A Breathe resource produced with culture leaders from across the UK

Culture Economy Report

The impact of company culture on our wider economy and society
Introduction
Rewind to the beginning of 2020, and we were busy preparing the second edition of our Culture Economy Report, a detailed study of business culture, its value to companies and the wider economy. At the time, Brexit was very much the issue of the day for businesses and little did we know that this would soon be eclipsed by COVID-19.

When the government first announced its initial lockdown measure, we – like so many other businesses – had to adapt incredibly quickly to the most significant restrictions since the Second World War.

Our main priority was our people. We needed to ensure they were safe and protected from the risk of contracting COVID-19 and also equipped with the tools they needed to continue working happily and effectively from home.

Fortunately, as a technology company, we already used the internet-based communications tools that have been key to keeping us connected and central to our ability to collaborate with each other in addition to our partners and suppliers. This, in turn, has been a major factor in terms of our ability to work for our customers and provide them with software to help them manage and support their people.
But above and beyond technology, what has helped us navigate such choppy waters has been our company culture which is based very squarely on our People First principles. We have actively promoted the business benefits of positive company cultures since we were first established in 2012.

But we’re far from the only business which is committed to company culture.

In preparing for this edition of the Culture Economy Report we decided very early on that we wanted to tell the stories of other SMEs for whom positive and progressive cultures have enabled them to keep going and support their people.

So many millions of people have been affected by the pandemic on a national and global scale and many have had to find strength, fortitude and resilience in such bleak times when our collective mental and physical health has been under siege.

We conducted fresh field research to explore small business and employee attitudes to the importance of culture, and spoke to SME leaders who shared some truly awe-inspiring examples of the incredible work they have achieved throughout the pandemic.

With the roll-out of the new COVID-19 vaccines now well and truly underway, we have grounds for optimism. However, the Federation of Small Businesses (FSB), among other organisations, warns of hard times ahead for small businesses which an estimated 250,000 facing closure this year. And there is no doubt business and economic recovery will take years to achieve.

Although many SMEs are doing incredible work to do right by their people, for some there is room for improvement, our research revealed more people are quitting their job due to poor workplace culture this year (27%) than last year (21%).

But despite these bleak predictions, we have never felt more strongly that the 5.9 million small businesses in the UK will be key to recovery. Those that genuinely look after their people will be supported by loyal employees, who will long remember the care and compassion with which they were treated throughout such dark times.
Join the community

While the global economy faces unprecedented times, putting your people first now is more important than ever. You can join us in signing the Culture Pledge and commit to working to make Britain the best place to work in the world. In doing so, we will drive up productivity, sustain economic growth and most importantly improve the quality of life for millions across our nations.

Click here to find out more about the Breathe Culture Pledge and join our community of 500 other SMEs putting their people first.
COVID-19, culture and coming back stronger
In the 2018 and 2020 editions of Breathe’s Culture Economy Report, we examined the socio-economic theories that support the idea that positive, progressive, and inclusive cultures are key to employee productivity, wellbeing and company success. We also examined the flip side and the damage that toxic cultures cause to people and organisations.

For the 2021 edition of the report, we wanted to do something a little bit different. We wanted to examine employer and employee attitudes to the importance of company culture throughout the pandemic and see how and if it has enabled businesses and people to overcome unprecedented challenges.
Our research

Between 18th and 30th December 2020, we surveyed 500 senior decision makers from small businesses which employ between 50 and 249 people. We also surveyed 2,000 UK employees to see their view of how well supported they have been throughout the pandemic, how these compare to employer attitudes to company culture and the steps they have taken to look after their people.

At the same time, we spoke to several SME business leaders to learn how they have coped. In this report we’ll be telling their stories in their own words as well as telling Breathe’s story and the challenges with which we have had to contend.

If you are interested in the academic evidence behind business cultural development, we have included resources at the end of the report. These include our two previous Culture Economy reports. Before exploring the results of our surveys and hearing from the business leaders with whom we spoke, we’ll begin with a brief definition of company culture.
What is company culture?

Put simply, company culture is the environment that an organisation creates for its employees. It is the mix of an organisation’s leadership, values, traditions, beliefs, interactions, behaviours and attitudes that contribute to the emotional and relational environment of the workplace.

The culture of a business permeates everything it does and stands for and underpins how things get done.

A truly positive company culture has deep roots that transcend superficial values. In fact, some people speak of peeling an onion to explain how to really understand organisational culture. The image below shows Professor Edgar Schein’s Culture Model, identifying three distinct layers of culture.

It’s important to identify how company culture relates to business strategy and, in turn, facilitates productivity and growth – and in the specific context of 2020 – continuity and survival.

Companies that focus on developing a culture where employees feel engaged, empowered and appreciated, and where people feel their work is meaningful, create a workforce with a high sense of purpose. This reinforces the self-esteem and confidence of individuals and teams, motivating them to achieve more.
Although the benefits that positive cultures bring are clear, we must acknowledge the huge challenges of the last year which for many businesses are ongoing. At this stage of the pandemic, the future remains uncertain for so many businesses, especially those in the industry’s most severely affected including, hospitality, care, leisure, retail and entertainment.

Turning to our own recent research, the below shows the greatest challenges that SMEs have faced in maintaining productivity levels:

A third of business leaders we spoke to (33%) report that reduced revenue streams have affected them significantly. Other common challenges include people working from home (28%), staff morale (24%), and employee absence due to sickness (19%) or caring responsibilities (18%).
Looking ahead to the next year: Employers

Nearly half (42%) think maintaining or increasing revenues will be one of the greatest challenges in 2021.

This rises to half (48%) of small business compared with 43% – micro and a third (33%) – medium.

Other challenges that businesses expect to face are adapting business activity (20%), managing employee health and wellbeing (20%), and keeping teams motivated and productive (19%).

