



STEPS TO GROWTH

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# Investing in people

*Mid-sized businesses must realise the value of their people to successfully grow*



**Rachel Naughton,**  
Head of Allied  
Irish Bank (GB)



**A** business is only as good as its best people. Products, finance and technology all count, but in the end success or failure depend on the skills and commitment of employees. The biggest management challenge is to win the loyalty of employees, creating an environment in which they can flourish.

High staff turnover is costly to any business, producing poor productivity, disruptions to workflow, and recruitment and training costs. Recruiting and retaining the best talent has never been more difficult. With UK unemployment at its lowest level in more than 40 years, and record numbers of people in full-time employment, competition for workers with the right skills and experience is intense.

This is unlikely to change in the short to medium-term, despite the economic headwinds associated with Brexit. Many analysts expect the number of EU citizens seeking work in the UK to fall as Britain prepares to leave the EU, with significant impacts on the skills mix in some sectors. Demographic changes will also be felt in the workforce, with many more people retiring than reaching working age. The skills gap is likely to be a concern for employers, even with subdued growth for a number of years.

At Allied Irish Bank (GB) we are taking the temperature of the UK economy, and sharing what we have learned about business success in these uncertain times through our three-part *Steps to Growth* series. We have been

looking at how firms can leverage controllable factors to take advantage of opportunities for growth. Our first publication explored the implications for business strategy. This, our second publication, considers the value of an engaged, skilled workforce, and what it takes to assemble and retain a winning team.

Our own exclusive survey of 500 businesses across the country and across a variety of sectors, the findings from which are visualised throughout the report, has given us a unique insight into the strategic approach of UK businesses to the changing dynamics of their markets as Brexit looms. Overall, there is positivity among the business community, over 61% describing a strong appetite for growth. This is seemingly in spite of the Brexit headwinds, an astonishing 87% of those ambitious firms seeing opportunity in departure from the EU when asked whether they were positive or negative about the impact of Brexit.

Here we look at the importance of a company's culture in fostering growth. Does empowering employees have a positive impact? In an ageing society, how do we prepare the next generation for the world of work, and inspire our future business leaders? What are their employment expectations, and how can businesses make sure that millennials develop to their full potential? The skills crisis presents a real challenge to productivity and competitiveness at a time when British business needs to win global market share. We consider the causes of this crisis and assess possible solutions.

Our business survey and our insights from client relationships and interviews with senior executives all point in the same direction: investing in people makes a real difference.

We hope you enjoy reading *Steps to Growth* as much as we have enjoyed producing this edition. We feel inspired by the energy and determination to succeed of the many companies that have informed this analysis. May their excitement inspire you to greater business success!

# How critical IS COMPANY CULTURE?

*UK businesses are cultivating positive company culture to impact growth*

**A** culture of empowered employees leads to growth. This much shouldn't come as a surprise. Happy staff go above and beyond. Engaged employees channel their energies back into the workplace, resulting in ideas that benefit everyone. Happy staff also act as excellent brand ambassadors. When it comes to investing in company culture as a growth lever, the overall consensus in the AIB (GB) research is that it does impact growth (65 per cent).

But the degree to which it's considered important varies greatly from industry to industry. Perhaps unsurprisingly, hospitality and professional services both rely hugely on company culture, with 91 per cent and 81 per cent of respondents in those sectors, respectively, agreeing that culture is key to growth. Just 35 per cent of healthcare respondents agree that company culture is a growth lever, though this is a statistic that looks set to change with the increase in healthcare tech solutions.

"Having a positive company culture does have an impact on growth. However, company culture needs to be fostered authentically and cultivated for the right reasons and motivations," says Hema Chauhan, marketing manager at strategy consultancy The Leading Edge. "Employees need to feel empowered by the culture to be the best version of themselves at work. We believe that a great culture aids employee retention and leads to happy clients, both of which have a long-term impact on growth. Crucially, the right culture enables an aspirational business to strive to get better and better."

Having a culture that is the best fit for where the company wants to be, not just where it is now, is crucial and needs to be cultivated, says Chauhan. "We want everyone in the business to feel connected to the aspiration of the brand and to live the ethos. We have five values: Be Brave, Nurture Relationships, Embrace Ingenuity, Stay Curious and Be Yourself, in no particular order. The values are a part of how we work every day (including being painted onto our walls), but we go beyond that and remind everyone of their importance through our quarterly Revite Days, when we literally live our values in a way that actually means something (rather than just a jolly company away day)."

According to the research, the three greatest factors that impact company culture are financial performance (59 per cent), uptake of training and ongoing professional development (56 per cent) and uptake of employee benefit schemes (51 per cent).

**"Company culture is too often brushed off because organisations misunderstand how powerfully it links to the front line"**

Which of the following do you consider to have the greatest positive impact on company culture? Select the three most applicable

Industry total

**59%**

Sound financial performance

**56%**

Uptake of training/  
ongoing professional development

**51%**

Uptake of employee benefit schemes  
(eg pensions, cycle to work schemes)

**50%**

Flexible working conditions/maternity package

**44%**

High staff retention  
/low staff turnover

**40%**

Office environment (incl. technology, equipment, etc.)

