

Case Study: Expanding an arts business: from a terraced house to a global SME (UK, 2018)

Abstract

The case illustrates internationalisation in an SME and the people management implications. It highlights the importance of employee engagement to enhance productivity and to integrate HRM policies and practices with other business functions. This case shows that when an SME grows to around 150 people it is time to consider employing a dedicated HR specialist who can be proactive in working with line managers and members of the workforce to improve the organisation's competitive advantage through effective motivation and performance management tools.

Background and location

Established in 1992, PinkPig International Ltd. is a British manufacturer and designer of notebooks and sketching books seeking to provide artists and students with premium quality drawing material designed and assembled in England. Based in Barnsley, South Yorkshire, this family-run business prides itself on offering luxury British-made products that not only meet the needs of painters and designers but also gives them the chance to develop their talents using a wide variety eco-friendly paper, that come in multiple sizes, colours and textures. With over 25 years of experience in the notebook industry, the company has recently been placed among the top 4% of businesses to trade in the UK for over 25 years.

Throughout its history, PinkPig has succeeded to develop a rich portfolio of products that includes sketchbooks, scrapbooks and notebooks enabling it to cater a growing market of crafters, arts students and designers worldwide. Focusing on quality differentiation in a highly competitive industry, PinkPig strives to supply primarily the arts and education markets with unbeatable quality hand-made goods that are built from unique components locally hand-assembled in Yorkshire. Since it was founded by Nick Wilson, the business has seen noticeable developments mainly through the diversification of its product range, for instance by recently developing a kids' books line, or by providing custom-made notebooks for educational institutions as well as independent buyers. Today, the company offers more than 12,000 different book types that can be ordered through its websites (<https://www.the-pink-pig.co.uk/>).

After years of experience in the art industry and after obtaining a degree in graphic design and printmaking, Nick Wilson chose the entrepreneurial life to pursue his goal of supporting creativity by providing arts students, professionals and amateurs of any age with the most-suitable books that withstand various colouring material enabling them to express their talents and to transform their most ambitious ideas into masterpieces. Given his background in art, design and print-making he realised the importance of premium quality paper and recognised a need that many artists are facing which he perceived as a business opportunity.



Figure 1: Current PinkPig logo

"Our initial aim was to provide artists with choice, unrivalled quality and unfailing goods" - Nick Wilson, PinkPig MD

Ultimately establishing the PinkPig company in the summer of 1992, (named after a pig that he sketched back then) the business started operating in a small terraced house in Huddersfield, West Yorkshire. As the demand for the PinkPig books rapidly grew, further assembly workers and machines were needed for production which imposed the acquisition of other units including an old coal mine in the same area. The business ended up being conducted in four different units causing major issues of communication among the employees as well as logistics difficulties of supplies and deliveries. Relocating to a one large unit was thus essential. Yet, taking into consideration that the majority of the staff were living in Huddersfield, if a relocation was to be to another town implied a risk of losing a number of skilled and trained staff members which could cause major interruptions for the business.

Being aware of the importance of employees' retention, once the new plant was identified all the workers, Nick the business owner and managing director, invited to visit it to have their opinions on the convenience of the new location and the suitability of the unit to effectively perform their job tasks. Ensuring that the new location is a reasonable distance and that is easily accessed by public transportation was a necessary condition to guarantee that team will be willing to commute to work. Followingly, the relocation did not cause loss of employees as all the transferred members remained in the business and quickly adapted to the new workplace. Today the company is located in Barnsley in a two-floor warehouse with a large workshop in the ground floor a mezzanine and plenty of room for the warehouse facilitates as well as an office space in the first floor.



Figure 2: PinkPig's first unit in Huddersfield - 1992

Figure 3: PinkPig's workshop in Barnsley

Stakeholders

Employees

Currently PinkPig employs over 20 members of staff who work closely in one huge warehouse with plenty of space to circulate and store larger quantities of products, which also allowed the introduction of more sophisticated machines and therefore enabled the business to meet the growing number of orders received from organisations and individual customers. Over the 25 years of operation, the company's workforce demographics and structure have seen a noticeable change. Initially, women made up a majority of the staff, as according to Susan Crowther – the HRM manager, female employees were found to be more meticulous and patient when handling paper, gluing covers and assembling the notebooks. However, as the process had become more mechanicalized, more male employees were recruited.

