THE CHALLENGES OF PEOPLE MANAGEMENT IN SMEs

Research Findings Report

Approach
Human Resources™

Contents

# Effective people management can be a challenge.

In Small to Medium Enterprises (SMEs) without the resources of larger organisations, the challenges can be magnified, and in some ways harder to tackle. Our research gathered input from a variety of SME sources regarding the biggest people management challenges they currently face, the extent to which they feel equipped to address those challenges, and the kinds of resources they find most valuable in doing so. This report highlights the **key findings from the research**, and is accompanied by a **toolkit of resources**, designed specifically to assist SMEs in tackling the biggest challenges identified.
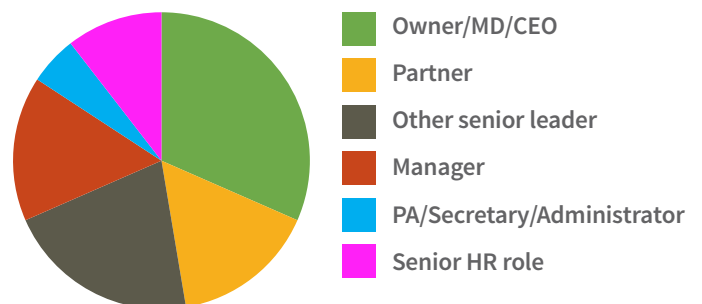
1 Purpose of research

Data was collected through online surveys and interviews with 19 different organisations, including **professional services**, **manufacturing**, and **not-for-profit organisations**. We make no assumptions that the findings are necessarily reflective of the wider SME sector, but they provide an interesting snapshot of the challenges faced by a range of organisations, and the similarities and patterns are revealing. We therefore produce this findings report as a means for SMEs to consider if they are facing similar hurdles to the featured organisations, and to provide a toolkit of pragmatic resources to assist those who are tackling these challenges.

Participant demographics:

Number of employees

- 1-9
- 10-25
- 26-50
- 51-100
- 101-250

Current role
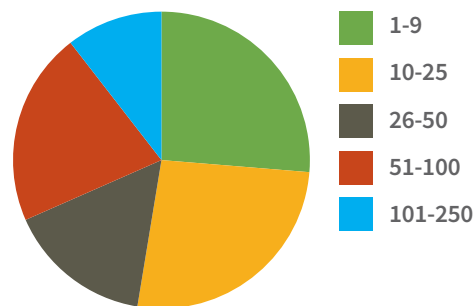
- Owner/MD/CEO
- Partner
- Other senior leader
- Manager
- PA/Secretary/Administrator
- Senior HR role

2 The challenges of people management

Participants were initially asked to identify the range of challenges faced by their organisation with regards to people management, and then to discuss their biggest challenge.

2.1 The challenges

Participants were asked to identify the challenges that their organisation were currently facing with regards to people management, from a list of 13 areas. The average number of challenges selected was 3, ranging from 1 to 7. The chart below shows the frequency with which each of the categories was selected, the top 3 being **'Administration, Policies or Processes'**, **'Job Roles and Organisation Structures'** and **'Performance Management or Appraisals'**.