It's more important than you might think, says Isla Wilson, from business growth consultancy RubyStar Associates. "Company culture is too often brushed off because organisations misunderstand how powerfully it links to the front line. I've met organisations who don't believe they need to think about culture because their retention rates for staff were on target; meanwhile the company was experiencing squeezed margins and significant over-delivery on projects."

Having a happy, healthy, motivated workforce is important, says Wilson, "but your consideration of culture should also include a rounded view of the behaviours and attitudes which the business needs in order to deliver strategy. Your team may be very highly engaged, but you may still be incentivising behaviours which don't move you closer to your objectives."

## CASE STUDY

# TouchNote

TouchNote is an app that allows you to send a physical postcard from anywhere in the world via your smartphone or laptop. Founded in London, the company now has a team of 30 at its Old Street head office. TouchNote has a flat structure in which employees are encouraged to experience different areas of the business, learn new skills and develop in their roles.

Managing director Dan Ziv says, "We are a thoughtful business, and this is reflected in the way that we look after our staff and customers. Establishing a reputation for providing an excellent user experience has been instrumental in our rapid growth – and this has come through having a team that responds quickly to customers and is always thinking about how to improve the offer."

TouchNote encourages constant communication and openness among everyone in the business, says Ziv, "whether it's with digital tools like Slack or Zeplin that help us work efficiently, free fortnightly team lunches to present different projects, or regular socials."

There's also a policy on leaders and managers getting to know their teams. For example, says Ziv, "Does someone have kids and live far away? Perhaps you could buy them an internet dongle and let them leave early and work on the train, to make it home to see their kids before they go to bed. Does someone have a dream to live somewhere new and work from there? You could allow your employees to work remotely for a week or two each year. Getting to know your team and helping them live better lives is a first step in creating a positive company culture."

The result of all of this, says Ziv, "has been a happy and united team, which has helped us become one of the fastest-growing tech companies in Europe, and profitable too." Some of this profit can be directly attributed to staff culture. TouchNote invests a lot of time and effort into hiring the right people. In 2015, a new contractor managed a project to send the first postcard from space, handling postponements due to adverse weather conditions admirably and successfully delivering. She soon became a permanent member of staff, and is now one of the longest-serving members of the team. Ziv says, "When you create a kind and productive culture, recruit well and trust your people, then you already have some of the most important ingredients for growth and long-term success."



# The next generation

*Mid-size companies need to plan for future talent*

**T**he UK's new apprenticeship levy came into effect in April 2017, creating opportunities for thousands of young people. The levy was introduced to help meet the government's promise of three million new apprentices by 2020. The levy (0.5 per cent of the pay bill) applies to employers in England who have an annual pay bill of more than £3 million. All employers will receive a £15,000 annual allowance towards this.

A report from Universities UK earlier this year is predicting a significant increase in the number of students choosing degree apprenticeships, allowing students to continue living in the family home and getting their fees paid. While students seem to be embracing the idea, it's clear that an attitude shift is vital in some sectors for real, meaningful change to take place.

In the AIB (GB) Steps to Growth research, 60 per cent of companies do not run any graduate, intern or apprenticeship schemes, with the notable exception of hotels and leisure (where 64 per cent run an over-six-month scheme). Jill Whittaker is MD at HIT Training, which provides apprenticeships to the hospitality industry. She says, "In the hospitality sector, which is the UK's fourth largest employer and has grown

quicker than any other sector since the 2008 recession, apprenticeships are becoming the norm and are providing many development opportunities for people to enter this fast-moving industry."

Positive Outcomes research shows that 77 per cent of apprentices are offered full-time employment with their apprenticeship employer, and one in three receive a promotion within a year of completing their training. Whittaker says, "The government-led changes provide employers with greater control and improve the overall quality of the training. Apprenticeship structures, now referred to as standards, have greater flexibility for both employers and learners, and instead of multiple assessments, apprentices will work towards one end exam that is independently assessed. Each qualification is also linked to different educational levels, starting at intermediate level 2 right the way through to degree-level equivalent."

Ann Watson, chief executive of Semta, the engineering skills body, agrees that the apprenticeship levy brings new opportunities for organisations. She says: "We are seeing larger corporates completely rethinking apprenticeships to make the most of the levy. As well as introducing new recruits, employers

can maximise their levy return by upskilling existing employees and linking to a full training needs analysis of the organisation.” Moreover, she adds, “There is no longer any age limit on funded apprenticeships.”

Research from the Industry Apprentice Council shows that 98 per cent of engineering apprentices are happy in their jobs – citing good pay and no debt, fulfilling work, qualifications and career progression. The research was carried out with 1200 apprentices, made up of apprentices from the advanced manufacturing and engineering sector and supported by national engineering skills body Semta.

John Coombes is an IAC member and toolmaker at Ford Motor Company Ltd. He says: “Governments have created what must be the world’s best career route for young people – where else would we get 98 per cent saying they are happy with their career choice?”

Superior is a manufacturer of high-integrity O-rings and seals. The company has its own academy programme, offering apprenticeships to students as young as 16, through to graduates. Back in 2009 the company recognised an ageing workforce and increasing skills shortage in engineering and material science in the local area, and decided to invest in offering an apprenticeship programme in order to remain competitive in the industry. Owner Tim Brown says, “I knew I had to create a platform for a secure and sustainable business. If a business is not growing, it is impossible to re-invest. We use the business growth to fuel and fund in our investment programmes. The academy’s goal is to provide a succession and talent pipeline to ensure skills are not lost. Investment into the future of the academy demonstrates that we have a strategy for the future.”