Older workers used to constitute a large proportion of the workforce given that many employees have been with the company since its early years. To ensure the continuity of the business, more focus has been put on recruiting younger full-time employees who will be trained, mostly through apprenticeships which already helped hiring apprentices as young as 19 years old who work on the workshop floor. With the increased demand of the business, more employees are being employed on a full-time basis representing today 75% of the total workforce compared to 50% in 2014.

Although each employee in the workshop has a specific responsibility within the production chain, it is mandatory that they are all trained on every aspect of the assembly process including cover making, paper punching and binding to be able to maintain productivity during busy production periods or in the event of unplanned absences. The main roles in the workshop consist in products packing, stock making, dispatching and delivery handling. With schools being its main customers, the business can be described as seasonal usually seeing peak demand in September when the school term starts. Summer is thus used to build up stock for busier times of the year.



Figure 4: Making book covers at PinkPig's workshop

Being a small business, the company has been facing financial restrictions which meant that minimising costs related to employees' recruitment, compensation and training, was unavoidable. In this sense, replacing leaving staff sometimes can be seen unnecessary especially when there is a possibility to spread tasks among current employees or to opt for outsourcing. Upon the departure of the company's web designer, PinkPig started collaborating with a freelance agency to take on web-development while some other related tasks were delegated to the brand manager. Although this approach can present a cost reducing short term solution, it also increases responsibilities for existing employees and thus could create difficulties to tackle overwhelming workloads.

Building an effective management team is an essential pillar of any steadily growing business. While the MD duties (see table. 1) involve setting overall strategic directions and long-term plans for the business, he is also still involved in the day to day running of the business being always present in the unit and making time to meet with the shop workers and other managers when needed. The finance director, who is a family member, oversees the company's overall financial strategy and accounting function. Three managers form the senior level staff include an HR manager, a brand manager and a production manager. Other support staff members have also joined the workforce such as a customer service representative who works on building relationships with customers, a web-developer as well as two administrators.

