

Morgan Redwood

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# Wellbeing & business performance

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2015



# Foreword

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In 2009 we conducted a study looking at the impact of the global economic downturn from an HR and leadership perspective. With all aspects of business coming under scrutiny during a tough period of financial strain, just how was staff wellbeing affected? What were the big HR issues that had to be contended with? How had corporate vision changed in accordance with the new requirements?

As expected, economic austerity had a predominantly negative effect on a wide range of HR related issues. With budget requirements seeing a reduction in staffing levels, people investment and getting the best out of current employees became even more important at a time when fears about job security abounded.

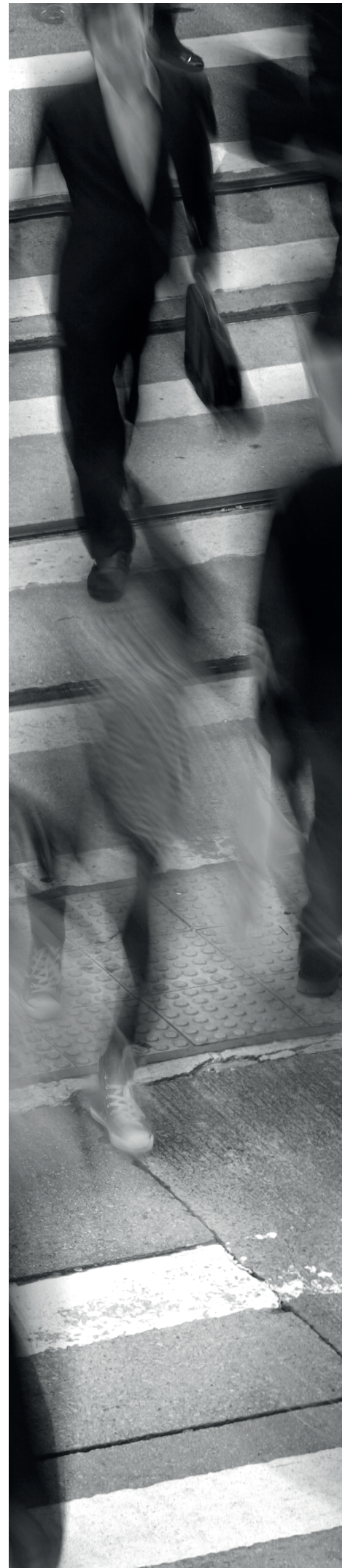
Now though, as economic green shoots have appeared and the gloom of austerity is on the verge of lightening, what is the outlook for UK businesses? How has the approach changed in the face of an expanding economy? Is it more positive?

Here at Morgan Redwood, we have conducted new research that looks to investigate the prevailing attitudes amongst business leaders in light of this financial sea change, aiming to gain an understanding of what impact their associated stance will have on staff well-being and business performance. Do organisations see their talent as a valuable resource or a commodity that can be easily replaced? Do the UK's businesses see the health, happiness and mind set of their people as a determinant of corporate success and therefore something they should pay attention to? Or is it the senior executives and directors that matter most?

This latest report uncovers some interesting and surprising findings and also demonstrates a significant difference between the two economic climates. We hope that the study allows you to gain some measure of appreciation for your peers' perception of priorities, as well as enabling you to use it as a yardstick to compare and contrast your own approach to your workforce.

Kind regards,

Janice Haddon



# Method

This report is based on anonymous responses, with the research conducted by independent research organisation One Poll, with the Head of Human Resources or Board Director level equivalents from two hundred and fifty of the most dynamic UK businesses. The businesses reflect a mix of industries and company sizes. We do not offer detailed analysis by industry sector, as the sub samples are too small for significant conclusions to be drawn. Almost two thirds of the companies interviewed employ over 250 people,

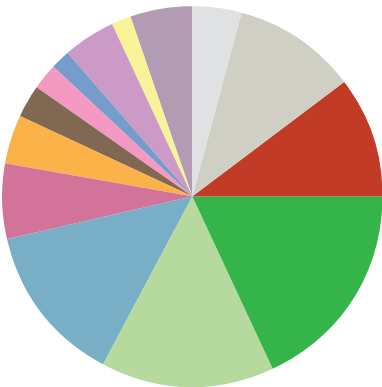
with none of the respondents employing less than 50. The study was completed in December 2014 through to January 2015.

The results of the original findings from 2009 were published in 2010 and are available to view and download via the Morgan Redwood website ([www.morganredwood.com](http://www.morganredwood.com)), titled 'Wellbeing and Business Performance'.

