



2013

Quarterly Survey of Small Business in Britain

Special topic: Job creation and contracting out

THREE CASE STUDIES



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Introduction

These three case studies are based on a series of interviews conducted by Deneise Dadd of The Open University. Interviews were conducted by telephone during July 2013 and are based on a sub-sample of online respondents. We are grateful to all of our interviewees for taking the time to be involved in this project.

The cases are designed to complement the *Quarterly Survey of Small Business in Britain* Q2 2013 survey special topic on job creation and contracting out. The full report is available to download at www.open.ac.uk/quarterly-survey

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Case study A: Gainford Inventories

In the residential property market it is not uncommon to have disputes between tenants and landlords regarding the contents, condition and levels of cleanliness of the property being rented. There are no legal requirements for an independent inventory report. However, as landlords and agents cannot get compensation where there is insufficient evidence in disputed cases, more of them are turning to independent property inventory companies to provide all parties (tenants, landlords and agents) with a less stressful letting experience.

Paul Gainford, the founder and owner of Gainford Inventories, is also a graduate of The Open University. We spoke to him about his experience of creating jobs and contracting out services in this rapidly growing and highly competitive sector. Paul's company provides a full inventory service for residential properties in London. This includes a *'detailed report listing the property, fixtures and fittings and contents, together with an assessment of the condition of each item'*. Comprehensive photographs accompany these inventory reports. The company also offers add-on services where a member of the Gainford team facilitates a welcome for tenants and key hand-over as they 'check-in'. They also handle the 'check-out' process where the property is inspected, a follow up report generated and the tenants are advised of any discrepancies (allowing for fair wear and tear), and the keys are collected. Paul adds, *'it's very important that we are accurate, thorough and unbiased because a lot of money is at stake.'* Paul's employees are members of the Association of Professional Inventory Providers (APIP), and he sees this as giving clients added confidence as they adhere to APIP's professional code of practice.

Paul started the company two years ago and now employs three people, who joined him in May 2012. One person resigned and now he is recruiting a replacement, as well as filling an additional new post. Reflecting on these developments, Paul comments that, *'we're growing reasonable well. We've got a good model. We're quite efficient in the way we work, so we can get through quite a lot of work per person but we'd like to grow a lot more.'* The main functions his staff are required to do are the inspections and reports. However, Paul adds, *'a big part of what they're doing, they're interacting with the clients all the time'*. Relationship building is, *'a crucial part of their role, although it's not necessarily in their job descriptions as such'*. The market he operates in is very competitive because a client, *'can choose to take their business elsewhere; there's no contractual tie to them. So the next time they want a job doing they don't have to pick up the phone to us, they can pick up the phone to a competitor'*. For this reason, it is vital that staff maintain a very strong relationship with all of their clients. Paul is quite proud of the way his staff interact with clients, *'the two people I've got are fantastic at that and I regularly get feedback from clients saying, "what a superb job they've done" and so on'*. One member of the team also holds a supervisory role and carries out administrative functions, such as checking time sheets and expenses, as well as ensuring all bookings have been recorded in their booking system.

As with many other small businesses, Paul relied on friends and family to get started. For example, he contracted out his IT needs to a graphic designer friend who *'designed all the artwork, the graphics of the company. So he's done the logo and the colors and the fonts and things like that, and designed the webpage layout as well'*. The web programming went to his son-in-law, who is a web programmer, and more recently he has contracted out his accounting service.

In the past, Paul has contracted out parts of his service delivery, specifically the preparation of reports, but this has not been successful. He explains, *'One of the difficulties is that people want regular work as opposed to freelancing itself and so as soon as someone comes along with a job offer, they're off. You invest time and resources into training them and then they do a few jobs and then they go and do something else and then you never see them again. So it's a waste of investment.'* There is also the added challenge of providing a consistent service, *'it's much more difficult to deal with ensuring consistency and so on. Whereas, when someone's employed, they are part of the team and we have regular team meetings and so on. So that's not a route I'd opt for particularly.'*

He has been approached to contract out his marketing, specifically branding, but believes that the cost would be too high, relative to the size of his business. In addition, he believes that, *'the property industry in this country is very much relationship based'*. He adds, *'I think you've got to convince people that you know what you're doing and you're an expert. And the only way you can really do that is to have a conversation with them and show them examples of your work and talk about the kinds of questions that they may have that demonstrate that you're an expert in your field.'*

As we close our discussion, Paul wants to share how his studies at The Open University have helped him in his business. He completed the Professional Certificate in Management in 2000, and now sees it as having been very influential in his subsequent career as a manager and business owner: *'It taught me about how to manage people well and how to structure your processes so that things work efficiently and easily.'* Paul also explains that, *'a lot of the stuff I'm doing with the member of staff who is taking on a supervisory role is based on a lot of the work I did with the OU, in terms of how to manage people and doing all the regulatory things around being an employer. That has been incredibly beneficial and continues to be beneficial even though, of course, the regulations have changed in that time. The groundwork applied, the basis of it all, has come from my OU study.'* He concludes, *'The OU has been a big help to me. I have fond memories of my time.'*

