on their own. This is considered to be an investment in the long-term leadership potential of the business. One SME leader explains:

There are a lot of times when we need to be there to help them understand [their potential] and help them get the most out of it.

When we first started to review our performance management process, [the project lead] wouldn't have believed she had the empowerment or skills to do it. There are a lot of times when I needed to be there to help them understand that they've got the skills, and help them get the most out of it. Eventually she has come up with the document, she has come up with the plan to engage others in the development. Other than creating the environment by communicating to the rest of the organisation, "This is the team doing this," I have left the entire project to the team.

Key insights for SMEs

'Different contexts will require different leadership styles, and it is essential to take in both the business perspective and the people perspective to make a decision that does not damage long-term performance of the organisation.'

Having analysed the factors impacting the nature of leadership and management, we summarise the implications of organisational transitions for SME leaders in the summary table, highlighting some 'red flags' that can indicate a need to review the leadership and management approach at a particular stage.

Our research also suggests five overarching insights for individuals formally leading the organisation, as well as those responsible for people management in SMEs. These findings could also be useful for SME boards looking to appoint leaders and considering the prerequisites for effective leadership and management in the SME context.

1 The nature and shape of leadership changes as the organisation matures

The nature of 'effective leadership' in SMEs is fluid, depending on the stage of the organisational transition and size. What can be achieved simply through the inspiration and charisma of an individual leader at the entrepreneurial stage of the SME growth will have to formalise eventually to gain strategic focus. Similarly, relying on authoritative hierarchical leadership for too long can hamper competitive advantage in a larger, Established Organisation.

We also find that as SMEs grow and diversify their products and services, they can enter a cycle of going from entrepreneurial state, to consolidation and long-term planning, and then back to re-engaging the entrepreneurial spirit within.

SME leaders and those responsible for people management in SMEs should consider what kind of leadership their organisation *needs* at each particular stage in the organisation's transition.

- What does 'leadership' mean in the context of your organisation?
- What do you expect to see happening in your organisation as a result of 'leadership' – at the organisational and individual level?
- What is the organisational capacity for supporting leadership? In other words, what are the skill capabilities at various levels in the organisation? What are the engagement and confidence levels like? What is in place to guide individuals to making right decisions for the company?
- Are you planning for the capabilities required of leadership in the future?

2 There is no right or wrong leadership style

Effective SME leaders tell us leading others is a balancing act. Different contexts will require them to apply different leadership styles, and it is essential to take in both the business perspective and the people perspective to make a decision that does not damage long-term performance of the organisation. Effective leaders take every opportunity to step back and allow their people to take a lead.

- Where can people be empowered and trusted without damaging the needs of the business?
- Does the culture of the organisation allow individuals to take the lead? Where are the barriers?

Stage	Entrepreneurial Edge	Inflection	Emerging Enterprise
Summary of the phase	Start-up phase characterised by informality with an emergent strategy, fluid structures, flexible job roles and tacit knowledge exchange.	Operating on tacit knowledge means consistency of output is an issue.	Formalisation of the organisation's structure and introduction of processes and procedures to guide work.
Where does leadership sit in an organisation?	Entrepreneur or group of partners at the origins of the start-up.	A need for a common direction and a standard of work to focus the business strategy.	An individual leader with a core responsibility for decision-making emerges at the top.
Look out for these red flags		• Inability to say 'no' to opportunities. • Having to switch from one task to another is damaging to the quality of your outputs. • The team members can't make or back up their decisions. • There are arguments over decisions, but the problems remain unresolved.	
The role of the senior leader	Inspiring visionaries: leading through common purpose, inspiration and variety of tasks.	Identifying the need for clarification and differentiation of roles. Taking on responsibility for decision-making, and balancing day-to-day management with strategic considerations.	Directors: providing clarity of vision, which is interpreted by the team working collaboratively. Defined professional relationships between colleagues are established.
People management capability	Leaders are keen to work with like-minded individuals who buy into the organisational purpose, so that further requirements on the leader to motivate staff are minimal. They rarely engage in formal people management processes.	The leader needs to direct the enthusiasm and initiative to focus it on the strategic objectives of the firm.	The SME leader is effectively managing the rest of the team, however, this often presents itself as hands-on guidance and direction rather than through formal processes.

Inflection	Consolidating Organisation	Inflection	Established Organisation
The level of formality introduced erodes the initial entrepreneurial driver of engagement.	More planned business strategy and a systematic approach to people management. Focus on the organisation's long-term goals.	Systems and processes may no longer suit the organisation size, reinforcing silo working.	Focus on the internal context (such as the culture, engagement and internal collaboration) and the external context, to ensure practices and approaches support business aims and are aligned to the vision and values.
There is a gap in translating the direction and values from the top of the organisation and the front-line employees.	A leadership team, where individual senior managers are responsible for discrete areas of the business.	Silos need to be addressed through creation of common goals between functions and enabling cross-functional working.	Leadership is devolved down the line.
• SME leader struggles to retain contact with all of the employees. • The leader has to take on day-to-day tasks in crisis as junior/new members of staff are not trained to do their job/are afraid to make mistakes. • No one takes initiative to lead on a task.		• The organisation is growing in size, but it is not more productive. • People avoid forming cross-functional teams, even informally, and wait for instructions from the top. • People are frustrated with the lack of influence over the key aspects of work.	
The senior leader is giving up power to senior and middle managers to take on day-to-day management of the business.	Pastors: the SME leader oversees formalisation of managerial structures and delegates execution to senior managers with responsibilities for a specific part of the business.	The senior leaders incite collaboration within the senior management team and between departments, so that individuals within the organisation can be trusted to support a common organisational goal.	Guardians: the SME leader has a 'helicopter view' of the external and internal relationships of the business from the strategic point of view, and takes on the role of the guardian of values and cultures within the business. The leader is modelling behaviours, such as coaching, effective people management and others.
As more junior colleagues are hired, the span of control of the SME leader is growing. The contact between the leader and the front line is limited due to the overwhelming strategic priorities, and directive leadership style (useful to achieve short-term outcomes) can be damaging to bottom–up initiative.	New middle manager level implements formal mechanisms of translating strategic direction in day-to-day objectives of individual employees. They are supported by formal policies and procedures, dealing with performance management, training and development and so on.	Formal policies and procedures become perceived as overly prescriptive and counteract workforce diversity.	The role of managers is to support front-line employees in connecting day-to-day management to strategic goals, by recognising their contribution to the 'bigger picture'. They facilitate working processes by creating an enabling context for the front-line teams to exercise leadership.

'Our findings warn how quickly silos and red tape – characteristic of large organisations – surface in relatively small businesses.'

3 SME leaders don't know what they don't know

Our findings show as their organisation grows, the leaders are discovering new challenges of leadership and people management that they may have not experienced before. It is important to consider external benchmarks for your business, and learn what other organisations might be doing to better understand your own organisation and leadership style.

- Which opportunities are available to gain perspective of what other organisations are doing?
- Do all of your active networks add value to your business at this particular moment?
- How can you develop skills of identifying and solving emerging leadership and management challenges rather than simply learning about the 'quick fixes'?

4 The SME leader shouldn't have all the answers

As well as the nature of 'leadership' on the whole, the role of the individual or the team at the top of the organisation evolves, requiring application of different skills. At the start-up stages of SME growth, or at crisis points, it is 'easier' for those with formal leadership responsibilities to adopt a hands-on approach, particularly if they are familiar with the task at hand. However, one of the roles of the leader is to transfer knowledge and grow leaders within the organisation, requiring a greater emphasis on empowerment and coaching rather than direction and process management.

- Who has the formal decision-making authority in your organisation?
- Is this arrangement supporting or hindering the ability of other employees to meet the short-term/long-term needs of the business?
- What is the skillset needed at the top of the organisation? How can those skills be developed/brought in from outside the organisation?