% of organisations selecting each category
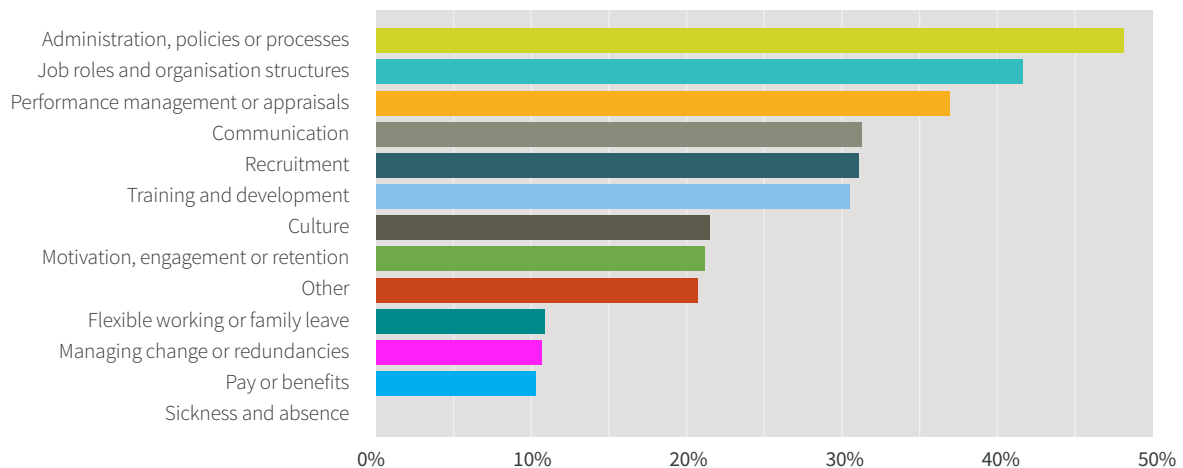
Participants were also asked to describe their single biggest challenge. These answers were then classified using the same categories as above. Around a quarter (26%) described a challenge that related to **'job roles or organisation structures'**. 16% portrayed challenges around **'performance management or appraisals'** and another 16% discussed areas relating to **'culture'**. While **'Administration, Policies and Processes'** was originally the most commonly selected challenge, only 5% of organisations identified it as their single biggest challenge. Similarly, nearly a third selected 'Recruitment' as a challenge but none stated it was their single biggest challenge. This indicates perhaps, that although considered a challenge for many, these are secondary rather than primary concerns.

% of organisations identifying category as 'single biggest challenge'
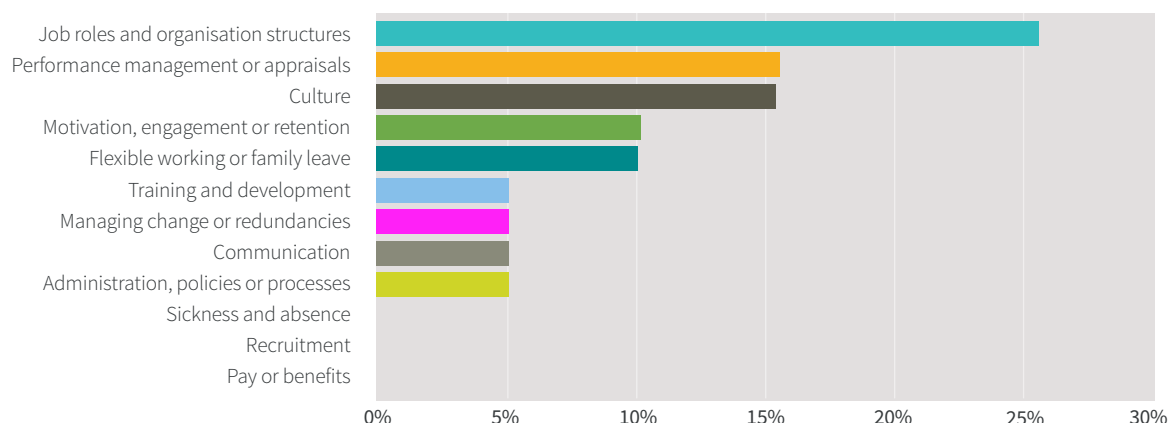
2.2 Challenges relating to culture

When analysing the detail behind the biggest challenges, there was a recurrent theme around maintaining or attaining a certain desired culture as the organisation grows. Participants talked about "wanting to retain the start-up vibe" or "moving away from a family firm and into a business mentality". This echoes findings of a CIPD research report from 2012[1], which explored the different stages of SME growth and the transitions at each stage. Considering information from both sources, our interpretation is that these references to shifts in culture are largely about changes to the way that people communicate and methods of employee involvement, as the organisation grows in size.