## Profile of Companies Studied

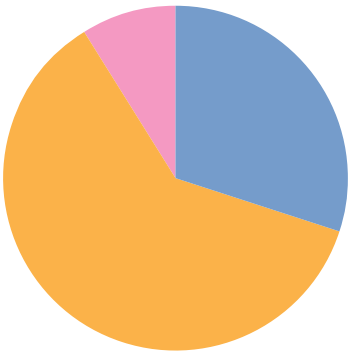
### Business Sector %

Automotive	4.40%	Furniture/Household/Interiors	4.00%
Professional Services	10.40%	Food & Drink	2.80%
Charity	10.40%	Industrial & Office supplies	2.40%
Construction	18.00%	Recruitment	1.60%
Engineering	14.80%	Telecoms & Technology	4.40%
Retail	13.60%	Trade	1.60%
Financial Services	6.40%	Other	5.20%



### Number of employees %

1-10	0%
11-49	0%
50-249	30.00%
250-999	61.20%
1000+	8.80%



# Executive summary

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## Employees and Headcount Growth

- The growth in employee numbers has been considerable. One in four businesses have increased their headcount by a quarter in the last year, with approximately three fifths of businesses upping their total employees by at least 20%. This is in marked contrast to the previous report, where staff reduction was prevalent.
- The optimism stretches out over the next 12 months, with 42.4% of businesses anticipating continued growth in the size of their workforce.
- HR departments are preoccupied with attracting better talent to the business. 39.2% indicated it was the main focus when it came to HR issues, putting it at number one in the list of priorities when taken across the board.
- Work-life balance is held in low regard when it came to the HR view, with it lying in tenth place in the list of dominant issues to contend with. But despite its lack of priority on HR to-do lists, work-life balance was seen as the most influential factor on staff motivation and morale in 2014/15, compared to the sixth most influential in 2009.
- Job security, first on the list of influential factors during the downturn, has fallen to fifth place in the latest findings, reflecting relative economic prosperity and potentially signifying less concern about securing new employment if required.

## A fall in staff morale

- Staff morale has fallen as the wider economy has improved. The average morale rating was 6.4 out of 10 in 2009, but has dropped to 5.4 in 2014/15.
- The most adverse effect on morale is believed to be a poor work-life balance. However the second most adverse was 'making people redundant', which suggests that the impact of staff cuts and how it is handled, on those remaining in the business, is still a problem even during periods of recovery.
- When it comes to employee health, its importance has seen a huge swing in regard, as 95% of businesses in 2009 believed that employers had a duty of care to the health of their staff, compared to just 46% in 2014/15.
- The amount of employers who believe that staff wellbeing is very closely connected to business performance has dropped significantly, with a fall of more than half – from 58% down to 25.6% in the latest study.



## The senior team

- Senior management is seen as having the worst work-life balance in 2015, compared to the Board in 2009. In both studies the wider workforce was seen as having the best work-life balance.
- More than half (54.5%) of businesses believe that their management style fails to get the best out of their employees.
- Two out of five companies are of the belief that their workforce feels free to make general suggestions on how the company can do things better. However only 6% believed that employees felt able to email or speak directly to the senior team or Board.
- Senior management tends to believe that employees are brand ambassadors (41.2%), individuals to be nurtured (39.6%) and crucial team players (33.2%). However a significant proportion see staff as an easily replaced commodity (22.4%) and difficult to manage (16.8%).
- The Board's attitude to staff in 2009 was predominantly positive, with 85% of them seeing the workforce as assets to be nurtured, looked after and developed. In 2015 this outlook had dropped considerably to just 41% of respondents. 13.2% of Board members in 2015 regard employees as a 'necessary evil', compared to only 2% in the previous study.
- In both studies the customer base is regarded as all important when it comes to ranking assets. Staff/employee ranking has moved from third place up to second place in the 2015 study, whilst company reputation has fallen from second place, down to sixth.

- Customers were not only regarded as the most important asset in 2009, but also the most important target audience. However, in 2015 the key audience was seen as senior executives and directors, with existing and prospective customers dropping down the ranking to fifth and sixth respectively.

## Entrepreneurial Training

- On average, a fifth of the overall turnover (19.08%) is spent on training and staff development in the latest study. The number one priority from training is to inject a more entrepreneurial culture (39.2%), closely followed by encouraging greater teamwork within the organisation (35.2%), with developing the leadership skills of the senior team (28.4%) and helping staff cope with change (28%) in third and fourth place on the priorities list.
- Despite developing senior leaders being seen as a key area for improvement, only 42.2% of the businesses questioned offered one-to-one coaching and support for senior managers and directors.
- The average net business earnings per employee of the companies that placed HR emphasis on improving the work-life balance of their staff was nearly £12,000 more than those businesses that failed to do so, representing a 27% improvement.
- With the current Government claiming to have created 1.75 million jobs during its time in office, how have staffing levels changed during the past 12 months and how are they likely to change in the coming year? Do the figures reflect the political optimism?



# Results

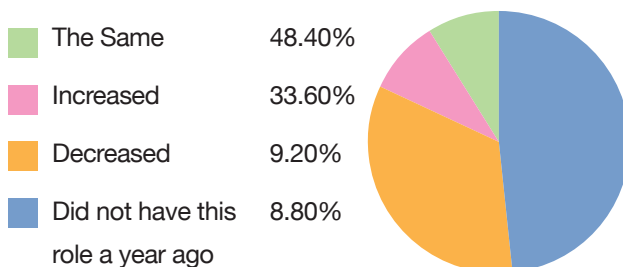
## Staffing levels

In our previous report, almost half of those studied reported a fall in their headcount in the 12 months prior to its undertaking, with one in six predicting further reductions to follow. In our 2014/15 responses though, the figures are remarkably different. A third, 33.6%, claimed that their headcount had increased in the past year, with less than one in ten (9.2%) stating that their workforce had decreased over the same period. The outlook for the next 12 months was even rosier still, with 42.4% believing that they were set to increase the number of employees. The only slight cloud was that anticipated reductions had risen slightly, with just over one in ten (10.8%) envisaging having to shrink their staff. The majority, 46.8%, estimated that their headcount would be staying the same.

