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Evaluation of Investors in People: Employer Case Studies

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Evaluation of Investors in People: Employer Case Studies

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Foreword

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our ambition is to transform the UK's approach to investing in the skills of people as an intrinsic part of securing jobs and growth. Our strategic objectives are to:

- Maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base;
- Work with businesses to develop the best market solutions which leverage greater investment in skills;
- Provide outstanding labour market intelligence which helps businesses and people make the best choices for them.

The third objective, relating to intelligence, reflects an increasing outward focus to the UK Commission's research activities, as it seeks to facilitate a better informed labour market, in which decisions about careers and skills are based on sound and accessible evidence. Relatedly, impartial research evidence is used to underpin compelling messages that promote a call to action to increase employers' investment in the skills of their people.

Intelligence is also integral to the two other strategic objectives. In seeking to lever greater investment in skills, the intelligence function serves to identify opportunities where our investments can bring the greatest leverage and economic return. The UK Commission's third strategic objective, to maximise the impact of policy and employer behaviour to achieve an internationally competitive skills base, is supported by the development of an evidence base on best practice: "what works?" in a policy context.

Our research programme provides a robust evidence base for our insights and actions, drawing on good practice and the most innovative thinking. The research programme is underpinned by a number of core principles including the importance of: ensuring 'relevance' to our most pressing strategic priorities; 'salience' and effectively translating and sharing the key insights we find; international benchmarking and drawing insights from good practice abroad; high quality analysis which is leading edge, robust and action orientated; being responsive to immediate needs as well as taking a longer term perspective. We also work closely with key partners to ensure a co-ordinated approach to research.

In April 2010, the UK Commission took over strategic ownership of the Investors in People (IiP) Standard. This report seeks to develop a deeper understanding of how smaller organisations which commit to IiP for the first time perceive and work with the Standard, what the impact is on organisational performance, and the roles played by IiP specialists and centres. The report will inform the UK Commission's long-term evaluation of Investors in People and will inform our ongoing development of an IiP Strategy, ensuring the Standard transforms business performance through people.

Sharing the findings of our research and engaging with our audience is important to further develop the evidence on which we base our work. Evidence Reports are our chief means of reporting our detailed analytical work. All of our outputs can be accessed on the UK Commission's website at www.ukces.org.uk

But these outputs are only the beginning of the process and we are engaged in other mechanisms to share our findings, debate the issues they raise and extend their reach and impact. These mechanisms include our *Changing Behaviour in Skills Investment* seminar series and the use of a range of online media to communicate key research results.

We hope you find this report useful and informative. If you would like to provide any feedback or comments, or have any queries please e-mail info@ukces.org.uk, quoting the report title or series number.

Lesley Giles

Deputy Director

UK Commission for Employment and Skills

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Executive Summary

In April 2010 the UK Commission took strategic ownership of the Investors in People Standard from Investors in People UK. A key objective for the UK Commission is to encourage organisations to improve workforce skills and productivity. Investors in People (IiP) plays an important role in achieving this objective. This research is part of a wider two-year evaluation of IiP which will inform future policy and delivery arrangements for the Standard. It will help to measure the impact of IiP in order to demonstrate its value to organisations, exploring how and in what ways IiP impacts on businesses, and make future improvements to the Standard and its implementation.

The overarching aim of the project is to develop a deeper understanding of the process of employer engagement with IiP and their views on the service delivery accompanying the IiP product and service offering. The objectives are to: understand how employers engage with and use Investors in People and implement organisational change; to identify any barriers or problems; to identify the impact of Investors in People on organisations; and to make suggestions for improving IiP delivery.

Methodology

Ten case studies were conducted involving face-to-face visits to organisations who had committed to IiP, were intending to undergo assessment within six months of the first round interviews, and which had already made some changes to their practices. The case studies includes interviews with the lead person responsible for IiP, another senior manager where available, and a line manager and a member of frontline staff where possible. Copies of documents detailing the organisation's activities in implementing IiP and evidence of impact were also collected. Organisational visits were supplemented by a telephone interview with each organisation's IiP specialist where available.

Why do employers get involved with the Standard?

Six of the ten case study organisations had made a *proactive* commitment to Investors in People, by seeking out information about the Standard and approaching an IiP Centre because they believed the Standard would help them improve how they managed staff and indirectly support their business goals. Others had taken a more *reactive* approach, with their

interest in the Standard stimulated by an external trigger including contact with government support agencies and liP specialists.

Overall, the case study organisations had multiple and mixed motivations for seeking liP accreditation. Supporting business goals was an underlying goal in all cases. The most common focus was on: improving people management processes including leadership, management and training and development; articulating business strategy; seeking liP to assist directly in securing contracts through public procurement, with some accompanying interest in business improvement and gaining external recognition for management practices.

Strengthening the connections between training and people management activities and business goals, developing business and performance management strategies and gaining national recognition for attaining a standard with a well-known brand were the major attractions of the Standard. Larger, and in particular growing, businesses found it easier to grasp how the Standard could be applied to their organisation, while smaller, less sophisticated organisations found it more difficult to see the relevance of liP to their business. This suggests that the Standard may have a particularly useful role to play in helping small businesses with growth ambitions.

What changes do employers make to meet the Standard?

Organisations made more changes to some elements of people management than others. The areas of most common change were:

- performance management systems, including introducing or modifying appraisal processes and setting objectives for staff
- introducing training for a broader range of staff, sometimes accompanied by induction processes
- intensification of communication activity around business strategy.

Most of the case studies either introduced a new approach or upgraded their existing processes to, for example, improve the way development needs were identified; tie development needs more clearly to business needs; and define job roles more clearly. Other changes included simplifying appraisal paperwork and reducing the number of performance management criteria.

Fewer organisations made substantial changes to investment in leadership and management development. The least common areas of change were reward and recognition and business strategy.

What is the impact of moving towards accreditation?

Organisations were able to provide indicators of early impacts at a behavioural and cultural level, rather than hard measures of organisational performance. In most cases involvement with the Standard had led to an improvement in management capability. There was some evidence of wider benefits as a result of the greater understanding of the business, clearer job roles and additional training generated through liP, with, for example, both managers and staff expressing greater confidence in their ability to do their jobs.

The impact on workforce development as a whole was more mixed. In a number of the case studies there was evidence of an increase in training activity as they moved towards accreditation, and in particular staff who had not previously received training were gaining access to learning and development. Overall, there was evidence that involvement with liP had encouraged organisations to be more coherent in their management of people and move towards adopting more formal business planning processes. There was no suggestion, however, that the content of business strategies was changing. Evidence on the links between liP and adoption of broader high performance working practices was also mixed.

The case studies provided a number of examples of episodic changes in examples of the introduction of new appraisal system, staff surveys or suggestion schemes. There were more examples of developmental change in the form of improved approaches to training, more coherent staff management and more formal and comprehensive business planning. Examples of transformational change were rarer. However, the introduction of a more open management style in some cases could have a significant and long-lasting impact on the culture and performance of organisations.

Enablers and barriers

Receiving high quality advice and support from an liP specialist appears to be the single most important influence on level of organisational engagement with the Standard and the rate of progress that firms make in implementing changes in people management practice.

The major barriers to progress in implementing liP were: lack of people management expertise; lack of management commitment where consensus was required across a management team; changes in business circumstances arising from financial challenges or growth; management reluctance to delegate; and different approaches to and understanding of business strategy in smaller organisations.

Assessing the counterfactual – what would organisations have done in the absence of liP commitment?

The major counterfactual element reported by organisations where liP had made a difference to management practice was in providing **structure** to the nature of the changes made. The other major impact of liP appears to have been on **pace** of change. External pressure and assistance to firms in implementing changes is crucial. This reinforces the significance of the role that liP Centres and specialists play in determining the pace of change and speed of organisations' journeys towards assessment.

Across all types of change, most organisations reported that they would have made at least some of the changes associated with implementing liP even if they had not committed to the Standard, but they would have made these changes more slowly and with a less structured approach. However, some organisations reported making changes to meet the Standard which were not included or anticipated as part of their original motivations

Suggestions for improvement

A number of ways in which the Standard could be improved were identified, including:

- consider how best to enhance support from liP specialists and centres in order to accelerate progress in implementing change
- explore cost-effective means of providing support to small organisations, including in understanding and managing the most appropriate sequence of change
- seek earlier feedback on progress and satisfaction with support received from liP specialists and centres
- consider improving transparency concerning costs of support for implementing and gaining liP accreditation

- consider further targeting any public investment in promotion and support for gaining liP accreditation.

1 Introduction

1.1 Background

Investors in People (IiP) was developed in 1990 as a national framework aiming to improve business performance by linking staff development to business objectives. A number of revisions have been made to the IiP framework and standard (the Standard) since its inception. In 2009 IiP gained further flexibility in the way it is delivered and presented to employers through the New Choices approach. This places added emphasis on leadership and management capability, and allows organisations to specify their central business goals and to concentrate on those elements of the Standard above a core minimum, which will best support their business aims. This can lead to additional achievement of Gold, Silver or Bronze status.

In April 2010 the UK Commission took strategic ownership of the Investors in People Standard from Investors in People UK. The UK Commission is responsible for the development of IiP's strategic direction, licensing of IiP Centres to deliver the IiP accreditation process, improving recruitment and retention of IiP customers, and ensuring sustainable revenue sources. The UK Commission has reviewed and renewed a strategy for the development of the Standard. The IiP Centres in England were relicensed in April 2011 and an element of competition was introduced for the first time. The UK Commission is now focusing in particular on adoption among private sector organisations and improvements to the quality of support to achieve Investors in People that customers can expect from IiP Centres and business support services.

A key objective for the UK Commission is to encourage organisations to improve workforce skills and productivity. IiP plays an important role in achieving this objective. This research is part of a wider two-year evaluation of IiP which will inform future policy and delivery arrangements for the Standard. It will help to measure the impact of IiP in order to demonstrate its value to organisations, exploring how and in what ways IiP impacts on businesses, and make future improvements to the Standard and its implementation.

1.2 Research aims and objectives

The overarching aim of the project is to develop a deeper understanding of the process of employer engagement with liP and their views on the service delivery accompanying the liP product and service offering. Specifically, its objectives are:

- to understand how employers engage with and use Investors in People
- to understand how employers implement associated processes of organisational change
- to identify any barriers or problems managers face when implementing Investors in People and how these could be overcome
- to identify the impact of Investors in People on organisations and where it can best contribute to organisational management
- to identify the types of organisations benefitting most from Investors in People and how they can be engaged
- to make suggestions for improving liP delivery.

1.3 Report structure

The rest of this report consists of seven chapters.

- Chapter Two explains how case studies were chosen for the project and the methods used to collect data for the project.
- Chapter Three explains the rationale for employer motivations to engage with Investors in People and reports employer views of the Standard.
- Chapter Four explains the changes that organisations made during the pre-assessment phase of their journeys towards liP accreditation and analyses the challenges they encountered in implementing organisational change.
- Chapter Five covers the role of liP specialists and centres in supporting organisations working with liP.

- Chapter Six discusses the impact of liP on workforce development, management capability and High Performance Working practices, and how this impacts on business outcomes.
- Chapter Seven provides the conclusions and implications of the research.

2 Methodology

This project is one element of a wider two-year evaluation of liP, which includes an online survey of accredited organisations, analysis of management information (MI), comparisons of financial performance and discussion with liP Centres. The research methodology adopted for this project, exploring how organisations worked towards liP recognition, was an organisational case study approach. The research required an in-depth exploration of decision-making processes and insights into personal and organisational motivations, inhibitors, and barriers to working towards liP recognition. Earlier research suggests that organisations are most likely to make changes triggered by liP in the pre-assessment stage. Therefore, in order to explore the nature of, rationale for, and implementation of changes, this qualitative research focused on this stage.

In order to understand the impact of Investors in People on business practices and performance over time, it was necessary to select organisations which had already made some degree of change to their management practices as a result of working with the Investors in People Standard, rather than those which were newly committed. The case studies were therefore selected from among those organisations who had committed to liP, were intending to undergo assessment within six months of the first round interviews, and which had already made some changes to their practices.

Ten case studies were conducted involving face-to-face visits to organisations to interview the lead person responsible for liP, another senior manager where available, and a line manager and a member of frontline staff where possible. Copies of documents detailing the organisation's activities in implementing liP and evidence of impact were also collected. Organisational visits were supplemented by a telephone interview with each organisation's liP specialist (the person who worked with the organisation in developing a plan to meet the requirement of liP accreditation, and supported them to implement the plan) where available.