Looking ahead to the next year: Employees

Almost one-third (32%) of employees surveyed cited staying motivated and productive in the next 12 months as their biggest challenge.

Interestingly, almost a quarter (24%) of employees surveyed said they are not afraid to pursue a different career in a different industry, signalling a generational culture shift and cause for concern for some industries struggling with staff retention.

These figures paint a bleak picture and correlate to recent predictions from the FSB that 250,000 small businesses face closure in 2021. Although the government has done much to blunt the economic impact of the pandemic on small businesses by rolling out measures that provided them with financial support, there is no magic money-tree and resources are limited.
In this economic climate, focusing on culture may seem to be a distraction when all eyes should be on revenue and a company’s bottom line.

But we believe the very opposite true. Focusing on culture is key to peoples’ motivation levels, which in turn, is central to their productivity. Now, more than ever, company culture is an essential part of short and long-term strategies and will be central to business and economic recovery.

There may also be a perception that investing in culture is expensive and in a time of fluctuating revenue streams, cultural development should be low down on a company’s strategic priority list.
We asked Benton how businesses with limited budgets can best support their people and this is what she told us:

“There are many ways in which companies can support their teams without it having to incur costs. Providing teams with wellbeing buddies so they can have regular check-ins to just talk about how they’re feeling and what they’re doing outside of work.

“With people trying to home-school their children while working or support loved ones who are vulnerable; the benefit of flexible working will ease stress, burnout, and enable people to work more productively.”

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We spoke with Lizzie Benton at Liberty Mind and asked her why she believes culture is so important. Lizzie told us:

“Founders should be conscious of what their culture is going to be from the very conception of the business, as this will help to attract the right people into the business and ensure that the business is following through on its ultimate mission or goals.

“A culture builds a sense of belonging and community, helping people feel connected to the business, and enabled by purpose-driven decision making.”

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Business: Liberty Mind
Headcount: 1-10 employees
Location: Stamford
Sector: Liberty Mind is a company which specialises in helping other businesses improve their cultures
Spokesperson: Lizzie Benton, Founder and Culture Consultant
Helping businesses create remote working cultures

As a specialist provider of cultural development support and guidance for businesses, we were keen to hear how Benton and her team have supported their clients. She said:

“In 2020 the majority of support we have provided to clients has been the shift to remote working and building a remote working culture. They have benefitted hugely from this support as their team have continued to feel connected to each other and the business, enhancing remote communication.

“As we’ve focussed heavily on being proactive with teams, building resilience and embracing change, there has been a boost in team morale meaning wellbeing and stress levels decreased.”

Expert tips for supporting employees

We asked Benton for her five top tips for employers to support their people amidst ongoing challenges. This was her advice:

1. Be an empathetic and authentic leader – people need your human side right now, not a picture-perfect superhero.
2. Work with your team to understand where they are feeling most overwhelmed, and problem-solve together, rather than chastise.
3. Truly look at your company culture beyond the fun work perks, and instead consider if you’re all working towards the same goal or mission.
4. Consider flexibility – if 2020 has shown us anything it’s that workplaces need to be more flexible.
5. Don’t go overboard on the meetings – one thing I’ve seen too much of which is frustrating and unproductive for teams is too many meetings.
COVID-19, Culture and Coming Back Stronger
Maintaining Breathe’s culture throughout 2020

As a company which actively promotes the benefits of business cultures, anyone reading this report could quite reasonably ask what we ourselves have done to maintain our values and support our people. In short, do we practice what we preach?

**Headcount:** Over 40 people  
**Location:** Pre-lockdown, most of us worked in Horsham, West Sussex office – however, we have always supported flexible working practises.

Our approach

- We developed a new business strategy for ‘coming back stronger’, which applied as much to supporting other businesses – many of which were struggling – as it did to us.
- We focused on providing clear consistent guidance to assure people how we’re 100% committed to their wellbeing.
- Involving all departments in developing our new strategy was key to maintaining morale and making sure everyone in the company was aware of our plans and the steps we would be taking over the coming months.
- Trust is an important part of our culture and at a time when people would quite naturally feel nervous, we had to communicate our commitment to them.

How we supported our people

- We focused on outcomes rather than hours worked – as the last thing we wanted was for people to become overtired and stressed about their workloads.
- We actively encouraged people to use their holiday allowance and take time to recharge their batteries – we believe this is key to happiness, motivation and productivity.
- We focused on developing a programme of events to provide additional support – these are ongoing and have included online Pilates and yoga classes, lunches, quizzes and guided meditation sessions.
- We will continue to provide this support to our teams for as long as it is needed and keep company culture as our priority.
Flexible working and productivity
In this section of our report, we want to take a deeper dive into the steps companies have taken to adapt. We will also compare the thoughts of employers, examining their response to the change, with those of employees who have had to adapt to new and different ways of working.
With the first lockdown came the need for more flexible working practices. Not just in terms of working from home as opposed to company’s office space, but considering the need for people to balance their duties of care with their jobs.

Many working parents and carers suddenly had to adapt to balancing work with home-schooling or keeping younger children active and entertained under lockdown conditions. Communal spaces such as nurseries, swimming pools or leisure centres, which pre-pandemic formed an important support network, ended abruptly. For many, this posed incredible challenges and called for immediate compassion and understanding from business leaders.

If enabling people to work remotely was the initial hurdle for employers, accommodating the need to balance work with duties of care was a very closely related secondary challenge.

It’s also important to remember that there are members of the workforce who don’t necessarily have care responsibilities but have benefitted from flexible working practices, for instance by working remotely. Flexible working needs to be accessible to all and not solely something which is accessible to carers.
Evidence of new flexible working policies

In October we co-hosted a webinar with Julia Waltham, Joint Head of Policy and Influencing at Working Families, a UK charity which provides employers with the tools, guidance, and policies required to build flexible and family-friendly cultures.

