



Can a Small or Medium Enterprise (SME) become a great place to work®?

- Prasenjit Bhattacharya

“This company has been in my family for two generations, however, we have been left behind by many johnny- come- lately companies. I know, I am supposed to focus on long term strategic issues like acquisition and growth. But all my time is taken up by fire fighting. How can I build a self sustaining organization so that my day to day role comes down?”

The above comment of a CEO of a midsized organization is reflective of the predicament that owners of SMEs face all the time. Barring a few who are in a niche which command high margins, most may not have any significant product, technology, service, or talent differentiators.

So, how can the average SME become a great place to work? This question has intrigued me for some time now. For the purpose of this article, I refer to any organization with less than 500 employees as an SME. While any organization, big or small, can be a great workplace, an analysis of our recent Study on “India’s Best Companies to Work For” reveals that organizations with more employees have a slightly higher chance of making it to the Top 50 Best Workplaces list. If we take out the MNCs, technology companies, and industries like IT and Financial Services, there are not many SMEs that make it to the Top 50 Best Workplaces list.

Is it more difficult for an average SME to be a great workplace?

To understand some of the factors that might help some of the owner-led SMEs become great workplaces, we observed closely a few such organizations. Here are some of the factors that we found were helpful in making them better workplaces for their employees:

1. Relatively secure nature of business

A Google or an Apple may have started in a garage with a band of people who believed in the potential of what they were doing, and by many accounts were having fun, even when they were not clear where the next tranche of funding was going to come from.

An average SME, on the other hand, needs stability to be perceived as a great place to work by its employees. This stability could come because of many reasons. The owner is often obsessed about quality, and over time their products are able to command a premium, even in a price sensitive commodity market. We have seen it in organizations with products ranging from coal & coke, pickles & preserves, automobile graphics to textiles. Often, the organization is able to make good use of automation and technical innovation, and in some cases it has strong proximity to key customers, being sole suppliers at times to such customers.

2. The Owner

Almost without any exception, the owner plays the most significant role in making the organization a great workplace. The role of the owner is multi-faceted. On one hand, he is often the most knowledgeable person about the organization's products / services or the industry, on the other, he plays a key role in building relationships with key customers.

The owner knows every employee personally, often because he has recruited all of them. When it comes to work, he leads by example. Most employees are in awe of him.

The owner often treats employees like a family. He has the image of a benevolent, kind hearted person, known for his generosity when an employee is in real need. His managers often despair at his enthusiasm to help his people during personal emergencies.

The owner treats people with respect. People willingly work for low salaries in lieu of the "respect" they get from the owner. Indeed, many people do not have formal qualifications or adequate experience for the roles they perform, and are there primarily on account of the trust reposed on them by the owner. "How can I leave the Organization, if he trusts me so much? My salary might be low, but I know he will take care of me in time of need," say such employees.

3. Freedom to experiment, make mistakes at the operating level.

Many such SMEs provide employees great opportunities to learn. Unlike larger organizations, roles and procedures are not cast in stone. A competent Operations Head may also look after Projects. The challenges provided, and hence the opportunities to learn, are far more than what can be expected in a larger organization. Very often, the organization acquires a new technology or process, say an ERP (Enterprise Resource Planning) tool, but doesn't invest in the necessary training for people. Expensive technology or machines may be used but not adequate equipment or tools provided. All of these are great opportunities for learning - to innovate, improvise or continuously improve. The owner, knowing that adequate support has not been provided, is more tolerant of mistakes made by people.

4. Flexibility

Unlike many large organizations, SMEs provide more flexibility to employees. "I was shifted to Head Office because my husband's company transferred him to the city where our HO is". "During my pregnancy, I was given complete flexibility without loss of pay". Indeed, partly because of this flexibility, and partly because of lower compensation levels, many employees start their own "side business" that they can attend to during their free time.

5. A strong sense of Pride

Even if it is a relatively secure business, most SMEs face challenges which are life threatening for the business. The employees know that their business is a survivor, having survived when the odds were stacked against them. There are many stories of personal & collective heroism that people recall with pride. And

as long as existential threats do not become a regular feature, they have the potential to generate significant pride in employees. The founder often knows how to narrate these stories so that they become a part of the folklore within the organization.