2.1 Research approach

An overview of the different stages of methodology is outlined below. Further details are given in Appendix 1.

2.1.1 Sampling and recruitment

As the research is qualitative it did not seek to provide a statistically representative analysis of key differences in employers' views or experiences based on, for example, region, size or sector. However, it is important for the Commission's strategy concerning Investors in People to ensure that organisations with particular characteristics were included within the research design. The key case study selection criteria applied in recruitment are outlined below:

- **Industry sector:** Given the focus of the Commission's strategy for Investors in People on private sector organisations, at least eight case studies were sought from the private sector. The research also targeted firms from sectors of the economy which are likely to be important for the Commission's strategy to increase economic and job growth. These included: construction; business, professional and financial services; hotels; retail; tourism; healthcare and life sciences.
- **Size:** Research has consistently highlighted the challenges of gaining Investors in People for smaller organisations (Ram, 2000; Walsh *et al.*, 2011) and, consistent with the intention of the Commission to increase take-up of liP in SMEs, the recruitment process targeted private sector organisations with fewer than 250 staff, with priority given to those with around 40-60 staff. Organisations of this size are often beginning to formalise HR practices as the founders of organisations typically find they are no longer able to manage all staff directly as the company grows. Developing companies often find they need to start to think how best to create a management structure, how to develop a pay structure, how to ensure all staff are fully trained to meet current and future skills needs, and to ensure that communication and opportunities to involve staff in decision-making, which are relatively straightforward in small organisations, are suitable for a larger firm.
- **Nation/region:** To ensure that all parts of the UK are covered, including all the devolved administrations, potential case study organisations were sought from each nation (however, no suitable company case studies were identified in Wales). This is important because the delivery arrangements for Investors in People are centralised in Scotland and Northern Ireland and some subsidy is available for small firms. This covers the costs of assessment for firms with fewer than 250 staff in Northern Ireland and half the costs of support from an liP specialist for implementation and assessment against the Standard in Scotland. In addition, some support is available to small firms in Northern Ireland for management development, which may include recommending the use of liP in the firm.

- **Use of liP specialist expertise:** In order to contribute to the ongoing improvement of Investors in People delivery, we contacted liP centres twice inviting them to provide recommendations for case studies. This provided an opportunity for liP centres to recommend organisations which had not necessarily found liP 'easy' but had made use of external support in progressing towards assessment.
- **Organisations with 'a story to tell':** Previous research (Gloster *et al.*, 2011) has shown that some organisations are uncertain of the benefits of Investors in People for situations other than small firms seeking a basic framework for good HR practice. The recruitment criteria therefore sought to identify organisations which are using Investors in People following organisational turbulence, difficult market conditions and merger/downsizing and to identify organisations where a general manager or non-HR specialist is implementing Investors in People. This is because managers in these roles have been identified as the key decision-makers about Investors in People and because small organisations may not have the resources of a dedicated HR practitioner to implement processes required to meet the Standard. We also deliberately included two organisations with growth aspirations in order to investigate how liP might contribute to supporting job creation and economic recovery.

A further technical description of the precise sampling techniques used with the management information received is provided in Appendix 1.

In addition to contacting organisations which fitted the criteria based on the MI received from the UK Commission, the research team and the UK Commission sent two requests for recommendations of organisations that would be suitable case studies to all the liP Centres. Three responded with recommendations and five additional organisations were added to the sampling database with a further four organisations already in the database highlighted for priority contact. Eight of the ten case studies conducted were within six months of accreditation, while two others had very recently achieved liP accreditation and provided useful insights about their experience for the research.

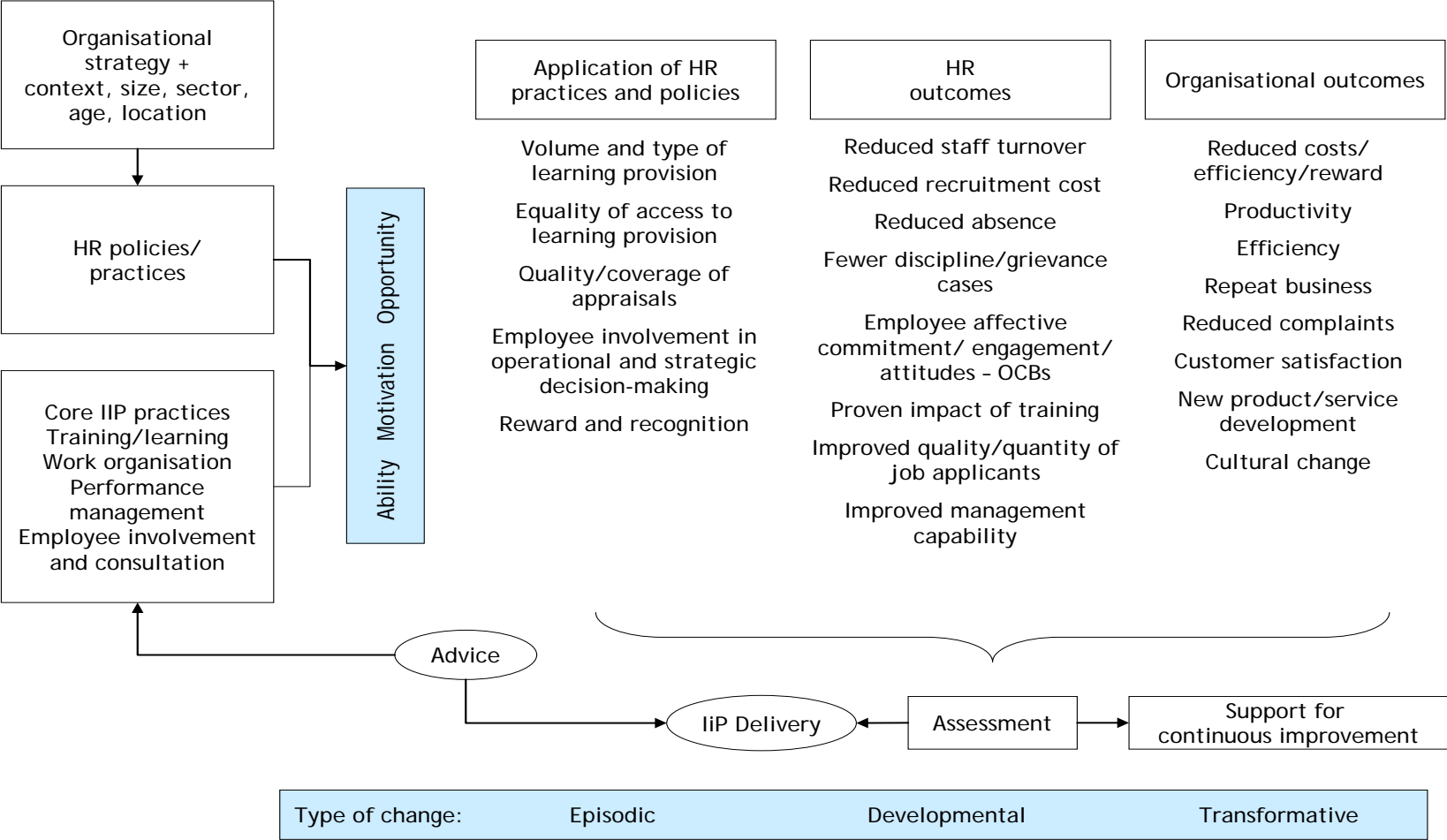
2.1.2 Framework for analysis

Investors in People can be understood as means of improving business performance through High Performance Working (HPW). To support the longitudinal evaluation, an overarching framework was developed to guide and focus the research activities. This framework is linked to the full evaluation framework for Investors in People. It includes a range of issues

which need to be addressed through the research and analysis of findings to inform our understanding of the impact of liP (see Figure 2.1).

The Investors in People framework focuses on core practices and capabilities around work organisation, performance management including recognition of good performance and feedback for improvement, communication and employee involvement in organisational decision-making, and the provision of learning and development opportunities to support business strategy. This is underpinned by management capability and skills development to improve business outcomes. Improving management practices and skills can impact on areas such as staff absence, turnover and workplace relations and in turn affect operational and financial performance outcomes including customer care, innovation, productivity, costs and profit (see column on the far right). These areas are explored further in the employer survey report (Winterbotham et al., 2012). Specifically, improved practices can improve employees' ability to do their job and encourage employees to go beyond the terms of their job descriptions and exert discretionary effort.

Figure 2.1: Analysis framework



Different types of changes that may occur in organisations as a result of seeking Investors in People accreditation. Impact may be:

- **episodic:** the introduction of a new system, practice or process, e.g. a staff suggestion scheme
- **developmental:** improvement of a new system, e.g. an updated, clearer appraisal system which is tied more closely to business goals
- **transformative:** a substantial change in organisational culture, which may result into moving into new product markets as a result of higher levels of staff engagement and contribution to business strategy.

This points to the need for different sorts of data collection involving both qualitative research with staff in Investors in People customer organisations, relevant Investors in People assessors and advisors, and the scrutiny of organisational performance data.

2.1.3 Discussion guides

Four tailored interview guides were used to conduct interviews with liP leads/senior managers, line managers, employees and liP specialists. They shared some common questions to facilitate comparability in the analysis.

The length of the interviews varied, depending on the role of the interviewee. Interviews with liP leads and senior managers were approximately an hour in length. Interviews with line managers and employees were shorter and lasted approximately 30 minutes.

2.1.4 Achieved case studies

The achieved case studies are shown in Table 2.1. The term 'liP lead' refers to the individual in each organisation taking responsibility for achieving liP recognition. 'liP specialist' refers to staff associated with liP centres.

Table 2.1: Achieved case studies

Name of organisation	Principal activity of organisation	Location	Public/private/third sector	Number of staff	Interviews took place with
Archiprac	Architectural services	England	Private	44	liP Lead Senior manager. Access to staff was not available due to pressure of work liP specialist
ITCo	Software development	England	Private	14	liP lead Manager liP specialist Access to staff not available due to pressure of work and size of business
Student Union	Retail/hospitality division of a Higher Education institution	England	Public	150	liP lead Senior manager Line manager Employee liP Specialist
EnergyCo	Social enterprise promoting energy efficiency	England	Third sector	45	liP lead Manager Employee liP Specialist
PharmaCo	Pharmaceutical manufacturing and services	England	Private	70	liP lead 2 Senior managers Line manager Employee liP Specialist
CharityCo	Services for young people	England	Third sector	180	liP lead Manager liP specialist (Access to employees not available due to an unannounced inspection from a regulator)
TravelCo	Travel agency	Northern Ireland	Private	21	liP lead General manager 2 Supervisors/junior managers

Name of organisation	Principal activity of organisation	Location	Public/private/third sector	Number of staff	Interviews took place with
					2 Employees liP specialist
PubCo	Public house	Northern Ireland	Private	25-30	Senior manager liP lead Line manager Employee liP specialist
HotelCo	Hotel and restaurant	Scotland	Private	65-70	liP Lead 2 Managers Employee liP Specialist
HousingCo	Procurement of maintenance services for social housing providers	England	Third sector	26	2 Senior managers Line manager Employee liP Specialist

2.2 Recruitment of case studies

Recruitment of public or third sector organisations was relatively straightforward, but recruitment of private sector organisations was much more challenging. Organisations expected to be within six months of liP accreditations had committed to liP up to 24 months previously, with differing degrees of commitment. A significant proportion of contacts were no longer traceable (perhaps because individual members of staff had moved jobs). Table 2.2 below gives details of recruitment results for the sample of private sector organisations received. It should be noted that this sample is of committed private sector employers in specific sectors only.

Table 2.2: Recruitment outcomes for non-participating organisations: private sector organisations across all nations (commitments)

Sample Segment	Numbers	% of sample
Total number of organisations in sample	279	
Incorrect contact details (incorrect contact names and inactive phone numbers)	78	28.0
Incorrect contact details (person has left and no replacement has been allocated so no individual currently taking responsibility for liP) (subset of the cell above)	26	9.3
Already have liP recognition/held it in the past	29	10.4
Company has ceased trading/gone bankrupt	14	5.0
Company has liP 'on hold' indefinitely/ is no longer intending to gain liP recognition	96	34.4
Company intends to work with liP in future, but has not yet begun the process and is therefore ineligible for the research	37	13.3
Company ineligible eg wrong size, misclassified in sample (ie public sector), already undergone liP assessment though not achieved accreditation	22	7.9
Company refused to participate in research	17	6.1
Named individual/replacement individual contacted but does not answer phone/respond to messages and e-mails	32	11.5

Source: IES, 2011

A relatively large proportion of organisations which were understood to have committed to liP appear to be 'stuck' in the process or no longer pursuing accreditation. Again, it should be noted that the 'commitment' was made up to 30 months previously, and may have been done by an individual rather than on an organisational basis. However, it suggests that identifying and exploring the obstacles to progressing to accreditation, and how they may be overcome, is a particularly important objective for the research. It also suggests significant challenges in defining what 'commitment' to liP means in practice.¹

¹ The UK Commission has adapted its approach to liP and the committed category no longer exists. Organisations working with liP are required to engage with an liP specialist at least every six months, and every 18 months post-accreditation. It is anticipated that this will provide a more accurate picture of the number of organisations engaging with liP at any one time.