In September 2020, Working Families surveyed UK employers and found that there has been a general leap forward in flexible working during the pandemic compared to pre-COVID-19. While just under half (49%) of organisations said that at least half of their staff flexed their hours before the crisis, this jumped to 85% during the coronavirus crisis.

The figures also showed that many organisations planned to continue flexible working when the pandemic comes to an end. Two-thirds (67%) of employers planned to allow most staff to continue flexing their hours, and nearly three-quarters (71%) expected to allow most employees to work at least partly remotely.

Before the pandemic only a quarter (25%) of employers said half their staff worked partly remotely, but this increased to 84% during lockdown.
So, what can be drawn from these findings?

For Jane van Zyl, chief executive of Working Families, the numbers paint a positive picture. She says that while lockdown was a challenging time for many working parents and carers, a “silver lining” had emerged.

Employers had realised flexible working arrangements were possible in “more jobs than they had ever considered before” she said, adding that she encouraged other employers to “follow their example and harness the gains” flexible working offered.

Although one could argue that many employers had their hand forced by lockdown restrictions, and that flexible working policies were developed out of necessity rather than cultural altruism, we think they have opened peoples’ eyes to what can be achieved if people are given different options.
Flexible working in action from Audit Lab

**Headcount:** Over 13 employees  
**Location:** Manchester  
**Sector:** Marketing and advertising

### Their approach

- **10am-4pm core hours** since the firm’s inception, as Claire Crompton, Director and Co-founder of Audit Lab explains: “this allows people to hit the gym at off-peak times or do the school drop off, as well as being home for bath and bedtime. We found that this was still incredibly important throughout 2020.”

- **Investing in relationships:** “While we have had our struggles with communication at times – Zoom only goes so far! I think what 2020 has done is strengthen the trust and bonds between our people.”

### The results

- “There were some teething issues in the beginning as we all adjusted to life at home permanently, but we quickly found our feet. We’ve seen no drop in productivity and have even seen a rise in creativity and eagerness to dive into new tasks and come up with new ideas. Whether it’s being in familiar settings or perhaps more energy and no commute, but we love anything that inspires new ideas in our team!”
A boost in productivity – our research findings

It’s interesting to note Crompton’s observations on productivity, and a rise in creativity. This correlates closely with our wider research.

Of the 500 SME business leaders we surveyed, 87% of employers say their staff have remained productive while working from home – a large majority, disproving any stigma that many roles cannot be done at home.

This jumps to 91% of larger SMEs reporting high productivity levels, showing that this size workforce has got to grips with remote working very effectively.

On the other hand, our poll results reveal that for employers, adapting to flexible working hasn’t been without its challenges. 33% of employers said working with reduced revenue streams has been a challenge, closely followed by 28% who reported working from home had been a trial.

For many businesses, adapting to flexible and remote working required an investment in terms of equipping people with technology and other office equipment. Sourcing the capital required for this spend at such a difficult time has clearly been a strain for many.
Industry differences in productivity

Our research was not limited to a certain company size. We also wanted to look at different industries and the extent to which the pandemic has affected them and their people.

Of the employers we surveyed:

■ 100% of those in the marketing and advertising sector reported high productivity levels across their workforce. This rings true for respondents in the real estate industry too. As much of the work done in these sectors is mainly phone and computer based, this figure comes as no surprise.

■ Not so fortunate were the hospitality and food and drink industries, where working remotely simply wasn’t an option. Twelve months into lockdown and with ongoing government restrictions in place, these companies are now at their most vulnerable level since the beginning of the pandemic.
How well have employees been supported?

Of the 2,000 British employees we surveyed, half said their company had endeavoured to maintain a positive remote working culture since the beginning of the COVID-19 pandemic, with a fifth (19%) strongly agreeing with this statement. This rises to 61% when excluding those who do not work remotely.

To help them cope throughout the coronavirus pandemic,

- 37% said their employer has provided guidance about the lockdown and working arrangements.
- 36% stated their employer has communicated company developments on a regular basis.

These numbers suggest room for improvement. With just over a third of those polled indicating that they have received adequate guidance and communications from their bosses, there seems to be a worrying lack of transparency.

Of course, business leaders are fighting on all fronts and it’s too easy to censure employers when they are channelling their efforts into remaining in business. We have already seen that for 33% of employers, working with reduced revenue streams was the greatest challenge last year.

But the question has to be asked: could employers’ lives have been made easier had they focused more on communicating with their teams?
We found three in ten (31%) employees think remaining productive and motivated will be one of their biggest challenges while a fifth (20%) think continuing to work for their existing employer will be a challenge in the next year. 15% indicated that they were worried about the risk of redundancy and an equal number expressed concerns about combining paid work with their care duties.

These figures don’t indicate any widespread feelings of dissatisfaction among the employees we surveyed, so this is reassuring.

Although communication levels from the top down could have been better, nearly two thirds of employees do not anticipate a dip in their motivation and productivity levels.

Perhaps this is testimony to the fact many employees reported that their bosses have tried to maintain positive company cultures throughout the pandemic, even if overall communications could have been better.
While flexible work from home arrangements have become a reliable alternative to office-based work in many industries, it’s important to understand that the office is not yet obsolete and still has key advantages.

An office gives the ability to have the kind of spontaneous conversations that can spark creativity and improve understanding.

In between the second and third lockdowns, Breathe’s team members were given the option of continuing to work from home or returning to our office. There was no pressure and people were encouraged to work in the environment in which they felt most comfortable.

For many, especially those with duties of care, continuing to work from home made sense but equally, others enjoyed being back in the office and spending time with colleagues.

This resonates with Claire Crompton at Audit Lab’s thoughts. We think her observations sum up the crux of flexible working and the need to provide people with options-based, personalised work structures, suiting their own preferences. She concludes:
“For us, maintaining at least some face-to-face contact in the office is still important. In the digital marketing industry, a great deal of business is done face-to-face and with people you know.