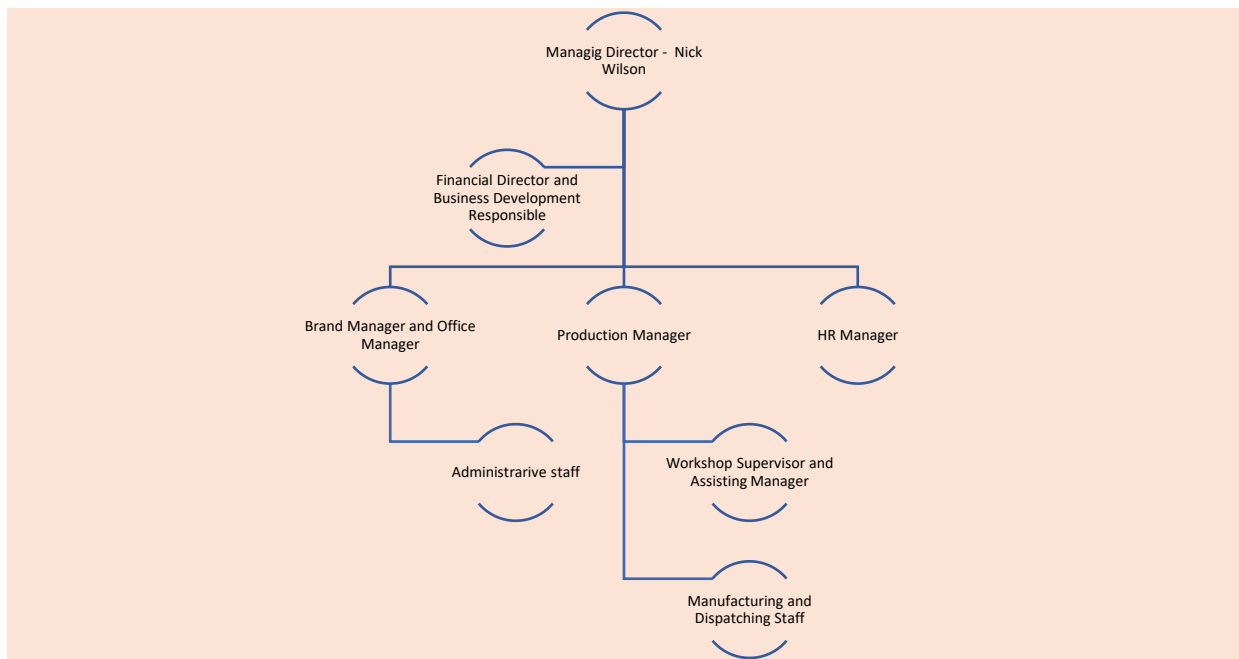
Table 1: PinkPig Managers' main duties

Manager	Duties
Managing Director	<ul style="list-style-type: none"> - Overall responsibility for business strategy and growth - Responsible for employee and business H&S - Decision making regarding financial expenditure - Research into supply and demand - Responsible for supply chain and new products - Drive new approaches to export

Business Development Director	<ul style="list-style-type: none"> - Market research into new opportunities for expansion - Control of overall finances - Researching new avenues for sales - Approaching new customer possibilities - Delivering financial reports to the Board
HR Manager (Part-time)	<ul style="list-style-type: none"> - Formerly a workshop manager - Works on customer service when needed - Manages the recruitment process including interviewing and drafting contracts - Works on establishing formal work procedures, policies through staff handbook - Handles employees' grievances - Ensures compliance with regulatory concerns - Develops internal communication initiatives
Brand Manager (Full-time)	<ul style="list-style-type: none"> - Oversees the business marketing and advertising activities - Oversees everything in terms of customer service - Office manager (managing a small support admin team) - Graphic designer, photographer for the business and products tester
Production Manager (Full-time)	<ul style="list-style-type: none"> - Manages the assembling and manufacturing team in the workshop floor as well as all machinery - Reports back to directors

With the growth of the business, putting in place a clear organisational structure became primordial as for long years the company lacked a clear hierarchy depicting the management levels within the organisation. This situation has created confusion among employees who struggled to identify their direct line managers and the right person to report to, causing a major issue of communication mainly between the workshop workers and the office employees. Since the new structure was established in 2013, the coordination and communication saw remarkable improvement notably in terms of guidance, feedback and performance appraisal.

Figure 5: Organisational chart



Growing a manufacturing business usually requires substantial investment in state-of-the-art machines that can both improve and speed up the production process enabling the business to produce higher quality goods in larger quantities. By investing in advanced gluing and cutting machines the business now benefits from greater flexibility that allowed it to broaden its scope and offer a wider variety of products and services.

Key customers and suppliers

Given that PinkPig is determined to provide its customers with outstanding quality books, it was important to select and collaborate with suppliers that share common values and that are able to meet the expected quality standards and the required product specifications. Since its early stages, PinkPig has been striving to be an environmentally-friendly business, therefore collaborating with paper providers and papermills that are committed to the environment was crucial. In fact, most of the paper used for making the PinkPig books is created from accredited sustainable resources such as acid free pulps or recycled material like branded coffee cups, that are mostly imported from the European Union and then locally manufactured in England. Printing agencies as well as delivery companies such as FedEx and Amazon also form part of the company's key stakeholders.

Today, Pinkpig's books are sold by 150 art retailers within the UK, however the collaboration with brick and mortar shops saw a drastic decrease in the last five years notably due to the growth of e-commerce. The majority of the company's revenues are now generated through online sales that mainly come from Amazon as well as its own online interactive websites where orders are placed both by organisations (such as schools and arts retailers) as well as any interested individuals. The developed functionalities of PinkPig's online sites gave customers the chance to build customised notebooks by selecting their preferred colour, size and paper type from over 11,000 options of sketchbooks, scrapbooks and notebooks. Amazon

sales have been rapidly increasing mainly in Germany followed by Italy, France, Spain, the US and UK. Accordingly, it can be said that Pink Pig owes its growth to many new developments online, using large marketing platforms, diversifying its product offers and expanding to new overseas markets.