An SME with the above strengths could be a great place to work, however, the reality is that it still finds it very difficult to be one of the Best Workplaces.

Why?

Many SMEs find it difficult to become a great place to work for the following reasons:

1. Excessive dependence on one individual ie. the owner or founder.

The loyalty of most employees is often to the founder, rather than to the company or its articulated vision, mission or values. Things happen because the founder is involved in a hands-on manner. Most people are keen to impress the founder. They come early if he is there, stay late if he is likely to observe it. Conversely, it is difficult for other managers to command significant authority. If a new manager tries doing so, before long, the owner's ears will be filled by some of his "loyalists". The founder tries recruiting senior managers from outside, but soon finds them incompetent; little realizing that it is his own style and the culture he has created that is responsible. In frustration, he falls back on the old guard – the trusted loyalists. "They need to be told everything, but I can trust them," he remarks. Realizing that some of the senior managers he recruited from outside have not been able to effectively get the work done from those lower in the hierarchy, the owner falls back on the default mode of being a hands-on manager. The employees are happy. They have a lot of pride in what they have accomplished. They do not want to take orders from anyone except the owner.

Since the owner is all important, his direct reports are all busy taking individual instructions from him and trying to impress him individually. They do not work in a cohesive team. In absence of the owner all coordination between his direct reports stops. The owner, therefore, even in his absence, has to review if his team members are giving necessary inputs to each other!

Frustrated with the situation, some of the new "professional" managers recruited from outside, put in their papers. This further reinforces the owner's belief that a "professional" manager cannot be trusted. Sometimes, he might keep one or two professional managers in important positions as "masks" for the external world. However, he is resigned to having to give minute instructions to his people. The old timers are happy and secure. "You are like a virus, our body will soon reject you", they say to any new-comer.

The over dependence on the owner and the lack of strong second line leaders have a number of consequences:

a. Communication is stunted.

Since the only communication, which is of relevance, is from the owner, all other managers and all forums where the owner is not present becomes ineffective as tools of communication. While part of the owner's message still percolates, thanks to his proximity to people across the hierarchy, middle and senior managers are not interested in feeding up the voice from the trenches, lest it impact their own image negatively. As the organization grows, the owner spends less time with frontline employees, and none at all unaccompanied by his senior managers. "He will know the truth only if he speaks to us directly," say many frontline employees, "without his senior managers".

b. Impression management becomes the key.

If the owner stays away or the company has many sites, each visit by the owner becomes an "event" to be managed. The walls are white washed, the roads swept, the guesthouse refurbished and the entire local management team is at the gate to receive the owner with flowers. "I know all this is being done for my benefit, but at least some good work is getting done this way," rationalizes the owner.

c. Robust processes for performance management, rewards & recognition do not get developed.

Since the owner is hands-on, formal processes of the above kind do not get developed. While initially the owner knew each individual well enough to assess his or her performance, with time, he starts relying on his key executives for assessing people and their performance across the hierarchy, thereby creating power centres which ultimately result in cliques, factions and politicking. This takes myriad shapes from caste to community.

2. Lack of exposure to good practices.

Though the owner is relatively well informed by virtue of his association with customers, suppliers & collaborators, a majority of his managers have seen precious little outside their organization. The owner represents the organization at industry forums, the owner goes abroad to attend industry fairs & conferences. As a result, his key executives do not get adequate opportunities to upgrade their professional expertise. This leads to the following consequences:

a. Lack of development of second line.

The senior executives who have not developed adequate exposure in their professional areas have little incentive in growing their second line. Since their own skills are not always marketable, and many have stuck on to the organization due to location or personal constraints, there is little to be gained by developing a second line.