5 SME leaders should think creatively about people management practices

While it important to learn from the experiences of others, not all of the existing people management practices should be replicated. Our findings warn how quickly silos and red tape – characteristic of large organisations – surface in relatively small businesses. SMEs should avoid building the 'empires' of the corporate world and use innovative people management solutions to retain the agility of their organisations.

- Does the SME leader proactively take time to reflect on how to work smarter and add value to the business, rather than working harder?
- What are the current barriers to agility in your organisation? Where do they come from?
- Who are the key influencers in the business who can lead on overcoming those barriers?

Appendix: Case studies

EducationCity

Background

EducationCity is a leading provider of e-learning resources in the UK. The company was founded in 1999 by two people, who built on their strengths (technical, sales and knowledge of the market) to develop and launch their first online teaching and learning product in 2003.

The organisation has grown since, it currently employs over 90 staff and has a second sales base in North America. The company was eventually bought by an American competitor in 2010, and then acquired by an even larger one in 2012 to become part of the world's largest online specialist educational content group, Edmentum.

Owner-led business

From the launch of the first product in 2003, the company operations were originally divided into two blocks, development and commercial; each of them was headed by one of the founders with virtually no management structure underneath. There were also no support functions, such as accounting or HR. Almost every individual within those teams was managed directly by a founder.

Richard Whalley, Managing Director, who joined the business when it was taken over in 2010, explains, *'These were the founders, who had a great business idea, worked very long hours, and who started when there were just two of them. They knew absolutely the whole piece, and, they managed the business from what was in the bank account. That was fine and very successful for the early growth of the business but that was not an "organisation" fit and ready for continued growth.'*

Even as embryonic technical and sales teams were created, all of the processes and the decisions within the organisation were managed primarily by two of the founders, each taking one side of the business. As a result, the teams were not communicating well with each other, with day-to-day decisions always being escalated to the owners.

Building the management team

The new owner, the American company, was publicly quoted on the NASDAQ, and that highlighted the need to bring in the first management team to develop formal structure and systems. EducationCity had been a successful and profitable owner-operated business, but it had to acquire the structures to remain sustainable after the owners left within a year of the acquisition.

Kate Sanderson, HR Manager, says, *'This has always been a brilliant place to work. The day I arrived here, this was a brilliant place to work but it simply wasn't positioned for growth, or a sustainable future.'*

First, a sales director was brought in – the role that later transformed into managing director. Within the next six months an HR manager, finance director and a technical director were appointed. Although the legal management board consists of the CEO and the team of senior directors in the US, the UK-based managing director of EducationCity and directors take all day-to-day decisions in the UK.

Richard Whalley, Managing Director, says, *'The telesales team and the external sales team didn't work together at all. Similarly, in production we had silos. It was a case of quite quickly identifying from the people who held leadership positions, the ones who could actually be a proper head of department. Not because they'd been there for the longest, but because they had the skills to take that forward.'*

Although some management roles were already present, it didn't necessarily mean that individuals in those roles had the knowledge or skills to be leaders. They had to be upskilled and empowered to lead the restructure and change, and to drive the different parts of the business forward with the support of the directors. More importantly, they were encouraged to collaborate and share information across the business to avoid further silos.

Stuart McPherson, Head of Commercial Business, explains, *'The management was flat, there were teams of people – so you had people who were effectively in team leader positions, but they were just doing the same jobs that they were still doing with a different title. They were all technically brilliant, and they'd been promoted on their technical*

abilities, but not necessarily on their people management abilities.

'I had to chip away at the team and go through a bit of pain in order to explain what their jobs actually were and what their remit was – to really invest a lot of time in terms of best practice, in terms of people management, in terms of performance management. I think, before in the business, that there wasn't necessarily an emphasis on the people side of things.'

Future focus: developing leaders within

Currently there is a two-tiered senior management team. There are four department heads, and HR, and other managers who report into those departmental managers. Below them there are team leaders and all other staff. Currently EducationCity are implementing people management practices and a leadership development programme that will enable employees at the front line to exercise leadership and to help grow future leaders.

To arrive at a position where more people are able to make decisions that are aligned with the organisational strategy, EducationCity have found that you need to invest time to develop them and give them confidence to feel empowered. Richard Whalley, Managing Director, explains how this is done in practice: *'Once a month we held a meeting where we would ask, "What are you up to this month?" That then became, "What are you up to and why?" That then moved to "And what do you think? Are we doing the right things?" There was a lot of structured conversation and discussion, which in itself is development and is a framework. But, did we have a sheet or a form or a box that we ticked – absolutely not.'*

Another aspect impacting individual employees' behaviours in the sales team, for example, was the type of reward they were receiving, and, therefore, the decisions they were making on behalf of the company to maximise their individual reward.

Richard Whalley, Managing Director, says, *'We operate a revenue-based model rather than straightforward cash [profit and loss]. Four years ago, today's sales in cash terms was seen as the most important thing. To sell a school a seven-year subscription for 50% discount was great because that meant cash in pockets.*

'Now we're looking at what is the true value of this business going forward into the future. We sell a two-year subscription for no discount in the knowledge that we're going to deliver them product upgrades over the next two years, amazing customer service, and have a high certainty that they're going to renew in two years' time. We look at that long-term build-in value of the business.'

Kate Sanderson, HR Manager, explains what that means for individual reward: *'Collective and individual rewards have been mixed up, and while the whole team has to reach a base level, there is individual commission earnable for everybody on top of that. That's only been going a couple of months, and you can already see the buzz.'*

However, on the behavioural side of performance, introducing a formal competency framework did not work due to the diversity of the workforce and of working styles of the call centre staff when the practice was applied. Stuart McPherson, Head of Commercial Business, who tried to introduce behavioural standards, explains that they felt too prescriptive and could not capture the variety of ways to do the job that would lead to the right type of outcome.

Instead, a coaching leadership style has been adopted: *'I ask them about it. "How do you think this is perceived? Do you see any problems with this? How do you think that this impacts on the people around you? Is there any way that you think you could do this differently?" Through that, instead of going in and saying, "This is not right," it is really getting people to reach their own conclusions about it.'*

GiveMeTap

Background

GiveMeTap is a social enterprise established in 2011 by Edwin Broni-Mensah after he found it difficult to access clean water on the go. GiveMeTap is partnering with a network of cafes, restaurants and shops where individuals can refill their reusable branded bottles with tap water. For each water bottle purchased, the company provides one person in Africa with access to clean water through funding sustainable water, sanitation and irrigation projects.

GiveMeTap has grown to a team of three people over the past nine months and is looking to hire another two employees.

From an idea to managing a business

Edwin Broni-Mensah owns and runs GiveMeTap on a day-to-day basis, having created the idea in 2009. He explains that his aim was to tackle the social stigma around asking for tap water refills in UK cafes and shops without necessarily buying anything, but at the same time help provide access to clean drinking water to people in Africa.

Initially the direction and the uptake of opportunities are largely dependent on the resources available to the business. At the moment taking on new employees is led by the rapid growth of the business and, therefore, increase in workload. The roles are not defined because involving everyone in all of the processes and applying resource where there is a priority need is beneficial for the business. Edwin says: '*I am always drowning in too much in work. Then I know I need another person. The roles are not as functional; we do not have silo roles. Everyone is doing a bit of everything. We do whatever needs to be done, because there are not enough of us to, let's say, only do marketing, or only press, or only do sales. Each person has to do multiple roles, but not necessarily overlapping with another person.*' Sanum, who joined first as an intern but has been the first full-time employee of GiveMeTap since 2013, considers the meaning of leadership in the business to be fluid. She says, *'Edwin is the founder and I see him as a leader of the business. We don't really have the titles of CEO or anything of that capacity. Over the summer I developed a leadership role as I handle all of the PR, all of the comms, marketing, partnerships. Naomi, our product development intern, in a way, is a leader in her field because she's telling us about product development.*'

Internal and external leadership

Edwin explains that due to the social enterprise mission of GiveMeTap, his role as a leader is two-fold.