Figure 6. Colour paper stock – PinkPig’s warehouse

Strategic decisions and foreign expansion

Global expansion continues to be a core growth strategy for PinkPig. Increasing sales through new overseas partnerships is currently a top priority for the business as the directors have recently decided to enter the Asian market after signing a contract with one of the largest Chinese online retail platforms to be able to sell PinkPig’s sketchbooks in China. By recently joining Amazon Business, PinkPig gained access to a whole online market place dedicated to businesses, that offers important shipping benefits to registered users. Organisations such as arts and design institutions and shops from all over the world can now easily place orders to purchase PinkPig’s products on this new B2B platform, which would largely contribute to the company’s growth. Besides the online sales, establishing new collaborations with a number of German schools is another expansion project that the top management is currently considering beyond the local UK market.

“Today the main aim of the company is to provide a first -class customer service and achieve 100% feedback on Amazon, expand into new global markets and be a great place to work with a team of valued staff.” Nick Wilson, PinkPig MD

These undertakings are considered a significant step towards the internationalisation of the brand which with no doubt has raised new performance challenges and increased responsibilities across the company. The recent expansion initiatives entailed higher production capacities in terms of advanced machines, productive employees, optimised processes and appropriate infrastructure that would enable the company to meet the growing demand and ensure that future international orders are covered by sufficient stock. The full impact of the expansion decisions on the organisation’s human resources and its management remains unclear. In other words, although these ambitious initiatives would certainly contribute to boosting sales, whether the team is ready to take on such large amounts of orders has not yet been concluded, implying that a reactive approach is likely to be adopted in terms of staffing or any necessary employee training. Commenting on her HR role Susan

Crowther mentions that *“some things are very reactive, situations, dealing with things on a daily basis as they happen”*.

The HR function at PinkPig

Since its establishment, the business lacked a formal HR function that is concerned with the management of employees, their wellbeing and development within the organisation. The position was created in 2013 after the former workshop manager, Susan Crowther, was diagnosed with a long-lasting health condition that required special work adjustments, making her unsuitable for continuing to manage the workshop and the production chain. Being in the business for over 20 years (since 1995), the current HR manager was among the first employees to work at PinkPig who played a significant role in building the company since its very early stages. As a long-term employee who has been involved in almost every aspect of the business, Susan had acquired a broad knowledge base of the industry, the production procedures as well as the company's needs, strengths and overall culture. Her long experience managing the workshop staff along with her willingness to continue to develop the business made her the ideal person for establishing the HR function of the organisation.

With the expansion of the business came the need of onboarding more staff, making it crucial for the company to create a formal HRM department that would provide labour law compliance, help identifying suitable talents and meeting the essential needs of staff and management in a more structured manner. Sponsored by the company, Susan completed a CIPD (Chartered Institute of Personnel Development) Diploma that helped her to develop more knowledge on people management practices and strategies to take proper action and make informed decisions as part of her new role. Furthermore, referring to HRM support organisations such as the Federation of Small Businesses helpline, Barnsley Enterprise and the CIPD, has helped the HR manager obtain useful advice on a range of HR situations or issues such as procedures for handling employee's grievance, managing long-term sickness absence, etc. The HR manager's activities mainly depend on the daily business needs and situations, and on some occasions, she also undertakes extra non-HR tasks such as helping the marketing team with customer service by taking phone orders.

The main goal set by the HR manager was to formalise all the employment procedures and policies by providing staff members with written guidance, which according to CIPD (2018) can play a major role in enhancing transparency and consistency within the workplace. For this end, a staff handbook was created as a reference point for all members of staff giving them access to all job-related information that they need to know throughout their employment in the company. The document mainly served to outline all employment terms and conditions as well as the employee and employer's expectations. The next step was to build an Employee Online Hub consisting in a digital portal that enables employees to access all the employment policies, information (including the staff handbook) and payslips online.