### Staff Increases

The statistics reveal that growth has been considerable. More than a fourth of businesses have increased their staff by a quarter, with 25.2% claiming to have done so, whilst just under one in six (15.9%) have increased their number of employees by more than 30%. A further 18.7% claimed to have increased their workforce by a fifth, which identifies three out of five businesses to have upped their headcount by that amount in the last year.

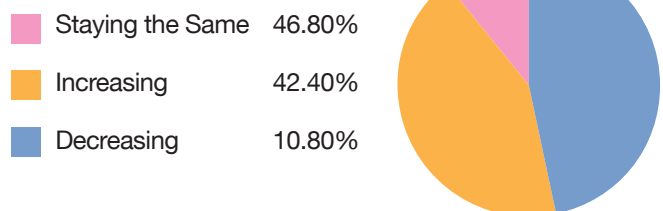
### Headcount today vs a year ago



### More to Come in the next 12 months

Growth outlook for the coming year is similarly optimistic, with businesses anticipating comparable figures. Slightly more, at 27.7%, anticipate expansion by a quarter, whilst 12.8% hope for growth of a third and 24% are hoping for a fifth.

### Headcount for the year ahead



### Mood Across the Sectors

We cannot draw detailed conclusions across the various business sectors studied as the individual samples are too small to be statistically significant. However, looking at the sector responses, we do get a good barometer of employment mood across certain industries.

Construction in particular, for example, is expecting an employment boom as the UK's recovery progresses, with 86.6% of firms working in construction looking to expand their numbers by at least a quarter. Similarly, businesses working in the charity sector are also looking at a prosperous period, with 53.9% also aiming to increase employment by a quarter. It could be suggested that as consumers enjoy greater disposable income, it is supporting sector growth.

## Key HR challenges

With the winds of economic change, come changes to the challenges faced by HR departments. Does a growing workforce mean a growing number of problems?

In our 2009 study, HR teams had a lot of people issues to contend with - at least 15 HR challenges were preoccupying almost a third of all HR teams. Fast forward to now, and the prevalence of issues is greatly reduced.

<b>Key HR challenges at the moment</b>	<b>%</b>
Attracting better talent to the business	39.20
Reducing staff churn	36.80
Reducing staff costs	34.80
Improving productivity/performance	28.40
Up-skilling the workforce	16.40
Changing working patterns	13.60
Introducing more flexible working practices	12.00
Encouraging greater teamwork	12.00
Improving the senior team's leadership skills	7.20
Introducing a stronger sales culture	6.00
Helping staff achieve a better work-life balance	6.00
Employee wellbeing	5.60
Measuring staff performance	4.80
Looking after leavers	4.40
Getting the Board to see employees as a corporate asset rather than just a cost	4.00
Managing / reducing sickness absence	3.60
Managing presenteeism	2.00

### Attracting talent

In our previous report, HR issues were very much centred on drawing the best out of the current work force, with improving productivity and performance topping the list of challenges. Now though, the biggest issue is about attracting better talent to the business. This certainly ties in with the fact that businesses are looking to grow their employee numbers.

According to the findings almost two fifths of HR departments, 39.2%, are looking to attract better talent to the business, making this the number one HR priority across all of the organisations that were questioned in the study.

### Turnover

Striking a similar chord, 36.8% are looking to reduce staff churn. In the 2009 study, this was thirteenth on the list of most pressing HR challenges, but in 2015 it lies in second place. Does this suggest that employees, in light of improved employment possibilities and growth in the job market, are more likely to look for pastures new? It certainly could suggest that the reinvigorated economy means opportunities are more abundant, and as a consequence workers are increasingly likely to move jobs if they are not appreciated or happy where they are. As more organisations are looking to increase staff numbers and attract the top talent to their business, it appears to be increasingly important to do things to retain those that have been through the training process. Keeping talent is just as important as recruiting new.

## **Reducing Staff costs**

Despite an improving financial outlook nationwide, firms still appear to be keen on bringing down costs wherever possible, which sees reducing staff costs emerge as the third biggest issue that HR departments are currently facing. In our 2009 study – unsurprisingly – it was in a similar position, coming fourth on the list of priorities. This seems to suggest that regardless of the economic landscape, firms are still keen on managing budgets as tightly as possible.

As mentioned, improving productivity and performance was the number one challenge in 2009. With recruitment being kept at a minimum and the likelihood of redundancy increasing, getting the best out of the current workforce is understandably key during the depths of a recession. However in a similar fashion to reducing staff costs, improving staff performance is a central target even during comparatively prosperous periods.

## **Work-life balance**

Joint tenth on the list of priorities for HR departments in our latest research, was ‘Helping staff achieve better work-life balance’, ranked on a par with ‘Introducing a stronger sales culture.’ In 2009, it came eighth on the list, suggesting that it was held in slightly higher regard. This might be down to the fact that personal stress levels reflected the ailing economy, and employers were aware of the importance of getting the work-life balance right.

As the balance of work and home life has been identified as one of the top causes of mental ill-health in the UK, and with stress being one of the main causes of sickness absence, it is surprising that helping employees to achieve a better balance is not further up the list of HR priorities.