“Relationships are so important to maintaining and gaining new clients. I think we will always have two or three days in the office and a couple at home. To us, flexibility is so, so important.”
Wellbeing, physical and mental health
In this chapter, we take a closer look at our research findings and examine the practical measures we and other SMEs have taken to protect people and look after their physical and mental wellbeing, at a time when remaining fit and healthy has been so challenging.
Supporting employee wellbeing: our research

Turning to our own recent research, two in five employers (39%) report ensuring employees are supported in regard to health and wellbeing as a major difficulty.

It seems that despite the majority of employers being concerned about employee wellbeing (96%), it doesn’t mean that introducing new measures has been easy as we have transitioned to home-working during the lockdowns.

The links between physical and mental health are very well known, however, the closure of gyms, swimming pools and leisure centres during lockdown mean many people have had to adapt their fitness regimes and find ways of exercising from home or outdoors.

But as Brett Hill, Distribution Director at insurance firm Towergate Health & Protection points out in Personnel Today, this presents benefits for employees and employers:

“Some employees that didn’t feel comfortable in a gym now have a viable alternative, so this can potentially increase the number of employees who will engage with improving their fitness, and introduce a new tranche who enjoy working out in a way that suits them, such as online workouts.”

“There is an opportunity for businesses to capitalise on this momentum. This is a chance to encourage enthusiasm for keeping fit and make benefits available that facilitate this.”

In other words, if the physical and mental wellbeing is key to a company’s culture, employee benefits will need to evolve above and beyond gym membership. And this needn’t be costly.
How Breathe’s culture kept our team going

Approach

■ Breathe’s own programme of events and activities throughout 2020 included yoga and Pilates in addition to step challenges.

■ We’ve also provided online guided mindfulness and meditation sessions which have been led by experts in these fields. Everyone in the company is encouraged to participate in the activities which appeal to them, but people aren’t obliged to take part. It’s about making different activities available at different times. People don’t need to embark on triathlon training or weightlifting to stay physically and mentally fit. For many, a daily walk or even some gardening can be highly effective.

What our Culture Economy experts are doing

■ “Alex Mahon, the CEO of Channel Four, announced that they are implementing meeting free lunches. We are also seeing a huge uptick in demand for bite-sized virtual sessions to really connect teams in the most human of ways – focusing on appreciation, empathy and trust.” - Caroline Whaley, Co-founder of Shine

■ “Team building and appreciation exercises help to bring staff together at such a difficult time. Other benefits we’ve rolled out like lunch every Friday on the company, early closes on key holidays, and allowing holiday days for sick day cover also showcases to staff that I am passionate about supporting them.” - Kamran Saleem, MD of Motorserv UK

■ “Everyone at Gravity gets access to 24/7 online wellbeing and mental health support.” - Riccardo Tessaro, Founder and CEO of Gravity Co-Living
The current scale of the mental health crisis

1 in 5

Britons have reported symptoms of depression since the beginning of the pandemic

In the early days of the pandemic, the Office for National Statistics reported one in five Britons reported symptoms of depression, compared with one in ten before the crisis.

A different study by The Health Foundation placed the figure closer to 70 per cent, with stress, anxiety, insomnia and boredom all contributing to mental health issues as the pandemic continues.

The scale of the mental health problem is immense and although we have grounds for hope with the national and global roll-outs of the COVID-19 vaccines now well underway, the longer term effect of the pandemic on peoples’ mental health remains to be seen.

For this reason, health and wellbeing must be at the heart of every organisation’s culture for the sake of its people. This is not just about the here and now; this will be the long-term legacy of the pandemic.

We spoke to Caroline Whaley, Co-founder of Shine, an organisation working with businesses to address diversity, who said,

“Exhaustion is everywhere and when we ask people the question ‘how are you...really?’ there’s only a handful of people we come across who are genuinely thriving – and even then, there’s a reluctance to admit it!”
Attitudes to mental health in the workplace

We recently co-hosted a webinar with Sarah Murphy, Associate Director of Advice, Information and Training of Rethink Mental Illness, one of the largest charitable providers of services for people living with mental illness.

During the webinar, we polled 429 SME owners and managers. We wanted to know what support they and their organisations have provided in terms of mental health and wellbeing throughout the pandemic. We found:

- **65%** reported that they have introduced additional mental health support measures since the beginning of the pandemic.

- **25%** respondents said their organisations have not introduced new support measures with a further 6% unsure if changes have been made. Although it’s encouraging to see that 65% of employers responded positively to our questions in general, it’s worrying that nearly 35% were not able to do so.

- **68%** poll respondents said they have seen an increase in people reporting mental health issues since the beginning of the pandemic.

- **79%** people agreed with the statement that people within their organisation are encouraged to talk openly about their mental health.
Providing mental health support

Good managers care about the mental wellbeing of their staff and not just for altruistic reasons.

Even if staff don’t take time off, mental health also affects productivity and is more likely to lead to issues ranging from elementary mistakes to poor customer service.

With work forming such an important part of people’s lives, it’s imperative that employers do everything they can to provide support in a time like no other. However, it’s important to remember that most employers are not mental health professionals and it’s not their place to diagnose employees with illness.

Instead, employers should focus on helping people make use of the many dedicated resources that are available to help them deal with depression, stress and anxiety. This point was emphasised by Sarah Murphy from Rethink Mental Illness during our webinar.

So what resources are available to help businesses support their people?
Employee Assistance Program (EAP)

EAPs are a straightforward way of guiding people to the help they need. Although they do require investment, the value they bring in terms of helping people manage mental health issues and recover is far greater than their cost.

EAPs are particularly useful for support people who may be at risk, are suffering from existing issues or returning to work after a period of absence.

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<th>An effective EAP:</th>
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<td>Improves trust between teams and individuals</td>
<td>Health and wellbeing programs, plus incentives and other corporate benefits</td>
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The wellbeing trinity: physical, mental and financial wellbeing

The link between mental, physical and financial wellbeing is well established. Money may not buy happiness, but people’s relationship with it can impact their health. Stress caused by pay levels, lack of financial awareness or an absence of employee benefits can affect work performance and productivity.

