

# Six Ways that Small Firms Can Embrace Equity and Fairness

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## Part 2 of 2

As we noted in our [previous article](https://eiexchange.com/content/equity-can-help-small-firms-survive-the-labor-shortage) (<https://eiexchange.com/content/equity-can-help-small-firms-survive-the-labor-shortage>), a workplace based on equity – where every employee feels valued -- can help small businesses attract and retain talent in an era when employees have more options than ever because of a labor shortage and the rise of remote work.

This article focuses on what workplace equity looks like in practice at small and medium-sized companies (SMEs). It begins with the recruiting and hiring practices, and continues with flexible work arrangements that accommodate differences, inclusion for individuals with disabilities, clearly defined work roles, and fair wages for the work that is expected. Leaders of organizations should strive for clear and transparent communication as they develop and refine policies that promote equity and fairness.

## 1. Equity In Hiring

SMEs can start incorporating equity into all steps of the hiring process, from developing the job description through employee onboarding. Offerings such as a shortened work week and clearly defined steps for advancement are attractive to potential employees and can be a competitive advantage for companies seeking to hire the best.

Companies should also consider posting job announcements on non-traditional job boards and with demographic-based associations and/or groups, and having a blind resume review process (Rosales et al., 2023). And they should view job candidates through a different lens. When deciding between two candidates with similar educational backgrounds and work experience, companies often will choose the candidate with the more prestigious accolades – quality and quantity being preferred (Kessler & Low, 2021). A better

approach is to focus on the mindset of the candidate (Forbes Coaches Council, 2021). Diversity-oriented HR practices like this have been shown to have a positive influence on employee creativity via knowledge sharing (Trong Tuan, 2020). By being intentional about developing a diverse and equitable work environment, both employees and organizations are better equipped to thrive.

Once they've found an ideal candidate, companies should consider offering a profit-sharing opportunity (i.e., an equity stake) in the business as part of the package. Many startups utilize profit-sharing as a strategy to hire top talent they normally could not afford. These can provide an incentive for employee performance in the growth stage (Mesa & Holt, 2021). Profit sharing can take the form of employee sharing ownership plans (ESOP), or employee stock purchase plans (ESPPs). A Kentucky-based Fortune 100 company, Houchens Industries, is one of the largest 100% employee-owned companies in the world utilizing the ESOP as an incentive to build assets for employee-owners (ESOP, n.d.).

## 2. Flexible Work Arrangements

Flexible work arrangements (FWA) are a simple and direct way for small businesses to increase equity within the firm. Flextime gives employees increased control over their working hours, through alternative start and end times for work, compressed work weeks, reduction in work hours, and/or making time off more accessible. “Flexplace” policies include arrangements such as telecommuting, remote work, working in differing company offices/locations, as well as working from home.

A recent Harvard Business Review article (Subramanian & Washington, 2022) highlights FWA's value and opportunity for both employers and employees. It allows organizations to hire talent from



anywhere, giving them access to a larger and more diverse pool of candidates. It also improves the work experience for current employees (particularly marginalized populations), and encourages the best people to stay, giving the company a deeper bench of potential future leaders.

FWA increases equity through many different mechanisms, which include (but are not limited to), increased work-life balance (WLB) (Dancaster, 2014; Dizaho et al 2017), increased accessibility for disabled workers (Spark, 2017; Lake & Maidment, 2023), and heightened feelings of employee empowerment (Yaghi, 2016). Women, whose responsibilities both at home and at work remain high, need increased support and flexibility at work to meet their overall professional and personal demands.

### **3. Accommodating Disabilities**

Roughly 16% of the global population currently experience some form of significant disability (World Health Organization, n.d.) To attract and retain talented individuals with disabilities, SMEs be intentional in fostering workplaces that are inclusive and welcoming to those of all levels of ability. Flexible work arrangements help. In fact, U.S. Equal Employment Opportunity Commission specifies that an employer must allow an employee with a disability to work a modified or part-time schedule as part of reasonable accommodation.

Other measures might include ensuring wheelchair access, arranging for a reader or interpreter for individuals with visual or hearing impairments, accommodating schedule changes, permitting remote work, allowing disability-related treatment or symptom-related leave, or giving them a different post if their disability makes the current post challenging. While small business owners often worry about these costs, they can receive financial assistance in the form of tax credits and deductions that range from \$5,000 to \$15,000 to provide adequate accommodations for their employees (ADA National Network, 2023).

Other improvements cost little or nothing. Written materials can be issued in larger font sizes and/or in electronic formats, such as PDFs, for those who may be visually impaired. Designated quiet spaces or private offices can help those who work best while undisturbed, and parking spots can be reserved for those who need easy access to the workplace. Simple gestures such as

signed cards and catered meals help employees feel valued when they are on a prolonged leave for health treatments or illness.

Some employees are dealing with unseen psychological or neurodevelopmental (ex. ADHD, Autism) disabilities. They often hesitate to disclose these disabilities due to perceived stigmas, and therefore, often suffer in silence. Employers should create a supportive and safe workplace in which these employees feel secure enough to ask for what they need. Rather than physical accommodations, they might need adjustments to schedules, modes of communication, and social expectations.