## **In Sickness and in health**

One aspect that has noticeably slipped down the list was the issue of managing/reducing sickness absence. In 2009 it was ninth, but now, in 2014/15, it's dropped to sixteenth place on the list of HR priorities. Could this perhaps be a reflection of the lightening of the overall gloom, with less stresses seeing a reduction in concern over illness as a consequence? National sickness absence figures show absence and stress is still a big issue however, so maybe sickness is just seen as an on going problem and therefore not such a priority?

‘Looking after leavers’ also fell slightly in the list, dropping to fourteenth from twelfth. With the requirement for redundancies reduced, and therefore less opportunity for it to affect wider staff morale, there seems to be less emphasis on HR departments to ensure smooth departures.

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## Staff morale

Staff morale plays a huge part in the success of a business. It is not just the number of staff members that you have that make an organisation tick, a highly motivated, well-led team will have a huge influence on business performance. In our previous study, we could see the direct influence of the recession on the factors affecting morale and the perceived elements that were most likely to be regarded as detrimental.

What influences staff morale	%
Work life balance	39.60%
Job flexibility	32.40%
Holidays	30.00%
General terms and conditions	27.20%
Working hours	21.20%
Job security	16.80%
Feeling part of a team	15.60%
Training/staff development	10.80%
Job design	6.80%
Clarity of goals	5.20%
The manager/employee relationship	4.80%
Being given more responsibility	3.60%
The opportunity to learn and develop	3.60%
Promise of promotion	3.20%
Reputation of the company/its brand	2.80%
Pride/self belief	2.40%
Company culture and values	1.60%
Inspirational leadership and people management	0.80%

*Interviewees scored factors where 1 = minimal impact on staff morale and 10 = large impact*

The results demonstrated that job security was the top influencer of morale during the economic downturn, with work-life balance and job flexibility falling down the pecking order. With employment prospects limited, this was perhaps an understandable side effect. But how have attitudes adjusted since then in light of recent developments?

### The influence of work-life balance

Work-life balance is now regarded as the most influential factor on staff motivation and morale, compared to sixth in 2009. Job flexibility has experienced a similar jump, leaping from seventh to second place. Holidays, which were regarded as the second least influential factor, have now rocketed to the third most influential, suggesting that employee wants and needs have shifted considerably. All three of these factors are interlinked, so it seems that as there is a change in one, the others react accordingly.

Job security has dropped down to fifth place from first, which helps to highlight the vast shift in attitudes when confronted with the different economic circumstances.

### Current levels of morale

As part of the study, respondents from both 2009 and the most recent research, were asked to rate their employee's current level of morale out of ten, with one being poor and ten being excellent. The findings uncovered some eye-opening statistics.

According to the 2009 results, the average rating worked out at 6.4 on the scale. Fast forward to 2014/15 and the average morale rating had dropped to 5.2 out of 10. This produces some interesting implications.

Why does employee morale seem to fall during a boom and rise during a bust?

Perhaps the results are purely down to perception at senior levels of the business. During economic depression, with job security a major influencing factor, workers may be less inclined to complain about working conditions for fear of losing their job and being unable to find a new one. In a flourishing business environment however, employees may be more likely to air their grievances or seek employment elsewhere.

With work-life balance being the number one influencer on morale and it being so far down the HR list of priorities, could it be an indication that lack of attention to this key area is a major cause for the drop in current levels of morale?

### **Adverse effects**

The study looked specifically at the existing adverse impacts, and how they compared to the perceived causes of poor staff morale. Number one, which correlated directly with the perceptions, was a poor work-life balance. This seems to suggest that, for many organisations, a poor balance between work and home life is having an obviously negative effect in the current climate, which is in line with expectations.

However, surprisingly, the second biggest cause of low morale was the fact that the respondents' businesses were 'making people redundant' or had already recently done so. This seems to fly in the face of the economic shift. Despite job security becoming less of an influencing factor, redundancy still has the capacity

to come to the fore, reducing staff morale even with businesses experiencing a period of comparative prosperity. This could indicate a shift in the required skill set by growing businesses as they search for new talent, but still have to reduce staff numbers in other areas. It also highlights the need to manage the exit process with care so as to not negatively impact on the survivors. Remaining staff will naturally look at how their colleagues are treated when they are made redundant as it could be them next. Managing the leavers process is an indicator of management style and culture in an organisation. Do it badly and you may find the employees you wanted to retain, will choose to go and work elsewhere.

### **Factors adversely affecting morale**

Poor work life balance	33.20%
We have or are making people redundant	31.20%
People under more pressure to achieve more in the working day	30.40%
The general lack of job insecurity	23.20%
Work place stress levels	20.00%
Pay has not increased	12.40%
Fear of under performing and being told off	9.60%
Discipline from managers/leadership team	7.60%
Poor leadership	7.20%
We are undergoing a lot of change in the business	5.60%
General wider gloom surrounding the economic downturn	2.80%
We are not investing in developing staff as much as usual	1.60%

## Employee health

As we have seen from the issues that impact on HR departments, employee health is a factor that can directly affect business performance. High absence through sickness is undoubtedly detrimental. Yet according to the rankings, sickness has fallen down the list of priorities. Does this mean that bosses are less concerned about their employees' health today than they were 5 years ago?