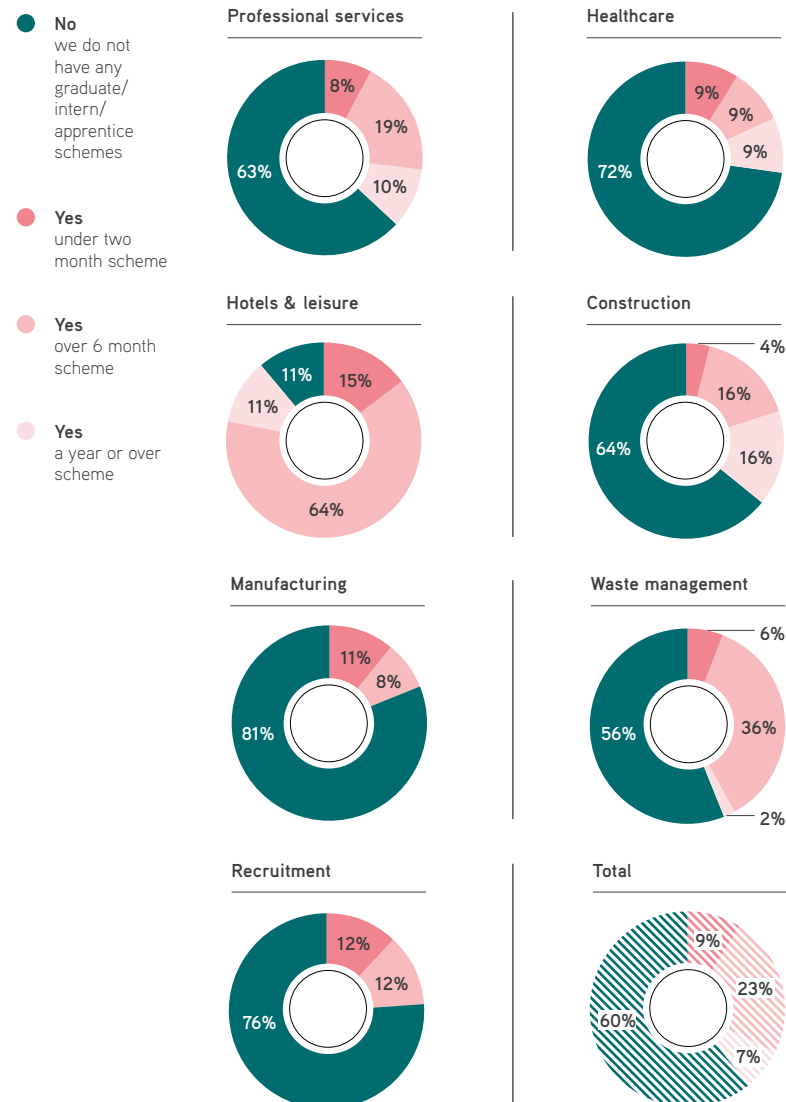
And it’s paying off. The company relies on highly skilled, trained scientists to formulate rubber compounds. Twenty-six-year-old Callum Shaw, former engineering apprentice, used knowledge and practical experience from his degree apprenticeship to implement the company’s first ever robot in 2016. Superior now has eight installed, resulting in a reduction in cycle time of 25 per cent, in downtime of 15 per cent, and in rejects of 10 per cent. Another of the company’s apprentices increased portfolio spend by 6 per cent (in 2016), and has already increased this a further 10 per cent in 2017.

Despite these benefits, in the IAC report careers advice was highly criticised by the apprentices. Only 22 per cent received good or very good advice from schools, with 5 per cent receiving no advice and nearly 40 per cent saying their advice was bad or very bad.

Philippa Dressler-Pearson, IAC member and advanced technical engineering apprentice at

Do you run a scheme for graduates/interns/apprentices?

Sector breakdown



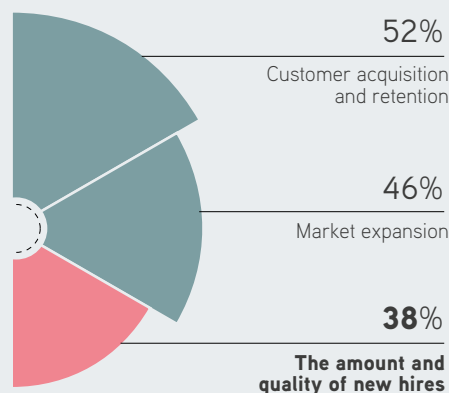
Southco Manufacturing Ltd, Worcester, says: “There’s a massive skills shortage of engineers and technical staff in the UK, but you don’t hear anything about this in schools. Teachers don’t have enough information about apprenticeships, why they are important and what they offer.” Ann Watson agrees: “We need all the engineers we can get, yet the apprenticeship route is not understood or promoted in schools. We need nearly two million more engineers and technical staff by 2025.”