In 2019 – long before most of us had even heard of COVID-19 – a Perkbox survey revealed that money is the biggest cause of stress for employed adults, more than a quarter of whom feel stressed about finances every day.

Fast forward to the present and a reduction in household incomes as a result of furlough and redundancy means many adults are facing the greatest financial challenges of their lives.

As part of wellbeing programs, employers should think equally about mental, physical and financial health – they are three sides of the same triangle.

Planning redundancies carefully to ensure vulnerable employees and well-supported during a difficult time is essential. This was a point emphasised by Rebecca Woolmington MCIPD, MD, HR Central in a webinar we hosted to examine the practicalities of managing redundancies.
Employer attitudes to employee financial health

In September 2020, we hosted a webinar with Rebecca Bull, Chartered Fellow CIPD and owner of My HR Hub. The webinar was attended by nearly 200 SME business leaders and focused on employee financial health.

During the webinar we polled attendees to assess their attitudes to team members’ financial health. We were pleased to see the extent to which it is taken very seriously.

Reassuring as it is to see that employee financial health is a priority for most business owners, the fact that more than half don’t currently provide access to personal finance assistance and guidance is a concern. In the current climate and with many people having to tighten their belts as a result of financial pressures, it’s important to make sure that finance is central to new and existing EAPs.

And although over half of businesses have introduced new wellbeing mental health support measures during the pandemic, we still have a long way to go.

As Whaley adds,

“those companies that keep culture at the forefront now will certainly be the ones who will find the creativity and resilience to accelerate out of these times”

91% agreed that there is a link between productivity and financial wellbeing

98% also agreed that financial wellbeing links to mental wellbeing

51% don’t have personal finance advice / recommendations / guidance feature in their HR programme

67% believe that employers have a moral responsibility to support with employee personal finance
COVID-19 – challenges to culture and business recovery
In this chapter, we will be reflecting on the challenges SMEs have faced in terms of maintaining strong cultural values throughout the pandemic, some of which – unless addressed now – could have ramifications for years to come.

Although we have seen a very welcome increase in employers recognising that flexible working does not undermine productivity – far from it – the flipside is that the rapid move to businesses models based on dispersed teams has brought about challenges around maintaining positive work cultures.

If businesses are to successfully rebound, it’s essential that they do not overlook the importance of culture and see previously strongly held values diluted as they strive for financial recovery.

We believe that those companies which focus on culture now will recover more quickly and face brighter futures than those who let it slip down the priority list.
How is the pandemic transforming company culture?

There are some signs for cautious optimism about improvements in company culture. However, they also underline a need for more input from businesses leaders and their senior management teams.

A recent study from Quartz and Qualtrics found that organisational culture had improved during the pandemic. It revealed 37% of the 2,100 global respondents felt their company culture had improved since the pandemic.

And given the extent and speed to which organisations had to fundamentally rethink their business models in reaction to challenges presented by the pandemic, we think the figures paint a reasonably positive and optimistic picture.
The risk of complacency and the ‘COVID trap’

In a recent white paper published by Engagement Multiplier, a UK provider of employee engagement software, the company’s CEO – Stefan Wissenbach – identified the threats to company culture post COVID-19 and the steps business leaders can take to reduce them and protect their organisations.

In the paper, Wissenbach talks about what he has termed ‘the COVID trap’ and the risk this poses to businesses and employees. He comments:

“The COVID-19 pandemic had an unusual effect on business as it took hold, uniting people against a common enemy. The impact was evident almost from the outset, as companies (and their employees) raced to meet rapid changes in how they worked and served their customers.”

“As a result, employees were highly engaged, dedicated to keeping businesses afloat, preserving livelihoods, and helping their communities.”

Wissenbach explains the ‘COVID Trap’ is a phenomenon whereby business leaders are lulled into a false sense of security about the ongoing motivation and productivity of themselves and their team members and take this for granted.

On the whole, the early days of the pandemic saw people rallying together to support each other and the organisations for whom they work. There was a great sense of unity which acted as a catalyst for recovery and inspiration to move forward for the common good.
But 12 months into the pandemic and with lockdown fatigue now commonplace, people are feeling the challenges more acutely than perhaps any time since the beginning of the crisis.

Business leaders who have been buoyed up by the efforts and energy of their team members in 2020 should think carefully about the support measures they can take to ensure motivation and productivity remain high.

The challenge of overcoming the COVID Trap is to identify:

- Where fatigue and weariness are setting in
- The risk this poses to business recovery
- The cultural development measures necessary for moving forward

Across the pond, an October 2020 Gallup Poll indicated that US employee motivation levels has fallen back to pre-pandemic levels. A stark warning of things to come for UK businesses which don’t focus on their company cultures?
Measuring employment engagement levels

With all this in mind, we will now consider ways in which business leaders can assess how teams are currently coping and genuinely feeling about their employers. Understanding this is key to creating the cultural development blueprint which will be central to business recovery.

Although honest feedback can be hard to gather (and also provide) there are tools created by specialist companies like Engagement Multiplier and Then Somehow which combine technology with the behavioural science for understanding insights and turning them into plans of action.
Employment engagement defined

Deloitte defined employee engagement by the emotional commitment an employee has to their organisation and its employees, vision and goals.

It suggests that employee engagement is not about employee satisfaction, high salaries or thanking an employee after a long day of work. Many companies make the mistake of treating employee engagement as a human resources issue, when it’s actually a business one.

It’s not about getting more out of your employees for the sake of it – it’s about having a trusted team who care about what they do and collectively want the organisation to succeed.

