

Best Strategies in Skills Utilisation

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Executive Summary

Introduction

1. This report has been written in response to Skills Development Scotland (SDS) and Scottish Enterprise's (SE) wish to identify best strategies in skills utilisation among Scottish businesses. The report is designed to support the work of the Scottish Government's Skills Utilisation Leadership Group.¹ The Scottish Government's Skills Utilisation Leadership Group has identified that

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- confident, motivated and relevantly skilled **individuals** who are aware of the skills they possess and know how to best use them in the workplace

working in

- **workplaces** that provide meaningful and appropriate encouragement, opportunity and support for employees to use their skills effectively

in order to

- increase performance and productivity, improve job satisfaction and employee well-being, and stimulate investment, enterprise and innovation.²

2. A case study approach was adopted to enable the research to explore in some detail: the motivation of firms; the activities that they pursued and the benefits that arose. The case study firms were drawn from the six key sectors identified in the Government's Economic Strategy (creative industries, energy, financial and business services, food and drink, life sciences and tourism) and construction.
3. The identification of businesses to act as case studies was not straightforward. The concept of skills utilisation is not well defined in standard data sets (most often it is proxied by reference to high performance working practices, although a more precise measurement approach is the subject of a parallel project). We therefore adopted a pragmatic iterative response and drew on nominations from a range of agencies, in particular Scottish Enterprise, Skills Development Scotland and sector skills councils.

¹ The Skills Utilisation Leadership Group brings together business and trade union leaders with leaders from Government, key public agencies and the third sector. Its role is to champion the better use of workplace skills.

² <http://www.scotland.gov.uk/Topics/Education/skills-strategy/making-skills-work/utilisation>

Motivations

4. Exactly when and why businesses decided to implement skills utilisation practices varied across the case studies. For a number of businesses, **implementation of a high performance working culture was driven from the top**. In a number of the case studies, the business has a leader who is committed to driving forward the development of their workforce to the benefit of the business and the employees themselves. For other management teams, the use of high performance working fits with the **wider culture of the business**.
5. Another reason that the case study businesses implemented skills utilisation practices was **market forces**. For many firms, **attracting and retaining the right people** is vital for the success of the business. Drawing the motivations together was a strong belief across the companies that the adoption of such practices would make the business both a better place to work, but also **a better business in the round**.

Approaches evolve over time

6. Even the most motivated businesses acknowledge that implementation of these practices is not an exact science; they highlight the importance of **taking one step at a time**. The impression is one of evolution, striving both to address issues (for example of retention) and to find ways to improve the offer made to employees to enable them to contribute more or better maintain a work life balance (for example through flexitime and flexiworking).

Success factors

7. The successful introduction of skill use practices depends not only on the actual activity, but the wider company environment. In the case studies this was often:
 - Under-pinned by **commitment to company culture and vision**
 - Driven by **senior management through effective leadership, and re-inforced by middle managers**
 - **Being true to the ethos and spirit of the approach**
 - Through an **open culture which encourages communication and dialogue**.

Key practices

8. Table 1 identifies the practices that are commonly used by the case studies. In line with the findings of the literature review undertaken for this assignment there tended to be less adoption of practices around reward and commitment.

Table 1: Commonly used practices

Employee involvement practices	Human resource practices	Reward and commitment practices
Staff meetings	Performance management process	Profit sharing practices
Flat organisational structure	Appraisals	Bonus schemes
'Open door' policy	Personal development plans	Formal salary bands
High degree of openness	Effective recruitment practices	Flexi-time
Regular update statements	In-house promotions	Job rotation
Staff magazines	Internal and external training courses	Staff discounts
Staff surveys	Induction	Company social events
Staff suggestion schemes	Management training	
Feedback questionnaires	Clearly defined job roles	
Consultative committees		
Kaizan teams		
Job design		
Improvement circles		

Source: SQW Consulting

Are different types of businesses implementing different practices?

9. From the case studies, we have found no examples of practices which are unique to a given industry, or indeed to larger firms rather than smaller ones. Similarly, there was limited reference to ICT as an enabler. However, it is important to recall that the study is based on a modest sample size.
10. Nor is it just large or successful firms that have implemented skills utilisation practices. Indeed, these practices have been an integral part of the successful turnaround of businesses. Rather, the extent to which different, specific practices can be implemented tends to depend on the operational focus of the business, in particular the needs of immediate production.
11. It was also apparent in some firms that care was being taken to ensure that the skills utilisation practices being adopted were relevant to all groups, and that to do so could mean having to offer different things to different groups. This most often split along gender lines and that out of office activities or rewards needed to be designed to allow different groups to participate.

Measurement and impact

12. Despite not formally measuring the impact of skill utilisation on business performance, the case study businesses have stated that the implementation of these practices has impacted on their recruitment, retention and staff motivation. In the longer term, these practices are implemented because of a belief that they are important for the success of the business going forward.

Lessons learned

13. The study has identified a number of lessons in terms of advocating such approaches to the wider business community:
 - **The term ‘skills utilisation’ is not one that is easily recognised by management** or staff of the businesses although all of the actual practices were well understood and used by the businesses
 - **The key drivers behind the implementation of skills utilisation practices come from both the culture and values of senior managers, and as a response to market forces**
 - The case study firms were clear that such practices **make an important contribution to the performance of their business**
 - The case studies back up the findings of the previous research **that there is no single practice that if implemented, will see company performance increase**
 - For many businesses **it makes sense to introduces practices gradually**, on a case by case basis to address specific issues as they face the business
 - There is a common message from the case studies that **the success of the individual approaches is strongly influenced by the environment in to which they are introduced.**

14. In addition the study has highlighted that there are a number of key factors which appear to underpin effective skills use, although of themselves these factors are not directly about skills. These underpinning factors cover issues such as:
 - **The adoption of skills utilisation practices is often directly influenced by market forces.** This includes ensuring staff have the skills and commitment to meet production deadlines, along with a labour market perspective on the attraction and retention of staff.
 - Organisation, leadership and culture, with **widespread recognition of the importance of management and leadership skills, and good communications** within the firm
 - **More traditional personnel policies such as recruitment and retention strategies and an appraisal system which drives training and development are recognised as important** in ensuring that firms have the correctly skilled staff available to meet business needs.

15. **With these underpinning factors in place it is then possible for firms to introduce a range of practices which focus on and enable the most effective use of staff skills.** Such practices include:
 - Job and production process design, and on occasion large amounts of staff and team self management and discretion

- Learning transfer (maximising the transfer of knowledge and skills acquired through training)
 - Multi-skilling
 - Job rotation.
16. Firms have relatively imprecise expectations of the benefits that they anticipate for the investment made in skills utilisation practices. There was a strong belief that such practices had helped the firm to recruit and retain staff, and to benefit from enhanced motivation. These are the issues most often used as performance measures. Moreover, there was a strong belief across the case studies that together the practices led to improved business performance.

2: Introduction

- 2.1 This report has been written in response to Skills Development Scotland (SDS) and Scottish Enterprise's (SE) wish to identify best practice in skills utilisation among Scottish businesses. This in turn will inform the promotion of such practices to the wider business base. A parallel project is considering how best to measure skills utilisation practices.

Background

- 2.2 Awareness of the issues around skills utilisation has risen significantly up the policy agenda in recent years. The Scottish Government's skills strategy³ argues strongly that this is the major issue for the Scottish economy in terms of skills. In essence, the supply of skills appears more than adequate – Scotland performs well in international comparisons of qualification attainment and employer surveys by FutureSkills Scotland and others suggest relatively limited reporting of skill gaps and shortages by employers. The presumption therefore is that while the supply side is performing well, the demand side needs to better utilise the skills available, and is not maximising the potential of Scotland's people.
- 2.3 The Scottish Government's Skills Utilisation Leadership Group has identified that

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working in

- **workplaces** that provide meaningful and appropriate encouragement, opportunity and support for employees to use their skills effectively

in order to

- increase **performance** and **productivity**, improve **job satisfaction** and **employee well-being**, and stimulate **investment, enterprise** and **innovation**.⁴

- 2.4 This report provides examples of Scottish businesses that are seeking to maximise the potential of their staff and identifies the means through which they are doing so and the impacts that it has had on their organisational performance. The report is designed to support the work of the Scottish Government's Skills Utilisation Leadership Group and help to fulfil their ambition of a Scotland where:

³ Scottish Government, *Skills for Scotland: A Lifelong Skills Strategy*, September 2007. Available at <http://www.scotland.gov.uk/Publications/2007/09/06091114/14>

⁴ <http://www.scotland.gov.uk/Topics/Education/skills-strategy/making-skills-work/utilisation>

- confident, motivated individuals are aware of the skills they possess, know how to best use them in the workplace and have the necessary opportunity and support to increase productivity, improve job satisfaction and stimulate investment, enterprise and innovation
- ambitious and competitive organisations have progressive and innovative leadership and management that adopt high performance working practices and afford workers a say in decision making over issues affecting the quality and organisation of the workplace
- a cohesive learning system centred on the individual and responsive to employer needs supports the lifelong development and use of skills
- government policies for investment, enterprise, skills and innovation support the best use of skills in the workplace through social partnership.⁵

Purpose of the study

2.5 The main objectives of this study were to identify examples of good practice in skills utilisation among Scottish businesses. From the brief, this includes investigation of:

- The definitional issues surrounding skills utilisation
- The main techniques and methods of skills utilisation and how they can shape and determine corporate performance
- The dynamics of high performance or high growth firms and how these enterprises differ in their utilisation of skills
- The role of management and leadership in shaping and determining the organisational framework for enhancing effective skills utilisation
- The key characteristics of effective skills utilisation
- The adoption of skills utilisation practices by Scottish companies
- The provision of recommendations for future research and policy in light of the study's findings
- The development of key messages that can be used to communicate the benefits of skills utilisation with employers and sector bodies.

2.6 In order to achieve these objectives, the study involved undertaking a review of the literature surrounding skills utilisation and then gaining case study evidence from a selection of Scottish businesses.

⁵ Skills Utilisation Leadership Group Vision Statement. Available at <http://www.scotland.gov.uk/Topics/Education/skills-strategy/making-skills-work/utilisation/SkillsUtilisation/visionstatement>

Selection methodology

- 2.7 The Skills Utilisation Leadership Group has adopted a strategy to engage employers in making better use of skills, which includes taking a sectoral approach. The research brief invited us to focus on the six key sectors identified in the Government's Economic Strategy as having high growth potential and the capacity to boost productivity (creative industries, energy, financial and business services, food and drink, life sciences and tourism) and construction.
- 2.8 However, the identification of businesses to act as case studies was not straightforward. The concept of skills utilisation is not well defined in standard data sets, indeed the issue of measurement is the subject of a parallel project. Moreover, although it is contained in the skills strategy, understanding of the concept amongst many of the public sector funded business support agencies is imprecise. We therefore adopted a pragmatic iterative response. A range of agencies, in particular Scottish Enterprise, Skills Development Scotland and sector skills councils, were asked to provide recommendations (and we are grateful to their staff for the many positive replies).
- 2.9 The recommendations were then sifted based on what the nominator was able to say about the firm, other checks (for example through the Sunday Times list of best companies to work for) and to ensure a balance by key sector, across the country and mix large and small firms. Finally firms were sent an introductory letter by Scottish Enterprise and then called by SQW. The call acted as a final screen, explaining to the firm the purpose and approach of the study, and asking if they thought that their practices and approaches were in line with the study aims. We are very grateful to all of the firms that agreed to participate.
- 2.10 The companies which were selected as case study exemplars are shown in Table 2-1 below.⁶

Table 2-1 Case study companies and descriptions

Case Study Company	Sector	Description
Mactaggart & Mickel	Construction	Mactaggart & Mickel is a family owned Glasgow house builder. It employs almost all its own construction staff, with a total workforce at present of around 200.
Westcrowns Contracting Services	Construction	Westcrowns Contracting Services is a Glasgow based construction firm and is part of the Westcrowns group, a 130 year old family business which employs more than 300.
Realtime Worlds	Creative	Founded in 2002, Realtime Worlds is a software technology company specialising in the computer and online games part of the entertainment sector. The firm has grown to employ over 250 in its design studio in Dundee with around 25 people in its Colorado office.
Union Advertising Agency	Creative	Union Advertising was founded in 1996 and now makes up part of the Union Group. The group employees around 75 - 80 employees, with five staff based in Leeds and the remainder in the main Edinburgh office.
Production Services Network (PSN)	Energy	Aberdeen-based Production Services Network (PSN) is a specialist provider of engineering, operations and maintenance services to the owners of a variety of energy assets around the world. The company is one of the ten largest private Scottish companies, with a staff of some 8,500 working in more than 25 countries.

⁶ It had been hoped to secure two case studies in each sector, but a number of apparently suitable firms were unwilling to take part.

Case Study Company	Sector	Description
Renewable Devices	Energy	Founded in 2002, Renewable Devices is a Rosslyn-based renewable energy company which now has seven staff. The company's flagship project is the Swift Wind Turbine which can be mounted on houses and business premises.
BT Retail	Financial and Business Services	BT Retail is the consumer division of BT, delivering telecommunication services to over 18 million customers and smaller businesses. The division employs more than 13,000 staff throughout the UK.
A. G. Barr	Food and Drink	A. G. Barr has been producing soft drinks, including the famous Irn-Bru brand, since 1875. The company is headquartered in Cumbernauld with a further 4 production sites throughout the UK. In 2009, A. G. Barr employed almost 1,000 people.
Controlled Therapeutics	Life Sciences	Located in East Kilbride, Controlled Therapeutics was established in 1987 to develop, manufacture and licence pharmaceutical products. The company currently employs around 65 people.
NovaBiotics	Life Sciences	NovaBiotics is a biotechnology company based in Aberdeen which focuses on drug discovery and development, specifically in anti-fungals and anti-bacterials. The company was founded in 2004 and has a staff of 16.
Famous Grouse Experience	Tourism	The Famous Grouse Experience is based at the Glenturret Distillery just outside Crieff and has been part of the Edrington Group since 2002. Employment levels vary with around 30 core staff and a further 15 - 20 staff over the peak summer months.
The Old Course Hotel	Tourism	The five-star Old Course Hotel in St. Andrews has a core workforce of around 180 but employs up to 300 people during the peak summer season. The hotel is owned by Kohler, a privately owned US-based international company.

Source: SQW Consulting

Report structure

- 2.11 The remainder of the rest of the report is structured as follows:
- Section 2 - motivations and success factors
 - Section 3 - the practices adopted by firms
 - Section 4 - sectoral differences
 - Section 5 - impact and measurement
 - Section 6 - lessons/wider issues
 - Annex A – summarises the individual case studies
 - Annex B - the literature review
 - Annex C – supplementary information for each of the case studies
 - Annex D – additional case study evidence from other literature.
- 2.12 For each report section, we have provided a summary of relevant evidence from the literature review to give some contextual information before discussing the findings of the case study research and concluding by comparing the evidence from the literature against our own findings.

3: Motivations and success factors

- 3.1 One of the first challenges addressed through the case studies was to identify why these businesses had decided to put in place practices which would lead to increased use of skills in the workplace. Secondly, when it was decided to implement these practices, were there any particular success factors that needed to be in place to ensure that the practices would be effective?

What does the literature say about motivation and success factors?

- The literature on skills utilisation often refers back to or indeed uses the term high performance working practices (HPWP). In approaching this study we have taken an inclusive approach and drawn heavily on the HPWP literature, although in the final chapter we reflect on the evidence gathered to reconsider this approach.
- The ultimate aim of high performance working is to increase employees' knowledge, skills and abilities, enable employees to put this knowledge into practice and increases their motivation and commitment to the firm.
- There is **evidence of low awareness of the benefits of introducing HPWPs among UK businesses**. For example, a Sector Skills Development Agency (SSDA) survey (2005) found that only half of businesses believe that training leads to improved skill levels and that only one in five businesses believe training leads to improvements in productivity, staff motivation or improved customer service.
- The Scottish Government (2008) identified a number of countries including Australia, Malaysia and Singapore which have developed holistic approaches to improve the uptake of these practices among businesses. The approach taken in each of these cases is state driven with the overarching goal of improving national prosperity by supporting skills utilisation projects that aim to deliver tangible business benefits
- There are a number of success factors which the literature identifies as being essential for the successful implementation of HPWPs:
 - **Strong leadership and management** is “an essential prerequisite to the successful implementation of HPW” (Belt and Giles, 2009)
 - **Middle and line management** is also vital in enabling the effective implementation as it is this layer of management which tends to have to implement and communicate new practices directly with staff. Good middle management can minimise the “difference between the espousal and the enactment of HR practices in an organisation”⁷.
 - Management must also **gain ‘buy in’ from staff** so that they understand what the company is trying to achieve rather than feel that the use of

⁷ Purcell and Kinnie (2007)

HPW is simply a means of job intensification. Employee engagement can make an important contribution to firms' success (Macleod and Clarke, 2008).

- The literature also recognises that **high performance practice will not work in isolation** - the culture and work environment into which they are implemented must be such that both management and workers use skills utilisation in a positive manner to provide positive impact for both the business and the employees.

- 3.2 Exactly when and why businesses decided to implement high performance working practices varied across the case studies. For a number of businesses, **implementation of a high performance working culture was driven from the top**. In some firms, such as Renewable Devices, the management had set out with the explicit aim of providing a workplace in which employee's potential could be realised whenever they started the company. For others such as Westcrowns Contracting Services, Controlled Therapeutics and the Old Course Hotel, HPWPs had been introduced by a new leader who brought previous experience of how best to engage staff (or had seen examples of bad practice) and a belief in maximising the potential of their employees. All of these businesses have a leader who is committed to driving forward the development of their workforce to the benefit of the business and the employees themselves.
- 3.3 For other management teams, the use of high performance working fits with the **wider culture of the business**. Skills utilisation can be implemented because it **fits with the set of beliefs or values** that the company holds. Westcrowns Contracting Services have a set of four company beliefs (integrity, continual improvement, family culture and customer supplier cooperation) which rely on a workforce which is committed to upholding these beliefs. Similar beliefs exist in the family owned Mactaggart and Mickel. The management team at Production Services Network orientate the company around a set of seven beliefs, one of which People. This value requires that everyone in the company is treated with respect as part of an open, supportive culture.
- 3.4 A third reason that the case study businesses implemented skills utilisation practices was **market forces**. A. G. Barr trade in a highly competitive market and their production is driven by the needs of their customers, in particular multiple retailers who can place large orders at short notice. Therefore, the company needs a flexible and committed workforce that is able and willing to work to meet these demands. The early stage drug research undertaken by NovaBiotics can be very labour intensive with bursts of concentrated activity, often at unsocial hours. Again, a committed and effective workforce is vital for the business to succeed. For Union Advertising and Realtime Worlds, giving staff a high degree of operational autonomy through skills utilisation practices is vital as staff need to be highly innovative and proactive in their approach to work.
- 3.5 Going beyond the cliché, a number of case studies recognised that their "staff are the most important asset". This means that **attracting and retaining the right people** is vital for the success of the business. For Controlled Therapeutics, recruiting and retaining a suitably

qualified workforce in the competitive field of pharmaceuticals is a challenge and investing in practices which create a more engaging workplace means attracting and retaining suitable staff is easier. A similar rationale was put forward by Realtime Worlds, who for some posts are competing in a truly global market.

- 3.6 A number of the case studies identified HPWPs as a means of **improving the business' performance**. For BT, the challenge of moving from a public monopoly to a private sector company able to compete in a rapidly changing telecommunications market has involved a long process of change. A large workforce, combined with the legacy of a large, bureaucratic organisation has meant that BT has sought to develop approaches which harness the knowledge and abilities of staff. For Westcrowns Contracting Services, performance had been in decline for a number of years and it was quickly established that this decline in performance was not down to the staff but the environment in which they were working. Therefore, Westcrowns Contracting Services recognised that introducing a culture and environment which was centred around getting the best from employees and rewarding them for it was the best way to turn the business around.

Approaches evolve over time

- 3.7 Even the most motivated businesses acknowledge that implementation of these practices is not an exact science; they highlight the importance of **taking one step at a time** and ensuring that implementation of new practices will not harm the business. For many businesses, trying to implement a number of different practices all at the same time may prove counter-productive for a number of reasons; for example the company may have insufficient funding to implement all the practices they would like, staff may find widespread change difficult to cope with or there may be unintended negative consequences.
- 3.8 For NovaBiotics, living within the company's means has been an important issue. For example, the company is keen to extend some employee benefits to family members but acknowledge that this will have to wait until the company is on a firmer financial footing. Therefore implementation was a gradual process which was important as it allowed staff to understand the changes that were being made and more importantly the reasons for making them and allowed management to see how effective the practices were without making a full commitment to implement a large number of practices. At NovaBiotics, the management team has a number of new reward systems which they want to implement but are conscious of the cost of doing so at this early stage of the companies development.
- 3.9 As well as cost, skills utilisation practices may be implemented as the business changes or learns about itself. For example some of the practices used by Union Advertising have been in place since the early days of the company whereas others were implemented following an external review of the HR practices, and in Mactaggart and Mickel a positive approach has evolved quickly following the appointment of an HR specialist.
- 3.10 It is important that businesses do not over-commit themselves. At Controlled Therapeutics, the company had to re-work an initially very generous flexi-time system to ensure that it did not affect the company performance and found that scaling back the practices was much more challenging than the initial implementation. This is because staff had got used to the new

approach and saw something being taken away, even although this was being done because of production issues (not financial issues) that were arising.

Success factors

- 3.11 As well as motivation, it is important to identify the factors which are important for the effective implementation of skills utilisation practices. For the Old Course Hotel, the key change in introducing these practices has been a more **open culture which encourages communication and dialogue** between all employees. This open culture is a recurring theme throughout the case studies - honest communication between all staff is vital in order for positive change to occur as staff must feel that they have the opportunity to be heard and that the company values their knowledge and management must feel comfortable in knowing that employees understand why changes may be made. For Mactaggart and Mickel this openness has allowed them to retain staff support even as the firm faces issues because of the downturn across the construction sector.
- 3.12 For Realtime Worlds, the culture of the company comes from, and is driven by, its **senior management and effective leadership**. Similarly, the management team at Union Advertising stated that there cannot be any gap between what management says and what they actually do. One observation from the management at NovaBiotics is that to create an engaged and flexible workforce requires the management team to have passion and to encourage that passion in others. Therefore the senior management approach to skills utilisation has to go beyond lip service and deliver, as without evidence of involvement by leaders, team members will not buy into the approach.
- 3.13 Renewable Devices' **commitment to company culture and vision** may have negative impacts in the short-term but there is a belief among all staff about what they are trying to achieve and so the longer term view is that their culture should not be compromised. For instance, a manufacturer of military drone aircraft was interested in licensing the company's technology but this was turned down when put to a vote by managers. At Union Advertising, the company has had to work hard to retain its own identity and maintain its 'soul' at the same time as achieving rapid growth.
- 3.14 Westcrowns Contracting Service's management consider that many of its actions are really "quite boring" and "obvious" and are happy to discuss the "secret" of their success. While these practices are easy to understand and even copy, the company recognises that it is not enough to pay lip-service to them; the ideas must be implemented fully in both detail and spirit.
- 3.15 The MD of Westcrowns Contracting Services recognised the **importance of effective middle management**. This is because layers of administration can develop between thinking and doing, with good ideas for improving the business developed at either end of the business hierarchy becoming diluted or confused as they move up or down. Similarly, A. G. Barr recognises the importance of this management level and recruit from the shop floor those with the appropriate attitude and potential. Controlled Therapeutics have teams that are functionally different which means that the same skills utilisation practice may require a different interpretation. Therefore, middle-management needs to embrace the spirit of the approach as well as specific forms in order for implementation to succeed.

Conclusions

From the case studies, it is clear that the key drivers behind the implementation of skills utilisation practices come from:

- **senior management and the culture and values that they wish to be held by the company**
- **a response to market forces**, including staff attraction and retention, and the desire for a quality product.

In all cases the **implementation of practices had evolved over time**, both to meet specific issues as they arose in the business, or affordability.

The successful introduction of such practices requires a demonstration of buy-in and leadership by managers at all levels. The ethos with which actions are pursued appears as important as the individual practices themselves.

4: The practices adopted by firms

- 4.1 The case study businesses use a wide range of practices to get the best from their employees. For the case study research and the report, we have categorised the practices in line with Ashton and Sung (2005) (see box below).

What does the literature say about skills utilisation practices?

- A very wide range of practices have been described as being HPWPs which means that there is **little agreement as to the exact nature of what constitutes a HPWP**.⁸
- Despite the lack of a “magic list”⁹ of practices, evidence from the literature suggests that **bundles of practices have a greater impact on organisational performance than individual practices**.
- The literature makes it clear that organisations must think about skills utilisation **as a co-ordinated system of practices** rather than individual practices. Guest (2006) argues that there is little rationale, for example, in providing training for employees if they do not have the opportunity to utilise those skills or if they are not motivated to use them.
- The emphasis on systems and the lack of a definitive list of exactly what is/isn't a HPWP has meant that much of the literature focuses on ‘bundles’ of practices. Ashton and Sung (2005) identified three bundles:
 - **High employee involvement practices** encourage a greater level of trust and communication between employers and employees through involving them more in the organisation. High involvement is in turn accompanied by a high degree of empowerment and the exercise of discretion among the workforce.
 - **Human resource practices** are specifically targeted to increase skill formation within the organisation. The higher levels of skill in turn are linked to improvements in quality and subsequently lead to higher organisational performance – e.g. higher levels of productivity and innovation.
 - **Reward and commitment practices** are powerful tools to establish a sense of stake-holding and recognition within the organisation and can help create a greater sense of common purpose. In this way, rewards and commitment practices are used to create long- term positive impact on employees and the achievement of organisational outcomes.
- To date, there has been **limited take up of HPW practices among UK**

⁸ Lloyd & Payne 2006

⁹ Ashton & Sung 2005

businesses, with less than 30% of organisations engaged in 10 or more of the 16 practices identified by the SSDA (2005) while Ashton and Sung (2006) found that 40% of firms undertook at least 20 of the 36 HPWPs they identified.

- 4.2 This rest of this section identifies the types of skills utilisation practices that are used by the case studies and uses the same categorisation as identified by Ashton and Sung (2005): high employee involvement practices, human resource practices and reward and commitment practices.

Employee Involvement

- 4.3 Ashton and Sung explain that involving employees in the business, making it ‘more than a job’, can allow management and employees to work more closely with high levels of trust and communication across the business. Therefore, higher levels of employee involvement include practices which allow staff greater control over how they approach their own role within the business and increased involvement and understanding of how the business operates.

Communication

- 4.4 One of the key elements of effective employee involvement in an organisation is communication. Effective communication both up and down the hierarchy, across departments and within individual departments is prevalent in all of the businesses we visited.
- 4.5 One of the most common communication practices was the use of **staff meetings**. Whether weekly, monthly or quarterly, these meetings were seen as an opportunity to bring all of the staff together to discuss how the business is currently performing and future developments or opportunities. Staff meetings were named as an important practice by all of the companies.
- 4.6 Another common practice which allowed for increased communication was a **flat organisational structure and a high degree of ‘openness’**. At Union Advertising, there is a flat management structure in place which means that staff take responsibility for their own clients as early as possible, with senior managers only becoming involved if any issues arise. For Westcrowns Contracting Services, their flat structure allows for rapid communication up and down the hierarchy and importantly ensures that messages are not diluted or ignored by layers of management.
- 4.7 Novabiotics have an **open doors policy** with ready access to the chief executive and the head of research on any issue which ensures that any development can be quickly communicated up or down the business.
- 4.8 While such an open door policy works for Novabiotics, it is not always a practical means of direct communication, particularly among larger organisations. For other businesses such as the Famous Grouse Experience and A. G. Barr, a key means of disseminating information to all employees is through **regular monthly update statements** from the board, either through

email or put up on staff noticeboards, keeping employees informed about developments in performance and progress.

- 4.9 As well as communicating down the organisational hierarchy, the case studies use a wide range of practices which are designed to ensure that knowledge and information can flow up the hierarchy from the shop floor. Methods for tapping into this knowledge include **annual staff surveys, staff suggestion schemes** and **feedback questionnaires**. At A. G. Barr, the Old Course Hotel and Production Services Network, **consultative committees** are used. A. G. Barr's Joint Consultative Committees bring together people from different levels and different departments to exchange information on business processes and also provide an opportunity for employees to raise particular issues or concern.
- 4.10 At the Old Course Hotel, the staff consultative committee members are drawn from across the business. The group is based on openness and honesty and discusses all aspects of working at the hotel. Similarly, Mactaggart and Mickel have enabled each site and head office to appoint a series of representatives and then bring these representatives together to hear about the company and raise issues, with further time slots created to allow the representatives to feedback to other staff from the meeting.

Discretion/autonomy

- 4.11 Alongside improvements in communication, practices which can increase employees control over their own tasks can increase their motivation to undertake those tasks. Giving employees increased autonomy to make their own decisions empowers them to take responsibility for their own actions.
- 4.12 Controlled Therapeutics use **Kaizan teams** which are mixed groups of volunteers, drawn from across the company, that are tasked with addressing a particular challenge. The teams bring a new perspective to operations and have identified and delivered efficiencies in manufacturing and packing. The experience of working in these teams has changed formerly resistant employees into enthusiasts for lean manufacturing and continuous improvement.
- 4.13 Westcrowns Contracting Services give employees a degree of leadership through **job design**. Employees understand the businesses goals and can relate and align their own activity to the achievement of these company goals. **Improvement circles** are also used by Westcrowns Contracting Services to improve elements of the businesses performance. These improvement circles are led by individuals identified as potential future leaders, who then select the mix of staff members to join the team. Participation is voluntary and the team will meet and work on their assigned issue before presenting their recommendations to the board and then the company as a whole. The teams bring together a wide mix of people, forcing them to think outside of their own job junction. This raises consciousness of the company as a whole and what it needs to succeed.
- 4.14 At Realtime Worlds, middle level staff are given **considerable freedom around their work**; they are usually given a specification of what is needed and when but then given a high degree of scope to design something that is appropriate. Staff can become very attached to the settings and characters that they create so giving them greater scope to develop these as they see fit is seen to lead to a higher quality output. At Renewable Devices, individuals are

expected to manage their own workload which requires them to be motivated and self-directed. The company emphasises that they have gone beyond the “HR speak” and do require individuals to take the initiative and go beyond the minimum in order to get the job done.