Company website: www.gainfordinventories.com

Case study B:

Zaicom International



Zaicom International is an independent group of companies that offers a range of communications services to clients in the global wellness and illness industry. Areas of focus include regulatory, market access, market research, consulting and communications. The group of companies include:

- **Zaicom Healthcare** is a communications agency that *'specialises in creating and delivering strategic medical communication programmes in global, regional and UK healthcare environments'*.
- **Zaicom Research Plus** is a qualitative and quantitative market research agency that is a *'leading specialist in global marketing research for the wellness and illness sector'*.
- **Zaicom Consulting** provides *'brand and commercialization planning and alignment consultancy to optimise product performance'*.
- **Spectrum Regulatory Solutions** is a regulatory affairs and 'pharmacovigilance' consultancy, and have *'built their reputation for quality, reliable and responsive EU regulatory affairs consulting with major healthcare companies worldwide'*.

The unique services offered by each company can be combined in order to provide a full service agency partnership for their clients. Their areas of expertise include integrated communications programmes, pre-launch medical education, brand development and launch, market access, patient communications, brand image and positioning, voice of the customer, regulatory affairs, and readability testing.

We spoke to Graeme Chrystal, Zaicom International's Chief Executive Officer, about his experiences of job creation and contracting out. Graeme describes his companies as being in the, *'business of communicating science'*. This includes, *'promotional communications on behalf of the healthcare industry'*, which covers both 'wellness and 'illness' sectors such as pharmaceuticals, devices, diagnostics, nutraceuticals, cosmeceuticals, biopharma, and 'over the counter' (OTC). Zaicom International also provide services through its marketing research group and consulting group, *'it is all wrapped up in the communication of science to different audiences so that people can understand clearly and act, or change actions. accordingly.'*

We discussed Zaicom International's experiences with taking on full-time, permanent employees and contracting out specific functions in the businesses. Within the last two years they have employed a number of permanent staff at various levels, mainly to replace employees who left but also to cope with increased workloads in the businesses. Across the group they have employed a board level director, a new marketing research manager, several administrative staff, as well as someone to undertake quality control in the regulatory business. The nature of these roles reflects the wide variety of companies within the group that are all, *'doing different things'*. The employees also come from varied backgrounds, such as the pharmaceutical and FMCG industries, communications and PR agencies, as well as medicine and academia.

As with many service businesses of this type, there are no roles for agency workers. However, Zaicom International does contract out some of its functions. Graeme explains the company's

approach, *'our entire philosophy is based on a book called 'The Empty Raincoat' by Charles Handy¹, and that involves the use of what we call 'deployed networkers.'* These individuals work together on a freelance basis to undertake different types of functions, *'So we have freelance creative, we have freelance medical writers, we have freelance web people, all of whom work for us, some of whom carry business cards but none of whom are permanent staff.'*

Graeme also explains how they define who they want as a deployed networker, *'it's by therapeutic and/or functional capability and most of the time geography doesn't matter. They could be based in Timbuktu as far as we're concerned, but it is variable, it depends what our clients need'*. He gives an example of how this might work in practice, *'So if we're doing a global market research study in 11 countries, we will co-operate with our deployed networkers that we've identified and they will all be specialist individuals or small companies in the country in which we're operating. So it could be Korea, it could be France, it could be Germany, it could be Brazil, it could be Mexico. Zaicom will have overall control and we will be the main client lead and all these people will work for us on a specific project basis.'*

After starting out in the healthcare sector fifteen years ago, Zaicom International now works in a number of sectors, including the FMCG, retail and automotive sectors. They currently employ 32 people across the group of companies. Their main office is in Horsham, in the South East of England, but they also have 'small footholds' in the USA (Princeton and San Francisco) and in the Middle East (Dubai), with plans 'in time to come, not too distant from now' to start operating from Southeast Asia (Singapore). Nevertheless, Graeme adds, 'we're talking about one person – or a few people – in each place, supported by our deployed network.' Zaicom International's formula for mixing permanent staff and deployed networkers has allowed the company to meet clients' needs while growing the businesses, not only in the UK and Europe, but also across the world.

Company website: www.zaicom.com

¹ Handy, Charles (1994) *The Empty Raincoat: Making Sense of the Future*. London: Random House.
Available at: <http://www.randomhouse.co.uk/editions/the-empty-raincoat-making-sense-of-the-future/9780099301257>

Case study C:



Harmsworth, Townley & Co. Ltd.

