

Research Paper

Employment relations in SMEs:
Day-to-day advice-seeking and the role of intermediaries

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EXECUTIVE SUMMARY

This report presents the results of qualitative research that was carried out between January and March 2012 with small and medium-sized enterprise (SME) owners and managers. The central objective of the research is to contribute directly to Acas' 2011-15 strategic aim of strengthening its support of SMEs by gathering evidence on how SME owners and managers access information, advice and other types of support in order to prevent and resolve day-to-day employment relations challenges.

Introduction (chapter 1)

- In contrast to earlier simplistic accounts, it has generally been accepted that employment relations in SMEs are neither straightforwardly 'harmonious' nor 'exploitative'. However, SMEs are particularly vulnerable to certain types of challenges.
- Many challenges are connected to the expansion of individual statutory employment rights, as SMEs often lack the resources to keep up to date with and implement the changes to the employment rights framework.
- Due to their size, SMEs tend to rely on external sources of information, advice and support when confronted with such challenges, simply because Human Resources expertise is not usually available internally. Moreover, SME owners and managers have a range of day-to-day responsibilities besides those concerning their staff.
- According to recent internal research into non-use of Acas services, smaller organisations are less likely to know Acas very well, less likely to use Acas services and more likely to have misconceptions about Acas' role and the range of services it provides.
- The outcomes of the study are threefold. It can inform a future quantitative study on SMEs' external advice-seeking behaviour that would provide statistically representative data. It enhances Acas' understanding of the various intermediaries that are part of the SME landscape, to provide a more comprehensive service. Finally, it contributes further insights into the reception of Acas' own services.

The SME character and typical employment-related challenges (chapter 2)

- Most of the businesses in the sample were not 'growth' firms, and taking on new staff was generally not a priority.
- Respondents expressed a strong preference for informal employment practices based on the principles of communication and common sense. Interestingly, this was coupled in some cases with strong hierarchical management structures.
- There was a sense that respondents perceived the responsibility for disputes to lie in the first instance with employees who knew how to 'play the system' or 'max their entitlements' and only secondarily with the system itself.
- Employment legislation was perceived to favour employees amongst those interviewed. Respondents complained that it was time-consuming and riddled with ambiguities. The employment landscape in general was criticised for having transformed into a 'settlement culture' where the main

players are contingency fee lawyers and insurers, although others did *not* perceive employment legislation to be especially burdensome. Some spoke of an occasional 'rogue employee' as the root cause of employment-related problems.

- A wide range of employment-related problems was cited by respondents including absence, lateness and sickness, underperformance, discrimination, staff grievances, redundancies and short-time working, holiday and holiday pay, maternity and paternity issues, as well as instances of employee misconduct.

Information, advice and other forms of support (chapter 3)

- Intermediaries were found to offer assistance to SMEs in a number of guises. They are providers of information, primarily on the Internet and in publications, providers of advice, which tends to be delivered by a person responding to a specific problem, and providers of support, which tends to be accessed within a more general support framework that extends beyond employment issues.
- The research identified a strong reliance on so-called 'complete support package' or legal insurance providers. These offered a combination of information, advice and support services to the SME as a contract or membership that usually included a legal insurance element.
- Advice in particular tended to be sought for specific employment-related problems that required a resolution, although it was also sometimes sought in order to prevent problems from arising.
- Information on the Internet was often used to clarify an issue, usually to do with employee entitlements that had been prompted by an employee, but did not yet present a problem. In this sense it can be seen to be more of a preventative resource. Information in the form of publications is also a form of dispute prevention, as it was sometimes accessed by information-hungry employers even when they were not looking for information about a specific employee-related concern.
- Sources of employment-related support in the form of networking events or training courses were usually on offer within a context of general business support and therefore also functioned as a way of preventing, rather than resolving, problems.
- The 'complete support package' offered by legal insurance providers combined information, advice and support, and was therefore used by SMEs to both prevent and resolve employment-related problems.

Understanding the use and non-use of intermediary organisations and individuals (chapter 4)

- Intermediaries offering advice, that is to say guidance and recommendations for responding to a particular employment-related challenge, were the most relevant for those interviewed.
- Often, the advice provision was part of the service provided by membership or subscription packages delivered to SMEs by associations such as the Federation of Small Businesses, local chambers of the British Chambers of Commerce, and industry or trade associations, but also by private HR consultancies or insurance companies.

- Sources of information on the Internet or in publications were not as frequently discussed; the same applies to support such as training courses or networking events.
- Analysis of the data indicated that respondents associated similar advantages and disadvantages with a range of intermediaries. These included feeling that the intermediary was 'on the side' of the SME, knowing that the intermediary had in-depth, background knowledge of the particular business, the industry sector, or the SME sector, and provision of advice that was quick, compatible with the day-to-day running of the business, and delivered tangible results.
- Most of the SMEs in the sample felt well supported to deal with employment relations challenges. Interestingly, they tended to rely on one intermediary who they accessed systematically.
- Arguably, this is because employers are responding to the increasing commoditisation of the advice marketplace by remaining closed to alternative providers once they have one system in place, and are conscious of how much they are willing to spend on employment-related advice. There is a sense among employers that providers are primarily financially motivated, and as a consequence employers find it difficult to distinguish between providers in terms of the quality of their services.

Conclusions and recommendations (chapter 5)

- Acas should remain sensitive to the fact that many intermediaries are perceived as financially motivated businesses, seen to be 'cashing in' on employers' vulnerability. Therefore, it might be worth considering how those Acas services that are free of charge could be better promoted to appeal to the SME sector.
- This could include focusing on the Acas helpline and especially the Acas website. Although it might be difficult to improve the Acas helpline's offer to SMEs without jeopardising Acas' commitment to impartiality, there is perhaps some scope for augmenting the information on the website so that it is better tailored to SMEs, thereby offering reassurance that Acas is offering genuine support.
- Acas could consider collaborating with those intermediaries that are least likely to feel threatened by the service that Acas offers. Intermediaries that provide a 'complete support package' and are accessed for day-to-day advice as well as more severe problems may be less inclined to work alongside Acas, as they might perceive Acas to be competing with their own services. Solicitors or accountants, on the other hand, are less likely to be approached for day-to-day employment relations advice and might therefore prove to be less reluctant points of contact.
- This research aims to contribute to a continuing research agenda that scrutinises Acas' offer to SMEs. In particular, future quantitative research could consider a comprehensive analysis of the relationship between organisation growth and advice-seeking behaviour. This remained somewhat elusive in the context of the current study, partly because of the small sample size, and partly because most of the organisations did not have a notable 'growth narrative', as they were not growth organisations.

1. INTRODUCTION

The primary purpose of this research is to contribute directly to Acas' 2011-15 strategic aim of consolidating its support of small and medium-sized enterprises (SMEs) by gathering evidence on the circumstances under which SME owners and managers access information, advice and other kinds of support in order to prevent and resolve day-to-day employment relations challenges. The focus on day-to-day employment relations challenges and the earlier stages of dispute resolution is intended to supplement Acas' existing knowledge of SMEs' advice-seeking behaviour when responding to more serious problems, especially when faced with Employment Tribunal (ET) proceedings.

This opening chapter grounds this qualitative study on SME owners' and managers' advice-seeking behaviour by relating the research to the broader SME and public policy context on the one hand, and to Acas' specific objectives concerning SMEs on the other. Following decades of polemical debate that focused on the moral character of employment relations in smaller firms, in recent years, the academic literature has started to converge towards a more nuanced analysis. Unlike previous simplistic explanations, employment relations in SMEs are neither straightforwardly 'harmonious' nor 'exploitative' – but what has become apparent is that SMEs are especially vulnerable to particular kinds of challenges. Furthermore, as a consequence of their size, SMEs are likely to rely heavily on external sources of information, advice and support when confronted with such challenges, simply because these are less likely to be available internally. This preliminary contextualisation is followed by a discussion of the research design and methodology, as well as a brief description of the key themes to be addressed and how these structure the report.

1.1 SMEs in the UK

Small and medium-sized private sector enterprises perform a crucial role in the UK economy, and their significance is reflected in the most recent official statistics released by the Department for Business, Innovation and Skills (BIS). The 2011 figures indicate that there are close to 1.2 million SMEs in the UK with one or more employees, representing over a quarter of all private sector businesses and over 99 per cent of its employers. These businesses employ over ten million people, a figure that amounts to over 40 per cent of private sector employment, and they collectively turn over £1,287 billion, accounting for over 40 per cent of the private sector total.¹

The provision of jobs is perhaps the most tangible measure of the value that SMEs contribute to the UK economy. However, commentators have argued that SMEs are integral to the functioning of a healthy economy in a multitude of ways, citing, for example, their ability to respond and adjust positively to fluctuating market conditions, as well as their propensity to cultivate innovative business practice (Forth *et al*, 2006). Some, however, have argued that SMEs actually contribute to job destruction, claiming that 'the counterpart of easy entry is easy exit' (TUC, 2003: 1). Moreover, it has been argued that there is no evidence of the link between a bigger smaller sector and improved economic performance, and that the bias towards SMEs when it comes to the promotion of enterprise and entrepreneurship is misplaced (TUC, 2003).

The topic of employment relations in smaller organisations is a contentious one, and has spawned two distinct analytical outlooks. The focal point of the earlier literature to emerge on the subject was the 1971 Bolton Report, which suggested that employment relations in smaller organisations were superior to those in their larger counterparts, characterised as they were by amicable social relationships, a lack of bureaucracy, and, as a consequence, cooperation and harmony. These non-material benefits of working for a small employer were presumed to compensate for aspects such as lower pay and lower levels of unionisation. Subsequently, scholars challenged the validity of the methods that had been used to reach these conclusions and drew attention to the Bolton Report's superficial treatment of employment relations. Instead, it was argued that management styles and power structures in smaller firms often disadvantaged and disempowered employees, who were more vulnerable to exploitation (Rainnie, 1989). Rainnie suggested that there is 'a mounting body of evidence pointing to the fact that small is brutal, not beautiful' (1989:7). More recent theories have attempted to avoid these sweeping generalisations and oversimplifications, arguing that employment relations in SMEs are neither 'beautiful' nor 'bad' (Blackburn, 2005), but rather that they are highly complex and that the sector cannot be made sense of using a single economic logic or rationality (Ram, 1994; Holliday, 1995). This point relates to the more fundamental recognition that the term 'SME' cannot be deployed as a blanket term in the context of any meaningful discussion about this heterogeneous sector. Finally, it is important not to lose sight of the bigger picture: employment relations within SMEs are shaped by, and should not be considered in isolation from the wider economic, political, social and cultural context (Scase, 2003; Forth *et al*, 2006).

Interestingly, the data from the most recent Workplace Employment Relations Survey (WERS) in 2004 indicates that employees in small firms are overwhelmingly more satisfied than their counterparts in larger organisations, perceiving themselves to be treated more fairly by their employers, to have a greater degree of influence in decision-making, to work at a lower intensity and to have a higher commitment to their job than those working in firms with 250 or more employees. (Forth *et al*, 2006). However, smaller organisations are over represented in ET claims: the likelihood *per employee* of an ET claim being filed is greater for SMEs than for larger firms. Earnshaw *et al* (1998) note that 'small employers and small establishments are the source of most unfair dismissal claims' (1998:6) and it is not difficult to appreciate why smaller firms may increasingly struggle to avoid conflict situations. Since the 1980s, the UK employment landscape has been characterised by a decline in the collectivised negotiation of employment conditions and resolution of employment-related disputes. As a consequence of this trend, individual statutory employment rights have been expanded, most significantly in the late 1990s (Kersley *et al*, 2006). Unsurprisingly, SMEs are particularly vulnerable to the challenges brought about by these developments, as they are less likely to have the resources available to keep up to date with and implement the changes to the employment rights framework. In particular, they often lack internal Human Resources (HR) expertise, and their owner-managers are usually responsible for a range of day-to-day functions as well as those concerning their staff. These owner-managers are, according to one source, twice as likely to seek assistance from outside as managers of larger firms (Forth *et al*, 2006).

1.2 Research Objectives

The recognition that external sources of information, advice and support play a critical part in the functioning of the SME as a whole is the point of departure for this study.² Recent internal research into non-use of Acas services found that smaller organisations are less likely to know Acas very well, less likely to use Acas services and more likely to have misconceptions about Acas' role and the range of services it provides. That research also indicates that awareness of Acas is linked to its high profile dispute resolution services, and that smaller organisations are less likely to be aware of its helpline, publications and consultancy or training services. Since a large proportion of smaller firms are non-users of Acas services, and yet are likely to seek employment-related advice externally, it is imperative to gather evidence on what they are already doing to prevent and resolve problems on a day-to-day basis, and to identify the factors driving the use or non-use of individual sources of information, advice and support. The term 'day-to-day' reflects this project's focus on those types of employment-related challenges that may never result in an ET claim being filed. Acas has extensive knowledge of SMEs' advice-seeking behaviour once ET proceedings are underway, and for this reason, this study aims to reveal more about their advice-seeking behaviour during the earlier stages of disputes, and the preventative measures they take in order to avoid conflicts arising.

Strengthening the support that Acas offers to SMEs is a core focus of Acas' 2011-15 Corporate Plan:

Strategic Aim 2

Assist SMEs to manage their employment relations to achieve sustainable growth.

Acas will:

- *Help reassure SMEs that employment legislation does not have to be a barrier to taking on new employees and growing the business*
- *Support SMEs as they transition from very small owner manager run organisations to larger entities requiring middle managers and more sophisticated employment processes*
- *Provide quick, easy to access advice and guidance to help resolve every day employment-related problems*

The task of this research, then, is to implement these strategic objectives by enquiring into the full range of information, advice and support SMEs currently make use of, to analyse the factors that may influence the use or non-use of particular types of support, and to identify any further resources that may prove valuable to them. Additionally, it is pertinent to examine whether their advice-seeking behaviour and needs are related to the size and management structure of the organisation, and especially to the presence of middle managers and more sophisticated employment processes.

The insights generated by this research will contribute to Acas' ongoing and future work on three different fronts. First, the exploratory, qualitative data can feed into the design and implementation of a larger, quantitative study on SMEs' external advice-seeking behaviour to provide statistically representative data. Second, the findings will lead to a more thorough and nuanced understanding of

the functions of different intermediary organisations and individuals that are part of the SME landscape. This will complement and inform ongoing work within other parts of Acas that considers the potential benefits of working with such intermediaries in order to provide a more comprehensive service. Third, the study will contribute to the ever-increasing body of knowledge about the reception of Acas' own services within the SME sector and consequently to the improvement of these services. Finally, the research findings should be of interest to academics, policy-makers, practitioners and other stakeholders with an interest in employment relations in SMEs.

The existing literature that explicitly discusses SMEs' external advice-seeking behaviour tends to treat the issue rather peripherally, in conjunction with a host of other employment-related issues (e.g. Forth *et al*, 2006). The Acas publication *Small firms and workplace dispute resolution* (Harris *et al*, 2008) which offers some valuable insights, is concerned only with advice-seeking behaviour in the context of disciplinary and grievance procedures. This report, on the other hand, strives to map out and analyse the full range of sources of information, advice and support accessed by SMEs when dealing with a variety of employment-related challenges.

1.3 Methodological Considerations and Thematic Structure

1.3.1 Research Design

Given that the existing research that attends to SMEs' advice-seeking behaviour and the role of intermediaries is limited, a qualitative approach consisting of a small number of exploratory in-depth interviews with the person in the firm mainly responsible for personnel issues (in most cases the owner or manager) was deemed most appropriate for the purposes of this study. The interviews were loosely structured around a topic guide (see Appendix A), but were intended to be as informal as possible in order to encourage any significant and conceivably sensitive issues to arise spontaneously. For the same reason, the interviews were carried out face-to-face with a view to establishing a relaxed and informal rapport between the respondent and the interviewer. The interview included interviewer-initiated prompting based on specific themes that had been expected to emerge, but only after the respondent had been encouraged to speak spontaneously about their employment-related challenges and their methods for preventing and resolving them. The data was expected to provide an overview of the types of support accessed by SMEs, but more importantly it was hoped that it would offer insight and understanding into SME owners' and managers' experiences as employers, their perceptions of their support-needs and the rationales for use or non-use of individual sources of advice. Consequently, the evidence presented in this study should be read as indicative, but not conclusive, and it does not claim to be statistically representative.

Based on the three-month timeframe allocated for the study, a target was set of 15 in-depth interviews of approximately 45–60 minutes each. Due to the size of the sample, it also seemed sensible to narrow its coverage to specific industry sectors, again bearing in mind that such a small sample would not generate conclusive evidence about the individual sectors. The decision was taken to recruit five firms from each of the following sectors: Wholesale and retail trade and repairs, Manufacturing, and Hotels and restaurants. The industries were selected partly based on their overall significance within the SME sector in terms

of share of enterprise, employment and turnover, but the choice was especially informed by internal research into non-use of Acas services. This revealed that smaller organisations in these three industries are typically non-users or low users with low awareness of Acas services who do not intend to use Acas services in the future. Interviews were carried out across the UK in order to ensure a geographical spread of views, with at least one interview in each of the 11 main regions.³ SMEs with fewer than five employees were excluded from the sample because there was a concern that a discussion of employment relations in a very small organisation may not generate enough data to justify inclusion in such a small-scale study.

1.3.2 Recruitment

Initially, participants were to be recruited through two different channels, with one third to be accessed via Acas' management information database ("EARS").⁴ The remaining two thirds were to be contacted via a commercially available rented list of organisations sourced from trusted Business-to-Business data suppliers who had opted in to third party communications. The rationale for this was that it would be useful and interesting to compare known Acas users' advice-seeking behaviour to that of probable low or non-users. However, the first two respondents, who were known Acas users accessed via Acas' management information database, were such 'heavy' users of Acas services that they accessed few additional sources of information, advice or support. These unanticipated findings lead to a rethinking of the recruitment strategy: if known Acas users were likely to rely *exclusively* on Acas for employment relations support then it would merely confirm existing Acas studies which report high levels of customer satisfaction, without contributing to a broader understanding of SMEs' advice-seeking behaviour. Consequently, the remaining 13 respondents were accessed via the commercially available rented list, and were, in fact, screened using Acas' management information database prior to making contact to minimise the likelihood that they would turn out to be similarly 'heavy' users. Due to a low response rate whilst recruiting via the rented list, and to the limited timeframe for the research, almost all of the firms that responded positively to the invitation to participate were recruited. It was not pragmatic to aim for a spread across firm size and to have an equal representation of micro, small and medium-sized firms. Smaller organisations make up the vast majority of the SME sector, and this is reflected in the sample obtained. Of the fifteen participating firms, two had 5–9 employees, six had 10–24 employees, four had 25–49 employees and three had 50–99 employees. No organisation had more than 100 employees. The HR function in fourteen of the firms was performed by the owner-manager, manager or director, sometimes with assistance from other members of staff, and just one of the firms had a discreet HR role, which was a part-time position. Of the fifteen interviews, seven were carried out with a male respondent, six with a female respondent and two with both a female and male respondent. A brief profile of each organisation is provided in Appendix B.

1.3.3 Limitations

It is important to be mindful of the limitations inherent to the methodological approach outlined above. In addition to the fact that the first two organisations were contacted on the basis that they were users of Acas, all the organisations that participated in the study selected to do so voluntarily, and there may be particular factors that influenced their willingness to participate. This could

involve, but is not limited to, a combination of the following: knowledge or experience of Acas, knowledge or experience of other providers of employment-related support, high awareness of the importance of maintaining good employment relations and pride in their own management of employees, or a dissatisfaction with employment law and/or employment-related advice-provision. Finally, it must be borne in mind that this study does not claim to offer a comprehensive account of employment relations in small firms, as it does not provide a first-hand account of employees' experiences and opinions, focusing as it does on employers' attitudes to employment-related advice-provision.