On the one hand he is the leader of the organisation, formulating the mission, outlining and updating the direction of the company, setting and communicating those ideas to other people. While the idea started as a passion for social change, Edwin had to apply commercial skills and consider the sustainability of the business as the enterprise took shape. He says, *'Because everyone drinks water, there is so much scope. There are so many different opportunities that we get presented with. In the last nine months, we have had to discern which opportunities we need to be going for, and which ones, for now, we have to say "No" to.'* If he or the team struggles to make a decision on opportunities, they are likely to go back to the ultimate social mission of the company as a yardstick. Sanum says:

You always have all the plates in the air. Where do you stop doing one thing and start doing another thing? I think the main thing is stopping, taking a step back and saying, 'Is this true to our mission? Is what you're doing right now, is that helping that?'

What's our core mission? Well it's to bring water to people in Africa, that's our main thing. How do we achieve that? Mainly through sales. But then do we allocate our resources to that as opposed to digital marketing? During busy periods we have to weigh up the pros and cons.

On the other hand, his ambition is to help a million people get access to clean drinking water across different African communities within five years. In that sense, Edwin's leadership role is also externally focused when he is engaging with investors and society to effect social change. Edwin says, *'How do we get private investors and funds to give the required capital, so that we actually can grow to become a real scalable organisation that can actually have massive impact? Nothing resonated with me more than that – in the team, I frequently talk about, "Wouldn't it be amazing in a world where the biggest companies in the world were social? Where the people who worked at social firms got paid based on their social value and contribution to society."'*

Challenges ahead

While at the moment the enterprise is small, the team learn from each other easily because they share the physical desk space and communicate with each other frequently. However, Edwin expects that his role will change as new people join the organisation, as it will be his job as a leader to ensure transfer of knowledge to the new recruits.

I think the nature of getting bigger is that we will need systems, processes and roles, designated to people as we scale, because it is hard to manage it otherwise. But bringing more people in doesn't mean I can relax a bit more. But I will need to educate new people that come into the company.

Something I try and find out early on in the recruitment stage is whether you care about what we are trying to do. Once you do join, we have a two-day induction with presentations to tell them about what we are doing as a movement, as a mission, what we stand for, what our values our, etc, and where we have come from to today.

Another aspect of a growing team is learning to allocate decision-making to others. Sanum explains that the reason the lack of formal roles and structures works is that Edwin is a trusting leader where empowerment is beneficial to the business. She says, *'We are currently figuring out how I can fulfil orders when Edwin is not around. At the moment, Edwin processes all the orders and stock is held by him. There is a transfer of responsibility that needs to take place so that he can do other jobs. When you're in a small business, everybody matters and needs to do what they can. No one has time for paper-pushing.'*

Although he has never managed others before, Edwin explains that he needs to bring the 'right' kind of people into the business to minimise their need for supervision. At this start-up stage his recruitment tactic is to select someone who is enthusiastic, motivated by desire to create positive social change and is able to self-manage. Edwin says:

There is a certain type of individual that you want in a start-up anyway. The type of individual I want is a type of individual that takes the initiative and does not rely so much on me telling them, 'You have to do A, B and C,' but can actually start to immerse themselves in what the business is doing, to get an understanding of what needs to be done, and just getting on with it. It is hard to carry other people as well as yourself, in such a small organisation. If you don't have that sort of personality, then you may not resonate with the ethos of the company.

One of the reasons for aiming for enthusiastic – and young – recruits is the financial constraints around hiring experienced workers. Edwin explains that to attract a mid-career professional to a start-up would be incredibly costly and, therefore, the competitive advantage is created by bringing in less experienced but highly motivated staff.

If I had a half-million-pound investment, I would invest in good people. Invest in good people that can more than quadruple, or make 5, 10 times the money they are worth, to help us actually deliver on our social mission more.

For me to hire one of my peers, who work in the top FTSE 100 companies in their marketing departments, I have to top what they are on now. This would be more achievable when we receive financial backing to grow the business.

Independent Training Services

Background

Independent Training Services (ITS) is an education and training provider based in Barnsley. It started 32 years ago with a concept of 'volunteer action groups', but has been successful in securing government funding to deliver education and training over the past 20 years.

Originally ITS specialised in educating and training young people that were not yet ready for moving into further education and employment after their school experience. More recently, it is focusing on the provision of a broader range of qualifications, including vocational, academic and Apprenticeships, as well as training, succession planning and recruitment for employers.

ITS employs 65 staff.

A need for change

Chris Payne, CEO, explains that in 2013 he inherited an organisation with deeply established ways of working that had served the organisation well, but nevertheless, were now dated and not suited for the fast-moving external world. Although some parts of the organisation were performing well, the other 'building blocks' of a successful modern enterprise, such as a well-co-ordinated marketing strategy, were ineffective, resulting in losses for the company on the whole.

Chris says, *'It was, very much, a hierarchical structure; very much a non-thinking culture. Some people, no fault of their own, thought: "I just turn up for work; you tell me what to do, I'll do it, I'll clock in and clock out." Having secured financial stability the organisation became too complacent about that.*

'There are a lot of external factors that we have to absorb and, actually, prepare for so we can respond, not react [firefight]. Thus we can only be so much proactive because in reality, to be proactive in an unknown area you still need to be agile to be prepared for the unknown, not knowing what, potentially, may happen.'

The new CEO has set a new agenda for growth and diversification to help the organisation expand into the regional market across South Yorkshire and on the borders of the other counties. This required, first, a more dispersed workforce and, therefore, potential challenges of consistency and devolved responsibility. Secondly, the organisation had to take a course onto long-term planning to be prepared for the changes in the external environment.

Chris Payne says, *'Previously they were looking at the length of the government contract and how to deliver that contract. Then, they would have to refocus again and gear themselves up; so no long-term thinking was in place. While now we're looking at moving into all parts of training and education and there's lots to be done. We need to give the business more longevity and more stability in the marketplace. We need to be predicting the market. Our focus is we are a training and education organisation providing solutions for local employers and career pathways for individuals – the government funding may change, but we will maintain our core offer.'*

A new direction in place

In order to implement the strategy, some direction and role-modelling from the senior team was required to set the tone for a cultural change.

Claire Clifton, Corporate Services Director with responsibility for HR, says: *'I'd like to say it was completely bottom–up, but I think the culture that we'd inherited was very much a risk-averse culture. So at that point it would have been difficult to say to people, "What do you expect?" Because they would have just gone, "I don't really know." Initially, we had to show from the top that we'd moved on, practise what we preach, be consistent throughout, everyone receives the same experience and move on from no risk-taking, to taking informed risks – action-orientated. We still see this as an evolution and therefore needs time for people to adjust.'*

The cultural change has been supported through a range of people management processes used to encourage positive behaviours and eliminate the negative ones.

First, the business planning process is now set up in a way to ensure clarity and buy-in from all the workforce, including the board of trustees. While the strategic objectives are set by the board of trustees, the senior management team then works with each business unit to create a whole-organisation approach to determine how the objectives will be met as part of the annual operational plan.

Mick Farrar, Quality and Performance Manager, says: *'The*

objectives are clear and transparent now and all staff are included in the agreement and development of those. We had development days and all staff were involved in coming up with ethical values and how we wanted to deliver our promise to our customers. From the business side we have monthly leadership and management team meetings, which will set clear priorities that we need to look at in terms of the contracts that we're delivering.'