3 Rationale for engaging with Investors in People

3.1 Introduction

Previous research has shown that organisations adopt the Investors in People Standard for a wide variety of reasons including desire to improve business processes, desire to be recognised for good practice, and pressures from customers (Gloster *et al.*, 2010). Recent research among accredited Investors in People organisations has found that the decision to commit took place at point where the organisation was aged between two and eight years old and going through a period of growth and development, creating an impetus to reshape people management processes with a desire to ensure that HR processes were fit for purpose (Gloster *et al.*, 2011). A recent review of the literature on firms' attitudes to liP showed a mix of potential motivations for accreditation including: improving one or more aspects of organisational performance; meeting customer demands; supporting corporate change; enhancing external image and reputation; and fulfilling personal ambitions of individual staff (Gloster *et al.*, 2010).

This chapter seeks to:

- explain why organisations engage with liP and what 'problems' they are seeking to solve or goals they are seeking to achieve using the Standard
- outline how the Standard is understood, including its perceived relevance and focus
- assess the relative importance of Investors in People in each of the case study organisations.

3.2 Motivations – why do organisations seek to achieve the Investors in People Standard?

Most organisations reported multiple, overlapping motivations for liP commitment. Managers generally did not regard liP as being an immediate solution to an immediate problem, but as a tool to help the longer-term development for their organisations.

The most common focus was on:

- improving people management processes including leadership, management and training and development
- articulating business strategy
- seeking liP to assist directly in securing contracts through public procurement, with some accompanying interest in business improvement
- gaining external recognition for management practices.

Five organisations seeking to gain Investors in People accreditation showed evidence, to varying degrees, of interest in improving their business practices through measurement against an external standard. Three organisations explicitly stated that they wanted to use liP as much more than a 'tick box' exercise otherwise it would not be useful to them. Others discussed how they wanted to improve general business processes and revealed some interest in continuous improvement, although their existing management practices varied significantly in their level of development.

Four of the organisations characterised existing management practices as 'ad hoc' or 'random' and were seeking greater consistency and coherence from gaining Investors in People recognition. ITCo was using liP as the 'next stage' on after meeting basic requirements of employment law such as using contracts of employment and putting discipline and grievance procedures in place. HotelCo was conscious that because they had no HR manager, people management practices could be weak and Archiprac wanted to 'make sure we're on the right lines' while Student Union wanted to 'plug any gaps'. Other organisations had different motivations. For example, PubCo wished to improve customer service and implement a new, more systematic management approach to help it do this.

Some organisations indicated that their business strategy was either vague or not fully articulated and regarded liP as a means of helping them to improve this. For example, TravelCo wished to be the 'best' in its region, but currently had not translated this aspiration into measurable objectives. Similarly, ITCo had a financial objective of attaining a £1 million turnover, but had not developed any subordinate goals to express how it would achieve this.

Three organisations were using liP explicitly to support growth ambitions, linked to staff retention. ITCo was operating in a tight labour market for technical staff and explicitly wished

to gain Investors in People recognition as proof that they invest in their staff to encourage long service among employees. HotelCo was seeking to use liP to reduce staff turnover in the hospitality sector and thereby maximise profits, also improving workplace efficiency. PharmaCo recognised that as it expanded, it needed to formalise its people management practices to ensure consistency of in employee experience of management processes across the organisation.

For HousingCo, EnergyCo and Archiprac, the primary motivation for gaining Investors in People was to help them bid for public sector contracts. One firm believed that this would give them an advantage at the pre-qualification questionnaire (PQQ) stage when tendering for work from local authorities. Another believed that it was being 'marked down' for not having liP accreditation when seeking public sector contracts. One liP specialist interviewed noted that gaining an advantage in public procurement processes was a particularly strong and dominant motivation for organisations in the construction sector.

A secondary, but important, motivation for a number of organisations was external or internal recognition. Much of the funding for Student Union came from a larger parent organisation and was steadily reducing. The organisation was therefore taking a fairly aggressive approach to 'gong chasing' (liP lead, Student Union) by seeking to acquire relevant awards to demonstrate the excellence of its work. PharmaCo wanted recognition for adopting an ethical approach to the way it treated its staff.

Overall, the evidence shows that the case study firms had multiple, mixed motivations for seeking liP accreditation. Supporting business goals was an underlying goal for all firms, but this was expressed through very different priorities for firms in different circumstances. This tends to illustrate the potential flexibility of the Investors in People framework in catering to a diversity of needs.

3.3 Level of liP accreditation sought

Initially all the organisations were seeking the basic level of liP recognition. Uni and ITCO had aspirations to achieve Silver status over the next three years, and HousingCo and PharmaCo had a long-term ambition of achieving Gold status. EnergyCo did not plan to seek a higher level of accreditation due to additional costs involved. Most of the ten liP specialists interviewed reported that the New Choices framework was of more interest and relevance to large organisations or those which already held liP recognition to maintain their interest in the Standard. They believed that it was generally not suited to smaller organisations seeking

first-time accreditation which tended to need to focus on ensuring basic management practices, particularly where organisations were in their early years of development.

3.4 Date of commitment

All the case study organisations had committed to liP between three months and two years before the case study visits. Under the liP Standard, the commitment phase is expected to last a maximum of three years. The length of commitment did not necessarily reflect the degree of progress that organisations had made towards being ready for assessment. Different rates of progress are accounted for partly by the amount of external support and advice that organisations had received from liP centres (see discussion in Chapter Six), but also reflected changes in organisational circumstances. At least one of the organisations which held a longstanding commitment had been adversely affected by recession leading to redundancies, and had been unable to make significant progress with liP due to shortage of staff resources. Another organisation had been diverted from liP activity due to a process of rapid growth, and a third by a merger.

3.5 Key players in the process of committing to liP

In larger organisations, the decision to commit was generally taken by a senior manager either in an HR or general management role, and in three organisations the senior team collectively decided to make the commitment. In owner-managed firms, the ultimate decision-maker was usually the owner-manager, but in two organisations, another member of staff was responsible for recommending that the liP Standard was adopted.

The commitment of individuals in making the decision to gain liP recognition was important. At six organisations, individuals who had had previous exposure to liP in their earlier careers were instrumental in taking the decision to commit to the Standard. Two liP leads had found it necessary to persuade business owners to commit to the Standard. In one case this caused the owner some concern because of reluctance to make changes that might affect the culture of the organisation and difficulty in understanding how liP might apply in the context of the organisation. This organisation could only find very limited evidence of how liP was being used by organisations of their size within their sector and consequently found it difficult to envisage how formal management practices would translate into their context.

Six organisations made a proactive commitment, where individuals voluntarily sought information on liP and then decided to adopt the Standard. In contrast, four responded

reactively to an external trigger. In three cases the trigger was perceived pressure from public procurement policies, and two organisations (both in Northern Ireland) were introduced to liP through previous contact with business support services. Overall, the case study evidence showed that whether initial engagement was made reactively or proactively had no impact on progress towards implementing liP. The more important factor was the extent of external support organisations received to help them on their journey towards accreditation.

3.6 Ease of relating liP to organisational business strategies and perceived focus and relevance of the Standard

Investors in People has a direct relevance to organisations which currently have no business strategy or one which is articulated in very broad terms. This is because it can provide an opportunity for them to reflect on the contribution that people management can make to achieving their goals. One liP specialist highlighted the function of liP as a prompt to encourage small organisations, especially those which are owner-managed, to think about their long-term vision for their business. However, they noted that finding time to do this for some organisations is extraordinarily difficult, particularly for those which are struggling to win business to survive. For managers from case study organisations without formal business strategies, liP's focus on strategy development was not a major selling point and they occasionally found it formal and somewhat off-putting.

Among those case study organisations which already had a business strategy, liP was most clearly relevant those seeking to grow, especially where this involves employment expansion, because this brings with it the challenges of managing a larger workforce and the explicitly obvious need to recruit, manage and retain new staff. For firms which are underperforming due to deficiencies in staff engagement or competence, liP may also help develop superior people management practices (such as at PharmaCo).

'Proactive' decision-makers in the case studies were most likely to identify liP as being of immediate obvious relevance to the organisation. This is probably because they were usually actively seeking a means of improving people management policies and therefore more likely to find the focus of the Standard useful. 'Reactive' decision-makers were less likely to identify the Standard as being of immediate relevance, especially where they found out about Investors in People through a general enquiry or previous contact with business support services. For example, TravelCo's owner had previously believed that the Standard would be expensive and more suited to large organisations.

This points to a need to 'translate' liP to a small business context; wider literature suggests that SMEs have greater needs for the value of business tools to be demonstrated as applicable within a context that they recognise. It was noticeable that those organisations which had the most frequent and prolonged exposure to advice from liP specialists described how specialists clarified the Standard. This included activities such as explaining how the Investors in People Standard could be used in small businesses and what management practices to support liP might look like in a small firm.

3.7 Which parts of the Investors in People Standard are most attractive to organisations?

Across all the case studies, the elements of liP which most commonly appealed to the organisations were:

- improving one or more aspect of their approach to learning and development
- developing business strategy and performance management processes
- the holistic framework of liP
- national recognition of the liP brand.

The first three elements appealed because they were the ones where organisations believed they would gain most benefit from working with liP, while national recognition was important in terms of external value.

Six organisations stated that a variety of aspects of learning and development were the most attractive elements of liP to them. Archiprac stated that the most attractive aspects of the framework were those related to understanding both the returns on investment linked to greater training, and the ways in which improving training opportunities could improve employee motivation and productivity. This was recognised, to a lesser extent, at TravelCo which already provided extensive staff training, but where the liP specialist felt the firm could do more to assess whether the training was making a genuine contribution in helping to support the business objectives. A third case study organisation recognised that while it provided a lot of staff training, it had no formal learning and development strategy until recently and wanted to plan effective learning interventions for staff. Ultimately this organisation wanted to maximise the use of staff skills. Managers at PubCo were also interested in leadership and management development as they felt that they had not

received any guidance on how to manage effectively and the liP lead at PharmaCo wanted to develop greater accountability for and consistency in staff management among line managers. The liP lead at EnergyCo was attracted to liP by the focus on developing people and 'people processes'.

TravelCo and PubCo stated that the most attractive elements of the framework were those which helped them to set out their business strategy clearly. A third company wanted to make a better link between business objectives and management practices. In another firm, two senior managers reported that they had never tried to develop a formal business plan and strategy.

Four organisations were interested to some degree in improving performance management processes. In one organisation, management of staff performance and appraisals was regarded as rather ad hoc and senior managers wished to improve their understanding of individual contributions. Another found inconsistency in the processes used in different parts of the business and recognised that the existing system was too complicated. All organisations interested in this aspect of the framework were also keen to link individual targets to organisational targets more effectively.

The liP 'brand' appears to continue to carry some weight with organisations. Five companies stated that liP appealed compared to other standards because it was nationally recognised and well known. Companies reported that recognition of the brand was important among their clients, among existing and potential staff and among the wider business community, and generally attached value to liP's role in conveying that they treated their staff well.

Two organisations, one in the public sector and one in the private sector, viewed the overall guidance provided by liP as an attractive feature of the Standard, particularly the holistic nature of the framework which one described as offering a 'tick list' of 'good guidance'.

3.8 Which parts of the Investors in People Standard are least attractive to organisations?

Most companies did not specifically identify aspects of liP that were initially unappealing. However, some organisations which were less advanced in the planning and implementation process may not have yet fully reflected on all the dimensions of liP sufficiently to form a detailed judgement.

liP leads at Archiprac and ITCO both identified the least appealing elements not as the content of the Standard in terms of the aspects of people and business management covered, but its interpretation. One liP lead felt this was very 'flexible', while both expressed concerns that the Standard could be very 'subjective' and was uncertain how much communication would be needed with staff to make them aware of all the details of different HR policies. One expressed concern that a 'PR exercise' with staff would be needed. This may reflect a relatively unsophisticated approach to and understanding of liP as well as opportunities for further development of people management processes in both organisations and an opportunity for liP specialists to reassure committed organisations that no special briefing of staff is required. In another organisation, there was some concern relating to the nature of workforce and whether employees would be willing to engage in discussing HR policies.