1.3.4 Key Themes

The respondents permitted the interviews to be recorded and transcribed, with the assurance that the information would remain confidential and anonymous.⁵ The analysis of the data started with several close readings of the transcripts in order to achieve a thorough understanding of the contents of each individual interview. Subsequently, the interviews were coded and re-coded several times as the central themes of the main sections of this report took shape. A constant comparative method was used as a means of identifying themes and data patterns. Chapter 2 provides an introduction to the SME 'character', concentrating especially on attitudes towards employing people. It discusses SME owner-managers' criticisms of employment legislation, how they feel about being employers, and their overall perspectives on managing staff and preventing and resolving problems. This is followed by an overview of the specific types of employment-related challenges that they face on a day-to-day basis. In Chapter 3, the focus shifts towards the external sources of information, advice and other forms of support available to SMEs and the contexts in which these are accessed. Finally, Chapter 4 analyses the factors influencing the use or non-use of the various sources of information, advice and support, treating each intermediary individually and scrutinising *why* respondents use this type of support in this particular context, and not another. The chapter also considers the difference between systematic advice-seeking behaviour and ad-hoc, non-systematic advice-seeking behaviour. The aim here is to identify patterns and tendencies that shed light on the rationales for use or non-use of individual sources of advice in order to advance some preliminary recommendations for Acas, which are developed in Chapter 5.

1.4 Summary

This chapter examined the existing literature that addresses employment relations in SMEs, noting that there has been a move away from simplistic analyses that depict employment relations in SMEs as either 'harmonious' or 'exploitative', and towards a greater appreciation of the diversity of attitudes and practices. Subsequently, the motivations for and objectives of this particular study were situated within the wider framework of Acas' strategic aims. There are multiple ways in which the study will contribute to Acas' ongoing and future work with SMEs. First, it can inform the design of a larger, quantitative study on SMEs' external advice-seeking behaviour to provide statistically representative data. Second, it will clarify Acas' understanding of the various intermediaries that are part of the SME landscape with a view to providing a more comprehensive service. Third, it will generate further evidence on the reception of Acas' own services.

2. THE SME CHARACTER AND TYPICAL EMPLOYMENT-RELATED CHALLENGES

This chapter opens with a provisional character sketch of the SMEs under study, whilst remaining sensitive to the difficulties of generalising about such a large and diverse sector. It introduces some key aspects of SME owners' and managers' employer-identity, including their preferred approaches towards managing people as well as their attitudes towards employment legislation and how it shapes their perspectives on employing staff. This is followed by an overview of the various day-to-day employment-related challenges that were articulated by the participants. This chapter relies primarily on the original data collected during fieldwork and is not literature-based. However, some of the findings, for example those relating to SMEs' attitudes towards employment legislation, were not a central focus of the interview, but emerged spontaneously within the framework of discussions concerning the prevention and resolution of employment-related challenges.

2.1 The SME Business Identity

One of the first issues to address is the extent to which the respondents perceived themselves to be entrepreneurs running a business, or as members of a particular profession. The distinction is salient because it could be argued that those who think of themselves in terms of their profession might conceptually prioritise the actual work practices associated with the profession over other aspects of the business. It would follow that other issues, including those concerning the management of employees, could be considered to be of secondary importance. Conversely, a SME that sees itself primarily as a business might be more likely to consider personnel issues to be integral to its day-to-day functioning. Of course, the two characterisations are not mutually exclusive, and indeed, all 15 cases fell somewhere along a continuum between the two. However, running a business featured more strongly than practicing a profession. Yet among those who self-identified primarily in terms of their profession, there was an explicit acknowledgement of the value that employees bring to the business. The following quotes illustrate this disposition:

Staffing costs run about 50 per cent of the overheads. So they're the most expensive thing we have and ... perhaps our greatest asset. So that's why effort is put in to encourage knowledge and training.

(Wholesale and retail trade and repairs)

I like my staff to be happy because I feel it's important in this sector, because customers do not want to come into a pub and see grumpy bar staff. They want to come into a pub and have a beer and have a bit of a laugh and a chat.

(Hotels and restaurants)

Overall, *all* of the respondents made statements to this effect, explicitly or implicitly linking the presence of high-performing staff to the success of the business, and relating the latter to positive employer-employee relations.

In this study, despite the fact that the majority saw the organisation first and foremost as a business, growing the business and recruiting more staff was not

on the immediate agenda for most. Of the fifteen interviewees, only two reported that the business was growing and that the intention was to sustain this pattern of growth. Another explained that the business had been growing steadily for a long time, but that recently a limit had been reached, both in terms of the physical space available to expand the business, as well as the amount of time that the owner-manager was willing to dedicate to the job. A third also replied that (s)he would like to expand if the physical space were available, but that unfortunately this was not a realistic prospect. One respondent explained that since taking over the company, the new team of owner-managers had reduced staff numbers whilst continuing to grow in turnover, and that this had been achieved through a fundamental restructuring of the business. The remainder had either been severely affected by the recession and were, or had until recently been in a state of decline, or they reported that they were grateful to have been relatively consistent in terms of number of employees and turnover for quite some time, and were content to continue that way. Due to financial constraints, one of the struggling firms had recently started to contract out roles that had previously been internal to the business. In some cases this entailed making employees redundant before bringing them back on a self-employed basis. A few others relied on agency workers during busy periods such as the run-up to Christmas, but overall most of the organisations preferred to have as many staff as possible on their payroll.

According to the 2005–2006 segmentation model developed by Business Link (2010), most of the firms, including the firms currently affected by the recession, would fall under the rubric of 'Lifestyle' or 'Steady State' businesses, although of course the segments are not fixed and businesses may transition from one to another during their life cycle for a number of reasons. According to Blackburn (2012), the segmentation defines a 'Lifestyle' business as follows: 'Owner managed businesses with little aspiration to grow above levels that maintain their relative position in the market. People motivated to be in business in order to be their own boss and in control of their lifestyle'. 'Steady State' businesses are 'team managed businesses unwilling or unable to grow above levels that maintain their relative position in the market. Includes companies growing moderately (within the confines of their existing capabilities or overall market growth), as well as those with level or declining sales/profit'. However, at most *one* of the firms would be classified as a 'Growth' firm, which are understood to be 'owner managed businesses with the ambition to grow above levels that maintain their relative position in the market'. Two of the companies could be considered to be 'Corporate Growth' firms, which are 'team managed businesses growing or forecasting rapid growth in sales and/or profits above levels that maintain their relative position in the market. May be trailblazing innovators and market leaders with significant growth aspirations'.

Regardless of their character, the majority of the interviewees conveyed that they felt a sense of camaraderie and empathy with other small firms, and frequently remarked that they were sure that views similar to their own had been articulated in the previous interviews conducted by the researcher. Many were keen to emphasise that they were good people and fair employers, and were frustrated by what they felt were grave misperceptions of their moral character, which too often branded them as the exploitative 'villain'. They observed that there were fundamental differences between their own management of employees and the practices of larger firms, and felt strongly that these should be reflected in the particulars of employment legislation.

2.2 The HR Function, Organisation Structure and Management Style

As indicated in the previous section, the respondents recognised that their staff were the backbone of their business and gave numerous examples of how the performance of individual staff was correlated to the success of the business as a whole. However, only one of the fifteen firms interviewed was found to have a discreet HR function, and in this case the role was part-time, comprising just one day a week. In the other cases, the HR responsibility was primarily borne by the respondent, whose task, in one owner-manager's words, was to 'make sure that everyone is doing what they are supposed to be doing'. However, many also emphasised that they had additional responsibilities that were not related to their staff, such as dealing with suppliers or marketing, and noted that HR was only one of their many 'hats'. The majority were quick to point out that they were supported in their role by other members of staff, usually co-directors or managers, or by more junior management or administrative staff. In cases where the assistance was provided by administrative staff, it usually consisted of more mechanical tasks such as managing the payroll, whereas senior staff tended to be more involved in decision-making, and analysing and finding solutions to problems. Interestingly, more junior management staff, or line managers, often did not feature in the initial discussion of the HR role. However, during the course of the interviews it would often transpire that even though line managers may not have been formally assigned major decision-making responsibilities, in practice they were often at the helm of day-to-day dealings with employees. Respondents were fairly certain that staff-related issues would eventually be mentioned to them by line managers, but most were also confident that the managers would be able to resolve most issues quickly and informally to everyone's satisfaction. The importance of these key members of staff should not therefore be underestimated. The interviews revealed a heavy dependence on managers, and this dependence could have severe consequences if anything went wrong:

I think when you're a small business you do rely on your senior staff, so when they let you down you do feel 'catch 22, what to do'. I think if you're in a larger organisation you just say 'You're gone, that's gross misconduct, you're gone'. But in a smaller business you have to look at the bigger picture and weigh up how losing that one key member of staff is going to affect your business and for the short term it's usually quite devastating on the owner of the business, because as well as doing 70, 80 hours a week on your own, you're picking up the work of your second in command ... And if we get rid of him we've got to get a new assistant and train them up ... It's like 'better the devil you know'.

(Hotels and restaurants)

A number of the specific instances of employment-related problems that had occurred involved line managers, and line managers' relationships with other members of staff was found to be an important aspect of positive employment relations within the firms. The following quote provides insight both into the expectations that employers have of their line managers, but also more generally into employers' preferred people management styles and methods for preventing and resolving problems:

One of [the line managers] in particular is not a very good man manager and not a very good communicator. But he's very good with the public. The other one is, the new one, she's actually very good on the formalities of employment law but a bit too officious for, you know, we're very

relaxed ... she's probably a bit too officious for this environment. We are very, very relaxed here but my employees have been with me for years. It's a bit old fashioned but if it works ...

(Hotels and restaurants)

The interviews as a whole were peppered with a certain set of descriptive words and phrases that the respondents felt applied to their organisation: 'relaxed', 'informal', 'laid-back', 'open', 'family-like' and 'old-fashioned'. Although the need to be aware of the small print of legislation was considered to be indispensable or at the very least advantageous, there was a unanimous preference for informal methods of people management and conflict prevention and resolution. Communication and common sense were cited as the key to good employer-employee relations, with many of the respondents practicing an 'open-door policy' whereby members of staff should feel comfortable discussing any concerns directly. Others explained that the line managers would be the first port of call in practice, but that this was not a formal procedure and had emerged naturally in the context of day-to-day operations. It is not surprising then, that none of the firms had official employee representation, although in one case the interviewee explained that one of the employees acted as the employee representative in an unofficial capacity. Employers made it clear that they cared about their employees' wellbeing and did their best to accommodate personal circumstances, although they also emphasised that they expected their staff to minimise the disruption that any personal issues could cause to their job. They desired to cultivate positive social relationships and keep conflict to a minimum. They spoke explicitly about keeping employees informed about and involved in important business-decisions. Roughly half encouraged their staff to undertake additional training and obtain further qualifications. They often spoke of their workforce as a family, and indeed over half of the organisations employed actual family members (cf. Ram, 1994; Holliday, 1995). In these cases, the organisations are categorised as having a 'very informal' management style (see Table 1 below). The distinction between 'informal' and 'very informal' styles of management was based on the manner in which the 'informality' was described. So, for example, the owner-director who described himself as 'one of the lads' and the owner-manager who described herself as 'the mother hen looking after all her chicks' were judged to have a 'very informal' management style. This final point about the preference for informal management of staff is directly linked to SMEs' advice-seeking behaviour, in the sense that advice sources that challenged or contradicted this preference for informality were perceived as problematic. This will be discussed in more detail in Chapter 4.

Table 1 reveals that it is important to distinguish between a preference for informal management style and the actual management *structure* of the organisation. Although the organisations claimed that they were 'informal' and 'open', a few also spoke about the importance of having a clear organisational structure and hierarchy. These organisations had a well-communicated management structure in place which ensured that each individual knew exactly what their job was and who they reported to. This was considered to be a requirement of positive employment relations:

I think the personnel things are very important and if you've got the right policy and structure in place you don't need to put any ... you don't have to look at them every day.

(Wholesale and retail trade and repairs)

The key thing about restaurants is hierarchy, and it's terribly important for a number of reasons. Health and safety is absolutely key, so everybody has to know exactly what their job is, and we're one of the few businesses where we have got to be able to respond immediately to demand. So everybody has to be very clear about what their job is, which, in some ways, makes it easier, in a way, to manage as long as you have strong management at the top because it's non-negotiable what you're required to do.

(Hotels and restaurants)

Table 1 (below) demonstrates that the existence of a strong management structure is linked to firm size, with the largest organisations exhibiting high levels of hierarchy. This is understandable, since formalised practices and procedures are intended to facilitate consistency in work practices, and become increasingly important the greater the distance between employer and employee. However, the second quote also suggests a link with organisation sector, as a combination of food safety and immediate customer presence was identified as the rationale for having a strict hierarchy. Interestingly, the participating Manufacturing companies tended not to be hierarchical, although this might have been expected to be the case due to health and safety concerns. However, this might be a result of the size of these companies, as they were mostly located towards the smaller end of the range interviewed.

2.3 Employment Legislation

This section focuses on the respondents' views on employment legislation and the legal landscape. The former is often perceived to be biased towards employees, riddled with ambiguities and time-consuming to adhere to, whereas the legal landscape in general is criticised for having transformed into a 'settlement culture' where the main players are contingency fee lawyers and insurers. However, a significant minority did not perceive employment legislation to be especially burdensome, and others still identified the occasional 'rogue employee' as the root cause of employment-related problems.

There was a prevalent negative attitude towards employment legislation, even though views on this topic were not explicitly sought during the interview (see Table 1 below). The following comment from an employer concisely summarises the overall concerns with employment law that emerged during the interviews:

My main beef at the moment is that there's too much red tape and everything is geared too much in the employee's favour now ... It's gone the wrong way, it's got out of hand, isn't it?

(Manufacturing)

The central problem that interviewees identified with employment legislation is that it benefits employees at the expense of employers.

I do feel it was, you know, when they say 'Oh take an extra day' ... taking an extra day out of us is a lot of money. My gripe is, I understand that you earn your holidays, but as self-employed I don't. That's my choice and I stand by that, but I just think the way that employees perceive it is 'It's my right. If the book says I can get it, there's no give and take'. Never mind the times when I can't - I have to pay you whether you stand there and look out that window, I have to pay you. I don't feel we get that.

(Wholesale and retail trade and repairs)

A variety of other factors were perceived to aggravate the issue. Firstly, the complexities of and frequent changes to employment legislation were cited as a barrier to an awareness and understanding of its content. This was mentioned in a matter-of-fact manner even by those employers who did not personally complain about employment legislation. However, those that did feel adversely affected by the expansion of employment legislation made their frustrations quite clear:

One of the problems nowadays ... is that you cannot run a business, you are hidebound by all sorts of rules and regulations, and you can't do the things that you need to do sometimes.

(Wholesale and retail trade and repairs)

Apart from getting through a Saturday night, employing people is now the hardest part of this job. Yes and it didn't used to be, and it shouldn't be, and it makes it harder and harder ... It's the changes to the law and people's awareness of the changes. I am all for employee rights, but the balance isn't right ... where are the employers' rights?

(Hotels and restaurants)

The ambiguities of employment legislation were also cited as a problem by a couple of employers, who complained that they were occasionally confronted with situations where the law provided little guidance. In one case, the respondent explained that the business had been severely affected by the lack of clear guidance as to how long a job should be kept open for an employee on long-term sick leave.

Another specific feature of employment legislation highlighted by employers as a major obstacle to the smooth running of the business was the amount of *time* involved in adhering to formal procedures required by the law, even when they were clear as to what these procedures were. Several respondents explained how, with hindsight, they wished they had formally recorded certain staff-related incidents as they arose, but explained that this had not seemed to make practical sense at the time, and moreover that it conflicted with their preferred informal techniques of managing their staff. But the consequence of a failure to record an incident was that it became impossible to refer back to it if the problem repeated itself or became worse. However, the amount of employers' time consumed by following through the sequence of recording incidents, formal communications, meetings and appeals jeopardised the day-to-day operation of the business, where quick solutions were needed to minimise the level of disruption caused. Although overall the value of formal procedures was acknowledged as a means of assuring that employees remained protected, the general consensus was that larger organisations were in a better position to reconcile the implementation of these procedures with day-to-day operational realities.

So we might phone the [name of industry association] and say 'Where do we go from here?' 'Right, you need to do this, this, this and this, and our first reaction is 'Oh, we just don't have time' ... You need to do the medical report, you need to write to him asking for his consent and then you need to ... and our first reaction to a lot of it is 'Oh for God's sake'. The amount of time these things, this is weeks away. Now you're going to have to start to write to people to tell them they're going to come for a disciplinary hearing. So other than saying 'You were doing something on the shop floor

and I decided that it was dangerous enough that I had to send you home', you would have been sent home to come back at nine o'clock. Now what will happen is you'll have to wait until I give you a letter to tell you to come back at nine o'clock ... So things are changing and it's easy to say 'Argh rubbish, just tell the guy to come back in at nine o'clock'. But quite often although we resist some of these we still go by the letter. Because if we do end up in a tribunal or an industrial injury claim as with the insurance, the first thing they look for is a good paperwork system. And to be fair it's the way it should be, it's the right way to be.

(Manufacturing)

A further concern which was articulated was to do with the existence of so-called 'no win no fee', or 'contingency fee' lawyers. There was a general sense that the presence of these lawyers encouraged unjustified claims by employees who had nothing to lose simply 'trying their luck', having spotted an easy way to a financial benefit. The contingency fee lawyers were perceived to be part of a 'culture of settlement' that encouraged morally dubious behaviour on the part of employees, and were identified as a driving factor behind the increase in the volume of tribunal claims brought against employers (cf. BCC, 2011). Overall, two slightly different commentaries on the prevalence of contingency fee lawyers and the widespread practice of settlements emerged. Some argued that the system was undoubtedly unfair and led to unjustified claims and payouts. Others seemed to think that although it allowed for some unjustified claims, it would be very difficult to change it without jeopardising employees' rights; they did not indicate that they would favour a total overhaul of the existing system. Instead, they emphasised that larger organisations had the resources to deal with the 'rogue' claims, but that the law should differentiate in some way between smaller and larger organisations in order to ensure that the former do not disproportionately shoulder the burden of legislation. There was a general sense that a failure to change things would deter increasing numbers of employers, or potential employers, from hiring:

The market will always be trying to get around the law rather than just accepting and saying, 'Hey, that's the law. I've got to deal with it'. So the more employment law you have, it can actually act as counterproductive because people feel, 'Oh, I'm not going to take someone on for the risk of being sued or whatever'. That's a remark I have heard dozens of times. There is a reluctance to hire people.'

(Hotels and restaurants)

Three of the respondents who were in the manufacturing industry mentioned a similar problem with regards to health and safety legislation, expressing concerns that a 'health and safety culture' emboldened certain employees to 'try it on' and deceive employers and insurers over health-related incidents in the workplace.

[The lawyers] would do a deal with the two insurance companies and then [name of the insurance company] would say to us 'Oh, but it's only £1000'. No, no, no, listen guys, you're starting a rot, we were following on as Little America. This is the claim culture and blame culture that we've now developed into.

(Manufacturing)

The legal insurance providers were also culpable, as they were overly eager to settle the affair and offer financial compensation to the claimant before the

dispute could progress to the next stage. They were accused of remaining indifferent as to who was morally in the right, with their desire to protect their own interests as a business overriding any concern with justice. This point about the downsides of having legal insurance in place will be returned to in Chapter 4, which explores the perceived advantages and disadvantages of individual advice-providers.

It is interesting to note that sometimes the responsibility for disputes was perceived to lie in the first instance with unreasonable and inconsiderate employees who knew how to 'play the system' or 'max their entitlements' and only secondarily with the system itself, that it to say the employee rights enshrined in the law. In one case, the respondent was thinking through potential issues that could arise in the future, and mentioned that (s)he thought that a key member of staff was likely to have a baby at some point over the next couple of years. Commenting on the prospect of paternity leave, (s)he observed:

He's my Head Chef, what do I do? That is a potential, massive problem. He doesn't seem the sort that will max his entitlements. He's really delighted that he can be a chef and have every day till three o'clock at home because we don't open lunch times. So I'm hoping that ...

(Hotels and Restaurants)

Another employer had a key member of staff preparing to go on maternity leave at the time of interviewing. The member of staff in question had been present during two previous maternity leaves at the company, which had both had a negative impact on the business, even though neither of the women in question had done anything 'wrong'. As a result, the member of staff had carefully considered how to minimise the disruption to the business:

The previous two that we've had ... have just gone 'Bye bye', and hadn't thought it out. [Name]'s really thought it out ... She's actually said even when she's on maternity leave technically she's planning to come to a big meeting with me. On a Sunday. There's not many people that will do that. She goes, really, out of all the staff we've ever had, she goes above and beyond ... We've already gone through staff meetings to say 'Okay, while [Name]'s away this is your job'. She's training everybody to do part of her job as well.