This is exacerbated in case there is little growth by way of acquisitions or green field projects. (Remember the owner is too busy with his hands on involvement,

to devote time to strategic growth). Why develop people if there are no roles to grow to? Young professionals who join the company quickly realize the situation and leave. This is a vicious cycle and even if the owner were to acquire a new business or start a green field project, he does not have a talent pipeline to help him build his new businesses.

b. **Inability or reluctance to pay market competitive salaries.**

A key aspect of such SMEs is their ability to keep employee costs low. Beyond a point, this strategy yields diminishing returns. While the old timers are willing to work at low salaries, partly because of inadequate market linked qualifications and partly out of their loyalty to the owner, new employees will not come at such low salaries. Rather than create huge internal inequity and heartburn amongst the loyalists, the owner opts to recruit many people who have retired elsewhere as “consultants” or even as full time employees at senior levels. While these employees bring required skills at an affordable price, they seldom have the ability or inclination to rock the boat. This is a second extra income for them; the most important thing is to extend this post-retirement tenure. Maintaining peace with the owners and the loyalists become more important than crusading for meaningful change. In any case, before long, many of the old timers themselves graduate into “consultant/advisor” roles and even the owner starts feeling helpless in front of this cabal. Gratitude for past services rendered and their knowledge of many secrets about the business and the owner’s family prevents the owner from going beyond this group and try to revitalise the company.

All of these start impacting employee morale. Employees are reluctant to give suggestions or contribute because they are not sure if senior managers will not take all the credit for their ideas. In the process, many employees become deadwood, who nevertheless stick with the company due to reasons related to their marketable skills, or location, or personal constraints.

In the next part of this article I will discuss why so many SMEs fall into the above trap, and what can be done to get out of it.

In reality, each organization is unique and a cookie cutter approach may not work for all. However, having observed numerous SMEs, I believe a number of principles of change management apply to most. While writing this article, I have in mind a medium sized organization with 250-500 employees which is already a good place to work in many respects with reasonably secure financial performance. Given below are some of the steps that an SME can take to be a great workplace.

1. Commitment of the owner to creating a great workplace

Commitment to creating a great place to work is not a complementary goal to the main goal of creating wealth. It is a distinct and important goal by itself. It is not a goal that you focus on after achieving the “primary” goal of making money; much as great products or services are not goals you attempt only after achieving some degree of

financial success. Just as great products or services do not happen by accident, great workplaces are an outcome of deliberate choice.

Making this choice is not an intellectual decision for the owner. It is his actions which have helped in making his organization one of the better places to work. Conversely, he is a key reason as to why it is not yet a great place to work. Our research shows that one of the most important drivers in creating a great place to work is a commonly shared perception of employees that management's action matches its words.

But who is to tell the owner that his actions (or inaction) are coming in the way of creating a great workplace?

Crafting a feedback process for the owner which will help him to understand reality, and his contribution to that reality (without being defensive) is an essential first step. A more effective way of doing this is by taking the help of a competent external coach.

If an owner has come to this stage, he realises that the most difficult challenge for him is to take feedback from his people. "It is easy for them to give feedback, what is their stake? I behave the way I do because, I know while my employees can leave me for a 20 per cent increase in salary, I will be left holding the baby." It is a Catch 22 situation for the owner, particularly when the feedback is about qualities which are also responsible for his success. For example, it is common for owners to have a very high degree of drive, which is the reason why they succeed, but which is also the reason why he keeps interfering! This is also the reason why stand alone processes like 360 feedback often fails – particularly in human behaviours what is an area of strength is also an area of improvement when displayed in excess. A good coach helps the owner navigate through these dilemmas, and ensures that while the bath water is thrown, the baby is intact!

Of course, a majority of owners of SMEs are too busy with survival issues to even come to this stage. Many are able to see the link between financial success and creating a great workplace. How to convert them to passionate votaries of great places to work is a topic for another article!

2. Building credibility for the change process

One advantage that many SMEs have in initiating the change process is that unlike larger organizations that see a plethora of change initiatives every time the CEO changes, there is less baggage from the past. Hopefully, the organization is not yet in the terminal stage of "Initiativitis"- one initiative after another being launched with little follow up.

