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The Return on Investors

J Hillage
J Moralee

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The Institute for Employment Studies

The Institute for Employment Studies is an independent, international centre of research and consultancy in human resource issues. It has close working contacts with employers in the manufacturing, service and public sectors, government departments, agencies, professional and employee bodies, and foundations. Since it was established over 25 years ago the Institute has been a focus of knowledge and practical experience in employment and training policy, the operation of labour markets and human resource planning and development. IES is a not-for-profit organisation which has a multidisciplinary staff of over 60. IES expertise is available to all organisations through research, consultancy, training and publications.

IES aims to help bring about sustainable improvements in employment policy and human resource management. IES achieves this by increasing the understanding and improving the practice of key decision makers in policy bodies and employing organisations.

Formerly titled the Institute of Manpower Studies (IMS), the Institute changed its name to the *Institute for Employment Studies* (IES) in Autumn 1994, this name better reflecting the full range of the Institute's activities and involvement.

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Contents

Executive Summary

This report sets out the findings of the third stage of the national evaluation of Investors in People carried out for the Department for Education and Employment (DfEE). It presents the main results of the third survey of 1,800 employers, involved and not involved with Investors, supplemented by a series of case study interviews. It compares the latest findings with those from the previous surveys, and includes analyses of the responses from the employers who kindly took part in all three surveys. It represents an overview of the results from the three stages of the evaluation, and addresses directly the extent to which employers achieve a return on their investment in people.

Getting involved with Investors

Employers see a wide range of potential benefits from participation in the Investors initiative. The most important are:

- **better training systems** — including improved identification of training needs, introduction of training audits
- **improved workforce outcomes** — in terms of a more highly skilled workforce, improved staff motivation and morale, or more employee involvement.

Of less importance but still areas where employers felt that Investors could contribute are:

- **improved business performance** — either generally in terms of a better external image, or more directly in terms of improved financial performance (including profitability and efficiency), higher quality products, and higher levels of customer satisfaction
- **better management systems** — in terms of workplace procedures and communication systems.

Other benefits include acting as a **catalyst for change** and providing an **external benchmark.**

TECs are key agents in the process of getting employers involved in Investors. Although there is a high level of joint involvement in Investors and other quality standards (such as BS5750) and in training initiatives (such as NVQs), we found relatively little evidence of one leading to another.

Around 15 per cent of non-involved employers said that they were very likely to become involved in the future, and a further 35 to 40 per cent were undecided. Non-involved employers generally fall into one of five camps:

- **the unaware** — who do not know about Investors: a third of all not-involved employers
- **the disinterested** — who are aware but are not influenced by Investors nor interested in participation: again about one-third of all not-involved employers
- **the unprepared** — employers who are possibly interested in taking part in Investors and who have not been influenced by what they know so far: under 20 per cent
- **the emulators** — employers who are aware of Investors and what it consists of and who seek to take on board some of the key elements of the initiative without getting involved: around five per cent of non-participating employers
- **the primed** — some ten per cent of the not-involved who want to get their house in order before becoming involved, perhaps to minimise the time it takes to reach the standard.

Looking particularly at **small employers** and comparing them with larger ones, we found that:

- smaller employers were less likely to expect benefits from Investors in the area of training — although there was no variation in the importance attached to such improvements
- involvement with the BS5750 quality standard among smaller employers was more likely to lead to involvement in Investors than with larger workplaces
- smaller non-involved employers were less likely to take part in Investors. They tended to be less concerned about the bureaucracy or resource implications, but generally felt that Investors did not apply to them because they were too small or did not do any training.

Progress to the Standard

It currently takes employers an average of two years from start to finish to meet the Investors in People standard. The time taken to achieve recognition has risen since the first batch of employers signed up to the process.

Employers committing to becoming Investors in People in recent years have generally found it harder than they had expected to achieve the standard. Reasons include:

- **The distance they have to travel** — either in terms of the culture of the organisation (*ie* attitudes of staff and/or managers) or the detail of the systems and processes it had in place (*eg* on appraisals, training evaluation or needs analysis).

- **Lack of effective external support** — some found difficulty with the help from the TEC, or the quality of the Investors assessor, or with assembling the evidence.
- **Lack of internal commitment** — the length of time it takes to achieve the award appears to be influenced by the degree of commitment within the organisation to the process.
- **Organisational change** — changes in ownership or major internal reorganisations meant that in some cases Investors was put onto a 'back burner' until the new structures had bedded down.