2.3 Most significant challenges

If we consider the full range of challenges cited, the identification of the 'single biggest challenge', and the commentary around these hurdles, the most prevalent and significant challenges for participating organisations appear to relate to:

- Job Roles and Organisation Structures
- Performance Management or Appraisals
- A combination of issues that encompass Culture, Engagement and Communication.

3 Resources to help and ability to address

Participants were then asked to discuss the extent to which they felt their organisation was prepared or able to address the biggest challenges identified, and the resources that they found most valuable in doing so.

3.1 Prepared or able to address challenges?

Half of participants gave answers indicating that they felt their organisation was only partially prepared or able to address their biggest challenges. 28% of participants expressed confidence in their organisation's ability to address the challenges identified, while 22% of participants expressed

concern that their organisation was not 'prepared or able' to address these challenges.

Many respondents gave information as to the reason for their assessment, including enablers and barriers in addressing the challenges, as shown in the table below.

Interestingly, financial and other practical concerns were rarely stated as either a barrier or enabler in tackling challenges. Most factors impacting on these organisations' ability to address their biggest people management challenges were related in some way to communication, engagement and / or flexibility.

3.2 Tools and resources in addressing challenges

Participants were asked to identify the most valuable 'tools, resources or support' available to them in addressing their challenges. 23 different kinds of resources were identified as valuable in addressing challenges.

39% of resources identified related to internal culture and communications - including team meetings, "Staff who embrace change", "ensuring people are aware of responsibilities" and "trusted colleagues".

35% of resources identified related to receiving advice - including "someone with expertise to provide input", "someone to bounce ideas off and keep me on the straight and narrow", "learning from other HR professionals" and advice from lawyers.

13% of resources identified related to online or reference information - including ACAS and gov.uk websites, forums and other frameworks or reference sources.

13% of resources identified related to processes - including appraisals, "structured observations" and employee engagement surveys.

The focus on communications tools as a valuable resource again highlights the vital role of communication in these organisations. The frequency with which participants identified expert (often external) advice as a valuable resource is perhaps also reflected in the prevalence of business advisers, mentors and specialist service providers targeted to SMEs.

[1] Achieving sustainable organisation performance through HR in SMEs, CIPD Research Insight, June 2012.

Things that enabled 'prepared or able'	Barriers to 'prepared or able'
• Engaged staff	• Balancing priorities
• 'Fit' of recruits as well as suitability for role	• Budget and wages
• Flexibility to manage projects and people involved	• Pressure to find best strategy
• Right structures and programmes in place	• Too many 'balls in the air'
• Regular company meetings	• Rapid expansion
• Buy-in from those affected	• Lack of buy in
• Leaders listening to their teams	• Having to constantly 'catch up' with new requirements as foundations not yet in place
• Atmosphere of trust and openness	• Not all leaders believing in the value of investing in people

4 The role of Human Resources (HR)

Participants were also asked about the value of any Human Resources (HR) function, be that internal or external, and the role those with HR responsibility play in addressing the challenges identified.

4.1 Sources of HR support

For these SMEs HR resources come in many forms:
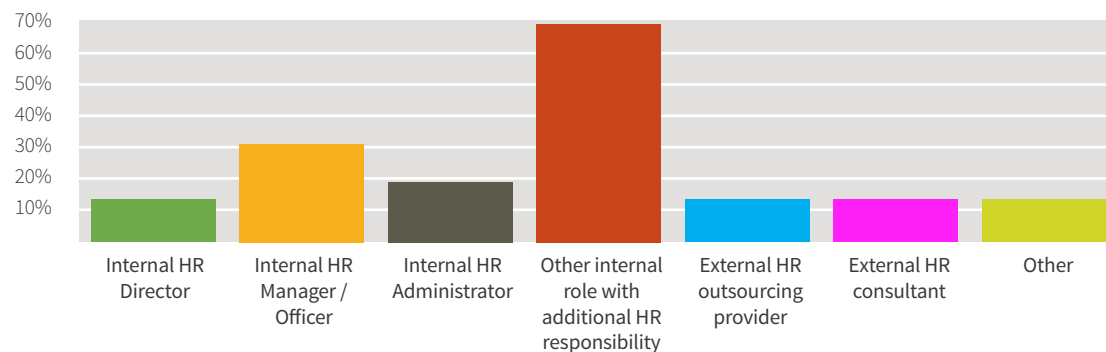
Unsurprisingly, all participants with fewer than 10 employees had an 'other role with HR responsibility' only, or no specific HR resources. 43% of participants with 10-50 employees had more specialist support, with either an external HR provider or internal HR Director. All participants with 51 employees or more had at least one defined internal HR role, some with additional external support.