The owner is often hands on, and has strong credibility. He has to communicate personally to all employees why there is a need for change and what the objectives are. Often, the objectives for change are not adequately clear at this stage. The owner may use phrases like "great place to work", "employer of choice" or "good to great" to describe what he wants. The intent is not to articulate a change roadmap, but to communicate the need for change and the owner's commitment to make the change happen. The owner does not pretend to have all the answers, but commits to finding the right answers together with his people, as they embark on this journey.

The owner will also have to spell out how the change will happen i.e. who will do the initial work, and what will be their roles of this “project team”. The following steps can help in building credibility for the change process:

- a. **Nomination of change agents & creation of the Change Council:**
Once the objectives for change have been communicated by the owner, he invites each department or function to nominate change agents who, in their opinion, are the right people to lead this change process. Anyone below the department head is eligible. The department chooses the change agents by consensus, multi-voting or a simple process of voting. In case of larger departments where more than one person may have to be nominated, care is taken to see that people from across levels are chosen. These change agents have a term of typically one year, and they are a part of the “Employee Council” for the organization. The leadership team then nominates up to one- third of members of the change council, taking care to ensure that senior managers whose ownership is vital and technical experts (Training/ Quality etc) are co-opted into this council. The owner heads the council. The role of this council is to finalise the composition of the project team, approve the roadmap for change, review and monitor progress, and remove roadblocks.

The creation of the council is a deliberate way of creating a more inclusive “shadow” structure that tries to involve all stakeholders among employees, and also serve to highlight the behaviours of senior managers in front of a larger group. If required, norms of behaviour for the council are defined and the council is an opportunity for all, particularly the owner and his senior managers to role model the right behaviours.

- b. **Creating a Great Place to Work®: change makers program for senior managers and change council members:**

This is a powerful learning experience that is created typically as a 2-3 day workshop that delves deeper into all aspects of change required to move towards the change objective of creating a great workplace. This program is preceded by a diagnostic exercise that ensures that the senior managers and council members are clear about their current reality. The program helps them to understand different aspects of a great workplace, assess the effectiveness of their people practices and prioritise areas of action.

The project team converts the outputs from the above program into a draft roadmap for change which will be presented to the council at an appropriate time.

- c. **Study missions to great places to work® :**

The council members are divided into study groups and are exposed to a set of carefully chosen “Best Workplaces” – organizations which are most relevant to learn from, keeping in mind the draft roadmap developed by the project team.

Each study group prepares a 15-20 minute presentation on key observations and learning from their study tour. The project team now

gives the final touches to the draft road map and presents it to the council for ratification.

d. Internal communication:

The project team prepares a 2 hour internal communication on the need for change, results of the internal diagnostics (employee feedback), learning from the Study missions, and the draft road map for change. This presentation is made by council members to each and every team, covering all employees. The owner or one of his senior colleagues from the council is present to answer questions and take note of suggestions from employees.

The council meets again after this to freeze the road map for change.

e. Implementing quick wins:

The council approves implementation of 8-10 quick wins- ideas they have borrowed/ adapted from others which can be implemented immediately with little or no use of financial or material resources. Many of these ideas relate to improving communication, recognition, and creating an element of fun/ enjoyment at the workplace.

Many of the subsequent steps will differ depending on the road map developed at this stage.

3. Envisioning the future:

At this point in time, hopefully enough credibility has been created for the organization to attempt an exercise of articulating its core purpose and core values – an inspiring vision of the future and the values they need to build on to be an organization of substance. These values are critical in cementing the mindsets required to bring about desired change. These are values that resonate with the people here. They are not copy paste values of other well known organizations- finalised by some senior management group in a one day workshop. Sometimes, others may not understand what it means (e.g. “Be honourable” may not be clear to others), but the people of this organization know what it means and why it is so important for them. To make it clear to new employees who join in future, the organization may define a few behaviours that make it clear what this behaviour means. Stories from within the organization are captured that exemplifies this value.

How do we create a core purpose and core values that is owned by most people in the organization? We do it by involving most people in the organization. SMEs can involve all employees in specially designed large scale interactive processes (LSIP) - a technology that is very effective in co-creating change by involving everyone. All employees come together for two days to co-create the vision & values, the behaviours required to demonstrate the values and the action plans required to institutionalise the vision and values.