### **4. A Well-Defined Path For Success**

Internal policies often specify what employees need to do to advance in an organization, setting the tone for expectations in the workplace. However, unspoken norms and badly written policies can cause mistrust and a lack of dedication among employees. One especially egregious example is the practice of “moving the goal post” (Crowe, 2021). Essentially, this means employers sometimes change the qualifications and/or standards for an employee’s career goals, such as a promotion or bonus, to avoid awarding performance (Crowe, 2021).

SMEs should consider long-term strategic planning for “paths to promotion,” which involves open communication and transparency about expectations. This should take place even before the job description is drafted (Haggerty, 2020). Once hired, an employee’s individual development plan can be the basis for clear, pointed, yet documented discussions on advancement opportunities. This will help ensure that talented new hires see their potential for advancement from the very beginning. In turn, the employer will have a clear long-term and values-based blueprint for future leadership, and family firms have a basis for legacy planning (Daniels, 2020).

Companies need to be honest about these efforts to help employees advance. They should freely share information about company performance, diversity numbers, inclusion efforts, and salaries (Cooks-Campbell, 2022). Overall, this could lead to increased employee satisfaction, happiness, and loyalty.

### **5. Clearly Defined Roles and Fair Wages**

The *Great Resignation* (a.k.a. the *Big Quit* and/or the *Great Reshuffle*) is an economic trend that began in early 2021 in the wake of the COVID-19 outbreak in which employees voluntarily resigned *en masse* (Curtis, 2021). Unhappy employees who have stayed have succumbed to “quiet quitting” and “acting your wage.”

For employees, these trends are a way to draw personal boundaries at work. To keep up with the expectation that businesses should expect infinite growth, employees have often shouldered the burden of such expectations by being asked to do more work with the same (or oftentimes fewer) resources. The result is that they feel dissatisfied and unappreciated by their employers (Stathis, 2023). To combat the associated burnout and stress, they are drawing the line by refusing expectations such as being on call 24/7, doing overtime work that is not compensated, and answering emails during non-working days or hours.

In the face of these trends, SMEs can foster thriving workplaces by simply drawing clear lines when it comes to roles and responsibilities. Asking employees to exceed their regular duties should be an anomaly rather than the norm. Realistically, employees will be asked to go “above and beyond” from time to time, but employers need to compensate and reward those employees accordingly. These actions communicate genuine appreciation of employees and improve their relationships with managers.

## 6. More Open & Transparent Communication

With fewer organizational levels, SME owners and operators can communicate more directly with employees, an advantage they have over larger firms. Fostering an open and transparent work environment helps employees see that the company is committed to organizational justice. (Colquitt, 2001). This term refers to the fairness of distribution of resources, decision-making processes, and the overall treatment of employees. It has four dimensions:

- Employees feel fairly compensated. Compensation goes beyond just pay, and includes recognition, job assignments, benefits, and access to upward mobility.
- The policies, procedures, and processes used to make decisions within an organization are perceived as fair. This is critical for managing

employee relationships. Employees are reasonable enough to understand that every decision in an organization may not go in their favor, but whether they perceive that decision-making process as *fair* or not will determine their subsequent attitudes and behaviors.

- Employees have a good relationship with their direct supervisors. Employees who thrive in their job and are happy with the organization can become dissatisfied if they have a direct supervisor who is rude or disrespectful towards them. SMEs need to model a culture of respect at all levels to encourage positive supervisor-employee relationships.
- Employees feel well-informed on matters and issues that impact them and their work directly. When information is lacking, an information vacuum can take place in which employees fill the void with their own assumptions, which may be inaccurate, misconstrued, and are often negatively oriented (Grossman, 2020). To prevent confusion and conflict due to misconceptions, SMEs should strive to communicate important information throughout the organization quickly and accurately.

Employees who experience these four benefits perceive the organization as fair, equitable, and overall trustworthy (Lind, 2001; van den Bos, 2001). When SMEs are open about their overall procedures and decision-making processes, it minimizes miscommunication and misunderstanding between employees and owners/managers.

## Overcoming Barriers to Change

Many current employees used to doing things a certain way may resist a company’s efforts to incorporate more equity. The national debate over affirmative action and other diversity-oriented policies doesn’t help. While it may be true that SMEs run less risk of being a target in the national cultural battle, individual employees may still draw parallels between the themes they hear nationally and changes they see in the workplace. And even without this national debate, it has been consistently found that employees are resistant to change in the workplace (Wanberg, & Banas, 2000).

To overcome this fear and opposition, Unguresan (2023) recommends leaders add educational opportunities, DEI metrics, and accountability standards to send consistent and transparent organizational

messaging. In addition, a Forbes (2021) expert panel recommends 15 key measures to share with employees to drive understanding and individual buy-in (See link below.) Doing so can bring many benefits: a higher likelihood of hitting financial goals; increased employee feelings of safety, respect, and connectedness; faster levels of innovation; reduced employee burn-out; better team building; and more. Being data-driven and translating the direct benefits to employees in the push for equity can remove the ambiguity and address the communication problems that lead to distrust.

## Conclusion

Leaders of small businesses are closer to employees, more visible, and more involved in the day-to-day decisions in hiring, work arrangements, and compensation. Addressing equity for employees can pay off over time, as a workforce that has a strong sense of inclusion and belonging can easily translate into a competitive advantage for the firm.

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