(Wholesale and retail trade and repairs)

Here, the problem again is ultimately that the law is perceived to be biased towards the employee. However, the immediate responsibility for problems is displaced onto the inconsiderate and unreasonable employee for taking full *advantage* of the system.

Unsurprisingly, as Table 1 (below) demonstrates, of the nine respondents who expressed their dissatisfaction with employment legislation and regulation, seven had been involved in an Employment Tribunal claim, although in some cases the issue had been resolved before it progressed to a hearing. There was only one case where the employer had dealt with a tribunal claim in the past but was not explicitly critical of employment legislation. Of the respondents who did *not* have any specific complaints about employment legislation, most did not perceive employment issues to be burdensome and seemed to take challenges in their stride, although they fully appreciated the importance of having strong employer-employee relationships. There was a tendency in this group to believe that if all of the necessary structures and policies were in place then that was usually enough

to prevent problems from arising. Of this group, those that *did* mention specific incidents again traced the cause of the problem to exceptional instances of 'rogue employees'.

Every now and then you'll get the odd bad rotten apple, but that's no different to ... any company as such. Every now and then you just have to deal with the odd one.

(Manufacturing)

Table 1: Attitudes towards employment legislation and managing staff

Org*	Industry**	No. of employees	Age (yrs)	ET Claims***	Critical of employment legislation?	Management structure	Hierarchy	Family members	Management style
1	H	25-49	0-9	N	Y	5 line managers with a high level of HR responsibility	Yes	N	Informal
2	H	10-24	0-9	N	N	3 directors, each with their own layer of management who deal with their own HR issues	Very hierarchical	N	Informal
3	H	25-49	10-24	N	Y	2 other management staff without major HR responsibility	No	Y	Very informal
4	H	50-99	10-24	Y	Y	6 line managers with a lot of HR responsibility	Very hierarchical	N	Very informal
5	H	10-24	0-9	N	N	3 managers with some HR responsibility	No	Y	Very informal
6	M	10-24	50-99	N	N	1 manager with a lot of HR responsibility	No	N	Informal
7	M	50-99	100+	Y	Y	Several layers of management, some of which have a lot of HR responsibility	Yes	N	Informal
8	M	10-24	50-99	Y	Y	1 manager who has a lot of HR responsibility	No	Y	Very informal
9	M	10-24	25-49	N	N	1 manager with a lot of HR responsibility	No	Y	Very informal
10	M	5-9	10-24	Y	Y	1 manager with little HR responsibility	No	Y	Very informal
11	W	50-99	100+	N	N	One layer of management with some HR responsibility between directors and other staff	Very hierarchical	N	Informal
12	W	25-49	100+	Y	Y	2 directors plus one manager who has a lot of HR responsibility	Some	N	Informal
13	W	5-9	100+	Y	Y	1 manager but no HR responsibility	No	Y	Very informal
14	W	25-49	25-49	Y	N	4 directors with a few extra management staff who have some HR responsibility	Some	N	Very informal
15	W	10-24	25-49	Y	Y	No management staff	No	Y	Very informal

* The organisation order has been randomised in order to prevent cross-referencing and preserve the anonymity of the participants.

** H = Hotels and restaurants; M = Manufacturing; W = Wholesale and retail trade and repairs

*** Employment Tribunal claims filed, which may or may not have gone to a hearing.

2.4 Typical Employment-Related Challenges

Table 2 presents a brief overview of the different kinds of employment-related challenges that were raised by respondents in the interviews. For each organisation, the list of problems is not exhaustive, as the participants may have neglected to mention others for a number of reasons. Some even bemoaned that they were sure that more incidents had occurred, but that they could no longer remember them. However, Table 2 gives an indication at least of the more memorable staff-related issues that SMEs may experience as a challenge. It is important to bear in mind that many of the problems overlap in the concrete examples mentioned – for example a lateness/absence case might be connected to general underperformance. Or an issue that was performance-related from the employers' perspective might be viewed as discrimination by the employee, and may consequently result in a grievance.

Absence, lateness and sickness were the most frequent problems affecting the participating organisations. Lateness problems were perceived to be fairly easy to resolve, but absence due to sickness, especially long-term sickness, was frequently described as having a severe effect on the business. In some cases, employers doubted whether the illness was genuine, especially if there was evidence that the 'stressed' or 'depressed' employee was out and about in the locality. This sometimes resulted in ill feeling amongst other members of staff who felt that it was unfair that a colleague was being paid if (s)he was not genuinely unwell. Genuine cases of long-term illness also disrupted business operations, as employers spent time and money finding cover, without knowing for sure how long it might be needed for.

Performance issues were also challenging, although employers generally felt that they had the mechanisms in place to handle staff underperformance. The biggest concern was when a member of staff had been consistently underperforming and the employer had given up hope that (s)he would ever genuinely change, even though (s)he might show momentary signs of improvement following a warning or an appraisal. The chief problem was that in such cases, it was perceived to be difficult to dismiss the underperforming employee, especially if they had shown brief signs of improvement, without risking future legal action.

Discrimination and grievance issues were a common source of frustration. According to the respondents, they were often connected to underperformance or misconduct in practice, but the potential for misunderstanding was enormous, and there was a strong feeling that in this regard especially, the law was heavily biased towards the employee. Occasionally, the dispute had involved two employees, or an employee and a manager, and was not initially an employee-employer dispute. In some cases, the problem had been triggered by redundancies or moving staff onto short-time. In general, though, although the volume of redundancies was found to be on the increase as a result of the recession, they were seen to be fairly straightforward, albeit unpleasant and emotionally draining processes.

Cases of gross misconduct involving theft, alcohol and violence, to name a few, were also generally perceived as straightforward if there was evidence available, and on the condition that the issue did not then develop into a different type of problem. The latter occurred, for example, when an employee who had been the victim of violence by another employee ended up initiating grievance procedures

against the employer. Maternity leave and holiday pay, on the other hand, were each described by respondents as 'crippling' on more than one occasion. In both cases, the burden primarily resulted from having to spend time and money on replacement staff. Maternity leave was viewed as especially problematic because of the uncertainty surrounding the employee's return to work, which prevented the business from making clear plans for the future and committing to new members of staff.

Table 2: Overview of employment-related challenges

Organisation*	Industry**	Absence/ Sickness	Performance	Discrimination/ Grievance	Redundancy/ Short-time	Holidays/ Holiday pay	Maternity/ Paternity	Misconduct
1	H	Y		Y				
2	H	Y	Y	Y		Y	Y	
3	H	Y	Y	Y				Y
4	H			Y			Y	
5	H	Y	Y	Y		Y		Y
6	M	Y	Y		Y	Y		Y
7	M	Y	Y	Y				Y
8	M	Y	Y	Y				Y
9	M	Y		Y	Y			
10	M	Y			Y			Y
11	W	Y			Y		Y	
12	W		Y	Y	Y			Y
13	W	Y	Y		Y		Y	Y
14	W	Y		Y	Y	Y	Y	
15	W	Y	Y	Y	Y		Y	Y

* The organisation order has been randomised in order to prevent cross-referencing and preserve the anonymity of the participants.

** H = Hotels and restaurants; M = Manufacturing; W = Wholesale and retail trade and repairs

2.5 Summary

This chapter has examined some of the more important character traits of SMEs that pertain to employing people. This includes attitudes towards growing the business and taking on staff, which was generally found not to be a priority amongst the SMEs interviewed. All but one of the organisations were found to have no discrete HR role and the responsibility for personnel was primarily borne by the respondent. All of the firms saw themselves as good and fair employers, expressing a preference for informal staff management based on the principles of communication and common sense, although interestingly this was associated in some cases with strong management structures and a strict hierarchy. There was a clear criticism of employment legislation, and what was seen as the payout culture and contingency fee lawyers perceived by some to define the legal landscape today. Finally, the chapter offered an overview of the types of employment-related challenges faced by the firms, which included absence and sickness, underperformance, discrimination, staff grievances, redundancies and short-time working, holiday and holiday pay, maternity and paternity issues, as well as instances of misconduct. The following chapter proceeds to survey the range of intermediaries that SMEs access for information, advice and other forms of support when faced with such challenges.

3. INFORMATION, ADVICE AND OTHER FORMS OF SUPPORT

This chapter explores the role of diverse intermediary organisations and individuals that are currently on the SME radar as providers of information, advice and other forms of support. The aim of this chapter is to provide the reader with an indication as to the *range* of intermediaries that are a feature of the SME landscape. It does not advance an argument about their overall relevance within the SME sector, nor the advantages and disadvantages that may be associated with the various providers of information, advice and support. An analysis of the factors influencing the use or non-use of particular intermediaries is the focus of Chapter 4 of this report. This chapter, on the other hand, seeks to identify the key players in the SME advice marketplace, exploring the different types of advice they provide and identifying the contexts in which these tend to be accessed. The complexities of the SME advice marketplace are illustrated by Table 7 towards the end of the chapter, which presents an overview of the different kinds of information, advice and other forms of support that were relevant to the businesses that participated in the study.

3.1 The SME Advice Marketplace

The SME information, advice and support marketplace is vast and varied. The data here serves as an indication of the range of employment-related information, advice and support that is on offer to SMEs in the UK today. First, it is important to clarify what, precisely, is meant by 'information', 'advice' and 'support'. The distinction is salient in spite of the fact that for practical purposes, the three have been described collectively as 'advice' or 'support' throughout much of this report. The principal difference is between providers of 'information' and providers of 'advice'. The former communicate knowledge of a particular fact or circumstance to SMEs in an objective and impartial manner. Advice-providers on the other hand offer more than just the facts – they suggest a guide for action in a particular situation by stating their views and recommendations. In short, whereas information is objective *fact*, advice consists of *guidance* that professes to be in the SME's best interest. Information is not directly linked to the context or circumstances in which a particular SME finds itself – it is something which is 'out there' in the world and can be accessed, in principle, by anyone at any time. The most obvious examples of information sources that may be of relevance to SMEs are websites such as Directgov, Acas or Business Link. Advice on the other hand lacks the permanence of information, since it is a guide for concrete action and is therefore conditioned by the precise situation that has provoked the call for action. Consequently, it tends to be delivered by a person who is able to respond to the SME by expressing her/his opinions and recommendations. Solicitors, private HR consultants and helplines manned by legal advisors are examples of advice providers whose services are relevant to SMEs. Finally, for the purposes of this report, the term 'support' should be understood to refer to any other kind of employment-related service delivered to SMEs. This may encompass implicit or hypothetical advice that is not clearly linked to a particular employment-related challenge but nonetheless indirectly boosts SMEs' capacity for preventing and successfully resolving challenges. Examples of such support sources might include the undertaking of training courses or projects that have a HR component, as well as networking events that may lead to contact with other advice or information-providers.

In practice, of course, these three different types of assistance may overlap; for example, a website may provide information on the law, but may also offer explicit recommendations for action in particular situations. The most significant overlap occurs in the form of 'complete support packages' that often include a legal insurance component, which are commonly delivered to SMEs via associations such as the Federation of Small Businesses (FSB), local chambers of the British Chambers of Commerce (BCC), industry or trade associations, or private HR consultancies or insurance companies. The membership or subscription package often consists of various components. For example, it may include advice-provision via a legal helpline and the guarantee of legal representation and insurance should a case be taken to an Employment Tribunal. Additional advice may be available in the form of document templates and draft letters. Information could be provided on a website or in email bulletins, and there may be opportunities to access support in the form of training courses or networking events. These complete support systems will be considered in detail as a distinct type of provider towards the end of this chapter, and not analysed in terms of their component information, advice and other support elements. This is partly because they all offer a similar combination package of information, advice and support, and often legal insurance, and can thus be sensibly treated as a separate 'group', and partly because there was a strong prevalence within the sample of businesses who relied on their services.

The following summary of the range of information, advice and support sources that the participating organisations mentioned in the interviews also gives an indication as to the types of issues that prompt the contact between the SME and the intermediary. It is important to remember that the list of intermediaries is not necessarily exhaustive. As a case in point, only five respondents explicitly mentioned using search engines, typically Google, as a tool for finding information or advice, although it is probable that many more, if not all of those interviewed have, at some point, 'Googled around' in order to find the answer to a query. Moreover, the number who stated that they use the Acas website may partially reflect the fact that the interview was being carried out by Acas, and that a specific section of the interview was dedicated to respondents' perceptions and experiences of Acas' services. This overview, therefore, serves primarily to highlight the *range* of intermediaries that have a stake in the SME advice marketplace, and not their relative importance.

The individual providers were only included in the overview and in Table 7 at the end of the chapter if they had been used by the organisation in question on at least one occasion *or* if explicit structures were in place to enable use, even if this had not taken place to date. For example, if a respondent stated that they would only use their solicitors for employment-related advice if the problem involved more senior members of staff, but that this type of problem had not yet occurred, then this would be included, since a relationship with the advice-provider has already been established. However, if a respondent said that they had never used Acas services in the past but would consider doing so if they were confronted with an Employment Tribunal claim then this would not be included, since no concrete relationship exists between the employer and the intermediary. Also, many of the respondents reported having terminated a complete membership or subscription package with a provider. In this case the provider is included in the overview, and is identified in Table 7 as having previously been used by the organisation. The reasons for such terminations are discussed at length in Chapter 4, which

examines the disadvantages as well as the advantages associated with the various intermediaries. Finally, intermediaries were not included in cases where the respondent reported use of the provider in a previous role with a different organisation, but not in the context of her/his current job.

3.2 Information Providers

The majority of information-providers were web-based, and the website which was mentioned most frequently by respondents was the Acas website. Over half of the interviewees said that they consulted the Acas website. Their reasons for looking on the website varied, and included 'technical issues', wanting to find out about changes to employment law, and requiring information about different types of contracts. One respondent said that the Acas website was useful for issues of a sensitive nature involving employee grievances or allegations of discrimination. Another said that although (s)he wasn't overly familiar with the website, (s)he was aware that the factory manager often consulted it in order to strengthen her/his knowledge of informal people management techniques. Several respondents explicitly mentioned search engines as stand-alone sources of information, without referring explicitly to the websites to which they were directed, in spite of the fact that search engines themselves are not original sources of information. Some of the respondents said that they found the government's Directgov website useful, using it, for example, to obtain information about the entitlements associated with maternity leave. Several others stated that they occasionally look on the Business Link website, with one mentioning that it was useful for calculating the potential cost of redundancies in order to facilitate decision-making. Searching the Internet was generally viewed as a good way of finding out about updates and changes to employment law, although one respondent warned that there was a lot of opinion on there as well as fact. Although some respondents indicated that they looked on the Internet regularly simply to keep themselves updated, most revealed that they tended to go there to check specific facts or to find the answer to a particular question that had emerged due to an issue with an employee. However, the issue was not usually considered serious enough to be a problem, but rather a routine procedure such as needing to make sure an employee received the right amount of maternity pay. In this way, it becomes clear that SMEs tend to access Internet information providers in order to ensure compliance with the law, which serves to minimise the risk of more serious problems emerging in the future.

The Acas Code of Practice on Disciplinary and Grievance Procedures and/or the accompanying guide were used by a small number of the respondents in order to ensure that the company's policies were kept up-to-date and were fully compliant with employment regulation. Newspapers, which could be relied upon to forewarn of imminent changes to employment law and covered interesting or controversial employer-employee disputes, were mentioned by one respondent as a useful source of information. Another explained that although trade magazines did not concentrate on employment law, any major changes, especially those that were of particular relevance to the industry, would be flagged up there. Finally, one firm paid a subscription to a range of bulletins from a company that provides businesses with regular hard copy updates on a range of issues, including personnel. The firm first came across these bulletins when they were mailed free trial copies. Interestingly, use of these various publications was more likely to occur even when there was no employee-related prompt to seek advice. Again, this increases compliance with employment regulation, and renders these

publications even more significant as a means of preventing disputes concerning entitlements, for example, from arising in the first place.

Table 3: Intermediaries - Information

Websites	<ul style="list-style-type: none"> • Acas • Search engines • Directgov • Business Link
Publications	<ul style="list-style-type: none"> • Acas Code of Practice and/or accompanying guidelines • Newspapers • Trade Magazines • HR Bulletins

3.3 Advice Providers

Overall, the participating organisations mentioned a larger number of sources of employment-related advice than employment-related information. The most frequent assistance came from lawyers: a majority stated that they had received advice from solicitors, and one from a barrister. The latter had assisted with an ET claim, and solicitors had also helped a few employers fight an ET claim. Most of the businesses had a long-standing relationship with a firm of solicitors who they relied on for legal advice pertaining to all aspects of the business, not just employment. In terms of employment advice, solicitors were said to be used ‘for any legal situation’, ‘only for serious situations’ or ‘as a last resort’. One stated that they would only use their solicitors for a HR issue if the problem was either very complex or if it involved the company directors. Significantly, only one respondent said that the firm used solicitors for almost all employment-related issues. This included everything from updating the handbook to assisting with redundancies by establishing a score-based performance appraisal system. Interestingly, this was the only case in which a firm of solicitors who specialised in employment law was paid a monthly fee in order to be accessible via a helpline for any employment-related issue. This arrangement did not include legal insurance for ETs or the other online resources that the membership/subscription packages discussed in section 3.5 included. Nonetheless, it resembled the membership/subscription packages in the extent to which it was used for day-to-day employment relations problems, and thus in more of a preventative capacity. In most cases the solicitors were in place to help with tribunal claims or ‘serious’ problems that could have far-reaching legal consequences, and tended to be perceived as a last resort when a full-blown dispute needed a resolution. In the few cases where the solicitors were employment law specialists, they had advertised their services via a mail-out, and in another case the respondent had sought specialist legal advice on the recommendation of an Acas helpline adviser.

Many of the participating organisations had used the Acas helpline, albeit to varying degrees. Some indicated that they were frequent users, whilst others could only remember ever having phoned it once. One respondent said that (s)he phoned the helpline for simple, straightforward problems, and used another source for more complex issues. Most of the respondents were able to give specific examples of cases where they had phoned the helpline, and these included guidance on making redundancies, switching staff to short-time working, queries relating to a Transfer of Undertakings (Protection of Employment) (TUPE) agreement, maternity entitlements, and a dispute between two employees. In

some of the cases the employers called in order to seek clarification about an aspect of employment law, and whilst the call had been prompted by a particular employee's situation, it was not serious enough to be considered a problem. In other cases guidance was sought regarding a situation that had already escalated enough to be considered a dispute. The Acas helpline, therefore, was used to both prevent and resolve problems.

Some of the businesses had employed an external private consultant or consultancy firm to advise them on a particular problem concerning either an employee or an aspect of managing staff more generally. In some cases, these consultancies had been recommended by an accountant or solicitor. One employer had hired a HR consultant to resolve an ET claim and subsequently an unrelated redundancy. One of the Manufacturing firms had brought in a consultant to assist them with health and safety policies, which overlapped to an extent with HR policies. A majority of those who had consulted a HR consultant used the latter to update the employee handbook. The updating of the handbook and policies was perceived as a means of strengthening the firm's resilience to employment problems resulting from ambiguous structures and policies. HR consultants, therefore, were also used to both prevent and resolve problems in the workplace.

Several of the firms frequently exchanged advice with friends or acquaintances who were also business people. However, some explained that they tended to share their opinions and recommendations with others who approached *them* for general and HR specific advice about running a business, and only a few indicated that they would seek advice from these personal contacts. A few companies had been in touch with Acas advisers. Some had established contact when Acas facilitated a conciliation following an ET claim. One of the conciliations had led to an ongoing relationship with the Acas adviser, from whom the respondent sought advice on a regular basis. A different company also had a similar arrangement with an Acas adviser, although in this case there had been no conciliation. Rather, the respondent came across an Acas offer of free face-to-face advice at a networking event and decided to take advantage of the opportunity. The Acas advisers were only approached when a solution to a particular problem was sought; employers did not feel as though they were available for general queries. Two of the respondents occasionally sought advice from the firm's accountant. One explained that (s)he felt able to do so because the accountant was a family friend, but that this happened only rarely and it was usually a very simple query. The other business relied on its accountants for almost all queries relating to personnel, emphasising that this was part and parcel of what had been offered to them. For this employer, most queries were routine and concerned employee entitlements and ultimately the payroll. A few respondents mentioned that their accountants had recommended other sources of advice, which included HR consultants and a financial insurance scheme with a HR component. One respondent joked that her/his firm of accountants had warned that its own HR consultants were likely to send a mail-out offering their services, but added that they were not competent and advised against using them. Finally, one of the firms had temporarily paid into a service with a HR component offered by the bank that the owner-manager used to have a staff handbook drawn up, but not for any other employment-related problem.

