

# BREAKING THE MOULD OF TRADITIONAL STAFFING STRUCTURES

Deb Farnworth-Wood



**Imagine returning to the days when staff stayed for a long tenure; businesses had more stability and the revolving door of employee recruitment, induction, training and exit interviews spun more slowly. Imagine what we, as business owners, could achieve if the trend of changing jobs, swapping careers and lack of commitment was no longer a thing? Sound like an impossible dream? Well, maybe not!**

If nothing else, the COVID years challenged even the smallest of businesses to be more resourceful than ever before. We've heard the words pivot, reinvent, circle back and side hustle daily (or every third scroll if you are a TikTok fan!) The great resignation must seem like the final insult to those who have carefully nurtured their businesses, suffered financial losses, and protected their staff positions while waiting for the pandemic to be over.

The logic of resigning from a secure job also seems counterintuitive with a recession looming and an explosive property market which may mean most youngsters may never be able to afford to buy their own home. And yet the world's logic seems to have changed too.

The good news is there may be a way ... and finally, after spending two years working on a solution for my business, I have found it!

In late 2020 just after I bought Issada (and long before the great resignation), I made a promise to the teams in my two businesses (Issada and my aesthetic clinic) that I would find a way to reward them for their loyalty and commitment - not only by the usual bonus structures, but via an actual stake in the business too.

It was a bold statement as I didn't have all the answers at the time, but I was committed to developing a team that had a longer-term view of their role, and that was genuinely interested in the long-term growth and success of the company.

Understandably this raised questions - would staff have to pay for shares? Would there be financial risks for them? What were the legalities? And so on. I didn't start with the answers as I already knew that the typical employee share schemes didn't stack up for anyone other than senior executives in high-level posts. Instead, I started with the determination to find a way, but provided a written undertaking that this was my goal. In the meantime, staff would share in the profits of the businesses - regardless of whether a new legal structure was in place. I made this same commitment to the teams in Issada and also my aesthetic clinic.

## But why?

Quite simply, the world is changing, and we must change too. COVID has affected how offices function with increased homeworking, so it wasn't too far a stretch to see that trend would be seen in beauty, and let's face it, a home salon may seem like the ultimate side hustle! Longevity of staff tenure has always been a problem in the industry, with staff rushing from one employer to the next. Like it or not, our workforce no longer sees any job as a long-term commitment. For many, it's not even a career anymore. It's just something transient that will "do for now". Social media is making the notion of "side hustles" and "nomadic working" seem attractive (probably a lot more appealing than it is), and the workforce is becoming resentful about the perceived perks of being a business owner versus being an employee.

For the last 10 years our industry has suffered from skill shortages as the demand for beauty and beauty products has grown exponentially. Yet, it has taken time for the training and education of its future staff to start to catch up. Students still graduate with insufficient practical experience, client contact, understanding of sales and client service skills. Therefore, employers must commit to extensive training, which is costly in terms of loss of revenue, salaries for staff who are not earning fees, risk of customer



dissatisfaction, and so on. However, the softer skills are just as hard to instil – it's possible to have two experienced and technically competent staff, but with wildly different soft skills, such as communication, teamwork, cleanliness and so on. So, we may find that the amazingly experienced new therapist is great, but then discover that they are a teammate from hell who destroys the morale of everyone.

You may argue that new staff also bring new ideas and new skills, which would also be true. However, in the service industry, staff leaving are often trying to take your clients and team members with them too. Just imagine how much easier life would be if the merry-go-round stopped.

**“Imagine a world where staff have a vested interest in the bigger picture. Where they not only think like an owner, but act like one too? Too good to be true? No not really.”**

#### ANOTHER WAY – AN EMPLOYEE OWNERSHIP TRUST (EOT)

The UK has many examples of employee-owned companies, the oldest being the John Lewis Partnership which has been co-owned since the 1920s. That said, only since 2014 has the concept become popular in the UK, with now over 750 companies boasting employee co-ownership. The UK has implemented tax incentives to make employee ownership more attractive to founders and employees alike, recognising that there are distinct advantages to the workforce. Although tax advantages are not in place in Australia (yet), the argument for employee ownership is compelling because the evidence is those co-owned companies tend to be more successful, competitive, profitable and sustainable.

Independent research also suggests that a combination of shared ownership and employee participation delivers superior business performance. They are more innovative because managers go out of their way to consult, share information and give staff responsibility. Because they are co-owners, the staff tend to be more entrepreneurial and committed to the company and its success. They tend to have high employment standards, involve teams in decision-making, and give everyone a stake. Employee-owned businesses are better at recruiting and retaining talented,

committed staff. The staff have a vested interest in maintaining high standards of work, ensuring profitability of the business and self-regulating their peers.


Employee ownership also has other advantages for founders or owners, which can include faster scaling up, a potential exit strategy by selling down more of their shareholding to the EOT, being able to have a break knowing that other stakeholders are acting in the best interest of the business, and significantly staff job satisfaction and skill retention also improves with employee ownership.

#### HOW DOES IT WORK?

As you would imagine, there is a lot involved, and you will need advice from your accountant and lawyer to ensure that you cover all important aspects but, here is a brief summary:

- Business owner places a proportion of the company shares in an Employee Ownership Trust
- The value of the shares is determined by a valuation, and the EOT will repay the share value over time from its profits
- The employees themselves are beneficiaries of the trust, so they personally never buy or sell shares
- Only current employees benefit from the EOT, and there is an opportunity to define the qualifying beneficiaries of the trust
- Qualifying staff can include employed, casual, freelance and even offshore (these would be pre-determined at the outset)
- Company profits are distributed according to shareholding (the founder/owner who will be the majority shareholder and the EOT), and the proportion of profits that the EOT receives is passed to the beneficiaries
- A staff council ensures that staff have a voice in the business and a board presence
- Over time the EOT could purchase more shares ( eg, as an exit route for the owner)

#### THINK LIKE AN OWNER

I believe the EOT needs to go one step further than the formalities and so I have also put into place a training program called “Think Like an Owner”. This is central to my growth strategy - the teams are fully aware that the EOT is being put into place to incentivise them to stay with the business, but also focus their attention on our scaling-up plan. They will not only benefit trading profits, but eventually on a future sale of the business. It is therefore important that they understand things like how businesses are valued, and the qualities that make a business more attractive to potential buyers. “Think Like an Owner” is a strategy to educate staff at all levels on the bigger picture so that individually they can focus on the parts of the business where they can each have the most impact. The program combines ongoing workplace mentorship, exposure to external training resources and a structured learning plan working directly with me as we navigate the growth plan together. 

**Deb Farnworth-Wood is a speaker at the APAN Aesthetic Conference.**