However, despite the difficulties some had encountered, employers involved in Investors were keen to carry on trying to meet the standard. Although the numbers dropping out have risen slightly over the course of the three studies, they are still small, with about eight per cent of those involved on hold, and four per cent deciding not to continue. Similarly, nearly all (95 per cent) the employers who had reached the standard intended to maintain it.

Looking at **small employers**, we found little variation by size on the time taken to achieve recognition, although there was some evidence that, in comparison with larger employers, they:

- took slightly longer to meet the standard
- were more concerned about the amount of paperwork involved
- found it more difficult to find someone to drive the process forward
- were more vulnerable to internal reorganisation and changes in circumstances which took attention away from Investors
- encountered more employee resistance.

Impact on practice

A consistent overall picture has emerged over our three surveys, with employers believing that their involvement with Investors has a significant, positive influence on their approach to training.

Three-quarters of the employers who anticipated training benefits from Investors said they had achieved the improvements they had expected. However, two-thirds also said that they could have achieved the same result by other means. Investors is therefore not a unique vehicle for bringing about improvements to training systems and outcomes. However, relatively few employers (15 per cent) would have made the same changes at the same time in the absence of Investors. Generally, Investors has influenced employers to make changes they would not otherwise have made (29 per cent of cases) or make the changes earlier (another 29 per cent) or on a larger scale (25 per cent) than they would have done otherwise.

As a result of Investors:

- employers have become more systematic in their approach to training
- training is concentrated more on employees who require it and therefore more directly related to business need.

By and large, Investors appears to have more of an impact on the quality rather than the quantity of training. The amount of training provided rose over the whole study, among both organisations involved in Investors and those which were not. While we found some evidence of a switch from off-the-job to on-the-job training among Investors employers, it was not overwhelming. We found more convincing evidence of a greater amount of induction training being undertaken as a result of Investors.

Four in ten involved in Investors saw their training costs rise as a result. There were two main sets of costs:

- **start-up costs** — such as consultancy and assessment fees and investments in new training systems
- **ongoing costs** — such as more employee down-time and higher training spend (as a wider range of employees engage in training) and higher management costs (through time spent in appraisals, needs analyses, evaluation *etc.*).

One in seven saw their training costs fall as they adopted a more targeted approach, used their training resources more efficiently and altered the balance between in-house and external training.

We found a clear Investors effect on the approach adopted by employers to business planning. As employers move through the Investors process they increasingly adopt more formal practices, such as written mission statements, business plans and HR strategies.

The impact of Investors on training and management practices is different for **small employers** in that:

- **the effect is bigger** — there is a much larger difference between the practices used by small employers involved in Investors and those not involved in the standard, *eg* a third of non-involved employers with under ten employees regularly plan and review training needs, compared with nearly all such employers involved in Investors
- **the effect is quicker** — there is generally a much greater difference between those at an early stage in the Investors process and those not involved at all, compared with larger employers
- **there is less dead-weight** — only ten per cent of small employers would have made the changes anyway, compared with 20 per cent of employers with over 200 employees

- **there is less formality** — smaller employers who reach the Investors standard are less likely than larger ones to adopt some of the more formal business management practices such as training budgets and written HR strategies.

Impact on business performance

Employers are interested in Investors as a means of improving the skills and motivation of their workforce and workplace relationships. Two-thirds of employers involved in Investors said that these benefits had been achieved. Although between 60 and 70 per cent said that they could also have been achieved by other means, the study does not examine these alternatives or their relative merits.

Six in ten employers involved in Investors said that they had seen improvements in their workforce as a result of their participation in the standard. The main improvements were in the areas of:

- employees' understanding of the business (58 per cent of cases)
- employees' skills and competences (51 per cent)
- employee commitment (51 per cent)
- employee communications (47 per cent).

We compared a matched sample of employers involved in all three surveys. Although the level of sickness absence in Investors employers is generally higher than in non-Investors, we found those involved with Investors were more likely to have falling rates of sickness absence. Employers involved in Investors also reported fewer skill shortages year on year, while the level of shortages rose among non-participants. We found the differential pattern to be statistically significant.