HRM challenges

Internal communication

Placed in two separate floors, employees in the workshop were usually unaware of the strategic decisions and overall plans of the business. The lack of transparency in the workplace has repeatedly been highlighted as a major concern for employees who often felt excluded

from all major decisions and whose input and opinions on key projects were rarely considered. The division between the management and workshop members presented a critical threat to the production workers' engagement and thus necessitated an effective long-term solution. In an attempt to improve this communication issue, the HR manager created a monthly newsletter as a new way of sharing information and management updates with the staff members. It also serves to publish the monthly sales and profits of the business that come with a narrative explaining the financial position of the company. With each department having its own section in the newsletter, every manager has been participating in this initiative not only by sharing their projects' progress and future plans but also by putting effort into explaining the impact of each project or activity on the overall business performance using simplified terms and language.

Table 2. Sales Figures - February 2018 Newsletter

	Jan – Feb 2018	Jan-Feb 2017
Turnover in £	250,639	274,863
Cost of Sales in £	135,329	213,826
Total Expenditure in £	109,837	67,187

Although the newsletter has eased the top-down communication, bringing the employees' issues and suggestions to top management remains a pending challenge. The Managing Director has recently created an open-door policy so that employees can come to informally discuss any job matters. Yet, the effect of this initiative on strengthening communication is still unclear as employees may be hesitant to speak up or feel intimidated to ask questions to the business leader who may not have time to sit down with everyone. Occasionally the directors arrange production meetings with the line managers as an opportunity to report any issues, however these latter's participation in important expansion discussions and their input in strategic planning remain limited.

Performance appraisal and feedback

Implementing a staff performance appraisal system was another mission of the HRM practitioner at PinkPig. Susan conducted the first appraisal by reviewing all employees' performance on her own given her long experience as a workshop manager in the company. However, approaching reviews in this way was immediately found to be ineffective as it was difficult for one person to evaluate everybody's performance and to provide individual feedback to all staff members. Alternatively, the process was restructured to be carried out annually by line managers for their individual teams enabling a more consistent evaluation that would lead to improved job performance and higher employee contribution to the company. Rather than being concerned with remuneration, the main aim of the appraisal process was to detect job-related issues and flag any training gaps or areas of extra support that employees might need. The process is designed to be an informal occasion for receiving feedback and discussing possible development plans. Yet, given the nature of work on the workshop floor, employees are frequently provided with feedback to ensure the continuity of the production cycle.

“I think it refreshing for the staff that they really get to say what they feel, and they got a private place to say it it is just giving the people a platform to be able to speak”
James Garlick – Brand Manager

Reward and retention practices

At present, given the absence of a reward system, the company is trying to implement a profit-sharing scheme as an initiative to enhance employee engagement and productivity by sharing a percentage of the business profit among its employees. Yet, since its approval, the scheme has never been introduced considering that a minimum profitability stage has not yet been reached. This decision came after long discussions and debate around the unfairness of the previous owner bonus scheme that was very historical and criticised for favouring particular employees by sharing a percentage of sales amongst full time staff only.

In the last few years, recruiting younger employees was a focus of the company. Currently the workforce is not only larger but also age-diverse. Consequently, agreeing on engagement initiatives for the whole staff members became more challenging. For instance, for the first time since the creation of the company, the managers failed to organise a work Christmas party as the event did not receive much interest from the staff. It was also difficult to get all employees to participate in team-building activities, such as an Escape Room event, as many did not see the value in it and others were simply not interested. More recently, the company organised a dinner in Leeds to celebrate the business 25th anniversary in an attempt to foster social connections among employees, yet only a few employees showed up. Introducing the staff members and notably the new recruits to the culture of integration and openness is thus another challenge added to the list of responsibilities of the HR function.