Secondly, the annual performance appraisal is now supported by monthly one-to-one(s), where an employee and their manager sit down to review the direction of the business and its performance to maintain transparency of operations. According to Claire Clifton, the monthly one-to-ones have brought significant improvements in terms of business performance, as any potential barriers are picked up and dealt with much earlier on.

Amy Staniforth, Premises Coordinator, says, *'The progression through being here has been great, especially since new management have come in. I was always scared of making a mistake, whereas now I've got more freedom. If I make a mistake, it's fine, as long as I can work it out. Now, no idea is a bad idea, so it's really good.'*

Third, all managers have been put on the management development programme to provide a new way of working, creating a culture towards giving everyone in the organisation ownership and decision-making power. A six-month review is planned to analyse the effectiveness of the programme and to ascertain the level to which the new culture has been embedded in the organisation.

Chris Payne explains, *'Previously planning was led by a select few – "Right, this is what we're doing...." which may have been right at that time. Whereas the new way of doing things is, from the senior level, to understand where the business needs to go to; but with everyone in the organisation taking ownership and responsibility for how we get there, who's going to drive it and when we're going to do it.'*

Callum Hewitt, IT Support Officer, says, *'Our new chief executive has given everyone budgets. Instead of me asking someone to ask someone else if I can buy this equipment, I am trusted with a budget. I can then decide what ITS needs instead of waiting, possibly weeks, to find out if I am allowed to buy something. It just helps the company's running.'*

Finally, the new culture is perpetuated through the recruitment practices, where the new recruits have to demonstrate the 'business fit': a combination of the right skill and the right attitudes.

The senior coach

Now that managers and teams are gaining skills to lead on the organisational agenda, the role of the senior leader is to provide a sense of direction and coach them through delivery, rather than impose a new way of working in a top–down manner. Chris Payne explains that by working with each of the senior managers, he acts as a coach. He says, *'They find that frustrating; I know they do. "Well, just tell me what to do" is the ultimate question. But I'm not here to tell them what to do. We're here to find a way to achieve what we need to do. …I would say nine times out of ten, people who sit in front of me who have got a list of questions for me, have, probably, got on the other side of the paper, or in their head, all the answers for the questions.'*

Another important role of a senior leader is in creating an enabling environment that would encourage individuals to realise their leadership potential. A 'can-do' approach means *'not to go straight to the solution but to understand what is, actually, stopping us'.*

Chris says, *'I have a rule here that mistakes don't matter as long as you've put in the effort, you've tried something different and you had a good intent about what we do. People have not grasped that yet because they've come from a risk-averse culture. I'm changing that completely around and saying, "Actually, we have to do things; we have to innovate, we have to try new things. We have to make mistakes.... we are a learning organisation ready for the new era."'*

Finally, there was a need to break down the silos between the business units that stemmed from a hierarchical structure. A whole-organisation approach intends to address some of the common challenges, such as the alignment of the delivery arm of the business with the 'back office' functions such as finance to show the team that everyone is working to the same objectives.

Certainly cultural change takes time, and that is a challenge for the senior leader to allow individuals to embrace and learn the new ways of working rather than reverting to the autocratic style. Chris Payne says, *'I am adamant to avoid using any level of being autocratic. Hard; it's tough because some days you want to just say "Can we just get on with it? This is how it needs to be done and just do it." But if I ever get myself thinking in that position, then I shouldn't look at the individual, I'd look at myself and think "I need to do something differently."'*

JRI Orthopaedics

Background

JRI is an orthopaedic company, established in 1970 by an orthopaedic surgeon, who managed the company with his wife until he passed away at the age of 93. The company is now owned by a research charity, formerly called the Furlong Research Foundation and now known as Orthopaedic Research UK.

The company grew organically and has been exporting products for over 20 years. One of the innovative products won the Queen's Award for Technological Achievement. Commercially, the company is competing with global orthopaedic companies, but JRI profits are gift-aided to the charity, which is wholly independent and provides research funding to academic institutions and hospitals in the UK, a unique structure for a company in the orthopaedics market.

Patient focus and ongoing research and development are core values of the company to this day.

Owner-led business

The company, having been managed by the owner for a long period of time, lacked a strategic approach to business. On the one hand, Mr Furlong successfully identified the business opportunity and created a good UK market for the products. Being a medical professional himself, he'd had ideas of his own about what he could do to improve implant design. On the other hand, the owner's style of managing the business was parental and, at times, quite autocratic. Jerry Agass, Operations Manager, reflects: *'One could argue that in the day we were all surrogate children of the Furlongs, who owned this business and didn't have any children of their own. But it led to some other cultural issues.'*

The business structure under the autocratic leadership was lacking. Keith Jackson, Managing Director, explains that for the first 30 years of the organisation, there wasn't a strategy document. *'The plan was in Mr Furlong's head; what he wanted to do and where he wanted to go. He would just say, "Right, we're going to do this, so you get busy," and move on. Very little thought went on as to how we were going to do those things. I don't think he really set it up as a business per se. It was more of a type of passion. He just wanted patients to have the best, most appropriate hip implant.'*

Modernisation and change

In order to succeed in a competitive global environment, the business had to modernise while maintaining the values and the ultimate purpose that the organisation stood for. This involved an investment to modernise the manufacturing process, including brand new premises, alongside an introduction of a much more people-focused leadership style, which prioritised clarity of roles and improvement of customer understanding among staff.

One of the priorities was to define the strategic direction of travel and to formalise areas and job roles to match that strategy. As operations manager, Jerry Agass is *'making sure there's a complete supply chain in place, manufacturing at the right time, at the right cost. There's a team of four managers to deliver that: there's a purchasing manager, production manager, process engineering manager and a continuous improvement manager.'*

Another challenge for modernisation was to overcome the customer perceptions of the company being seen as more traditional, less dynamic, and to change the brand image of JRI by responding to the pace of change in the market. Previously JRI had relationships built on trust with surgeons but needed to better understand the changing needs of various customer groups: patients, surgeons and hospitals. Through improved communication with internal and external stakeholders, as well as through exposing staff to customer experiences, there is now a programme of customer profiling.

Ian Ellison, Machinist, says, *'One lady, who had a specialised hip made here, came round and toured the factory. She pressed the button to start the machine to make her hip that will make her walk. It just makes it a bit more real, doesn't it? It gives a reason to your work if you like, at least, something we do helps some people out there.'*

Distributed leadership

When a company has grown, there is a greater demand for individuals to make autonomous decisions at the front line and the time for senior leaders to focus on enabling leadership at all levels of the business rather than directing operations.

Jerry Agass explains, *'I don't know how to programme the machines. What I can do is I can work with individuals and do coaching or mentoring. So it's actually, "Okay,*

how are we going to do this? What's the approach? Let's break the project down, let's see what we're going to do. Have we got all the right people in place, or do we have to recruit anyone, train people?"'

However, this was not something that employees may have been used to. As the staff turnover rates are low, many employees had been in the company for a number of years and some were sceptical of change or accustomed to deferring decisions to someone with formal authority.

In the past 12 months JRI has also introduced cross-functional teams. They have identified projects and deliberately involved people from different departments to encourage that collaboration and break down barriers. They are now working on getting better at getting the right mix of skills in each project and reducing the amount of intervention and coaching, so that the projects are more self-managed. With many people involved in those groups, JRI is already seeing some output from their work.

Keith Jackson says it is easy to *'think about training and development, but actually, it's much more about job enrichment. It's giving people mini-missions, rather than tasks. That can really stretch people because they have to think about how they're going to do it. One of the mini-missions for a new marketing manager was, about four years ago, "We need to positively change customers' perceptions of JRI in the market." That's it. Rather than, "We need to do this, we need to do this, we need to do this."'*

Ian Ellison, Machinist, adds, *'If you can find a new tool or a new idea, a new way of doing things that makes it quicker or enhances quality, that would be done as what's called a JDI, just do it.'*

What is the role of the senior leaders?