If you compare and contrast the two reports there is a startling difference. In both studies, respondents were asked to state as to whether or not they believed there was a responsibility from an employer to look after the health of their employees. In 2009, respondents were overwhelmingly in favour, with 95% stating that 'yes' there was a duty of care involved. In the current market however, there appears to have been a massive shift, with only 46% now believing that to be the case. The remaining 54% did not believe that the employer had a level of responsibility, a massive shift from 5% previously.

The swing from 95% to 46% is huge and one that suggests an alarming change in attitude.

### The importance of wellbeing on performance

The study also posed the question, 'In your opinion, how closely connected are business performance and staff wellbeing?' The results of which again revealed a big difference between the two studies.

In 2009, 58% of employers believed wellbeing to be 'very closely connected', with another 35% believing it to be 'quite connected'. Of the remainder, 6% felt it was 'not very', whilst only 1% felt 'not at all'.

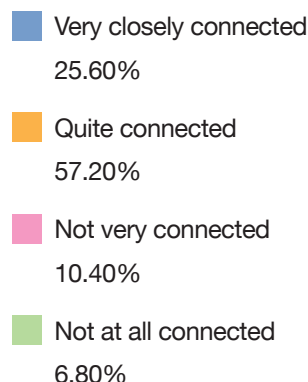
Five years on however, and the amount that regard it as 'very closely connected' has dropped significantly to 25.6%, which is a fall of more than half. 57% now

believe it to be 'quite connected', whilst scepticism about the issue has jumped, with 10.4% believing it to be 'not very' and 6.8% thinking it was 'not at all' connected.

This appears to be at odds with the fact that work-life balance is regarded as the most influential factor affecting morale and currently the one having the most adverse impact. With wellbeing not regarded as having an impact on performance, why is there a belief that work-life balance is key to morale? Are employers of the belief that staff morale is unimportant when creating a successful working environment?

Or is it that businesses do not have the right tools to support staff wellbeing or know how to tackle the wider issue so put it further down the rankings? Sickness absence is estimated to be costing UK business £29billion a year. Alongside this, a CIPD survey in 2014 reported that two fifths of businesses stated stress related absence and reported mental health problems such as anxiety and depression, had increased in the past twelve months. In light of this, the lack of importance being placed on wellbeing in this research seems at odds with what employees actually need.

### How closely connected are business performance and staff wellbeing?



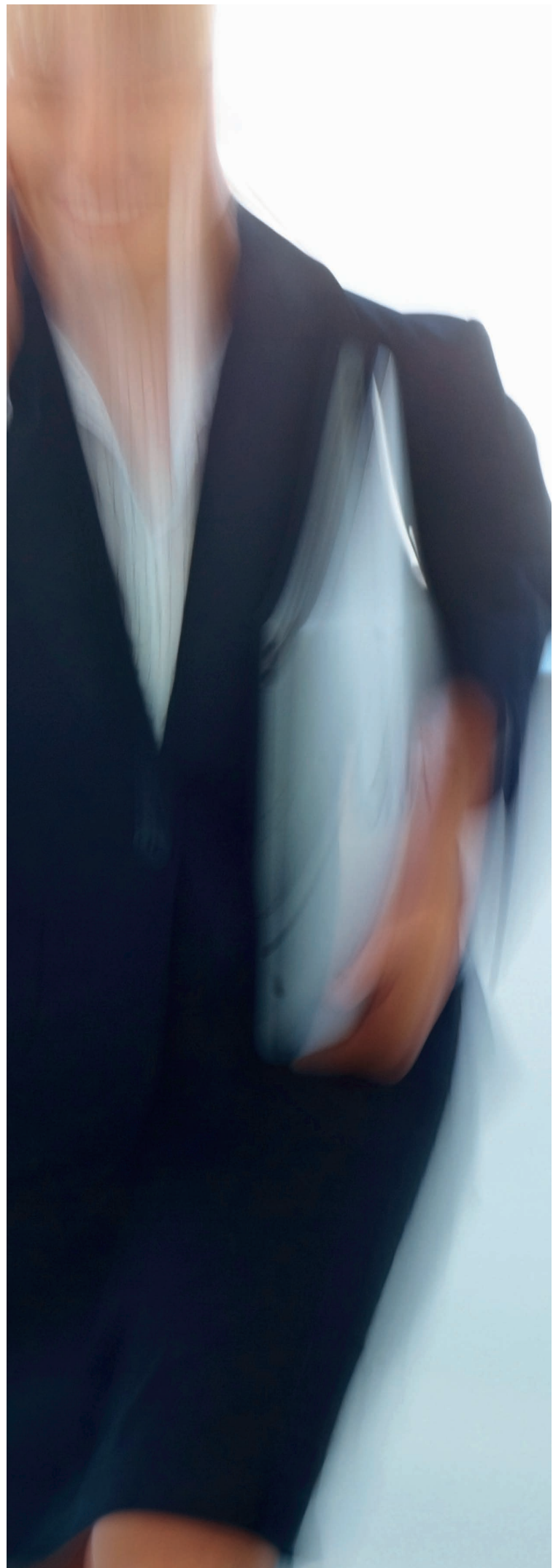
### Work-life balance across the business

The study then looked at how the work-life balance was regarded across the spectrum of employees, from the wider workforce, through the management levels and up to the Board. Respondents were asked to rank which section of employees had the best work-life balance.