Improved financial performance is not a primary motivation for employers who seek to be Investors in People. Fewer employers identified improved financial performance as a benefit they were looking to gain from Investors, and of those, only 43 per cent said that their anticipated benefits had been achieved, and 80 per cent of those said that they could have been achieved by other means. However, 40 per cent of employers who said that the training or workforce objectives they sought from Investors had been realised felt that there was a flow through to improved financial performance.

Nearly 40 per cent of employers said that Investors had made a direct contribution to improved business performance, and a further third said that it had had an indirect effect. Of the rest, almost 70 per cent said that Investors would have an effect in the future and would take at least a year to feed through.

The main areas of business improvement were:

- increased productivity (46 per cent of those identifying an improvement)
- a better quality of service/production (46 per cent)
- increased awareness of business needs and goals (45 per cent).

More objective evidence from our longitudinal sample to back up the perceptions of our respondents proved difficult to unearth. There did appear to be an association between employers moving through the Investors process and improved profit performance, but this association was not sufficiently strong to be statistically significant.

To explore further the influence of involvement in the Investors process on company performance, we conducted multi-variate analyses of the data using multiple regression. Although we found that being a recognised Investor in People was positively related with profitability, the finding was not statistically significant. Investment in training (*ie* training expenditure) was the only significant influence on profit per employee, with increased expenditure on training leading to increased profitability.

We found further evidence that the **smaller employers** see the impact of Investors at an earlier stage. Almost two-thirds of committed employers with under 50 employees told us that their involvement with Investors had led to workforce improvements, compared with less than half of those with 200 or more employees. The key area of improvement for small employers was in their employees' understanding of the business.

Smaller employers were also more likely to:

- report that Investors made a direct contribution to financial performance
- expect to see an effect in the future
- expect any future effect to materialise sooner (generally under a year) while larger employers felt that they had to wait at least 18 months for the financial benefits to show through.

Overall assessment

In conclusion, ten key messages emerged from the study:

- **Investors is a successful initiative** — employers involved with Investors are positive about the initiative. It has spurred them to make changes that they would not otherwise have made in any case or to change earlier or on a larger scale.
- **Investors delivers better training and skills** — Investors in People has a major effect on the approach to managing people

in employing organisations. Although there is no simple and clear relationship between Investors and financial performance, we found most employers involved with Investors believe that it has already, or will in the future, contribute to improved business performance.

- **Investors tackles the parts other initiatives don't reach** — Investors would appear to be a successful (and low cost) way of tackling the country' s deficit in low and intermediate level skills and to put effect to the notion of lifetime learning.
- **Investors is only part of the picture** — it rarely offers the whole solution to better business performance, but can make a significant contribution.
- **Small employers get there quicker** — Investors appears to take hold faster among smaller employers and as a result, they expect to realise business benefits sooner than their larger counterparts.
- **Investment means money up front** — involvement in Investors in People can initially cost money. It can be returned through 'pay backs' such as: better value from training expenditure, fewer skill shortages and increased profitability.
- **Recognise the difficulties** — achieving the standard often takes longer and is more difficult than employers expect.
- **The targets are a long way off** — the National Target on Investors will be hard to meet: there is limited interest among the non-involved employers, and the time taken to achieve recognition is increasing.
- **Don't oversell. Don't under-deliver** —attracting employers needs careful marketing and clear tailored messages about what Investors can and cannot do. There also needs to be a good after-sales service with consistent and high quality support from TECs and others.
- **The impact is masked by badging and emulation** — the combination of some involved employers effectively badging existing practice and some non-involved employers adopting Investors practices has limited the clarity of the macro-level impact of the initiative.

1. Introduction

Investors in People is the national standard for training and development in the UK and forms a major element of the Government's policy to raise the skills of the nation's workforce. It was launched in October 1991 and provides a framework for employers to align the development of their employees with their business goals. It is based around four principles:

- a commitment to develop all employees to achieve business goals
- planning and reviewing the training and development needs of all employees
- taking action to train and develop employees on recruitment and throughout their employment
- evaluating the investment in training and development to assess achievement and improve future effectiveness.