When employees are engaged, they will be more likely to rise up to a challenge when times are tough and think bigger when the going is good.
3 tips for assessing employment engagement levels:

1. Define your goals and create a structured plan

Before you create a plan for measuring employee engagement, what are you going to do with the feedback you gather? It may sound obvious, but many employee engagement programmes fail before they have even begun because there is no plan in place to turn feedback into actionable business plans.

2. Combine conversations with surveys

Although sending out traditional annual and pulse surveys is a relatively easy way to gather surface-level feedback from people based on scorecard numbers, do they really tell you what you need to know? Steve Stark, CEO, Then Somehow believes not.

He suggests that proper conversations (versus purely numerical data) are at the heart of effective reviews, saying: “We’re people not machines, we run on stories not on numbers.”

Help your managers become active listeners who can take comments and opinions on board and use this effectively as well as providing team members with feedback. Combine conversations with surveys to create detailed insight.

3. Measure employee engagement frequently

Measuring employment engagement levels isn’t a one-off exercise. It should be something which constantly evolves and is a key aspect of every business plan. Employees need to know their thoughts and opinions matter to their employers. This in itself can help boost engagement levels.

Recovery from the pandemic is going to take time and there will inevitably be more changes that arise which will affect your business and people.
Alongside the risks posed by the Covid trap and fluctuating employee engagement levels, there is also evidence that equality and inclusiveness – two values that are at the heart of positive company cultures – are under threat, with an increase in gender disparity.

Researchers from Boston Consulting Group surveyed more than 3,000 people in the US and Europe, uncovering that working women currently spend an average of 15 hours a week more on unpaid domestic labour than men.

Research by scientists from the universities of Oxford, Cambridge and Zurich during March and April 2020 showed that working women in the UK, Germany and the US did more childcare and home-schooling across all wage brackets, compared to men with similar earnings. The difference was amplified in couples where the man worked outside the household during the pandemic.

Commenting on the research Caroline Whaley, Co-founder of Shine says:

“COVID-19 has the potential to be a disaster for equality. Family systems are regressing to more traditional norms due to the closure of schools, day-care centres and summer camps.”

“The ability of many dual-earner couples to both work because someone else is looking after their children is dissolving.”

“We are seeing the bulk of the responsibility still falling on women – sometimes through deliberate decisions with their partners (often financially driven) but all too often, by default.”
Overcoming flexible working stigma

Fuelling the stigma attached to flexible working patterns is the reluctance of men to request what has traditionally been viewed as an option for part-time working women.

In a 2018 white paper which examines the stigma attached to flexible working, the author – Dr Heejung Chung – presents evidence to support the theory that men and women both face discrimination if they need or request flexible working options. Women, Dr Chung contends, are perceived to be less committed to their work and men are seen to prioritise work above everything else, including their families.

But with so many people working from home during the pandemic and needing to combine work with duties of care, there are signs that attitudes are changing.

Research conducted by Working Families – a UK charity which helps employers build flexible and family-friendly cultures – revealed that 68 per cent of employers reported male parents and carers had shown more interest in flexible working since the pandemic hit.

So, if organisations are willing to support flexible working, and employees are keen to work flexibly, where should we go from here?
Practical steps for promoting flexible working

Employers should be creating options for fathers as this is key to creating the greater levels of equality between male and female employees. Here are some ideas:

1. Challenge stigmas attached to men requesting flexible working to care for children. Actively promote your flexible working policy and make it clear this is for everyone with caring responsibilities.

2. Demonstrate and celebrate examples of people who are working flexibly, effectively and productively. Move away from a culture of presenteeism and focus on output.

3. Identify senior male flexible working role models and get them to share their story. It is very powerful to hear first-hand from a leader that they have made a success out of remote working and they see this as a way forward.

4. Actively promote company policies related to Shared Parental Leave. This government led legislation was introduced in 2015 to provide husbands and partners the legal right to divide responsibilities as well as paid time-off work.

5. Consider whether existing roles can be offered on a flexible basis and also think about how this can apply to new roles. Job board, Indeed, has reported that adverts that list flexible options attract 30 per cent more applications than those that do not.

6. Bring your policies in line with the government’s Good Work Plan. This is a set of proposals which encourages businesses to improve workforce equality by advertising all jobs as flexible from ‘day one’.
The pandemic has clearly amplified inequalities and some would argue that is has set back efforts to redress gender imbalances by years. Focusing on closing the gap isn’t something that can wait until the pandemic has finally subsided; behaviours and attitudes that have re-emerged since the crisis began could all too easily become entrenched once again and take years to undo. This is a very real challenge to company cultures and society as a whole and an issue which business leaders – of all genders – need to confront.
The wider importance of diversity

Of course, diversity and inclusivity are not limited to redressing gender orientated imbalances. They also apply to employing people from different backgrounds and of different ages.

It seems obvious, but a successful football team isn’t made up of only strikers or only goalkeepers – the same should go for your team. A diverse workforce which features people from a variety of cultures, backgrounds, abilities, and lifestyles benefits everyone.

By having a workforce that is better representative of society your business will have access to a wider pool of talent, meaning you have a greater chance of finding and retaining the people who are most likely to excel in their roles.

These are employees who will view the world differently, and who will apply their personal circumstances and experiences to contribute unique perspectives to benefit your company.

In the last year we have seen businesses and society as a whole come under scrutiny for the treatment of people from BAME backgrounds. The rapid rise of the Black Lives Matter (BLM) movement underlines the need to for overturning deep-rooted prejudices. Institutionalised racism, sadly, remains an in issue within a number of organisations.

Although employers don’t have all the answers, they can put a stronger focus on diversity and inclusiveness and ensure their values permeate throughout their businesses and resonate with all members of their workforce.
The road ahead
People have shown incredible levels of resilience throughout the crisis and although we are now at a stage when fatigue has become ubiquitous, there are still remarkable stories emerging of individuals, communities and businesses who are helping us collectively push through.