# People in numbers

*Mid-size companies plan to invest in current and future talent, realising the potential of human capital as a growth lever*

## Top three measures of growth other than turnover

Total %'s for appearing across respondents top three



## Top three priorities for businesses over the next financial year

Industry total



**37%**

Retain existing staff



**35%**

Diversify product/service offering

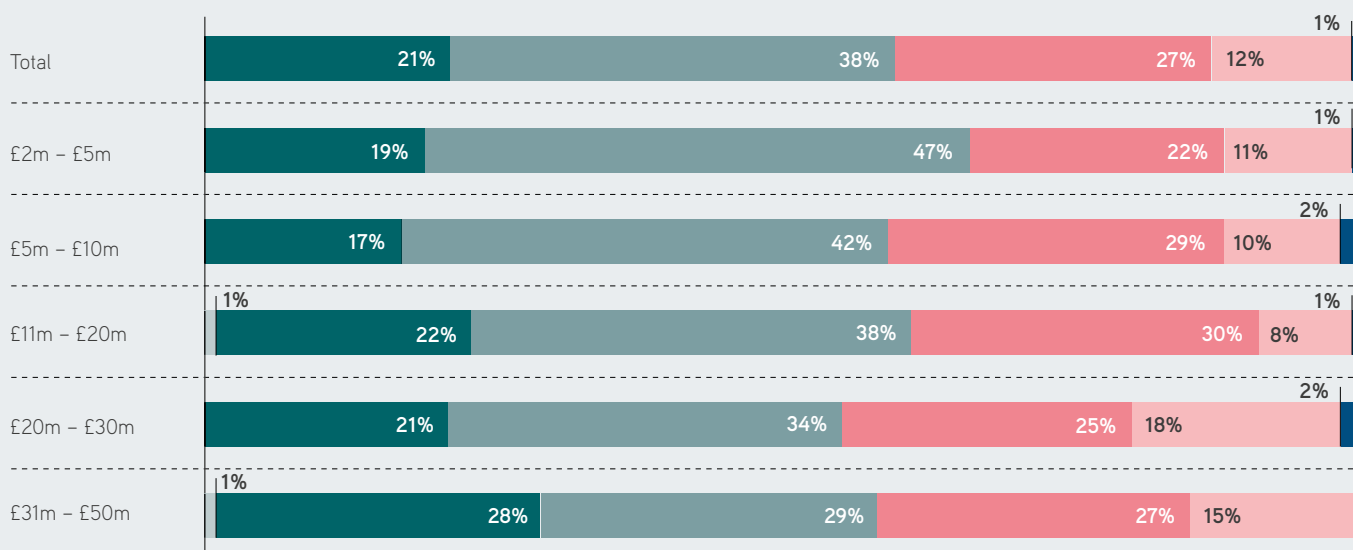


**32%**

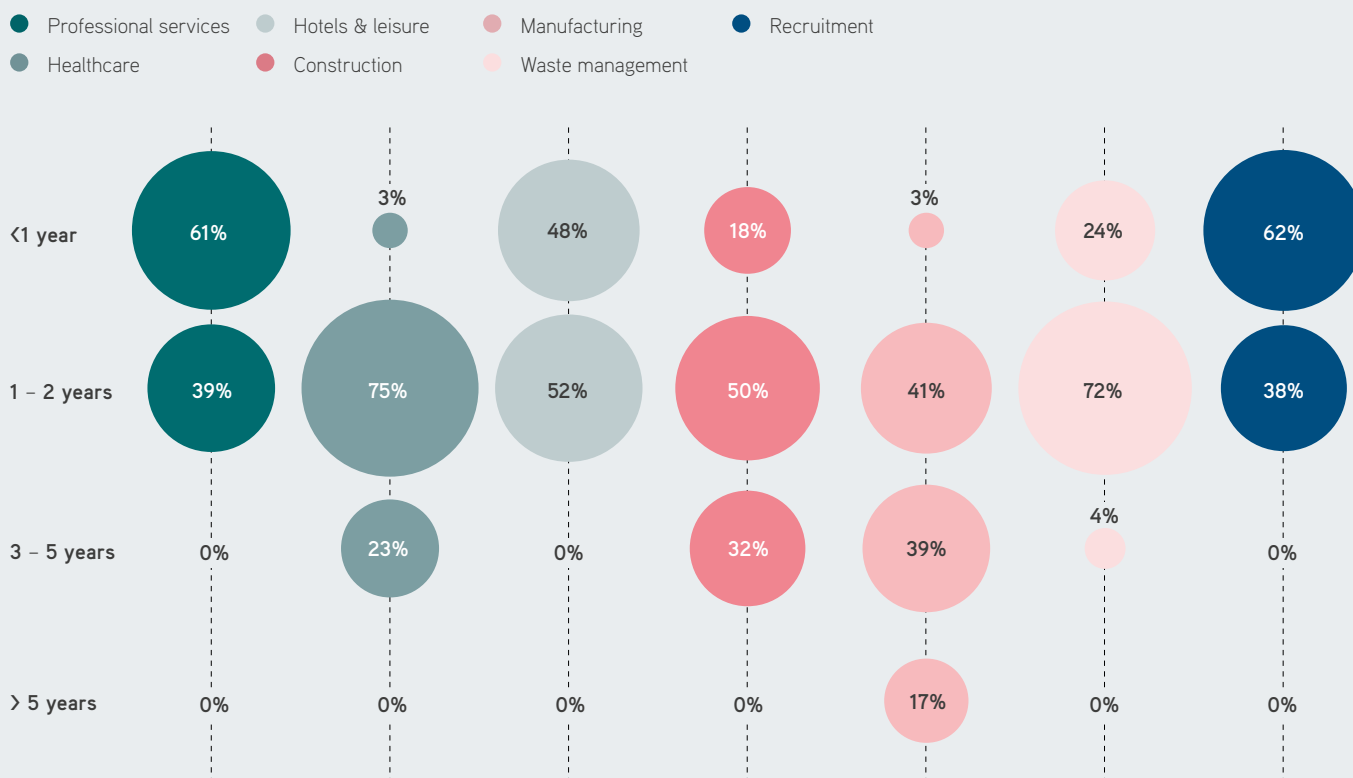
Seek funds from investors/lenders to grow our business