The same two organisations also expressed varying degrees of reservation about perceived intensity of performance management processes. In one case this was because professional staff were involved and the liP lead felt the Standard could be slightly 'heavy handed', but in both cases, interviewees expressed reservations due to the small size of the organisations, fears of cultural incompatibility and an unwillingness to change the current positive perceptions of 'informality' in organisational culture to 'fit' the requirements of the Standard.

A further two organisations had some broader concerns about the perceived possible impact of liP on existing organisational cultures which they wished to preserve. Two owner-managers believed that the informal and familial cultures of their businesses were an important feature and did not wish to alter these through adopting management practices which might feel artificial in their workplaces. This illustrates the potential role of the liP specialist in showing how liP can be implemented in the context of a small firm.

3.9 Reasons for choosing liP compared to other quality standards

Attitudes to liP compared to other quality standards varied markedly between organisations. Three organisations already held ISO 9001 accreditation. TravelCo had held ISO 9001 accreditation since the early 1990s in order to be eligible to compete for government contracts and HousingCo had acquired it more recently for the same reason. The liP lead in the first organisation identified that processes developed by employees (as opposed to an external consultant) as part of the preparation had been extremely helpful and believed that liP would complement ISO well, through a parallel focus on people management rather than quality procedures.

Two organisations had compared ISO unfavourably with liP and decided to opt for the latter. One firm compared liP with a customer service quality standard and identified that less work would be required to achieve liP than the alternative award and therefore opted for liP. ITCo organisation had considered and rejected ISO as 'too corporate' and unsuited to their context and culture as an SME. In contrast, having gained liP accreditation, EnergyCo was now considering gaining ISO14001 as a complementary quality standard.

Conversely, two private sector organisations which held ISO 9001 compared liP unfavourably to it due to the lack of prescription. These organisations both had previous experience of working with the ISO standard and the requirement for more than a paper-based 'tick box' exercise which required interviews with staff had come as something of a shock to them. This can be a common issue for SMEs which often have a preference for highly prescriptive and detailed guidance on management processes e.g. in conducting risk assessments to meet health and safety legislation. This partly reflects a lack of confidence and experience but also risk aversion and a calculation about return on investment, in that time pressures within small companies may make them reluctant to invest significant effort in seeking external awards unless they believe they will 'pass'.

3.10 What is the relative importance of liP to the case study organisations?

The importance of gaining liP can be assessed partly by considering speed of organisational progress and partly through the amount of time and resources dedicated to gaining liP. Commitment to gaining liP within particular timescales varied between organisations according to their circumstances but in no case was it the top priority.

Two organisations had set a target of gaining liP recognition by the end of the financial year in April 2012 in their business plan and another organisation had an assessment date booked. Others had aspirations to be assessed within the next six months.

Some had previously held ambitions for earlier assessment and experienced delays in implementing changes to people management processes for the purpose of liP accreditation. Delays tended to occur due to other, more pressing, priorities and changes in organisational circumstances, such as departure of the individual with responsibility for liP implementation, sometimes linked to adverse economic conditions or growth situations of merger/expansion where operational delivery took priority.

Six of the case study organisations had no individual with dedicated responsibility for HR management, and the responsibility for implementing liP was usually one of an operational manager's broader set of tasks. In these circumstances, day to day management of the organisation usually took priority.

Organisations which were young and newly established showed some evidence of attaching greater importance to liP as they were using it to establish basic HR processes. For those which had already implemented some basic management practices, there was perhaps less focus on speed of embedding processes associated with liP. For most organisations, there were no obvious problems with shortages of staff or deficiencies in staff quality, as organisations were mostly benefiting from a slack labour market. Neither were any immediate gaps in management practices identified which had a negative impact on organisational performance. These factors may be contributing to a lesser degree of urgency and significance in gaining liP. This may also reflect some effects of self-selection in the characteristics of organisations which choose to pursue Investors in People; if organisations are already paying some attention to people management issues, the benefits of liP are likely to be ones of improvement in practices rather than solving an immediate crisis.

3.11 Conclusion

Most organisations reported multiple, overlapping motivations for liP commitment. Managers generally did not regard liP as being an immediate solution to an immediate problem, but as a tool to help the longer-term development for their organisations. The most common focus was on: improving people management processes including leadership, management and training and development; articulating business strategy; seeking liP to assist directly in securing contracts through public procurement, with some accompanying interest in business improvement and gaining external recognition for management practices.

Among the case study organisations, liP has most direct relevance for small organisations which are starting to develop people management and business strategies, especially within a context of growth. Strengthening the connections between training and people management activities and business goals, developing business and performance management strategies and gaining national recognition for attaining a standard with a well-known brand were the major attractions of the Standard. There is an important role for liP specialists in translating what liP implementation looks like in practice to help small firms visualise how it can work to help them meet their needs.

Organisations held mixed views on liP compared to other quality standards such as ISO9001. Some with experience of both standards regarded liP unfavourably as less prescriptive and therefore more challenging. Organisations considered relevance to their needs and amount of effort involved in choosing which business standards to adopt.

Organisations which were relatively newly established and were using liP purposefully to establish basic HR practices tended to attach higher importance to gaining the Standard, than those which lacked a dedicated HR expertise or which were derailed from progress by organisational changes such as financial challenges or growth. Overall, there are indications that the role played by liP specialists is a critical one in engaging firms with the liP Standard and can be important in influencing progress towards accreditation. This theme is explored further in Chapter Five.

4 Changes made and challenges encountered in working with Investors in People

4.1 Introduction

This section explores how organisations work with the liP Standard by outlining the main areas of change they make to their management practices in seeking to close the gaps between their current methods of managing staff and those required by the liP Standard. It then goes on to identify the obstacles and challenges that the organisations have encountered in trying to make these changes. The main areas of change were performance management, training, staff involvement, leadership and management, reward and recognition and business strategy development.

4.2 What changes are made in organisations during the journey to accreditation?

4.2.1 Performance management

The main area of change common to all the case studies was performance management, and it was usually the biggest area of change within most of the organisations. Most typically this involved introducing or making changes to appraisal processes, in particular introducing or changing appraisal forms. Improving performance management systems was not a dominant motivation for committing to liP for most organisations, which suggests that this may be an aspect of people management which the organisations do not recognise as deficient until they review their practice against the Standard. This usually occurred in trying to link individual performance (and consequently development needs) to organisational objectives. Although making changes to appraisal forms may appear straightforward, a number of organisations had reported previous difficulties in making appraisals meaningful and these changes were intended to improve the process.

Organisations had a number of aims in relation to changing or introducing an appraisal system. Using performance management processes to identify development needs more clearly appeared to be a high priority for several organisations, especially where formal appraisal processes had never existed. PubCo introduced a formal appraisal system for the first time following liP commitment after previously using informal chats between the owner

and staff members, but wanted to make the process more structured with better recorded outcomes. The revised appraisal system is primarily focussed on staff development needs. Similarly, ITCo noted that appraisals had historically been very informal with no paperwork and no preparation, but now each member of staff chooses one objective which is time-bound from one month to two years depending on what is appropriate for that person. This is based on belief is that if people are allowed to set their own objectives then they are more likely to achieve them.

Those changing existing appraisal systems were typically seeking to make appraisals more useful and focussed on defining performance expectations against business needs, often linking them to identification of training needs. For example, HotelCo introduced a more useful descriptive element to the process to replace processes which focussed on 'box ticking', ensuring that forms also monitored training received as well as identifying skills that could be improved and future training that might help. TravelCo was introducing a process for recording staff errors within appraisals with a view to identifying any further training needed. HousingCo had been through a process of experimentation, extending a short appraisal form to one 12 pages long which the organisation had now reduced to three pages. PharmaCo reduced the number of competences against which staff were assessed from 21 to ten, included an overall rating in the appraisal process and incorporated personal development plans for staff across all departments.

Other firms were using performance management systems to help define expectations about performance in different job roles and create career paths. HousingCo was embarking on a process of role and activity mapping with a view to assessing performance more accurately. Similarly, a new appraisal system introduced at EnergyCo set out requirements for each job role more clearly, established performance measures for each role and set out progression routes between roles to help to create an internal career ladder.

Student Union had taken steps to extend the coverage of appraisals to make the process inclusive and support equality and diversity principles to cover all staff, regardless of contractual type. This will involve introducing appraisals at the start and end of the academic year for 2011/12 for casual staff (those working ten to 15 hours a week). Front line staff, who are mainly students, had reported that they did not get as much support from managers as they wanted.

4.2.2 Training and development practices

Changes to training processes and procedures were also common among case study organisations. Several liP specialists noted this as an area in which most organisations committing to liP were likely to make changes.

At the most simple level changes have involved increased levels of training for staff. HotelCo, PubCo and Student Union have begun investing in more training generally for all staff. In addition there is evidence that case study organisations have expanded the **range** of training on offer and the **types** of staff participating. For example HotelCo is encouraging all staff to undertake sector specific online training modules in areas not directly related to their current team to encourage better understanding of different areas of the business and staff are released to undertake the training in working hours. PubCo, EnergyCo and PharmaCo introduced an induction programme for all staff and EnergyCo also introduced a probation period. At HotelCo, the process of working with the liP Standard identified certain groups of staff who required additional training and specific training for these groups has now been introduced. PharmaCo introduced five in-house training modules for all staff under a new quality management system covering customer relations, logistics, regulations and sectoral knowledge.

A number of case study organisations have attempted to improve their training *systems*, rather than simply adding, reducing or changing training content. This has involved improved effort to identify training needs, recording what training staff have undertaken and, to some extent, attempting to evaluate training. Student Union has introduced learning and development forms to record the content, cost and expected benefits of training and allow an evaluation of whether the aims of the training were met three months afterwards.

In one case study there was evidence that the organisation was making a conscious attempt to embed a 'learning culture' in the organisation. Student Union departmental meetings all contain an agenda item which encourages staff to share anything they have learnt since the last meeting.

4.2.3 Staff involvement and communications

Five of the case study organisations have taken specific action to improve staff involvement in decision-making and overall communication. At HousingCo this involved better briefing of staff about management activities ahead of departmental meetings, in order to put staff in a

stronger position to make suggestions to improve how the organisation is managed. Meetings formats have been changed so that they are now chaired on a rotating basis by staff reporting to senior managers rather than the senior managers themselves, in order to encourage greater participation by staff. EnergyCo wanted to increase upward and downward communication in the organisation so it has introduced strategic management team meetings, communication meetings, team meetings and increased the regularity of supervision meetings. PharmaCo introduced a quarterly company-wide staff conference to discuss business issues with the entire workforce.

HotelCo identified that line managers felt they lacked information on changes and decisions being made at a senior level so communication about these decisions was increased. Both TravelCo and HousingCo have also introduced staff suggestion schemes. CharityCo does not use a suggestion scheme but instead canvasses staff opinion through a staff survey which draws on many of the principles from the liP framework.

PubCo has taken a slightly different approach to staff involvement. Managers are now more aware that staff need to be involved in decisions and are making a greater effort to allow staff to contribute, for example asking staff to suggest menu ideas. At ITCo, major changes in staff involvement have not taken place as a result of commitment to liP. However, due to the small size of the firm and its work, involvement in technical problem-solving is intrinsic to the nature of the business.

4.2.4 Leadership and management

Several of the case study organisations had made significant changes to management training, including altering the content of managerial roles, to free senior managers from day to day management activities. Pubco introduced a formal second layer of management to the organisation, bringing in floor and bar managers to handle elements of the day to day running of the pub. HousingCo put senior managers and staff reporting directly to them through an externally provided management learning and development programme. This allowed the direct reports to take over some of the more day to day management activity from the senior team. EnergyCo added a new layer of managers to reduce the volume of project work for senior staff which enabled them to spend more time on staff management and developing organisational systems. PharmaCo introduced external coaching and a leadership and development programme for a group of around 20 managers including the Executive team, senior managers and middle managers.

HousingCo, EnergyCo and PharmaCo are the only organisations so far to have invested in formal training to improve management effectiveness. However, two other case studies stated that they had similar plans. HotelCo plans to run a role playing session to improve management capabilities and Student Union expects to develop a one page guide on management capabilities.

Additionally, liP leads at PubCo and TravelCo felt that the liP process and associated workshops which they attended have helped develop management capacity. Leads at both organisations felt they had never had formal advice on management before, so the liP workshops were very useful in this respect. For TravelCo, liP had provided some junior managers a with development opportunity to take part in a more strategic level project.