Table 4: Intermediaries - Advice

Legal	<ul style="list-style-type: none">• Solicitor• Barrister• HR consultant
Acas	<ul style="list-style-type: none">• Helpline• Conciliator• Adviser
Financial	<ul style="list-style-type: none">• Accountant• Bank
Other	<ul style="list-style-type: none">• Personal contacts

3.4 Support Providers

Support for SMEs that cannot be neatly categorised as either ‘information’ or ‘advice’ comes in a number of guises. Although in a sense both information and advice are contained within the concept of ‘support’, it consists of more than mere factual knowledge but it is not necessarily giving specific recommendations for action. Rather, it often involves indirect or hypothetical advice that is not directly connected to a particular employment-related problem, yet is intended to strengthen SMEs’ ability to prevent and resolve disputes with employees. The main types of support identified to be of value to SMEs by the research were networking events and training courses, which were each mentioned by five of the participants. In the case of the networking events, it is important to note that the chief focus was almost always something other than HR. However, respondents acknowledged that occasionally, HR advice would be sought or disseminated at these gatherings. In most cases the events – ‘Business Club’, ‘Curry Club’ or ‘Business Breakfast’ were very informal and essentially took place amongst friends, whilst one respondent mentioned a more formal arrangement with key industry figures from across the UK attending. One participant regularly visited industry-specific trade fairs and exhibitions that also occasionally included a HR element or were attended by organisations with a HR focus.

Aside from networking events, a range of training courses was mentioned by the interviewees. Some reported that they or other senior staff members had attended some kind of training with a view to improving their people management skills. One had attended an Acas course, alongside a range of other training courses that (s)he could no longer recall the names of. Another had undertaken an Acas Workplace Project at an Acas conciliator’s suggestion. One had enrolled on a business management programme at a local college and another attended courses offered by Business Link. Another respondent explained that several local firms of solicitors offered free courses in order to attract clients, and that (s)he would take advantage of this opportunity if the subject seemed relevant, despite the fact that (s)he was not looking to change solicitor. Several recollected that they had attended other courses but could no longer remember who had delivered them. The only source of support mentioned by a respondent that was neither a networking event nor a training course was the Bradford Factor, a formula which measures worker absenteeism, which was utilised by the owner-manager as a way of calculating the impact that long-term absence would have on the business.

Overall, it is noteworthy that these sources of support tended not to be directly linked to specific employment-related problems, and indeed were often subsumed under more general business support that was not primarily to do with HR. Although respondents observed that networking events such as business clubs and trade fairs or exhibitions sometimes had a HR component, this was not the chief focus of the event. With training courses, the respondents that undertook HR training often did so in conjunction with, or as part of, other business-related courses. Networking events and training courses, therefore, function as a means of dispute prevention rather than dispute resolution. Sometimes, however, the impetus to undertake a training course resulted from an employment-related incident that led to the realisation that it was important to improve management's HR skills. In this sense, the SME's support-seeking behaviour might have been triggered by a specific problem, although it was not undertaken in order to resolve that particular problem.

Table 5: Intermediaries - Support

Networking events	<ul style="list-style-type: none"> • Business clubs • Exhibitions • Trade fairs
Training courses	<ul style="list-style-type: none"> • Acas • Business Link • Solicitor
Other	<ul style="list-style-type: none"> • Bradford Factor

3.5 Support Package and Legal Insurance Providers

The intermediary organisations that provide their members or customers with legal protection offer a range of information, advice and other types of support as part of a membership or subscription package. The backbone of the arrangement is usually a helpline that employers can call when they have an employment-related problem. The employer is then expected to follow the advice dispensed by the legal advisers, under which condition any legal costs associated with the case, or a significant proportion of these costs, will be borne by the insurer. Both the Federation of Small Businesses (FSB) and the local chambers of the British Chambers of Commerce (BCC) were found to provide such a service, working with third party HR experts in order to do so. Industry or trade associations functioned in a similar way. However, some of the respondents who were members of an industry or trade association said that they believed that an employment helpline was part of the membership package but that they could not be certain because they had never used the service, relying instead on another sources of support. However, all of the legal insurance providers listed as 'Other' in the table below offer this helpline service and conditional legal protection. All of the intermediary organisations discussed in this section offer a wide range of other services, which are summarised below.

Many of the businesses reported that they were, or used to be members of business federations, specifically the Federation of Small Businesses or their local Chambers of Commerce. The FSB and the Chambers of Commerce were mentioned by roughly the same number of respondents, although there was some degree of overlap with some firms being members of both. The FSB service was used by the firms to address a whole range of concerns and was found to be especially useful for supplying draft letters, for example for communicating a

disciplinary, as well as templates for various documents such as contracts and policies, as well as other paperwork. These were accessible via a members-only website, or, if a standard template was insufficient, then a draft letter would be emailed through following a discussion with a helpline adviser. One respondent also mentioned the FSB e-shots that provided regular updates on employment legislation. However, some of the organisations had not used the FSB's services at all or had terminated their membership, and one claimed that (s)he was only a member of the FSB to have 'the badge in the foyer'. Similarly to the FSB, the helpline service provided by the Chambers of Commerce was used by some firms for all kinds of employment-related concerns. Here again, there were others who had used it so infrequently that they had terminated their membership. The usefulness of its documentation was not mentioned by the majority of those who used it; however, the Chambers of Commerce was noted by some to have offered training courses, including a development course for new directors, and to provide useful networking opportunities. One respondent mentioned that in the past it facilitated contact between employers and young would-be-employees in the framework of a youth apprenticeship scheme.

Many of the firms were, or used to be members of one of a number of industry or trade associations, listed below. The usefulness of these associations to the individual respondents was found to vary greatly, and it appeared that some were simply members because they had historical ties to the association. The helplines in particular tended not to be used heavily, with some respondents unsure as to whether the membership package even included access to a helpline. Others, however, indicated that they found the membership package useful because it provided access to documentation, training courses, newsletters and other publications that were tailored to the industry sector. One of the industry association membership packages was, in fact, a company that leased out the premises to one of the participating businesses. Because the company owned a large number of similar premises, it had developed this package, which had a significant HR component, in order to support its tenant businesses. Access to this industry association's support package was therefore restricted to those businesses that had a tenancy agreement with the company, and excluded other businesses in the industry. One company relied entirely on the support package provided by the industry association, and used it to deal with specific problems as and when they arose. However, it had also contacted the advisers to help implement a long-term restructuring of business that involved a shift from a five-day week to a four-day week.

Some of the participating businesses paid into employment-related insurance schemes. Three of these were primarily designed to insure against other eventualities not concerning employees. Of these, one was primarily financial, offering protection in case of a dispute with HMRC, but a personnel element was also included. The others were health and safety insurance policies, but of course these also covered a range of potential problems concerning employees. The other arrangements were primarily in place for employment issues, with some providers describing themselves as HR consultancies, and others as legal expenses providers or insurance providers. These intermediaries were used by the businesses for handbook updating, document templates, and assistance with restructuring the business. They were also contacted for advice on particular issues as and when they arose. One of these insurers had helped a participating firm fight an ET claim. Overall, then, it is apparent that all of the intermediaries

discussed in this section offer a wide range of services, and are accessed by SMEs in order to both prevent and resolve employment-related issues.

Table 6: Intermediaries - Support packages/Legal insurance

Business federation	<ul style="list-style-type: none"> • Chambers of Commerce • FSB (Federation of Small Businesses)
Industry or trade association	<ul style="list-style-type: none"> • BHA (British Hospitality Association) • BII (British Institute of Innkeeping) • BIRA (British Independent Retailers Association) • EEF (The Manufacturers' Organisation) • Scottish Engineering • Unspecified (landlord of premises) • Unspecified industry association
Other	<ul style="list-style-type: none"> • HR consultancies • Legal expenses providers • Insurance providers • Financial insurers • Health and safety insurers

Table 7: Overview of intermediaries

Organisation*	Industry**	Information providers	Advice providers	Support providers	Support package / legal insurance providers	Acas awareness
1	H	-Acas website -Search engines	-Acas helpline -Solicitor -Acas conciliator -Business contacts	-Acas Workplace Project	N/A	Very high
2	H	N/A	-Solicitor -Acas helpline	N/A	-BII -Landlord of premises	High
3	H	N/A	-Acas helpline -HR consultant	N/A	-Legal expenses provider -BHA	Average
4	H	-Acas website	-Accountant (also a family member) -Bank	-Business club	-FSB	Limited
5	H	-Newspapers -Search engines	-Accountant -Solicitor -Business friends	-Business club	-Chambers of Commerce -FSB	Limited
6	M	-Acas website -Directgov website -Acas Code of Practice and/or accompanying guidelines	-Acas conciliator -HR consultant -Acas helpline -Barrister	-Bradford factor	N/A	Very high
7	M	-Acas website -Acas Code of Practice and/or accompanying guidelines -Business Link website	-Acas helpline -Acas adviser -Solicitor	-Business club	-Financial insurers -Chambers of commerce -Insurance providers (previously) -EEF (previously)	High
8	M	-Acas website -Directgov website -Search engines -Business Link website	-HR consultant -Solicitor -Acas helpline -Accountant	N/A	N/A	High

9	M	-Acas helpline -Directgov website	-Family member -Acas Helpline -Health and safety consultant	-Workplace training	-Health and safety insurers -Chambers of Commerce -FSB (previously) -EEF (previously)	Average
10	M	N/A	N/A	N/A	- Scottish Engineering - Health and safety insurers	Limited
11	W	N/A	-Solicitor -Acas helpline -HR consultant	Networking events -Business club	-Chambers of Commerce -FSB	Average
12	W	-Acas website -Directgov website	-Solicitor	-Training	-Chambers of Commerce -BIRA -HR consultants (previously)	Average
13	W	-HR bulletins -Search engines -Business Link website	-Solicitors -HR consultant -Family and friends	-Business club -Training	-FSB	Limited
14	W	-Directgov website	-HR consultant	-Exhibitions -Trade magazines	-FSB -Industry association	Limited
15	W	N/A	-Solicitor	Networking events	-HR consultants -EEF (previously)	Limited

* The organisation order has been randomised in order to prevent cross-referencing and preserve the anonymity of the participants.

** H = Hotels and restaurants; M = Manufacturing; W = Wholesale and retail trade and repairs

3.6 Summary

This chapter sheds light on the scope and diversity of the information, advice and support on offer to SMEs in the UK today. The discussion has demonstrated how intermediary organisations and individuals offer assistance to SMEs in a number of guises; as providers of information, primarily on the internet and in publications, as providers of advice, which tends to be delivered by a person responding to a specific problem, and as providers of support, which is usually accessible within a more general support framework that extends beyond employment issues. The so-called support package or legal insurance providers who offer a combination of these services as a contract or membership were found to be used by a number of the participating businesses, and are treated as a distinct group. The chapter highlighted how advice in particular tends to be sought when an employer is faced with a specific employment-related problem that requires a resolution. Information on the Internet is often used to clarify an issue, usually to do with employee entitlements, that has been prompted by a particular employee, but does not yet present a problem, and in this sense is more of a preventative resource. Information in the form of publications is also a form of dispute prevention, since it is often accessed by information-hungry employers even when they are not looking for information about a specific employee-related concern. Sources of employment-related support in the form of networking events or training courses are more likely to be on offer within a context of general business support and therefore also function as a way of preventing problems rather than a way of resolving them. The support package or legal insurance providers offer a combination of information, advice and support, and are therefore used by SMEs to both prevent and resolve employment-related problems. However, in this study, some are used more frequently than others; for example, industry and trade associations offered a similar package to the FSB, but were found to be accessed less frequently. This raises interesting questions that will be explored in the following chapter, which unpacks and analyses employers' rationales for using, or avoiding, the various intermediary organisations and individuals reviewed in this chapter.

4. UNDERSTANDING THE USE AND NON-USE OF INTERMEDIARY ORGANISATIONS AND INDIVIDUALS

This chapter investigates SMEs' experiences of and attitudes towards the various intermediary organisations and individuals that provide them with information, advice and other forms of support, thereby building directly on the findings discussed in Chapter 3. The first four sections examine SMEs' experiences and perceptions of the individual intermediaries in the order in which they were reviewed in the previous chapter, as providers of information, advice, support and support packages or legal insurance schemes. The analysis explores the advantages and disadvantages associated with the various intermediaries, and highlights some of the key factors influencing SMEs' preferences when choosing a provider. The last part of the chapter reflects critically on these findings, identifying patterns, mapping tendencies, and taking stock of the evidence gathered, with a view to identifying some preliminary recommendations for Acas.

4.1 Experiences and Perceptions of Information Providers

4.1.1 Websites

It was noteworthy that although a majority of the respondents reported using the Internet for information purposes, they tended not to have strong opinions regarding the quality, usefulness or accessibility of the information. This could be connected to the fact that, as indicated in Chapter 3, SMEs tend to use the Internet to check specific facts to ensure compliance with the law. Often, they were prompted to seek information by a situation with a particular employee, such as a maternity leave, but the issue was not usually serious enough to be considered a problem. Employers tended to access sources of information in a preventative capacity, rather than to resolve a full-blown dispute. Consequently, they were probably less likely to feel vulnerable or emotional when doing so. This could explain the fact that they spoke about online information sources briefly and did not express strong critical or favourable opinions about them. It is also conceivable that online information might be less likely to provoke strong opinions or emotional reactions than, for example, advice provided by a person, especially if it is advice that comes at a cost.

The Directgov website was generally perceived to be useful and most of those who accessed it felt that its contents were well written, clearly laid out and that the information it provided was definitely reliable. However, one respondent who was especially critical of employment legislation and its perceived bias towards employees felt that the Directgov site was primarily there to inform employees about their rights, but offered little to employers. The Business Link website was also mentioned in passing by several of the participants, although they revealed that they would usually only end up there by following a link from another website, such as HMRC or Acas. One respondent was doubtful as to the intentions of the Business Link website, saying that (s)he felt as though it was designed primarily to get the employer to book one of their courses in order to 'update yourself'.

The Acas website was explicitly praised by a couple of respondents who indicated that they found it employer friendly:

I tend to make the Acas one my first port of call, to be honest, because I tend to feel more comfortable with that one.

(Manufacturing)

I think [the Acas website] is a very good website. If that doesn't answer my question then I'll probably have a trawl around the web ... providing you can discriminate between opinion and fact - there are an awful lot of employment lawyers out there offering all sorts of opinions rather than fact.

(Hotels and restaurants)

This second quote illustrates that there is a range of potentially useful information on the Internet, described by one owner-manager as a 'mine of information', but it also warns that its openness has a downside, namely that it is difficult to differentiate fact from opinion. Another obstacle to using the Internet that was cited by an interviewee was that the employer has to take the initiative to find the information, without necessarily knowing where to start searching:

I try to keep myself up to date with things, but things are changing all the time ... I just keep looking on the Internet ... You have to go and look. Whereas if you don't know the law is changing, if you're ticking along nicely and nobody is upsetting you ... if there isn't a problem, you don't go looking for it.

(Manufacturing)

However, others were more positive about web-based resources, saying that overall they thought that online support was the most useful and appropriate for a business their size. One owner-manager had a particular suggestion when asked whether (s)he could think of any ways in which advice-provision to small businesses could be improved on:

What might be useful is the sort of service that can be dialled into via the Internet, maybe a password access where you can sort of dig down in particular examples, and instances of cases that have happened, and sometimes I think there may be an overlap.

(Wholesale and retail trade and repairs)

4.1.2 Publications

As mentioned in Chapter 3, hard copy publications did not feature heavily in the interviews as a whole. However, a couple of employers mentioned the Acas Code of Practice on Disciplinary and Grievance Procedures and/or the accompanying guidelines, but merely stated that they endeavoured to adopt these, thereby indicating that they knew that it was advisable to adhere to the information they contained. Those employers who had subscriptions to trade or industry magazines had little to say about their employment content, as HR topics only rarely featured in such magazines and were not what prompted the employer to take out the subscription. Only one employer explicitly mentioned reading newspapers as a means of preventing employment-related problems, although there were others who spoke generally of 'reading publications', or 'reading a lot'. There were a few, on the other hand, who explicitly stated that they made a point of *not*

reading newspapers for business purposes, implying that doing so would effectively allow work to spill over into leisure time. The employer who read newspapers regularly explained that:

First of all, we read our newspapers and get our news avidly, partly because we're in the business community, so we have to know what's going on with our customers ... So we're well aware in advance as soon as it's announced that there's going to be a change in, let's say, minimum wage in October, we're all aware of that, geared up for that, it changes.

(Hotels and restaurants)

There were very few employers who made regular use of hard copy HR publications. However, one employer identified these as precisely what (s)he felt was missing, bemoaning the lack of affordable, readily available employer-focused hard copy publications covering personnel issues:

I do think that as an employer you should know more. You should, you know, like get updates from somewhere, even if there was a monthly magazine ... With employment, I think everybody should get a leaflet, at least once every month ... I know you can't get everything for free, but to be fair, a lot of things should be free, a lot of things would help everybody run a little bit smoother.

(Manufacturing)

Interestingly, one of the other firms had a subscription to hard copy bulletins that updated employers on a range of issues, including personnel. The description of these bulletins seemed to correspond to the 'gap' in information-provision identified by the respondent above:

They give you scenarios and they've got a website, you can always go on the 'next step' ... and if you want to look at the paperwork that goes with it, or actually refer to the case that came to court or whatever else, you can go and find these things ... Things with health and safety and that kind of thing, it's good, because they do just highlight issues to you ... It's quite difficult to stay on top of these, because you've got to work out what's appropriate for a company your size and what just isn't, to be honest. The same with personnel, you know there are things that come through that will help us and do affect us. Equally, as I say, there's stuff that just isn't appropriate for our business. So yes, they're good.

(Wholesale and retail trade and repairs)

Incidentally, this firm also praised the fact that these bulletins were usually only about eight pages long. Overall, however, publications were not a dominant source of information for SMEs. Many revealed, explicitly or implicitly, that they simply did not have the time to read lengthy publications. When asked whether (s)he would find hard-copy information and updates useful if they were available, one owner-manager replied:

No, because if you sent me a whole booklet full of it, I'm not going to have the time to read it.

(Hotels and restaurants)

It seems that lengthy publications are unlikely to be consulted by most SME owner-managers, and that the presentation of information should enable the reader to make a quick decision about whether or not it is relevant.

4.2 Experiences and Perceptions of Advice Providers

4.2.1 Legal

The material presented in Chapter 3 underscores the fact that SMEs have a tendency to approach solicitors when a situation with an employee has reached dispute stage and when there is a distinct possibility that legal proceedings will soon be underway. The respondents were forthcoming with their opinions about solicitors' advice. Despite the fact they were generally satisfied with the way in which solicitors dealt with legal situations, there was a consistent emphasis that this would not have been their preferred method of dispute resolution. They often perceived themselves to have effectively been forced down that route. Many of the businesses contacted solicitors only after having attempted to find an alternative internal or external solution to a problem; they were rarely the first port of call, especially if the problem was not severe. All of the companies had an established relationship with a solicitor or a firm of solicitors, and they consulted them on a regular basis with regards to *other* aspects of the business, those unrelated to employment.

The only time we would ever involve our private solicitors [for an employment-related issue], I think, is if he had a problem at like a director level; if it involved owners or anything like that. If he had that kind of issue then we would use our own solicitors because they're close to the business.

(Wholesale and retail trade and repairs)

There was a strong view that solicitors were too expensive, and not worth the rates that they charged, with one respondent describing the costs associated with hiring solicitors as 'prohibitive'. Another described a situation in which (s)he had been let down by the firm's normal advice provider, and had been obliged to proceed with assistance from solicitors. The respondent had been supplied with 'good, sound advice, but expensive advice'. Another found the charge of an hourly rate particularly off-putting:

You're quite conscious of the fact that if you're paying £200, £300 an hour, you don't want to waste the guy's time with five hours of conversation.