## Despite company size, the majority of businesses anticipate a 10-19% increase in headcount over the next two years

● 51% – 100%   ● 20% – 50%   ● 10% – 19%   ● 5% – 10%  
 ● <5%   ● We are downsizing next year



### Making a new hire (with professional experience) fully productive within a business varies in time across different sectors



### How much does your company plan to invest in a development programme?

Industry total

(13% responded uncertain)

**37%**

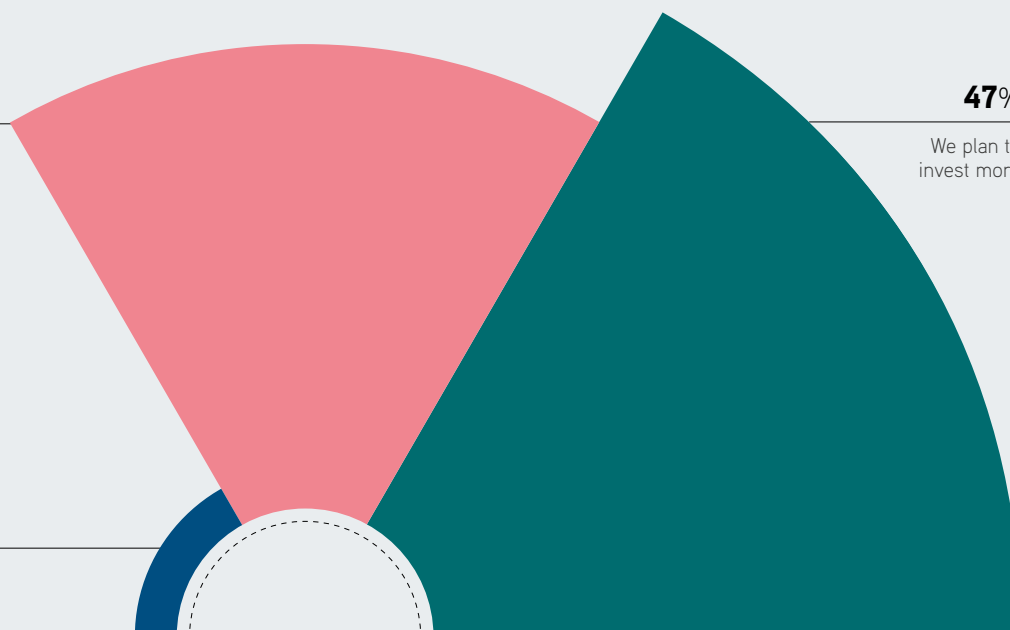
We plan to  
invest the same

**47%**

We plan to  
invest more

**3%**

We plan to  
invest less



# The UK skills crisis

*Executives within mid-size UK businesses are aware they need to address the talent gap to grow*

**A**

sk any senior executive in the UK what is the biggest obstacle to business growth, and they will likely reply, “Finding the right people.”

A skills shortage is leaving many vacancies unfilled, often in the most critical positions, and inhibiting a company’s ability to expand. New orders become difficult to fulfil and innovation is held back because technological expertise is so hard to find.

Poor productivity affects job creation and also leads to higher prices. A recent report by the Local Government Association<sup>1</sup> estimated that the skills shortage will cost the UK £90 billion a year by 2024 unless urgent action is taken. Meanwhile, the CBI has called for a major overhaul of training provision in the UK,<sup>2</sup> with a focus on higher skills.

Concerns raised by both organisations are reflected in AIB (GB)’s own business survey. This reveals that the shortage of experienced or qualified staff has a negative impact across all sectors, affecting the ability to recruit and retain personnel at many levels. Of all respondents, 79 per cent agreed or strongly agreed that the skills gap affected recruitment and retention. Healthcare and manufacturing feel the impact acutely, with 61 per cent saying they agreed that a skills gap affected their ability to recruit and retain employees. In healthcare, 33 per cent said they strongly agreed with this, while 25 per cent strongly agreed in manufacturing. In professional services 62 per cent agreed, while 13 per cent strongly agreed.

Across all sectors, 21 per cent disagreed that the skills gap was affecting recruitment. The highest

proportion of respondents who disagreed was in the hotels sector (47 per cent), followed by professional services (26 per cent).