If the decision-making and delivery are fulfilled by front-line leaders, the task of senior managers is to create an enabling context in which these leaders can thrive. Keith Jackson, Managing Director, explains that although, with a leadership hat on, he might like to get on with developing an exciting new opportunity, there is *'management and maintenance stuff'* that has to happen to create a climate for change.

This maintenance of climate can involve continuing that conversation around innovation, keeping people focused on it, enthused about it, offering support, sponsorship, empowerment, but also apportioning accountability.

There is also an aspect of the climate control role, where the senior leader is in charge of monitoring the external environment and steering the direction of travel to respond to the emerging challenges. This can include product development to retain competitiveness, navigating the regulatory environment, as well as nurturing a learning culture.

Keith says, *'What do I see as my role? I think the first thing is we have some very experienced and talented individuals in the company. Some of them have far more experience than I have, certainly in terms of their specialism. For me, it's about coalescing those ideas, that ambition, that drive and pointing it in one direction. So, bringing to bear a forward-looking, cohesive plan, ensuring that plan is working and that customers are impressed. It's about building a sustainable company in a competitive market that is changing every week.*

'Then it's for me to lead the executive team, the people involved in the day-to-day running of the business, to actually then work that plan and communicate with the management team and employees: (a) to create buy-in, so everyone understands why we need to do these things and then, (b) to empower employees to then go and act, to put initiatives in place and to achieve their objectives and targets.'

Millers Oils

Background

Millers Oils is a family-owned independent blender of oil and fuel additives, established in 1887 in Brighouse, West Yorkshire. The company was run by the owner, Robert Miller, until his death in 2007, when four directors took over the day-to-day governance of the company.

Millers Oils employ 120 staff.

From a family-run business to a leadership team

As Millers Oils was run by the owners for a significant period of time, the current management team and staff find that a specific culture of working has been associated with this family-run business. On the one hand, the workforce has become closely knit and many staff continue to contribute their skills and experience to the organisation even after the change of management. On the other hand, the leadership style of the owner-manager may have been dictated by the interests of his own short-term profits rather than the long-term competitiveness of the business.

Andrew Smith, Label Coordinator and Deputy Production Manager, says, *'I used to be here when Millers ran it, [and] the man took everything out of the company. He ran the business for his lifestyle, not the business to make profit.'*

Currently, Millers Oils is run by four directors, responsible for various areas of the business. Two of them have the title of joint managing director, although these senior managers shun titles. They say they aim to make decisions jointly, regardless of which department they are heading, so as to combat silos and to ensure the alignment of the operations with the strategy. The owners have now taken a step back from the day-to-day operations, with just one of them taking the role of a non-executive chairman of the board.

Jamie Ryan, Director, says, *'The key to why we have been able to do some of the things we have been able to do, is because the owners have taken a view of, "Leave it to the management to grow the business." That is critical. Some other companies might aspire to do what we have done, but if somebody is taking millions of pounds out in dividends it is not going to happen.'*

Change of processes and of culture

One of the challenges for the new management team was to bring the technological processes to the levels required by the competitive external environment. Jamie Ryan, Director, emphasises that keeping up with the accelerating pace of change is a continuous project rather than something the directors would ever be able to cross off their list.

He explains, *'When I first arrived here, we were already starting to struggle, but weren't quite sure what needed doing. The service levels were dreadful, atrocious. Only three years ago we filled and moved barrels by hand. We couldn't keep up with demand. In fact the first few weeks I was here, we had all four directors down filling bottles, because letting the customer down wasn't an option.*

'Yet today it is modern machinery filling barrels directly onto pallets and there is much less physical work. Much cleaner. Much more efficient. Much more accurate.'

The next project was to start changing the culture of working to fit with the new pace of service delivery. Because of the previously strong top–down management of the business, silos had emerged between departments, even though the company had only 120 employees. Jamie Ryan says that departments made promises to the customers, without understanding whether they could meet the demands and they wouldn't then communicate with each other to co-ordinate efforts.

Jamie explains that one of the more traditional production managers, who had been with the business for 40 years, was found a new role outside of production. Others initially resisted change, despite the obvious business case for it. *'One individual in particular was obviously passionate about his work, but frustrated because nobody would listen to him. The old management structures didn't listen to shop floor workers and would respond to any suggestions with "How would you have an opinion that I would be interested in?" He is now a Team Leader, contributing well at so many levels and as their ideas are taken seriously he is a lot less frustrated.'*

Further cultural change was achieved through the simple physical reorganisation of the business (for example, sitting people from different departments together in an open-plan office). Some of the change is being

achieved through innovative job design and the creation of cross-functional teams.

Karolina Piwowarczyk, Production Coordinator, is one of the employees leading a project across functions without having formal managerial authority over her colleagues. She says, *'It's hard to make people take stuff seriously. When we just started, [other departments] weren't sure what we were supposed to do. It wasn't about them obeying our procedure and our rules, but about all of us working as a team. The directors were really helpful because in a company update, they would say how important our work was.'*

There was also greater transparency across the organisation to challenge the hierarchical split between the operations and the senior management. Karolina says, *'Even the directors say, "If you would like to come and see what I do, I'm happy for you to do that." So they're not really hiding from us. They also had a chance to go into production with us and work with us. It was a bit frustrating because they spent most of the time just chatting rather than doing the job. But it was nice to see that they can see what we do and understand it better.'*

Self-managing teams

The next step the management is taking is to give even more autonomy to the front-line staff by removing the formal managerial levels in the middle of the organisation. For the moment, the project has started in the sales and marketing department with a view to this continuing across the business.

When the UK sales manager left the job, it created an opportunity for the business to allow the sales staff to manage themselves, incentivised by collective reward. Instead of replacing the UK sales manager, a different approach was adopted.

Steve Woollven, Director, says, *'I remember the day vividly. We had all the sales team turn up for the quarterly sales meeting; you could feel the anticipation in the room. They were expecting an announcement on who was going to be the next UK sales manager, and this did not happen.*

'We wrong-footed them completely, because Jamie and I shared with the team a vision for the future, about the way this business could work and feel, the way we could all work together, the way other forward-thinking companies had done it and what we had in mind. What we were talking about was a business moving forward, a business of the future, where we want people to make decisions for themselves, working in teams, we want people to focus on what they are good at where they can add most value. Self-managing teams, setting their own targets and sharing as a company in the success. We got a round of applause at the end of the day.'

The project was trialled with several volunteers, who worked out themselves how they were going to work in the new way, focusing on the collective goals rather than on individual goals. Immediately, the feedback from one of the external team members was that *'after one day, working with my internal sales person, who I was meant to be working with previously, I've spoken to him more times today than I have in the previous six months.'*

This was the catalyst that was needed to convince the cynics, and within a few months all the sales team members were working in this way. There were some concerns as to how poor performance would be managed now the UK sales manager role had been removed. The great strength of working as a larger team is that when someone is underperforming, it is the team who tackle these issues without any need for them to go any further. More recently, business development managers were brought in to guide and grow a particular market sector, which has given the right level of focus, guidance and support for all the sales team. One thing that is certain is that as the company evolves with the new culture and different way of working, there will always be an element of fine-tuning to respond to the ever-changing marketplace; the principles of the company's vision will always hold firm.

It is not yet clear, however, how the model could be further replicated in production, where the traditionally hierarchical way of working is more deeply ingrained in the structure of accountability and decision-making.

Andrew Smith says, *'On the shop floor we have to make decisions quickly. If we run out of additives, we need somebody to chase that additive up, somebody that's going to kick someone and get it ordered. Otherwise you have everybody running around saying, "You do it." "I'm not doing it, you do it." "I'm not doing it."'*

Although the front-line staff are passionate about the business and would have the knowledge to make the right decisions for the organisation, Andrew believes that the main barrier to manager-less working is the legacy of blame culture in the business. Although there are few real examples of individuals getting blamed for

mistakes, distributed leadership will not work unless there is complete trust between the senior managers and the employees.