Human Resource Practices

- 4.15 Another means through which the potential of staff can be maximised is through human resource practices. These can develop and increase the skills of employees and subsequently lead to improvements in worker productivity.
- 4.16 BT Retail operates a comprehensive **performance management process**, with an individual’s personal development review on a quarterly basis, or even more often. The company has had to overcome concerns regarding the underlying motivation for introducing this performance management process as staff were concerned that appraisal and performance monitoring would simply pave the way for redundancies. Management have had to work alongside staff representatives, including unions, to explain the positive aspects of these performance practices. This is combined with an approach which rewards success while those who are under-performing are not criticised but encouraged and assisted to improve future performance.
- 4.17 Among all of the practices used, appraisal was the most common. Westcrowns Contracting Services use personal development **appraisals** with all staff members. Any gap between actual performance and expected performance is bridged by a **personal development plan** which sets out objectives and rewards if these are met. Again there was a degree of cynicism among some employees about the new approach but by focusing on achieving and rewarding early results, a culture in which staff strive to achieve was built up.
- 4.18 As well as monitoring the performance of employees, a number of the case studies emphasised the importance of **effective recruitment practices** to ensure that the right people came into the business in the first place. For Realtime Worlds, recruitment is crucial to the business. The company has to attract new employees with a set of highly technical skills in a competitive market place for new talent. The company has an attraction strategy to ensure that people’s perception of the firm’s location outside a major world city does not become a concern and they have also built up close links with Abertay University which has a reputation for excellence in the games industry.
- 4.19 For Renewable Devices, there is a recognition that it is not just technical skills that are needed but a willingness to work flexibly and communicate effectively with others to ensure that any new recruits can fit to the culture of the business. This is reflected in the recruitment process which is geared towards uncovering not only technical aptitude but to see how candidates interact with others.
- 4.20 A number of the case studies emphasised the importance of **in-house promotions**. The Old Course Hotel has an explicit objective of filling at least 70% of management positions internally. In order to achieve this, the business runs a Management Development Programme targeted at staff that are identified as having the correct attributes to succeed in the business. Similarly, Production Services Networks have established a range of in-house training

facilities to develop their own talent rather than look to the wider labour market. As well as in-house promotions, a number of the companies have tried to ensure that staff can progress into other fields of activity within the company. At Realtime Worlds, staff employed for a particular aspect of the game design process are able to move into another team as their initial role comes to an end. This is seen as positive because:

- the high level of retention created a loyalty to the firm
- employees recognised the value of the opportunity of new challenges in an environment where they would be supported to learn the new skills necessary.

4.21 There is a wide range of **training practices** which are used to ensure that staff can increase their skill levels and understanding of the business. For many, such as the Famous Grouse Experience and Union Advertising, this starts with an **induction programme** for new employees. As well as giving these employees an understanding of their roles, the importance of induction practices is that they ensure that new team members understand the culture of the business and ‘how things are done’.

4.22 As well as staff training, there is an emphasis on **management training** at BT and Westcrowns Contracting Services. For example, BT managers regularly return to the shop floor to work directly with customers and staff in order to gain a better understanding of how the business can improve. The management team at Westcrowns Contracting Services were exposed to “the right level of thinking” - motivated, ambitious and creative - by the new MD so that they could understand the new culture that was being created in the company and to ensure that they were able to lead the company in this way.

4.23 At Controlled Therapeutics, it was recognised that transparency in role and responsibilities and accompanying remuneration was becoming increasingly important as the business grew. Therefore a specialist recruitment company was brought in to draw up a set of **clearly defined job roles** which allow staff to understand where they are in the business relative to others in terms of their responsibilities and remuneration. Similarly, Union Advertising employees understand how their role fits into the overall business process and are expected to be able to learn about and understand other functions within the business to improve their understanding.

Reward and commitment practices

4.24 As the name suggests, these practices are designed to recognise individual’s or team’s contribution to organisational performance. Ashton and Sung (2005) suggest that financial rewards can align employees’ efforts with the overall objectives of the business and also create a higher degree of commitment towards the business. Non-financial rewards can also be used to create commitment among employees and help to foster a sense of identity and togetherness.

Financial rewards

4.25 Within some of the case study companies, **profit sharing practices** were in place. For some companies, such as the Old Course Hotel and A. G. Barr, profit sharing is only available to

the senior management team. The Famous Grouse Experience's staff are included in the wider Edrington Group's profit share scheme. Union Advertising have a bonus scheme whereby in every year that the company makes a profit then all staff can expect some level of bonus.

- 4.26 Westcrowns Contracting Services have sought to ensure that staff believe that if the company does well, they will also be rewarded. Therefore, the improvements in organisational performance seen by the company have been accompanied by increases in pay, with salaries doubling over a five-year period, and the introduction of twice-yearly bonuses worth around 10% of salary. Importantly, the mechanism by which bonuses are rewarded is very transparent so staff know what is needed to achieve these rewards.
- 4.27 The profit sharing scheme implemented by Realtime Worlds is designed to grow motivation and staff loyalty. This is important for the company as the time to market for their games can be very long so keeping employees motivated throughout this period is vital. Therefore the firm has implemented a loyalty package where 10% of the profit from each game is given to those who developed it. Realtime Worlds has also implemented **formal salary bands** to ensure that there is a transparent and equal pay rate for people doing the same job. This was implemented to minimise tension and suspicion that arose under the previous pay structure where people negotiated individual packages on joining and so reward in part reflected negotiating ability rather than performance.
- 4.28 A small number of the companies also offer **share options**. At A.G. Barr, the share options on offer to staff are designed to reward employees not only for contributing to the company's success but also for continuity of employment. The share options are viewed as an important way to ensure long term commitment to A. G. Barr among employees. NovaBiotics involvement in early stage drug research brings high risk but also potentially high rewards. Staff members have the option of sharing in the risks and potential reward through the share scheme. For Realtime Worlds, the rationale for introducing share options for all staff was less about explicit financial reward and more about providing a signal that the management wanted staff to stay with the firm and to be engaged.

Non-financial rewards

- 4.29 One of the key non-financial reward and commitment practices used is **flexi-time**. The exact arrangements do differ across the case studies. For NovaBiotics staff, there is a system of core hours but research can involve working at night and over weekends and time spent in work during these periods is compensated with time in lieu. Similar flexibility is needed at Union Advertising. As a telecommunications business, BT is committed to being an exemplar in flexible working using information and communication technologies to allow staff to work from home and to their own schedule where their role permits. BT was the only case study which has explicitly made use of ICT in order to help improve skills utilisation. One of the major changes introduced by Production Services Network is a 40 hour week. Staff are able to complete these hours and take each second Friday off. The nine day fortnight has become a very popular internal practice and is cited as a key attraction for new employees. These types of policies were seen by firms as being useful in ensuring that staff with different family backgrounds could contribute fully while balancing their other responsibilities.

- 4.30 Controlled Therapeutics flexible hours policy was initially designed by an internal working group and was very generous, with staff able to finish work as early as 2.30pm. However, this system proved detrimental and the scheme was re-worked to ensure that core hours are covered. Mactaggart and Mickel also recognised this issue, offering flexitime to office based staff but not to site staff where having people together is more important.
- 4.31 The Famous Grouse Experience have introduced a policy of **job rotation** in order to ensure that staff remain motivated at work and minimise any possible monotony of remaining in the same role for a long period of time.
- 4.32 Other common non-financial benefits that the case study companies provide for staff include **staff discounts** on the products or services which the company produces and **company social events** which bring together the whole company in a more informal surrounding. At A. G. Barr there is a Perfect Attendance initiative whereby all employed who have a perfect attendance at the end of each financial year receive a small financial reward and are entered into a draw to win a larger prize such as a paid holiday and additional days leave. In 2008/09, 323 employees achieved perfect attendance and this is consistent with the last three or four years which have seen around 40% of staff achieving a perfect attendance record.

Conclusions

The case studies have shown that there is a **wide range of practices undertaken by businesses** interested in getting the best from their staff.

Our findings from firms in Scotland are broadly consistent with the wider literature:

- **Appraisal systems and regular communications about the firm are the most common practices**
- **There is more frequent reporting of employee involvement and getting the HR practices right than of reward and commitment practices.**

Although there were examples of introducing financial and non-financial incentives, it was generally recognised that on their own bonuses would not drive up improvement in performance: staff need an environment which gives them the opportunity to be 'as best as they can be'.

5: Different businesses, different practices?

- 5.1 It is important to understand how the use of these skills utilisation practices varies between different types of companies: are there sectoral differences? Is it just businesses in highly skilled sectors? Is it only large businesses? Is it just successful businesses that implement these practices?

What does the literature say about skills utilisation in different sectors?

- Combs et al. (2006) hypothesise that the impact of HPWPs is greater on manufacturing companies than service sector companies because:
 - Manufacturers tend to depend more than service organisations on their ability to flexibly adapt to changes in physical infrastructure and therefore manufacturers have more to gain from introducing HPWPs.
 - Manufacturers must motivate employees to put forth discretionary effort without the benefits of direct customer contact which has been shown to provide a means of motivating employees in service industries.
 - HPWPs appear to be better aligned with the way that a lot of manufacturing is organised. Effective use of teams, for example, is likely to generate greater benefits in organisations which rely on a high degree of task interdependence among manufacturing stages.
- Also evidence that HPWPs are associated with positive outcomes for both high skilled and low skilled service sector businesses and employees.
- Sung et al's (2009) work for the Scottish Government involved case studies of 32 companies in five of the priority sectors and found that there may be systematic differences between sectors in "the management practices (HPWPs) that are used to utilise those skills in order to generate improved levels of performance."¹⁰
- The evidence is mixed on the strength of the HPWP-organisational performance link in terms of causality i.e. it may be that successful firms introduce these practices as a consequence of their good performance and ability to invest in the practices.
- Belt and Giles (2009) report that organisations that are most likely to adopt HPW are in sectors exposed to "international competition and greater market forces from abroad; more advanced technology and greater technological development; where consumer demand is more sophisticated thus requiring a strategy of innovation and differentiation of products on the basis of high-value, quality and service".

- 5.2 Across the seven sectors which we drew the case studies from, there were **no sector specific practices** identified. Nor was there an obvious distinction in the type of practices implemented by very large businesses, such as BT or Production Services Network compared with SME businesses such as NovaBiotics or Union Advertising. However, this does not rule out the existence of sector or size specific practices: *it may simply be that our evidence base was not sufficiently broad to identify such differences.*
- 5.3 Some generalisations can be drawn in terms of differences between firms in terms of the type of production that is used and the degree to which skills utilisation practices are implemented.

¹⁰ Sung et al (2009)

Businesses such as A. G. Barr which produce a very high volume of standardised products might be expected to have an equally standardised, task focused approach to its employees. Despite not needing a workforce with the same level of skill as other case studies, A. G. Barr have used some employee involvement practices such as consultative committees and financial and non-financial reward practices to ensure that they have a motivated and committed workforce which provides them with an important advantage in their competitive industry.

- 5.4 However, case study companies involved in the production of highly differentiated products or services such as Controlled Therapeutics, Renewable Devices or Realtime Worlds have used skills utilisation practices to an even greater degree, with flatter organisational structures which give staff more freedom for innovation and to make their own decisions, helping to create a sense of personal achievement and commitment to the overall goals of the business.
- 5.5 Even within the same business, individual practices may be more appropriate for some employees than other. Perhaps the clearest example of this was Mactaggart and Mickel. They require their site workers to work specific hours, but have offered flexi-time to office based staff in recognition that there is more flexibility around their tasks.
- 5.6 A further finding of the case study research is that **it is not just successfully performing firms that have implemented skills utilisation practices**. Westcrowns Contracting Services had experienced decline in performance and the new Chief Executive was recruited with the expectation of turning the business around through lay-offs and recruiting new, more engaged staff. However, it was quickly discovered that by changing the employees' work environment, Westcrowns Contracting Services became a more desirable place to work. A memorable example of this change was the removal of time-clocks for employees. This show of trust in staff was rewarded as employees generally policed themselves and any timekeeping issues are usually resolved informally.

Ensuring equality

- 5.7 At the same time as there may be differences across firms so it is important to recognise that individuals will respond differently to new practices that are brought in. Renewable Devices recognise that the company culture that has been put in place may not suit some individual's (both managers and employees) style. This highlights the need to ensure that people in the company are suited to working in an atmosphere of trust and communication.
- 5.8 Similarly, certain reward and commitment practices which appeal to one person will not be attractive to others. In one business, one non-financial reward for staff who achieved their targets was the opportunity for free rounds of golf. However, not all staff were interested in this incentive and the company therefore introduced a 'shopping day' to ensure that the reward system motivated all staff. This example shows that it is important that practices are flexible enough to recognise that different people will engage with the company in different ways.
- 5.9 Similarly, in Mactaggart and Mickel a policy of flexitime has been introduced for office based staff to enable them to better balance work with issues such as childcare. This type of approach was not thought suitable for site staff, but all staff have now been offered the

opportunity to take their holidays flexibly (many construction sites simply close for holidays) to better accommodate the different family circumstances of different workers. This flexibility requires considerable scheduling management, but is seen as a positive step to support the workforce.

- 5.10 At BT Retail, the flexible working policy has allowed the company to provide greater support for working mothers and the company has a 96% rate of return from maternity leave.
- 5.11 Together, these approaches demonstrate that in the same way that different strategies are required to address different business issues, so skills utilisation strategies need to offer a range of policies to attract the support of all employees and to ensure that businesses can get the best from staff from a range of backgrounds.

Conclusions

We have found no examples of practices which are unique to a given industry. Rather, the extent to which different, specific practices can be implemented tends to depend on the operational focus of the business, in particular driven by the needs of immediate production.

The case studies covered firms of very different sizes; yet the firms were broadly consistent in their approach.

Many of the case study firms were very successful, but even where firms had struggled they had maintained or increased their use of skill use practices as this would help them adapt to changing conditions.

Firms recognised that different groups of staff would benefit from or be motivated by different things. They had therefore considered equalities issues in the design of their approaches.

6: Impacts and measurement

- 6.1 The final area that the case studies were used to explore was the benefits that business gained from implementing these skills utilisation practices and how these benefits were measured.

What does the literature say about measuring the impact of HPWPs?

- Belt and Giles (2009) provides a useful summary of the impact that HPWPs can have on performance. This report highlights a large number of econometric studies which have shown that there is a strong correlation between HPWPs and improvements in organisational performance measures including:
 - profits
 - turnover
 - productivity
 - employee turnover
 - employee well-being.
- Huselid (2003) summarised the findings of 158 studies which investigated the link between human resource management systems and organisational performance and reports that almost 60% of the cited studies reported a positive relationship and only 2.5% reported negative results.
- There is less research on a firm by firm basis identifying the costs and benefits of introducing these practices. From the evidence, it seems that the introduction of these practices is not treated in the same way as, for example, the purchase of new capital which would likely involve quantifying the costs and benefits of the investment.
- Previous studies which have used a case study approach to identify the performance impacts of HPWPs (see, for example, Ashton and Sung (2005) and NCCP and FÁS (2006)) have found it difficult to formally link the introduction of HPWPs with improvements in business performance.

- 6.2 **No businesses that participated in the case study research used or immediately recognised the term skills utilisation**, but they all undertake a wide range of activities associated with effective skills use. The businesses do not explicitly consider how to ensure that they are making “the most effective application of skills in the workplace to maximise performance through the interplay of a number of key agents (e.g. employers, employees, learning providers and the state) and the use of a range of HR, management and working practices.”¹¹ They are, however, concerned with ensuring that they create an environment in which staff can be the best they can be to the benefit of employees themselves and the company. While this is exactly what skills utilisation is about, it is important to ensure that any promotional message is as accessible as possible for Scottish businesses interested in adopting these practices.

- 6.3 Therefore, in this section we describe what firms actually measure, and see this as the best proxy for what is important to them. The challenge in using this for advocacy terms however

¹¹ Scottish Government (2008) Skills Utilisation Literature Review

rests with the multifaceted nature of the concern – **there is no one obvious term or phrase that would work across groups.**

- 6.4 Given that companies do not use the term skills utilisation, it is not surprising that one of the clearest findings from across the case studies is that businesses **do not tend to formally measure the impact of implementing new ways of working**: Realtime World’s senior management made the decision to invest not because of the expectation of a direct return but because “**it is the right thing to do**”.
- 6.5 Renewable Devices do not formally measure the impact of their approach to skills utilisation. The company assesses the effectiveness of their approach on an experiential basis – whether it looks and feels right; even if 5% is lost in efficiency, then 15% is gained in morale – which over the longer-term yields far greater benefit for the company. In fact, the company is willing to forgo short term financial gain if that opportunity went against the principles and culture of the business.
- 6.6 Although the case study companies did not try to and connect the use of these practices directly with the bottom line, **there was a clear belief across the case studies that some of the impacts of skills utilisation practices are quantifiable or that they were seen as an important contributor towards key performance indicators.** Indeed, perhaps the most noticeable company turnaround within the case studies took place at Westcrowns Contracting Services. Here a change of leadership brought about a change in company performance, from decline to growth, underpinned by the introduction of a range of skills use practices.
- 6.7 Other, more issue specific indicators include:
- Retention
 - At Production Services Network, there have high levels of staff retention with staff turnover of around 6% to 7% per year in a sector where annual staff turnover can reach 30%. This low rate of staff turnover is associated with the skills utilisation practices that the company has implemented and learning from employee feedback through appraisal.
 - In order to better retain staff, Realtime Worlds tries to understand why those that leave do so. Exit interviews are conducted and reviewed on a regular basis to learn about what, if anything, the business could have done differently. Over time, it has tended to become only personal reasons for leaving rather than dissatisfaction with the company.
 - Satisfaction
 - Only BT Retail, which is of a very different scale to the other case studies, uses any formal assessment of the effectiveness of their skills utilisation practices. This is done through their CARE staff survey, which allows quantifiable impacts of changes to be measured with a direct connection between staff involvement/development and business performance down to team level.

- A. G. Barr enjoys low levels of staff absence which they put down, in part, to practices such as the perfect attendance initiative that have been implemented.
- Recruitment
 - Attracting good people becomes easier if the company has a reputation as a good place to work. Union Advertising reported that feedback received by former employees indicated that Union compares very well in terms of the working environment.
 - At Production Services Network, the nine-day fortnight has become one of the company's best known internal practices and one that often attracts employees from other firms.

6.8 While recruitment, retention and satisfaction can be measured, the case study's reasons for implementing these skills practices go beyond quantifiable improvements such as money saving on retention and recruitment and are more concerned with a long term increase in staff motivation, loyalty and ability. For Realtime Worlds, the main benefit of attracting, retaining and motivating staff is the positive impact on the quality of their product.

Conclusions

Firms strongly associate their performance with skill use practices. In one case company turnaround was seen to have been underpinned by the introduction of such approaches.

However, **most firms do not formally measure the impact of skill utilisation on bottom line business performance.**

Firms do often monitor issues such as recruitment, retention and staff motivation. These issues are often the issues that skill use practices are aimed at and firms associate good results on these indicators as a signal that their practices are being effective.

7: Lessons/wider issues

- 7.1 This section draws a number of conclusions from the case studies that were undertaken. It begins by identifying some high level conclusions and their implications for future policy, before moving on to discuss the series of inter-relations between the many practices reported in the body of this report.
- 7.2 **The first conclusion is that the term ‘skills utilisation’ is not one that is easily recognised by management or staff of the businesses although all of the actual practices were well understood and used by the businesses.** This means that in promoting such activities to business, care must be taken around terminology. **From the businesses that we interviewed the more relevant phrases would be based around: getting the most from your people; and enabling staff to maximise their contribution.**
- 7.3 Secondly, it is clear that the **key drivers behind the implementation of skills utilisation practices come from:**
- **senior management and the culture and values that they wish to be held by the company**
 - **a response to market forces**, including staff attraction and retention, and the desire for a quality product.
- 7.4 **Thirdly, the case study firms were clear that such practices make an important contribution to the performance of their business.** Even though they do not seek to quantify such impacts on the bottom line they spend time and resources getting their package right– they simply ‘know’ that it is the right thing to do. In the wider context of the evidence gathered this suggests that:
- Different practices will work better to address specific issues, and so should be designed with a specific goal in mind
 - The benefits may not always be tangible, but the positive experiences of the businesses we interviewed should be an important promotional point to other businesses.
- 7.5 **The fourth conclusion is that the case studies back up the findings of the previous research that there is no ‘silver bullet’ practice that if implemented, will see company performance increase.** Rather, it is the suite of practices and the context in which they operate that appears important.
- 7.6 **Fifthly, for many businesses it makes sense to introduce practices gradually, on a case by case basis;** for example the company may have insufficient funding to implement all the practices they would like, staff may find widespread change difficult to cope with or there may be unintended negative consequences. At Controlled Therapeutics, the company had to re-work an initially very generous flexi-time system to ensure that it did not affect the company performance. At NovaBiotics, the management team has a number of new reward

systems which they want to implement but are conscious of the cost of doing so at this early stage of the companies development.

- 7.7 Finally, **there is a common message from the case studies that the success of the individual approaches is strongly influenced by the environment in to which they are introduced.** As such, the case study evidence backs up Windsor's (2009) assertion that "the impact of high performance work practices are likely to depend more on the motivation for their adoption and the workplace culture into which they are introduced than on the specific form of the practice".

Summary of key conclusions

The term 'skills utilisation' is not one that is easily recognised by management or staff of the businesses although all of the actual practices were well understood and used by the businesses.

The key drivers behind the implementation of skills utilisation practices come from both the culture and values of senior managers, and as a response to market forces.

The case study firms were clear that such practices make an important contribution to the performance of their business.

The case studies back up the findings of the previous research that there is no single practice that if implemented, will see company performance increase.

For many businesses it makes sense to introduces practices gradually, on a case by case basis to address specific issues as they face the business.

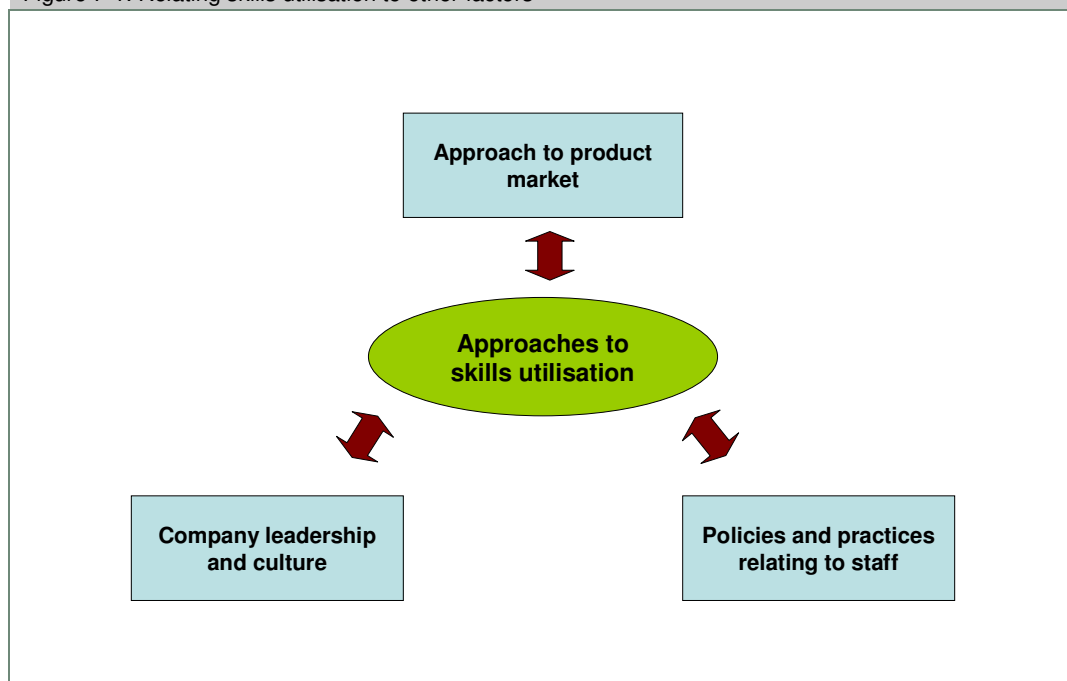
There is a common message from the case studies that the success of the individual approaches is strongly influenced by the environment in to which they are introduced.

Exploring inter-relationships

- 7.14 Recognising the range of factors at play and that many of the issues discussed could be viewed as about wider organisation development, in Figure 7-1 we have sought to demonstrate the inter-relationships between the different elements which come through the case studies, and in particular that **in addition to skills specific policies a number of wider factors are important in achieving skills utilisation.** In the sections below we:

- Explain the issues in more detail, including their inter-relationship
- Relate the practices identified through the case studies to each of the issues.

Figure 7-1: Relating skills utilisation to other factors



Source: SQW Consulting

Approach to the product market

- 7.15 For many of the case study businesses, understandably, the starting point of how they conceive their business is with reference to what they wish to sell, and how they will position this in the market. They were generally clear that they are seeking to compete in terms of the quality of their product or service. This was defined widely across the sectors, ranging from the use of cutting edge technology through to the house builder seeking zero snagging on its new homes.
- 7.16 Important across the firms was clarity that to achieve this high level of output they required staff who could work at an appropriate level. Therefore, while the strategy of the firm may appear several steps away from skills utilisation, in practice **the firms' strategy sets the framework through which it decides how best their staff can contribute to help them to meet their wider business goals.**

Company organisation, leadership and culture

- 7.17 We raised above the importance of culture and environment in ensuring that firms maximise the benefits of the range of practices. It appears that for the case study firms, decisions about culture and in essence the type of firm that they would be, were taken based on the views of the owners and managers, often relating to previous experience.
- 7.18 Running through the discussion of culture was a recognition of the importance of:
- Management and leadership
 - Good, two-way communication.

- 7.19 For Realtime Worlds, the culture of the company comes from, and is driven by, its senior people. Similarly, the management team at Union Advertising stated that there cannot be any gap between what management says and what they actually do. One observation from the management at NovaBiotics is that to create an engaged and flexible workforce, requires the management team to have passion and to encourage that passion in others. Therefore the senior management approach to skills utilisation has to go beyond lip service and deliver, as without evidence of involvement by leaders, team members will not buy into the approach.
- 7.20 The MD of Westcrowns Contracting Services recognised that for large businesses, layers of administration can develop between thinking and doing, with good ideas for improving the business developed at either end of the business hierarchy becoming diluted or confused as they move up or down. This highlights the importance of effective middle management. For businesses such as Controlled Therapeutics that have teams that are functionally different means that the same skills utilisation practice may require a different interpretation.
- 7.21 Therefore, important across all managers is that the culture of the firm is well understood and that actions, which will of course be different depending on context, are taken in a way that is consistent with the spirit of the approach. **This is an important under-pinning element to ensure that firms realise fully the benefits of the practices that can be introduced to address skills utilisation.**
- 7.22 All of the case study businesses recognised the importance of communicating well with staff. The case study firms had put in place a series of elements ranging from regular whole company briefings through a email communications to ensure staff had up to date information of the aims and performance of the business.
- 7.23 Moreover, the case study firms recognised that staff can be an important source of ideas and so several had in place structures to enable the workforce to contribute thoughts or to feedback on issues. This ranged from suggestion boards through ad hoc discussions between management and staff to more sophisticated, representative staff groups that met regularly with management.
- 7.24 Both information giving and receiving were seen as important by the case study firms to ensure that staff understand the needs of the business and so are able to act in a way that is supportive of this. Again, **this suggests that while communication does not directly improve skills utilisation it is an important factor to enable staff to contribute fully.**

Policies and practices relating to staff

- 7.25 Moving closer to skill utilisation are a set of issues around how firms recruit, retain and support their staff. Recruitment was a key issue for many of the firms that we interviewed, for example:
- Being able to attract highly skilled workers in a global industry (for example the Old Course Hotel)
 - Putting in place pre-recruitment tests of technical skills (such as at Realtime Worlds)

- Being sure that new recruits were not only technically able but would fit to the culture of the organisation (such as at Renewable Devices).
- 7.26 These activities impact on skills utilisation in different ways, with care being taken to ensure that new recruits are able to contribute fully to the firm, both technically and in a wider sense. As such, **getting the right people is an important pre-cursor of maximising skills utilisation.**
- 7.27 Similarly, given the costs and issues around recruitment, many of the case study firms placed considerable emphasis on staff retention. For several (such as Realtime Worlds) this included conducting exit interviews when staff left and seeking to take actions to ensure that others would not follow.
- 7.28 More widely, there was a common desire to put in place a series of policies that would make the firm ‘a good place to work’ beyond simply a place to draw a salary or wage (although reward packages were also seen as important). Through this there was also an expectation that staff would be more motivated on a day-to-day basis. These elements were often designed to reflect the needs of different staff groups, with consideration given to developing practices which recognised equalities issues, including:
- In Westcrown Contracting Services, one non-financial reward for staff who achieved their targets was the opportunity for free rounds of golf. However, not all staff were interested in this incentive and the company therefore introduced a ‘shopping day’ to ensure that the reward system motivated all staff
 - In Mactaggart and Mickel a policy of flexitime has been introduced for office based staff to enable them to better balance work with issues such as childcare. This type of approach was not thought suitable for site staff, but all staff have now been offered the opportunity to take their holidays flexibly (many construction sites simply close for holidays) to better accommodate the different family circumstances of different workers
 - At BT Retail, the flexible working policy has allowed the company to provide greater support for working mothers and the company has a 96% rate of return from maternity leave.
- 7.29 The most frequently mentioned element across all of the case studies, and one which many firms identified as a key element was the appraisal system. In the best cases this acted as the basis from which to give feedback to staff on their performance and to identify development needs. As such the appraisal process was used to ensure that individuals were suitably skilled to meet their job requirements. **This highlights an important precursor for skills utilisation, that firms consider fully the skills and attributes that their staff can offer and that tasks require.**

Approaches to skills use

- 7.30 Having put in place the building blocks described above which create the environment in which suitably skilled people can use their skills to the betterment of the firm, there were then

a series of actions within the case study firms that addressed directly how staff were able and encouraged to use their skills. These actions included:

- **Job and production process design, and on occasion large amounts of staff and team self management and discretion** are used to enable staff to maximise their contribution in the best ways that they can given the skills and resources available to them. For example, at Renewable Devices, individuals are expected to manage their own workload, to take the initiative and go beyond the minimum in order to get the job done. Westcrowns Contracting Services used **quality circles (improvement circles)** where staff were encouraged to identify process improvements that would be supported by the skills that they could offer. Controlled Therapeutics use Kaizan teams in this way.
- **Learning transfer** is used by Realtime Worlds to ensure that trained staff were able to pass their skills on to others within the firm and so maximise the learning held by individual employees. Similarly, NovaBiotics ensures that all staff are involved in projects so that they can transfer the knowledge learned on one project to another. At the Old Course Hotel, the ‘Train the Trainer’ Programme is used to facilitate on-the-job training and ensures the knowledge and skills of trainers is shared throughout the workforce.
- **Multi-skilling** which enables people to undertake a series of roles and so maximises the number of tasks which an individual can undertake for the firm, and in turn boost the flexibility that the firm has. NovaBiotics have used this approach to enable people to contribute to a number of project teams, and so to boost staff utilisation.
- **Job rotation** is used by Realtime Worlds to enable the firm to keep (and indeed perhaps re-motivate) an experienced and trusted employee where their previous role may be less required. Therefore, the firm identifies another job role where the individual’s skills can be used, perhaps with some adaptation. Similarly, job rotation is used at the Famous Grouse Experience, based on a realisation that longer serving staff may want to try different roles in the company.