4.2.5 Reward and recognition

A number of case study organisations felt staff performance was already adequately recognised. This did not mean they necessarily had a formal reward and recognition strategy but that tried to make sure that managers thanked staff both for exceptional performance and consistent performance over time. Overall, reward was an area with relatively few changes made by organisations.

However, some of the case studies had implemented changes to their reward and recognition systems, triggered by their engagement with liP. HotelCo introduced an employee of the month scheme, for which employees received £50 in vouchers. Positive comments made by guests are also displayed on notice-boards or read out in departmental meetings. PharmaCo ran a similar scheme with winners named in the company newsletter and entered into a prize draw for tickets to sports events. Student Union had introduced a new method for recording good performance amongst bar staff. Finally, in the process of developing new staff contracts ITCo increased staff benefits available, for example offering staff free eye care.

PharmaCo had linked reward to performance through setting up bi-annual bonuses, with 75% of the rating based on company performance and 25% based on individual performance. Other companies were interested in the possibility of introducing rewards for performance. Student Union was planning to consult on this through focus groups and Archiprac was interested in the possibility of using performance appraisal data to determine individual incentives.

4.2.6 Business strategy

Changes to business strategy were less prevalent among the case study organisations. Two of the case studies, Student Union and PubCo had introduced a business plan where none had previously existed, but in the case of Student Union the development of the business plan was a parallel development to liP. However, both organisations had linked other changes to their new business plan, particularly training and development. Additionally, TravelCo planned to improve and make changes to their business plan to ensure it is more of a 'working document' with a practical use for the business. EnergyCo had developed a longer-term business strategy and sought to link objectives for teams and individuals to it, but this was relatively unusual among the case studies.

Elsewhere, however, developing the business strategy does not appear to have been a particularly high priority for case study organisations. A senior manager of one of the smaller firms was suspicious of business plans as being 'too corporate', so a short informal presentation outlining a plan for the business was prepared.

4.3 What are the challenges/difficulties for organisations in making change?

The examples above show that organisations make changes a result of working towards liP. However, making long-term systemic changes to improve management practices is often a particularly difficult task for small organisations. The major challenges faced by the case study organisations were:

1. lack of people management knowledge and expertise;
2. business pressures of simply running the organisation,
3. management commitment; approach to business strategy;
4. reluctance to delegate management responsibilities.

4.3.1 Lack of people management knowledge and expertise

It is unsurprising that lack of existing specialist knowledge about people management posed a challenge for a group of mostly small organisations which were operating without a dedicated HR specialist. HousingCo, Pubco and ITCO all faced difficulty in understanding

how to implement certain changes. For some of HousingCo's experiments with appraisal documentation and staff involvement activities, first attempts required modification. This included adjusting the volume of appraisal documentation and ensuring that managers reviewed employee suggestions before discussing them at team meetings. More fundamentally, at ITCo and PubCo, the liP leads reported that at various points they simply felt unsure of what their next step should be in moving towards accreditation or in knowing which changes to make and how.

Similarly, Archiprac and HotelCo had also expressed uncertainty at various points in their journey of whether what they were doing was 'on the right lines'. PharmaCo's liP lead described the size of the liP framework as 'daunting' and the Student Union's liP lead reported how she had undertaken some work to break down the Standard and make it meaningful to the organisation. A number of the firms alluded to their lack of specialist HR expertise. Uncertainty and not knowing where to start are likely to create negative perceptions of the Standard, resulting in procrastination and loss of momentum in activity and progress. Some firms reported that if they felt daunted by the scale and complexity of the framework and the level of change required, they found it somewhat demotivating. All of these organisations reported a desire for greater external support from an liP specialist to guide them through prioritising and implementing change, but stated that they were unable to pay for the costs of the specialist's time and had therefore not sought it.

4.3.2 Business pressures

At TravelCo and Archiprac, business pressures were a major factor which had slowed their progress towards accreditation, through the need to cope with an adverse business climate. Both organisations had suffered as a result of recession, and TravelCo was on the brink of making redundancies in one office until it won a major new contract. PharmaCo had undergone a merger and EnergyCo had been through a period of rapid expansion which had similarly delayed their progress. One liP specialist identified financial pressures as a major factor causing firms to become 'distracted' from liP, because sudden changes to business conditions can cause firms to see liP as less relevant compared to more pressing operational concerns. Even in the absence of sudden changes, simply finding the time to put aside for changes associated with liP appears to be a significant issue for some organisations, particularly smaller firms.

4.3.3 Management commitment

It was evident from interviews with liP leads and liP specialists that the senior managers in three organisations had a certain lack of appetite for major change. One firm stated that they were expecting to be able to tweak their existing processes to fit the liP framework and if larger scale changes were required which would affect the organisation's culture (e.g. through imposing more formal performance management frameworks), they would be unlikely to go ahead with accreditation. Two senior managers in other organisations did not embrace liP wholeheartedly. One held a suspicion of 'corporate' management activities including lots of formal documentation like business plans, while another had some difficulty in identifying the relevance and likely impact. This illustrates the need to tailor liP engagement materials very specifically so that organisations can 'recognise themselves' in sales materials. In another firm, the liP lead had considerable difficulty in convincing the rest of the management team of the benefits that implementing liP would yield for the organisation in their particular sectoral context.

4.3.4 Business strategy

liP specialists commented that many organisations working with liP, particularly SMEs, struggled with the business planning and strategy elements of the framework. They noted that organisations often simply fail to understand the purpose of these elements of liP. Alternatively, it is possible that the relatively formal approach of liP with a focus on concrete goals and outcomes does not accommodate the business goals and visions of small business owners which may be more concerned with maintaining a vision or ethos of a business, rather than achieving particular performance objectives. The wider small business literature notes a diversity of motivations among owner managers, in which profit motivation is not necessarily the prime goal and survival or preservation of a particular lifestyle may be equally or more important (see Meager et al., 2011 for a review). This suggests that to maximise value for money of any public investment in promoting liP to small businesses and supporting them to achieve accreditation, it may be helpful to segment and target businesses aiming for high growth.

More specifically liP specialists felt that organisations often failed to link other elements of the framework into their business strategy and this comment particularly focussed on training. One specialist suggested that organisations felt that the learning and development element of the framework simply meant producing a training plan rather than thinking about

how that training would contribute towards the strategy for the business. Some organisations expressed their business strategies simply in terms of sales targets and one liP specialist noted that it could be very difficult for organisations to trace links between these higher level corporate goals and objectives for individuals. This suggests that there is room for greater support from liP specialists to help organisations to link implementation of liP to achieving business objectives.

4.3.5 Reluctance to delegate management responsibilities

While efforts at one case study specifically focussed on freeing up the time of senior managers to focus on strategy development for the organisation, managers at two other organisations were more reluctant to do this. In one firm, delegation of management responsibilities to a new layer of managers was difficult as the senior team were used to having complete managerial control over the business on a day-to-day basis. Although the firm realised this was not sustainable in a larger organisation, it was still difficult to give others significant control over aspects of the business. At another company, an liP specialist reported that all decisions were routed through a senior manager and this was impeding the organisation's progress both with liP and its intentions for the future.

4.3.6 Specific dimensions of the framework identified by liP specialists

Overall, liP specialists believed that the parts of the framework that organisations find the hardest to achieve are: measurement of the impact on the organisation through developing an evaluation strategy, and management and leadership capability. This is generally due to the difficulty of defining appropriate measures and assessing impact in a way which isolates the contribution of liP compared to other elements of business management. One commented that reward and recognition is the aspect that organisations most commonly fail on at assessment because of the difficulty in defining what satisfactory practice looks like. Individual staff perceptions of what constitutes satisfactory types and levels of recognition are likely to be highly variable and potentially difficult to achieve.

4.4 What is employers' experience of preparing for and undergoing the assessment process?

Only four organisations discussed plans for assessment directly as only two had experienced it and the others had not yet started planning for it. Student Union commented that it had been very difficult to get staff to volunteer to be available for assessment and this process had been costly in terms of time. Archiprac was anticipating the need to spend time 'coaching' staff ahead of an assessment.

4.5 Conclusion

Organisations made more changes to some elements of people management than others. The areas of most common change were:

- performance management systems, including introducing or modifying appraisal processes and setting objectives for staff
- introducing training for a broader range of staff, sometimes accompanied by induction processes
- intensified communication activity around business strategy.

Fewer organisations had made substantial changes to investment in leadership and management development, although in those organisations which had done so, management development was relatively extensive and often accompanied by some delegation of decision-making. The least common areas of change were reward and recognition and business strategy.

Lack of people management knowledge and expertise, business pressures from growth or financial challenge, lack of management commitment, a less developed and articulated perspective on business strategy and reluctance to delegate management responsibilities by SME owner managers were the main challenges that organisations faced in progressing towards liP accreditation.

liP specialists believed that the areas of the framework which were most difficult for organisations to achieve are: measurement of the impact on the organisation through developing an evaluation strategy, and management and leadership capability. Recognition and reward is also a difficult area due to subjectivity in interpretation and assessment.

5 Contribution made by Investors in People Centres and Specialists

5.1 Introduction

Investors in People specialists and liP Centres are one of the main sources of advice on the liP framework, the content of the Standard and the assessment process. For SMEs in particular, which often do not employ a dedicated HR practitioner, liP specialists may have a critical role to play in guiding and supporting organisations to reap the benefits of the Standard and progress towards successful assessment.

The services of the liP specialists may take a variety of forms, including explaining the potential benefits of the Standard (sales role) and conducting a diagnostic analysis of gaps between current practice and those required by the Standard (consultancy role). This sections covers the strengths and weaknesses of current service delivery provided by liP Centres and specialists.

5.2 Level of contact between case study organisations and liP specialists

All organisations had met with an liP specialist at least once. The frequency of these meetings ranges considerably, from once a year for Archiprac to every couple of months at HotelCo and every six weeks at TravelCo. Face to face meetings are supplemented by telephone and email contact, which has been fairly regular for StudentUnion, HotelCo, PubCo and TravelCo, for the purpose of practical help with problem-solving and reassurance. These variations partly reflect differing attitudes toward liP, different levels of expertise in the case organisations and different levels of funding in the devolved nations to support advisory activity. For example, at Archiprac the company is seeking a 'low impact' approach to liP while Student Union is the only organisation which employs a professional member of HR staff, and therefore arguably requires less support. A major explanation is the level of funding available to subsidise consultancy support. TravelCo, PubCo and HotelCo are receiving subsidies for the costs of specialist expertise and have consequently had much more frequent input than other organisations. Archiprac has benefited from one free meeting with an liP specialist in an advisory capacity, and two informal meetings.

5.3 Quality and added value of contact between case study organisations and liP specialists

All the organisations have had face to face meetings with liP specialists and reported that meetings with specialists are the most useful form of engaging with liP, as they provide personalised advice and guidance.

Initial meetings took the form of stimulating organisational engagement with liP through explaining and selling the benefits of the Standard at PubCo, HotelCo and TravelCo. The specialist for HotelCo made an interactive presentation to the management team to clarify what liP is and how it might benefit the organisation, and similar presentations have also been made subsequently at PubCo and TravelCo. liP specialists reported that these presentations were often useful in building commitment among the management team.

Six organisations have had help from liP specialists in undertaking a gap analysis of the differences between their current practices and the liP Standard. HousingCo and TravelCo have made use of the online survey of employees provided by liP to assess their current practice against the Standard and relied on the liP specialist to help them interpret the results. HousingCo reported that they built a good rapport with the liP specialist and felt they were genuinely interested in helping the organisation achieve accreditation, operating from a 'consultancy space rather than a sales space'. HotelCo's specialist conducted a series of 45 minute interviews with managers and staff as part of their diagnostic activities, which was appreciated by managers and staff who reported that they valued an external perspective and had gained more understanding of liP. Student Union's liP specialist gave them a 'story board' approach consisting of a grid showing the different elements of liP, which the liP lead then used to produce a one page document of the liP framework, putting all the different elements together into a flowchart to see where they fitted together. At Archiprac, the diagnostic exercise consisted of a discussion between the liP lead and the future assessor about current practice and gaps.