Jamie Ryan, Director, is optimistic about the direction of travel for the business. They started with the removal of the health and safety and traditional production managers and the creation of team leaders, moving responsibility and decision-making much closer to the sharp end of the business, and then went even further with the changes to the structure of the sales team. He sees it as the role of the senior leaders to give up power and to concentrate on creating an enabling environment for the front line to do their jobs. He says, '*We have been asked, "If we are doing all this, what are the managers here for?" My answer was, "We are here to create the environment, where you guys can do your job, and grow and thrive." We are not there yet, but we are a lot further on in the journey than we were three years ago. That is what leadership has to become now. It is not telling them what to do. It is making sure they have got the things and the knowledge they need to do their job well.'*

Pyronix

Background

Pyronix is a leading UK manufacturer of security and intruder alarm equipment.

Julie Kenny, currently executive chairman, was a founding director and then managing director in the company which she started with her husband in 1986. Pyronix reached the position of the leading detector manufacturer in the UK in 1992; since then, new products have been introduced and new markets opened.

Currently Pyronix is developing a new range of wireless products, infra-red body heat and movement sensors in the UK and has grown internationally to sell that wireless equipment in targeted individual countries.

Pyronix employs 160 staff.

Strong leadership through change

Julie Kenny, Executive Chairman, explains that as Pyronix has gone through a series of changes in its strategic direction – when the company was developing and marketing new products and when international markets had to be opened – the organisation needed strong leadership from the top to ensure that the strategy is implemented efficiently across all of the departments.

Initially, Julie was the strategic leader as well as the role model of delivery on the ground.

She explains, *'In those early days I had to have a full-time job in order to support the business. I used to come in to Pyronix at night, holidays, days off, Easter and so on. I would do the finance, the admin and the sales. When things were going wrong, I'd actually pick up the phone and speak to the people the next day.'*

Strong and transparent leadership was particularly required to reassure people when the company was impacted by the recent financial crisis. Jackie Scott, HR Manager, says, *'When we were hit by the economic climate, our staff consultative committee members discussed the issues that we had and offered ideas how these could be resolved. More widely, all staff were consulted directly. Julie led it, [presenting options] and others may have said, "We should make redundancies," but she didn't want to go that way. The people thought about it and it was agreed to reduce working hours.'*

Julie adds, *'That was what I considered I needed to do because I'd got 150 families' mouths to feed. What I knew was (and I believed) we could grow and once we started that growth I could bring people back into work. I think we let two or three people go and we lost two or three people because they were on a four-day week. We kept the bulk of the staff.*

'In the following year we gave everybody two pay rises and we gave them an extra day off. We paid them back that way. I knew the financial sacrifice that everybody had made during that difficult time and I still know it today.'

Letting go

As Pyronix grew, however, Julie now has 'a helicopter view' of the business, stepping away from the day-to-day management and focusing on the strategic direction for Pyronix, as well as sitting on the boards of other companies as part of the company's corporate social responsibility policy. She says, *'Becoming chairman of my own company was the hardest thing I ever had to do because I am emotionally attached to the company and the staff. The company was my baby and I knew everything about it. But the baby has grown up and I had to learn to allow people to take responsibility. Colin challenged me several times to make sure I did that. He is better at that than me because he has not grown this company and is more emotionally detached.*

'I've learned to delegate. I've learned to become a critical friend. Actually I've learned to be a better chairman because actually now I can see more. I've just got this knack to find where things may be going wrong: as I go around the company speaking to staff, I see things and intuitively know "That's not right." I just delve a little bit more and find out the issues.'

The company is currently led by three leaders, complementing each other in their roles. Colin Beresford, Commercial Director, looks after development of people, change management and has lots of major projects which facilitate the company growth. Sebastian Herrera, Managing Director, tends to be more focused on the technological side, leading on areas such as product development and identifying emerging trends in the market. Julie's role is to spot the gaps in the day-to-day operations, and to steer the delivery to the strategic direction.

Colin Beresford, Commercial Director, says, *'Seb and Julie have been with the organisation since it was quite small – so I think one of the things they were struggling with, but that Julie recognised, was letting go. Whereas I have no history here, and it's easier for me to try and get people to take responsibility.'*

However, there is a view that a new layer of middle management may be required as the company grows.

Jackie Scott, HR Manager, says, *'Our structure was very flat and now we're starting to put people in the middle of that structure in new roles. For example, a repair engineer started today; we've also appointed a process engineer and a product manager, both positions we'd never had before. Those are people in the middle layer that we're trying to build.'*

Fast pace of change

One of the challenges for Pyronix is that their leading position in the competitive market means they can rarely afford a stable period of time to consolidate. The leaders have to champion strategic change and ensure that the rest of the organisation comes along quickly to respond to the external challenges on the horizon, all while maintaining the delivery levels to match the short-term demand.

Colin Beresford, Commercial Director, says, *'Our industry, which has been fairly technologically static over many years, is starting to move. It means that we're getting threats from places that wouldn't have even been a threat years ago. So we've got to look wider than security. It's a moving feast, moving very quickly.*

'The difficulty we've got is that the organisation may outgrow some of the individuals. We're trying to move people with us, that's always the best thing to do, but we're 50% larger than we were three years ago. The nature of the organisation means that we need to be more systematic. We need to have better processes and that creates a strain on some individuals and the way that some people behave.'

The fast pace of change and lack of time to juggle short-term and long-term priorities has implications for the leadership style of senior managers, as they become more directive, requiring operational managers to perform to the required direction, while taking ownership of the implementation of the company's strategy.

Andy Lake, Materials Controller with supervisory responsibilities, says, *'My director comes to us and says, "This is what we've decided we're going to do, this is how we want to do it." Then it's up to me to implement with my team, my part of the jigsaw to make sure that we all interact, and we're on that same goal.'*

Jackie Scott, HR Manager, says, *'We don't have an appraisal system as such, but we have a contribution agreement. Every director or manager, down from Julie, to Sebastian, to Colin and then throughout the rest of the directors and the managers, so that everyone has objectives to meet the group's strategic direction and Julie's entrepreneurial thinking, so that we have to meet those objectives to go forward. Your performance is reviewed in a 360° fashion by the people who work with you on specific objectives.'*

RISC

Background

RISC (Resource Investment Strategy Consultants) is an independent technical adviser to the oil and gas sector established in 1984. It is spread across the headquarters in Perth, another Australian office, a London-based operation, and more recently an office in Dubai.

Internationally RISC has 29 staff.

Shared leadership to support business needs

When the organisation was established, one of the founders, John Boardman, reached out to colleagues or like-minded people, who joined the organisation as partners. In 2011, the decision was taken by the business to corporatise and an external investment company purchased 49% of the business. The original six partners own the other 51% of the shares.

Corporatisation required a more sophisticated approach to people management. An HR adviser was recruited in 2011, later replaced by an HR manager. In 2013 a new CEO was recruited to bring a more commercial approach to the business. The partners, in turn, became employees of the company, although they still have shares in the business.

Leadership of RISC is formally represented by the CEO and the board of the company, who make the strategic business decisions around the business plan. However, due to the positive relationship and joint interests of the founders, the partners are still very heavily involved, and there is a consensus drawn from the partners before the evidence is presented to the board.

Debbie Ledingham, HR Manager, says:

It's a small organisation and the individuals have worked more or less together for almost 15 to 20 years. They know each other's strengths, they know each other's areas of development and at this precise moment, I think it works effectively for RISC.

They've all worked exceptionally well together, for a very long period of time. They've built up the trust in each other. There is a high degree of autonomy to allow them to implement their skills.