4.2 HR value

All participants who indicated that they had some form of HR support were asked what value that support provided. Responses are plotted with reference to the frequency with which they were stated and a subjective assessment of the level of value expressed.

Every response regarding the value of HR included reference to areas of **consistency**, **processes** or **compliance**. If we refer

again to the range and significance of challenges originally identified, this indicates that these organisations commonly find value in their HR resources addressing the 'secondary' people management challenges. Other areas of value included **communications**, **engagement** and **expertise** suggesting that (for some of these organisations) HR resources also play a role with regards to the areas identified as enablers and barriers when tackling challenges. The organisations that seemed to express the highest value talked about HR having **a role in business change**, **"getting stuff done"** and **linking activities to the organisation's objectives**.

4.3 HR role in addressing challenges

Participants were then asked to what extent HR resources were able to support the organisation in addressing the biggest challenges identified. The table top right shows the percentage of respondents who selected each level, and the resources available to these organisations.

The value of HR:

Interestingly there appears to be no clear correlation in this sample between size of organisation and confidence in the ability of HR to support the organisation in addressing challenges.

Confidence in HR to address biggest challenges	Percentage of organisations	Available HR support
I am confident that they are able to address this	36%	All had at least 2 HR focused roles (HR Director, HR Manager, HR Administrator and / or External provider with face to face contact)
They are able to address this to some extent	36%	Some had an HR administrator, manager or director. All had 'other roles with HR responsibility'.
I do not believe that they are able to address this	14%	All had remote outsourced providers or 'other roles with HR responsibility' only.
This is not within the scope of their remit	14%	Single HR Manager or 'other role with HR responsibility' only.

5 Summary

The research findings show that the biggest challenges for these SMEs are around
a) Job Roles and Organisation Structures b) Performance Management or Appraisals and **c) a combination of issues that encompass culture, engagement and communication**.

Communication and engagement were revealed as the biggest enablers in addressing all challenges. The most valuable resources for organisations also related to communications and internal culture, along with valued advisers. Defined processes and reference information were also cited as useful in addressing the challenges identified.

The findings showed that the role of HR resources varied. This included consistency, process and / or compliance for all participants, but with a higher value also assigned to more business-focused activities in some cases. The more specialist HR resources earned greater confidence with regards to playing a role in addressing the biggest people management challenges for these SMEs.

6 Toolkit

Based on the analysis of this research, particularly the most significant challenges and helpful resources, a 'toolkit' has been created to support SMEs. This includes:

Designing Job Roles in SMEs	Five steps to create clarity without losing flexibility.
Performance Management Process Review	What, why, how, and a guided review of current practices.
Effective Appraisals – Consider the Context	Considerations to ensure that appraisals don't turn into a tick-box exercise.
A guide to effective employee communications and engagement	Recommended approaches for different aspects of communication, and key questions to consider.
Increasing the value of HR for SMEs	A review of strengths and improvements based on the lessons from this research.
Toolkit checklist	Are you ready to tackle the biggest challenges of people management in SMEs?

To request another copy of this report and / or the toolkit items, visit
www.approach-hr.com/toolkit We'd also love to hear your reactions to the report, any items from the toolkit that were particularly useful to you, or any similar or different challenges that you may be facing.

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Approach Human Resources Ltd is based in the Thames Valley area
and offers **strategic HR consultancy** and **pragmatic HR solutions
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