In addition to identifying gaps in management practice, some organisations appear to have benefited from relatively intensive support to close those gaps. TravelCo's senior manager has received some coaching provision, which led the liP lead to describe the support as 'inspirational assistance'. This individual stressed that without the personalised one-to-one advice received from the liP specialist, the organisation would have found it 'impossible' to make progress towards assessment. At HotelCo, the liP lead is in regular phone and email contact with their liP specialist, who helped them draw up an action plan and charted monthly

progress. The specialist has also provided examples of initiatives taken by other hotels which could provide inspiration to HotelCo, run exercises with the liP lead to help them gain an accurate assessment of their investment in training, and helped them to consider ways of improving management skills through role play.

In addition to individual meetings, three organisations had attended workshops run by liP specialists with other committed organisations. The liP lead from TravelCo and managers from PubCo had attended regular workshops run by the specialist along with a number of other businesses. They reported that these were extremely useful, and they were able to take away the elements they felt were most appropriate to PubCo. In contrast, an ITCO manager had attended a workshop with 16 other companies but found it disappointing that it was run in a classroom setting, with no time allocated for one-to-one advice. The liP lead also suggested that workshops should be tailored for employers with more or fewer than 50 staff, because much of the discussion was irrelevant to a business of their size.

One organisation reported a more negative experience of interaction with liP centres and specialists. The liP lead described advice received as 'wishy washy' and stated that it was also inconsistent. There had been some confusion in whether a business plan was required for assessment and the organisation reported receiving contradictory advice from different staff at the liP centre where there appear to have been some problems in internal communication.

It is notable that the case study organisations made fairly limited use of other sources of support beyond liP centres and specialists. Some downloaded free materials from the internet including sample contracts of employment or HR policy documents, but these were primarily sources of *information*, rather than advice or guidance. A number referred to liP being much more than a paper exercise, and for this reason, it is possible that interactive guidance tailored to the specific circumstances of each organisation was needed.

5.4 Feedback received and sought by liP Centres and liP specialists

HotelCo is the only organisation whose liP specialist reported receiving (positive) feedback from a related organisation on the support they had received, and no case study organisations reported receiving a request for feedback from liP specialists or liP centres. Other liP specialists interviewed had sometimes received feedback on the content of the liP Standard, but did not report receiving feedback on the service they had provided, other than positive feedback on the range of issues and activities for which liP specialists could provide

support. One specialist reported that in addition to formal feedback obtained through questionnaires sent to the client from the People Centre, he also asks often asks for feedback on a one to one basis after each client meeting to determine whether to modify the support and guidance offered. Another reported not usually asking for feedback after 'informal' meetings. On the liP Standard itself, one specialist reported that organisations were often surprised at the breadth of areas of management that liP covers.

Given that some of the case study organisations were in a relatively early stage of engagement with the Standard and all were pre-assessment, it is perhaps unsurprising that liP specialists had not received more feedback. Where specialists reported receiving feedback from other organisations, they described it as 'anecdotal', which suggests it is neither systematic nor validated. One liP specialist reported uncertainty about how feedback is formally collected from organisations following a recent change to the process. Previously the liP centre required specialists to send out their own feedback surveys to organisations. However this is now undertaken by the liP Centre with the result that liP specialist reported rarely seeing any kind of formal feedback.

5.5 Recommendations for improvement to the liP Standard or delivery

TravelCo, HotelCo and PubCo had very few recommendations for improvement to the Standard or its delivery. TravelCo commented that the volume of information delivered at the workshops was high and they were not always able to implement agreed actions between each session depending on fluctuations in the business. It is perhaps unsurprising, given that that these organisations had received relatively high levels of subsidised support.

Two organisations requested greater clarity and transparency about external costs of liP. One wanted a schedule of costs that could be downloaded from the liP website that explicitly stated how much liP would cost for an organisation of a particular size. This organisation felt that current process of discussion and agreement for costs was 'too vague'. Similarly another felt that the liP website makes costs 'deliberately vague' in not clarifying that the costs of support from an liP specialist are additional to the costs of assessment. While it is difficult to make precise estimates of costs as these will depend on how much advice and support is required and the extent of changes that organisations need to make, an indicative guide of costs at high/medium/low levels might be helpful.

Lack of clarity about costs created some suspicion for one firm that the liP centre was deliberately trying to make more money out of firms by selling training products. This firm

also felt that the costs of external support from the liP specialist were high and two others reported that they would have liked to have received greater support from liP specialists but were unable to afford the costs of these services. One case study firm also expressed reservations about commercial organisations benefiting from liP. This firm reported to be happy to pay for the costs of assessment but objected to private companies making money from a government scheme aimed at business support. Four liP specialists reported some similar concerns from clients. One reported that small organisations object to paying for assessment. One specialist stated he felt a particular case study would have benefited from more advisory support, and that provision for such support from liP has been reduced over recent years. There is room for considering how such support could be delivered through web-based advice, guidance or from other sources such as small business mentoring schemes.

HousingCo believed that the online survey did not present results well for small organisations. One or two employees out of around twenty who completed the survey appeared to take the opportunity to vent their feelings about aspects of the company, which produced a lot of 'red' results. After discussion with the liP specialist, they concluded that it appeared to be only two staff members who held an adverse view. The liP lead was concerned because of the disproportionate response that these findings might have prompted, requiring a lot of investigation, and after advice from the liP specialist, the organisation simply reinforced its communication practices.

At Archiprac and ITCo, the liP lead felt that more advice and guidance from liP would be helpful, particularly on areas for improvement. ITCo reported a desire for some kind of step-by-step guide, because due to the flexibility of liP, the firm would like more guidance on what needs to be in place to gain the accreditation. The liP lead expressed a similar view on the liP website, believing that the liP criteria should be displayed prominently to make it easy for an organisation to see what the Standard is about and how close the organisation is to achieving the Standard. Student Union reported that they would like more contact with an liP specialist. The organisation suggested having weekly or monthly calls with the specialist, used to update the specialist on progress within the organisation and what they are working towards and to gain some feedback.

Two companies expressed concerns about perceived subjectivity of the liP Standard, which spilled over into anxieties about assessment. Archiprac felt that the criteria are quite subjective and could be interpreted in many different ways by staff, which created some concerns about the validity and accuracy of assessment. This was also a concern shared by

another case study with a member of staff with a learning disability which makes social interaction with strangers distressing and confusing. The company was seeking reassurance that this employee would not be interviewed but was told that the organisation would have no influence on the choice of staff interviewed. There may be some need for liP specialists, in preparing firms for assessment, to clarify the interpretation of criteria, how staff views are interpreted and whether and in what way any other forms of evidence are used to validate staff perceptions.

PubCo and ITCo reported that some of the liP materials and literature they had seen were not sufficiently relevant to their organisations for them to be useful. Pubco reported that it was difficult to see how liP would work in their business context. This suggests that providing targeted, customised case study material may be helpful in engaging and inspiring some committed organisations to make further progress towards accreditation.

For organisations which have been committed to the Standard for a significant period of time (e.g. six to 12 months without significant evidence of progress), it may be helpful for liP centres to seek specific feedback to assess whether any changes could be made to support to assist their progress.

5.6 Conclusion

Receiving high quality advice and support from an liP specialist appears to be the single most important influence on level of organisational engagement with the Standard and the rate of progress that firms make in implementing changes in people management practice. It is noticeable from the case study organisations selected, however, that firms experiencing more intensive support from an liP specialist were located in Scotland and Northern Ireland. These organisations are benefiting from publicly funded subsidies for the costs of consultancy support provided by liP specialists. There is also some evidence that organisations would welcome more intensive guidance and support on implementing the Standard, particularly in areas which are perceived to be less prescriptive. In case studies where relatively intensive support and explanation has been provided, this appears to be critical in forming an organisation's initial perception of the Standard and can 'make or break' the decision to the continue engagement.

6 Impact of liP on business practices and outcomes

6.1 Introduction

The intended impact of Investors in People on business performance through workforce development has always been a central focus of the Standard. Revisions to the Investors in People Standard in the mid 2000s have placed greater emphasis on its contribution to improving management and leadership capability. A number of the case studies have an interest in developing their people management strategy and practices and this section illustrates the changes that they have put into place alongside those which affect workforce development. It considers the extent to which these practices support the adoption of High Performance Working (HPW), and the subsequent impact on business outcomes.

6.2 High Performance Working

High Performance Working has been defined as ‘a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance’ (Belt and Giles, 2009, p3). Previous research indicates that liP is associated with the uptake of formal people management practices (e.g. Tamkin *et al.*, 2008; Bourne and Franco-Santos, 2010). To obtain optimum benefits of effective people management practices, there is some expectation that they will be used strategically and in deliberately selected combinations.

6.2.1 Range of HPW practices adopted/planned by case study organisations

The table in Appendix B illustrates the range of HPW practices adopted by the case study organisations. Extensive training and development provision and the presence of performance appraisal mechanisms are the most common high performance work practices adopted in case study organisations. Employee involvement and communication practices are also common, although processes are largely informal, as might be expected in SMEs. At the other end of the scale, commitment to career development is present in only three cases, financial rewards linked to performance in three and none have sought to provide staff with greater autonomy in decision-making or job enrichment via team working. Three organisations have fully implemented a formal management development programme.

The ubiquity of learning and development is perhaps unsurprising, because a number of liP specialists told us that training is a major motivation for firms to commit to liP and this echoes other research which identifies improvements to training as a key factor in employer engagement with liP (Gloster et al., 2010). Many of the changes related to staff involvement are fairly small and uncomplicated, for example changing the format of meetings or e-mailing the minutes from management team meetings. In contrast, there was limited evidence of autonomous team working. This is likely to involve quite significant and radical changes to work place practices, which might not be appealing to many firms, and the structure of work organisation in smaller organisations usually grows organically around functional activity. Autonomous teams appear to be fairly rare more generally (Ashton & Sung 2005). Unlike, for example, learning and development, team working is not specifically prescribed within the liP framework, although team working may be relevant in achieving certain evidence requirements.

Among the other less common HPWPs, limited use of career development practices may be related to the fact that many of the firms are small and as a consequence have limited opportunities to create vertical internal labour markets and promotion pathways. Introducing financial incentives may require a cost commitment which may be unattractive to employers, and it is notable that the only one case study firm has sought to offer bonuses linked to performance. Additionally employers may have concerns about the potential divisiveness of such incentives, and developing methods for measuring performance may also present a challenge.

6.3 Development of management capability

Seven companies were focussing on developing management capability at multiple levels of seniority as a result of engagement with liP. HotelCo had discussed the firm's set of core management capabilities with their liP specialist. The specialist suggested a 'role-play' session, which would focus on the development of good people management practices schedule to take place in October 2011. Other staff interviewed stressed the skills of the liP lead in generating enthusiasm for changes to people management practice and in gaining staff suggestions, although they suggested that this was partly due to the approachability of the liP lead and the individual's personality as much as the adoption of liP.

TravelCo began its involvement with liP with an explicit interest in improving its management capability. The liP lead has attended a number of liP training sessions and was able to identify areas in which she had changed her own approach to management, for example in

communicating information from management team meetings to staff, inviting comment from staff and participating in team meetings at a lower level. The liP lead at TravelCo felt that providing more training and guidance to managers will be an area of some importance as liP develops. Line managers also commented that the feedback received through the staff survey had been useful, because it had shown clear patterns where staff felt things were done well and which areas needed improvement.

Two organisations focussed on developing management capability, specifically driven by decisions to delegate some decision-making, as a result of working with the liP Standard. This is a common stage of development in the small business lifecycle among organisations which have experienced or are preparing for growth. PubCo had embarked on greater delegation of responsibility from senior managers, partly driven by the recognition that the pool of staff and variety of working time patterns was diversifying, so the business could not be run effectively by a small group.

HousingCo and PharmaCo made specific investments in management and leadership training. HousingCo ran a learning and development programme for its senior team and their direct reports, conducted by an external provider, with the purpose of encouraging the senior team to work more strategically. This change will require the second layer of managers to take responsibility for day to day operations so they also participated in management training covering topics such as 'managing self', 'managing others', 'managing business' (including finance) and 'managing performance'. PharmaCo's liP lead provided individual training for every line manager on how to undertake appraisals and performance development plans with staff.

In the other case studies there was less evidence of engagement with management and leadership issues specifically, probably because as highlighted in Chapter Three, organisations were engaged with the Standard as a means of benchmarking and integrating their HR processes, rather than for explicit leadership and management improvement. It is possible, however, that organisations may identify changes required later in the process.

6.4 Open leadership styles

Some common changes were identified across organisations, connected to improvements in management communication capabilities and the development of business strategies to improve staff involvement and identification with organisational goals. TravelCo has been working on translating the organisation's plan into something meaningful for staff and making

sure all employees can both understand it and commit to it. This has involved taking time to explain the plan and help employees identify how it might be achieved.