(Wholesale and retail trade and repairs)

Interestingly, the general picture that emerged through the research was rather different to one respondent's perception of employers' advice-seeking behaviour:

We're getting this American habit of lawyers being a first port of call rather than thinking, or even just Googling, looking on the web.

(Hotels and restaurants)

Only two of the participating firms had this type of more frequent contact with their solicitors, and in both cases the arrangement that they had and the support it facilitated differed significantly from the other firms in the sample who had employed lawyers. In one case the lawyer was a family friend who was consulted for minor, everyday issues, but *not* if the problem was more complex or had legal implications. When this company had faced a more serious employment-related problem, the solicitor had recommended an external HR consultant to the owner-manager, who explained:

My solicitor I've known for, well about 30 years, he said '[Name], don't lose your bottle, do it right this time' ... He's more a family friend and at the end of the day he doesn't normally charge us, but for something like this he would have to charge.

(Manufacturing)

The other exceptional instance of frequent use of a solicitor firm's services was a business that paid a monthly fee to have access to a helpline as well as more in-depth, face-to-face advice if desired. This company used these solicitors for everything from updating the employee handbook to establishing a score-based performance appraisal system in order to help the firm make redundancies. The managers occasionally bumped into their contact from the firm in the locality and had informal catch-ups. In this case the solicitors did not charge an hourly or one-off rate, but were paid a monthly fee. It is interesting to note that this was the only firm that identified a solicitor as providing advice that was good value for money. Additionally, it is worth bearing in mind that this arrangement strongly resembles the 'complete support package' providers discussed in section 4.4.

External HR consultants charged with carrying out a particular project were also overwhelmingly avoided by the participating SMEs, the exception being health and safety consultants who were often brought in on a one-off basis to make sure all the relevant policies were in place. Although some of the respondents were insistent that due to the size of the firm, there was simply no need for this type of service, others revealed that in theory it would be useful to have someone available to do this job. One joked that (s)he would love 'having a little fairy set up all my personnel folders'. Here again, cost was identified as the main factor responsible for non-use:

We have gone to an external consultant for employment law advice but it's so expensive and when you haven't got spare money floating around ... that's one of the things I find frustrating with the consultant that we use, is that she waffles on and on and on, and you think 'every minute of this I am paying for'.

(Manufacturing)

Strikingly, this owner-manager, who was not particularly happy with the advice that (s)he received from the HR consultant explained that (s)he had been unwilling to employ somebody else instead. (S)he justified this decision by drawing attention to the time and money that starting from scratch would necessitate:

I don't think we even went as far as getting prices off the other person that was suggested, because you're already in the situation where the person you're working with knows the history of your business and the intricacies of it; it would take a lot to move away from them because it would cost you a lot to sort of get the next one up to speed on the history of what's gone on in your business really.

(Manufacturing)

One owner-manager who had employed an external consultant to deal with a particular problem had subsequently decided *against* paying a monthly fee in order to have flexible access to the consultant's services. However, during the course of the interview it transpired that although (s)he did feel that it was expensive, (s)he might consider doing it in the future:

You sort of think 'well that's a lot of money' and I never want this to happen again. Yes, all right, if the budget had been there perhaps I would ... and now I've worked with her I more than would, because she's given me that confidence to, yes, you can carry on working with people without feeling uncomfortable.

(Manufacturing)

Elsewhere in the same interview, the owner-manager elaborated on the quality of the services that the consultant had provided:

She very much took over. I needed that ... I do feel that she took all the heat out of it, because she'd quite a calm voice ... I do feel with [Name] it was done by the book, and if anybody was going to kick off or throw the book at anybody it wasn't going to be me ... We learnt a big lesson.

(Manufacturing)

In this particular example, the HR consultant afforded the employer a degree of reassurance that (s)he would remain on the right side of the law by taking control of and responsibility for the situation. Although the employer still felt that it would be too expensive to pay a monthly fee for the consultant's services, (s)he acknowledged that the assistance that (s)he received had been useful and hinted that (s)he might consider such an arrangement in the future.

4.2.2 Acas

A small number of firms had experience working with an Acas conciliator or adviser. This included Acas conciliators who had made contact after an ET claim had been filed, and advisers who provided face-to-face advice on an ongoing basis. In one case, a conciliator had later become a regular adviser. The firms who had been through an Acas conciliation were very satisfied with how it had been managed, citing 'skill' and 'minimum hassle' as the main advantages, even if they were not necessarily in agreement with the legal framework within which the conciliator was working. Those who sought face-to-face advice from an Acas adviser were unusually expansive when asked to reflect on the quality of the advice they had received. First and foremost, they explained that it had enabled them to remain compliant with employment legislation:

It was invaluable, and I'm not just saying that because you're sat opposite me. Without that we could have come unstuck ...

(Manufacturing)

As in the case of the HR consultant described in 4.2.1, one of the main advantages of working with Acas advisers was perceived to be their familiarity with the business, its members of staff and the challenges it faced:

She knows us, and in fact we phoned her this morning about an issue, we said 'Such and such, such and such, on long-term sick', 'Oh, you mean [Name]?' She even knows their names ... It's nice having somebody who, as soon as you pick the phone up, they know your situation ... One of the things I like about [Name] is that it's short, sharp, to the point, you get the advice, bang, and you're off the phone and you've got your advice.

(Manufacturing)

We really appreciated that face-to-face meeting and being told exactly what process we should go through ... We only saw him once, but we had

an email address for him, we had a phone number for him. He made you feel that he was so genuinely interested and concerned and wanted the thing to work out, he even sort of came back to us with emails saying 'How are things going? Are things any better for you?'

(Manufacturing)

The advantage of having in-depth knowledge of the business is connected to several other benefits attributed to having an ongoing relationship with an Acas adviser. On the one hand, the advice was described as being 'short, sharp and to the point'; this is presumably easier to achieve the greater the adviser's background knowledge of the organisation. Furthermore, the second respondent quoted above described how the Acas adviser actively followed up on the case via email to find out whether the problems had been resolved. This contributes to the owner-manager's sense of security that the advice provider is genuinely there to help, and the perception that the adviser is on her/his side, as well as, of course, contributing further to the adviser's knowledge of the business.

The Acas helpline was used more frequently by the participating SMEs than individual Acas advisers, but respondents' views on it were more heterogeneous. Only a few explicitly praised the clarity and usefulness of the advice received. A number of others were neutral, simply stating that they had sought advice, often to check specific facts concerning a fairly straightforward issue, and that they had received an answer that they trusted to be correct, even if it was not necessarily the answer they had been hoping for. A small minority of respondents had negative opinions; one complained that waiting times were too long and that it was not always easy to get through to an adviser (although the respondent admitted that (s)he had not tried calling for quite some time). Another explained that (s)he found the advisers' telephone manner 'too general and long-winded' but, paradoxically, also too rushed, which meant that it was difficult to communicate the full story. This might be a reflection of the fact that an adviser will be speaking to an employer for the first time and initially needs to obtain some background information on which to base her/his recommendations, but that this information will inevitably be quite limited. The most widespread criticism to come forth was that the adviser simply tries to ensure that the employer remains compliant with legislation, and accordingly the advice is perceived as coming from an 'employee's perspective', and is designed to 'make sure the employee is alright'.

4.2.3 Financial/Other

A small minority of the interviewees reported that their external accountants, or auditors, were a direct source of advice for employment queries. One had an informal and long-standing relationship with the accountant, who was nonetheless contacted only infrequently, and in another case the company's accountant was also a close family member of the owner-manager. One owner-manager, however, explained that (s)he felt comfortable contacting the firm's accountants for *any* personnel issue, and took it for granted that this was an integral part of the service that the auditors provided. The respondent indicated that (s)he saw staff-related issues as being closely linked to the payroll, and that it was therefore natural that the accountant should deal with them. Unusually, this company had not yet faced any employment-related 'problems' - they tended rather to contact the accountants with straightforward queries about employee

entitlements, such as, for example, maternity leave provisions. The owner-manager explained:

Oh, that's part of their service. We have someone who handles our management accounts and any question I might have, I always feel like I can phone up that firm. Any question on the personnel side, technical side, we can always phone them up ... Obviously any change, and there are, unfortunately, lots of them in NI, in minimum wage, all gets flagged up by the accountant.

(Hotels and restaurants)

This arrangement differed strikingly from the responses of the majority of interviewees. Most did not mention contacting their accountants for employment-related advice and when prompted, simply replied in the negative. Some were slightly incredulous and were emphatic that it had never even crossed their minds to seek employment-related advice from an accountant. However, a small number acknowledged that although their accountants would not directly offer HR advice, they had, or might potentially be able to make recommendations in that line:

[The accountants] run business breakfasts every so often. So if there's a topic that's relevant, I'll see if I can make it then ... The one thing [the accountants] are good at is that they are good at what they're good at but they will bring in expertise where they don't know ... It's just a link between us and other people.

(Wholesale and retail trade and repairs)

One respondent had, in the past, bought into a HR support and insurance scheme that was offered via the bank. This provider was requested to draw up a staff handbook for the firm, but was not consulted for any other matter. The owner-manager explained that (s)he had been feeling vulnerable at the time and soon regretted the decision to sign up to the scheme because of the cost, and terminated the contract as soon as it became possible. (S)he explained that the bank manager had just recently tried to put the business in touch with the same provider, but that this time there was no chance that the firm would agree to pay a monthly fee for the service. However, (s)he was considering a one-off payment in order to update the handbook again and draw up staff contracts.

I was just speaking to the bank and saying 'I need to take [the loan repayment] down for a few months because overheads are a bit high, mainly the payroll.' Then they said 'Oh, we've got someone who might be able to help you with that.' ... I did say to them, I said 'I am not buying into it again. So if you still want to come out and see me, do, but I am not going to be giving you £500 a month' ... I am hoping that they will be able to update what they did a number of years ago, for a significantly smaller fee ...

(Hotels and restaurants)

Personal contacts such as family members and friends did not feature heavily as providers of advice, with the exception of business acquaintances who had, over the years, become close friends (see section 4.3).

4.3 Experiences and Perceptions of Support Providers

Networking events and training courses were only of marginal relevance to most of the firms, especially in terms of their employment content. Lack of time was cited as the main obstacle to engaging in such activities. There was a higher awareness of the existence of networking opportunities than of opportunities for training. Knowledge of cheap and accessible employment-related training aimed at employers was especially low.

Networking events such as local business clubs, exhibitions and trade fairs were viewed first and foremost as an opportunity to attract new customers. This was cited by organisations as a reason for attending, or, in the case of firms who had a highly specialised or non-local customer-base, not attending such events. When asked about the relevance of exhibitions and trade fairs for employment issues, some respondents replied that they knew that there were 'people pushing HR at these events'. However, personnel issues were not perceived to be an important feature of these networking events. Of the few who indicated that these events might be useful for HR purposes, one noted that they sometimes assisted employers with recruitment since they were sometimes attended by representatives from apprenticeship schemes:

Yes, some of them were courses where you could get grants, or some form of payment towards it; they were training organisations.

(Wholesale and retail trade and repairs)

Smaller, regular business meetings were perceived to be more useful than larger events for establishing contacts that could provide some form of HR support. In most cases there was an overlap between business club members and people who the respondent considered to be close friends and might have contact with outside the framework of the business meeting.

It's a very good network, I quite like it, it's not just a network where people are trying to sell to each other, it's sort of a business support network. There's some mentoring available, that kind of thing ... There's quite a lot of trust between the people. So yes we would share experiences, because we sort of feel comfortable in one another's confidentiality, if you like.

(Manufacturing)

It's very informal, and if somebody's got an issue they'll talk to people about it and say 'Well, what do you think?' or 'Have you had experience of this?' and we will all give our own particular opinions or possible solutions. Everybody tends to have the same sort of whinge when it comes to HR.

(Wholesale and retail trade and repairs)

Although attendance of employment-related training was roughly as frequent within the sample as attendance of networking events, awareness of opportunities for this kind of training was considerably lower. Many respondents were aware of networking opportunities that they did not have time to attend, whereas respondents who had not undertaken employment-related training gave no indication that they were aware that appropriate courses were available and easily accessible. Of those that had undertaken training, some explained that they habitually attended free training courses from a variety of providers that they happened to hear about, but did not articulate strong opinions about

individual courses. The few training courses that were perceived to be especially useful included a Management NVQ for a line manager who did not have enough experience managing staff. The line-manager had only recently started the training and it was hoped that strengthening the lower layers of management would help the firm with succession planning. Another training that had been particularly useful was not directly concerned with managing staff, but more generally about increasing efficiency and productivity. However, this had led to an improvement of relations amongst staff, as the bottleneck in the workplace had had a negative impact on employee relationships as well:

These two guys came in and said, 'We're representing [Name of organisation that provided the training], have you got problems?' I said 'Yes, I've got this bottleneck' and they said 'Yes, we can sort that out'. I said 'I've been down this road twice before and all they've done is left me with a catalogue of instructions which I don't have time to implement'. They said 'Oh no, we'll roll our sleeves up, we'll go on the shop floor and do it.' I thought 'Yes, all right'. Anyway, to be fair to them, they did.

(Manufacturing)

In this example, the owner-manager made it clear that (s)he wanted immediate results and not just ideas that would need implementing, as (s)he had already been through similar training in the past. The lack of tangible results was also a problem for another owner-manager:

All you get to hear is other people's stories. I could have found that out later. They were free but the time it cost me to get there, and the car parking, and the rubbish I had to listen to in between. I just thought 'I haven't got anything out of that'.

(Wholesale and retail trade and repairs)

Finally, one respondent had undertaken an Acas Workplace Project following a recommendation from a conciliator. (S)he was impressed with the professionalism with which it was carried out, and said that although it turned out that there hadn't been much wrong with the policies and documentation that were already in place, it was a reassurance to have this confirmed by a professional.

4.4 Experiences and Perceptions of Support Package/Legal insurance Providers

4.4.1 Chambers of Commerce/FSB

Chapter 3 has already shed some light on the prevalence of organisations that offer SMEs a 'complete support package' which may include online information and materials to download, tailored documentation, a legal advice helpline, the possibility of face-to-face advice and training opportunities. In most instances, they often comprised an element of legal insurance as well. Overall, a strong majority of the participating SMEs had this kind of arrangement in place, although the providers were diverse. The latter included business federations such as the FSB and the Chambers of Commerce, industry or trade associations, as well as private HR consultancies or insurance companies. In all cases, the businesses had ongoing relationships with the organisations that provided the services, as opposed to having engaged them for a one-off assignment such as, for example, a review of the staff handbook or contracts of employment. It is interesting to note that the respondents had strong opinions, both positive and negative, about

the nature and intentions of these intermediaries and the quality of the services they provided. This could be linked to the fact that the support came at a cost, which meant that the quality of support received was of paramount concern. Additionally, the respondents had often had some kind of direct contact with a representative of the intermediary organisation, and, as indicated above, it seems likely that direct contact with a person, as opposed to a website, is more likely to provoke a strong reaction. As with the other intermediaries, there are no clear 'winners' in the game of providing the best possible service to SMEs, as each of the intermediaries providing these 'complete support packages' received mixed reviews across the sample as a whole.

The majority of the respondents were members of either the FSB or their local Chambers of Commerce, and most, but not all had accessed employment-related advice via this membership. However, a few indicated that they were mainly members in order to have 'a badge in the foyer', or, in other words, because they felt that the membership amounted to 'ticking a box', but not because they perceived there to be particular advantages to holding it. Amongst this group, there was a tendency to think that the Chambers of Commerce especially was only of value to those who could use the network to increase their customer base, but was of little relevance to those who did not rely on these types of customers. This is similar to the prevalent attitude towards other networking events, as discussed in section 4.3. When prompted, one employer alleged that the Chambers of Commerce knew 'damn all about employment law', and explained that:

I haven't got the time. I don't feel I can add anything to the Chamber, and to be honest I don't feel the Chamber can add anything to me so I don't see the point ... But if you're trying to network for B2B [Business-to-Business] purposes, yes, great. But I'm not.

(Hotels and restaurants)

Others hinted that they felt that these memberships were suited to particular types of characters and not others:

A lot of those organisations are full of quite political people and I'm not one, and I suppose I'd rather ... I think there are different characters that work in different organisations. From my experience of the Federation of Small Businesses and things like that is the people are often there for their own means and not necessarily yours ...

(Manufacturing)

I perhaps would learn quite a bit, it's just you only get out what you put in, I assume, and I feel, do you know what I don't think I've got anything to offer, because I just feel like I moan all the time.

(Manufacturing)

All three of the respondents quoted above were unaware of the range of services that the FSB and Chambers of Commerce membership packages provided, but had perceptions about the types of people and businesses they believed the associations were there to serve. There were others who had some idea of the types of services that were provided, including access to a legal helpline, but did not use them. In these cases, they generally already had a support system in place that was usually provided by one of the other 'complete support package' providers discussed in this section. However, in a couple of cases, the primary

support system was provided by the company's accountants or by a firm of solicitors who were paid a monthly fee.

The organisations that relied primarily on the service provided via the Chambers of Commerce tended to have a neutral or negative opinion. One criticism was that the helpline was difficult to get hold of. Another owner-manager who had been a heavy user of the service was left disappointed on two occasions, first when the insurers encouraged the firm to settle a claim that the employer had desired to fight out of principle, and second when they withdrew their support after the firm entered into a Company Voluntary Agreement (CVA).

Now, just before the tribunal, [Name of provider] came, and sat in this very room and said, 'I don't know whether we really want to go through this, I think we'll settle out of court'. I said, 'Why?' 'Well, the cost of doing it, give him £2,000' ... [The second time] although we were members of the [local Chambers of Commerce], although we were entitled to their help and advice, [the insurers] said that because we'd entered into a CVA they wouldn't have anything to do with us, and I couldn't understand that because all the premiums had been paid, the company was still trading, there was no difference.

(Wholesale and retail trade and repairs)

The service provided by the FSB was more popular amongst the participating organisations, and most of those who were members relied primarily on this service for HR advice. However, as with the Chambers of Commerce, there were others who were not even aware that a legal helpline, for example, was something that they had access to. Others still had previously been members but had terminated their membership because they did not feel as though it benefited them in any way. Most of those who were heavy users of the FSB package were very positive about it, arguing that it was perfect for businesses of a particular size that did not have a large number of staff disputes to deal with and very good value for money. One explained that an advantage of relying on the FSB was that the name itself made it clear who it was there to support: the Federation of Small Businesses was *on the side* of the small business.

[Name of provider] keep all the policies on their site up to date. So it's a matter of deciding which policies we need at a company this size, and how we adapt those policies ... that the FSB kindly put on the website. You and I sat down with the FSB, you downloaded all the policies. We decided what ones were relevant didn't we? ... The FSB are available 24 hours a day, Saturdays, weekends ... It's value for money ... For the membership and that comes with all the, like I say, all this advice and the availability of documentation when we need it ... Yes, absolutely, it was all dealt with very efficiently.

(Wholesale and retail trade and repairs)

Another firm recognised that they were 'wasting their money' on an industry association membership which also included access to a legal helpline because they only ever used the FSB service, which they were very happy with:

So we've got it, we've got that insurance cover double really but we quite like the procedure through the FSB so we stick with them.

(Wholesale and retail trade and repairs)

Overall, the FSB was perceived by those who had experience of its employment-related support to provide value for money, delivering clear, precise advice promptly. Availability, clarity and efficiency were described as the main attractions of the service, in addition to the reassurance that legal cover was in place should a dispute arise. However, some users had minor complaints about the service. One of the criticisms concerned a case where the business in question was advised to settle an ET claim, even though the employers firmly believed that they were in the right. The respondent explained that it was frustrating that the cover would no longer be valid if the advice was not adhered to, even when choosing not to follow the advice was a matter of principle:

This one, despite the fact they were always saying we've done everything properly and that we had a strong case and that she wasn't going to win, an awful lot of time was spent preparing paperwork and alike, and at the end they started to say, 'Look I think we better settle.' So they were saying, 'Look let's cut and run now.' It's a pure business decision, it's nothing to do with right or wrong, it's just it's cheaper for us to cut and run ... No, if you don't follow their advice they say well they'll wash their hands off it. So basically we'd have gone and fought it alone.