7.31 The range of issues above is very much a sub-set of the wide range of practices described elsewhere in this report. It highlights that while coverage of high quality management practices appears to benefit the firm and that in many cases such practices will underpin skills use, the activities that lead directly to high levels of skills use are much more specific. However, building on the evidence of this report, having in place the right context is crucial if the skills use specific policies are to be effective.

7.32 In considering each of these elements it is important to recall that there was a strong belief across the case studies that together **the elements led to improved business performance** in the medium term through staff being more flexible and productive. As such, **the investment in these activities, whether that is taking time out to consider production processes or to share learning, was seen to be more than justified in light of the end results for the business.**

Annex A: The Case Studies

A.1 This section provides the case studies on which this report is based:

- **Case Study 1: Mactaggart & Mickel (Construction)**
 - Mactaggart and Mickel is family-owned housebuilder. They wished to ensure high standards across the firm to support a ‘right first time’ approach to quality. They also sought to more fully engage their staff in two-way communication.
- **Case Study 2: Westcrowns Contracting Services (Construction)**
 - Westcrowns Contracting Services is a specialist construction company, that had been in decline for some time. To help turn the firm around they introduced a new company culture which focused on engaging with and getting the best from employees, and rewarding them for it.
- **Case Study 3: Realtime Worlds (Creative)**
 - Realtime Worlds applies market leading technology in the development of computer games. It faced two important issues: it was having to attract and retain highly skilled people in a very competitive market; and had to design work process which allowed people to be highly creative, but to do so in within a very structured, long term production process.
- **Case Study 4: Union Advertising (Creative)**
 - The Union provides integrated marketing and communications services. The company has experienced steady growth over the last decade. During this period of growth it has worked hard to retain its original identity, reputation as a good place to work and a culture that encourages employees to take responsibility for their own work.
- **Case Study 5: Production Services Network (Energy)**
 - Production Services Network (PSN) is a specialist provider of engineering, operations and maintenance services. A new management team has sought differentiate itself from what went before by setting out the seven values on which the company was to be run. A series of actions of policies were put in place to embed these values.
- **Case Study 6: Renewable Devices (Energy)**
 - Renewable Devices is best known for the design and manufacture of their micro-generation Swift Turbine. The owners were determined to create a workplace that would allow Scotland’s engineering excellence to be realised. The firm is characterised by collegiate management, with a high degree of

freedom in setting and delivering tasks, matched by high levels of trust between team members.

- **Case Study 7: BT Retail (Financial and business services)**
 - BT Retail is the consumer division of BT, and has been going through a period of change. It faced a legacy of a large, bureaucratic organisation. Engaging with and developing staff was essential to remain competitive. The firm has sought approaches that harness the knowledge and abilities of staff, and to make the company a better place to work
- **Case Study 8: A. G. Barr (Food and Drink)**
 - A.G. Barr plc has been a producer of soft drinks including the famous Irn-Bru brand since 1875. The company is driven by the needs of their customers and by the changing legislative environment. A.G. Barr therefore needed a committed workforce, flexible enough to react to changes in customer demand and able to cope with alterations to working practices.
- **Case Study 9: Controlled Therapeutics (Life Sciences)**
 - Controlled Therapeutics manufactures and licenses pharmaceutical products. It employs over 60 staff, half in research and development. Recruiting, retaining and effectively deploying such highly qualified staff was a challenge.
- **Case Study 10: NovaBiotics (Life Sciences)**
 - NovaBiotics is a biotechnology company focusing on drug discovery and development. The nature of drug discovery and development is that it can be very labour-intensive, requiring bursts of concentrated activity, often at unsocial hours. Yet a research-led firm, NovaBiotics' staff is its most important resource, and so their recruitment, effective deployment and retention are vital to the success of the company.
- **Case Study 11: Famous Grouse Experience (Tourism)**
 - The Famous Grouse Experience is a visitor attraction based at the Glenturret Distillery, the most visited distillery in Scotland. It has aimed to build on this reputation by focusing on the quality of visitor experience through investing in its employees. Its rural location reinforces the need to keep and develop its existing experienced workforce.
- **Case Study 12: The Old Course Hotel (Tourism)**
 - The Old Course Hotel in St Andrews is one of the world's leading golf resorts. In order to maintain its reputation in a global market, it needs to ensure high quality of customer service. It therefore focuses on workforce engagement and development to ensure that it retains a motivated workforce to meet these standards.

Case Study 1: Mactaggert & Mickel

About the firm

Founded in 1925, Mactaggart and Mickel is construction firm. It is a family housebuilder that has been hand-crafting new homes in Scotland for more than eighty years. The company currently employs almost 200 people, with its head office in Glasgow.

Motivations and benefits

There are two key and inter-related factors that drive the firm. Firstly, it remains a family owned business, with strong ethos of being a good employer (for example it directly employees almost all of its site staff). Secondly, and underpinned by the first, is a desire to provide homes, built and finished to a high standard, which requires skilled staff.

Key actions

The firm's approach to its workforce means that it generally has very low staff turnover, indeed long service is the norm. However, in recent years the firm has sought to develop more forward looking and inclusive people practices to ensure that it move forward in a competitive environment. This included:

- Employee involvement
 - developing an employee forum, with two representatives from each site. This meets regularly, and time is put aside for the representatives to feedback back to the site after each meeting
 - it was through the forum that one worker put forward the idea of reduced working hours as a response to the economic downturn. This has allowed the firm to retain much of its workforce and so be well positioned as demand returns.
- Human resource practices
 - the firm has introduced an appraisal system to enable them to provide feedback to staff. Given the long service of many it was important to the firm that those who were performing well are told so, and where issues are arising these are identified along with any training required to address the issue
 - each house built by the firm is inspected by the managing director or other senior manager. Therefore, the team building the house know that if they do not maintain the standards of the firm, this will be apparent to senior management.
- Reward and commitment practice

- the firm has introduced flexible holidays for all staff. This is not straightforward to manage on site, but is seen as important given the range of family circumstances
- there is a bonus system which is related to the performance of the firm and the rating of each individual in their appraisal, and for those on sites there is a productivity bonus based around the time expected for specific tasks.

Lessons learned

The focus on high staff standards is underpinned by transparent quality and appraisal systems, and together with high levels of retention are key elements in the firm's aim of having zero percent snagging on the homes that it builds.

The well established practice of being a good employer appears to have helped the firm to work through the widespread downturn in construction. While it has had to layoff some staff, those who remain have contributed to a flexible response that should help in the longer term.

Case Study 2: Westcrowns Contracting Services

About the firm

Westcrowns Contracting Services is a specialist construction company within the fourth generation family owned Westcrowns group. The construction company performance had been in decline for some considerable time and a new Managing Director was recruited by the parent company to turn the business around with the expectation that this would be achieved through lay-offs and recruiting new, more engaged staff. In the event, it was the Westcrowns Contracting board that was largely replaced and the existing workforce engaged with and re-energised. Westcrowns Contracting Services, operating with the same staff, two of whom have now themselves become Directors, and in the same markets, now has higher profits, a much expanded order book and is a significant contributor to overall group profitability.

Motivations and benefits

At the time of the new Managing Director's appointment, Westcrowns Contracting Services had been in a slowly descending spiral. The assumption was that major restructuring would be required, with substantial lay-offs. Upon investigating, the new Chief Executive found that the staff were loyal and hard-working, but that it was the environment in which they worked which constrained company performance.

In introducing a new company culture which focuses on engaging with and getting the best from employees and rewarding them for it, Westcrowns Contracting, through its committed employees has been transformed both internally, as a desirable place to work, and externally as a successful and expanding company.

Key actions

The key actions taken include:

- Employee involvement
 - flat structure – the company is structured to allow information to flow through the company with a minimum of impediments, allowing problems to be identified and opportunities taken as quickly as possible
 - aligning activity – the company seeks to encourage initiative and leadership at all levels of the company, and company goals and performance measures are communicated to all staff, and their team's performance, linked to these
 - trust – Westcrowns seeks to encourage a high trust environment, through avoiding personal recriminations, and not micro-managing staff or their time.
- Human resource practices
 - improvement circles – the company operates a number of staff-led improvement circles to drive forward the business. The teams bring together

- a wide mix of people, encouraging them to think outside of their own job function
- personal development appraisals – candid but supportive personal appraisals are carried out to a common standard, with points for improvements (and rewards for meeting these) set out for each individual.
- Reward and commitment practices
 - performance pay – improved performance is rewarded with increased pay so salaries have on average doubled over a five-year period, and twice-yearly bonuses have been instituted.

Lessons learned

In the view of Westcrowns Contracting, effective skills utilisation comes down to three factors: leadership, passion, and motivation/reward.

The core belief is that people want to be the best that they can be – and most people want this, it is, in a number of cases, the organisation that inadvertently drives them down. The Westcrowns Contracting company culture is directed towards ensuring that people do not feel constrained by their environment, that they are not victims, but are freed up by the choices they can make. While construction is a tough and challenging industry, this does not mean that those working in it are limited in the choices by which they can make an impact.

For the Managing Director, some of the lessons of effective skills utilisation came through seeing how not to do it, particularly in larger firms. There, in his opinion, size has allowed layers of administration to develop between thinking and doing, with good ideas for improving the business developed at the interface with customers becoming diluted as they move through the company hierarchy. More layers also mean more talking and more politics. A major demotivator that he has identified is seeing aggressive people eclipse those with good ideas and rise up the hierarchy.

The company considers that many of its actions are really “obvious.” In this, they share a trait with other high-performing companies who are quite happy to talk about the “secret” of their success. While other companies, and even competitors, may identify and understand what actions are being taken, they are not prepared to whole-heartedly implement them. While many of the practices sound straight-forward, it is not until they are attempted that the effort required is appreciated, it is not enough to pay lip-service to these ideas; they must be lived. These actions, and the company culture that underpins them, become self-reinforcing and an ascending spiral of achievement can be developed – by contrast, undermining staff can lead to a descending spiral of under-performance.

Case Study 3: Realtime Worlds

About the firm

Founded in 2002, Realtime Worlds is a software technology company specialising in the computer and online games parts of the entertainment sector. The firm has grown to employ over 250 in its design studio in Dundee, with around 25 people in its Colorado office. Their first game (Crackdown) sold over two million copies and was awarded two BAFTAs, and their second game is due for release next year.

Motivations and benefits

The firm's strategy is based on the development of design driven, cutting edge products. This means that the firm has to recruit very highly skilled workers. This has proved difficult and so the firm takes steps to appear attractive to recruits, and has taken a number of steps to keep staff turnover low.

Moreover, a balance has to be struck between giving staff sufficient space to be creative, yet at the same time work to a format that will fit within the game. This has to be done in a wider workplan to ensure that the game is delivered on time, as only then does the firm begin to generate revenue. Given the long lead in times involved, a regular and steady approach is required; the process is too complex to be fixed through last minute panics.

Key actions

These motivations mean that considerable effort is put in to ensuring that the firm is an attractive, efficient and stimulating place to work. The key actions taken include:

- Employee involvement
 - quarterly offsite presentations are given to all staff about the business, followed by a Q&A session
 - staff are engaged directly in the initial development of the product, and given its nature continue to have space to contribute as development takes place.
- Human resource practices
 - groups of people undertaking similar tasks sit together so that they can share ideas
 - Product development moves through phases and so as phases complete some roles will become redundant. However, the firm wishes to retain its people and so facilitates them to move to other team which fit their interests and capabilities.
 - exit interviews are conducted with staff when they are leaving to learn what the firm could do better.
- Reward and commitment practices

- staff are set specific tasks and deadlines throughout the overall project plan, and staff then have flexibility as to how best they deliver the task
- there are a range of activities where staff are encouraged to get together outside of work as this is seen to build team spirit
- the staff handbook is explicit that people are expected to be focused and productive during the day, but not to have a long hours culture. To reinforce this overtime is paid outside of core hours.

Lessons learned

The culture of the firm comes from its senior people. They have a long term perspective on the growth and development of the firm, and so promote a professional and adult attitude to how staff are treated and are expected to respond. The firm's approach has been governed by progressively introducing things as issues arise. If a need is identified, it appears the right things to do and is affordable then action will be taken.

As such, the key lesson is having and promoting the culture of looking after and getting the most from their staff. In this culture it is the combined effects of the suite of practices that is important, rather than any particular policy.

Case Study 4: Union Advertising

About the firm

Union Advertising was formed in 1996 and is now part of the Union Group, an integrated communications agency based in Edinburgh and Leeds. The group now employs around 75-80 employees, with five staff based in Leeds and the remainder based in the main Edinburgh office. Union provides integrated marketing and communications services, including advertising, direct marketing, web marketing, brand design, field marketing and experiential marketing.

Motivations and benefits

Over the last three years, the company's (the Union Group) turnover has increased from £6 million to £10 million with most of this growth being achieved through the new Direct and Connect companies. The company's overarching aims are to keep clients, win new clients, and make money. However, throughout the company's growth, it has worked hard to retain its own identity and reputation as a good place to work – it was stated that the company has maintained its 'soul'. As would perhaps be expected for the sector, the company has always encouraged creativity and innovative ideas.

Based on the ongoing communication and feedback from staff, it appears that employees are generally satisfied with current practice in terms of skills utilisation. Senior managers work alongside other employees and are well placed to understand and gauge the atmosphere in the workplace at a given time.

Key actions

The key actions taken by Union include:

- Employee involvement
 - communication and staff consultation - the Group Chairman regularly emails staff with updates on major bids, there are monthly staff meetings to review business performance and an annual staff survey
 - flat management structure – empowering employees to take responsibility for their own clients as early as possible. The open plan office also helps to reduce any sense of company hierarchy
 - ensuring staff are given the recognition that they deserve (e.g. at staff meetings)
- Human resource practices
 - induction programme which includes a series of meetings with heads of departments and the Group Chairman, and also being supported by a buddy/mentor

- annual appraisal – introduced following a review of the company’s HR practices in 2004, it provides a structure to review performance and training needs. This is followed up by a six month catch-up meeting
- clarifying roles within the company - employees need to understand their role in the business and are also expected to learn about other functions in order to improve their understanding of how the business operates
- ongoing training provision that meets industry CPD Accreditation Standard.
- Reward and commitment practices
 - staff bonus scheme
 - some flexibility on working hours for employees who have worked late or over the weekends in order to meet a project deadline.

Lessons learned

The Group Chairman believes that the skills utilisation practices at Union are probably not vastly different to the other main advertising agencies. However, the Chairman referred to feedback received from former employees which indicated that Union actually compares very well to other companies in terms of the working environment and HR/training policies. Encouraging staff to take ownership for their own work and keeping employees informed of how the business is performing are judged by the consultee to be key factors.

It is estimated that around 5-10% of the workforce leave each year but very few have left to join a competitor. It was highlighted that the impact of the company’s skills utilisation policies can be seen in the general success of the business in terms of holding on to clients and keeping key people. Many senior people have progressed through the ranks at Union and which would appear to reflect well on the company’s working environment. Moreover, the Union is one of the country’s most successful advertising agencies, building from its culture of continuous improvement and a competitive mentality that has helped the company grow significantly over the last 13 years.

Case Study 5: Production Services Network

About the firm

Aberdeen-based Production Services Network (PSN) is a specialist provider of engineering, operations and maintenance services to the owners of a variety of energy assets around the world. The company is one of the top ten largest private Scottish companies, with a turnover of over \$1.2billion, and a staff of some 8,500 working in more than 25 countries.

Motivations and benefits

The management team sought to mark the change in management by setting out seven values on which the company was to be run. PSN managers recognise that other companies produce statements of values and set out vision statements, however PSN regard theirs as being a serious effort observing that theirs has not changed over time – where other companies have been quite happy to revise their "core" values as circumstances dictate. Interestingly, PSN did not seek to institute a vision statement, saying "we do not have a mission or vision statement - what we have is a clear idea of who we are, what we do, and what we are planning to achieve."

The seven core values the management team orientated the company around were: Health and safety, People, Innovation, Localisation, Relationships, Financial responsibility, and Integrity. The People value, which requires that everyone is treated with honesty, compassion and respect as part of an open, supportive culture is the one most relevant to the skills utilisation agenda.

The impact of skills utilisation practices are not formally measured or quantified, however for the company as a whole, there are two major benefits:

- Staff retention is high, meaning the company is able to retain and build upon employee knowledge
- Recruitment is made easier and the company is better able to attract good quality people.

Both of these issues are important in a sector where good quality skills are in high demand and there is a very competitive labour market. Staff turnover runs at around 6-7% per year in a sector where annual staff turnover can reach 30%.

Through being viewed as a more attractive company to work for, PSN is better able to recruit for and staff its larger contracts. The company has also been able to attract a younger workforce than is usual for the sector, where 40-50 is the average age.

Key actions

PSN have instituted a number of specific skills utilisation practices as a result of the organisational and cultural change. These include:

- Employee involvement

- physical environment – one of the first steps of the new company was to create an open and attractive workplace that brought management and staff together
- induction process – the induction process familiarise employees with the company mission and values
- staff forums – a rotating panel of volunteers act as a conduit for canvassing and communicating staff views.
- Human resource practices
 - people+ - the company's annual appraisal process seeks to match areas for personal development with work opportunities and training, and to guide career progression
 - internal growth – PSN has established internal training provision to equip staff with those skills the market is not readily able to supply.
- Reward and commitment practice
 - teamwork and roles – staff are encouraged to go beyond their defined roles, and rapid career progress is possible when ability is shown
 - nine-day fortnight – PSN operates a core 40-hour week, but if these hours are completed in a compressed span of time, every second Friday can be taken off.

Lessons learned

The management team had a relatively straightforward experience in making the changes. Staff already had the experience of working for a remote multinational where major decisions were taken in America and arrived as a fait accompli. They were therefore receptive to a new approach based on local needs, staff engagement and transparent decision-making.

Investment in the changes was not an issue for the company. The major structural change, the introduction of the nine-day fortnight, was cost-neutral. Other changes, for instance taking more leave rather than pay, also incur no financial penalty for the firm. Generally, in terms of increased retention and reductions in overtime and sick leave as a result of more flexible working, the effect has been to save money.

Case Study 6: Renewable Devices

About the firm

Renewable Devices are a Rosslyn-based renewable energy company. Best known for the design and manufacture of their micro-generation Swift Turbine with its ultra-quiet technology, the firm also includes a growing environmental consultancy team. The firm stands out not only for its cutting-edge technology but also for its visionary workplace practices.

Motivations and benefits

When establishing their company in 2002, the founders of the firm, Charlie Silverton and David Anderson, were determined to create a workplace that would allow Scotland's engineering excellence to be realised. The firm is characterised by collegiate management, with a high degree of freedom in setting and delivering tasks, matched by high levels of trust between team members.

The result of this approach is a flexible workforce with a strong commitment to the success of the firm and its products. As developers of environmental products, Renewable Devices' employees are committed to company success for both personal and professional reasons. The practical effect of the approach is that team members will put in extra effort when orders require it, or work creatively to overcome barriers.

Key actions

The key actions taken include:

- Employee involvement
 - flat company structure – hierarchy is kept to a minimum, with direct communications between team members across the firm
 - personal autonomy – individuals have set objectives but a great deal of freedom in how these are achieved and are not micro-managed, resulting in happier and more productive employees
 - team decision-making – company priorities, both short and long-term are discussed at regular team meetings ensuring each individual understands how their work is contributing to these, and how best they can support other team members.
- Human resource practices
 - in-depth recruitment – to fit into the company culture, new employees need to be able to work in a high-trust, cooperative and light-touch company structure. The recruitment process therefore places as much emphasis on personal qualities as professional skills.

- career progression - individuals are encouraged to develop their talents and interests (both professionally and personally) with staff often moving through the company into new roles.
- Reward and commitment practices
 - non-pay benefits – the company’s credo is that when at work, the object is to work – the cardinal sin is pretending to work. Productivity at work is balanced by generous leave provisions, with six weeks annual leave, to allow team members to recharge their batteries and have a life outside of work.

Lessons learned

The operation of such a flat and flexible company structure requires a high degree of trust at all levels, and this can only be achieved with careful recruitment practices. The company culture won’t suit everyone and this applies to managers as much as employees. The firm has had experience of a manager whose own professional style didn’t gel with the company culture and this created structural stresses.

There is also the question of how widely this approach can be emulated. Throughout the company’s history skeptics have declared that the approach might work with five employees but not with ten – and when ten were reached that it would fail at fifteen. To date, the company has shown itself able to continue operate in a collegiate fashion while successfully scaling up from prototyping to full manufacture and distribution.

There are short-term costs associated with the company’s approach, in terms of time spent on communication between staff, or on leave. However, over time, the costs of burnout and long-term sick leave are higher. Being generous with time off does not always affect productivity either, in the view of the company founders, if the total time that people pretended to work was given as a holiday then everyone would be much better off.

From a narrow, short-term financial perspective, the moral dimension of the company can come at a business cost. For instance, a manufacturer of military drone aircraft was interested in licensing the company’s technology to make drones even more silent – but put to a vote by managers, the company employees turned down this business opportunity.

The impact of the company’s approach is not formally measured, but rather assessed on an experiential basis – whether it looks and feels right. The concept is said to be not dissimilar to running a barbecue with friends, with individuals taking the lead and coordinating with others. If 5% is lost in efficiency, then 15% is gained in morale – which over the longer-term yields far greater benefit for the company. Where other firms have many underperforming staff, because of a lack of autonomy or engagement, Renewable Devices does not. Creating this culture takes work, but cultures are also infectious (for good or ill) and once in place it requires less effort to sustain it. One potential drawback is that with such close connections between staff, morale can quickly fall – conversely it can also quickly be raised.

Another possible downside to this approach is that it will not suit everyone. To an extent, this is considered to be an age-related issue, with people with long experience in traditional company structures finding it harder to make the transition. If people are not taken by the

culture then they will really struggle in the company environment. Behaviours that might be used to get ahead in a larger company simply won't be tolerated in a small company.

Longer-term, the company is confident that their approach could revitalize Scotland's manufacturing tradition. By liberating engineers to work creatively on interesting problems, while tying product development to interesting real-world problems, Renewable Devices' open style of employee management can more effectively harness Scotland's engineering talent.

Case Study 7: BT Retail

About the firm

BT Retail is the consumer division of BT, delivering telecommunication services to customers and smaller businesses. The division has a staff of some 13,000 serving over 18 million customers. Under Caroline Waters, BT's director of policy and people, the division has been playing its part in adapting to new technologies and changing customer demands while remaining an attractive place to work.

Motivations and benefits

BT Retail, along with its parent business, has been going through a long process of change, moving from a public monopoly providing standard services to a private sector company able to compete with other new entrants in a rapidly changing telecommunications market. Engaging with and developing staff are essential for BT to remain competitive. With such a large workforce, and the legacy of a large, bureaucratic organisation, BT has sought to develop approaches that harness the knowledge and abilities of staff. While understanding the commercial imperatives that need to underpin the organisation, BT management has sought to make the company a better place to work for their staff.

Key actions

The key actions taken include:

- Employee involvement
 - CARE staff survey – BT operates a quarterly employee survey, gathering feedback from staff on the organisation's progress generally, and specific issues within their own team. Data from the survey is aggregated and used by managers to build on strong points and to address any issues arising.
 - Back to the Floor – BT managers regularly return to the shop floor to work directly with customers and staff, in order to better understand how the business can meet the needs of its customers and employees.
- Human resource practices
 - understanding skills needs – in a fast-developing sector, BT needs to take every opportunity to identify changes in the skills base needed to meet customer requirements and to adjust training and recruitment accordingly
 - career progression – with roles changing rapidly, BT is looking to equip workers with accredited training and transferable skills that will allow them to continue with the company as it changes shape.

- Reward and commitment practice
 - comprehensive benefits package – BT operates a central policy on benefits, with individual business units able to adjust rewards and incentives as appropriate for each function
 - flexible hours – BT uses its own workforce to champion the use of new ICT technologies, including working from home, and working to an individual's own schedule.

Lessons learned

BT Retail stands out in these case studies as an organisation facing a very different scale of challenge, responsible for a very large number of staff, and as an inheritor of both public service obligations and previous employee relations. Managers at BT have had to restructure the company, including the introduction of practices relevant to skills utilisation, while bringing their staff along with them.

For BT Retail, four lessons can be noted:

Working through staff representatives – in introducing skills utilisation practices, leaders have had to overcome concerns as to the underlying motive for some approaches – for instance, concerns that staff appraisal would pave the way for redundancies. Managers have worked alongside staff representatives, including unions, to explain the positive aspects of the practices and the objective of improving performance, with the benefits to individuals made clear.

Carrot rather than stick – the positive aspects of skills utilisation are reinforced by using encouragement rather than blame, for example, in promoting re-training, those staff who achieve accreditation are rewarded, those who don't are not penalized.

Training of managers – the focus is not solely on staff, managers too need developing. This is achieved through periodically reacquainting them with aspects of front-line working and customer relations. With BT sourcing much of its management internally, the training of managers begins even before their appointment, with individuals identified as having leadership qualities identified at an early stage and given development opportunities.

The company brings the employee involvement, human resource practices and reward and commitment policies together as one set of integrated actions all overseen by the Human Resources function. This ensures that there is good convergence between these practices.

The impact of BT Retail's skills utilisation practices can be assessed through the CARE survey, which allows quantifiable impacts of changes to be measured, with a direct connection between staff involvement/development and business performance down to the level of individual teams. The company also perceives benefits from skills utilisation in terms of staff retention. On occasion BT has also followed up individual interventions to measure their impact on the business.

Case Study 8: A. G. Barr plc

About the company

Established in 1830 in Falkirk as a cork cutting business, A. G. Barr plc has been a producer of soft drinks, including the famous Irn-Bru brand, and a wide range of other soft drinks, since 1875. The company is headquartered at a new £37m production, warehousing, distribution and head office facility at Cumbernauld, which was completed in 2007. The company has a further four production sites throughout the UK, as well as regional offices in the North West and South East of England. In 2009, A. G. Barr employed almost 1,000 people.

Motivations and benefits

The company is driven by the needs of their customers, in particular the large multiple retailers, and by the changing legislative environment. This means that they need a committed workforce which is flexible enough to quickly react to changes in customer demand and that is able to cope with the alterations to working practices that arise. In order to achieve this, the company has tried to create a culture whereby people can use the skills and knowledge they possess, develop new skills and feel adequately rewarded for their hard work.

In terms of benefits, the most immediately apparent benefit of improved engagement with their workforce is the company's very low levels of staff turnover and absence.

Key actions

The key actions taken by the business include:

- Employee involvement
 - open communication from top to bottom through a monthly briefing from the board which keeps all employees informed about developments in the company's policies, progress and performance
 - the introduction of Joint Consultative Committees means that information can also now flow upstream. These Committees bring together people from different levels and different specialisms to exchange information on business processes, and also provide an opportunity for employees to raise particular issues or concerns
 - a twice yearly newsletter, 'The Quencher' is a further route through which employees are kept abreast of company news.
- Human resource practices
 - each member of staff has an annual appraisal with their manager, the outcome of which is a Personal Development Plan (PDP) that provides employees with a structure for their development within the company over

the next year. Where possible, there is a quarterly meeting to review progress against the PDP.

- significant investment in training at all levels of the company, with employees able to access a wide range of internal and external, accredited and non-accredited courses.
- Reward and commitment practice
 - there are a number of financial rewards that are open to all employees including a share ownership plan and savings related share option scheme which are designed to reward long-term commitment to the company
 - a degree of flexibility over shift patterns encourages staff to see that there is a measure of 'give and take' which helps ensure that staff are willing to 'pitch-in' during periods of peak production
 - non-pay benefits such as prizes for perfect attendance are designed to maintain the low levels of absence within the company.

Lessons learned

A. G. Barr's commitment to its employees is one of the key elements of the company's corporate responsibility policy. In a business which is driven to such a degree by the demands placed on it by legislation and a few key consumers, it is important that any business changes that need to be implemented are not only communicated to and understood by staff but that staff *fully buy into any changes* that are made. This involves ensuring that there is a culture of open communication from top to bottom and vice versa as well as across departments.

The second lesson to be learnt from A. G. Barr is that businesses need to provide a work environment which people will commit to. In a competitive market the company needs to be as efficient as possible and working to reduce absence and staff turnover helps ensure that orders are made and costs minimised.

Therefore, the key lesson is around ensuring that employees feel part of something larger, that they feel valued for their hard work and that their own potential is realised. There is no single policy that can create this culture but the wide range of engagement, human resource and reward practices in place come together to create a company culture whereby people can use the skills and knowledge they possess and feel adequately rewarded.

Case Study 9: Controlled Therapeutics

About the firm

Located at the Peel Park Campus in East Kilbride, Controlled Therapeutics was established in 1987 to develop, manufacture and license pharmaceutical products. The company currently has one product in worldwide use, a hydrogel-based drug delivery device to assist in childbirth, and is continuing to work on further developments, including products in advanced clinical trials.

Motivations and benefits

Controlled Therapeutics has grown to employ around 65 people, of whom half are engaged in research and development. Recruiting, retaining and effectively deploying such highly qualified staff is a challenge for any firm, and is commonplace in the competitive field of pharmaceuticals. As a manufacturer, the company also has teams covering engineering, quality control, production and logistics. As the company has grown, Controlled Therapeutics has found it important to ensure their skills utilisation practices continue to develop in order to support business performance.

Key actions

Controlled Therapeutics research, develop and manufacture. To cover all stages of the process requires the development of management approaches that engage and harness all employees. The key actions taken include:

- Employee involvement
 - mission statement – the mission and objectives of the company are clearly articulated
 - development and communication of company values – the company as a whole has developed a common set of values that are intended to underpin all company actions
 - Kaizen teams – Controlled Therapeutics operates a regular programme of Kaizen teams where mixed groups tackle particular business issues.
- Human resource practices
 - staff appraisals – Controlled Therapeutics has continued to refine its appraisal process to reduce defensiveness and encourage constructive outcomes
 - career progression – individuals are encouraged and supported to develop their careers within the company, including moving to new roles
 - responsive to needs – the company has taken its duty of care to employees beyond immediate work needs, for instance stepping in to establish a Christmas club when an outside provider collapsed.

- Reward and commitment practice
 - comprehensive benefits package
 - flexible hours – the company operates a flexible hours policy
 - transparent role definitions and rewards – Controlled Therapeutics engaged recruitment specialist Hays to assess each role, its responsibilities and appropriate pay-scale. This communicates to staff that reward and progression are related to achievement, whatever function an individual plays within the company.