In 2009, the wider workforce was seen as having the best balance, followed by junior managers, middle managers and senior managers, with the Board coming bottom. In 2014/15, the wider workforce is still seen to have the best balance but respondents now see Board members as having a better balance between work and home life than senior management.

#### Who has the best work / life balance?

1st	Wider workforce
2nd	Junior managers
3rd	Middle managers
4th	Senior managers
5th	Board





## Senior staff

The current survey looked specifically at senior management, asking respondents if they believed that their firm's management style got the best out of the organisation's workforce.

This seemed to prompt some honest reflection as 54.4% admitted that 'no' they did not think it did and that there was certainly room for improvement. However a large proportion felt that their methods did work, with the remaining 45.6% indicating that they believed their approach did in fact draw the best out of their workers.

The study then questioned respondents about how open they were with their employees, asking them to select the things that their workers felt they could do in work-related circumstances.

Number one of these was 'Make general suggestions on how your company could do things better,' with 40% of companies believing this to be something that their workforce felt confident in doing. Close behind, at 38.8%, was 'questioning the methods of the organisation without fear of retribution'. 'Suggesting new ideas' and 'determining the best way of working' also scored highly. Bottom of the list was 'using social media to talk about work', with only 3.6% finding this acceptable. However, second was 'emailing or speaking directly with the senior team or Board', as only 6% believed employees felt empowered enough to do this.

The lack of interaction between senior staff and the wider workforce seems to be prevalent throughout the vast majority of organisations that were featured in the study. Does that create a divide in the business, leaving senior staff out of touch with the requirements of more junior staff? Could this also relate to the lack of concern in supporting employees in their wellbeing and work life balance?

Respondents were then questioned about how they believe their management regarded employees, to which the responses were predominantly positive. The top ranked response was that employees are 'brand ambassadors' (41.2%), with employees regarded as good examples of what the company has to offer.

Second on the list was that employees are seen as 'individuals to be nurtured' (39.6%), identifying a positive sentiment, and third was that workers are regarded as 'crucial team players' (33.2%), suggesting that their worth is appreciated.

However this positivity wasn't universal, as fourth on the list saw one in five respondents (22.4%) believing that staff were an easily replaced commodity. The fifth spot was taken by a similarly negative outlook, with 16.8% regarding staff to be 'difficult to manage'.

The results indicate that management is challenging, but they do seem to suggest that, predominantly, workers are important and that managing them is rewarding. Overcoming the difficulties of management and turning staff into crucial team players and brand ambassadors must surely provide a sense of satisfaction for the senior staff, helping to foster wider workplace positivity?

## The board

Moving away from senior management, the study looked at the Board member's attitudes towards the staff within the business to see if there was a discrepancy between those that managed them directly and those that oversaw the organisation as a whole.

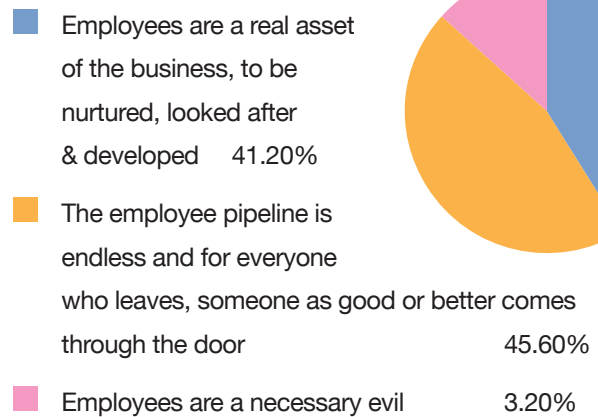
The general outlook was mixed. 41% of respondents believed that employees were a real asset of the business, to be nurtured, looked after and developed'. However the majority (45.6%) felt that the employee pipeline was endless, with plenty more options available should someone leave. Perhaps worryingly, 13.2% see employees as 'a necessary evil.'

When compared to our previous study, the results are, once again, remarkably different. During the recession, 85% of respondents believed employees were an asset to be nurtured. Just 2% saw them as a necessary evil, with the remaining 13% seeing them as replaceable.

Where has this huge shift in attitude come from? During the economic downturn it was an employer's market, with plenty of potential candidates looking to fill the shoes of anybody who left, yet employees were seen as an asset to nurture.

With the results of the current study, it is important to highlight the number one priority for HR is to attract better talent to the business, yet by many organisations, when they are recruited, employees are not held as a major asset and there is little consideration for employee wellbeing and work life balance.

### Board's attitude to staff?



## Ranking assets

Respondents to the study were then asked how they felt their Board and senior team would rank their business assets. The top ranked asset was the customer base, as the majority unsurprisingly rated their clientele as the most important element of a successful business.

Second in rank, however, were employees, which seems to be at odds with the sentiment that staff are easily replaced. Maybe the attitude is that it is simply having sufficient staff that counts, focusing on numbers rather than fostering and developing a workforce into a loyal and dedicated team?

In 2009, customer base was also number one, however the importance of employees was pegged back to third place in favour of the company's reputation. In the current market though, company reputé had dropped down to sixth on the importance scale. Is there a genuine lack of concern for reputation or is it simply that other priorities are taking the current focus?