Student Union had recently developed a business strategy and the liP framework had provided a guide for developing the strategy, which the manager responsible found helpful. The organisation was also attempting to understand how its management training provision benefits the organisation. Attendees were positive that the training provided the ability and skills to deal with additional responsibilities including communicating with staff.

HotelCo also improved its communication from senior managers to line managers who are now better briefed on decisions or changes via their departmental meetings. Communication is also increasingly upward as well as downward. For example a suggestion box has been introduced together with a newsletter inviting contributions from staff and much more information is provided on business performance. A team building day had also acted to reduce hierarchy and keep staff more informed about the goals and priorities of the senior leaders. These changes could be seen as part of a much greater shift in management style to becoming more open and engaging.

ITCo had been gently shifting its style of management. This took place less through the adoption of formalised management practices, which are arguably less suited to a very small organisation, and more through changes to the opportunities that staff and managers have to interact, to develop social bonds and make the organisation truly inclusive.

Not all the case studies believed that liP positively affected their people management approaches. Archiprac had engaged with liP because they felt that their practices were already good. Managers were concerned that the Standard could potentially have a negative impact on innovative working methods and felt that the emphasis on management and supervision or oversight of staff didn't 'look and feel like us'. The firm used a regular questionnaire to all staff members, based on the criteria used to rank firms in *Building* magazine's Good Employers Guide.

6.5 Impact on workforce development

PubCo, Student Union, EnergyCo, PharmaCo and HotelCo all demonstrated an increase in training levels as a result of liP commitment. For some organisations, it was difficult to gauge this increase quantitatively, particularly because prior to liP commitment training spend had not been coherently recorded. For example in the case of Student Union, there was a record

of training spend on some courses but other costs associated with training (such as travel and hotels) were recorded elsewhere and the organisation now plans to bring these costs together. Additionally some courses were provided free of charge on a reciprocal basis with a neighbouring university. However, staff and manager interviews in these organisations indicated a notable increase in training levels following IiP commitment.

Furthermore there was evidence that staff who had not previously received training were now being trained. Notably at HotelCo, staff in one team were not receiving training which has now been rectified. At PubCo, a more structured approach to induction and training more generally means there is less risk of staff missing out on training compared to the previous ad-hoc approach. Some case study organisations appear to be investing in training in new areas. For example, cross-departmental training was provided at HotelCo and health and safety and customer handling training was provided at PubCo.

Both Student Union and PubCo have increased 'structure' around training in terms of developing training plans and recording staff participation in training. At PubCo in particular this appears to be helping to ensure that staff do not miss out on opportunities. Furthermore recording training is encouraging a more evaluative approach to training at Student Union, trying to ensure that training is effective in achieving its aims.

Although one IiP specialist felt that organisations often struggled with linking training to business strategy, there were efforts at both PubCo and Student Union to make this connection. For example, managers and staff at PubCo were able to articulate how induction training contributed to business strategy aims of consistent and excellent customer services. Student Union explicitly stated that their evaluation of training was to understand how courses contributed to their strategic aims.

Finally, there is evidence of wider benefits to case study organisations as a result of the additional training generated through IiP. For example, at PubCo managers commented that management training for staff had helped them do their job. At HotelCo, cross-departmental training had improved teamwork and broken down barriers between departments, while training more generally had opened up greater opportunities for staff promotion and raised morale. Similarly at PubCo a staff member commented that training had helped staff feel more confident dealing with customers and also showed staff that the management were taking an interest in their development.

In three of the case study companies - Archiprac, HousingCo and TravelCo - there was no particular increase in training as a result of liP commitment, while at ITCo, the impact was marginal. This is because training levels were already high in these organisations.

6.6 Coherence of practices

Several organisations reported how liP was pushing the organisation to be more strategic regarding its people management processes or to create formal plans linked to wider business plans. This tended to be especially true of learning and development. The liP framework has catalysed HousingCo to become more prescriptive around its learning and development practices and planning them more effectively for staff.

As organisations which had gone through assessment, EnergyCo and PharmaCo were better placed to report on impacts. EnergyCo believed liP had assisted improvements in recruitment and retention of staff. Managers were clearer about the skills and qualities they sought from job applicants and in a better position to offer promotion prospects. As a result of line management training, management capability and confidence had improved in handling staff issues. At PharmaCo, the liP lead described the senior leadership team as more cohesive in managing the direction of the business with better teamwork and senior managers taking stronger ownership for their business areas. Recent analysis of organisational performance has shown that turnover targets for three years will be achieved in one financial year, which the liP lead attributes to having improved procedures and committed staff.

The importance of learning and development as one of the areas where liP makes some impact was also clear from the Student Union case. Historically, the Student Union has had low investment in learning and development, with training seen as a cost that brought little value due to the annual turnover of student staff. On the liP specialist's advice, the organisation has also introduced 'What have I learnt since the last meeting?' into department meeting agendas in order to embed learning in the culture of the organisation. Work is also underway to engage casual staff in performance appraisal.

For other organisations the impact of liP has been broader. TravelCo hoped that working towards liP will make better links between business objectives and everyday practice. The consultancy support sessions which were a precursor to liP commitment identified a lack of clear overall objectives for the firm and a lack of understanding amongst staff about overall business objectives. liP was seen as an opportunity to focus business planning and provide

a plan which had greater 'life' in the organisation. In particular, one goal was to make clear to staff the importance of training and development to overall business performance. In addition it was hoped that liP would improve communications through the organisation both in the sense of giving staff a better idea of what the management team are doing and ensuring team activity and achievements is communicated up to senior management.

In other case studies the increased strategic integration of HR practices was less obvious. HotelCo for example already had quite comprehensive training provision. Since beginning the liP implementation process in January 2011, the hotel has also signed up all staff to undertake hospitality training. Participants complete online training modules in a wide range of areas related to hospitality, including customer service, waiter training, handling complaints and health and safety including modules that are not related to the team they work in, so they become more familiar with the running of the hotel as a whole.

6.7 Conclusion

The liP Standard combines a focus on workforce development with a more recent increase in assessment of management capability and the liP framework can be understood as sitting within a wider framework of High Performance Work practices which stimulate demand for higher level skills. While activities to develop management capability were not found in all organisations, where training and development had been provided for managers, these appear to have been relatively intensive and to have resulted in significant changes in management behaviour. The main changes involved development of open leadership styles to involve staff in discussing business goals and performance, a greater accountability for and willingness to discuss staff performance. There was also relatively widespread evidence of increased volumes of training being provided to a wider range of staff. In terms of situating activities to support liP implementation, the High Performance Working perspective illustrates that the most common focus is on integration of staff involvement, training and development and performance management practices, reflecting the priorities of relatively small and young organisations.

7 Conclusions and implications

This report is based on the first year of a two-year project which draws on a range of sources of evidence to contribute to the broader evaluation of the Investors in People Standard.

The aim of this project was to understand better how employers engaged with and used the Investors in People Standard and the impact that moving towards accreditation had on the organisations and how they managed staff. The study is based on ten in-depth case studies and contributed to answering a number of questions within the overall evaluation framework for liP. These are now discussed in turn.

7.1 Why do employers get involved with the Standard?

Six of the ten case study organisations had made a *proactive* commitment to Investors in People, by seeking out information about the Standard and approaching an liP Centre because they believed the Standard would help them improve how they managed staff and indirectly support their business goals. Others had taken a more *reactive* approach, with their interest in the Standard stimulated by an external trigger including contact with government support agencies and liP specialists. Four organisations were seeking to use the Standard to help them win more public sector contracts, of which one had engaged reactively with the Standard.

Overall, the case study organisations had multiple and mixed motivations for seeking liP accreditation. Supporting business goals was an underlying goal in all cases, but this was expressed through very different priorities for organisations in different circumstances. The most common business goal was a desire to improve the way employees were managed and make the organisation a better place to work, thereby improving staff retention, motivation and (albeit implicitly) productivity. Overall, most of the organisations understood liP as it was originally conceived as a tool for improving people management and thereby organisational performance, rather than in its more recent positioning as a rather more general business improvement tool.

Larger, and in particular growing, businesses found it easier to grasp how the Standard could be applied to their organisation and how it could help them develop, while smaller, less sophisticated organisations found it more difficult to see the relevance of liP to their

business. This suggests that the Standard may have a particularly useful role to play in helping small businesses with growth ambitions.

Younger organisations, using liP purposefully to establish basic management practices, tended to attach higher importance to gaining the Standard than those which lacked a dedicated HR expertise or which were derailed from progress by organisational changes, such as financial challenges or growth. This raises questions about the level of support that organisations experiencing change may need to help them achieve the Standard.

7.2 What changes do employers make to meet the Standard?

The case study research shows that organisations make changes in working towards the Standard. The most common change made among the case study organisations was to how they managed individual performance and in particular to their performance appraisal system. Most of the case studies either introduced a new approach or upgraded their existing processes to, for example, improve the way development needs were identified; tie development needs more clearly to business needs; and define job roles more clearly. Other changes included simplifying the appraisal paperwork and reducing the number of performance management criteria.

There were three other main areas of change:

- Introducing a more comprehensive approach to training. Firstly, most case study organisations generally extended the range of training and development activity on offer and extended such activity to all staff. Secondly, some case study organisations improved the way training was managed by introducing better training needs identification and monitoring, and in some cases evaluating activity.
- Improving staff involvement and communications, typically by introducing regular staff meetings and briefings and sharing more management information.
- Improving management and leadership, for example by developing managers' capability to manage people.

The major barriers to progress in implementing liP were lack of people management expertise, lack of management commitment where consensus was required across a management team, changes in business circumstances arising from financial challenges or growth, management reluctance to delegate and different approaches to and understanding

of business strategy in smaller organisations. These organisations sometimes expressed business strategy in terms of sales targets which were hard to translate into actions for change. Some organisations in a static or challenging environment simply focussed on survival and were finding it more challenging to articulate how liP could help them.

7.3 What is the impact of moving towards accreditation?

This report focuses on the impact of working towards liP accreditation rather than changes made as a result of accreditation. Organisations were able to provide indicators of early impacts at a behavioural and cultural level, rather than hard measures of organisational performance. In most cases involvement with the Standard had led to an improvement in management capability. More frequent and meaningful communication had led to a more open style of management. The roles and behaviours expected of managers had been clarified resulting in a greater degree of ownership and responsibility. The management of people had improved, with clearer performance management processes, for example. Finally managers were more likely to delegate, with beneficial effects on organisational efficiency.

There was some evidence of wider benefits as a result of the greater understanding of the business, clearer job roles and additional training generated through liP, with, for example, both managers and staff expressing greater confidence in their ability to do their job. As a result the quality of service had improved, but there was no evidence, as yet, of involvement with liP generating improved business growth. This suggests a possibility of cumulative overall impact on business performance may develop which is worth exploring in the second year of the research.

The impact on workforce development as a whole was more mixed. In a number of the case studies there was evidence of an increase in training activity as they moved towards accreditation and in particular staff who had not previously received training were gaining access to learning and development. In at least two organisations, training was being aligned more closely to business strategy, although in smaller organisations managers found it difficult to articulate the links. Some organisations already provided a relatively high level of training, so it is more unlikely that they would increase training provision. In some cases the benefits of liP were in starting to help organisations think about the links between existing training provision, its purpose and ultimate business benefits.

Overall across all the case studies there was evidence that involvement with the Standard had encouraged organisations to be more coherent in their management of people and move

towards adopting more formal business planning processes. There is no suggestion, however, that the content of business strategies was changing. Evidence on the links between liP and adoption of broader high performance working practices was mixed. More training and development and the presence of performance appraisal mechanisms were the most common high performance work practices adopted in case study organisations. Employee involvement and communication practices were also common, although processes were largely informal, as might be expected in small businesses. At the other end of the scale, commitment to career development was present in only three case studies; financial rewards linked to performance in three; and none had explicitly sought to provide staff with greater autonomy in decision-making or job enrichment via team working as a result of liP. This reflects, in some cases, relatively high levels of skill and existing autonomy in organisations which employ primarily professional staff, while in others, small organisational size and a plentiful availability of recruits in a slack labour market mitigate any pressures to develop an internal career ladder.

7.4 What is the overall difference that Investors in People makes to employing organisations?

Investors in People provides a framework for organisations to make changes and provide a structure to help them manage their business as they seek to grow and develop.

At the outset of this study we developed a research framework which distinguished between three types of organisational change that liP could support:

- episodic: involving the introduction of a new system, practice or process;
- developmental: improvement of an existing system;
- transformative: a substantial change in organisational direction or culture.