Lessons learned

Controlled Therapeutics has been in existence for over twenty years, growing to a medium-sized company in that time. In relation to skills utilisation practices, two significant lessons can be drawn from the company's experience:

- Management, both senior and mid-level, is essential in successfully introducing new practices
- Individuals will respond differently to flexible approaches, and not always in a positive fashion.

The development of skills utilisation practices within Controlled Therapeutics has been driven by the Managing Director, and as the person in this post has changed, so too has the company approach evolved. The current Managing Director has a clear vision as to how staff should be supported and managed. The company has also found that middle-managers are essential to the successful implementation of many of these approaches, for instance staff appraisal practices or the monitoring of flexible hours. Where teams are functionally different, the same skills utilisation practice may require a different interpretation. The middle-manager therefore needs to embrace the spirit of the approach, as well as its outward form, for implementation to succeed.

As a larger employer, Controlled Therapeutics has found that freedoms could be used by employees in a way that was not always optimum for the company or for colleagues – for example, using a flexi-time system in a way that left essential tasks undone (the original policy allowed staff to leave at 2.30pm). The company has needed to be flexible in revising skills utilisation approaches, despite coming up against some employee resistance, in order to ensure that working practices were aligned with company performance.

Case Study 10: NovaBiotics

About the firm

NovaBiotics is a biotechnology company based in Aberdeen focusing on drug discovery and development, specifically in anti-fungals and anti-bacterials. Founded in 2004 by Dr. Deborah O'Neil, and starting with a staff of only two, the company has grown to a staff of 13 through developing its unique anti-infective technology. The company's first application, a topical (brush-on) treatment for fungal nail infections is currently completing a phase II clinical trials.

Motivations and benefits

As a research-led firm, NovaBiotics' staff is its most important resource, and their recruitment, effective deployment and retention are vital to the success of the company. The nature of drug discovery and development is that it can be very labour-intensive, requiring bursts of concentrated activity, often at unsocial hours.

NovaBiotics has found that by developing more effective working relationships, through improved communications, a flat management structure, and an institutional culture that supports and rewards efforts, the company as a whole has become more resilient and better able to respond organically to business challenges. A recent example of this is NovaBiotics having to take on the microbiological testing component of the current clinical trial of its lead product (no subcontractor being able to carry this work out to the required standards and specifications) – despite being a small firm, the team as a whole rose to the challenge and completed the work within the required time.

Key actions

The key actions taken include:

- Employee involvement
 - company vision – team members understand the company objectives, the methods by which these will be realised, and can communicate them to others.
 - accessible management – NovaBiotics operates a flat management structure, reinforced by an open-door policy, allowing team members ready access to senior management
 - multi-skilling – team members are supported in taking on multiple roles, giving them and the company greater flexibility in deployment. This in turn allows team members to take some part in each of the company's current projects, maximizing utilisation.
- Human resource practices

- tailored recruitment – to fit into the company culture requires qualities that go beyond professional competence, and the firm’s recruitment approach stresses observing potential recruits over a period of time and in different environments before an approach is made. This is possible in the relatively compact life sciences environment in North East Scotland.
- continuity of effort – team members are encouraged and supported in taking on a number of different roles, including non-technical roles for technical specialists. This allows individuals to be involved in a number of projects simultaneously and to quickly switch effort as one project winds down and another gears up.
- Reward and commitment practice
 - share options scheme – the risks and potential rewards in pharmaceutical development are very high. Staff members can choose to share in these through an opt-in company share scheme.
 - flexible hours – research requirements can mean unsociable hours to oversee experiments. Staff are supported in this through a buddy system, and are given time in lieu as compensation.

Lessons learned

NovaBiotics management team has learned how to recruit, manage and develop its highly qualified staff through lived experience, rather than any external guidance. The company has developed the approach to recruitment, line management and team working that seems to bring the greatest benefits to the company in its current incarnation. In particular, the need to keep staff active and to minimise downtime or loss of momentum in switching projects has led to a multi-skilling approach to employee development.

One issue has been living within the company’s means, especially in a phase where there is no established product line or revenue stream. Originally, the company looked at salary protection schemes for staff, to cover against the volatility of the research and development process, but this was found to be too expensive to continue with. Similarly, there is a desire to extend some employee benefits to family members, but again, these will have to wait until the company is on a firmer financial footing.

A final observation from the company is that to create an engaged and flexible workforce requires the management team to have passion and to encourage that passion in others. The management approach has to go beyond lip-service and deliver, recognising that this is not always easy, as without evidence of involvement by team leaders, team members will not buy into the approach.

Case Study 11: Famous Grouse Experience

About the firm

The Famous Grouse Experience (TFGE) is based at the Glenturret Distillery, Scotland's oldest and most visited distillery, located just outside Crieff. The attraction is part of the Edrington Group, owned by the Robertson Trust. TFGE offers distillery tours, a Famous Grouse shop, bar and restaurant, play park and scenic walking routes around the distillery site. It attracts around 100,000 visitors annually.

Motivations and benefits

Developing employee skills has always been central the attraction's corporate strategy. The commitment to training and development is highlighted in the current corporate strategy. This clearly identifies overall business objectives, the key aims to meet these objectives and then finally the skills requirements to implement the strategy.

The benefits of developing the workforce were highlighted to the new General Manager of TFGE during a Scottish Enterprise organised 'Learning Journey' to the award-winning Schindlerhof Hotel in Germany in 2007. This fact-finding trip demonstrated that 'exceptional service requires exceptional people' and has subsequently informed a new organisational culture at TFGE, which is based around high standards of customer experience.

Key actions

The key actions taken by TFGE include:

- Employee involvement
 - ongoing communication with staff - the management team send out an email update each month to all staff reporting on overall business performance and news from the different departments highlighting good practice
 - 'Speak Up' staff suggestion scheme - providing an opportunity for employees to suggest improvements to their working environment and the quality of the visitor experience.
- Human resource practices
 - 'Buddy Programme' - new employees are appointed a 'buddy' to support the more informal but equally important aspects of the induction process - this helps considerably to assist the new employee to settle in
 - annual appraisal in May followed up by interim appraisal in November – this identifies training needs in a Personal Development Plan
 - strong focus on Quality Assurance - TFGE has achieved a five star rating in VisitScotland's Quality Assurance Scheme for the last fourteen years since

the scheme was set up. It also has Investors in People accreditation and Green Tourism Business Scheme (GTBS) certification.

- Reward and commitment practices
 - profit sharing and share options schemes
 - scope for flexible working conditions (e.g. working 4 days a week) and some job rotation for longer serving staff.

Lessons learned

The approach in the company to managing and developing staff has evolved over time but certain elements have certainly been strengthened and formalised in the last two to three years, following the Learning Journey experience. Management recognised that successfully implementing changes in the business required the buy-in and participation of all staff.

The Famous Grouse Experience's General Manager highlighted employee communication and the appraisal system as two key company policies/approaches required to develop the business. The continuing success of TFGEx is based on the quality of customer service and so staff members who provide this service are key assets of the business.

As demonstrated by the various awards it has received and the fact that it remains the most visited distillery in Scotland, the Famous Grouse Experience is being recognised and rewarded for its commitment to developing staff to ensure the high level of customer service. As such its investment in staff appears to be reaping business benefit.

Case Study 12: The Old Course Hotel

About the firm

The five-star Old Course Hotel in St Andrews has 144 rooms, including 35 suites. The hotel is located on the 17th 'Road Hole' fairway of the Old Course, a world renowned site. The hotel includes a range of bars and restaurants, including the award-winning Road Hole Fine Dining Restaurant (three AA rosettes) and the Jigger Inn, and also conference and banqueting facilities.

Motivations and benefits

The current Managing Director of the Old Course Hotel was recruited in 2007. As Chair of British Hospitality Association Scotland, the MD is passionate about growing talent and investing in people. This commitment to developing the workforce was seen to have had a positive effect both in terms of business performance and reputation.

The new MD has adopted a more inclusive and bottom-up approach to running the hotel which took a number of months to implement and 'bed-in'. The Old Course Hotel has a Training and Development Strategy which is centred around four themes: Induction and Orientation; Core Skills Training; Specialist Skills; and Management and Leadership Development.

The hotel monitors various indicators relating to employee satisfaction, recruitment and retention and internal promotions. For the current year, the hotel has a retention rate of 88% and this is believed to reflect the hotel's ongoing commitment to training and career development. For management staff this rate is even higher at 98%. So far in 2009, 72% of all new positions at supervisory level and above have been placed internally. This is set against a target of 70%.

Key actions

The key actions taken by the Old Course Hotel include:

- Employee involvement
 - monthly departmental meetings and quarterly all-staff meetings
 - staff consultative committee - meets every six weeks with members nominated by each of the 22 departments across the resort looking at all aspects of working at the hotel
 - an annual staff engagement survey.
- Human resource practices
 - 'New Associate Orientation' induction programme – ensuring employees are competent in their role in line with standard operating procedures and the hotel's core values

- annual appraisal and Personal Development Plans – this has been rolled out across the business over the last couple of years
- ‘Train the Trainer’ Programme ensuring one trainer to every 10 team members and facilitating on-the-job training
- ‘Everyone is a Sales Person’ initiative – aimed at improving employees’ knowledge of resort products and practical techniques to support up selling and cross-selling between departments. This is encouraged with departmental sales incentives
- Management Development Programme designed to support the company’s goal of 70% of management positions to be placed internally.
- Reward and commitment practices
 - various discounts on hotel accommodation and products and free membership at the resort’s Dukes golf course
 - senior managers eligible for annual bonuses and health/dental insurance
 - social events for employees and families
 - ‘Recommend a friend’ scheme which has proved particularly successful with students working at the resort over the summer months.

Lessons learned

As a leading golf resort, the Old Course Hotel operates in a global market. The hotel is able to promote opportunities for career progression when trying to recruit new talent from international hospitality schools. The hotel believes that it is achieving results through investing in its people and this translates through to the various financial metrics that are monitored, notably turnover and profit.

Many of the resort’s practices have been developed over the years. However, the new Managing Director who took over two years ago has stepped up the hotel’s commitment to staff development. There are various examples of innovative training initiatives and there is ongoing consultation with staff through formal and informal structures. The change in management style is seen to have encouraged a more open culture with a focus on early identification of both good and bad practice. Management also encourage employees to become involved in the running of the organisation and this has resulted in a high proportion of internal promotions, which is leading to more committed staff, higher performance and higher retention.

Annex B: Best Strategies in Skills Utilisation Literature Review

Introduction

- B.1 The following paper sets out findings from the review of the literature available to the study team.
- B.2 The purpose of reviewing the literature is three-fold:
- To identify the ways in which skills utilisation practices are put into operation
 - To better understand the language that different groups use to describe these practices
 - To identify where possible the impacts on business performance resulting from improved skills utilisation.

Definitions of skills utilisation

- B.3 The brief gives the following definition of skills utilisation:
- “Improving skills utilisation in the workplace can be done by pursuing actions that facilitate better use of skills and overcoming barriers that hinder their full and creative use. It is an issue that encompasses many elements, including, among other things, how well learning is transferred to the workplace setting, the quality of leadership and management, industrial relations, human resource practices, job design, organisational ambition and workplace organisation.”¹²*
- B.4 This literature review is intended to provide a frame of reference for the case studies and also to help address the following objectives of the study:
- The definitional issues surrounding skills utilisation
 - The main techniques and methods of skills utilisation and how they can shape and determine corporate performance
 - The dynamics of high performance or high growth firms and how these enterprises differ in their utilisation of skills
 - The key characteristics of effective skills utilisation.
- B.5 Therefore, the literature review needs to identify what the key elements of skills utilisation are and, importantly, it also needs to outline the characteristics of these individual elements: in practical terms, what do successful companies tend to do in order to maximise the skills which their workforce possess?
- B.6 The brief states that “skills supply in Scotland is not an issue; the issue is demand for skills.” Therefore, this literature review concentrates on the demand for skills: this means

¹² Skills Utilisation Leadership Group, November 2008

investigating how organisations use the skills that their workforce have and trying to identify what the impacts of fully utilising skills can be. We will investigate the main techniques and methods of skills utilisation involved in the main high performance working practices (HPWPs) that employers use to utilise the skills of their workforce. This will mean identifying the main techniques involved in these practices, investigating how they influence employee performance, explaining how and to what extent these practices influence company performance and how widely they are taken up by organisations.

What are skills?

B.7 Before discussing the utilisation of skills, it is important to try to define skills. Traditionally skills were thought of in terms of “theoretical knowledge, intellectual abilities (e.g. reasoning), and various forms of manual dexterity, or a combination of these elements”¹³. However, Keep et al. (2002) state that the concept of skills is now recognised to include other elements such as:

- Generic skills – including team working, communication skills, problem solving etc.
- Personal attributes – leadership, motivation, positive attitudes towards change.

B.8 This expanding definition of skills is captured by the Scottish Government (2009):

- Personal and learning skills that enable individuals to become effective lifelong learners
- Literacy and numeracy
- The five core skills of communication, numeracy, problem solving, information technology and working with others
- Employability skills that prepare individuals for employment rather than for a specific occupation
- Essential skills that include all of those above
- Vocational skills that are specific to a particular occupation or sector.¹⁴

B.9 This broad definition presents challenges for measuring and quantifying skill. Tamkin (2005) lists a number of complicating factors around the measurement of skills:

- Not all investments in education are considered equal in the labour market *e.g.* there are very different rates of return from arts and from science degrees
- Educational attainment may be an indicator of *ability* rather than *skill*
- Education is only part of the input to skill; ongoing learning is much harder to codify
- Not everyone fully utilises the skills they have or applies them to their current job

¹³ Keep E, Mayhew, K, Corney M, 2002

¹⁴ Scottish Government (2007), Skills for Scotland: a Lifelong Skills Strategy

- The traditional unit of skills measurement is some indicator of educational attainment but education, qualifications and training are all proxies for skills
- As has been noted elsewhere (Bloom *et al.* 2004,) much of the discussion on skills assumes that training and skills are synonymous and it needs to be remembered that training is only one route to skill acquisition.

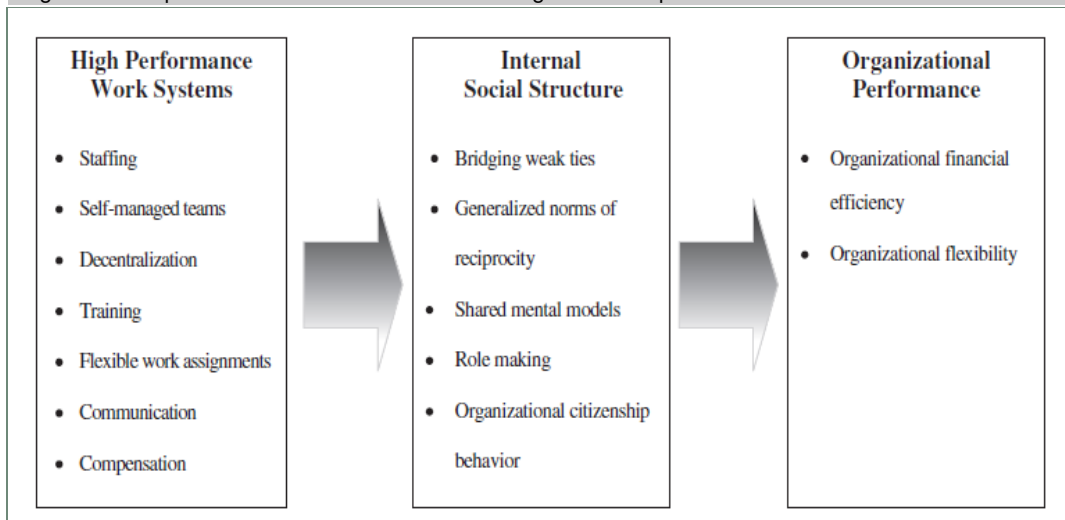
High Performance Working

B.10 High performing work practices (HPWPs) can be best explained as a set of work practices undertaken by organisations which have the ultimate aim of increasing employees’ knowledge, skills and abilities, enable employees to put this knowledge into practice and increases their motivation and commitment to the firm. These elements are summed up by Guest (2006) as the four core components that make up high performance working: competence, the opportunity to contribute, motivation of the workforce and the commitment of workers to the organisation. The outcomes of the increased utilisation of a firm’s human resources are greater job satisfaction, lower employee turnover, higher productivity and better decision-making (Becker, Huselid, Pickus & Spratt, 1997). According to the theory, this can lead to improved organisational performance.

High Performance Working Practices are a set of practices undertaken by organisations which have the ultimate aim of increasing employees’ knowledge, skills and abilities, enable employees to put this knowledge into practice and increases their motivation and commitment to the firm.

B.11 A second advantage of implementing HPWPs put forward by the literature is the impact that they can have on the internal social structure of the organisation. Evans and Davis (2005) use the model shown in Figure B-1: to explain this second means through which HPWPs can impact organisational performance.

Figure B-1: Expanded framework of HPWPs and organisational performance



Source: Evans and Davis 2005, p761

B.12 For example, HPWPs can strengthen interpersonal relationships within organisations (bridge weak ties) through the use of flexible working and self-managed teams by providing a “less constraining environment that creates opportunities for individuals and groups to build networks”¹⁵. These improved networks can lead to benefits such as less costly knowledge exchange throughout the organisation. Role making is another example. Roles are defined by Katz and Kahn (1978) (cited in Evans and Davis, 2005) as those activities that individuals define as comprising their work responsibilities. HPWPs such as self directed teams or performance-related pay encourage employees to define and redefine their own role. This role making can result in improvements in job satisfaction and employee performance.

Are there best practices in skills utilisation?

B.13 There is much debate in the literature as to whether there are certain HPWPs which, if implemented, will always generate benefits. This is known as the universalist view and if true, would allow us to easily identify examples of best practice which should be implemented by organisations.

B.14 However, Belt and Giles (2009) state that the “majority of commentators appear to be of the view that whilst there may be elements of ‘best practice’ in HPW that apply across settings, what works is heavily dependent on organisational context”. This view is known as the ‘contingency’ approach. Advocates of the contingency approach argue that HPWPs must fit with the overall business strategy of the organisation to ensure complementarity. If this is the case, the working practices that a business decides to put in place will be dictated by and differ according to the nature of the business strategy. This leads to a “‘best fit’ approach that recognises the uniqueness of each situation and, therefore, advocates matching Human Resource Management (HRM) practices to each specific context”¹⁶.

B.15 However, the literature is not as clear cut as this distinction suggests: a third argument is that organisations should ensure that they achieve both horizontal fit (working practices that are closely aligned with each other) and vertical fit (i.e. HR policies that are in line with overall business strategy) (Stiles and Kulvisaechana, 2003). This is in line with Becker and Gerhart (1996) who observe that although organisations may have different HR practices (i.e. HPWPs), they may have similar HR architectures and offer the following example relating to performance related incentives: “although the specific design and implementation of their pay and selection policies are different, the similarity is that both link pay to desired behaviours and performance outcomes and both effectively select and retain people who fit their cultures”¹⁷. Becker and Gerhart’s (1996) emphasis on architectures rather than specific practices is reflected by the shift in the wider literature away from individual practices which can be regarded as HPWPs to what constitute ‘bundles’ of practices. The evidence gathered by the meta-analyses of 92 studies by Combs et al (2006) shows that the relationship between ‘bundles’ of practices and organisational performance is significantly stronger than the relationship between individual practices and performance since “for single practices, $r = 0.11$ versus $r = 0.21$ for HPWP systems” (Combs et al, 2006).

¹⁵ Evans & Davis 2005 p764

¹⁶ James 2006 p18

¹⁷ Becker & Gerhart 1996 p786

Evidence from the literature suggests that bundles of practices have a greater impact on organisational performance than individual practices

What are high performance working practices?

- B.16 There is a very wide range of practices that have been described as being HPWPs (for example, see MacDuffie (1995), Pfeffer (1998), Ashton and Sung (2002), Guest (2002) and SSDA (2006)) which has meant that there is little agreement as to the exact nature of what constitutes a HPWP¹⁸. In other words, there is no ‘magic list’¹⁹. For example, Pfeffer (1998) suggests seven practices that could be described as high performance, the Skills for Business survey (2006) uses 16 and Guest (2000) puts forward 18 practices. However, Ashton and Sung (2005) provide a comprehensive list of 35 practices which could be considered as HPWPs. This list is shown in Table B-1:.
- B.17 The literature makes it clear that rather than implementing individual practices, organisations must think about high performance working as a co-ordinated system of practices. Huselid (1995) states that “more effective *systems* of HRM practices, which simultaneously exploit the potential for complementarity or synergies among such practices and help to implement a firm’s competitive strategy, are sources of sustained competitive advantage”²⁰. Combs et al (2006) give the example of training enhancing employee participation programmes as the training allows employees to make the decisions that participation programs empower them to make. More simply, Guest (2006) argues that there is little rationale, for example, in providing training for employees if they do not have the opportunity to utilise those skills or if they are not motivated to use them.
- B.18 Given the recognition that there is no definitive list of individual HPWPs, along with the emphasis placed on HPWP systems, there have been attempts to group different HPWPs into ‘bundles’. Again various ‘bundles’ have been put forward by researchers but Thompson (2000) and Ashton and Sung (2005) identify three distinct clusters of HPWPs:
- High employee involvement practices
 - Human resource practices
 - Reward and commitment practices.
- B.19 Table B-1: outlines the theory behind each of these bundles and lists the 35 work practices that Ashton and Sung (2005) identify within each bundle.

Table B-1: Three bundles of HPWPs

Bundle	Description	Practices
High employee involvement practices	High employee involvement practices encourage a greater level of trust and communication between employers and employees through involving them more in the organisation. High involvement is in turn accompanied by a high degree of	Circulating information on organisational performance and strategy Providing all employees with a copy of the business plan and target

¹⁸ Lloyd and Payne 2006

¹⁹ Ashton and Sung 2005 p8

²⁰ Huselid 1995, p636

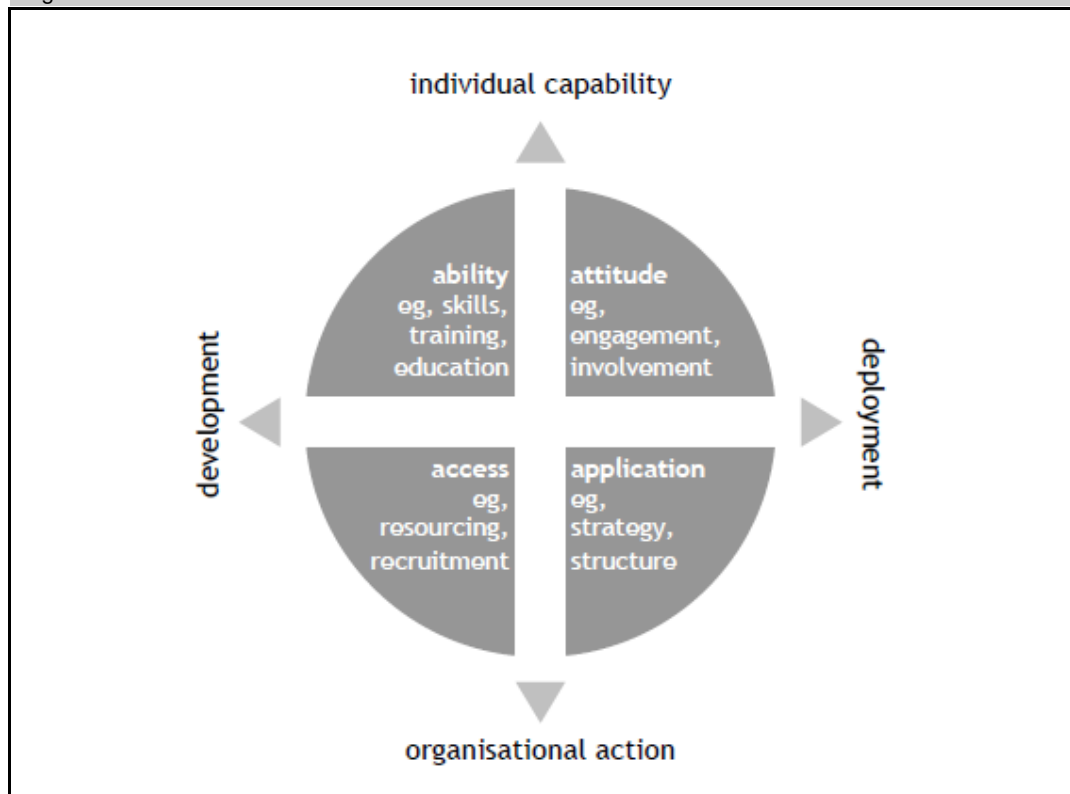
Bundle	Description	Practices
	empowerment and the exercise of discretion among the workforce. These studies are shown...to be linked to higher levels of staff motivation, leadership, communication and teamwork.	Staff Association Internal staff surveys Staff suggestion scheme Quality circles/total quality management Self-managed or self directed teams Cross-functional teams Kaizen - specific efforts on continuous improvement in work systems
Human Resource practices	Many of these practices are specifically targeted to create a greater depth of human capital investment and hence skill formation within the organisation. The higher levels of skill in turn are linked to improvements in the quality of the work and the services delivered to the customer. The evidence is that these will in turn lead to higher organisational performance – e.g. higher levels of productivity and innovation.	Annual appraisal Formal feedback on job performance from superiors/employers Reviewing vacancies in relation to business strategy Formal assessment tools for recruitment Annual review of employees training needs Training to perform multiple jobs Continuous skills development programmes Structured induction design Work (re)-design for improved performance Workforce diversity for competitive edge Mentoring QA assurance (e.g. ISO9000 or other similar schemes) The Business Excellence Model or equivalent
Reward and commitment practices	Reward and commitment practices facilitate a greater sense of belonging and commitment to the organisation. Financial rewards such as profit-sharing, share options and performance-related pay are powerful tools to establish a sense of stake-holding within the organisation. Where it is effectively implemented, performance-related pay gives explicit recognition to the contribution individuals and teams make towards organisational performance. However, financial rewards are not the only tools that are used to create greater commitment among employees. Egalitarian terms and conditions, free employee facilities and benefits (some extended to family members) and family-friendly policies also have significant effects in creating a sense of identification with the organisation and, in some cases, a greater sense of common purpose. In this way, rewards and commitment practices are used to create long- term positive impact on employees and the achievement of organisational outcomes.	Performance pay Profit-sharing Share options Flexible job descriptions Flexible working (hours, locations, job share etc) Job rotation Family friendly policies Non-pay benefits (e.g. free meals, gifts or health packages) Benefits covering spouse or family members

Source: Ashton and Sung (2005)

- B.20 One means of refinement could be to use the framework developed by Tamkin (2005) in order to explore the impact of HPWPs on organisational performance. The framework has been developed along two dimensions: the development and deployment of the organisation's

human capital; and individual and organisational capability and action. These two dimensions create four quadrants which together make up the 4A model.

Figure B-2: 4A model



Source: Tamkin, 2005

- B.21 The two quadrants on the left hand side of the model are factors “that might be expected to contribute to the development of capability e.g. inputs in terms of experience of education and workplace training and development activity, the investment the organisations put into the training and development of their workforce, and choices that organisations make about filling their posts.” (Tamkin, 2005).
- B.22 However, the two quadrants on the right are more relevant to skills utilisation as they concerned with the factors which affect how the human resources available to a firm are used. These quadrants are:
- **Attitude:** acknowledges that individuals will not fully utilise their skills if they are not motivated to work to the best of their ability. Therefore, this quadrant encompasses “policies to improve engagement, the way people are treated at work, the role of the line manager, the level of reward people receive and how this is organised to encourage effort” (Tamkin 2005).
 - **Application:** recognises that organisations must be able offer an environment in which employees are able to work to their fullest potential. Therefore, this quadrant is concerned with organisational strategy and structure.

- B.23 Tamkin (2005) undertook a review of the HPWPs that have been identified by the literature and developed a list of core and desirable measures under each quadrant. For attitude and application, the measures are shown below:

Table B-2: Attitude related HPWPs

Measure

Number/proportion of lay-offs in last two years

Percentage gain sharing (i.e. proportion of the workforce receiving profit related bonus or share options)

Percentage of pay that is variable (average)

Percentage receiving performance pay (proportion of the workforce for which some element of pay is performance related)

Percentage receiving appraisals (i.e. at least an annual review of performance)

Frequency of 1:1s (average) a regular, formal and private discussion between an individual and their line manager

Absenteeism (total hours lost to sickness/total available hours)

Bradford factor = (number of incidences of absence)² x total number of days lost

Turnover – number of **voluntary** leavers in year / total workforce

Desirable measures

Attitudes – 12 statements – test these.

Source: Tamkin (2005)

Table B-3: Application related HPWPs

Core measures

IT spend as a percentage of total turnover

Existence of formal process for employee involvement

Proportion of workforce participating in:

Team briefing

Suggestion schemes

Quality circles

Regular face to face meetings with managers

Upward appraisal

Receiving organisational wide newsletter

Regular staff survey

Frequency of meetings per annum with staff representatives to discuss employee matters

Percentage of workforce multi-skilled i.e. can do a range of different jobs or perform range of job roles.

Desirable measures

Autonomy (scale questions e.g. I have a lot of say in deciding how to do my job)

Source: Tamkin (2005)

- B.24 As well as explicitly linking HPWPs to various measurements of improved organisational performance, there is evidence on the take-up of HPWPs amongst UK businesses. This provides a second check on the link between HPWP uptake and organisational performance.
- B.25 Ashton and Sung (2006) used a joint (then) DTI and CIPD survey of 294 UK firms to analyse uptake of HPWPs in the UK. There was great variation in the level of uptake of the 35 HPWPs that they identified. Table B-4: shows the HPWPs which have been the most and least commonly adopted by UK firms in the survey. Ashton and Sung (2006) found that the mean uptake of practices was 18 out of the 36 HPWPs and that around 40% of firms undertook at least 20 of the 36 HPWPs.