Financial value of different assets	Average
Customer base	4.31
Staff/employees	4.26
IT/Technologies	4.1
Plant, machinery, building etc	4.09
Business' intellectual property	4.01
The company name/business' reputation	3.62
Financial assets	3.61

*(1=most valuable, 7= having the least value)*

## Importance of Audiences

The businesses were also asked to rank various audiences on a scale of importance, looking at the value that each provided to the business, and how much influence they held when it came to steering business decision making. This again threw up some unexpected statistics. In our previous report, customers were seen as the number one audience, wielding the biggest influence on corporate direction, whilst prospective customers were regarded as second priority. In 2015 though, these have dropped to fifth and sixth respectively, with senior executives and directors now taking the top spot.

These results are certainly unusual. With customer base being seen as the number one asset, it is surprising that they are not so highly thought of in terms of audience. Custom is the key generator of business success, so why is not organisational activity targeted specifically at customers as a matter of priority? Surely customers must help to steer corporate strategy?

Another point worth noting is that investors and stakeholders are rated low, appearing in seventh place. This was similar to the previous report. With investment during a recession a risky move, it is understandable that less emphasis was placed on wooing them. However, with improvements to the economic outlook, should companies be refocusing on potential investors? It would appear that currently, they are not.

**Audiences the Board / Senior Team believe  
is most important**

Senior executives/directors	44.80%
Sales staff	36.40%
General staff	34.80%
Senior managers	33.20%
Customers/clients	20.40%
Prospective customers	13.60%
Investors/stakeholders	10.80%
Partners	5.60%
Media	2.40%
Other	0.40%





## People development

As we have seen from results up until this point, there is a mixed regard amongst respondents for personal development. The general consensus seems to be that recruiting new staff is taking priority over training and developing existing employees. But has that detracted from training budgets? Despite senior management regarding a workforce as ultimately replaceable, do they still make the resource available to attempt to draw the best out of the existing staff? Or has learning and development fallen by the wayside?

### Spend

According to the HR challenges ranking for 2014/15, 'up-skilling the workforce' was fifth on the list of priorities, which still seems to imply that it is seen as an important aspect of the business. But how much money was spent on training? The results indicate that close to a third (30.4%) spent 20% of their annual turnover on training and staff development. 18% spent 15%, with 16% pushing it up to 25%. Just 13.6% of respondents spent more than 25% of their annual turnover on staff development.

Across all of the companies surveyed, the average worked out at 19.08%. A fifth of the overall turnover is a considerable investment, so it does suggest that businesses are keen on improving their workforce where they can and are willing to spend to do so.

### % of turnover spent on training/staff development

0	3.60%
5	8.00%
10	10.40%
15	18.00%
20	30.40%
25	16.00%
30	6.80%
35	2.80%
40	0.40%
45	2.40%
50+	1.20%

### Priorities

What are the training and development priorities though? Number one emerged as 'injecting a more entrepreneurial culture', with two fifths (39.2%) stating this as their major motivator. Does this imply that businesses are looking to seize hold of the expanding economy and take any opportunities they can whilst the sun is shining?

Number two, and close behind at 35.2%, was 'encouraging greater teamwork within the organisation'. The 2009 report's results indicated a similar level of importance as it also came second at that time. Third and fourth in the current research were 'developing the leadership skills of the senior team' and 'helping staff cope with change'. However, there was very little difference in ranking, with it working out at 28.4% and 28% respectively implying that they were both fairly highly regarded.

### Training and development priorities

Injecting a more entrepreneurial culture	39.20%
Encouraging greater teamwork within the organisation	35.20%
Developing the leadership skills of the senior team	28.40%
Helping staff cope with change	28.00%
Helping staff who have been made redundant	16.80%
Helping staff find a greater work life balance	12.80%
Helping staff cope with pressure or stress	12.40%
General staff development	9.20%
Training up new recruits	6.00%
Improving sales capabilities	4.00%

### Senior team

The development of the senior team is regarded as key in both studies. 2009 saw it come top, but in 2014/15, it is in third place, so still very much within the corporate sights. A safely steered ship is very much required, even in economically calmer waters. However, when respondents were asked as to whether or not they provided specific one-to-one support or coaching for senior managers and directors, compared to 67% in 2009, only 42.4% said that yes they did, with the remaining 57.6% declining to do so.

### Work-Life Balance

An interesting point on work-life balance sees it down at sixth on the list of development priorities, with only 12.8% of businesses regarding it as a major focus. Considering that it is number one when it comes to the most influential factors on employee motivation and morale, this seems like an unusual and even risky strategy. Perhaps businesses should look to spend more on fostering a greater sense of wellbeing within an organisation? There is a wealth of research indicating a happier workplace is more productive, so putting attention and investment into wellbeing and work life balance could be utilised by businesses to not only boost morale, but also demonstrate a positive impact on the bottom line at the same time.