This exercise of co-creating a core purpose and core values releases enormous amount of energy and as all decisions within the organization are viewed with the prism of vision and values, the new mindset starts to take root.

The owner and the leadership team soon face the real test of the values. One key senior manager, or a set of key executives, does something which might have been ignored earlier, but which is a clear violation of one of the core values recently adopted. The owner can ignore the value violation in which case the whole process slowly becomes an exercise in futility. Or the owner can face the situation head on and decide to let go of this manager. In the later case this incident becomes a part of the folklore and is repeated for years within the organization. Most great places have similar examples.

4. Clarifying the business strategy and stakeholder value propositions:

In a great place to work, leadership has a vision of where the organization is going, and equally importantly, people believe they know how to get there. SMEs struggling to become great workplaces soon realise that you cannot be a great place to work without business focus. Whether it is career opportunities for top talent, market compensation, or simply the pride of being part of a high performing team, business focus enables an organization to provide the necessary oxygen to stoke the fire of employee engagement.

A clearly articulated business strategy and steps to get there is also an area of improvement for many SMEs, with the owner bogged down by day to day fire fighting. While the vision and values involved all employees, formulation of business strategy and stakeholder value propositions involves a small group of carefully chosen people who work with a structured process to define the business boundaries and answer fundamental questions like what is our business – what products and services we provide now and will provide in future, who are our current and future customers, how will we differentiate between us and our competitors. This group also works with the vision, values and strategy and translates it into value propositions for stakeholder groups like customers, employees, shareholders and community. The owner is closely involved in this exercise.

The above exercise will also lead to a set of action plans to convert the strategy and value propositions to reality. The same is presented to the council for their information and feedback on how employees will respond to the business strategy & the value propositions. The employee value proposition (Employer Brand) is discussed at length in the Council.

The outcome of all the above is communicated to all employees through communication forums which by now are active within the organization.

5. Implementation of pilot projects:

The proof of the pudding is in the eating. There are three sets of action plans which are by now at different stages of implementation:

- a. Pilot projects as per the roadmap made by the project team
- b. Pilot projects arising out of the vision and values exercise
- c. Pilot projects arising out of the business strategy and stakeholder value propositions

The above projects also involve alignment of people processes like communication (including feedback), induction, recognition, development, and performance

management. This may require inputs from experts, and external consultants. Cross-functional teams working on various projects may need specific training on working as a team and structured problem solving techniques.

The last category of pilot projects often lead to improvement in business processes, introduction of new techniques like six sigma and variety of waste reduction initiatives. Sometimes it also leads to mergers and acquisitions and other high impact actions.

The pilot projects serve two purposes: they help in institutionalising the change required, and they produce tangible business results. More often than not, the tangible gains at this stage more than makes up for any investments made in the change process.

The review of first and sometimes the second set of projects are typically done by the council whereas the third sets of projects are reviewed by the existing management review structure which also reviews the business results. I also know of organizations where all the three type of projects are reviewed by the council.

6. Institutionalisation of the great place to work culture:

Some of the things which are often visible at this stage are:

- a. Consistent role modelling by owner and his senior managers – feedback processes exist to give feedback to senior managers. Employees can ask questions and the responses to such questions are known to other employees.
- b. Values are practiced in behaviours and in decisions taken by the company- feedback on values taken from employees, customers, suppliers and other stakeholders. The same is known to all. Stories of living the values (and value violations) are circulated. Often the values have been codified and are commonly acknowledged to be the “rules for success”.
- c. Communication is a religion. 95 per cent of information is communicated 95 per cent of time to 95 per cent of people.
- d. Employee involvement forums are active and most employees are involved in making and implementing suggestions.
- e. Employees volunteer to organise a variety of activities to make the workplace a fun place to work
- f. Organization has a credible process for delivering justice. If any employee feels he is unfairly treated, he knows that there is a fair process of appeal.
- g. A majority of employees feel, “We are unique” and in many cases they say about their workplace, “It feels like a family.”

The above road map is an illustration of some successful practices we have observed in many organizations that have made the leap from being good places to work to being great places to work.