If our survey paints an alarming picture, the reality is that the UK skills gap is not a new problem. Successive governments have sought solutions to a shortage of qualified and experienced personnel in the UK for many years, as part of broad inquiries into poor productivity and a lack of competitiveness compared to other major economies. But a new sense of urgency surrounds the debate about skills as a consequence of Brexit which, at the very least, is likely to curtail numbers of skilled workers from Europe who are willing and able to come to work in the UK.

With this in mind, the government has reaffirmed its commitment to creating three million apprentices by 2020. With many employers making a financial contribution for the first time via the Apprenticeship Levy, there are hopes that the initiative will gain greater acceptance and attract the most talented apprentices to well-funded higher-level schemes.

But apprenticeships will only ever be part of the solution to the skills gap, and will take several years

**“79 per cent agreed the skills gap affected recruitment and retention”**

to make an impact. The UK faces another significant problem in terms of skills, concerning changing demographics. The workforce is getting older, with many more people currently due to retire than are likely to enter the workforce for the first time. Employers are having to reassess their recruitment practices, focusing greater resources on the recruitment and retention of older workers.

This means investing in retraining for middle-aged employees to ensure that their skills are refreshed for new technology and working practices. It also requires reasonable adjustment in the workplace to allow workers to stay in full-time employment for longer.

There are a number of benefits from an employer's perspective, including the retention of a loyal and committed member of staff whose skills may be difficult to replace, and who may have strong relationships with valued clients. An older, experienced employee can also play an important role in mentoring and training younger staff. Contrary to popular belief, older workers are also likely to have a better attendance record at work than their younger colleagues.

In an era of skills shortages, age is not the only barrier that must be challenged. Male-dominated sectors of industry are failing to take full advantage of the skills and qualifications of female candidates. Not only is discrimination illegal; it also makes no business sense to turn away a talented candidate on the basis of their gender. Men and women can do physically demanding jobs equally well, but more needs to be done to encourage recruiting more women, particularly in sectors like manufacturing and construction.

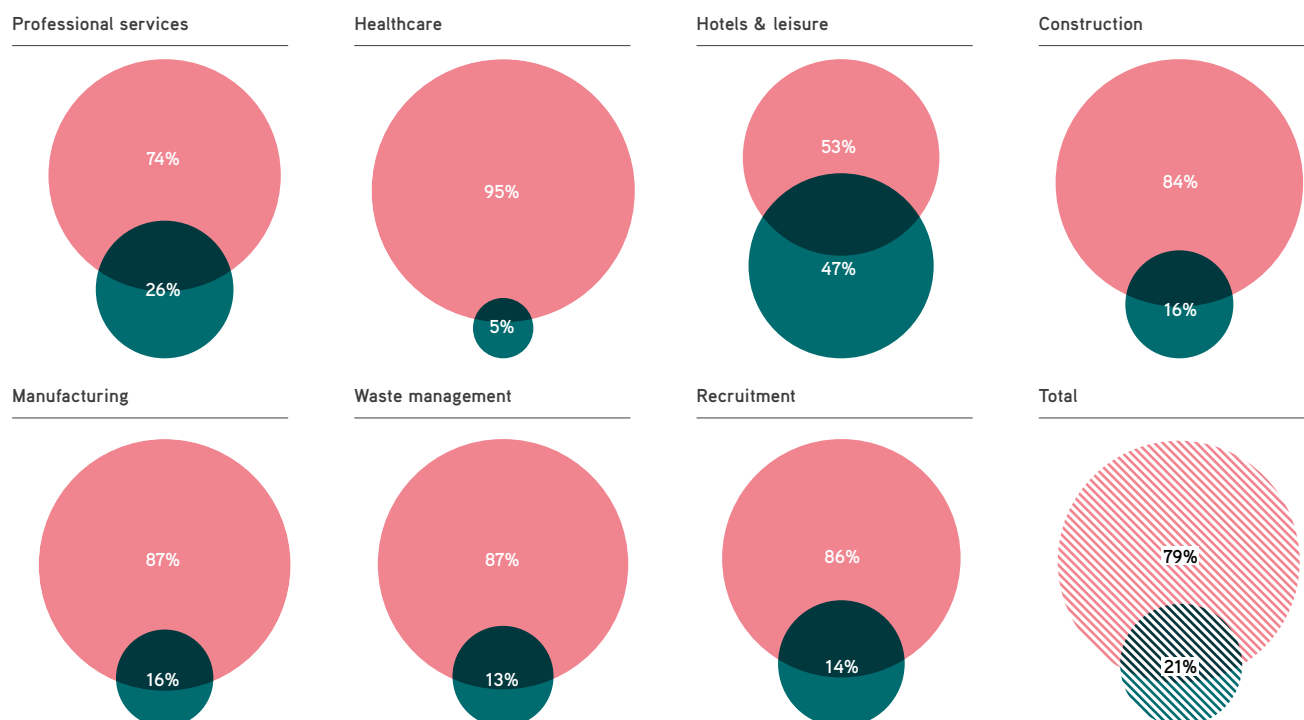
Retaining the most talented employees can also be a challenge, and it is not always about remuneration. Employees want to feel that they are respected as members of a team, and that their views and concerns are taken seriously. A good working environment is important. Employees are more likely to be loyal if they are given the tools and training they need to do their job well. Responsible employers also understand the benefit of flexible working, to help employees achieve a better work-life balance.