A similar degree of trust exists in how the business is managed day-to-day, which appears to be down to the empowering leadership style of RISC's CEO, Peter Dawson. Debbie explains that *'Peter is a real people person'*, which allows others in the organisation to exercise the autonomy in decision-making, particularly as in a small organisation the CEO already has 'too many balls in the air' to get involved in every decision. She says:

In a small organisation Peter is under a tremendous amount of pressure trying to manage the workload now that one person is [temporarily] absent. That's where I play the buffer.

Under pressure he maybe doesn't share as much as I think he should, as he tries to take those burdens on himself. My job is to refocus him by taking some of those people issues away from him, so that he focuses on the business side only. Together we can work effectively to manage the people aspect.

Michael Roberts, Finance Manager, adds on his experience of applying leadership skills at RISC:

Being an organisation of about 25 people, you've got to get your hands dirty. But the diversity of the role meant that I've been able to move through the roles quicker, and take on more responsibilities and develop, without fearing to make a mistake.

The appeal to me is certainly the ability to have a direct link and a line through to the CEO and the senior management in the business. You find yourself not having to cut through reams of red tape in order to achieve a certain goal.

Growing leaders in an international team

While RISC started as a Perth-based company, expansion of the business abroad required appointing trusted individuals to lead independently in each of the international offices. This quickly raised a challenge of 'retaining the identity of the company' across the business. Geoff Salter, one of the RISC partners, who leads the UK office, says:

There is something in the air at the Perth office. The culture. The buzz. A sense of purpose. We are working hard to replicate that across the business and are sending our best people as ambassadors to run offices abroad.

It works well when the direction is there, when these ambassadors are leading by example, showing the energy and the enthusiasm. But we are always in a growth mode. The next step for us to ensure sustainability of the business is to

grow more people who can do the right thing for the company when working on their own.

The CEO and the partners play an important role in preserving the RISC's 'way of doing things', partially through ensuring visibility across the international offices. However, the next task for RISC is to grow a new generation of leaders, to take on senior roles, when current partners choose to retire. Michael says:

There are a couple of partners who are fairly close to retirement, while our ambition is to grow the business further. The partners who leaders to emerge in the business. They want to see people that are showing a passion, showing a drive, having good ideas that can take the business forward, because they're going to be the next set of senior people in the business.

Debbie explains how putting aligned people management practices in place can aid in achieving consistency of the business on an international level. Identifying and developing future leaders starts with the recruitment process, where individuals are selected against a well-defined 'recipe' of both professional competencies and leadership potential and skills. Geoff Salter says:

We're about to start a recruitment exercise to find a replacement for the head of the UK office. We are thinking very carefully about the kind of person that's going to fit with the RISC profile.

We need to be very clear about the skills and competencies that we're looking for from that individual. As well as all the technical, commercial, and business development competencies they're going to have to have some key leadership competencies.

In addition, a more structured people management approach with better-defined processes, allows to ensure consistency of behaviours, while also giving individuals opportunities to learn how to deal with difficult situations, and make decisions independently. Debbie says:

Our employees have vast experience within the business, within the industry. They're all very competent, highly skilled individuals and, therefore, they have a great degree of autonomy.

We have a very strict code of conduct that they follow. Decision-making is very much left to them. It's only when there's something that is very much outside the norm, that they would need to seek advice of a senior decision-maker to assist them through that process.

Michael Roberts, Finance Manager, explains that autonomy is an attractive aspect of the nature of working at RISC, which helps retain good people:

You can get recognised as a leader if that's the way you want to go. If you were in a big corporate, you may not necessarily have that ability. You don't feel empowered because essentially, the person that's going to make the decisions is maybe four or five rungs up the tree, and it's an ever-increasing battle to be able to get those decisions and those business processes changed.

At RISC, the CEO is my mentor. He's very much about empowering people to run with things and just get things done. He will leave you to your own devices to get it done.

Finally, Geoff explains, an important and a potentially difficult responsibility of an SME leader is to address a poor fit for the business quickly. Despite the familial feel of a small business, where it may be tempting to overlook some issues, *'someone who is not performing can reduce the standard dramatically, and the leaders must have the courage to deal with it.'*

We Are Pop Up

Background

We Are Pop Up helps businesses find rented space for retail, art, design, dining, social and specialty projects around the UK. The company connects landlords and tenants through a self-service online platform, as well as one-on-one customer service.

Established in 2012 by a team of four, We Are Pop Up now comprises seven staff, including three of the original founders.

Owners, founders and leaders

We Are Pop Up started with identifying a gap in the market for low-risk rentals of commercial space for pop-up businesses, events and other projects on a short-term basis. The founders of the business built on their strengths and expertise to develop the concept into its current form. Mike Salter, Director of Product, reflects on his experience of taking part in the Growth Accelerator programme:

I would say for me personally, my sense of identity and my position within the company changed a lot in that time. I went from feeling like I was holding on tight and hoping for the best, I had no idea of what business leadership or entrepreneurialism was, to feeling like it's been in me the whole time and I just was discovering it.

As the idea took its shape, the four founders began to share responsibilities for specific areas of the business, guided by an agreed single direction from the board, which comprises the four directors and two non-executive members. Nick Russell, CEO, says that his role is essentially in managing the whole spectrum of internal and external relationships of the business:

When you look from a stakeholder view, you have the customers, the founders, and then you have the staff, and then the investors. Even within the investor category, you have family, you have angels, the institutions. Everybody has to be dealt with differently. It's like being a traffic officer at a complex roundabout.

Each of the other three executive directors, while taking part in shaping the direction through the board meetings, also have specific responsibilities for day-to-day operations. Greg Hinch, Chief Technology Officer (CTO), says that in his job he wears both a strategic and an operations hat:

A CTO in some massive, huge tech company is nothing even remotely close to what I do day-to-day. Up until the end of last summer I was the only real tech person in the company. So as much as I was CTO, I was also building everything day-to-day.

Now that we have Graeme, I still do a fair amount of day-to-day, but I'm starting to step away from that a little bit, and do more strategy and management. In a year, I probably won't even be writing code anymore, which is a bit weird to think about, but it's a natural progression for me.

Steering the team of self-managed people

The Entrepreneurial Edge of We Are Pop Up, its small size, as well as the breadth of experience of individual team members means that there is no formal hierarchy of managers and staff. Greg Hinch says, *'Here, you have quite a senior team. We haven't done much of hiring more junior people and managing them yet. Graeme was really the first person we've hired as a direct report. Everybody else is in their own thing. We all work together, and assign each other stuff as necessary. Reality is there's no structure of who's reporting to each other.'*

The team shares a single office space and holds weekly meetings (sprint planning), where the most urgent issues are discussed collaboratively. Graeme Maciver, Software Engineer, the only employee with a designated manager, explains there is no need for one-to-ones or project meetings to assign actions, as *'[his] day-to-day work is decided on the sprint planning. It's like peer management of your workload. We organise who's going to be working on what for the next week, and everything that needs to be done is put into a spreadsheet. Then, I just go through it. Having a boss hasn't really impacted me yet; I haven't really had to have a boss yet.'*

Nick Russell, CEO, says: '*One difference of We Are Pop Up from corporates is that everything works on these chunks of priority, from quarter to quarter. Everything from September to December was about transactions, and the whole team focuses on that. Then since January it was about going to find the customers – who are they, where are they? Then today we'll announce the next set and we will be changing the focus again.'*

The collaborative approach builds on the enthusiasm of the individuals who come to work for start-ups, which makes it possible for the team members to juggle multiple roles. As the organisation grows, the jobs specialise, at which

point the role of the CEO is to prevent formation of silos and continue communicating the vision to all in order to maintain the entrepreneurial spirit. Nick says:

You have to have these people who can do anything because, as you say, if you throw the entire team at one task then it's not like, 'I'm an engineer, I'm doing that,' you have to do everything. You need the right people who can self-manage.