Employee training and development

Despite the limited budget allocated to employees' training, the company has tried to create several opportunities for the development of its staff. The induction programme is a required training that all new employees are expected to complete during their probationary period at work (first three months of employment) where they are introduced to the job environment, processes and tasks. Outlined by the line manager, the induction stage serves to build employees' confidence and to prepare them to effectively undertake their job responsibilities. A member of staff is assigned to oversee the training and to assist the new employee by explaining the different work procedures and providing support with the machines' utilisation.

The growth of production came along with the adoption of sophisticated machines which meant that all employees using them must be adequately trained to be able to operate and maintain them. It is usually the responsibility of one employee, often the line manager, to initiate new machines and equipment and to train the rest of the workshop members, mainly through work shadowing, in order to ensure that they are correctly used with minimum safety risks. So far, the induction programme and machinery operating are the only training opportunities available for the workshop employees. However, creating further development possibilities, may become crucial especially with the recruitment of young apprentices who have various career aspirations and goals, and who may have different expectations in terms of professional training and learning opportunities.

A progressive training and development scheme is also available for managers to help them acquire relevant job skills and knowledge, which for instance enabled the HR manager to pursue the CIPD degree. Yet, the funding for further trainings or courses for other managers has lately been very limited given the financial situation of the business. The Brand Manager for example has opted for free online Google training on analytical insights that would be of enormous value for his added responsibilities as a web manager after the departure of the company's web developer in a time where the business is going through major international expansions. Convincing the directors of the benefits of such training has so far been successful, yet, obtaining funding to take on more advanced learning opportunities that could be of major value to the business, remains a struggle for all employees.

Concluding thoughts

By continuously seeking expansion and development opportunities, many SMEs succeed to widen their customer bases and to generate higher demand for their products and services on a larger international scale. Unlike the common belief that only multinational corporations are capable of global expansion, many smaller organisations have been able to integrate international markets and prosper globally. Yet, it must be acknowledged that the exploitation of global opportunities for SMEs can include considerable challenges notably in terms of resources constraints related to both financial and human capacities restricting their development potential.

Achieving sustainable growth requires the implementation of a clear HR strategy that takes into consideration the needed talent and the possible methods for engaging and sustaining key employees. For many SMEs such as the case of PinkPig International, the lack of long-term human resource planning that should accompany major expansion decisions, has resulted into the adoption of a reactive approach to HR management with limited regard of risks such as those related to employees' shortage, disengagement and unproductivity.

Isolating HR issues from production plans may inhibit the achievement of the business development goals and thus should be given further consideration from the business leaders. Furthermore, ensuring transparency by improving internal communication remains of major importance to the business as ambiguity could become a source of resentment and may even lead to the loss of key talents during crucial production times. Understanding what engages and motivates employees also presents a vital challenge not only for the production or HR managers but for the business as a whole.

Even though the company has succeeded to retain the majority of its employees over a long period of time, the recent changes in the workforce dynamics (mainly due to the recruitment of younger employees) gave rise to serious engagement issues that must be addressed. Various attempts have been made by management to bring together all the employees for team activities or events in order to provide them with networking opportunities that could help them feel more engaged in the workplace. However, none of these ideas was concretised given the obvious lack of interest in such initiatives.

The HR manager believes that such attitudes can easily be transmitted to new employees and may end up becoming part of the overall organisational culture, thus necessitating urgent solutions. Although the creation of an HR function has enabled the formalisation of the

business human management practices, the projects and activities of the HR manager are largely constrained by the lack of financial resources as well as by the senior board decisions. It therefore follows that, by shifting the HRM function from its current reactive role to a strategic business partner, the company could obtain further control over its internal environment that would enable it to achieve its development goals and to reach sustainable growth.

Relevant websites

<https://www.cipd.co.uk/knowledge/fundamentals/people/hr/policies-factsheet>

<https://www.cipd.co.uk/learn/training>

<https://www.cipd.co.uk/knowledge/small-business>

<https://www.fsb.org.uk/>

<https://www.pinkpigeducation.co.uk/>

<https://makeitindesign.com/blog/2018/07/19/exclusive-summer-school-2018-competition-with-pink-pig-international/>

<https://makeitindesign.com/blog/2017/03/06/pink-pig-international-interview-and-exclusive-factory-tour/>