1. [www.local.gov.uk/about/news/local-solution-12-million-caught-skills-gap-2024](http://www.local.gov.uk/about/news/local-solution-12-million-caught-skills-gap-2024)  
2. [www.cbi.org.uk/news/skills-needs-must-now-drive-reforms](http://www.cbi.org.uk/news/skills-needs-must-now-drive-reforms)

To what extent do you agree that there is a skills gap in your industry that affects your ability to hire and retain staff?

● Agree ● Disagree

Sector breakdown



## INTERVIEW

**Brendan Foley,**  
Founder and  
Managing Director  
Seachange Now



# Unlocking people potential

*We interviewed Seachange Now's Brendan Foley on the value of investing in your people. Here's what he had to say*

**A**s a sailor, Brendan Foley competed many times at world and European championships. Today, while still an active sailor at amateur level, Brendan combines his business experience and sporting insight to help others achieve their full potential.

Brendan is the founder of Seachange Now, a corporate coaching and training businesses. Established just over a decade ago, Seachange Now has worked with some of the world's biggest and most dynamic companies, helping to build high-performance teams and develop exceptional leaders who can propel their organisations to sustained success.

Seachange Now began almost by chance, after a series of life-changing events set Brendan on a different course to the one he had chosen. "I realised that I was good at helping people to achieve their best, and that is what Seachange is all about," Brendan says.

His ability to nurture talent and to inspire the next corporate leaders is in demand at a time of significant uncertainty for employers, from the challenge of Brexit to the artificial intelligence revolution. He recognises the findings of AIB (GB)'s survey of senior executives from his conversations with international business leaders, and understands their concerns about recruiting and retaining the best talent.

"This is a really interesting time," says Brendan. "There are skills shortages across many sectors, and the dynamic of work is changing very quickly. People are living longer but also having to work for longer, so employers have to make adjustments for an older workforce. At the same time, a new generation is joining the labour market, with different experiences and different expectations.

"The challenge is to bring all these people together and create effective teams who will deliver sustained success."





## “The success of all great endeavours has been about teams”

We all know what it's like to be in a great team and what it's like not to be.” Seachange Now deploys a proprietary process to identify what works within a team, and what does not. The consultancy uses indoor and outdoor games to forge bonds between team members, and psychometric tests to share personality insights that support mutual understanding. Finally, Seachange Now helps set goals that will create success.

At the heart of the Seachange Now approach is a strong commitment to wellbeing in the workplace. “Every organisation is trying to find a way to increase output with a smaller workforce. Inevitably, people are spending longer at work,” says Brendan. “In the long term this has an impact on our physical, mental and spiritual being.” What business has not fully understood, he says, is the power of recovery. “We need to foster a corporate culture in which people are able to develop and achieve their full potential, as they strive to achieve success for themselves and for their organisations.”

In particular, companies can do more to unlock the potential of younger employees, Brendan says. “Millennials are not so different. They are human beings who respond to the same stimulus. We must begin by showing them respect. They experience the world in a slightly different way, but this provides opportunities for employers, not obstacles.”

Brendan is also passionate about the need for organisations to harness the experience of an older generation now approaching retirement age. “We can't afford to lose so much talent. There is a huge generational split in the workforce. The recession that followed the financial crisis left many younger people unable to gain management experience. Organisations must find ways for older and younger people to work together to share knowledge and experience.”

Brendan is in no doubt that employers will continue to commit more resources to health and wellbeing at work. “People are an organisation's most important asset, and long-term success comes through empowering staff at every level to achieve their full potential.”

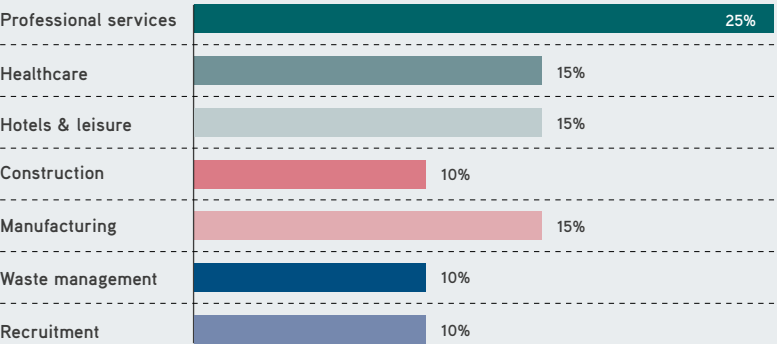
Seachange Now, whose clients have included Diageo, Facebook, Danone and Unilever, has developed a winning formula in strategic facilitation, high-performance team building, executive coaching and psychometric profiling. Brendan's philosophy seems simple enough: inspire, lead and transform. But behind that deceptive simplicity lies an exceptional and intuitive ability to help businesses identify structural obstacles to achieving long-term goals and to formulate solutions that bind organisations together.

“We invest a great deal of faith in leadership,” says Brendan. “But the success of all great endeavours has been about teams. Many businesses underestimate the importance of team building, and then find that they are not able to achieve their goals as a result.”