We actually identified that in the beginning Mike and I had 12 different roles each, but now we're at the point where everybody has four. Then we're going to hire three more people so everybody will have two.

It's surprising how quickly you develop the practices of a large corporate. There are seven people in the room and everyone could be saying 'I'm not doing that.' So it's constantly bringing them back to what we are here to do.

Growing structures

As the company develops, however, there is a need, according to Nick Russell, CEO, to bring more people from outside to combat groupthink and bias, and to benefit from diversity of opinion. In addition, as roles become more structured, the organisation is identifying tasks that can be performed by more junior employees to release the time of senior colleagues for meeting the strategic priorities of the business. Greg Hinch says, '*We now see that [one of our colleagues] in her day-to-day job is getting caught up in this one thing that is lower-value work than what she's capable of. That's happening, and we need to identify whether that's actually a role that needs to be filled as a junior role and free her up to spend more valuable time on other things.*'

The dynamics between the directors are also becoming more defined, as they have fewer balls to juggle at any one time. Because they have different areas of expertise, and are all coming from different backgrounds, they respect each other's abilities and give each other a lot of 'breathing room'. Mike Salter, Director of Product, says:

There is the sense of ownership and perhaps a bit of pride and ego at play with us in particular because of our relationship to the business itself and what we've built. But also our relationship to our ambitions for ourselves in a context outside of the company.

I try my best to try and keep it outside of influencing daily operations because it can be really disruptive when we're playing out our independent desires. It's a tricky balance to strike because you do want everyone to be self-empowered, to act as leaders and to own their domain. Particularly at a board level we need to have a coherent agenda of where we're going.

However, a challenge of a more structured approach to roles, and the emergence of role hierarchy, will require some team members to develop people management skills, which they did not necessarily have before. Hiring is seen as one of the biggest challenges for the future, both in terms of identifying the right people for those roles (as picking a wrong person can be detrimental for operations), but also in terms of the current team taking on the challenge of managing others. Greg Hinch says:

There are very few people who I've come across that would start off in a position [of expertise], who would then want to transition into doing nothing but managing people. But for the foreseeable future, we'll all have that capacity for quite a while, to manage others, but also to do a part of your role that is strategic or practical, like actually doing something that's contributing to the product and the company's development.

Yorkshire Wildlife Park

Background

Yorkshire Wildlife Park is a wildlife park and the first UK walk-through safari park located on the former site of Brockholes Farm Visitor Centre in Doncaster. It was bought by John Minion and Cheryl and Neville Williams in 2008 and officially opened to visitors in 2009, attracting 66,000 visitors in the first year.

The organisation has grown from a 20-employee family business to just under 200 permanent and seasonal staff in 2014.

The owners run the business to this day. Cheryl Williams is also the CEO of the Yorkshire Wildlife Park Foundation set up in 2013. The park's footfall is projected to reach 465,000 in 2014. In February 2010 the park famously rescued 13 lions from a Romanian zoo.

From passion to business

John Minion, the CEO of Yorkshire Wildlife Park, started in the industry as a seasonal animal keeper when he was 18. Throughout his career he worked with various animals and held team leader roles, learning both the zookeeping industry and leadership skills. John led businesses in the past, but he has found running a wildlife park to be a massive challenge, as the business grew exponentially, with structures and people management practices having to catch up with the customer demand.

John explains that he only discovered his commercial acumen once he started the business. He says, *'The animals are my passion and [it is] very easy to revert back to that when things get stressful, because that's what I'm really comfortable doing, because I know it inside out. The commercial aspects of running the business I find a real challenge but really exciting.'*

One of the important differences between a passion and a business is in ensuring the sustainability of the organisation, as the leader now has responsibility for their staff not losing jobs and – in the particular case of Yorkshire Wildlife Park – for the animal welfare. John reiterates that despite the charitable aims, he still has to balance the bottom line and that requires a much more directive approach as the business finds its feet.

However, as the leaders are concerned with defining and implementing the strategy, they might have to step away from the operations. According to Cheryl Williams, Director, giving up the passion might be a difficult task: *'In the early days, us directors were the core of staff and we could do every job: go and help in the pot wash, help with the animals…. On busy days we had to all muck in and we had to do everything. That's the best grounding you could possibly have, because you know how to work the dishwasher and you know exactly what the ins and outs of each job are. But it does get difficult when you start to grow into departments.'*

Running a formal business, and one that is growing in numbers, also meant more formal management processes. John says HR is his biggest challenge, as he has to follow a process rather than dealing with staff informally. As the distance between the leader and the followers grows, it is increasingly challenging for the leader to maintain consistency of management practices without treating individual employees like a number.

John Minion, CEO, says, *'The biggest change in the business as it grows is to ensure that we are fair amongst all our staff. You go away from being the small family business that's all happy, and it's a little bit more lenient about what goes on, to a larger organisation where you have to have 100% clarity about what is allowed and what isn't allowed. You have a very set structure and protocols that you follow depending on what happens.*

'There are other times where there might be an individual that I think actually has gone above and beyond and sometimes it's never quite as easy rewarding that individual without again being fair to everybody else that's part of the company. The only way you can keep it fair is if people are treated the same. But are you treated as a human being or are you treated just as a number and you have to fall in line with what they think is correct?'

A leadership team

One of the lessons learned as the business grew is that clarity of roles and responsibilities at the senior level is essential, not only for developing the business strategy, but also to avoid confusion in operations.

Shelley Blagden, General Manager, comments, *'At one point we had two managing directors and we all were confused – who do we actually report to for a particular issue? Do we need to tell both*

and if we don't, if we missed out one party, would the other one get upset? Now the roles are really defined. There is still crossover, but at the moment it is where there needs to be a crossover.'

The board of Yorkshire Wildlife Park now comprises the CEO, sales and marketing director and the operations director, as well as two non-executive directors. The general manager is responsible for the day-to-day operations on the ground: the general opening, closing, dealing with visitors on site and other operational aspects of the business.

John Minion, CEO, explains that since the business opened, positions and responsibilities of the top team members have changed: *'That's really happened as we've discovered people have different key abilities. Perhaps one of us at director level has actually been sharper on finance than somebody else. We've all found our feet and found what we're good at. We all have strengths, we all have weaknesses. It's incredibly important that we are honest and we identify what those are and not interfere with each other.'*

As the park grew bigger, departments were separated and a new layer of management was introduced. However, the approach to management roles was extremely ad hoc, as individuals were promoted to plug a gap in service. The next step is to develop the skills of middle managers to bridge the growing distance between the senior leaders and the employees, and to communicate the values and the passion throughout the business.

Clare Pearson, HR Manager, says, *'Because the organisation developed so rapidly, we've put people in managerial and leadership positions very quickly. We did not have time to give them enough training to get them to meet that level. One of my priorities at the moment is to give them the skills to be able to fulfil those positions in the short window when they're not too busy to sit and do training.'*

The company does try to send the message to all employees that everyone should have a sense of ownership and empowerment, but at the moment the speed of the business growth and the nature of the workforce doesn't always allow for leadership to devolve down the line.

Cheryl Williams, Director, explains, *'Each year you've got that slight imbalance again when you've got a lot of inexperienced staff, who come to do seasonal work. Obviously they're used to doing their particular kind of job, but they're not born, dyed and true Yorkshire Wildlife Park people. We have to do quite a bit of work to get them into the mindset quite early on. I always deliver that particular presentation myself, because I want them to understand that that's the belief absolutely from the top down, but that it's shared.'*

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Incorporated by Royal Charter Registered charity no.1079797

Issued: May 2014 Reference: 6509 © Chartered Institute of Personnel and Development 2014