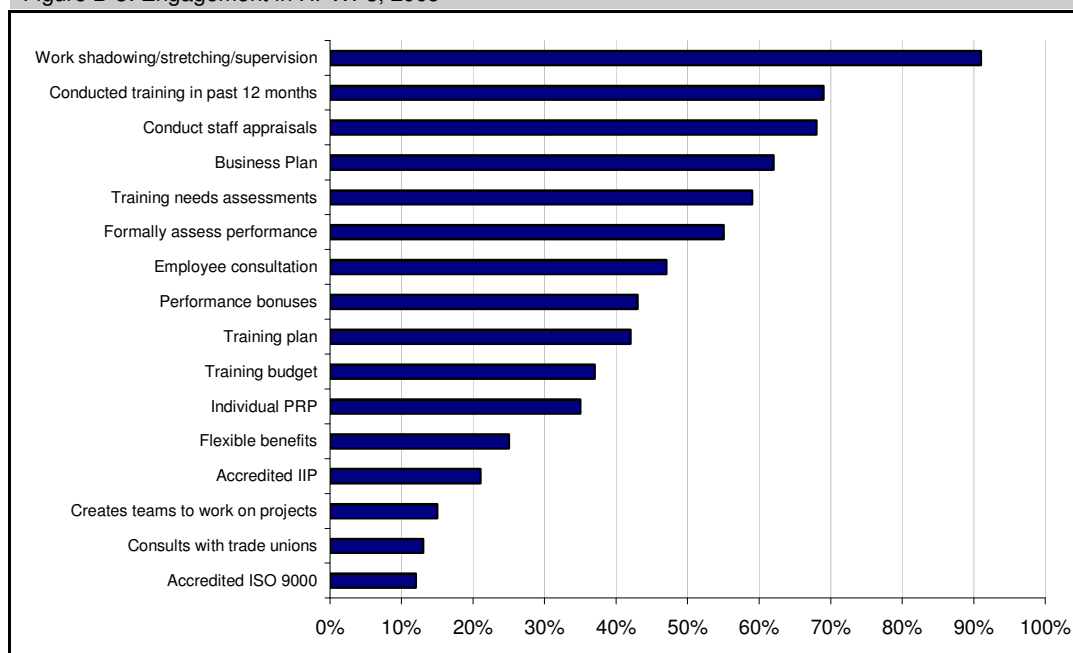
Table B-4: Respondent firms who have adopted the HPWPs

Top 5 practices	Bottom 5 practices
Annual appraisal	Job rotation
Structured induction training	'Kaizen' – continuous improvement in work systems
Annual review of employees' training needs	Profit-sharing for some employees
Circulating information on organisational performance and strategy	Profit-sharing for all employees
Formal feedback on job performance from superiors/employers	Share options for all employees

Source: Ashton and Sung (2006)

- B.26 The Sector Skills Development Agency (SSDA) undertook a survey of employees and also found that there was a wide range of uptake of different HPWPs. The most used HPWPs again included annual appraisals, training needs assessments, training and feedback on performance (through staff appraisals). The SSDA work defined organisations as engaging in HPWPs if they undertook at least 10 of the 16 areas shown in Figure B-3:. According to this definition, an average of 29% of organisations were engaged in HPWPs. Again there was wide variation depending on organisation size; only 14% of micro establishments engaged in HPWPs while 88% of the largest organisations did so.

Figure B-3: Engagement in HPWPs, 2005

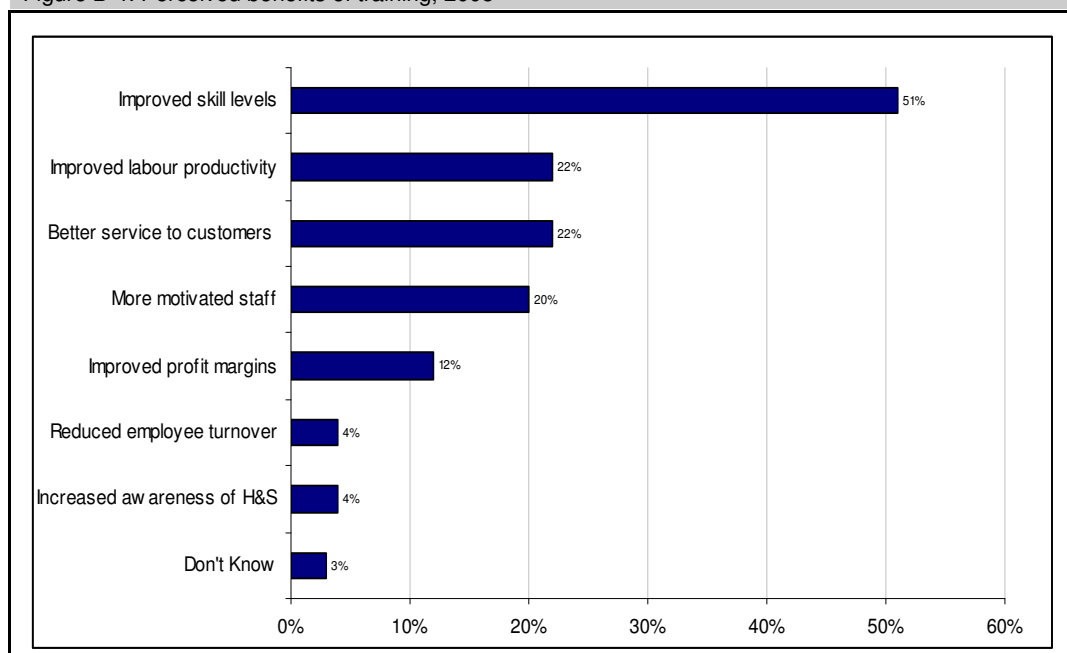


Source: SSDA (2006) Skills for Business Network 2005: Survey of employees

There has been limited take up of HPWPs among UK businesses with less than 30% of organisations engaged in 10 or more of the 16 practices identified by the SSDA (2005)

- B.27 Both of these surveys found that nearly all respondent organisations undertook at least some HPWPs and that 30% to 40% of organisations undertook sufficient HPWPs to be defined as fully engaging in HPWPs. This commitment to HPWPs is not reflected in the perceived benefits that firms receive from engaging in such practices. Figure B-4: shows the proportion of firms who believe that investment in training leads to improvements in the listed organisational performance metrics. It shows that only half of organisations believe that training leads to improved skills levels and that only around one in five organisations believe that training can lead to improvements in productivity, staff motivation or improved customer service. Although training is only one of the HPWPs, Figure B-4: nonetheless provides an indication that the majority of organisations do not realise the potential benefits of investing in at least some HPWPs.

Figure B-4: Perceived benefits of training, 2005



Source: SSDA (2006) *Skills for Business Network 2005: Survey of employees*

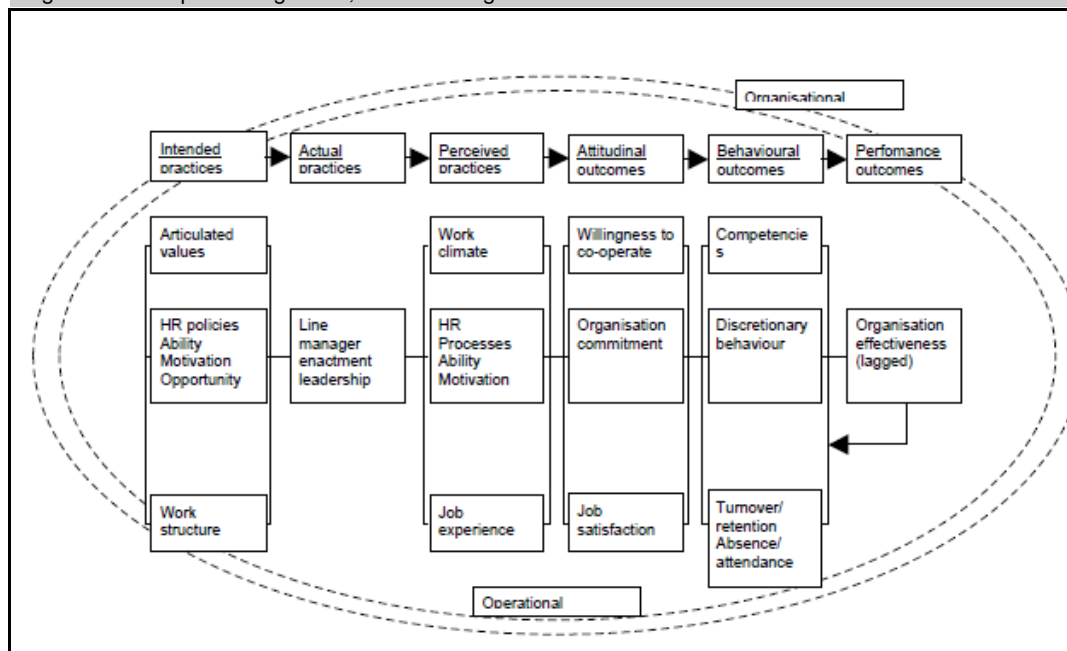
B.28 There are a number of other potential reasons that may explain the low take-up of HPWPs. Two market failure arguments put forward by the literature are identified by Godard (2004):

- Employers are disincentivised from investing in high levels of training associated with HPWP because there is a risk that employees will then be poached by other firms. In economic terms, employers may not be able to fully internalise the positive externalities associated with HPWPs and so under invest.
- Financial markets force managers to use HPWPs as a means of cost cutting (e.g. through work intensification) and maximising short-term performance rather than to build trust or partnership working which could lead to greater profitability in the long term.

How do HPWPs work?

B.29 It is important to recognise that HPWPs are about more than long lists of practices; there needs to be an understanding of the mechanisms which link these practices to positive changes in organisational performance. In other words, what is needed in an organisation to make high performance working a reality? Purcell and Kinnie's (2007) model shown in Figure B-5: provides a route from intended HR practices to performance outcomes.

Figure B-5: People management, HRM and organisational effectiveness



Source: Purcell and Kinnie 2007

- B.30 The Purcell and Kinnie (2007) approach provides a useful framework to explain a number of key mechanisms through which HPWPs can lead to improvements in performance. The usefulness of the model is that it emphasises that there are a number of steps between intended practices and performance outcomes: the link between intended practices and outcomes may breakdown at any of these stages.
- B.31 The first difficulty of implementing HPWPs is the potential for differences between intended and actual HR practices. Intended HR practices are those “designed by senior management to be applied to most or all of the employees and concern employees’ ability, motivation and opportunity to participate. These practices will be influenced by the articulated values of the organisation and found in the HR manual or the appropriate web pages” (Purcell and Kinnie, 2007). It is important to recognise that simply writing policies or manuals is insufficient; it has been recognised that strong management and leadership “is an essential prerequisite to the successful implementation of HPW” (Belt & Giles, 2009). In order for HPWPs to be effective, Ashton and Sung (2006) recognise the importance of strong management commitment to the implementation of HPWPs:
- “senior management have to win the hearts and minds of the employees as motivation stems from the personal commitment of the employee to the organisation or leaders. This requires vision and the articulation of clear goals and is often delivered through charismatic leaders who provide a sense of purpose and who demonstrate their commitment to the company values through their own behaviour as they ‘walk the walk.’”
- B.32 This is reinforced by the findings of Windsor (2009) who states that the “impact of high performance work practices are likely to depend more on the motivation for their adoption and the workplace culture into which they are introduced than on the specific form of the practice.”

- B.33 Even with real commitment to the intended practices from senior management, “there may often be a substantial difference between the espousal and the enactment of HR practices in an organisation” (Purcell and Kinnie, 2007). This is because it is line managers, and not senior managers who will often implement the new practices. This supports the findings of Belt and Giles (2009) who state that “as line managers implement HR practices on a day to day basis, it is important that they are committed to making them work”. Considering “that the success of many practices often considered “high performance” hinges on the nature of the inter-personal relations in the organisation” (Delery and Shaw 2001), the importance of quality line management should not be underestimated. Moving below this there is also good evidence that employee engagement at all levels can drive performance (Macleod and Clarke, 2008).

Line managers often act as the link between HR practices and policies as set out at board level and how these practices and policies are actually viewed by employees. Therefore line managers must have the right tools in terms of practices and policies and also receive training and support from above.

- B.34 The Purcell and Kinnie model also helps to open up the ‘black box’ of how the HPWPs lead to improvements in organisational performance; they must first lead to changes in the attitude and behaviour of employees. These attitudinal outcomes “include attitudes employees hold towards their job and their employer and/or levels of morale or motivation. This especially includes employees’ willingness to cooperate and their overall satisfaction with their job” (Purcell and Kinnie, 2007). Changes in attitude are then seen to help support behavioural outcomes which “flow in the main from these attitudinal dimensions. This can be learning new methods of working, engaging in behaviour which is beyond that required or seen in levels of attendance and remaining in the job” (Purcell and Kinnie, 2007).
- B.35 The ability of HPWPs to change behaviour is the key route through which organisational improvements can be achieved: effective organisations tend to have “a level of sophistication in their approach to people management which helps induce discretionary behaviour and above-average performance” (CIPD, 2003).
- B.36 Given the acknowledgement that performance improvements are created through people rather than practices (Belt and Giles, 2009), Purcell and Kinnie’s (2007) model provides an explicit means of linking organisational policies and practices (such as HR and HPWPs) and those who implement these policies and practices with changes in attitudes and subsequently behaviour of employees which can lead to the performance improvements which are being sought.

Impact of HPWPs?

- B.37 While the model above helps to develop the theory of how HPWPs can help to improve organisation performance, it is necessary to go beyond the theory to identify what impact HPWPs have had on employees attitudes and behaviours and organisational performance. This can be done in two ways; explicitly by reviewing the literature to identify the impact that each practice has on both social and economic measures of performance within the

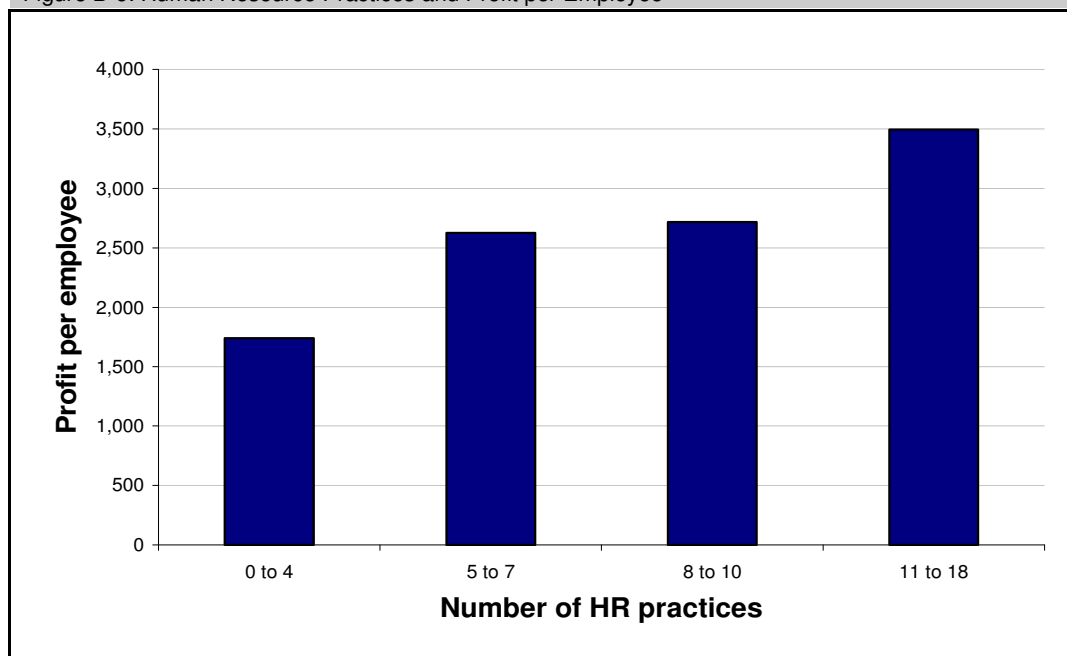
organisation and implicitly by trying to identify which practices are most commonly used by organisations.

Impact of HPWPs on organisational performance?

B.38 Harter et al (2002) undertook a business unit level meta-analysis investigating the relationship between employee engagement and a range of performance indicators. This study found that the strongest correlation was between engagement and customer satisfaction/loyalty ($\rho = 0.33$), followed by safety (-0.32), employee turnover (-0.30) productivity (0.25) and profitability (0.20). Harter et al suggest that the lower productivity and profitability correlations may be because “these outcomes are more remote downstream variables that are also influenced by other variables”. The Scottish Government (2008) literature review on skills utilisation gives a comprehensive overview of the impacts that HPWPs can have on an organisation’s performance, measured on both economic and social outcomes. Therefore this section summarises and extends those findings:

- Profits
 - Tamkin et al (2008) report a positive relationship between HPWPs and profits: if a business increases its 4A index score by around 10%, this results in:
 - an increase in gross profits per employee of between £1,083 and £1,568
 - an increase in operating profit per FTE of between £1,139 and £1,284
 - an increase in profit margins per employee of between 1.19 per cent and 3.66 percent
 - Guest (2006) also provides evidence that profit per employee increase as HPWPs increase. Figure B-6: is based on a study of 366 UK organisations employing more than 50 workers and shows that the greater the number of high performance work practices in place, the higher the profit per employee.

Figure B-6: Human Resource Practices and Profit per Employee



Source Guest, 2006:

- Huselid (1995) found that a one standard deviation increase in HPWPs results in a statistically significant increase in profits per employee
- Patterson et al (1997) found that HRM practices taken together accounted for 19 percent of the variation between companies in change in profitability (i.e., subsequent profitability controlling for prior profitability). This is statistically significant.
- Turnover and sales
 - Tamkin et al (2008) state that if a business increases its 4A index score by around 10%, this would lead to a 0.09 per cent increase in sales growth per employee
 - Huselid (1995) found, for a sample of US businesses, that a one standard deviation in HPWPs was associated with a per employee increase of \$27,044 in sales
- Productivity
 - Flood et al (2008) found that four elements of HPWPs (strategic HRM, partnership, diversity and equality systems and flexible working systems) accounted for almost 15% of the variance of labour productivity. With an average productivity per employee value of €299,992 per employee, the HPWPs were worth €44,399 of labour productivity
 - Patterson et al (1997) report that in relation to productivity, HRM practices taken together account for 18 per cent of the variation between companies in

change in productivity. Job design and acquisition and development of skills explain a significant proportion of the variation.

- Flood et al (2005) report that “if a firm were to increase its relative use of HPWS from “average” to “above average” (one standard deviation above the mean), this increased use of high performance HR practices would increase per employee sales productivity by 15.61%.
 - Arthur (1992) compared a control group of steel ‘minimills’ against a group which introduced specific combinations of HPWPs. He found that the group which committed to introducing HPWPs had 7% higher productivity
 - Tamkin (2005) cites a number of other studies which have linked the use of HPWPs with productivity increases:
 - Bartel (1994) found that introducing training work practices resulted in a productivity increase of 19% over three years in the firms with training
 - Kruse (1993) found that introducing profit sharing initiatives resulted in 3-5% increase in productivity
 - Macy & Izume (1993) undertook a meta-analysis looking at various HPWPs and found that changes in work practices were associated with productivity improvements of up to 40%
 - Ichniowski et al (1994) also found that changes in work practices associated with productivity gains of up to 40%
 - MacDuffie (1995) investigated the introduction of various HPWPs such as team working, training and job rotation led to a 12% increase in productivity
 - Cutcher-Gershenfeld (1991) investigated the use of problem solving groups, worker autonomy and other HPWPs in the components manufacturing industry and found that the non-traditional work groups had 17% higher productivity.
- Organisational performance
 - Combs et al (2006) undertook a meta-analysis of 92 studies found that there was a correlation of 0.2 between HPWPs and organisational performance i.e. increasing the use of HPWPs by one standard deviation increases organisational performance by 0.2 of a standard deviation.
 - Labour turnover
 - Flood et al (2008) found that the aggregate impact of introducing strategic HRM, partnership, diversity and equality systems and flexible working systems would be the retention of, on average, one to two employees per year (7.7% of variance in employee turnover)

- Huselid (1995) found that a one standard deviation increase in the use of HPWPs was associated with a relative seven percent decrease in labour turnover
- Guest (2005 p108) found that a greater number of human resource practices is associated with lower labour turnover. This association was significant even after controlling for a range of factors
- Flood et al (2005) found that an increasing the use of HPWS by one standard deviation above the mean lead to a decrease in employee turnover of nearly 16%.

There is evidence that using HPWPs leads to improved performance in a number of different metrics including lower employee turnover, increased productivity, increased turnover and profits

B.39 Recent Institute for Health and Clinical Excellence (NICE) research has identified a number of business benefits associated with so called ‘wellness programmes’ designed to improve the impacts of work on mental wellbeing. For businesses, there can be both non-financial and financial benefits of ensuring that they support the mental wellbeing of employees. These are summarised in Table B-5:.

Table B-5: Benefits associated with wellness programmes

Intermediate benefits (non-financial)	Related bottom line benefits (financial)
↓ Sickness absence	↓ Overtime payments
	↓ Temporary recruitment
	↓ Permanent staff payroll
↑ Employee satisfaction	↓ Recruitment costs
↓ Staff turnover	
↑ Productivity	↑ Revenues
	↓ Overtime payments
	↓ Permanent staff payroll
↑ Company profile	↓ Recruitment costs
↑ Employee health & welfare	↓ Healthcare costs
↑ Resource utilisation	↓ Management time

Source: adapted from PWC (2008) <http://www.workingforhealth.gov.uk/documents/dwp-wellness-report-public.pdf>

B.40 NICE (2009) recommends a number of actions which businesses should implement in order to see improvements in the mental well-being of their workforce and subsequent improvements in the non-financial and financial business benefits listed in Table B-5:.. These actions are grouped under a number of main suggestions and are shown in Table B-6:.. A high number of the actions shown in this table can be categorised as HPWPs.

Table B-6: Promoting mental wellbeing through productive and healthy working conditions

Recommendation	Who should benefit?	Who should take action?	What action should be taken?
Strategic and coordinated approach to promoting employees' mental wellbeing	Employees	<ul style="list-style-type: none"> Employers in organisations of all sizes Trade unions and other employee representatives 	<ul style="list-style-type: none"> Adopt an organisation-wide approach to promoting the mental wellbeing of all employees, working in partnership with them. This approach should integrate the promotion of mental wellbeing into all policies and practices concerned with managing people, including those related to employment rights and working conditions. Ensure that the approach takes account of the nature of the work, the workforce and the characteristics of the organisation. Promote a culture of participation, equality and fairness that is based on open communication and inclusion. Ensure processes for job design, selection, recruitment, training, development and appraisal promote mental wellbeing and reduce the potential for stigma and discrimination. Employees should have the necessary skills and support to meet the demands of a job that is worthwhile and offers opportunities for development and progression. Employees should be fully supported throughout organisational change and situations of uncertainty. Ensure that groups of employees who might be exposed to stress but might be less likely to be included in the various approaches for promoting mental wellbeing have the equity of opportunity to participate. These groups include part-time workers, shift workers and migrant workers.
Assessing opportunities for promoting employees' mental wellbeing and managing risks	Employees	<ul style="list-style-type: none"> Employers in organisations of all sizes Trade unions and other employee representatives 	<p>Adopt a structured approach to assessing opportunities for promoting employees' mental wellbeing and managing risks. This approach involves:</p> <ul style="list-style-type: none"> Ensuring systems are in place for assessing and monitoring the mental wellbeing of employees so that areas for improvement can be identified and risks caused by work and working conditions addressed. This could include using employee attitude surveys and information about absence rates, staff turnover and investment in training and development, and providing feedback and open communication. In small organisations systems may be more informal. It is important to protect employee confidentiality and address any concerns employees might have about these processes of assessment and monitoring. Making employees aware of their legal entitlements regarding quality of work and working conditions. Employees should be made aware of their responsibilities for looking after their own mental wellbeing. For example, employees need to identify concerns and needs relating to support or improvements in the working environment. Responding to the needs of employees who may be at particular risk of stress caused by work and working conditions, or who may be experiencing mental health problems for other reasons. Well-implemented policies for managing employee absence are important for ensuring that employees who are experiencing stress can be identified early and offered support. Support could include counselling or stress management training provided through occupational health and primary care support services. Interventions for individual employees should be complemented by organisation-wide approaches that encompass all employees. Different approaches may be needed by micro, small and medium-sized businesses and organisations for promoting mental wellbeing and managing risks. Smaller businesses and organisations may need to access the support provided by organisations such as the Federation of Small Business and Chambers of Commerce.
Flexible working	Employees	<ul style="list-style-type: none"> Employers in organisations of 	<ul style="list-style-type: none"> If reasonably practical, provide employees with opportunities for flexible working according to their needs and aspirations in both their personal and working lives. Different options for flexible working include part-time working,

Recommendation	Who should benefit?	Who should take action?	What action should be taken?
		<p>all sizes</p> <ul style="list-style-type: none"> Trade unions and other employee representatives 	<p>home-working, job sharing and flexitime. Such opportunities can enhance employees' sense of control and promote engagement and job satisfaction.</p> <ul style="list-style-type: none"> Promote a culture within the organisation that supports flexible working and addresses employees' concerns. Managers should respond to and seek to accommodate appropriate requests from employees for flexible working and should ensure consistency and fairness in processing applications. Managers' ability to manage teams with flexible working patterns may need to be developed. Consider particular models of flexible working that recognise the distinct characteristics of micro, small and medium-sized businesses and organisations.
The role of line managers	Line managers and employees.	<ul style="list-style-type: none"> Employers in organisations of all sizes. Training and professional organisations concerned with management. 	<p>Strengthen the role of line managers in promoting the mental wellbeing of employees through supportive leadership style and management practices. This will involve:</p> <ul style="list-style-type: none"> promoting a management style that encourages participation, delegation, constructive feedback, mentoring and coaching ensuring that policies for the recruitment, selection, training and development of managers recognise and promote these skills ensuring that managers are able to motivate employees and provide them with the training and support they need to develop their performance and job satisfaction increasing understanding of how management style and practices can help to promote the mental wellbeing of employees and keep their stress to a minimum ensuring that managers are able to identify and respond with sensitivity to employees' emotional concerns, and symptoms of mental health problems

Source: NICE (2009) "Promoting mental wellbeing through productive and healthy working conditions: guidance for employers" (<http://www.nice.org.uk/nicedia/pdf/PH22Guidance.pdf>)

- B.41 NICE research states that “employee responses to adverse work place situations will include both behavioural outcomes, such as sickness absence, turnover, presenteeism, citizenship and burnout, but also will include attitudinal outcomes such as level of motivation, commitment, engagement and fairness”²¹. Therefore, actions which can improve work place situations will lead to business benefits associated with reduced levels of the negative behavioural outcomes and increased levels of the attitudinal outcomes.
- B.42 The NICE research also puts a value on reducing three of the “behavioural outcomes” that implementing the actions outlined in Table B-6: can influence. Although it is difficult to estimate the cost savings on a company by company basis since “the costs and savings will vary significantly among individual organisations”²², NICE research based on estimated made by the Sainsbury Centre for Mental Health showed that “positive steps in line with the guidance recommendations to improve the management of mental health in the workplace, including prevention and early identification of problems, can result in savings of 30%”²³. This means that on average, a company can save £250 per employee per year by implementing these actions.

Table B-7: Annual savings per average employee of implementing actions to improve management of mental health

Issue	Annual Cost	Savings associated with implementing actions	Value of savings associated with implementing actions
Absenteeism	269.73	30%	80.92
Presenteeism	486.00	30%	145.80
Staff turnover	79.63	30%	23.89
Total	835.36	30%	250.61

Source: adapted from NICE (2009) *Implementing NICE guidance Business Case: promoting mental wellbeing at work*

- B.43 The Scottish Government Skills Utilisations Literature Review also reported evidence on the positive impact that HPWPs have on a number of other employee outcomes such as job satisfaction, motivation and skills.
- B.44 In terms of the HPWP-performance link, there is no evidence from the literature that measures the benefits of a marginal increase in the use of HPWPs except those studies which measure the impact of a one standard deviation increase in the use of HPWPs. This means that in practical terms, it is difficult to put a figure on the value of introducing an additional HPWP for an individual organisation.
- B.45 There is some disagreement over the strength of the HPWP-organisational link in terms of causality. For example, Wall and Wood (2005) are cited in Belt and Giles (2009) as arguing that “methodological limitations mean that it is not possible to form firm conclusions from many studies about the HPW-performance link in terms of causality”²⁴. A second element of the causality problem is that “some studies have exaggerated the strength of the link. In particular, some authors have pointed to the potential problem of ‘reverse causality’ (i.e. that the ‘effect’ - in this case high performance - can actually occur before the ‘cause’ - in this case the introduction of the HPW approach), and the importance of not assuming a linear pattern of causation (see Edwards and Wright,

²¹ Baxter et al <http://www.nice.org.uk/nicemedia/pdf/Promoting%20mental%20wellbeing%20at%20work%20-%20Second%20Round%20reviews%20-%20Evidence%20Review.pdf>

²² NICE 2009

²³ NICE 2009

²⁴ Belt and Giles 2009

2001)²⁵. It has also been recognised that “varying sample characteristics, research designs, practices examined, and performance measures used has led extant findings to vary dramatically” (Combs et al 2006) which means that identifying a definitive measure of effect is difficult. Despite these issues, Belt and Giles (2009) note that even critics such as Wall and Wood (2005) accept that the evidence relating to the HPWP-performance link are ‘promising’.

- B.46 A number of reports have used case studies to provide examples of the impact which utilising HPWPs can have on organisations. Ashton and Sung (2005) provide ten case studies of UK firms in various markets. The case studies provide details of specific ‘high performance learning points’ that can be taken from the each firm and also “illustrate a relationship between the range of HPWPs used and the performance goals of the organisation”²⁶. However, there is no explicit example of a business changing the way it works (i.e. by introducing HPWPs) and a subsequent change in organisational performance. A study by the National Centre for Partnership and Performance (NCP) and FÁS (2006) aimed to establish insights into how organisations learn and use learning to improve their processes to meet changing business needs, and to understand how organisations can achieve added value from learning interventions, provided 13 case studies of organisations based in Ireland. The case study organisations found it very difficult to formally link investment in HPWPs with improved organisational performance. The CIPD report Reflections on Talent Management investigates how a number of large multinational businesses in the UK identify and develop employees.

Are the impacts always positive?

- B.47 The literature recognises that introducing multiple practices can, in some situations, have a negative impact on organisational performance.
- Substitution – this happens when “two practices that are substitutes, such as when training is provided to develop a skill that, because of a selection device, employees already have”²⁷. Delery (1998) recognises that there is an opportunity cost to the business associated with implementing the second practice
 - Conflicting practices – Becker et al (1997) suggest that two or more different practices which are implemented may produce a “deadly combination”. Delery (1998) provides the example of managers who implement team working structures alongside a compensation scheme which focuses on individual performance.
- B.48 However, meta-analyses suggest that the effects are predominately positive. For example, Huselid (2003) summarised the findings of 158 studies which investigated the link between HRM systems and organisational performance and reports that almost 60% of the cited studies reported a positive relationship and only 2.5% reported negative results. Combs et al (2006) play down the possibility of negative impacts being created by the introduction of multiple working practices and state that “the particular systems advocated by researchers have been critically studied and thus should theoretically be void of “deadly combinations”. However these examples do serve as a reminder that organisations must carefully think about how, when and which HPWPs are implemented.