In this chapter we will be discussing the road ahead for businesses. If the pandemic has shown us anything it’s that we can’t predict the future. We can, however, discuss some of the measures business leaders and their teams can take to plan ahead.
The office is dead. Long live the office

Much has been written about how, post COVID-19, everyone will be liberated by working from home and there will be no need for offices.

However, it’s not as simple as that. People are far more complex and the future is more nuanced.

Yes, many companies successfully transitioned to working from home very well. As we have already discussed in this report, some of the business leaders we have spoken to have told us that their people have been happier and more productive.

But we would argue that the companies who transitioned the best, did so because they have actively worked on their culture before the crisis and were already well equipped to meet the challenges of transitioning to new ways of working.

Culture comes from a sense of togetherness that isn’t easy to maintain when humans are apart. Because of this, many companies are starting to see a slow but steady erosion of their cultures, and the longer we spend in lockdown the more obvious it becomes.
Why offices matter

We believe that the vast majority of companies need an office and every person should want to be there for at least some of their working week. But the way that businesses use offices will evolve.

Although we don’t believe that we should all go back to being anchored to an office-based desk once lockdown restrictions have been lifted, we do think it’s important to remember the importance of offices as places which bring people together and foster collaboration.

We think offices will become places where people can be together to share ideas and creativity and this will be key to businesses as they work to bounce back from the crisis.

Breathe and flexible working – our story

In our case, we reopened our offices in between the lockdowns after very carefully implementing health and safety policies to ensure social distancing regulations were rigorously followed.

We didn’t make it compulsory for people to return to the office but made it an option for everyone who wanted to work as we did before the crisis.

Anecdotally, the feedback we received from those who chose to return (either on a part-time or full-time basis) has been incredibly positive. The social aspect was valued and appreciated in a new way where once – pre crisis – it was perhaps regarded as the norm.

For us, flexible working – which is at the heart of our culture of putting people first – has worked well and we’re hearing similar stories from many of our customers and partners.

The new hybrid way of working, with a combination of working from home and a partial return to the office has been a positive experience and key to our ability to get through such a turbulent time. Our next challenge – and one which we share with many other businesses – will be to ensure our culture evolves in line with hybrid working.
The future of work arrives ahead of schedule

It’s undeniable that technology has played a vital part in enabling businesses to pivot to new ways of working in the early days of the pandemic. If the transition to remote working was achieved most successfully by organisations with strong cultures, technology has been the enabler.

Before the COVID-19 crisis, the idea of remote working was in the air but not proceeding very far or fast. But the pandemic changed that, with tens of millions of people transitioning to working from home, essentially overnight, across a wide range of industries.

Microsoft’s CEO Satya Nadella captured perfectly one of the most significant impacts of the pandemic, when he declared that: “We have seen two years’ worth of digital transformation in two months.” Indeed, the crisis has arguably fast-forwarded the ‘future of work’ by five or ten years.

Amichai Ben David of Digital Nomad World, a community website dedicated to supporting people who want to combine work with travelling and living abroad told us:

“With today’s high speed internet connection, wide variety of project management software and advanced security systems, the vast majority of companies can easily transform their work into a more flexible environment.”

“Moreover, many companies already do work remotely in this sense, but from an office on a 9am to 5pm schedule. Acknowledging this fact would allow for a more flexible environment, which will in turn give the employees more control over their personal life and directly improve their satisfaction.”
Cultural reset and recovery

In a recent McKinsey report, the author writes:

“2021 will be the year of transition. Barring any unexpected catastrophes, individuals, businesses, and society can start to look forward to shaping their futures rather than just grinding through the present.”

From an employee perspective, many will have had significantly different experiences in terms of the way they have been treated by their employers during the crisis. For those people who have been treated well by the business leaders who have demonstrated kindness and compassion, it will be long remembered.

In equal measure, those who don’t believe they have been treated fairly or with kindness, will perhaps be now seeing their employers in an unfavourable light and this could undermine efforts to retain employees.
The impact on trust

The impact on trust in leadership, organisational management and belief in the culture will be acute and may take some time to recover.

It will be interesting to see how employees’ view their leaders’ organisations in another 12 months’ time, in a year when businesses will have been working hard to recover, and if there have been correlations between retention and the way in which people reflect on their experience during the pandemic.

27% of the SME employees polled said they have left their job as a result of toxic cultures.

24% said they would be willing to pursue a different career in a different industry.
A new approach to employee benefits

In a recent article about the evolution of employee reward and recognition driven by the crisis and the need for new approaches to leadership that puts peoples’ wellbeing first, Robert Ordever, MD of workplace culture expert, O.C. Tanner Europe writes, “organisations that used to provide transient perks are now recognising that more meaningful support is now needed, with 2021 being about providing genuine and tailored rewards. This might include home office equipment and furniture, a mental health support line or new flexible working arrangements.”

Ordever said financial wellbeing and support is just as important, with many people finding themselves in difficult situations due to the pandemic fallout. “Offering financial education, support and advice will be well-received by many employees, together with finance schemes such as salary sacrifice loans.”
All eyes on HR

David Green, an expert in people analytics, made an interesting point in his recent article that the pandemic has thrust the human resources function into the spotlight. Citing research by Deloitte (and others), Green argues that as many employees have been in vulnerable and precarious positions, the need for an increased focus on HR and people management has come.

Of course, not all businesses employ dedicated HR professionals and in some smaller companies this area of business management may fall to someone who shares people management with other duties and responsibilities.

Nevertheless, companies need HR functions and support from professionals like they have never needed them before. They will play a key role in providing support as we transition to new ways of working and create workplaces in which fairness and wellbeing are guiding principles at the centre of company cultures.
Budget 2021: new support measures announced for UK SMEs

At the heart of Chancellor Rishi Sunak’s 2021 budget are a series of measures designed to fuel business recovery and drive economic growth. This follows a year in which the government has borrowed £270bn so far fighting the pandemic.