## Company earnings per employee

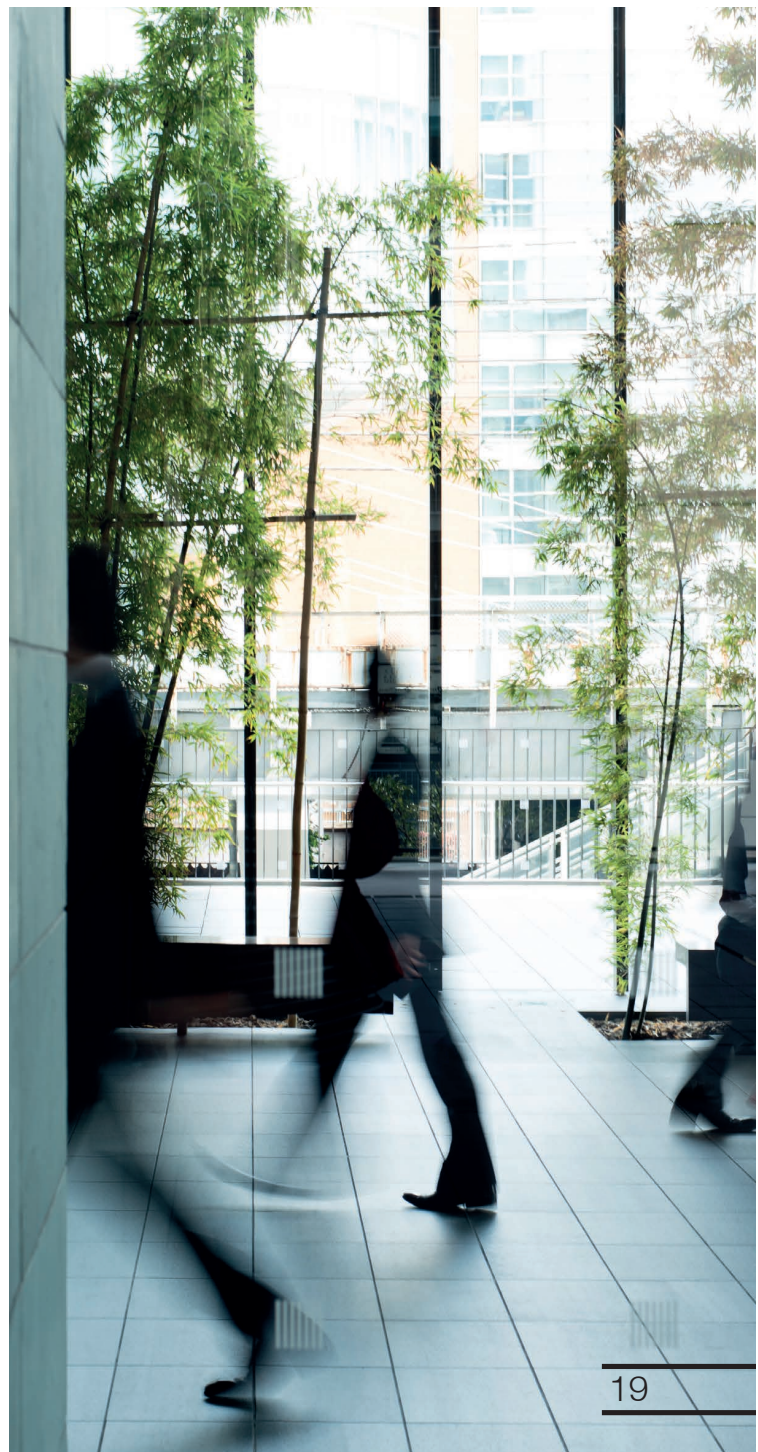
Our final points look at the net earnings generated for the business per employee. From the findings we were able to establish a clear difference in the average net earnings between those businesses that place emphasis on work life balance and those that do not. Only 6% of respondent companies claimed that helping staff to achieve a better work-life balance was an HR priority. However, when looking at how much money was earned per employee, these firms made an average of £43,125 per employee. Considering that the average for all of the organisations surveyed emerged at £31,640, this is a huge difference and represents a 27% improvement.

Out of the other HR focuses, only 3 out of 17 produced greater average net earnings, with work-life balance lying in fourth spot. Sitting just above were the organisations that wanted to ‘improve staff wellbeing’, having an average of £43,750. The key HR issue that commanded the highest average net earning was ‘measuring staff performance’ at £47,000, whilst respondents with a focus on ‘getting the Board to see employees as a corporate asset rather than just a cost’ saw £44,166 as the average, putting it in second place

The results show that the top spots in the net earnings ranking were all taken by elements that indicate a positive regard for employees, which seems to suggest that those businesses that consider their employees as an asset to be nurtured and looked after, are likely to generate more income as a result.

Interestingly, the firms with the lowest average net earnings per employee, £29,802, regarded ‘reducing staff costs’ as their number one HR priority suggesting less regard for their workforce. But are the two linked?

The results of our research show that those that are generating greater net earnings per employee are also focusing on the performance, wellbeing and work life balance of their staff. This gives a clear indication that focusing on those key areas as part of business strategy can lead to a greater organisational performance as a result.



# Morgan Redwood

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Morgan Redwood works with companies and individuals to unlock potential. This is done in a number of ways, be it through Executive Coaching, working with the top team, delivering organisation-wide culture change, leadership development programmes, stress management and wellbeing initiatives, right through to strategic and operational support to the HR function.

Applying a unique blend of skills and development techniques, Janice Haddon and Morgan Redwood have worked with many organisations from start-ups to blue-chip and across a wide range of sectors.

To find out how we could help you get the most out of your talent email [info@morganredwood.com](mailto:info@morganredwood.com), call 0845 880 1811 or visit [www.morganredwood.com](http://www.morganredwood.com).