(Wholesale and retail trade and repairs)

One other concern with the FSB service was that the documentation provided did not always correspond to the management style of the employer, as it was sometimes too formal and impersonal:

The letter is very impersonal and yet we're here, you know everybody, they go for drinks in the evenings. It's more like a family, it's a bit like writing your son a letter because he hasn't done his homework sort of thing. I feel that that can cause confrontation ... So we sort of have this procedure of saying, 'Look we're having to write this letter because that's what we have to do, but it's worded in a way which isn't us. We haven't drafted this letter, we're not trying to be confrontational.'

(Wholesale and retail trade and repairs)

4.4.2 Industry or Trade Organisations

The 15 participating organisations, especially those in the 'Manufacturing' and 'Hotels and restaurants' industry sectors belonged to a range of industry or trade organisations. However, the employment-related support offered through these memberships tended to be less widely used by their members compared to the services provided via the FSB and the Chambers of Commerce. There was a stronger tendency to view the membership as 'ticking a box'. In some cases, the organisation had historical ties to a particular federation and renewed its membership simply as a matter of habit. Many of the firms with such memberships were unaware of the employment-related support that these associations offered, whilst others had some awareness but already had a preferred intermediary in place for personnel issues. The research indicated that one of the reasons for low awareness and consequent non-use could be that employers tended to believe that since these associations were specific to the industry, their main area of expertise would also be industry-specific. Thus, they were more likely to associate the advice that the association could provide with, for example, issues regarding a particular type of machinery than with employment, as the latter is a concern for businesses across all sectors. As in the

case of the Chambers of Commerce and networking events, there were some who believed that active membership of industry associations was only beneficial if the business' customers also operated within the same industry, but was of little use otherwise. Several of the respondents complained about the costs of membership and a number had previously been members of such associations but had opted out when savings had had to be made. A couple who had previously used the helpline services had decided to opt out because they had not been satisfied with the quality of the service that was provided, citing long waiting times and unhelpful, 'policeman-like' advice which set out 'all the things you can't do'. All but one of the industry association members implied that they never, or only very rarely, consulted the paperwork that the association sent out, usually on an annual basis, finding it to be far too dense. Some attended industry association networking events or training, but these rarely concerned personnel issues.

Only one of the firms used the helpline provided via the industry association regularly. Interestingly, this employer explained that apart from being good value for money, one of the benefits was that the helpline was manned by industry experts, who would then consult their own legal advisers if necessary. The firm had relationships with individual advisers who knew the business well and was able to contact them directly and also request face-to-face advice if necessary:

We have points of contact. So there's maybe certain people you develop a relationship over the years ... Some people you, I don't go to so and so because he just prattles on. This guy tells me exactly how it is ... They have a team of lawyers who even they would take their advice from, but a number of them have been involved in engineering over a long number of years, and negotiations.

(Manufacturing)

The other respondent who regularly used the services provided via an industry association membership had never used the legal helpline but praised the industry specific courses and documentation included in the package:

Yes, they will have HR stuff on there as well and their website's really good, so that's another information that I can dip into and they sometimes have really good spreadsheets you can download ... or they might have lots of case studies. I have found a lot of their download tools quite useful. It's amazing because, like I said that wasn't there 13 years ago. So, I can go on to this website now and immediately they've got all the sort of standard forms and contracts ...

(Hotels and restaurants)

4.4.3 HR Consultancies/Insurers

As with the membership packages provided by the FSB, Chambers of Commerce or trade and industry associations, respondents identified both benefits and downsides of paying into an employment-related insurance scheme with a HR consultancy or insurance company. The advantages and disadvantages they mentioned echo those described in the previous sections. Overall, the companies that entered into this kind of arrangement reasoned that it was important to have the cover in place because it provided reassurance in a context where businesses had to 'watch their backs'. One manager who was very pleased with a scheme the firm had only recently bought into described how, compared to the industry

association package the firm used to rely on in the past, the advice was much more practical and tailored to the needs of the business.

Let's be honest, the world has to keep going around and you can have a very honest conversation ... Yes, and they can say to you, 'You can't do that but you can do this, you can try this, and at the end of the day, what do you want as a result and what are the levels of risk?' So it was a very frank, open discussion ... You can be completely honest about it without being beaten over the head as an employer. The person that we worked with has had a lot of experience in personnel ... They'd been HR directors or personnel officers and so forth in bigger companies or in smaller entities, so their knowledge was very good. They gave us a path of how to achieve certain things ... and we were much more confident in the answer.

(Manufacturing)

However, most of the companies that had experience of a HR consultancy or insurance company scheme were critical of some of their practices, primarily their propensity to want to settle claims in order to avoid the risk of a larger payout following a tribunal hearing:

And our insurance agent didn't even know, and the end insurer had settled without telling anybody, and they'd given him £6000. I mean what sort of...

(Manufacturing)

Others noted that the advice they provided was sometimes overly cautious:

One of the downsides of using a company that's legally - I suppose they're looking towards the worst case scenario so if someone's got a legal head on looking at worst case ... So you end up they don't want to take any risk at all ...

(Hotels and restaurants)

One of the respondents whose business had previously paid into a HR insurance scheme but had subsequently terminated its contract gave the unavailability of the helpline service as the main reason for doing so. Another explained that the HR consultancy stopped taking an active interest in the business after a while, and cited this as the reason for moving away from this provider, although it is significant that before deciding to move away, the firm had found an alternative systematic source of support:

Well they didn't seem to be, didn't want make contact with us and they seemed to lose interest. I don't know whether they were taken over by somebody, it just wasn't the same ...

(Wholesale and retail trade and repairs)

A number of organisations explained that they had been approached by HR consultancies offering a HR support package in the past but had decided against opting in because they were suspicious of 'aggressive selling techniques'. One owner-manager explained that (s)he was put off when (s)he realised the amount of work (s)he would have to do before the business would be eligible for the cover:

When I got the manual, I thought 'Bloody hell I have to employ somebody to do all this' ... Apart from paying [Name of HR consultancy], the work that they gave me to do ... for them to cover me was amazing.

(Manufacturing)

4.5 Analysing SMEs' Support Needs

This section builds on the findings discussed in the previous sections above, as well as on Chapter 3, in order to further unpack and analyse SMEs' advice-seeking behaviour and support needs. In this study, there are no obvious 'winners' in the competition to provide SMEs with employment-related advice, as many of the perceived benefits and downsides associated with employment-related support are identifiable across the range of intermediaries. This section aims to bring into focus the factors that influence SMEs' perceptions of intermediaries with a view to identifying some recommendations for improving Acas' own offer to SMEs.

Perhaps the most fundamental observation that emerges from the discussion above, one that contains within it a number of other noteworthy findings, is that employers strongly desire an intermediary advice-provider who they perceived to be 'on their side'. This should be understood to mean prioritising the employers' interests over and above those of employees. Furthermore, intermediaries such as insurers who were perceived to be primarily financially motivated were also heavily criticised for putting their own interests over principles of justice. Whilst the criticism that intermediaries were biased towards employees was not directed at, for example, solicitors or HR consultants, it was perceived to be an issue with the advice provided by, for example, the Acas helpline, as well as other legal helplines, including those delivered by industry associations. In such cases, respondents remarked that the advisers seemed to be more concerned with protecting employees than wanting to actively *help* employers. Overall, this was not perceived to be a problem with information or support providers. This could be due to the fact that information providers were not usually accessed in order to obtain guidance or recommendations, but tended to be used for clarification of the law. However, one respondent felt that even the Directgov website was aimed at employees. Intermediaries that offered networking opportunities or training events were also less likely to be criticised for being 'pro-employee', although sometimes they too were accused of being financially driven.

It is crucial at this point to distinguish between criticism of the law and criticism of intermediaries that provide advice that is constrained by the law. When the respondents praised the quality of the advice they received from an intermediary, they never doubted that the advice complied with employment legislation. However, the way in which the advice was delivered gave employers confidence that in addition to being 'told the law' they would also receive guidance as to the best way forward whilst working within the constraints of the law. In practice, this meant that negative, 'policeman-like' advice that specified what an employer *could not* do was especially unpopular. Conversely, respondents were the most positive about advice that clearly laid out their options and possible paths for further action.

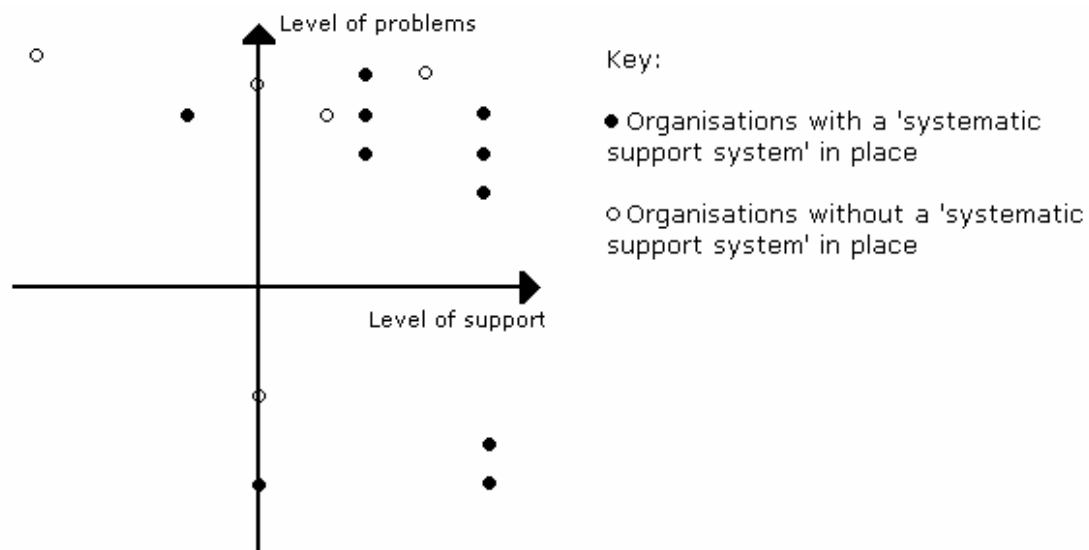
The comfort of receiving support from an intermediary who is 'on the side' of the employer relates to a number of interconnected factors that may influence SMEs' advice-seeking behaviour. One of the things that was cited by respondents describing contact Acas advisers, private HR consultants as well as contacts from an industry association, to name a few, was the advantage of working with somebody who was familiar with the intricacies of their particular business. In-depth knowledge of the business saved the advice-seeking employer time, as the adviser did not require substantial background information, and the advice-provision tended to be tailored to the specific needs of the business. Moreover, an involved and engaged adviser would be more likely to be perceived as having a genuine concern for the employer and business' wellbeing. In the sections above, the example of an advice-provider who took the initiative to voluntarily follow up on the firm's employment-related challenges was highlighted, as was another concerning an intermediary who was criticised for failing to do precisely this.

Similarly, even when businesses did not seek advice from a named contact, they sometimes indicated that they felt that industry-specific advice would be more useful than advice from a generalist provider. Others, still, emphasised that advice that was aimed at the small businesses sector was the most useful. This is related to a demand for *practical* advice that is compatible with the operational realities of running a small business. Employers were critical of advisers that did not take these circumstances into account and seemed unaware that certain procedures could be difficult or impossible to implement due to the organisation's size and structure. This in turn is connected to another point that featured in several of the sections above, namely that when employers seek advice concerning a particular problem, they expect to see real *results* as opposed to merely guidelines or recommendations for future action. The key themes, then, are a need for *practical* advice that takes operational realities into account, and advice that delivers immediate results.

A factor that is highly relevant across all the different types of intermediaries is the amount of time that is required to access and/or deliver support. Employers stressed that they simply did not have time to read lengthy publications or to search for particular websites. They were especially critical of advice providers who 'waffled' and 'prattled', especially if they were charging hourly rates. The respondents desired advice that was 'short, sharp and to the point'; they praised helpline services with no waiting times and advisers who phoned back promptly if it had been necessary to check something. Conversely, they were highly critical when the intermediary was difficult to get hold of. It is important to bear in mind that many of the support services, especially networking events or association meetings, tended to be avoided by employers because of time constraints.

In those cases where the respondents had been satisfied with the information, advice or support they had received, they indicated that it had afforded them a degree of 'reassurance' and 'confidence'. It was possible to identify an underlying sense of fear and foreboding amongst the participants, who were acutely aware of the potential consequences of a failure to comply with employment legislation. The intermediaries provided the firms with a sense of security that they were 'doing things by the book'. Interestingly, most of the firms in this particular sample *did* feel as though they had a good support system in place, although this observation cannot be generalised to the wider SME population. Figure 1 below gives some indication as to the sample SMEs' perceptions of levels of support concerning employment issues.

Figure 1: Perceived levels of support



The perceived level of support has been plotted against the level of problems in each organisation. 'Level of problems' is understood to be a combination of the number of problems and their severity, and both 'level of support' and 'level of problems' are based on the author's subjective opinion. The decision to include employment-related problems was taken in order to demonstrate that those respondents who feel well supported to cope with employment-related challenges are not simply those who do not have any problems with their workforce. Figure 1 indicates that most of the organisations *do* have problems, but that within the sample there was a strong tendency to feel well supported to deal with employment issues.

The participants represented in Figure 1 by a black dot have what has been termed a 'systematic support system' in place. This is defined here as a reliance on one particular intermediary that is the first and usually only port of call when advice is sought externally. In the case of most, but not all, of the organisations, this refers to one of the types of 'complete support package' discussed in section 4.4 above. However, two of the firms had a similar kind of arrangement, albeit without the legal insurance component, with a firm of solicitors and a firm of accountants respectively. The remaining organisations are represented by a white dot, and do not have a 'systematic support system' in place. They seek advice in more of an ad-hoc manner, relying on a combination of sources of information, advice and support from assorted intermediaries.

Figure 1 does not advance any firm conclusions about the relationship between feeling well supported and having this kind of 'systematic support system' in place; this is not feasible due to the size of the sample. However, it is worth reflecting further on the factors that might contribute to a prevalence of 'systematic' advice-seeking behaviour. Most of the respondents who had this kind of 'systematic support system' in place stated that the legal insurance which was part of the complete support package was one of its main benefits, as it reduced the chance of the business coming up against an ET claim, and in most cases would cover the costs in the event that a claim should be filed. However, it is worth bearing in mind that some of the organisations that *did* feel well supported had a 'systematic support system' in place that did *not* provide this legal cover,

although all of the other services tended to be available. Moreover, many were critical and had negative experiences of the financially motivated behaviour of the end insurers, who were often perceived to be indifferent to questions of right and wrong in their push to settle claims, and were overly concerned with risk-avoidance.

One of the most interesting conclusions to emerge from the research is that there is a general lack of awareness about the range of intermediaries that are players in the SME advice marketplace (cf. COI, 2003). The respondents often indicated that they 'didn't know that X could advise on employment issues'. However, crucially, yet perhaps almost paradoxically, most of the respondents were also very aware that the advice marketplace was crowded with potential providers who were 'cashing in' on employers' vulnerability and 'raking in' money. They spoke of being 'bombarded' with emails and mail-outs from private HR consultancies and business or industry federations alike, and explained that they tended to simply ignore them. They also mentioned feelings of suspicion and frustration caused by 'pushy' or 'aggressive' HR salespeople. Interestingly, almost all of the respondents believed that it was very important to 'get it right' when it came to HR, so the lack of openness to different providers is not a result of unaware or disinterested employers. Rather, it should be seen as small employers' reaction to the fact that providing them with advice has become an increasingly lucrative industry. This research indicates that employers have responded by trying to limit their advice-seeking to one particular provider, whilst generally remaining closed to the prospect of alternatives. This explains why employers who had one 'systematic support system' in place were often unaware that, for example, another of their memberships also included this HR component. The observation that the advice aimed at SMEs is increasingly commoditised is connected to a final, important point that runs throughout this chapter, namely that SMEs desire advice that they perceive to be value for money.

4.6 Summary

This chapter has explored SME owners' and managers' experiences of and attitudes towards a range of intermediaries and organisations that deliver the SME sector with employment-related information, advice and other forms of support. The intermediaries that were found to be dominant within the sample were those providing advice, that is to say guidance and recommendations for responding to particular employment-related challenges or situations in the workplace. Often, this was included as one of the services provided by membership or subscription packages, and delivered to SMEs by associations such as the Federation of Small Businesses, local chambers of the British Chambers of Commerce, and industry or trade associations, but also by private HR consultancies or insurance companies. Sources of information on the Internet or in publications were also discussed, as were opportunities to access support such as training or networking events. Analysis of the data has demonstrated that respondents associated similar advantages and disadvantages with a range of intermediaries. The advantages included feeling that the intermediary was 'on the side' of the SME, knowing that the intermediary had in-depth, background knowledge of the particular business, the industry sector, or the SME sector, and the provision of advice that was quick, compatible with the day-to-day running of the business, and delivered tangible results. The main disadvantages included the perception that the intermediary was 'on the side' of the employee and simply set

out the law, that it was not knowledgeable enough about the specific industry or small business sector, and that financial concerns were more important than the provision of quality advice or a sense of justice. The chapter concluded by remarking that most of the SMEs in the sample felt well supported to deal with employment relations challenges, but also that they tended to rely on one intermediary who they accessed systematically. Arguably, this is because employers are responding to the increasing commoditisation of the advice marketplace by remaining closed to alternative providers once they have one system in place, and are conscious of how much they are willing to spend on employment-related advice.

5. CONCLUSIONS AND RECOMMENDATIONS

This qualitative research study has explored SME owners' and managers' experiences of and attitudes towards intermediaries who supply them with employment-related information, advice and other forms of support. The study revealed that the SME advice marketplace is vast and varied. Although a strong preference for informal and therefore internal resolution of staff issues was identified in Chapter 2, SMEs were found to access a range of intermediary organisations for information, advice and other forms of support. SME owners and managers consulted a variety of websites and publications, especially when seeking information or clarification on particular issues, generally concerning employment legislation. This usually occurred in the context of a routine situation triggered by an employee such as a maternity leave, but generally relations between the employer and employee were intact when information of this kind was sought. Some of the SMEs were exposed to HR support as a result of having attended networking events or training courses. However, networking events especially were rarely attended with an explicit view to increasing knowledge of employment-related issues, but rather for unrelated business purposes. Most of the SMEs were unaware of opportunities for cheap and accessible employment-related training.

Intermediaries offering advice, that is to say guidance and recommendations for action when the SME was faced with a concrete personnel-related problem were discovered to be of particularly relevance. In these cases, there was often some level of conflict in the workplace, although the situation may not have escalated so as to become a full-blown dispute. The advice-providing intermediaries included lawyers, HR consultants, Acas advisers, accountants, and personal contacts. Lawyers tended to be perceived as a last resort, and were usually brought in after other dispute resolution methods had failed. Other advice providers such as HR consultants or Acas advisers were more likely to be consulted for 'day-to-day' employment relations issues that usually required more than a mere clarification of the law, but were not yet characterised by a complete breakdown in the employer-employee relationship.

Interestingly, a strong majority of the participating organisations received employment-related information, advice and support through so-called 'complete support packages'. These intermediaries combined the three different types of assistance identified through the research, namely information, advice and support. These are often delivered to SMEs via associations such as the Federation of Small Businesses (FSB), local chambers of the British Chambers of Commerce (BCC), and industry or trade associations, but also by private HR consultancies or insurance companies. The membership or subscription package usually has a number of features. Information might be available on a website or through email bulletins, and support might be delivered in the form of training courses or networking events. The backbone of the service is usually advice-provision via a legal helpline. Crucially, most of these intermediaries offered an element of legal support and insurance should a case end up in an Employment Tribunal.

Although a majority of SMEs were found to have experience of such 'complete support packages', there were no obvious 'winners' when it came to the respondents' appraisals of the individual intermediaries. Some were very positive

about the advice supplied by particular intermediaries, whilst it transpired that others had previously terminated a membership with the very same provider. Although in some instances this was because they were members of a business or industry association without being aware of the personnel support component, in other cases it was because they had been unhappy with the quality of the service. It is noteworthy that many of the advantages and disadvantages associated with individual intermediaries, and similarly the main factors driving use or non-use, were applicable to intermediaries across the board. Arguably, the most significant factor that shaped the respondents' perceptions of the advice that intermediaries provided was whether or not it promoted the interests of the employer. Whilst advice-providers in general were perceived to be knowledgeable about and encouraged compliance with the law, only some were seen to be able to provide good guidance for employers. Others, on the other hand, were criticised for simply instructing employers *not* to do things, without recommending a positive course for action. Other factors that were central to a positive appraisal of intermediaries included advisers maintaining an ongoing relationship with the business. This meant that they could draw on an existing body of knowledge and experience of the company. This argument also applies to intermediaries that had expertise in particular industry sectors or were SME specialists. Moreover, intermediaries, especially advisers that proactively engaged with their customers by voluntarily following up on their progress were highly valued. The overarching theme here is a need for *practical* advice that takes operational realities into account, and advice that delivered tangible *results*.