Summarising the packages announced in today’s budget, Sunak says the government has committed an additional £65bn of measures to support the economy.

The 2021 budget at a glance...

- The furlough scheme – which pays 80% of employees’ wages – will be extended until the end of September.
- The business rates holiday will be extended through to the end of June.
- SEISS – grants 4 & 5 will be made available to those who filed their tax returns by midnight on 2 March.
- Corporation tax will rise to 25% in 2023.
- For the remaining nine months of the year, business rates will still be discounted by two thirds, up to a value of £2m for closed businesses, with a lower cap for those who have been able to stay open.
- The 5% reduced rate of VAT will be extended for six months to 30 September followed by interim rate of 12.5% for another six months.
- The standard rate will not return until April next year. The Chancellor says this makes for a £5bn cut in VAT. The VAT registration threshold will remain at £85,000 until 2024.
- Hospitality and tourism: 5% reduced rate of VAT extended to 30 September. This will go back via a 12.5% interim rate for another six months after that.
- 100% business rates holiday for all retail and leisure businesses will continue until the end of June. Rates will be discounted by 66% for the rest of the year up to a maximum of £2bn.
- £700m in "restart grants" to arts and sports organisations.
- The creation of a new £520 million initiative called ‘Help to Grow’ which includes incentives for SMEs to help them invest in training and development, technology advice and discounted software.
- A new programme called ‘Plan for Jobs’ will established to fund traineeships and apprenticeships.
‘Help to Grow’ highlights

The new Help to Grow scheme will see the government pay UK business schools to provide 50 hours of free tuition to SMEs over twelve weeks, with one-to-one support also offered from a “business mentor”.

Its digital offer will create a new online platform to offer free advice on technology that will help businesses to save time, reduce costs, and reach more customers, the Treasury said.

Eligible SMEs will be given vouchers to get up to 50% off the purchase of new productivity-enhancing software, up to £5,000 each.

Mentoring and management training

Rishi Sunak explained how the Help to Grow scheme could help 130,000 SMEs become more productive by providing access to some of the UK’s top business schools with 50 hours of tuition and one-to-one support from a business mentor. To increase innovation and boost growth, eligible companies will be able to offer ‘MBA style’ management training to team members.
“Our brilliant SMEs are the backbone of our economy, creating jobs and generating prosperity – so it’s vital they can access the tools they need to succeed. Help to Grow will ensure they are embracing the latest technology and management training, fuelling our plan for jobs by boosting productivity in all corners of the UK.”

Rishi Sunak

‘Plan for Jobs’ to drive traineeships

The Treasury said studies had shown that improving the performance of SMEs to match that of competitor countries such as Germany could add £100bn to the UK economy.

In addition to the ‘Help to Grow’ scheme the Chancellor also announced his ‘Plan for Jobs’. Sunak announced that the government will commit £136 million to create 40,000 additional traineeships in England and offer cash incentives worth up to £3,000 for employers who take on apprenticeships.

At a time when unemployment has reached 5.1% (1.17 million people) – the highest figure for five years – this scheme, alongside rapid roll-out of the vaccine, should help to reverse the decline in employment.
A unique budget for a unique time

The budget seems to favour SMEs as well as larger companies with recognition that the private sector re-growth will pave the way for brighter times as the UK emerges from the crisis.

The support announced seems pragmatic and original, with recognition that SMEs will be key to recovery and new measures for helping them bounce back, above and beyond the extension of the furlough scheme.

Sunak has demonstrated to voters – and financial markets – that he intends to bring the £2 trillion national debt under control but only once the economy is strong enough. For the moment, the emphasis is on seeding re-growth as the means to generate the revenues which will be key to recovery and reducing debt.

Corporation tax increased

The Chancellor announced a rise in corporation tax – the tax paid on company profits – from 19% to 25%. Each percentage point increase raises over £3bn. With the economy seeing its sharpest contraction in more than 300 years in 2020, the increase in corporation tax is no surprise and had been widely predicted by economic analysts.

However, higher taxes means people have less money to spend, which could slow the economy down further. Time will tell but many analysts are predicting a post-crisis recovery boom comparable with activity in the 1920s following World War I and the Spanish influenza pandemic which cost so many lives.
Conclusion

At the time of writing at the beginning of March 2021, reports are emerging that UK business leaders are feeling more optimistic about their futures than any other time during the pandemic.

New research findings published by the CIPD in association with recruitment firm Adecco indicate that 56% of UK 2,000 firms surveyed planned to hire in the first three months of 2021.

The sectors with the strongest hiring intentions include healthcare, finance and insurance, education and IT.

Although there are many businesses which are in survival mode and awaiting news of additional support measures from the government before a return to normality, we believe it’s important to look for positives and talk about these in the context of the challenges ahead.

In this report, we have hopefully made the point that despite dark times, the crisis has acted as a watershed between old and new ways of working, with many organisations rethinking their business models and working towards creating company cultures which truly put people first.

As we have seen, there is a clear nexus between peoples’ wellbeing, flexible and remote working, equality, and the use of technology as a catalyst for cultural change and development.

But there is much work to be done.

We will leave the final words to the authors of a McKinsey report which encapsulates where we are at the moment and challenges which lie ahead of business and economic recovery.

“We are not at the end of the COVID-19 crisis, and maybe not even at the end of the beginning. But it is not too soon to build the strategies that will foster broad-based growth.”
Are you serious about company culture?

Join the Breathe Culture Pledge today and show your commitment to putting your people first.

Join for free
breathehr.com/pledge
BREATHE CULTURE PLEDGE

Putting people first
Between 18th and 30th December 2020, we surveyed 500 senior decision makers from small businesses which employ between 50 and 249 people. We also surveyed 2,000 UK adults employed by small businesses.

The research was conducted by Opinium in association with Aspectus Group.

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Breathe’s Culture Economy Report 2020
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Chapter 1
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Chapter 2
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Chapter 3
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