²⁵ Belt and Giles 2009

²⁶ Ashton and Sung 2005

²⁷ Combs et al (2006)

B.49 Godard (2004) goes further and questions whether the “high performance paradigm may, on average, yield marginal performance gains while tending to have ambiguous if not negative effects for workers and unions” compared to traditional personnel practices. Ashton and Sung (2006) cite the work of Marchington and Grugilis (2000), Danford et al (2004) and Brown (1999) which argues that “the use of high performance management practices can lead to work intensification and negative effects on worker motivation” (Ashton and Sung 2006).

Are the impacts different for different types of firms?

B.50 Combs et al (2006) find that the impact of HPWPs on organisational performance is different depending on the sector that the organisation is in. They report that the size of the impact of HPWPs is almost twice as large among manufacturers compared to service organisations. A number of hypothesised reasons are given by Combs et al (2006) for the stronger HPWP-performance link amongst manufacturers:

- Manufacturers tend to depend more than service organisations on their ability to flexibly adapt to changes in physical infrastructure. Since increased workforce flexibility is a major benefit of HPWPs, manufactures have more to gain from introducing HPWPs.
- Manufacturers must motivate employees to put forth discretionary effort without the benefits of direct customer contact which has been shown to provide a means of motivating employees in service industries (see, for example, Baumeister 1982, Mills et al 1983 and Erickson, 2004)
- HPWPs appear to be better aligned with the way that much of manufacturing is organised. Effective use of teams, for example, is likely to generate greater benefits in organisations which rely on a high degree of task interdependence among manufacturing stages.

B.51 Guest (2005) comes to the same conclusion in his research, with the relationship between profit per employee and the number of HR practices in place being found to be much stronger in the manufacturing than in the service sector.

B.52 However, there is also evidence that HPWPs are generally associated with positive outcomes for service sector businesses. It has been argued that the high-skills and high-commitment emphasis of HPWPs means that it can only be applied to the ‘high skilled’ elements of the service sector (Harley et al (2007)). However, Harley et al’s (2007) study of the impact of HPWPs in the aged-care sector found that HPWPs were equally applicable to low-skilled workers than high-skilled workers and that “in some cases, HPWS are associated with more positive outcomes for low-skilled than high-skilled workers”.

B.53 As well as manufacturing and services, the use and impact of HPWPs in the public and third sector has also been investigated. Kalleberg et al. (2006) (cited in Hughes, 2008) found that there is “widespread adoption” of HPWPs among non-profit organisations. Gould-Williams (2004) investigated the effects of ‘high commitment’ HRM practices on the attitudes of public sector workers and found that there was a “link between ‘high commitment’ HRM practices, enhanced worker commitment and satisfaction, and inversely with ‘intention to quit’” within the public sector.

B.54 This evidence suggests that HPWPs are being used (broadly successfully) by organisations across a range of sectors. However, it is also clear that the degree to which sectors use HPWPs and the specific practices which are implemented will vary across sectors. Ashton and Sung (2005) state that some

bundles “are more effective in some industrial sectors than others”. Table B-8: shows the impact of the three different bundles (HI – high employee involvement practices, HR – human resource practices, RC – Reward and commitment practices) on various different organisational outcomes for different sectors.

- B.55 According to Ashton and Sung’s (2005) findings, organisations in all four of the sectors implement HPWPs under the reward and commitment bundle in order to provide quality management. However, if the organisational outcome of interest is to ensure effective teamwork, HPWPs under the reward and commitment bundle are only effective in manufacturing and business services. For the financial services sector, human resource practices are used to ensure effective teamwork.

Table B-8: Correlation between the level of HPWP adaption and selected organisational outcomes by sector²⁸

	Manufacturing	Business services etc.	Financial services etc.	Wholesale & retail etc.
Meeting business/organisational goals	HR			HR
	RC	RC		
Motivating staff		HI		
	HR	HR	HR	
Providing quality leadership	RC	RC	RC	
			HI	
Ensuring effective teamwork	HR			HR
	RC	RC	RC	RC
Creating innovation/ new ideas	HI		HI	
	HR	HR		
Competitiveness	RC	RC	RC	
		HR		
Creating organisational flexibility				HR
	RC			RC
Delivering adequate training and development provision	HI	HI		
	HR	HR	HR	
Managing change		RC	RC	
	HR	HR		HR
		RC		RC

Source: Ashton and Sung 2006

²⁸ HI - High employee involvement practices
HR - Human resource practices
RC - Reward and commitment practices

- B.56 Table B-8: can provide us with a useful point of reference for our own case studies; do firms in different sectors use different types of HPWPs to achieve their organisational outcomes? According to Sung et al's (2009) work for the Scottish Government, this is very much the case. They undertook case studies of 32 companies in five of the priority sectors and found that there may be systematic differences between sectors in "the management practices (HPWPs) that are used to utilise those skills in order to generate improved levels of performance."²⁹

Different HPWPs are used more intensively by different types of firms. For example, Ashton and Sung (2006) found that financial services firms made intensive use of reward and commitment practices while businesses in the manufacturing and business services sector tended to use more high involvement practices

- B.57 Belt and Giles (2009) report that "those organisations that are most likely to adopt HPW are in those sectors exposed to: international competition and greater market pressures from abroad; more advanced technology and greater technological development; where consumer demand is more sophisticated thus requiring a strategy of innovation and differentiation of products on the basis of high-value, quality and service".

Conclusions and implications

- B.58 This section considers the implications for our case study research based on the evidence for the literature review. Belt and Giles (2009) identify three reasons why HPWPs should be seen as a policy priority:
- At a national level, because there is still a strong case for improving uptake of HPW to increase UK productivity
 - At the level of the organisation, there is strong evidence that HPW can help gain competitive advantage
 - For the individual worker, because as long as HPW is properly implemented, workers benefit, and job design associated with more control and autonomy is associated with increased employee well-being.
- B.59 There are a wide range of different practices that have been described by various studies as HPWPs but the literature does not provide a definitive list. This introduces an issue in terms of which HPWPs to focus on for the case study research.
- B.60 One possible solution to this would be to focus on bundles of HWPS rather than ask businesses about specific practices. For example the three categories used by Ashton and Sung (2005) or the 4A approach (Tamkin 2005) can provide broad 'silos' into which different HPWPs can be categorised and compared across the case studies. This is important as different firms may have different definitions of similar practices or not recognise particular practices as being HPWPs. Figure B-7: shows that no matter which 'silo' of practices that a firm decides to use, leadership and culture are critical. Hughes (2008) recognises the danger of imagining HPWPs as isolated from the context of the

²⁹ Sung et al (2009)

organisation which implements them: “there is a need to avoid a tendency towards the reification of high-performance work systems as though ‘they’ might be divorced from the particular nexus of relationships of which ‘they’ form a part [since this] encourages theorists, practitioners, indeed, policy makers, to think of high performance work practices as in themselves ready-made ‘solutions’ that might be injected into a range of different ‘contexts’ — an idea which...is somewhat at odds with key thinking in the academic field”.

Skills utilisation practices will not work in isolation - there needs to be an organisational culture which supports the implementation of the various practices and allows management and staff to use the practices for mutual benefit

Figure B-7: HPWPs and business outcomes



Source: Ashton and Sung (2005)

- B.61 This literature review has cited a large number of studies which have identified worker and organisation benefits which are associated with HPWPs. However, we cannot conclude that it is therefore in the interests of all firms to introduce high-performance working practices. That decision needs to be made on the basis of whether the costs of implementing a particular practice are outweighed by the benefits. This is an important consideration as Macky and Boxall (2007) identify a large number of existing studies which “suggest that HPWPs are not always cost-effective for firms” (see Cappelli and Neumark, 2001; Datta et al., 2005; Godard, 2001, 2004; Guthrie, 2001; Way, 2002). Macky and Boxall (2007) also recognise that there are dangers of introducing a wide range of new performance practices which risks “overloading employees” and may lead to a subsequent reduction in the employee commitment and motivation that HPWPs are designed to engender in the first place.
- B.62 By acknowledging the importance of intangibles like ‘leadership’ and ‘culture’ and the need for organisations to evaluate the costs and benefits of HPWPs mean that these practices are not simply ‘off the shelf’ products which will automatically result in improved business performance. However, there is a significant weight of evidence to say that the impact of introducing these practices can be

very positive for organisations in a range of different sectors. Flood et al (2008) acknowledge that although they do not claim to find evidence of causality, they did find “extensive evidence that high performance companies with higher levels of labour productivity and workforce innovation, and lower levels of employee turnover, are managing their organisations in ways that are distinctly different from average performing companies” and that the strength of correlation between these business outcomes and the different management practices is significant enough to “represent a compelling business case to any company seeking to enhance its performance.”

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Annex C: Full Case Studies of Scottish Firms

Mactaggart and Mickel - Supplementary information

About the firm

Founded in 1925, Mactaggart and Mickel is construction firm. It is a family housebuilder that has been hand-crafting new homes in Scotland for more than eighty years. The company currently employs almost 200 people, with its head office in Glasgow. This is decline on the over 300 employed in 2008, but some reduction has been necessary due to the widespread slow down in the housing market.

Employee involvement

The firm's approach to its workforce means that it generally has very low staff turnover, indeed long service is the norm. This long service means and size of the firm means that the senior managers and owners have known many of the staff for years, and regularly go on to sites and talk to them, both about work and their wider family circumstances.

However, the firm recognized that in such an informal and individual setting staff may be reluctant to feedback their true views on the firm. Therefore a decision was taken to establish an employee forum which:

- Would have two representatives elected from each site, along with head office (this is not as yet a unionized structure, although consideration is being given to union recognition)
- Meets regularly with the managing director, and senior production and HR managers
- Receives an update on company performance and plans
- Provides an opportunity to raise issues of concern to the workforce, and through the representative nature can do this in a non-attributable way
- Has time allocated on each site after the meeting so that representatives can feedback.

The importance of this forum is already apparent. An important early issue was concern from some sites about health and safety. Through the round table discussions was recognised that their was considerable self responsibility on sites, and that the workforce were empowered to address these issues without waiting for management to act.

More recently the firm has faced issues of declining sales, in line with the rest of the sector. It undertook some redundancies, but was able to explain why it had to act in this way. As such this was done with the understanding of the workforce, through people volunteering and with only one appeal through the whole process. Moreover, through the forum a plumber put forward the idea of a four day week to avoid further redundancies. This has now been implemented with benefits to:

- Individuals who remained in employment through difficult times

- The firm which has retained more much of its workforce for the upturn.

Human resource practices

The company has a strong ethos of promoting people from within. It therefore offers considerable training and development opportunities, in 2007/08 each employee received on average over 10 days of training. This is done on a rolling basis to ensure that if vacancies arise, then there should be suitable internal candidates. Important in this is that staff realise that training is for the long term, and this helps to manage expectation about immediate promotion prospects.

The training ethos comes in part for the managing director who while a family member, came in to the firm as an apprentice painter. The quality of provision is demonstrated by: three years ago an employee who had joined as a 16 year old apprentice, won “Scottish Site Manager of the year”; and this was repeated again last year by someone who started as a labourer with he firm.

One way in which training needs are identified is through the appraisal system. This has been introduced over the last couple of years. Care was taken around its introduction to go out to sites and explain that it was an opportunity for staff to influence their own development and to gain informed feedback on their performance. For many who had been with the firm for long periods of time it was important to confirm to them that they were doing a good job, and if there are issues to pick these up and provide support.

The appraisal system is based around a matrix which sets out work tasks against the standards required. Individuals can then rate their own performance against each task, and then discuss and receive feedback through a one-to-one meeting. This is done twice a year and feeds directly in to the bonus that each individual receives.

Office based staff have a slightly different appraisal form. This reflects the different nature of their jobs, and that performance can be harder to measure. Moreover, it is more likely that office staff have specific individual objectives. The firm is concerned that individuals do not focus on their own objectives to the detriment of team working. Therefore, their appraisal also includes an assessment as to how far they uphold the company values (such as team working, and customer excellence).

Related to this is a very transparent quality system. The firm aims for zero percent snagging. Therefore, part of the production process is “stage 37” which takes place after the construction team believes that it has completed the built. At this point a director will inspect each home. This ensures high levels of staff accountability, as it is know who did what and which team worked on each house. Is issues are recognises as occurring regularly then remedial training needs will be identified.

Reward and commitment practice

The firm provides opportunities for staff to earn a series of bonuses based around:

- The overall performance of the business

- The rating of individuals through the appraisal
- Task productivity on site, where people are rewarded for exceeding the targets set for task completion (but this must be done to the high quality standards referred to above).

In addition, they provide a long service award, starting at 10 years, and then for each additional five. Those who are eligible are invited, along with their families, to a lunch with the directors. This is then publicised in the company magazine.

An important signal of the firm's care for its employees is its retirement initiative. It saw a piece of research which reported high mortality rates as people left the sector, which was linked to them not finding other things to do. Therefore, from six months prior to the retirement date staff begin to work reduced hours on full pay: they initially go down to four days, then three and eventually two. The intention is that this gives them the opportunity to develop other interests and so smooth the transition.

The firm has recognised that staff increasingly want flexible working, linked to family responsibilities. However, this can be difficult for site workers where work scheduling and team working are important. It has therefore developed two key actions which seek to balance these issues in a way which shows workers that they are seeking to respond, but also recognises business need:

- Office workers have flexi-time which they can use to help with family responsibilities (and not feel guilty on the odd day when they may need to come in later / leave early), and this aligns with a much greater proportion of office workers being female
- All workers are able to take some holidays on a flexible basis. To make this work leave needs to be scheduled well in advance so that site work can be efficiently scheduled. So far this has worked well with staff recognising the need to act responsibly to ensure that they continue to benefit.

Motivation and benefits

In the development of the firm to this way of operating is deeply ingrained – “it is just what we do.” However, its importance is recognised at a high level with the head of HR having an objective set by the managing director to “protect our culture and develop our people.”

The pursuit of the actions set out above is based around two factors: a quality product that is produced efficiently. This is underpinned by a highly skilled workforce, which the firm therefore wishes to retain over the long term.

Westcrowns Contacting Services – Supplementary information

About the firm

Westcrowns Contacting Services was a specialist construction firm that was in slow decline. Bill McBride was brought in as the new Managing Director, having worked for a number of large national and international construction firms. The view from some of the owners was that existing staff were not up to scratch and many would need to be replaced. After only a few weeks, Bill had concluded that the problem was not the staff, but the type of management, which was neither providing effective leadership nor giving motivation to staff. The staff were underpaid and under utilised, and despite the lack of guidance, worked hard. In the end, all but one of the directors was replaced, but no member of staff was laid-off and the working environment changed instead.

Westcrowns Contracting is also part of the larger Westcrowns group which includes Independent Glass, a company recognised for its innovative product development.

Employee involvement

- Flat structure – the company operates a flattened management structure for its 90 employees. This allows rapid communication up and down the hierarchy, avoiding messages becoming diluted or ignored. The flexibility of company structure, combined with the size of the company, means that ideas can be implemented very quickly and results assessed.
- Aligning activity – the company seeks to give everyone a degree of leadership through job design and the wider working environment. The company is run through a set of Key Performance Indicators and the business is monitored on these. Through an extensive process of staff involvement, these business goals are set out and communicated to all staff, and each employee can relate their own activity to the achievement of these company goals. (NB, Individual staff appraisals however are not based on these KPIs – there the focus is on personal development.). Personal development is through a mix of external and in-house training.
- Story-telling – the company makes conscious use of stories and anecdotes from business and elsewhere to build the company culture and communicate values. For example, while construction is highly competitive, the example of South West airlines is used to illustrate how it is possible to be profitable even in a hyper-competitive (and largely loss-making) sector. The example of John Naber, a swimmer who won an Olympic gold medals by regimenting his swimming training program into incremental daily improvement targets, was used to show how small incremental improvements will lead to larger company goals being reached. Managers often take the lessons from business textbooks, such as Jim Collins' *Good to Great*, and distil these into presentations and discussions for the team.
- Trust – the company operates with a high degree of trust. One of the first acts of the new chief executive was to remove the time-clocks for employees. After reassuring

them that this didn't mean they were getting the sack, employees learned that they were being trusted to arrive at and leave work at the agreed hours. In turn, employees police themselves and others and poor timekeeping by an individual is typically resolved informally. There was some initial resistance from other managers, but it was pointed out that they operated on a similar honour system – would they not trust others in the same way?

- Trust is also developed through a “no-blame” culture. The company culture is that they would rather try something new and fail than not try and simply decline as a business. But when an innovation does fail, there are no penalties or recriminations. This builds the confidence to try out new ideas. Trust is also needed for people to be told – and accept – the truth, for instance in staff appraisals.

Human resource practices

- Improvement circles – the company operates a number of staff-led improvement circles to drive forward the business. These are led by individuals identified as potential future leaders, with each selecting the mix of staff members to join the team. Participation is voluntary, and the team will meet and work on their assigned issue, before presenting their recommendations to the board and then the company as a whole. The teams bring together a wide mix of people, forcing them to think outside of their own job function. This raises consciousness of the company as a whole and what it needs to succeed.
- Development of the management team – initially, Bill took on much of the skills utilisation practices, for example the PDAs, as he had the most experience. As the management team have been inducted into the new culture, they are now doing more with their own teams. This is encouraged by exposing the managers to what is described as the “right level of thinking” – motivated, ambitious and creative. For instance, last year the management team were flown to the World Business Forum in Radio City, New York to hear presentations from Bill Clinton on running a country and George Lucas on building new businesses and also hearing from some of the best management thinkers in the world. This broadens managers' horizons and encourages fresh thinking. The trip was expensive, but was considered good value in raising managers to another level, and their new enthusiasm is brought back and communicated to their teams.
- Personal Development Appraisals – For the first two years of its introduction, the Managing Director himself did the PDAs for all staff members to inculcate the new approach. The process was developed gradually to build confidence among staff, but the appraisal were characterised by being very candid – most staff thought they were performing better than they actually were. The gap between an individual's actual performance and where they needed to be is bridged by a personal development plan setting out objectives and rewards if these are met. Initially, some employees were accepting of the new approach and others cynical, but by focusing on achieving and rewarding early results, a culture of results was built up. The company has found it has less and less staff doing badly as a result.

- Personal interaction – one aspect of the Personal Development Appraisal that is considered very important is the ability to communicate – this includes both speaking *and* listening – and staff are encouraged to develop these skills and they are often part of their personal development objectives. The ability to listen and work with others is also made part of the recruitment process, with recruiters assessing not only who takes a lead in a group, but how others respond to that. Alongside open communication comes disagreement, and expressing a contrary opinion is seen as a valuable quality and staff are encouraged to speak their mind without fear of ridicule. The more responsibilities a person has, the greater the emphasis that is put on developing their communication skills.

Reward and commitment practice

- The company seeks to encourage its employees to “think like winners” and reward them accordingly. People need to believe that if the company does well, they will too, and improvements in company performance have been matched by personal returns, with salaries on average doubling over a five-year period, and the institution of twice-yearly bonuses, worth around 10% of annual salary. The mechanism by which bonuses are awarded is very transparent, and staff know what is needed to achieve these. The company also operates generous policies on expenses (on trust), provides free petrol and insurance for those using company cars.
- Reward is also used as a motivation tool for further promotion. For instance, the New York trip by the management team prompted a number of staff to ask how they might enjoy such an experience, and managers can explain what personal development is required achieve this and encourages people to progress.

Realtime Worlds – Supplementary information

About the firm

Founded in 2002, Realtime Worlds is a software technology company specialising in the computer and online games parts of the entertainment sector. The firm has grown to employ over 250 in its design studio in Dundee, with around 25 people in its Colorado office. It aims to employ cutting edge technology to develop a small number of very high quality products.

Their first game (Crackdown) sold over two million copies and was awarded two BAFTAs, and their second game is due for release next year. As such they have very long lead times associated with the development of each product. In the case of their forthcoming game (called All Points Bulletin or APB) this has been financed through venture capital investment. Therefore, it is important for the firm to manage its resources properly to ensure that although money is being spent on development, the game will go to market on time and so provide future income and return.

Employee involvement

The firm seeks to ensure that all staff are fully aware of both the direction of the business and progress with developing the product. Key in this is a quarterly offsite session at a local art centre/cinema. The facility offers the chance to demonstrate the latest development in the game in a very high quality environment. This can help to maintain enthusiasm over the long development time, and helps aid communication and the cross-fertilisation of ideas between teams working on different aspects of the game.

This scope to input to the development of a game starts from an early stage. Staff were asked about the initial concept and ideas gathered. This is then used by the design team to shape the overall plan, and then communicated back to teams as to what needs to be developed.

These offsite sessions also include a more general business update and a Q&A session where staff can ask the managing director questions. In addition to this there are individual team meetings on a regular basis to enable workflows and ideas on more immediate matters to be communicated.

Outside of these meetings middle level staff are given considerable freedom around their work. These staff are usually working on a specific aspect of the game. They will be given a specification of what is needed and by when, but then given considerable to scope to design something that is appropriate. As might be expect given the nature of the product staff can become very attached to the settings and characters that they are creating, and hence giving them scope to develop these is seen to lead to a higher quality output.

The testing and quality assurance process perhaps offers less staff flexibility than the design element. In the former staff are tasked to trial a specific element of the game or a particular strategy. On one level this is very directive, but speaking to staff who do this they feel valued because they:

- Are asked to be direct and constructive in their feedback

- Still have freedom around the precise actions that they take in the development of the game
- They are in effect being paid to play the game, albeit in a work environment.

Human resource practices

The firm appraises staff annually. The process is being changed to:

- Concentrate all the appraisals in a small period of time to enable better consistency and comparison across people and teams
- Shorten the form down to one page which is completed by both the staff member and their supervisor and then used as the basis for a meeting.

Recruitment is crucial to the business. They have taken on additional staff as the product nears completion, and were still seeking around 40 more people. There are two main issues around recruitment. Firstly, the very high level of technical skills required. There are online tests which applicants are asked to complete before applying. This enables the amount of management time devoted to interviews to be kept within limits. There are two stage interviews, but the actual interview will be fairly short, and focussed more on attitude than technical skills. Given this expenditure they are very selective in who is interviewed, perhaps 5-10% of applicants.

The second issue is to understand why people leave. Exit interviews are conducted and reviewed on a regular basis to learn about what if anything the firm could have done differently. Over time, it has become predominantly personal issues that lead people to leave. The company views this as a positive reflection of the range of actions it has taken.

The third issue is that many applicants are concerned about moving to Dundee. This is a perception issue and so the firm takes many steps to get people to interview so that they can see that the city has much to offer. These steps include: paying airfares (regularly from outside the UK); meeting people at the airport and driving them to their hotel; and allowing them time to go around the city, sometimes with a staff member as a guide.

Aligned to this attraction strategy, the firm has developed very close links with Abertay University, which is recognised for its excellence in this area. Senior staff from the firm sit on curriculum development courses, and through this can influence what is taught. They also bring many course attendees to the firm and show them around, and so get a high level of applications.

Many of the graduates who apply will initially go in to the testing team. This has several advantages:

- The graduate can see the very high standards required and so better understand how suitable they would be for a development post – this is largely about aligning expectations of what you can do as a new graduate in the early months and years of your career in a world leading company

- The firm can gain a better understanding of the attributes and attitudes of the individuals. Having done so this thought to have talent which fits to the business will be encouraged to move in to a suitable development team.

This movement of staff happens more generally within the firm. The development of the game necessitates that different functions are required at different times. As functions come to an end, staff are able to move into other teams where there is a need and where their skills can be used or adapted. Staff saw this as a very positive approach because it meant that:

- They were being given new challenges but in a context where they knew they would be supported to learn new skills
- People were not made redundant as the game moved through development. This retention created a loyalty to the firm, which in turn would help avoid some of the recruitment issues set out above.

Moving team will often entail staff moving desk. This is because the building is organised into a series of light and airy pods where people sit alongside other members of their team. This is seen as important in promoting team work and facilitates easy sharing of ideas between people. The areas are intended as a compromise to open plan which would be too noisy and large given the scale of the firm. However, to ensure staff are aware of their surrounding and colleagues each pod only goes to three quarters height and the entry space takes up around one half of the front wall and has no door.

Reward and commitment practice

The firm works to a series of short term deadlines, with one very important but long term deadline – the launch of the game. It therefore thinks it is important that staff work at an even pace so that the longer term goal can be met through the project plan. It knows that pinch points will occur, but hopes to minimise these through good planning. It also wants its employees to be productive when at work.

Therefore, the staff handbook strongly encourages that people should do their work in the allocated hours. There is a flexi system, with core hours, and the expectation that six o'clock should be the normal finishing time. To reinforce this overtime payments have been introduced recently to show that the firm is serious about people doing their work in core hours and respects people's right to a life outside of work. This was seen by the firm and staff as a grown up approach that encouraged mutual respect.

The firm has also revised its pay structure. There are now more formal bands to ensure that people get an equivalent rate to someone else doing the same job. Previously people negotiated a salary at entry, and thereafter on an individual basis. However, this created tension as people were suspicious or upset at what they thought others were earning. The new structure removes much of this tension. It has also put the onus on monitoring rates elsewhere in the sector to ensure that the company remains competitive.

Over the longer term staff are also encouraged to have a stake in the firm and its performance. Share options have been given to all staff. The amount was viewed as less important than the signal that the firm wanted them to stay with the firm and to be engaged. Similarly, a

loyalty package has been developed to provide 10% of the profit from each game to those who developed it. Again this is intended to grow motivation and staff loyalty.

Alongside the financial measures are a series of softer actions which seek to promote a sense of togetherness amongst the firm, including:

- A series of offsite activities for team or groups of staff, e.g. hill walking or barbeques
- Having in the office a high quality café space for staff to relax and showers for those who wish to run/cycle
- Providing a series of games consoles for staff to use in their down time. This can include during working hours if staff feel the need to relax – it is not policed, rather the focus is on the quality and timeliness of outputs as describe above – and staff coming in outside of working hours to spend time with their colleagues.

Motivation and benefits

The firm invests heavily in the activities set out above. They do so because senior management think it “is the right thing to do”. There is no formal assessment of the amount it costs or indeed the return. Actions are considered as issues or suggestions arise, and will be taken forward if they appear sensible and affordable.

Rather, it is looked at in the round: they have young and bright staff that comprise 90% of their costs and provide the content for their product. Therefore, if they can attract, retain and motivate this group to be effective then this will impact positively on the quality of their product and the costs of production. The public acclaim for their product and professional management of costs suggest strongly that this approach is working.

Union Advertising - Supplementary information

About the firm

Union Advertising was formed in 1996 and is now part of the Union Group, an integrated communications agency based in Edinburgh and Leeds. Four companies make up the group: Union Advertising, Union Direct, Union Digital and Union Connect. Direct was set up in 2000, Digital set up in 2003, and Connect started in 2007. The group now employs around 75-80 employees, with five staff based in Leeds and the remainder based in the main Edinburgh office.

Union provides integrated marketing and communications services, including advertising, direct marketing, web marketing, brand design, field marketing, experiential marketing. The company has a wide range of clients across Scotland and rest of UK with a relatively high proportion (40%) of public sector clients. Key public sector clients include the Scottish Government, Scottish Enterprise, VisitScotland, Historic Scotland, Fife Council and Aberdeenshire Council. In the private sector, Union works with Miller Homes, Scottish Widows, Velux Roof Windows, Whyte & Mackay, News International and Sterling Furniture.

Over the last three years, the company's (the Union Group) turnover has increased from £6 million to £10 million with most of this growth being achieved through the new Direct and Connect companies (focusing on direct marketing and sales promotions). The provision of additional services to their existing client base has also significantly contributed to this growth. The main performance indicators for the business are turnover and profit margins, but it also tracks new business performance, market intelligence and reputation/ industry recognition (e.g. awards).

Although Union has continued to perform well over the last few years, the advertising sector in the UK as a whole is currently going through a difficult period, with some of Union's competitors recently closing or making redundancies and/or pay cuts.

Some of the company's skills utilisation practices have been in place from the early days of the company, others have been implemented following a comprehensive review of their Human Resource practices in 2004. However, according to the consultee, the overall approach to running the business and managing staff has remained quite consistent. It was highlighted that Union's management approach has involved being as upfront and equitable with staff as possible with limited hierarchy within the office. The consultee believes that it is important that the proper recognition is given to relevant staff or even different companies within the group – although part of the same group, there have been some tensions between the different Union companies.

The company has always believed in strong management and leading by example. There is a firm belief that there cannot be any gap between what management says and what they actually do. Union has a pragmatic and upfront approach to managing and developing staff and is currently going through the Investors in People accreditation process

Employee involvement

The company has various mechanisms to keep staff informed. The Group Chairman regularly emails staff with updates on major bids. There are also monthly staff meetings to review financial performance in relation to monthly/ annual targets, staff changes, new areas of work and any social committee news. Attendance at these meetings has been made compulsory.

An annual staff survey has been organised in recent years and although one has not taken place for around 18 months, another is planned for the near future. Survey results are provided to all staff. Due to the nature of the work and the layout of the office, employees work closely with their line managers on a daily basis. Employees are encouraged to communicate any issues or suggestions at the earliest opportunity and the company is very sensitive to employee needs.

Management of the company is devolved as much as possible. Each account director manages his or her own team with staff needing to take responsibility for their own clients as early as possible and senior managers only become involved if any issues arise. In addition there is no hierarchy in terms of how the office is set up. With an open plan office, managers sit alongside the rest of the staff.

Human resource practices

By 2004, the company had grown significantly and there was a recognition that for a larger operation there needed to be a review of all human resource structures and policies. External HR consultants were brought in who then identified a range of measures that the company needed to implement. A direct result of this consultancy advice was the company's appraisal process. In addition, the company developed a more detailed understanding of issues such as employment law, disciplinary procedures and performance management systems.

New employees at Union go through a short induction programme. This includes an induction pack and a series of meetings with heads of departments and the Group Chairman, who meets them in the first couple of weeks and then again after three months. New recruits are also given a buddy or mentor to help them settle in. The main formalised system of performance review is the annual staff appraisal and six month catch-up meeting. This process involves asking staff to rate their own performance and receive feedback from their line manager.

Union has a six point process for running the company. The first four elements relate to the Union process of campaign development: think; create; execute; and measure. The final two elements are concerned with managing internal and external relations. It is made clear to employees that they need to fulfil at least one of these functions to justify their place in the business. They are also expected to learn about other functions in order to improve their understanding of how the business operates.

Individual training needs are identified as part of the appraisal process - some of which are addressed through internal training, others through external training. The company regularly organises internal workshops on topics such as account management, creative thinking, and presentational skills. New employees are also encouraged to read key documents and manuals as part of an 'open approach' to learning.