Time constraints and financial considerations also emerged as significant factors driving non-use of intermediaries. There was a desire for prompt, precise and easily accessible advice that did not take up the employer's time, and long waiting times were a problem, especially with helpline services. Regarding financial considerations, there is no straightforward answer to the question of what type of advice is perceived to be 'good value for money', a phrase that was used time and again in the interviews. However, the question of 'value' is arguably linked to a more fundamental insight. Overall, most of the SMEs in the sample had some kind of 'systematic support system' in place, meaning that they tended to rely heavily on a single intermediary for most of their employment-related issues. Most, but not all of these were 'complete support packages'. Interestingly, most of the SMEs perceived themselves to have a fairly strong support system in place. This could be because the majority of those who sought advice systematically were covered for legal eventualities by the 'complete support package' provider. However, not all of these SMEs had access to this element of legal insurance.

There is a strong indication, however, that SMEs are inclined to *avoid* many of the intermediaries that extend support due to a perception that the advice marketplace is becoming increasingly crowded and commoditised. There is a sense among employers that providers are primarily financially motivated, and as a consequence employers find it difficult to distinguish between providers in terms of the quality of their services. The respondents were keenly aware of this, and they were cynical of the ability of many of the intermediaries to provide quality advice that was also 'good value for money'. As a result, there was a tendency to stick with an existing provider, even in cases when other existing memberships entitled the SME to alternative sources of advice. In order to reduce the risk of Acas being perceived as an organisation whose motivations are financial, it might be worth considering how those Acas services which are free of

charge could be better promoted to appeal to the SME sector. This could include focusing on the Acas helpline and especially the Acas website. Although it might be difficult to improve the Acas helpline's offer to SMEs without jeopardising Acas' commitment to impartiality, there is arguably greater opportunity to enhance the SME-focused information on the website. This could help foster a feeling of comfort and reassurance amongst SMEs that Acas is offering genuine support. In terms of cooperating with intermediaries in order to provide a more comprehensive service, Acas might perhaps consider approaching those intermediaries who are likely to feel least threatened by the service that Acas offers. Intermediaries that provide a 'complete support package' and are accessed for day-to-day advice as well as more severe problems may be unwilling to work alongside Acas, as they might perceive Acas to be competing with their own services. Solicitors or accountants on the other hand are less likely to be approached for day-to-day employment relations advice and might therefore prove to be less reluctant points of contact. Finally, it is hoped that this research will contribute to a continued research agenda that addresses Acas' offer to SMEs. In particular, future quantitative research could consider exploring in more depth the relationship between organisation growth and advice-seeking behaviour. This remained somewhat elusive in the context of the current study, partly because of the small sample size, and partly because most of the organisations did not have a notable 'growth narrative', as they were not growth organisations.

APPENDIX A: TOPIC GUIDE

Interview Sections	Notes	Timing
1. Introduction	Research objectives; timings; recording, anonymity and confidentiality; interview structure.	2 mins
2. SME and respondent background	Nature, structure and functioning of business; organisation growth and turning points; role and experience of respondent; employee profiles and roles.	10–15 mins
3. Employment relations challenges	Concrete examples of everyday employment relations challenges.	15–20 mins
4. Intermediaries	External advice-seeking behaviour in cases described above.	15–20 mins
5. Acas	Awareness, experience and perceptions of Acas.	5 mins
6. Conclusion	Questions and comments; permission to contact again; thank respondent.	3 mins

The following is a discussion guide, not a questionnaire and there was flexibility in the order and wording of the questions. Timings are approximate and are intended to indicate the relative priority of the various sections.

1. INTRODUCTION (2 minutes)

- Research objectives:
 - *This is exploratory work that will feed into an understanding of how SMEs can be supported to prevent and resolve challenging situations in the workplace. Acas has some knowledge of how SME owners/managers deal with more serious employment-related challenges, but would like to find out more about the advice they access to deal with more commonplace, everyday challenges.*
- Timings
- Recording, anonymity and confidentiality
- Interview structure

2. SME AND RESPONDENT BACKGROUND (10–15 minutes)

- Business
 - *Structure*
 - *History*
 - *Turning points*
 - *Growth*
 - *Recession*
- Respondent
 - *Background*

- *Job description*
- Employees
 - *Number*
 - *Roles*
 - *Profiles*
 - *Representation*
 - *Line managers*

3. EMPLOYMENT RELATIONS CHALLENGES (15–20 minutes)

- Ask for examples of day-to-day employment-related challenges. If necessary, prompt with:
 - *Bottlenecks?*
 - *Productivity?*
 - *Recruitment?*
 - *Performance?*
 - *Discipline and grievance issues?*
 - *Disputes between staff members?*
- [If the respondent is mainly discussing more serious disputes:] Ask respondent whether there were any ‘warning signs’ and ask about the background to the dispute.
- [If the respondent still cannot think of examples:] Ask her/him to consider these issues hypothetically. Is (s)he aware of other SME owner-mangers who have faced employment-related challenges?
- Encourage multiple examples.

4. ADVICE-SEEKING AND INTERMEDIARIES (15–20 minutes)

- Link this section to the specific examples mentioned above so that the narrative flows.
- Reaction to situation?
- First steps?
- Who did the respondent approach for advice?
- Why? Ask the respondent to describe the nature of the relationship to advice source in more detail.
 - *History of relationship to source?*
 - *Circumstances of initial contact?*
 - *Patterns of contact?*
- Advantages/disadvantages of intermediary?
 - *Why this particular intermediary?*
 - *Cost?*

- *Ease of access?*
- *Most helpful/knowledgeable?*
- *Appropriate for the industry?*
- *Appropriate for the specific problem?*
- [If respondent didn't do anything, or felt that options for action were limited:] Why wasn't external advice sought?
 - *Need?*
 - *Opportunity?*
 - *Cost?*
 - *Nobody understands my business?*
 - *Little confidence in external advisors?*
 - *Previous external experience was bad?*
 - *Other?*
- [If respondent does not respond spontaneously:] Has employment-related support ever been sought from any of the following? Why, or why not?
 - *Friends and family?*
 - *Other business people*
 - *Business organisations such as Chambers of Commerce or FSB?*
 - *Industry or trade associations?*
 - *Other business associations?*
 - *HR or management consultants?*
 - *Accountants?*
 - *Solicitors/lawyers?*
 - *Business Link?*
 - *Acas?*
 - *Websites/publications?*
- How could advice provision to SMEs be improved upon?

5. ACAS [if Acas has not been mentioned yet:] (5 minutes)

- Awareness and role of Acas?
- Awareness of Acas services?
- Experience of Acas services?
- Advantages/disadvantages of Acas services?

6. CONCLUSION (3 minutes)

- Thank respondent
- Questions/comments?
- Permission to contact with further questions?

APPENDIX B: ORGANISATION PROFILES⁶

Organisation A (Hotels and restaurants)

This company was founded in the 1990s and has been growing rapidly since then. The owner-manager is primarily responsible for HR issues along with almost all other tasks on the corporate side of things. (S)he feels confident about the management of employees, claiming that most problems can be avoided by having clear policies and organisational structure. A number of line managers are responsible for dealing with staff issues as they arise, but the owner-manager operates an open-door policy whereby any member of staff should feel comfortable voicing any concerns they may have. (S)he believes that good communication is the key to successful employer-employee relations, but recognises that there will always be misunderstandings, especially when staff bring their personal problems to work. However, (s)he is confident that most people are reasonable and eager to find a resolution when a problem occurs. Employment legislation is perceived to be the main driver of employment-related problems, as it has led to a decline in direct communication and an increased reliance on formal litigation. Contingency fee lawyers in particular are considered to aggravate rather than resolve conflicts, providing certain kinds of employees with an opportunity to file unreasonable claims. Whilst the owner-manager believes that everyone should have the right to affordable legal representation, (s)he feels that the fact that employees have nothing to lose means that some will take advantage of the system. The ambiguities of employment law are identified to be another obstacle, as the law gives no clear guidance, for example, as to how long a sick employee's job should be held open.

The business is a heavy user of Acas services, primarily the helpline and website, and has also undertaken a charged Acas workplace project following a couple of individual conciliations. Both conciliations were viewed as a success, although the owner-manager remains critical of what (s)he perceives to be an unfair settlement culture. The Acas workplace project was also positively received, as it facilitated the updating of the staff handbook and contracts of employment, and it was deemed to be good value for money. Solicitors have been approached for advice when the organisation was faced with an ET claim, but they are the last port of call because they are expensive, and also because the owner-manager is opposed to the general social trend towards formal, litigious action. The problems that resulted in ET claims were to do with allegations of discrimination by one member of staff towards a manager, and with an employee who had a long-term illness. The issues that have not involved a contingency fee lawyer have been fairly straightforward and have been resolved internally, or with a quick call to the Acas helpline. They include staff underperformance and a member of staff who had an alcohol problem. The Internet is viewed as a useful resource, but can be problematic because there is a lot of opinion on there as well as fact. The owner-manager networks a lot with other business people, and although (s)he maintains that (s)he doesn't *receive* employment-related advice, (s)he frequently recommends Acas to other employers.

Organisation B (Manufacturing)

This firm has been trading for over half a century. One of the owner-managers deals with most of the HR issues, with occasional assistance from the other owner-manger and an administrator. The owner-manager finds that implementing

change with a view to improving performance is one of the biggest challenges. This is because the introduction of changes to time-honoured work practices and routines is often not positively received in a small company with many long-serving employees. Consequently, management works hard to involve employees in decision-making and encourages staff feedback on ideas for improving the business. The firm has faced an ET claim in its recent history and as a result, the owner-manager is fully aware of the importance of compliance with the law. However, (s)he notes that the law is constraining in that it prevents instant action from being taken, and necessitates formal, drawn-out procedures. These are often incompatible with the organisation's preferred, informal people management techniques, as well as with operational realities. There is one line-manager who has some HR responsibility, but (s)he is new to the role and has little personnel knowledge, which is proving problematic. The previous line-manager was on long-term sick leave, and the loss of this key member of staff caused severe disruption to the business. The firm has had to deal with several other long-term illnesses of employees simultaneously and together these have had a devastating impact on the business. Other problems include employee underperformance and instances of disgruntled employees pushing boundaries by breaking minor rules.

The business is in regular contact with the Acas conciliator whom they first met when dealing with the ET claim. The conciliator is perceived to be more useful and knowledgeable than the helpline, since (s)he has in-depth knowledge of the business. However, if it is a routine query then the owner-managers will call the helpline so as to avoid bothering the conciliator. The organisation employed an external HR consultant, recommended by its firm of accountants, to implement a major restructuring of the business, because it did not want to burden the conciliator with such a large project. However, this service was not perceived to be good value for money, and the business ended up pulling out when several employees went on long-term sick leave, as the restructuring exercise had become unfeasible. A barrister was employed for the ET claim, but the owner-managers were not satisfied with the outcome, and again felt as though the work had not been worth the money spent. Overall, the business is a heavy user of Acas services, as the owner manager also frequently consults the website and the guide accompanying the Code of Practice on Disciplinary and Grievance procedures. The Directgov website is also viewed as a useful source of information.

Organisation C (Manufacturing)

This firm was founded over 15 years ago and had been trading steadily until the most recent recession, when it was forced to start making redundancies. The overall perception within the business is that times are tough at the moment, and this means that it makes more sense to contract work out to self-employed people as and when necessary. The respondent's responsibilities cover everything on the administrative side of things, including personnel issues, and the latter presents a genuine cause for concern. Although conscious attempts are made to keep up-to-date with changes to employment legislation, the worry is that employees are always better informed than employers about what they are entitled to. Moreover, the law itself is perceived to be increasingly skewed in employees' favour and offers little protection for employers. A combination of biased employment legislation and employees' heightened awareness of their entitlements is perceived to be at the root of most employment-related problems.

The owner-manager would like to take on an apprentice, but obtaining the paperwork and the grant from the Government is proving to be a long-winded process and the employers are unsure as to when (s)he might be able to start. There is one line manager who does not take the managerial role seriously because (s)he does the same practical work as the members of staff who (s)he is supposed to be managing, and as a consequence identifies with them over and above the owner-managers.

The specific staff-related challenges cited by the respondent included several underperforming employees who blamed their poor performance on personal problems when the issue was raised. This meant that the employer felt that there was little (s)he could do about the situation. One of the cases was connected to an alcohol problem, which eventually led to dismissal and an ET claim. The company relied on its solicitors to help them through the claim, and the latter subsequently recommended a private HR consultant. Following the ET claim, the consultant helped draw up a staff handbook, and was also consulted some time later concerning a redundancy. The burden of holiday pay was cited as one of the reasons that redundancies had to be made. The owner-manager was pleased with the way in which the consultant dealt with the redundancy, and would probably do the same thing if it happened again. (S)he has phoned the Acas helpline on occasion, but hasn't found the advice especially useful, as it seems to be too focused on protecting the employee. (S)he has also contacted her/his accountant, who is an old friend, for simple queries, but does not do this on a regular basis. The respondent frequently browses the Internet for information and updates about employment legislation and looks at a range of websites, including Directgov, Business Link and Acas.

Organisation D (Hotels and restaurants)

This organisation is a start-up and as a result has not experienced many employment-related issues to date. The owner-manager is responsible for most personnel issues and is confident that (s)he has the knowledge and ability to successfully manage staff, due to many years' experience in an HR role in the same industry. However, (s)he has many other hats, and cited dealing with suppliers and marketing as two of the main activities attached to the role. The firm has two managers who are responsible for managing staff on a day-to-day basis, and the respondent encourages the managers to try and handle HR issues independently before involving the owner-manager. The most severe problem that the start-up faced was improving the performance of a group of employees who had been taken on by the business under a TUPE arrangement. The staff had been unhappy with the previous management, and as a consequence, many were unmotivated. Additionally, one member of staff had been taking a lot of sick leave, which was becoming an issue. The owner-manager's attitude to these kinds of problems was relaxed; (s)he felt that the problems were understandable, that they should be fairly easy to resolve internally, but also that problems with employees were integral to running a business because it is not reasonable to expect staff to be perfect all the time.

The owner-manager's HR priority consisted of clarifying the organisation's structure and policies; this included sorting out personnel folders and updating contracts and the staff handbook. Interestingly, the company from whom the start-up was leasing its premises offered a whole range of services to its tenants, mostly web-based, which included template documentation for these types of

paperwork. Initially the respondent had planned to use a solicitor's services for these tasks and was thrilled when (s)he discovered about this free alternative that was tailored to the industry. The same company also provided the owner-manager with a face-to-face induction to running the business. The owner-manager explained that ongoing membership of an industry association provided opportunities to attend business courses and training days on a range of subjects, including HR; indeed, sometimes it was enrolling on another course that entitled her/him to a further years' membership. The membership package was perceived to be very useful, offering a wealth of industry-specific online information, including case studies of other businesses and factual spread sheets, as well as networking opportunities and possibly a legal helpline. The respondent had not yet needed to use these services for a particular problem, but was using some of them for general information purposes.

Organisation E (Hotels and restaurants)

This business is less than ten years old and has been operating at a consistent level since then. The manager would like the business to expand further but this is not possible for the time being due to space constraints. Although the manager is aware of and involved in most personnel issues, the firm employs a part time HR manager who is fully qualified and has extensive experience in HR. The HR manager takes care of all the paperwork relating to 'hiring and firing', keeps an eye out for new legislation and updates the staff handbook. The business is divided up into a lot of departments, each with its own manager, and has quite a complex structure for a small firm. The individual managers have a high level of HR responsibility and are involved in aspects such as recruitment, appraisals and disciplining, in which they are supported by the HR manager. They also deal with a range of other staff issues as and when they arise. The manager is cynical about employment legislation, and believes that businesses have got to 'watch their backs' these days, as there are now so many things that an employer is not permitted to do. However, (s)he feels relatively well-supported as the firm pays into a scheme, which provides legal insurance. This arrangement has given the firm reassurance that it will remain compliant with employment law. The one disadvantage is that the legal insurance providers are always looking at the worst case scenario and are overly cautious in the advice they provide.

The manager and the HR manager both phone the legal helpline provided by the insurers on a regular basis to deal with a range of HR issues. They have an ongoing problem with a member of staff who is underperforming, but have been advised by the legal insurance providers to be careful that any action taken is not misconstrued as discrimination. Consequently, they are currently implementing a staggered performance appraisal procedure. There is also an issue with an employee who is frequently late or absent, and the employers are considering making the role redundant and then outsourcing it, as they have realised that going down the performance route can be a lengthy and time-consuming process. The business is in consultation with the legal insurance providers over this issue as well. Another challenge that the business has faced on more than one occasion involves staff going on maternity leave and then requesting part-time work when they return. These requests have not always been easy to accommodate, but to date maternity leave issues have not developed into more serious problems. The manager relies almost entirely on the legal insurance providers for HR advice, although it is important to remember that in this case the HR manager may well access other sources of information, advice and

support that the manager is not aware of. A separate external HR specialist had been brought in for a one-off updating of the staff handbook. The manager recalled calling the Acas helpline on one occasion when the firm was starting up to enquire about a TUPE arrangement, but does not use any of the other Acas services, of which (s)he has only limited knowledge. The manager mentioned that the business is a member of an industry association that offers access to various publications and online resources, as well as networking and training opportunities. However, the firm makes little use of the resources included in this membership.

Organisation F (Manufacturing)

This company was founded about half a century ago, and the current owner-manager has worked at the organisation for about half of this period, occupying different roles over the years. The recession has hit the company hard, leading to redundancies and a period of short-time working, and this has triggered various employee-related problems. Nonetheless, the respondent had a stoical outlook, and explained that serious problems occurred only rarely, on average perhaps once a year. Moreover, (s)he did not have strong opinions or concerns about employment legislation and employee behaviour, whilst affirming that good employment relations were central to the success of the business. The respondent explained that (s)he had learned most of what (s)he knew on the job, but acknowledged that as there was no in-house HR support, it was necessary to seek advice externally. (S)he said that the firm was 'bombarded with offers' of external HR support. Many day-to-day issues are reported to the line manager, who also acts as an unofficial employee representative. The main problems that the organisation has had to cope with were to do with redundancies and short-time working, but there have also been absence and lateness issues, as well as a dispute between two employees.

The respondent is a high user of Acas services, but has also consulted a range of other intermediary organisations and individuals over the years. (S)he only became fully aware of Acas services following a talk by an Acas adviser at a networking event, and followed up on the offer of free face-to-face advice. Since the initial meeting there has been ongoing contact with the adviser, who was instrumental in helping the firm implement short-time working. The respondent perceives the Acas helpline to be the first port of call for any kind of problem, and sought advice here concerning a dispute between two employees, as well as for redundancies. Solicitors were consulted for one of the redundancies following an Acas helpline adviser's recommendation to take legal advice. The firm has adopted the Acas guidelines on discipline and grievance.

The organisation has an insurance policy that includes an employment component, and the firm's accountant introduced the owner-manager to these insurers. The owner-manager is happy with this service and has phoned the helpline on occasion but emphasised that the main reason (s)he will stick with it is because of the other aspects of the business that it insures against. (S)he is also an active member of the local Chambers of Commerce and has attended some its courses, but only rarely uses the helpline, having struggled to get hold of it in the past. Membership of an industry association is also in place; however, the owner-manager forgot about the legal insurance included as part of this membership, as well as the insurance provided through the Chambers of Commerce membership when (s)he decided to seek legal advice from a solicitor.

In the past, the firm was with a different insurance company, but again, the helpline advisors were not easily reachable and the scheme was not perceived to be good value for money. These insurers did, however, assist with drawing up a staff handbook. The owner-manager attends meetings of a local business association which are perceived to be a useful source of HR advice, and has also had minor dealings with a Business Link adviser that (s)he met at a networking event.