The case studies provided a number of examples of episodic changes in examples of the introduction of new appraisal system, staff surveys or suggestion schemes. There were more examples of developmental change in the form of improved approaches to training, more coherent staff management and more formal and comprehensive business planning. Examples of transformational change were rarer. However, the introduction of a more open management style in some cases could have a significant and long-lasting impact on the culture and performance of organisations.

Across all types of change, most organisations reported that they would have made at least some of the changes associated with implementing liP even if they had not committed to the Standard, but they would have made these changes more slowly and with a less structured approach. However, some organisations reported making changes to meet the Standard which were not included or anticipated as part of their original motivations. This suggests that the Standard may have wider, unanticipated impacts which organisations may overlook or ignore, if these are not the major outcomes sought at the start of engagement with liP. These potential benefits will be explored in more detail in the second year of the research.

7.5 Assessing the counterfactual – what would organisations have done in the absence of liP commitment?

In conducting an evaluation of any intervention, the most difficult, but often most important element is to ask what would have happened if the intervention had not been made. Within this research it is possible to ask organisations and their specialists if any changes made to people management practices would have been made as extensively, as rapidly and to a higher or lower quality standard if the organisation had not committed to Investors in People.

Most managers were unsure and found it difficult to assess whether they would have implemented these changes without the momentum of liP. Archiprac and Charityco had not made significant amounts of change and therefore were not able to assess the contribution of liP.

Newer and younger organisations in the early stages of their development were often committing to liP at the same time as they attempted to set up human resource management policies. In the cases of ITCo and HotelCo, it is likely that some changes would have taken place even without commitment to liP. ITCo and HotelCo appear to be using liP as a vehicle to justify existing beliefs about adopting desirable management practice rather than as the inspiration for such practices. It is difficult to conclude, on balance, that these practices would *not* have been adopted without liP commitment.

The major counterfactual element reported by organisations where liP had a made a difference to management practice was in providing **structure** to the nature of the changes made. HousingCo, TravelCo and PubCo reported that any changes made would have been 'ad hoc', 'reactive' and with less clarity and confidence about what they were doing and why. EnergyCo and PharmaCo believed that the changes made were more co-ordinated than they would have been without liP accreditation.

Two organisations felt that liP had materially affected the type of changes made. HousingCo stated that liP had helped them to prioritise change by providing a good reference to justify making one change over another. At Pubco the liP leads felt they would have been unlikely to make the same sort of innovations across people management practices without the liP commitment.

The other major impact of liP appears to have been on **pace** of change. At HotelCo, the liP lead believed that commitment to liP had given the organisation more focus and momentum, notwithstanding its already high level of commitment to improving people management practices. TravelCo and PharmaCo also reported that without liP commitment, all changes would have been made more slowly. Student Union specifically reported that the development of a business strategy was already under way prior to liP commitment, but using the liP framework to integrate the people management dimension into this had been helpful in saving time.

This suggests that external pressure and assistance to firms in implementing changes is crucial. This reinforces the significance of the role that liP Centres and specialists play in determining the pace of change and speed of organisations' journeys towards assessment.

7.6 Is the Standard meeting the policy objectives set for it?

The macro-level policy objectives for Investors in People are to deliver business and employment growth. This report focuses on the experience of firms working towards accreditation, and found that the liP framework appears to be particularly helpful for organisations which are expanding and therefore has the potential to support business and employment growth. There is also some evidence that the Standard can be a useful tool in improving management capacity and capability, although the longer-term impact of this is not yet known in the case study organisations.

7.7 How could the delivery of the Standard be improved?

Drawing on analysis of the experience of the case study organisations combined with their direct feedback, a number of ways in which the Standard could be improved were identified. There may be other suggestions emerging from complementary research and feedback from other liP customers. The points for consideration that emerged included:

- **Consider how best to enhance support from liP specialists and centres to accelerate progress in implementing change among organisations committed to liP.**

Speed of progress towards accreditation is very strongly related to the amount and quality of support received from liP specialists, due to lack of knowledge and expertise in people management processes in small organisations. Speed of progress among the case study organisations across the different devolved administrations in turn reflects the provision of public subsidies to support implementation and assessment in Scotland and Northern Ireland. The case study evidence shows that in England, even where organisations recognise that they would benefit from external expertise to help them implement the Standard, they are unwilling or unable to pay for it.

This suggests that it would be beneficial to explore cost-effective means of providing support to small organisations. The wider literature shows that SMEs seek tailored and highly specific support when engaging with government agencies. Some organisations placed emphasis on wanting to understand what liP 'looks like' and how liP practices and processes would function in their own business, and while the breadth of the liP framework is attractive to some organisations, to others it is daunting in scale and complicated in content. This suggests that activities which help to break down or translate each section and element of the liP framework for SMEs may be helpful. In view of the Standard's focus on business objectives and the difficulty which some of the case study firms encountered in making links between organisational objectives, people management activities associated with the liP framework and objectives for individual staff, liP specialists may wish to concentrate support on these aspects. To assist small organisations to understand what liP looks like in similar contexts, it may be useful to consider some form of mentoring or buddying arrangements through the liP ambassadors network or alternatively through the national mentoring programmes for SMEs currently being run by BIS. liP specialists could also take the lead on facilitating links between local businesses for this purpose.

- Some organisations would be prepared and probably adequately equipped to make use of generic web-based resources that explain how to set up basic HR practices and processes and it may be worth considering the potential of existing resources provided by BIS and professional organisations such as the CIPD. However, the challenge for many small firms with a considerable distance to travel to gain the liP Standard is understanding and managing the sequence of change that is likely to be most appropriate for them. This means identifying which HR practices and processes they need to implement and in what

order. In practice, this is likely to require face-to-face support from an individual who is familiar with each organisation's context.

- **Seek earlier feedback on progress and satisfaction with support received from liP specialists and centres.** At present, liP specialists and centres report that they seek feedback from organisations on the support received after assessment has taken place. Seeking earlier feedback is likely to have considerable benefits for liP centres, specialists and organisations. It is likely to make relationships between specialists and liP customers more open, to improve the quality of relationships and to enhance and sustain client engagement with liP. It could also help to avoid a specific risk of loss of momentum which sometimes slows or derails organisational progress in working towards accreditation by signposting organisations to sources of advice and support. At a minimum, liP Centres may benefit from seeking specific feedback from organisations which have been committed to the Standard for a significant period of time (eg six months or more without significant evidence of progress), to assess whether any changes could be made to help organisations implement the Standard.
- **Consider improving transparency concerning costs of support for implementing and gaining liP accreditation.** The costs of accreditation are not always clear to organisations and greater transparency about costs through web-based information would be helpful. Given the reluctance of small organisations to pay for advice, timing the delivery of this information during the engagement process needs careful consideration. This might include sample costs of assessment for organisations of different sizes and indications of the costs of additional support from liP specialists for implementing different kinds of activities where external support might be sought. It was clear from the case studies that small firms are reluctant to pay any more than the minimum to help them gain accreditation. This did not appear to be due to concerns about value for money, as organisations were mostly positive about the support received from liP centres, rather it sometimes reflected lack of even small amounts of available capital for investment in some organisations and sometimes reflected resources being allocated to other priorities.
- **Provide early reassurance about the assessment process.** Some organisations expressed concern about involving staff in the assessment process and whether staff would need briefing to recognise and talk about processes associated with liP. liP specialists may wish to consider how best to allay these fears by ensuring that organisations realise that staff are not required to understand or use any specialist management jargon or terminology.

- **Consider targeting any public investment in promotion and support for gaining liP.**

To maximise value for money of any public investment in promoting liP to small businesses and supporting them to achieve accreditation, it may be helpful to segment and target businesses aiming for high growth. This would need to involve developing some kind of definition and assessment criterion to identify organisations which are able to implement practices to support high growth.

Appendix A: Sampling method

This appendix describes how the sample was derived from the management information database.

An excel file was received from UKCES containing 24,143 organisations. This included all liP accounts that were committed/recognised/ retaining recognition from 1 April 2008 to 30 March 2011. From this for our final sample, we filtered organisations that were:

- committed
- employing 40-249 staff
- in target sectors of: construction, business, professional, financial services, hotels, retail, tourism and healthcare and life-sciences.

A file of 2,214 organisations was transferred into Excel to enable manipulation of the data. This was required because some of the variables did not match the preferred selection criteria. The number of employees was given as a number or range (which did not match 40-249). The SIC code was given and we needed to recode to identify the target sectors.

Syntax was created to recode employee numbers into bands and SIC codes into sector groups (based on SIC 2007). A syntax variable was created to split the organisations by size-bands we needed.

Cross-tabs were used to check how many of the committed sample fell into the target group by size and sector, then by country (using the liP centre as the sample had no variable for each devolved nation).

This yielded a total of 277 organisations which met size and sector selection criteria.

A filter was then created to select only those that met criteria and exported this selection back into Excel. The sample was then split into the four nations for ease in recruitment.

A separate sample of 'public sector' organisations was created and the size band on these was increased to 40 or more employees, because public sector organisations usually employ larger numbers of people.

Appendix B: Use of High Performance Work Practices in the case study organisations

Table B 1: Use of HPW practices in the case study organisations

	Extensive training and development provision	Commitment to career development and internal promotion	Performance appraisal	Employee involvement and communication practices	Financial rewards linked to performance	Autonomy/ job enrichment via team working	Management and leadership development	Vertical link integrating people management practices with business strategy
Archiprac	Have pre existing training system, expecting improvements through liP		Investigating new forms of performance management	Involvement practices pre-date liP			All managers should receive training in core management competences (eg dealing with absence, disciplinary issues) and may receive further training if appropriate.	
ITCo	No training plan or budget, willing to pay for any necessary training No change		Introduced appraisal	Regular meetings to discuss work processes. Small firm, regular informal discussion between staff and managers.				

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
	Extensive training and development provision	Commitment to career development and internal promotion	Performance appraisal	Employee involvement and communication practices	Financial rewards linked to performance	Autonomy/ job enrichment via team working	Management and leadership development	Vertical link integrating people management practices with business strategy
	with liP		Pre-dates liP.					
Student Union	Increased training opportunities, linking to business strategy, attempting to embed learning culture		Extended appraisal to all staff	Greater inter-departmental communication has been important for liP			Developing one page competencies guide for managers	Links between training and business strategy
HotelCo	Extending training to all staff, investing in new kinds of training	Training opening up opportunities for promotion	New appraisal form	Changes to dept. meetings, more information provided. Suggestion scheme	Employee of the month scheme		Planning role play session for managers	
PubCo	New extensive induction training for all staff, new kinds of training for staff.	Appraisal includes section on career development	New appraisal form	Few formal processes but managers more aware of need to involve staff			No specific formal training, benefited from liP workshops & some delegation of managerial responsibility	Links between training, appraisal and business strategy

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	Extensive training and development provision	Commitment to career development and internal promotion	Performance appraisal	Employee involvement and communication practices	Financial rewards linked to performance	Autonomy/ job enrichment via team working	Management and leadership development	Vertical link integrating people management practices with business strategy
TravelCo	Extensive training available, formalising processes around training		Re-working appraisal form at the time of case study visit	Communicating information about management team meetings.			No specific formal training, Managers developed through engagement with liP	Plan to make business plan more of a 'working document' that can be used to inform day to day management and practices
HousingCo	Considerable investment in training including qualifications for staff Pre-dates liP		On second re-working of appraisal form, due to be reviewed before being implemented	Changes to staff meeting formats to improve involvement, suggestion scheme			Management training for senior managers and direct reports, delegation of managerial responsibility	
CharityCo	Mandatory training available linked to regulatory requirements for sector		Nine core competencies adopted	Staff survey, newsletter, team meetings and Joint Consultative Committee	Voucher scheme for excellent performance			

Evaluation of Investors in People: Employer Case Studies

	Extensive training and development provision	Commitment to career development and internal promotion	Performance appraisal	Employee involvement and communication practices	Financial rewards linked to performance	Autonomy/ job enrichment via team working	Management and leadership development	Vertical link integrating people management practices with business strategy
PharmaCo	Mandatory in-house training including five different modules		Revised appraisal process including streamlined objective setting	Quarterly staff conference	New bonus scheme introduced		Leadership development programme introduced	
EnergyCo	Extensive training available linked to career paths	Job ladder and promotion paths established	New appraisal process and probation period introduced	Strategic management team meetings, departmental team meetings, staff handbook			Management training for line managers including shadowing and mentoring schemes	Key performance indicators at individual level linked to the business strategy

Key:  mplemented;  = partially implemented or in development;  = planned;  = no current plans.

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