Most external training is organised by IPA, the Institute of Practitioners in Advertising. As an institute member, Union is committed to IPA's best practice CPD Accreditation Standard. To achieve this standard there are various practices the company needs to have in place: staff development plans linked to business objectives; induction programmes; appraisal systems; the maintenance of a CPD log by each individual (with a minimum of 16 hours of learning per year) and for account directors to have acquired the free online certificate of competence in legal and regulatory measures. The company needs to submit the relevant documentation to IPA on an annual basis.

This CPD accreditation is part of IPA's attempts to professionalise the industry. New qualifications have been developed specifically for the industry – for example, Union has encouraged some of its junior employees to study for the IPA Foundation Certificate (online learning with written exam). There is also now an IPA Excellence Diploma but due to current financial constraints Union has yet to fund this for employees. The IPA also organises networking seminars with key industry figures. Other external training provided to staff includes Chartered Institute of Marketing qualifications and leadership and management training.

There are other networking opportunities for Union staff through their membership of the Worldwide Partners network (an organisation with around 90 independent agencies across 50 countries). Each year there is one meeting at a location in Europe, usually attended by Union directors or shareholders. However, last year, since Union hosted the Europe meeting in Edinburgh, this provided an opportunity for more of the company's employees to attend.

Although there is a clear commitment to training at Union, it was acknowledged that due to the impact of the recession less is currently being invested in training than would normally be the case.

Reward and commitment practices

The principal form of financial reward at Union is the bonus scheme. If the company makes a profit, staff can expect some level of bonus, ranging from £100 to more substantial amounts. In terms of non-pay benefits, Union provide private health insurance for all employees. In addition, the company has always provided employer pension contributions of 4% (before this is due to become mandatory in 2012). Other financial incentives include a finders' fee for bringing in new revenue.

While the company discourages part-time working (principally because of the nature of intensive project-based work) there is some flexibility and discretion for employees who have worked late or over the weekends in order to meet a project deadline. Similarly there is some degree of flexibility in allowing employees to occasionally work from home when required, so long as they are in contact by email and telephone.

Production Services Network – Supplementary information

About the firm

Aberdeen-based Production Services Network (PSN) is a specialist provider of engineering, operations and maintenance services to the owners of a variety of energy assets around the world. The company is one of the top ten largest private Scottish companies, with a turnover of over \$1.2billion, and a staff of some 8,500 working in more than 25 countries.

PSN came into being as a result of a management buy-out of the Scottish arm of KBR Haliburton (formerly Kellogg Brown & Root). The management and staff in Aberdeen were dissatisfied with how things were done and felt that the parent company did not fully understand their business, resulting in remote and unilateral decision-making by the American-based owners. When the opportunity came in early 2006, the management team bought out the company in a \$280 million deal and took it into private ownership.

The newly-independent management team inherited the same building, staff and operations, but were determined to do things differently, including better engagement with staff.

Employee involvement

Physical environment - the cultural changes within the company were mirrored by a physical change, with one of the first acts of the new leadership being to have the offices refurbished and a more pleasant working environment instituted. The opportunity was also taken to create an open-plan working environment without physical barriers between staff. Separate offices are now used only for meetings with clients or private meetings with staff.

Induction process – all staff, including contractors, go through an induction process to familiarise them with PSN values and operating practices. PSN produce a variety of plain English guides detailing the company's approach to engaging and developing staff. These guides set out how an employee can develop within the organisation, including real-life case studies of individuals who have taken on new roles and gained promotions.

Open communications - open communications are encouraged, with staff able to pick up the phone or email anyone in the company. The management team are frequent visitors to the company cafe and mix with employees on a first name basis. This extends to personal relationships, with the managing director, Bob Keiller, sending a birthday card each year to each employee and writing a personal letter to staff to congratulate them when they receive a promotion.

Staff forums – to ensure that there is a steady two-way flow of information through the company, PSN operate a staff forum with a membership of five which liaises with both employees who communicate issues, and with the management team and HR team. Staff members are volunteers and a regular turnover of delegates is encouraged to ensure all levels of the firm gain representation.

Human resource practices

people+ - the company operates an annual appraisal process where personal performance is reviewed. The strengths and weaknesses of individuals are assessed, and where there are weaknesses, the employee and their manager work to identify which internal training schemes would be suitable for addressing these. The appraisal also seeks to understand where an individual's future interests lie – this may mean moving up within the company in their current line of activity but can also include moving sideways into a different operational area that interests the individual.

Internal growth – complementing the people+ approach, the company is committed to developing its own talent and has established training facilities for staff (for instance, a design academy) to acquire new skills where the wider labour market has been unable to supply such skills.

Reward and commitment practice

Team work and roles – Each project has defined roles for individuals, but as a service-based company, the expectation is that both the team and the individuals should go beyond what is immediately required. Individuals who have taken on new challenges have been able to make rapid personal progress and these are held up as exemplars to other members of staff. For instance, the head of construction reached this position in only his late 20s.

Nine-day fortnight - one of the major changes introduced was a standard 40 hour week. If required hours are met sooner, then each second Friday can be taken off. There is no formal process for monitoring this, with staff and managers are encouraged to develop an approach that suits their team best. The nine-day fortnight has become one of the company's best known internal practices and one that often attracts employees from other firms.

Renewable Devices – Supplementary information

About the firm

Started in 2002 by Charlie Silverton and David Anderson, both PhD graduate, Renewable Devices was intended to make renewable energy solutions available to the widest possible market. The company founders had worked as consultants, but were determined to make a real difference. The company benefitted from DTI and Scottish Enterprise funding in its early stages, and grew to a staff of seven, with ten associates – between them boasting eight PhDs, and with a mix of engineering backgrounds, including designing racing bicycles and boats.

The company's flagship project is the Swift Wind Turbine, a two-metre diameter wind turbine whose ultra-quiet operation means it can be mounted on houses and business premises, including in built-up areas. The company has won both plaudits and commercial interest, winning the Ashden Award for Sustainable Energy and the Land category of the International Design Award, as well as expanding production with installations worldwide.

The consultancy element has been maintained through the sister company, RD Energy Solutions, located in the same Rosslyn premises.

Employee involvement

- Flat company structure – Renewable Devices has a flat company structure, with direct communications between all team members. This is essential to coordinating the activities of autonomous individuals and helps ensure that information flows through the company. The company founders aspire to be “directors”, rather than “bosses.”
- Team decision-making – co-ordination of effort is the result of weekly meetings on company priorities and how the company should respond to these. Priorities are set by market demands, technical issues and deadlines, and the meetings makes sure that everyone knows what the company as a whole needs to be doing and who is going to be doing it. The meetings are also an opportunity for individuals to let other people know what their support needs are to deliver these objectives.
- Personal autonomy - the desire is to create an environment where people have fun working and which does not stifle creativity. If an individual has an idea, especially on the technical side, they have the freedom to just try it (providing it is not entirely outside of their remit). This in turn leads to happier, more satisfied workers.
- Communications – while individuals have a lot of independence they also need to function as part of a machine. Employees need to communicate with others and feed into what they are doing, and to be able to do so with people who may not be familiar with their own specialism. This level of horizontal communications between individuals can use up a lot of time but is essential to the proper functioning of the company's operations.
- Project management – in the beginning, the company relied on individuals organising their workloads with one another, but over time there was a request for greater project

management, and each project now has one member of staff for overseeing progress and to whom team members can turn.

Human resource practices

- Career progression – the company is very open to individuals growing and taking on new roles within the firm. The company’s current human resources manager is a case in point – joining as the office manager, she has become a project manager and then in charge of HR for both companies as well as the financial controller. If there is a need for a role, and an internal candidate can fill it, they are encouraged and supported to take on these challenges.
- Recruitment - to function successfully in such an environment requires that individuals have an intrinsic interest in the work and in making a contribution. Importantly, they must also be able to communicate and work flexibly with others. When advertising for a role the company stresses qualities of self-motivation and willingness to take responsibility. Companies often mention such qualities in job advertisements, but Renewable Devices really do mean it. The company culture is informal and based on high levels of trust and self-direction. It is recognised that this approach will not suit everyone, but that it would “break the spell” if it became too formalised. The recruitment process is therefore used as a kind of filter, with as much emphasis put on an individual’s personal qualities as their technical abilities. The interview process can therefore range from giving a non-engineer a component and asking them to describe it, to group activities such as playing Jenga, or simply having lunch with the team and asking what they do outside of work.
- Training - the induction process focuses heavily on health and safety, something the company is very strict about. Thereafter, training is mostly on the job, with the shadowing of other workers. In training new starts, the company follow a buddy system where a new team member is paired with a more experienced worker. Where training needs can’t be met, the company will go to external training, for example in acquiring graphic design skills.
- Staff appraisals – these are carried out by the directors and the approach taken is to do these informally, by spending time with each team member - quite often by taking a walk around the attractive grounds that surround the Rosslyn site. While this approach gives a good idea of what is going on, the company is now seeking to formalise this process and ensure that all have the opportunity to communicate their ideas, not just those who are the most forthcoming.

Reward and commitment practice

- Flexible job descriptions – Renewable Devices operates a system of responsibilities and priorities rather than precisely defined job roles. This gives greater flexibility in deploying staff and in responding to changing business requirements. Individuals are responsible for managing their own workloads, and if they won’t do something that is their responsibility, no one else will.

- Non-pay benefits – Renewable Devices balances hard work with generous holiday leave. Each team member is entitled to six weeks, plus bank holidays, plus an additional 10 days unpaid leave each year if desired. The company founders consider that everyone needs to take regular holidays and should do so. However, staff often have to be encouraged to use their full allowance. The system operates on trust, team members do not account for their time daily, and the company has had one or two instances of people taking unfair advantage of this, usually when leaving the company. Then the decision has to be made as to whether to contest their claims on leave taken or allow the claim.
- Team activities – the nearest shop from the Rosslyn site is 15 minutes away by car, so individual staff members take it in turn to make lunch and everyone sits down to eat together and talk. On most days the conversation isn't about work, but it is a good chance to build relationships with other team members. Team lunches also extend to barbeques when the weather is seasonable.
- Further team development has taken place on a team away day. This was a mix of fun activities and outdoor volunteering planting trees. This event was especially helpful in mixing together the functionally separate consulting and engineering businesses. The team works very hard, so occasional events such as this are a good way to unwind.

BT Retail – Supplementary information

About the firm

BT retail is the customer-facing division of BT, responsible for delivering services to over 18 million people. With over 13,000 staff, the division is itself split into a further eight business units: BT Ireland; BT Business; Consumer; Customer Service; Enterprises; Financial Business & Management; HR & Business Transformation, and Strategy, Convergence & Products. To engage, manage and reward such a large number of staff in a consistent, effective way is an extreme management challenge. Using the BT Retail division as an exemplar, we can look at a number of ways in which this challenge has been met.

Employee involvement

- Continually reviewing staff satisfaction – each quarter, employees are asked to complete the online CARE survey. This asks both specific macro questions, relating to employee satisfaction with the health and performance of the business overall and also tailored micro questions relating to the individual’s own team. The HR function then aggregates these responses and draws out the issues being raised. It is then up to individual management teams to respond to these results. The CARE survey is structured around five axes: satisfaction with day to day working arrangements; views on working within the team; the relationship with the direct manager; perspectives on senior management; and feelings about working for the company.
- Back to the Floor – to ensure team leaders and senior managers remain current with the realities of a fast-moving marketplace, they are regularly returned to the “shop-floor” to work alongside colleagues, giving them an opportunity to look at processes end to end. This ensures managers remain connected to the customers and that they understand the day-to-day experience of their staff.
- My Customer Challenge Cup – team members at BT are encouraged to communicate their own ideas for improving working practices through the My Customer Challenge. This covers both improvements for the business and for customers. Business teams consisting of a cross-section of the division are put together to identify issues and develop solutions. These are presented to a panel of managers and if approved, funding is provided to develop the new approach. Recent challenges have included meeting spikes in customer demand for support, and ways to quickly restore connectivity when lines have been disrupted by bad weather.

Human resource practices

- Staff appraisal – BT Retail operates a comprehensive performance management process, with an individual’s personal development reviewed on a quarterly basis, or even more often. Appraisal is based on both team contribution and individual performance. The company seeks to get the greatest benefit from these by pre-interview preparation by both the individual and the manager, including gathering the views of as wide a range of colleagues as possible. The results of the appraisal feed

into a personal development plan, including training support for identified skills needs.

- Knowledge transfer - BT operates Centres of Expertise that bring together professionals with common skills and interests from across the business. This helps ensure that developments in, for instance, project management or procurement in one part of the business can be picked up and quickly applied elsewhere. BT is now looking to develop accreditation to support this learning process. On an individual level, BT recognises that there is much valuable tacit knowledge residing in long-serving team members. Where a particular role or position is being phased out, these individuals are often transferred to a training function to pass on their knowledge.
- Understanding skills needs – given the fast changing nature of the telecommunications market, the future skills profile of the organisation is likely to be very different from that at present. BT managers consider that the company is good at knowing what skills are needed at present, less good at knowing what will be required in three years time. Efforts are continually being made to identify what these gaps will be and use this intelligence to drive training and recruitment. The employee survey is also used to identify developing skills requirements across the company.
- Workforce development – the operational requirements of the business are continuing to evolve, including a shift from field-based operations to office and remote working. As roles change, training has also to adapt and support individuals in making these transitions. BT Retail is developing training approaches that will help individuals manage their careers within the company. Retention of the right people within the company is directly connected to the bottom line, and BT recognises that this was not always successfully followed in the past.
- In Scotland currently 700 customer advisers are going through internal training in customer care which will also give them an externally-accredited qualification: a Modern Apprenticeship. The intention is to make skills more portable and keep them relevant over the working life of an individual. The customer care accreditation is to be the starting point for a longer process of creating stepping stones for customer advisers to give them a longer term career option with BT. The next phase will include NVQ3+ qualifications.

Reward and commitment practice

- The BT Group leads on reward and recruitment, individual business lines then have the opportunity to modify the approach to reflect the different business models within each – for example, what is an appropriate reward structure for a sales environment may not be for a technical support helpline. In each case, the objective is to reinforce team and individual performance in a way that is aligned with the company's goals. However, by routing reward policies through a central authority, BT ensures transparency and consistency in its treatment of employees.
- Given BT's role as a telecommunications firm, it is committed to being an exemplar in flexible working using Information and Communication Technologies. Where

roles allow, employees can work from home and to their own schedule. This kind of flexible working has benefits for both the company and the employee. Flexible working also allows support for working mothers – BT Retail has a 96% rate of return from maternity leave, of which the company is very proud.

A. G. Barr – Supplementary Information

About the company

Established in 1830 in Falkirk as a cork cutting business, A.G. Barr plc has been a producer of soft drinks including the famous Irn-Bru brand since 1875. Barr's also produces a wide range of other soft drinks including Tizer, Strathmore Spring Water, St Clements juice drinks, Simply juice drinks, TAUT sports drinks, Vitsmart enhanced waters and Rubicon exotic juice drinks. As well as producing their own brands, Barr's produces and sells Orangina in the UK under license from Schweppes International Limited and has recently developed a partnership with the American firm Rockstar Inc to sell and distribute their Rockstar energy drink brand in the UK and Ireland. An international department also ensures that Barr's products reach many other parts of the world.

The company is headquartered at a new £37m production, warehousing, distribution and head office facility at Cumbernauld which was completed in 2007. A. G. Barr employed almost 900 people in 2009.

Employee involvement

The company emphasises that open communication is encouraged, with open dialogue between employees and management. It was felt that this was in marked contrast to how the company was run in previous years when employees felt that there was more of an "us and them" demarcation between management and the staff.

All employees are kept up to date with how the business is currently performing and any strategic issues through a monthly briefing from the board which is filtered down through each department to the shop floor.

A relatively new practice in the company is Joint Consultative Committees (JCCs) which involve bringing together volunteers from the floor who act as staff representatives along with shift managers, team leaders and HR representatives. The JCCs give employees an opportunity to raise particular issues or concerns through the staff representative. Overall the JCCs are viewed as a positive opportunity to push forward improvements that staff feel could help both the business and their own roles.

The exact nature of the JCC is flexible and adaptable according to the team involved and so can be monthly or quarterly meetings and can involve different groups depending on the area of the company involved. For example, on the canning line the main groups involved with the JCC are volunteers from the floor who act as staff representatives along with shift managers, team leaders and HR representatives whereas the JCC for the warehouse includes representatives from the sales team, the drivers, the wholesale team, the retail manager as well as team leaders and management. An example of change that has arisen from the introduction of JCCs is that administration staff can now finish early on a Friday by working through 15 minutes of their lunch throughout the week. This was a change that employees wanted and one which would probably have not been made without the input into decision making that the JCCs allow staff to make.

These committees have been well received by staff as it gives them an opportunity to highlight how or where improvements could be made and importantly allows them to engage with any changes that are made as they are able to understand why and how decisions are arrived at rather than feeling that they are simply dictated from above. The staff we spoke to reported that being directly involved in how decisions are arrived at does mean that the business is taken “closer to heart” and that they do feel more engaged with the business. The company has benefitted from these Committees as they provide a means of tapping into the knowledge which the production line operators have.

There is also a twice yearly magazine, ‘The Quencher’, which is distributed to all Barr’s employees and gives information on general company news such as new products or advertising campaigns so that staff are fully up to date with what the business as a whole is doing but also includes a significant amount of employee related information, such as fundraising achievements by staff, service awards recognition and also contains photos of staff who have recently completed qualifications.

Human Resource practices

The company has a range of practices in place which enable them to monitor how their employees are performing and identify any opportunities for development. There are a number of key practices which relate to the company’s personnel department:

- Each member of staff has an annual appraisal with their team leader. Employees find this useful as it gives them an opportunity to have a say on how they feel they are performing and to outline their goals for the next year. Out of this appraisal process, an individual personal development plan (PDP) is created for each employee. Managers are also encouraged to make time for a quarterly review of the PDP with each member of staff.
- There is significant training available to staff: each year the company produces a Learning Guide which gives an overview of all internal training courses which are available to staff. Within the Learning Guide there are more than 60 courses available in the following areas:
 - management skills
 - inter-personal skills
 - personal development
 - continuous improvement
 - personnel management
 - staff development
 - health and safety awareness
 - health and safety practical
 - food safety

- These internal courses are in addition to S/NVQs which can also be taken by employees in food and drink manufacturing operations (level 2), warehousing & storage operations (level 2), business & administration (level 2 and 3), customer service (level 2 and 3) and management (level 3). In 2009, 58% of staff attended some form of internal training and 25% attended external training.
- An example of how training has helped employees to become more engaged with the company has been the recognition of the company's assessment process of Warehouse Operator training which allowed operators to move from being a Grade Two Operator to a Grade One. The company decided to investigate the possibility of formal assessment for this activity which led to the course being fully accredited as an SVQ Level 2 in Warehouse & Storage, with 34 employees achieving this qualification. As well as an increase in pay, some operators gained their first qualification since leaving school. Achieving this qualification gave them tangible evidence of the added value they provide to the business and gave employees a sense of achievement and recognition within the company.
- When a training need is identified, a training request form must be completed. This form is used to identify how the training will benefit both the company and employee. The use of training evaluation forms reinforces this link as staff are asked their opinion on the impact that the training has had. This helps to provide evidence that providing training opportunities benefits the employee and also meets company needs.

Reward and commitment practice

Barr's production is driven to a large degree by the demands of the supermarket multiples and this means that Barr's needs a sufficiently flexible workforce to meet any spikes in demand.

In terms of financial reward, a number of incentives are in place:

- Historically the company has always provided competitive remuneration to staff and basic pay is benchmarked against other companies to ensure that it remains so
- The All Employee Share Ownership Plan (AESOP) is open to all employees and has two main components:
 - Partnership share element - for every three shares that an employee purchases, the company will purchase one share which is released tax free to the employee after five years
 - Free share element - each year, employees receive shares to the value of a percentage of their earnings relative to the performance of the company. Again these shares are released tax free to the employee after five years
- Savings Related Share Option Scheme (SAYE) provides employees with the opportunity to buy shares in the company after five years of employment at a reduced price

- Both of these share schemes are designed to reward employees not only for contributing to the success of the company each year but for continuity of employment. The company views this as an important way to ensure that there is long term commitment to A. G. Barr amongst employees. This long term commitment is reflected in the very low staff turnover that the company has. There is also recognition for long service in place under Long Service Award Scheme, whereby employees with 15 years of service receive 100 free shares and those with 25 year of service receive a gold watch.
- There are also a number of non-financial incentives that have been put in place by the company. These include a subsidised canteen and the opportunity to buy up to 12 goods packs each month at cost price. Staff are also encouraged to get involved with fundraising activities such as auctions and charity fairs and to work directly with charitable projects such as working with the Prince's Trust's Team Project. These activities help to bring all employees together and work towards a common goal.
- Managers of each department are supportive of their employees in terms of flexible working and the staff we spoke to felt that managers are accommodating in terms of shifts and that there is a willingness to try and swap shifts if this is necessary. It is important for line managers to have a degree of flexibility as there are times when overtime is necessary to reach production targets so having some 'give and take' is important to ensure that the production line staff are willing to help the company when needed.
- The company runs a Perfect Attendance initiative whereby all employed who have a perfect attendance at the end of each financial year receive a £50 voucher or £50 of company shares. In addition to this, staff who qualified were entered into a draw to win a holiday with two additional days leave and £500 spending money. In 2008/09, 323 employees achieved perfect attendance and this is consistent with the last three or four years which have seen around 40% of staff achieving a perfect attendance record.

Controlled Therapeutics – Supplementary information

About the firm

Controlled Therapeutics began life in East Kilbride in 1987 and has since grown to employ 65 staff involved in the research, product development and manufacture of drug delivery products which are now used in more than 50 countries. The company specialises in the medical applications of polymers as delivery vehicles for the controlled release of pharmaceuticals. The company's flagship product, Propess/Cervidil is designed and manufactured in Scotland and has helped deliver more than two million American citizens. In addition to its successful products for childbirth, Controlled Therapeutics has a number of products in Phase 1, Phase 2 and Phase 3 clinical trials.

The company was established using innovative technology first developed at the University of Strathclyde, and found support from the SPUR scheme³⁰. The company continues to maintain its links with the Scottish research base and draws on a network of local suppliers. Since 1993, the company has been a wholly owned subsidiary of Cytokine PharmaSciences Inc. based near Philadelphia, USA, but the Scottish facility continues to enjoy a high degree of autonomy.

Employee involvement

The company has both a stated mission and a vision to which each employee can relate their own endeavours. Controlled Therapeutic's mission is to develop and deliver to the market new and improved therapeutic products based on the company's proprietary controlled drug release technology which will bring benefits to people worldwide. The vision is for the company to grow over the next four years into a successful developer of innovative drug delivery products, with sales of polymer based products of over \$50 million.

The company seeks to promote and develop the company culture through a common set of values that all company actions are expected to be aligned with. These values were drawn up by all the employees of Controlled Therapeutics through a collaborative process and are summarised in the acronym DELIVER: **D**rive, **E**xcellence, **L**eadership, **I**ntegrity, **V**alued, **E**njoy, **R**esponsibility. These values are communicated through staff induction and reinforced in displays and booklets.

The experience of Controlled Therapeutics' staff is brought to bear on business issues through a regular programme of Kaizen teams. These are mixed groups of volunteers, drawn from across the company, and tasked with addressing a particular challenge. The teams bring a new perspective to operations and have identified and delivered efficiencies in manufacturing and packaging. Initially, the company used a specialist consultant to lead a Kaizen team to troubleshoot a particular item of equipment, but the company has built on this experience to develop its own approach. The experience of working in these teams has changed formerly resistant employees into enthusiasts for lean manufacturing and continuous improvement.

³⁰ SPUR grants were available to assist SMEs to develop new products and processes involving a significant technological advance for the UK industry or sector concerned, up to pre-production prototype stage.

The result of Controlled Therapeutics' approach to skills utilisation is a flexible and committed workforce, characterised by low-levels of absenteeism and with high-levels of staff retention.

Human resource practices

- Employee development practice is centred on the annual staff appraisals. The company has continued to modify its appraisal process to arrive at a model that it considers adds value. Earlier models were centred on reporting by employees and written justifications of performance. These have been replaced by a simple scoring system that allows an employee and a manager to identify where each thinks the individual is on a range of development issues. These scores are then used as the basis for an open discussion on how the individual can develop further and what actions are needed to support this. The end result is an appraisal process that encourages direct communication and further action, rather than a process which leads to defensive or self-justifying responses. The appraisal process is backed up with a personal development plan for the year, which includes support for training.
- As the company has grown, transparency in roles and responsibilities, and accompanying remuneration has become more important. Controlled Therapeutics engaged specialist recruitment company Hays to review all roles within the company, to identify the specific occupational requirements of each role, and to develop an occupational framework for the company. Each role is now clearly defined, and the pay scale relating to responsibilities and experience made publically available. Employees can therefore be confident that their own remuneration is equitable and the steps needed to progress are understood.
- Career progression is important to the company as it seeks to retain staff within the company. Starting from the appraisal and personal development approach, Controlled Therapeutics has supported employees in developing their professional goals, either in moving up through a clear chain of increasing responsibility/reward or moving sideways into other fields of activity within the company.

Reward and commitment practice

Controlled Therapeutics operates testing and manufacturing facilities that can require attention outside of regular business hours, and therefore operates a policy of flexible hours. This was designed by an internal working group and initially was very generous in the options available to employees, for instance, with the individual work day ending as early as 2.30 pm. However, this proved to be detrimental to company performance, and the scheme was re-worked to ensure that core hours were covered. The company now operates two work patterns – flexible, for those employees whose workload is not immediately affected by production requirements, and compressed for those involved in production. The latter work pattern has two alternative start and finish times, and allows for a lunch-time finish on Friday for all production staff – this facilitates maintenance of the production line.

Controlled Therapeutics provides a comprehensive benefits package with up to 25 days annual leave, 9 public holidays, a personal pension plan, and private health insurance. The company also provides an employee occupational health service, with a visiting occupational health professional to advise employees. There are also long-service awards to recognise commitment to the company, and provisions for long-term disability.

The company has also shown itself willing to go beyond agreed benefits when employee welfare has become an issue. One example of this sensitivity to employees was when the Farepak scheme for Christmas savings collapsed. Employees at Controlled Therapeutics had been participants in the scheme through a member of staff who was unfairly blamed for the situation. The company instituted its own Christmas savings scheme, accepting payments from both employees and family members, and this has proven a very successful initiative.

The company has also proven willing to support employees when their interests took them in directions tangential to the firm, for instance in providing support to their human resources manager when she embarked on developing counselling qualifications. These additional interests may prove useful to the firm either by bringing new knowledge into the firm or simply in making employees more satisfied and better rounded individuals.

NovaBiotics - Supplementary information

About the firm

As a research-led biotechnology firm, NovaBiotics staff is its most important resource, and their recruitment and effective deployment are vital to the success of the company. The largely academic background of the company's lead employees and managers provided the experience of managing small groups but not of managing commercial operations. The company's chief executive, Dr Deborah O'Neil, was able to draw on her own early experience of the family business, an electrical supplier in the North West of England, and was able to request advice from family members. Board members also supplied their perspective on how human resources should be managed, but for the most part, the management team have learned on the job.

The company is developing its own proprietary anti-infective technology, and the company's first application, a topical (brush-on) treatment for fungal nail infections, is currently completing a phase II clinical trial. Companies such as NovaBiotics, with their inventive personnel and close connections between research staff and management, have an ability to quickly capitalise on promising areas of research and are now the engine of pharmaceutical development.

Employee involvement

- Company vision – individuals need to align their efforts with those of the company with a minimum of oversight by management. One way this is achieved is through developing a company vision that all recognised and understand. The informal test of this is whether every member of the team could give an “elevator pitch” as to the company's objectives and how it is going to get there.
- Open-doors culture – team members have the opportunity to help shape the company's direction at weekly meetings that bring the whole team together. This is complemented by an open door policy with ready access to the chief executive and the head of research on any issue, ensuring that any development is quickly communicated up or down.

Human resource practices

Tailored recruitment – as the company has grown it has had to look outside to add capacity and bring in new skills, but recruits need to be able to fit in with the company culture. NovaBiotics is fortunate that the Aberdeen life sciences sector is tightly knit with many formal and informal opportunities to meet. The management team takes advantage of this to screen potential new recruits and see them in a variety of different environments before ever approaching them with a view to recruiting.

Continuity of effort – the company is keen to gain the maximum benefit from the knowledge in the team, both for company and individual benefit. Project teams are structured to involve everyone in the company in one or more aspects of each live project. This ensures that when a

specific project comes to an end each team member is immediately able to transition to another project with no loss of momentum. In other organisations, there can often be significant downtime as individuals move projects and have to become acquainted with a whole new area of activity.

Multi-skilling – the continuity of effort is supported by the development of individual skill sets, including in areas that were not previously part to an employee’s background. For instance, one project saw a young member of staff become the project manager, despite not being a PhD. The individual was supported by senior staff in developing the required skills and executing the role. Conversely, a senior researcher could be trained-up on carrying out administrative procedures.

Staff appraisals – NovaBiotics operates staff appraisals on an annual basis. This is taken as an opportunity for more private and personal communications than is possible in the team meetings. The appraisals explore what the individual is currently doing and what they would like to be doing, with appropriate support provided. The company is currently reinforcing this process with a rolling programme of personnel audits which will go into much greater depth as to an individual’s development.

Reward and commitment practice

- Share options scheme – NovaBiotics is a drug discovery and development research firm where the risks and the potential rewards are both high. For successful drug discovery companies, the reward can be a buy-out by a major pharmaceutical firm or the licensing of a drug, generally with millions of pounds at stake. Conversely, many promising drugs do not make it through to market. Certain staff members can choose to share in these risks and rewards through the company share scheme.
- Flexible working – the company operates a system of core hours, which are in the employee contract. However, science is never a 9 to 5 job and research can require continuous monitoring outwith core hours and over weekends. NovaBiotics operates a buddy system to ensure staff members are not alone or vulnerable when carrying out these duties. In return, time spent on these activities is compensated with time in lieu.

Famous Grouse Experience – Supplementary Information

About the firm

The Famous Grouse Experience (TFGE) is based at the Glenturret Distillery, Scotland's oldest and most visited distillery, located just outside Crieff. The attraction is part of the Edrington Group, owned by the Robertson Trust. The distillery, which has been welcoming visitors since 1980, became part of the Group in 1990. In 2002 it became known as the Famous Grouse Experience. TFGE offers distillery tours, a Famous Grouse shop, bar and restaurant, play park and scenic walking routes around the distillery site.

The company's workforce varies in size but has around 30 permanent full time staff including a management team of six (General Manager, Executive Chef, Retail Manager, Senior Duty Manager Marketing Manager and Sales Manager). During the peak summer months, an additional 15 to 20 staff are recruited – mainly students and seasonal staff. While the company occasionally has difficulty attracting and retaining core staff due to its rural location and lack of live-in accommodation, it consistently manages to recruit high quality students returning home each year for the summer months.