Nestled in the heart of the picturesque market town of Todmorden, Lancashire is the company, Harmsworth, Townley & Co. Ltd. It was founded 68 years ago by W.G. Townley, who developed and patented the 'King Klik Lazy Tongs' hand-riveting tool, supplying over 90% of the world's market at one point, as well as distributing a range of specialist metal rivets and fasteners. Mr Townley also designed and manufactured specialist high power transformers and exported his products worldwide. About ten years ago the company was passed on to his daughter, Clare Townley, who is the current managing director.

Since taking over, Clare has redefined the business strategy to position it within the current economy, while incorporating her own values, specifically her passion for sustainable development. Now the company has a number of lines of businesses, namely: the **fastener and tool division** (fasteners and riveting systems), the **electronic component** division (high-powered semiconductors, fuses and rectifier assemblies), and the **sustainable energy** divisions (including 'eco-life gizmos', a range of alternatively powered toys, kits and scientific experiments that are powered by the sun, wind, hydrogen, water and 'elbow grease'). Clare has reduced manufacturing to focus more on distribution, invested heavily in IT to provide a more efficient and effective service for customers, and has moved the company to new purpose-designed, eco-friendly premises, 'The Melting Pot', which is situated in the heart of the town. This move has paid off as the company has been awarded the region's 'Greenest Office Award' (sponsored by Cartridge World), 'Best Commercial Installation' at the Yorkshire and Humber Microgeneration Awards, and runner up for the 'Built Environment: Projects under £1m' category in the Yorkshire Post Environment Awards.

Harmsworth Townley remains a family business. Clare's husband, Glen Mattock, is the accountant, company secretary and operations manager. He admits that although their children are not interested in carrying on the business, their two older children help out whenever they can. They are both in university and so they help during the holiday period, mainly to manufacture hand-riveting tools and also with telephone sales. With fewer than 10 employees, Harmsworth Townley is technically one of the UK's 4.6 million 'micro' enterprises, a broad category that accounts for 96% of all UK businesses. Looking back over the history of the company, Glen reflects that, '*at one time we were employing 200 people*', but that they now have seven employees. He adds, '*It's a sign of the times, although I must say the profit is still the same*' and they are able to work more efficiently with fewer people.

With regards to job creation and contracting out functions, Glen explains that they have not taken on any new employees in the last two years, although they have contracted out specific functions in the past. He recalls an unsuccessful effort at sub-contracting their marketing function, when they interviewed eight potential contractors, '*In the end I found that I was better at it than they were, which is a bit of a shame really because I didn't want to be – I wanted them to do the marketing.*' However, this experience has not discouraged them and they would consider contracting out their marketing function in the future. Other services that might be contracted out include telephone sales, where they have '*room for about five telesales people*', as well as some engineering, '*to help with the development and design of our power semi-conductor modules or rectifier modules*'.

Glen is particularly concerned that the employment regulations as set by the EU have made it difficult for small business owners, '*I've spoken to so many people; small businesses like ours just cannot risk employing people.*' As an example, he cites the risks of going to tribunal, which can be detrimental to

small businesses, *'If we have one bad apple then it could pull down the entire business, so everybody would suffer.'*

We asked Clare whether she faced any particular challenges as a female managing director, *'I think it is a lot harder when you do have young children and family responsibilities. If you work in the public sector, you get all sorts of help, you know, maternity pay, sick pay, parental leave, this that and the other, all sorts of things like that but if you run your own business, that's all irrelevant really. If you take time off, the business goes under and nobody's got a job. And usually most of that responsibility does fall on the woman, and I do feel that the government could do a lot more to help small businesses ... I haven't had time to think about exactly what support could be given but there definitely isn't the same support'*.

Clare points out that with small businesses sometimes there are enough people to provide maternity cover, *'but when it's really a micro business then it's so much more difficult to cover things like that.'* Clare's perspective is particularly interesting as she has the two older children, who are 18 and 19, a two year old, as well as also being partly disabled. She comments that, *'the world of work and the laws have changed so much between my first children and this little one and it's amazing to see the difference in how many women there are working part time and things now, but usually it's in the public sector.'* She admits that, *'as an employer we've been terrified that the two much younger women than me that we employ would get pregnant and go off because as an employer in a small, sort of quite niche specialist business, where it's not easy to train somebody to do the job [...] we would not be able to get somebody to do their jobs'*. They were also concerned that they would have to provide maternity pay as well as pay somebody else to do the job. However, Clare candidly adds, *'But the ironic thing was it wasn't them that got pregnant it was me, at 48!'* She also admits, *'It has been very, very difficult having a little one and not being too well myself.'* Nevertheless, with her family's support, Clare continues to lead the Harmsworth Townley team to succeed in this difficult and competitive economy.

Company websites: www.harmsworth-townley.co.uk; www.highpowersemiconductors.com, www.rivetingsystems.co.uk; and www.ecolifegizmos.co.uk

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