Organisation G (Manufacturing)

This firm was founded by the owner-manager over 25 years ago. It used to be larger in the past but the owner-manager was unhappy with the pressures of running a larger firm and decided to reduce output, and has no desire to grow again in the future. The owner-manager reported that there was a low occurrence of employment-related problems and cited good luck and a very good group of employees as the reason. (S)he explained that staff were always kept up-to-date with business activities, for example new contracts with customers, in order to encourage employee engagement. The owner-manager is mainly responsible for personnel issues and has some administrative support. There is one shop-floor manager who deals with lots of routine issues in the factory.

The business is a member of its local Chambers of Commerce and used to be a member of the FSB as well as an industry association. The owner-manager phones the legal helpline provided by the Chambers of Commerce when faced with a legal problem and has also participated in a youth training scheme that they offered. (S)he could provide only one example of having called the helpline, and this was when s(he) had reason to believe that a member of staff signed off sick was actually working somewhere else. Eventually, the problem resolved itself without further assistance being sought. The firm also has a health and safety insurance in place that covers some personnel issues. On one occasion a member of staff had an accident at work that was dealt with swiftly by the insurers and resulted in a settlement being reached. The owner-manager was unhappy with this outcome even though there was no direct financial cost to the business, since (s)he believed that the employee had brought about the accident on purpose in order to obtain a payout. The firm has also employed a health and safety consultant on a one-off basis to update the health and safety handbook, which is also a general staff handbook. On one occasion, the owner-manager phoned the Acas helpline to enquire about a routine redundancy and was satisfied with the advice obtained. The firm has undertaken a workplace training that was primarily designed to improve efficiency and productivity, but also had an indirect positive impact on relationships between employees. The owner-manager regularly browses the Internet and finds the Directgov site useful, but the first port of call for any problem would be her/his brother, who also owns a company.

Organisation H (Wholesale and retail trade and repairs)

The current manager joined the company less than five years ago, although the company itself is over 100 years old. The business lost a significant proportion of its staff in the 1990s when part of it closed down, although it subsequently took over another company. Since then it has traded consistently, and new employees are only taken on when existing roles become vacant. The manager believes that employing people has its advantages and disadvantages. When (s)he came to the role, there was a HR gap which had historically been occupied by a clerk who

dealt with personnel issues; this was one of the positions that had been made redundant in the 1990s. The manager found that as a result, the organisation's structure and HR policies were very informal, and is currently in the process of trying to clarify, improve and update the management structure and policies. Although (s)he has not experienced any major problems to date, (s)he believes that when problems occur, it is usually due to a lack of structure, and that they are therefore preventable and avoidable. The manager and two other senior members of staff cover HR between them, and another layer of management staff deal with employee issues as they arise.

The firm has historically been a member of an industry association, but the manager did not find its helpline useful as the 'policeman' advisers merely told you what you could *not* do. It also has a long-term relationship with a firm of solicitors but they are expensive and are not generally called upon for employment-related advice. The manager is aware of Acas through her/his previous role working for a much larger organisation, but is unaware of the services that Acas can provide to smaller businesses. Recently, the firm has started to outsource its HR to a private consultancy and the manager has been very satisfied with the results, finding its advisers to be different from the industry association's legal advisers. The main advantage is that it is possible to have an honest, realistic and direct conversation with them. They are perceived to have a wealth of experience in dealing with HR and offer face-to-face advice, tailored documentation and updates on employment law. The company is using the consultancy to update its staff handbook, contracts and policies, and has also consulted it over specific problems. These included an employee grievance which concerned another employee, and which was ultimately to do with underperformance, as well as misconduct relating to use of computers in the workplace. Minor problems included mobile phone use and absence/lateness, and the manager is currently trying to introduce rules that will clarify both issues with assistance from the HR consultancy.

Organisation I (Wholesale and retail trade and repairs)

This business has been trading for over 100 years. The owner-manager is mainly front of house and has a customer-facing role, whereas the other manager mainly works back of house and is responsible for the administrative side of things, including the payroll and more serious personnel issues, as well as the implementation of structures and procedures. They are emotionally invested in the business and are happy to continue operating at the level they are currently at, and over the years they have in fact gradually reduced staff numbers as the business became more efficient due to advances in technology. They strongly believe that staff appreciate the non-material benefits of working for a small firm and pride themselves, for example, on being flexible with staff and making allowances for personal circumstances, and also on encouraging staff to obtain additional qualifications at local colleges. There is one junior manager who is a key member of staff, but (s)he doesn't have any specific responsibility for other employees.

The firm has had various minor attendance and underperformance issues over the years, but these have always been resolved internally. The most serious problem was an employee grievance as a consequence of a reduction in her/his hours, which resulted in an ET claim being filed, and eventually settled. The other issues that the firm has had to deal with on several occasions have been maternity

leaves, and these have caused severe disruption to the business, due to the costs, especially the hidden costs involved in securing cover, as well as the uncertainty over the employee's return. After one of the maternity leaves the firm had to offer a voluntary redundancy as it had not anticipated that the permanent member of staff would return after her maternity leave, and had consequently ended up with two people employed in the same role. The firm relied on the FSB package to guide them through all of these problems, and are very satisfied as it offers clear, precise advice and is perceived to be good value for money. The managers feel that it prevents them from falling foul of the law, and that it's best not to be in the dark because a small firm without support in place could be in trouble if it comes up against the wrong person. One criticism they have is that sometimes the letters and documentation provided are too formal and impersonal in their tone and wording, and that they feel like they have to apologise for this to the employee being addressed. The other disadvantage of the service is that ultimately it is a business too, and there is a willingness to settle a claim if it seems to be the right business decision, even if the employer would prefer not to do this out of principle. The FSB package includes mail shots that are viewed as useful, and the manager might access the Directgov site to look up entitlements concerning maternity leave, for example. The firm also subscribes to trade magazines, although these only rarely cover HR issues. The employers try to attend exhibitions and trade fairs which may also be attended by HR organisations, although again, HR is not the main focus of these events. The health and safety procedures were drawn up by an external health and safety consultant.

Organisation J (Wholesale and retail trade and repairs)

This company changed ownership about a decade ago and since then it has undergone a significant restructuring which has enabled it to grow in turnover without employing more people. Two of the managers cover HR issues between them; one deals with the administrative aspects of employing people and the other gets involved when important decisions need to be made. There are a number of senior managers who control different parts of the business and are responsible for managing staff, so the firm works hard to make sure policies are adopted consistently within the different departments. There are a couple of other layers of management beneath the most senior managers. Despite the fact that this structure is in place, the managers emphasised that the working environment is very informal and that if there were any kind of problem they would be likely to hear about it immediately. They stressed that openness and communication with staff on a day-to-day basis was essential in order to prevent problems from arising.

Overall, the managers did not perceive employment relations or employment legislation to be a cause for concern and explained that they only rarely had problems. They had had to make redundancies in the past, but these had been unproblematic. Other one-off incidents included a dispute between two employees that resulted in one leaving, and then filing a claim against the firm, and employee misuse of work computers. Finally, there was a lengthy performance issue with a member of staff, and this was complicated by the fact that her/his line manager had struggled to deal with the problem and make the right decisions. Eventually the issue was resolved, and subsequently the line-manager was encouraged to undertake further training to improve her/his people management skills. Another issue concerned a member of staff who at one point

had seemed likely to lose her/his driving licence. The managers were concerned that loss of the licence would prevent the employee from carrying out a large part of her/his work. On this occasion, as well as all the others described above, the managers took advice from the provider via the FSB, who helped them clarify their position and supplied all the documentation. The package is perceived to be very useful and good value for money, providing both reassurance and cover. The company has a relationship with a firm of solicitors but would only consider approaching them for an employment-related problem if it concerned senior management staff, as the solicitors are expensive and they are very satisfied with the FSB service. Prior to signing up to the FSB, the firm had employed an external HR consultant, but eventually it decided that the service was not good value for money, as all (s)he did was keep them updated on changes to the law, without providing more specific advice. One of the managers is a member of a business club coordinated by the firm's auditors, and sometimes a HR specialist might be invited to speak at these meetings. All the managers have a lot of contact with family and friends who are in business and regularly exchange advice on all sorts of issues, although they tend to be approached by others for advice. Finally, the firm subscribes to bulletins from a company that provides businesses with regular hard copy updates on a range of issues, including personnel. These are perceived to be very useful, as they help the firm keep on top of changes to legislation, presenting information clearly so that the managers are immediately able to tell whether it is relevant to the business. The managers have only a limited understanding of Acas and the services it provides; they indicated that it was there to conciliate and that they would recommend it to friends who had problems with their employers, implying that they believe that it is primarily aimed at employees.

Organisation K (Wholesale and retail trade and repairs)

This company was founded over 20 years ago by the owner-manager. It has been hit badly by the recession and has been forced to reduce staff numbers by over 50 per cent within a relatively short space of time. Before the redundancies took place there was an administrative position that covered personnel issues, but the responsibilities are currently shared by the owner-manager and the company secretary. The owner-manager is critical of employment law and feels that it consists of too many rules that protect employees without taking small employers' circumstances into account. (S)he mentioned that one of the biggest problems is not being able to move underperforming staff out of the business, referring to the difficulties of adhering to the procedures that this required, including recording things. Before the redundancies, the biggest problem that the business faced was an employee who went on maternity leave three times, returning to work for relatively short periods in between. The owner-manager explained that there was nothing (s)he could do in this situation and cited the costs involved in finding a replacement each time as a major burden. The owner-manager argued that this was an example of an employee taking advantage of the law being biased towards employees, without considering how her actions might impact upon other people.

More recent problems have been connected to the redundancies, which resulted in two employees filing ET claims against the employer. The firm used the service provided via the local Chambers of Commerce to deal with the first claim because it was already in place and was available at no additional expense. However, the owner-manager was unhappy when the insurers urged her/him to settle before

the claim went to a hearing; in the end the company decided to fight the claim out of principle but risked losing the legal cover if it lost the case. The other problem was that the legal insurers refused to deal with the second ET claim because by this point the company had entered into a CVA (Company Voluntary Arrangement) due to the recession. The firm was then obliged to employ solicitors who were considered to be good, but expensive. The company is a member of the FSB but has never used any of its services. In the past, a HR consultant was brought in to revise and update the handbook. The secretary is now responsible for keeping the handbook updated with changes to employment legislation. The owner-manager used to attend local business club meetings but no longer has time, although (s)he does still try to attend the local Chambers of Commerce meetings. The owner-manager rarely uses Acas services and believes that Acas is there as a last resort, or perhaps for a second opinion. (S)he could recall calling the helpline in the past concerning maternity leave issues in order to be 'told the law'.

Organisation L (Hotels and restaurants)

This company was founded by the owner-manager almost twenty years ago. The company has been growing since it started trading but has run out of room to expand. Although there are a couple of managers who have some responsibility for other staff, the owner-manager finds that most of the problems end up being her/his responsibility. (S)he would like to take more of a backseat but is unable to do so, partly because staff costs are soaring and (s)he needs to put in shifts most days, and partly because problems seem to occur in her/his absence. Both of the managers are perceived to be somewhat lacking in their people-management skills, although they have other qualities that compensate for this. The owner-manager admits that (s)he doesn't really try to keep informed about employment legislation; this is because (s)he feels unqualified to do so. However, the company could never afford to hire someone to focus on HR. The owner-manager is somewhat critical of aspects of employment law and employees' increasing awareness of their entitlements. However, the business has had very few problems, and the respondent put this down to having a 'soft' approach with staff.

The biggest challenge to the business is holiday pay, but it has never been a cause for dispute. The employer is very critical of the fact that holiday pay must be paid to staff who only work a couple of days a week, although (s)he believes that full-time staff have every right to it. Other problems have included theft and absence, and in the past there were issues with a group of employees from a particular country who were perceived to be needy and expected the employer to assist them with personal problems. The owner-manager uses the service provided via the FSB for employment-related advice, although (s)he can only recall calling the helpline on a couple of occasions. One of these was to obtain the appropriate paperwork for a disciplinary notice. The respondent did not have a strong opinion about the service, but mentioned that the advisers were easy to get hold of and that the legal insurance was one of its attractions.

In the past, the firm bought into an insurance scheme offered via the bank, but soon regretted the decision due to the cost and terminated the contract. However, the advisers drew up staff handbooks for the business, and when the bank recommended the service for a second time, the owner-manager said (s)he would see whether they could update the handbook and draw up new contracts

for a one-off payment, as opposed to a monthly fee. (S)he was also considering asking the FSB whether this would be possible. The owner-manager regularly speaks to the firm's accountant about personnel issues but only because the accountant is a close family member. (S)he also attends local business meetings, but only rarely talks about work there. (S)he feels confident that (s)he would know of people to go to for specific queries, but that to date this has not been necessary.

Organisation M (Hotels and restaurants)

This company was founded by its current owner-managers less than 10 years ago. The owner-managers are responsible for different aspects of the business and deal with issues concerning their employees as and when these arise; there is no distinct administrative role. The interviewee explained that employment is not perceived to be problematic, mainly because there is a very clear organisational structure. The respondent believes that a strict hierarchy coupled with minimal bureaucracy and good communication with employees has prevented disputes from arising. Moreover, all of the owner-managers have a lot of experience working in the industry to draw on and generally feel as though they have a good support network in place.

The business had only ever had to seek advice externally for clarification of the law and employee entitlements, but not regarding more serious problems. The firm's accountants are the first port of call for these types of queries, as this is understood to be part of the service they provide. The owner-manager indicated that most queries were ultimately to do with getting it right at the payroll, and that it was therefore natural that the accountants would be the appropriate advice-providers. The owner-manager is very satisfied with the service as the accountants are easy to reach, well informed and know the business well. The organisation is a member of the FSB and the local Chambers of Commerce but has not used any of the services these associations offer to their members, even though the owner-manager is aware of the advice helplines. The owner-manager explained that (s)he tries to stay informed about changes to the law by reading newspapers, but is confident that the accountants would flag up any changes. The owner-managers have a lot of business contacts they could call on if required and the firm is a member of a local industry association that could assist with recruiting apprentices in the future. Acas was perceived to facilitate conciliations between an employer and its workforce, but there was no knowledge of its other services.

Organisation N (Wholesale and retail trade and repairs)

This company has been trading for almost 200 years. Staff numbers have gradually declined over the years, but have remained consistent for quite some time now, and the manager believes that this will continue. (S)he explained that the firm is not looking to grow and that if business improves then (s)he would prefer to offer current employees overtime or perhaps take on a temporary agency worker rather than recruit new staff. There is one factory manager who tends to handle many problems informally and occasionally consults the Acas website. However, the respondent was primarily responsible for personnel issues within the company. Although the manager stressed that the business did not have a high level of problems with staff, (s)he was critical of 'red tape' and lengthy procedures, and felt that the law was biased towards employees. (S)he

also highlighted the challenges of working in a 'health and safety culture', which encouraged employees to try their luck and file illegitimate claims in the hope that insurance companies would pay out compensation. Overall, the manager feels well supported to deal with employment relations challenges, but is cynical of the support systems themselves, noting that they are able to 'rake in money' from vulnerable employers because the law is biased against them.

The firm has faced a number of employment-related challenges in more recent years including absence, underperformance, misconduct and redundancies. The company has an arrangement with a firm of solicitors that specialise in employment law whereby a monthly fee is paid in order to have access to telephone and face-to-face advice, and the company used this service for most issues. The solicitors have provided the documentation for written warnings in the case of absence and underperformance, and helped the business through the redundancy process. The manager explained that although (s)he has basic HR knowledge, it was always better to take proper advice. (S)he is very satisfied with the solicitors, finding them to be good value for money. Before the arrangement with the solicitors, the firm employed a HR consultancy in a similar capacity, but the service was perceived to be too expensive, despite the fact that there was a legal insurance component. The HR consultancy had supported the business through an ET claim, and although the manager was happy with the service at the time, (s)he explained that afterwards things started to change. The consultancy seemed to lose interest in the company and was no longer perceived to be worth the fees they charged. In addition to relying on the solicitors, the manager tries to stay informed about employment issues by reading around on the topic, looking on the Directgov website and attending courses from a range of different providers. (S)he could recall having attended an Acas course in the past and sometimes consults the website, but was unaware of the helpline service and also believed that Acas was mainly there to help negotiate with the unions. The firm is a member of the local Chambers of Commerce and the manager sometimes attends their meetings but was not aware that these ever covered employment-related issues.

Organisation O (Manufacturing)

This firm is over 100 years old and both of its current managers started out on the shop floor, gradually working their way up through the ranks. Together, they are responsible for personnel issues, and have learned everything they know about HR on the job. The manager explained that in the past most of the employees had been trade union members, but that this was no longer the case. Employment relations had vastly improved since the introduction of the National Minimum Wage, which led to the decline of the importance of the unions and the establishment of a more friendly work atmosphere no longer characterised by aggression. This change was accompanied by a shift in the nationality of workforce demographic, which the manager believed had also contributed to an improvement in employment relations, as the newer employees had a better work ethic than many of the previous ones. The manager feels that the expansion of employment legislation has made employment practices more complicated, especially in terms of health and safety requirements, but also believes that ultimately this has been for the best. However, (s)he was critical of spurious claims caused by a health and safety 'blame and claim' culture and desire for so-called 'Majorca money', although (s)he also thought that the situation had

improved slightly in more recent years as businesses and insurance companies became more vigilant.

The firm is a longstanding member of an industry association and relies exclusively on its services for all employment-related queries. The managers occasionally consult the handbook supplied by the industry association, but are more likely to make a quick call to one of their points of contact who are already familiar with the business. The contacts are industry specialists who would in turn consult legal advisors if necessary, and are able to provide advice both over the telephone and in person. The manager feels that this arrangement is good value for money, even though the firm pays the industry association an additional fee to have legal cover in place. In more recent years, the industry association has helped them deal with a range of routine problems including lateness, absence and underperformance. Most recently, the industry association has been assisting the firm with the implementation of a four-day working week, as the managers want to ensure that the entire workforce is on board with the plan to work longer hours over fewer days. The firm has insurers for health and safety, but would not approach them for employment-related advice, even though it would be obliged to inform them of any health and safety incidents in the workplace. The firm is also a member of the local Chambers of Commerce but does not use any of its services, and is likely to terminate this membership in the near future. The manager had a high awareness of Acas' collective conciliation service, as Acas had conciliated for the firm when the workforce was still unionised. However, (s)he was not aware of the Acas helpline, website or other services.

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Notes

¹ These are the author's own calculations and are drawn from data presented in Table 1 of the Business Population Estimates for the UK and Regions 2011 (BIS, 2011). It is worth noting that the focus of this report is, for obvious reasons, restricted to those private sector SMEs that have at least one employee, as opposed to those that are sole proprietorships or partnerships comprising only the self-employed owner-manager(s), or companies with only one employee director. For the purposes of this report, therefore, the term should be understood to refer to private sector firms with 1-249 employees. Within this range, micro-enterprises are defined as those with fewer than ten employees and are a sub-category of small enterprises, which have 1-49 employees, whilst medium-sized firms are those with 50-249 employees.

² The distinction between 'information', 'advice' and other types of 'support' is discussed in Chapter 3 of this report. Where 'advice' is explicitly distinguished from 'information' and 'support', each of the terms has a distinct definition, as elaborated in Chapter 3. However, for practical reasons, when the terms 'advice' or 'support' appear on their own, they should be understood to refer collectively to all three terms, unless otherwise specified.

³ The regions are as follows: East Midlands, East of England, London, North East, North West, South East, South West, West Midlands, Yorkshire & Humber, Scotland, Wales.

⁴ "EARS" logs collective conciliations, advice calls, face-to-face advice meetings, workplace projects and business developments. However, it has no record of individual or pre-claim conciliations, calls to the helpline or use of the website and other online resources.

⁵ In order to preserve the anonymity of the participants, the organisation order in all of the tables in this report, as well as the Organisation Profiles in Appendix B have been randomised so as to prevent cross-referencing.

⁶ In order to increase the level of anonymity accorded to the participating organisations, certain information such as the number of employees, precise age of the organisation and detailed descriptions of the organisation's activities have been omitted from these profiles. For the same reason, each of the organisations is referred to as a 'company', even if the legal structure of the organisation is something other than a Limited Company. Similarly, the respondent is referred to as either the 'owner-manager' or the 'manager', even if the respondent has an alternative job title, such as, for example, 'Financial Director' or 'Partner'.