Although TFGE does not normally publish turnover figures separate to those of the Group, sales at the attraction have increased gradually in recent years. The company has a five year plan which is reviewed annually in light of the changing economic environment. The overarching strategic objectives are for TFGE to be:

- A five star visitor attraction welcoming domestic and foreign visitors
- Ambassadorial home for the Famous Grouse brand
- A premium day and evening venue for corporate clients
- A fun day out for locals and tourists visiting the area
- An educational platform for trade and consumers to learn about the brand
- A commercial business, delivering steady, profitable returns to the Edrington Group.

The company's key performance metrics are turnover, profit and visitor numbers. TFGE attracts around 100,000 visitors annually, with 45% of visitors coming from overseas. Just over a decade ago, the Glenturret distillery was attracting around 200,000 visitors. This number however was based on offering 20 minute distillery tours. After Glenturret distillery was bought over and became the Famous Grouse Experience, a new strategy was adopted that focused more on the quality of visitor experience and encouraging each visitor to stay longer and spend more. The fact that distillery tours now take an hour clearly reduces the capacity to attract the same volume of visitors.

Employee involvement

The General Manager believes that communication is one of the most important aspects of running a business and always encourages face to face interaction between all managers, staff members and all departments. The management team send out an email update each month to

all staff which reports on the overall business performance and news from the different department highlighting good practice. For those staff without email, a copy of the update is put on the staff notice-board. There are also annual staff surveys and anonymous management feedback questionnaires.

‘Speak Up’ is the name of the staff suggestion scheme at TFGE. Staff members are encouraged to complete forms with suggestions on how to improve their particular working environment and improving the quality of the visitor experience. Although this initiative has been running for many years (the General Manager has worked at Glenturret/ TFGE for 13 years), it has been developed in the last two years to become an important tool to ensure employee involvement. By taking on board the views of employees, the company wants to develop an entrepreneurial ethos, whereby staff members show more initiative to help out across the business.

Human resource practices

The company has a two week induction programme with elementary training carried out on-site. The training focuses on ensuring an understanding of company policies, manuals and developing core competencies. The Edrington Group’s HR department based in Perth is occasionally involved in induction training, particularly for more senior positions. The General Manager meets new recruits during the first few days to discuss company culture, the strategic plan and the importance of customer service. A follow-up meeting is then arranged two weeks later.

At TFGE a ‘Buddy Programme’ is also in operation where the new employee is appointed a ‘buddy’ to support the more informal but equally important aspects of the induction process - this helps considerably to assist the new employee to settle in.

All employees have an appraisal meeting with their manager in May which is followed up by an interim appraisal in November. The key aim of these meetings is to ensure good communication with staff and to review and plan training in line with company’s objectives. The output of the appraisal process is a Personal Development Plan which identifies any employee training needs. Although the appraisal system has been in place for a number of years it has become more formalised more recently. It was stated that managers need to demonstrate that they are serious about performance review and ensuring employees are given formal feedback. In addition, the company has an open-door policy to ensure employees can approach managers at any time.

Much of the company’s training and HR activity is coordinated across the Edrington Group, in particular for any external training that is required. Training requirements are identified through the appraisal process with training normally taking place during the quieter months on January and February. While all staff are trained up in their core competency (e.g. reception/tour guiding), some will also be provided with training to undertake other secondary roles in the business.

The majority of employees have completed training courses organised by the Scottish Whisky Experience and the Wine and Spirit Education Trust (WSET). Many employees also receive training in customer service which is delivered by Perth College. A member of the catering

team is currently spending one day a week in Stirling to do her catering qualification. Overall, TFGE's annual training budget is up to £20,000 - this however only relates to the external training that is organised centrally. All training courses are evaluated using feedback forms.

TFGE is extremely focused on the quality of customer experience and this has been recognised through various awards and accreditations. In 2007, it received a Scottish Thistle Award for People Development and this was followed in 2008 with the same award for Customer Service.

TFGE has achieved a five star rating in VisitScotland's Quality Assurance Scheme for the last fourteen years since the scheme was set up. It also has Investors in People accreditation and Green Tourism Business Scheme (GTBS) certification. The company is always looking to receive customer feedback through comment cards and each department has a log book/ listening to record feedback from visitors. TFGE also has a policy of responding to complaints within three days. The attraction has also received high satisfaction levels in feedback from internal customers within the Group. According to the consultee, TFGE continues to lead the way in terms of quality assurance compared to other similar businesses/attractions.

Reward and commitment practices

There are various examples of reward practices including:

- Profit sharing and share options schemes – organised across the Edrington Group
- Scope for flexible working conditions e.g. working a 4 days week
- Some examples of job rotation – based on a realisation that longer serving staff may want to try different roles in the company
- Discounts on food and drink and vouchers for the shop provided to all staff
- Incentivising participation in the 'Speak Up' initiative with shop vouchers
- Social events including Christmas party organised throughout the year.

The Old Course Hotel – Supplementary Information

About the firm

The five-star Old Course Hotel in St Andrews has 144 rooms, including 35 suites, and is recognised as one of the world's leading resorts. The hotel is located on the 17th 'Road Hole' fairway of the Old Course and in 2010 will once again be the official hospitality location for the Open Championship – next year's event in St Andrews will mark the 150th anniversary of the Open Championship. The hotel also has its own championship golf course, The Duke's.

The resort includes a range of bars and restaurants, including the award-winning Road Hole Fine Dining Restaurant (three AA rosettes) and the Jigger Inn and also conference and banqueting facilities. It also has a property portfolio in St Andrews including the Scottish Golf Union's new headquarters, the Eden Pavilion, which houses Braemar/PGA Golf Management, and Craigtoun House (currently being redeveloped as a private members' residence), both located next to the Duke's Course.

In October 2004, the hotel resort was acquired by Kohler, a privately owned US-based international company which employs around 33,000 people world-wide. Kohler has a diverse product portfolio: manufacturing plumbing products, interiors, power generators as well as hospitality/real estate. It runs two hotel resorts, the Old Course Hotel and Destination Kohler, located in Wisconsin north of Milwaukee. The US PGA Golf Championship will be hosted at Destination Kohler's Whistling Straits course in 2010, the same year that St Andrews is hosting the Open Championship.

The Old Course Hotel has a core workforce of around 180 but employs up to 300 people during the peak season from May to October. Since the hotel is owned by a private company, it does not disclose data on financial performance. However, the hotel's Managing Director indicated that growth has been steady over recent years and the business is performing reasonably well in the current difficult economic conditions because of its global profile, its location in the 'Home of Golf', and the fact that it operates primarily in the leisure market (which has not been as badly affected as business tourism).

The hotel's vision is to be recognised as one of the world's leading 5 star luxury resorts and their mission is to consistently deliver outstanding hospitality. The hotel's five year strategy has a number of key aims including: easing out seasonality; extending their offering and being the employer of choice in Scotland. Over recent years, the hotel has broadened its product through winter marketing (targeting German and Swedish golfers), hosting weddings and events, and marketing itself as a Destination Spa. This has all helped to offset the reduction in business tourism during the recession.

Employee involvement

The hotel management is committed to ongoing communication with employees to fully engage them in the running of the business. In each department there are monthly staff meetings as well as quarterly meetings for all staff to discuss overall business performance. A key aim of all staff meetings is to focus on positive achievements and celebrating success.

The Old Course Hotel also has a staff consultative committee which meets every six weeks with members nominated by each of the 22 departments across the resort. This group is based on openness and honesty and discusses all aspects of working at the hotel from the quality of food in the staff restaurant to staff training. Other means of communication between staff and management include an annual staff engagement survey and staff notice board.

Human resource practices

The hotel's 'New Associate Orientation' programme is mandatory for all new employees. Departmental induction can vary in timescale depending on the skills required. For example, induction for a waiter may take four to six weeks while for a new receptionist this process may take up to three months. The aim of the induction programme is to ensure that new employees are competent in their role in line with standard operating procedures, core values and Leading Hotels of the World standards (the hotel is a member of this global network of luxury hotels).

Career development at all levels is important to the business. Every employee has an annual appraisal meeting to review their own performance and also to gain valuable feedback from their manager. In addition, Personal Development Plans have been rolled out across the company and by December 2008, 84% of employees had a PDP, compared to 15% the previous year. PDPs set out how every employee can contribute to company and career objectives. They also follow a 70/20/10 format where all employees carry out a Training Needs Analysis to identify ways to support their continuous development, including on-the-job training and assignments (70%), coaching (20%) and formal 'off-the-job' training activity (10%).

A range of training is provided in the organisation from basic entry-level skills to sponsoring diplomas. There is also a range of training initiatives for more specialist roles in the hotel e.g. complaint handling, first aid training and fire warden training.

A new initiative introduced during the last year is the 'Train the Trainer' Programme whereby the hotel ensures that there is one trainer to every 10 team members – in order to facilitate on-the-job training. This Programme involves an intensive one day training course followed up by an on-the-job training assessment to ensure practical training techniques taught during the course are successfully applied in the workplace.

Another new training initiative introduced in October 2008 is the 'Everyone is a Sales Person' programme with departmental sales incentives being part of the management charter. Nearly three quarters of staff have already completed this training which is designed to improve employees' knowledge of resort products and practical techniques to support up selling and cross-selling between departments. During the quieter winter months, employees have used this training to act as resort ambassadors and carry out additional marketing of the hotel, in particular around the St Andrews area. There have been some recent successes in terms of encouraging more local residents to use the restaurants and hotel spa.

Most (80%) of the resort's training activity is done in-house and around 20% is formal training with qualifications (SVQs for catering staff). In addition, employees can also apply for sponsorship to undertake external training. For example, the Head Greenkeeper is

currently being supported with his online diploma in Turf Management at the Penn State University - after completing this qualification he aims to relocate to Destination Kohler, in Wisconsin. Employees have also been awarded HIT (Hospitality Industry Trust) scholarships to experience tailor-made learning programmes in international hotel schools and other leading hospitality providers.

The Resort also has a Management Development Programme, specifically designed to meet the learning needs of supervisors and Assistant Managers and to support the company's goal of 70% of management positions to be placed internally. Over the last 12 months, 48 associates have participated and graduated from the MDP programme, with 9 securing an internal promotion into management to date.

Employees that are keen to progress in the company can also get involved in self-managing teams acting as internal inspectors created with the aim of increasing revenue, profitability and improving internal/external service.

There is a commitment by all employees to improving both external and internal service. In February 2009, the hotel launched its very own Service Culture programme 'Gracious Hospitality by DESIGN' which provides all staff with key behaviours and actions in order to define the service culture for both internal and external customers. The hotel has various mechanisms for monitoring and maintaining Quality Assurance – this includes mystery guest ratings, online comments and guest comment forms. The external recognition of this work comes from inspections by VisitScotland, Leading Hotels of the World and the AA, Investors in People accreditation, and winning awards such as 'Golf Hotel of the Year 2009' in the inaugural 2009 Scottish Hotel Awards.

Reward and commitment practices

Employees of the Old Course Hotel are entitled to a range of benefits which include:

- Discounted rates at The Old Course Hotel and partner relationship hotels throughout Scotland
- Free golf membership for the Dukes course (and an eight free rounds of golf per year)
- Discounted golf tuition and spa membership
- Corporate membership at St Andrews University gym
- Discounts at the resort's retail outlets and for other Kohler products
- Departmental sales and performance incentive schemes.

In terms of the main financial rewards, it is only senior management that are eligible for annual bonuses. The Executive team is also provided with health and dental insurance after three months service – this is available to other staff after five years service. However everyone can benefit from the company pension scheme.

The resort also operates a reward and recognition scheme based on the DESIGN key actions, which form the basis of the resort's customer service programme. Key actions are designed to

enhance both the internal and external guest experience with any member of staff being able to nominate a colleague for recognition. Recipients receive a hospitality voucher to contribute towards a guest experience within any outlet of the resort, or to gift to friends or family.

As well as benefiting from some of the discounts listed above, employee family members are also invited to the main social events such as the summer family barbecue, Children's Christmas Party and annual January ball. The hotel also has a 'recommend a friend' scheme whereby employees can earn an extra cash incentive – this has proved to be successful with students working as casual labour over the summer months.

Annex D: Further Skills Utilisation Case Studies From The Literature

Table D-1: Further Case Study examples

Organisation name	Source	Key findings
Aspect Capital	Ashton and Sung (2005) (http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtihpwprac.pdf)	<p>Commercial success through technical brilliance delivered through the support of good teamwork, effective leadership and a committed organisation</p> <p>Uses nine key attributes to shape the culture of the business and teamwork. This counter-balances the industry's tendency to emphasise 'high pay' to attract good technical people</p> <p>An innovative reward system, including the Quarterly Individual Bonus, also addresses the need to achieve non-financial objectives at work</p> <p>Consciously learning from the past and identifying key elements in order to build a better business model for the future</p> <p>Strong focus on training including the imaginative use of high quality coaching and mentoring to build an 'incubator' for 'on-the-job' and company specific training.</p>
Bacardi & Martini UK	Ashton and Sung (2005) (http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtihpwprac.pdf)	<p>Consciously removes barriers between senior and shop-floor staff in order to ensure smooth operation at all levels</p> <p>Successfully created a set of organisational values to communicate, guide and reward behaviour appropriate to team performance</p> <p>Uses appropriate training and recruitment to enhance the match between potential and existing employees and the needs of a 'value-based' organisation</p> <p>Uses profiling instruments to support a better linkage between recruitment, performance and career progression of employees</p> <p>Uses surveys and the 'morale indicator' to gauge/improve the organisation's performance on issues such as business direction, leadership, performance, strengths and weaknesses</p> <p>Established appropriate behaviour, expectations and systems including the 'Agile Team', to manage organisational change.</p>
Data Connection	Ashton and Sung (2005) (http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtihpwprac.pdf)	<p>A clear business strategy of quality and innovation is used to succeed in the hotly contested global market</p> <p>Major focus on building business successes through the recruitment of exceptional talent</p> <p>Recruitment restricted to entry level. Systematic personal development plans and small group coaching used to nurture future talent</p> <p>Use an 'employee benefit trust' to build stake-holding and commitment among employees</p> <p>Performance rewarded through generous profit sharing</p> <p>Financial rewards complemented by other non-financial practices, including flexible working, to create effective work-life balance.</p>
Flight Centre	Ashton and Sung (2005) (http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtihpwprac.pdf)	<p>Able to bring coherence to a global team through the practice of "One Best Way" and a variety of communication devices – some traditional and some innovative</p> <p>Use the "One Best Way" system to enhance staff mobility globally and deliver customer satisfaction</p> <p>Incentivise employee performance through ownership, self-managed teams, transparency and 'no-cap' performance-based reward</p> <p>Use a flat hierarchy to encourage 'unity' and the emergence of leaders and leadership</p> <p>Training and development, including the use of a learning centre, are</p>

Organisation name	Source	Key findings
		<p>fundamental in providing new skills and leadership</p> <p>Use of many company benefits such as Money Wise and Health Wise, to support the well-being of staff.</p>
i-level	<p>Ashton and Sung (2005)</p> <p>(http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtjhpwprac.pdf)</p>	<p>Builds the necessary expertise to support an emerging on-line media market</p> <p>Uses a set of five values to guide the creation of better customer service for a new industry</p> <p>Uses work re-design to remove hierarchy, to encourage participation, creativity, communication and collaborative teamwork</p> <p>Uses 360 degree appraisals to encourage the transparent assessment of the performance of all, including the directors, and to support the value-set of the organisation</p> <p>Recruits on the basis of the personal attributes necessary to win over new business; these include the passion for success</p> <p>Uses various devices to support creativity and innovation such as personal recognition and team-based 'pitch competition'.</p>
Pannone & Partners	<p>Ashton and Sung (2005)</p> <p>(http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtjhpwprac.pdf)</p>	<p>Builds a business strategy which reflects the organisation's self-awareness, which enables it to capitalise on its strengths</p> <p>Clearly demonstrates the importance of the managing director taking the lead to create the organisational culture necessary to support its strategy</p> <p>Able to create a workplace environment through work-life balance which establishes the link between a highly motivated workforce and a strong commitment for organisational success for all</p> <p>Uses an emphasis on quality of work experience to cultivate a strong sense of fairness within the workplace which secures the retention of the best staff</p> <p>Rewards staff through time off to engage in private pursuits rather than the use of financial incentives. Performance appraisals not linked to the financial reward system. Values employees' own time above excessive time commitments to the company</p> <p>Use of an 'under-one-roof' strategy to tap into the benefits of internal communication through undefined networks. This effective form of communication creates a sense of openness and ownership of organisation.</p>
Quest Diagnostics	<p>Ashton and Sung (2005)</p> <p>(http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtjhpwprac.pdf)</p>	<p>Use of various systems to create the quality necessary to achieve success in a highly regulated industry and build a very particular business culture</p> <p>Use of a 'Road Map' to define targets and systems to meet business goals</p> <p>Use of flexible and innovative work organisation to meet the needs of a global market</p> <p>Use of a single review system to link performance and personal development to reward</p> <p>Use of measurable indicators to link progress in workforce diversity to organisational goals as defined by the 'Road Map'.</p>
St. Lukes	<p>Ashton and Sung (2005)</p> <p>(http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtjhpwprac.pdf)</p>	<p>Challenge conventional models of managing an advertising agency in order achieve high levels of creativity</p> <p>Use work and organisational re-design to experiment with new ways of supporting employee development and creativity</p> <p>Focus on delivering 'creative' solutions to meet clients' needs</p> <p>Innovative concept of 'teams' is designed to ensure high levels of client retention</p> <p>Created support systems necessary to enhance the effectiveness of these 'client teams'</p>

Organisation name	Source	Key findings
		<p>Use culture of social responsibility, trust and accountability, together with co-ownership, to cement the common interests of workers and the organisation</p> <p>Use of a variety of forms of learning to support and grow creativity.</p>
Timpson	<p>Ashton and Sung (2005)</p> <p>(http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtthpwprac.pdf)</p>	<p>The ability to continue to diversify and to handle change is crucial to continuous success</p> <p>The application of “upside down management” to create leadership, empowerment and customer service</p> <p>Combines the development of skills which are no longer widely available such as shoe repairing, with the development of effective business management skills for every employee</p> <p>Uses network organisation, to link geographically dispersed shop units, in order to enhance competition among shop units. Units' performance is transparent to all and is rewarded through bonuses for achieving excellent performance</p> <p>Continuous innovation used to enhance long-term competitiveness and viability.</p>
W L Gore	<p>Ashton and Sung (2005)</p> <p>(http://www.cipd.co.uk/NR/rdonlyres/0364EF28-96FA-4188-91D4-6B6BC42E716F/0/dtthpwprac.pdf)</p>	<p>Unique form of work organisation designed to support employee collaboration and creativity</p> <p>Leaders replace managers to deliver high levels of innovation</p> <p>Use of informal communication to achieve high levels of trust</p> <p>Use of 'sponsors' to facilitate continuous development and training and achieve a close link between personal development and organisational needs</p> <p>Remuneration system based on 'peer' evaluation</p> <p>Uses strong organisational culture to underpin everything that the company does.</p>
FEXCO	<p>NCPP and FÁS (2006)</p> <p>(see http://www.ncpp.ie/dynamic/docs/LON_Case%20Studies.pdf)</p>	<p>FEXCO does not have a formal learning policy but would regard learning as a high priority within the organisation, and the development of a learning culture within FEXCO is very much in evidence.</p> <p>A number of methods are used to identify learning needs, including:</p> <ul style="list-style-type: none"> • organisational training needs analysis • performance appraisal review • personal development plans. • HPWPs used include: • Externally accredited education programmes • Coaching & Mentoring • Action learning • Conferences/seminars • Visits to sister companies • Short courses • Internal networking forums • training champion in each business unit • employee assistance programme <p>Learning activities are evaluated through both formal and informal feedback to and from the line managers. Informal feedback from the employees is facilitated through emails and word of mouth. Formal evaluation metrics include:</p> <ul style="list-style-type: none"> • total number of training days undertaken

Organisation name	Source	Key findings
		<ul style="list-style-type: none"> meeting the objectives set out in T&D plan meeting objectives set out in the individual TNA exam pass rates for certified/accredited programmes. <p>However, In relation to return on investment in learning, this is not formally evaluated</p>
Alpha*	<p>NCPP and FÁS (2006)</p> <p>(see http://www.ncpp.ie/dynamic/docs/LON_Case%20Studies.pdf)</p>	<p>No explicit learning policy. Nevertheless, there is a specific learning budget which is decided by head office and this is requested by the Dublin office.</p> <p>Each individual receives up to 12 days training per year and this remains constant with a focus on company orientation, customer care and technical/product training for new hires.</p> <p>Four other methods are used to identify training needs:</p> <ul style="list-style-type: none"> performance management staff survey 360-degree feedback (on some issues). staff satisfaction survey <p>Exam pass rates and measured job performance are two measures used to evaluate the effectiveness of training and learning interventions</p> <p>No formal measurement of return on investment</p>
ComReg	<p>NCPP and FÁS (2006)</p> <p>(see http://www.ncpp.ie/dynamic/docs/LON_Case%20Studies.pdf)</p>	<p>ComReg have a formal learning system based on three policies:</p> <ul style="list-style-type: none"> Training and development policy — ‘Take responsibility for your career’ Educational assistance policy Induction policy. <p>Needs are identified through a range of processes including:</p> <ul style="list-style-type: none"> Review of consolidated data from the annual performance review and personal development planning processes Consultation with staff representative groups Interviews and discussions with line management Focus group sessions with cross-sections of staff from all levels Attitude survey(s) HR briefings. <p>Evaluation of learning can be categorised into four levels, using the Kirkpatrick model:</p> <ul style="list-style-type: none"> Level 1: Evaluating Reaction Level 2: Evaluating Learning Level 3: Evaluating Behaviour Level 4: Evaluating Results.
The Mespil Hotel	<p>NCPP and FÁS (2006)</p> <p>(see http://www.ncpp.ie/dynamic/docs/LON_Case%20Studies.pdf)</p>	<p>Shift away from mandatory training towards staff development</p> <p>Each employee receives approximately 4–5 days training per annum and this has increased in line with best practice over the past 12 months.</p> <p>Flexible training schedule to fit with employees schedules</p> <p>Examples of HPWPs include:</p> <ul style="list-style-type: none"> Performance appraisal

Organisation name	Source	Key findings
Jurys Boyle Hotel Group	NCPD and FÁS (2006) (see http://www.ncpp.ie/dynamic/docs/LON_Case%20Studies.pdf)	<ul style="list-style-type: none"> • Personal development plans (PDP) • Organisational training needs analysis • Externally accredited programmes • Coaching • Project teams • Conferences/seminars • Short courses • Visits to sister companies and networking forums <p>Impact of these practices is not scientifically evaluated but there is a view that standards, customer satisfaction, retention and staff morale are positively influenced.</p> <p>Each property has a number of team trainers who help to implement the training plans that are developed annually.</p> <p>On average each employee receives 4.5 days of formal training per year.</p> <p>Learning is categorised as both formal 35 per cent (including on the job and off the job) and informal at 65 per cent (on the job). The main forms of learning include:</p> <ul style="list-style-type: none"> • Action learning 40 • Video-based learning 40 • Short courses 40 <p>In terms of measuring the benefits, it has proven difficult to measure the value or put a figure on it. As the HR projects manager reflects:</p> <p><i>We probably can't prove that we are getting value for money but it is up to us as a company to try and identify the improvements and recognise the value of training.</i></p>
Dara Creative Communication	NCPD and FÁS (2006) (see http://www.ncpp.ie/dynamic/docs/LON_Case%20Studies.pdf)	<p>Company does not have a formal learning policy or a specific budget for learning. However, there is a general awareness within the organisation that all employees need training, learning and development but that these are driven by time due to the small size of the organisation</p> <p>Open culture of learning and communication whereby staff taking responsibility for their own learning</p> <p>Learning is continuous in terms of learning new ways to do things and to complete projects.</p> <p>Employees associated learning with informal opportunities such as</p> <ul style="list-style-type: none"> • meetings • reading trade magazines • internal communication and talking to others • by making mistakes • by just doing the job • coffee breaks. <p>There is no formal evaluation of learning activities although there is informal feedback from employees</p>
Filestores	NCPD and FÁS (2006) (see http://www.ncpp.ie/dynamic/docs/LON_Case%20Studies.pdf)	<p>An average of about two days training per person per year.</p> <p>To facilitate the identification of individual and organisational learning needs and priorities, the company utilises a combination of the following:</p>

Organisation name	Source	Key findings
	%20Studies.pdf)	<ul style="list-style-type: none"> • performance appraisal • 360-degree feedback • personal development plans • organisational training needs analysis. <p>These are further supplemented by formal quality system reports.</p> <p>There are two main benefits which the firm associated with training and skills:</p> <p>Improved personal competence associated with:</p> <ul style="list-style-type: none"> • not being afraid to experiment with how to do a job • advancement or being more competent in personal life • improved motivation levels to better oneself • building confidence in own ability. <p>Improved professional competence as indicated by:</p> <ul style="list-style-type: none"> • career advancement • more highly skilled • broader range of experience • being generally more capable. <p>In terms of benefits to the company, there is an emphasis on managers to gauge whether 'there is going to be genuine results out of this (learning)'.</p>
GlaxoSmithKline Ireland	NCPP and FÁS (2006) (see http://www.ncpp.ie/dynamic/docs/LON_Case%20Studies.pdf)	<p>Each employee receiving an average of 33.5 hours training per year.</p> <p>Learning needs are formally identified through:</p> <ul style="list-style-type: none"> • performance management • personal development plans • staff surveys • performance development plan - workshop guidelines available to all staff to download <p>Activities include:</p> <ul style="list-style-type: none"> • Externally accredited education programmes • Coaching • Project teams • Conferences/seminars • E-learning • Short courses • Visits to head office/sister companies • Visits to customer/supplier sites • Networking forums • Shadowing • Buddy system
NHS	CIPD (2006) (http://www.cipd.co.uk/NR/rdonlyres/F473B522-DD49-49E2-9021-59E0B2BDA288/0/reft)	<p>NHS Talent Management aims to establish an executive talent pipeline that identifies, tracks, develops, positions and retains critical leadership talent within the service. The drive is towards the NHS having as an outcome the most talented people in critical posts where they can have a disproportionately positive impact on corporate NHS performance.</p>

Organisation name	Source	Key findings
	almanca0306.pdf)	<p>There are five elements to the Talent Management approach:</p> <ul style="list-style-type: none"> • Identifying talent • Tracking talent • Developing talent • Positioning talent • Retaining talent <p>Emphasis is being placed upon building an appreciation of global best practice and tailoring this for effective application in the NHS.</p> <p>It is recognised that while building a robust and systematic methodology is critical in gaining ownership from stakeholders, the real benefits will only come through effecting cultural change evidenced in the adoption of a talent mindset.</p>
The Royal Bank of Scotland	<p>CIPD (2006) http://www.cipd.co.uk/NR/rdonlyres/F473B522-DD49-49E2-9021-59E0B2BDA288/0/reftalmanca0306.pdf)</p>	<p>RBS's talent management process is about identifying, developing and mobilising talent. Where in the past RBS had frequently sought external talent, there is a focus on ensuring senior leadership roles are being effectively filled using leadership capability within the organisation.</p> <p>RBS have introduced Talent forums, which involve peers collectively:</p> <ul style="list-style-type: none"> • agreeing who the talent for the future is – in terms of senior management • defining clearly 'what is going to make them ready – so, for example, that in three years' time, they're not still in the "ready in three years' time box"'. <p>A full review takes place on an annual basis, with a six-monthly interim review as part of the talent management process business cycle. This discussion is guided by:</p> <ul style="list-style-type: none"> • succession plans • the input from the independent assessors (from talent assessment workshops assessing against their Leadership Excellence Profile competencies) • general discussion, as matrix management is widespread at RBS. <p>Accountability and measuring success</p> <p>The RBS executive and line managers are accountable for building the stream of future leaders in the organisation and ensuring the strength of management capability.</p> <p>The focus is on their effective 'execution' of talent management, with HR acting as gatekeepers of the process (for example, playing the role of facilitator at a talent forum).</p> <p>The metrics used to measure success in talent management include the percentage of successors identified and the progress made in undertaking actions to ensure their readiness.</p>
Pricewaterhouse Coopers	<p>CIPD (2006) http://www.cipd.co.uk/NR/rdonlyres/F473B522-DD49-49E2-9021-59E0B2BDA288/0/reftalmanca0306.pdf)</p>	<p>talent management is strongly linked to its graduate intake and their development through the firm.</p> <p>Identifying talent through:</p> <p>2 year 'future leaders programme' for selected managers</p> <p>Benchmarking and development event for senior managers</p> <p>Emphasis on openness and transparency around progression and performance</p>
IBM	CIPD (2006)	<p>The overall aim of talent management within IBM is 'to develop the leaders of tomorrow'.</p> <p>The identification of talented individuals is based on their performance against ten leadership competencies which are consistent globally.</p>

Organisation name	Source	Key findings
		<p>The leadership competencies are used as a development tool for employees at all levels in IBM, not just those already highlighted as having potential.</p> <p>IBM is also becoming a much more 'flexible working company'. They 'allow a great deal of personal flexibility' to help their people achieve the 'right work-life balance' – at the same time as encouraging people to reach their own professional goals.</p>
Orangebox	<p>Wales Management Council</p> <p>(http://www.sma.org.sma/pdf/44/9.pdf)</p>	<p>5S and 6 Sigma training widespread</p> <p>Developing managerial capability in production teams, so now the Swiss 'come to Hengoed to see how to do it'</p> <p>Project working on cross-departmental issues, e.g. an environmental task force</p> <p>Talent spotting and development</p>
Land Registry	<p>Wales Management Council</p> <p>(http://www.sma.org.sma/pdf/44/9.pdf)</p>	<p>Went from the bottom to one of the top in the league – able to process the most complex case more efficiently than the rest</p> <p>coached top and middle managers who walked people past 'the wall' – 'It's up to me'</p> <p>used a competence framework to discuss knowledge, skills and attitudes</p> <p>leaders emerged, e.g. team training representatives, and influenced others</p> <p>now people move and move work within and between teams, have got away from departmentalism, and they talent spot</p> <p>'It's up to me' is the basis for induction</p>
Anthony Davies	<p>Wales Management Council</p> <p>(http://www.sma.org.sma/pdf/44/9.pdf)</p>	<p>Have all-certificated staff</p> <p>have 12 staff who have been on 'train the trainer courses</p> <p>project-based learning for supervisors</p> <p>staff devised a flow-line process in the joinery shop</p> <p>monthly 'all staff' meetings and innovation on the agenda for meetings at all levels</p> <p>looking for inspiration overseas</p>

Source: SQW Consulting *Not the organisation's real name