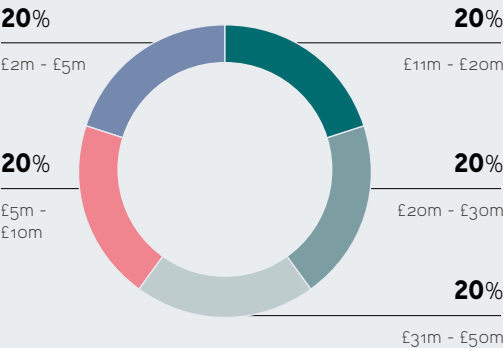
Team building is all about trust, Brendan says. “Great teams trust each other. In this environment communication flows, ideas flow and results flow.

# Demographic

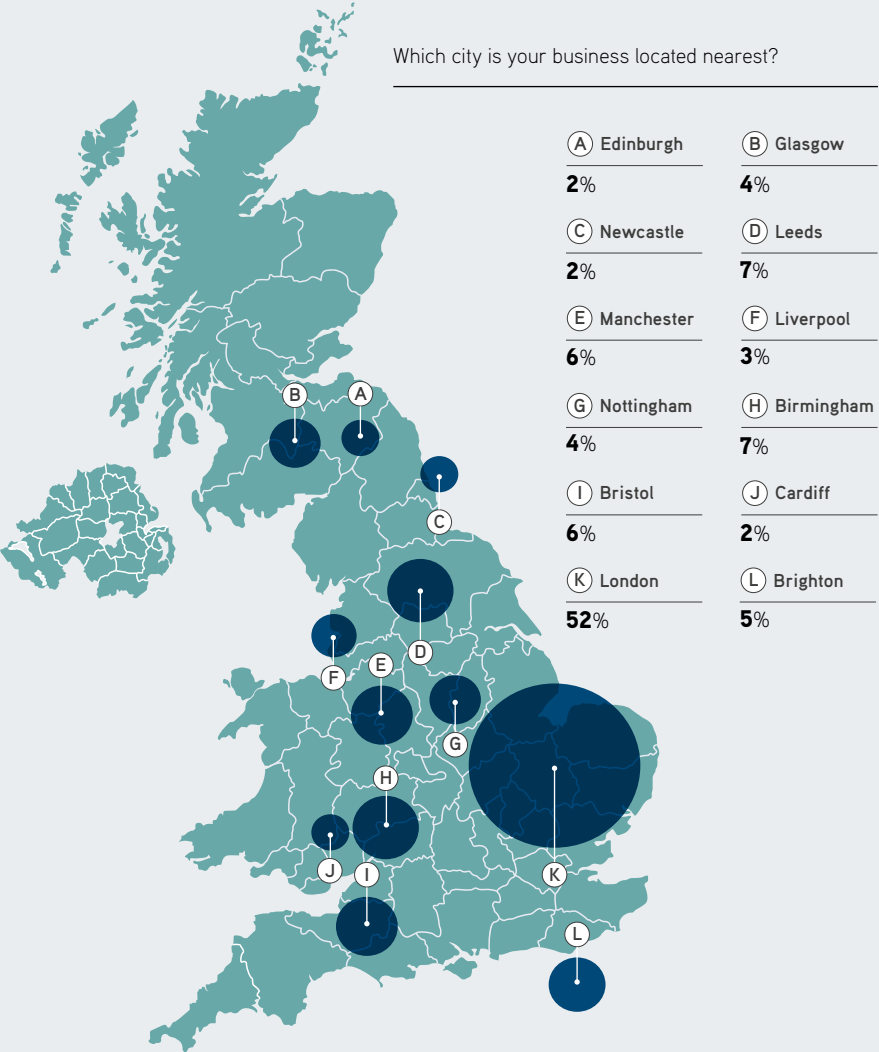
Which sector do you operate in?



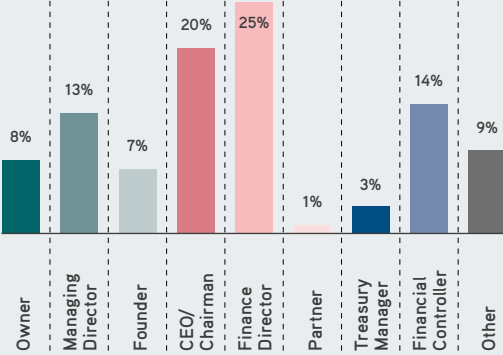
What is your company's turnover in the last financial year?



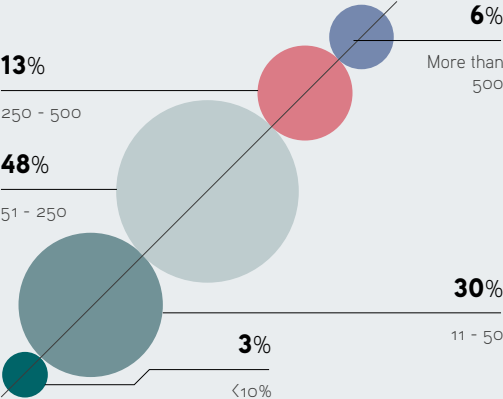
Which city is your business located nearest?



What is your role?



What is the approximate current headcount of your company?



**To speak to a team who can  
help you grow your business:**

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