So far, 2,725 employers employing over 900,000 people have met the standard.[1] A further 17,500 organisations, with approaching four million employees, have made a public commitment so to do. Involvement with Investors varies considerably by sector. In the public utilities, and parts of the public service and manufacturing sectors, over 50 per cent of employees work for organisations committed to achieving, or which have achieved, the Investors standard. In other sectors such as retail, construction and agriculture the 'penetration rate' (as measured by the percentage of employees affected) is less than ten per cent.

Employers' attainment of the Investors standard is one of the National Education and Training Targets. By the year 2000, the target is for 70 per cent of organisations employing 200 or more people, and 35 per cent of those employing 50 or more, to be recognised as Investors in People. The current rate of achievement is 10.4 per cent on the first target and 5.9 per cent on the second.[2]

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1 As at December 1995.

2 As reported in *Creating the Enterprise Centre of Europe,* the 1996 Competitiveness White Paper, Cm 3300, HMSO.

1.1 The national evaluation

In 1993, the then Employment Department commissioned the Institute for Employment Studies to carry out the evaluation in England and Wales. The basic aim of the study was to assess the relative performance and practices of employers who have achieved the Investors standard, those who are committed to work towards the standard, and those who remain outside the initiative. The prime method was to conduct a survey of a randomly selected group of employers involved in Investors and a sample of similar employers who were not involved, and to subsequently re-survey both groups to build up a longitudinal picture. The first survey was conducted in the autumn of 1993. The Department commissioned a second survey in 1994 and a third in 1995.

The two previous evaluation reports[1] have reported the results of the first two surveys and have examined key elements of the process of becoming an Investor. They also showed that employers involved in Investors were more likely to demonstrate evidence of strategic planning and adopt a more formal approach to training and development than employers who were not involved. Employers and employees alike generally had a positive view of Investors and thought it had made a progressive impact on their business performance. However, comparisons between a matched sample of those involved in both surveys were inconclusive in demonstrating an objective improvement in business performance that could be attributed to involvement in the Investors process.

This report sets out the main results of the third survey of employers involved and not involved with Investors. In many respects they echo our earlier findings. However, we are now in a position to analyse the responses from the employers who kindly took part in all three surveys. This has enabled us to shed new light on the overall impact of the initiative on employers' approach to training and development, and the benefits that ensue. This report therefore takes an overview of all three studies and addresses directly the extent to which employers achieve a return on their investment in people.

1.1.1 Review of the standard

While the evaluation has been going on, Investors in People UK has undertaken a major review of the standard, involving around 800 employers and other organisations. This has led to some revision to the indicators supporting the standard. For example, a new indicator on continuous improvement will be

1 See Spilsbury *et al.* (1994), *Evaluation of Investors in People in England and Wales*, IES Report 263, and Spilsbury *et al.* (1995), *Evaluation of Investors in People in England and Wales, 1994-1995*, IES Report 289.

included in all assessments after 31 January 1997. Therefore, in places, the views reported here reflect a situation that may have changed or issues that are currently being addressed.

1.2 Research issues

It was agreed with the Department that the third stage of the evaluation should concentrate on a number of key issues relating to the impact of the initiative. These issues have been distilled into a series of eight research questions:

1. What is the impact of Investors on business performance?
2. Is there a time lag between involvement in Investors and realising business benefits (as measured above)?
3. Why do some organisations take longer than others to achieve recognition as an 'Investor in People'?
4. Are there any barriers in the Investors process that prevent organisations progressing at their preferred pace?
5. Do the benefits of the Investors process, or any barriers encountered by those seeking recognition, vary by size of organisation?
6. Are there any reasons which deter organisations from continuing with the Investors process, leading them to formally drop out of the initiative altogether?
7. How do organisations that have achieved recognition as an 'Investor in People' seek to maintain progress?
8. Has the training behaviour of organisations not involved in Investors been affected by the initiative?

This report addresses these key issues, based on the latest survey, the previous surveys and the longitudinal analysis. In so doing we have attempted to provide an overview based on the entire research.

1.3 Research methodology

The overall approach of the evaluation was based on a longitudinal sample of employers, both involved and not involved in Investors. In 1993, we surveyed 1,856 employers, 1,022 of whom were involved in Investors including 152 who had achieved the standard. In 1994, we surveyed 1,726 employers, 957 of whom also took part in the first survey. This time we went back to the 1,726 employers who took part in the previous survey, for a further round of telephone interviews.

As before, we experienced a fairly high degree of attrition, with employers not wishing or not able to take part again. In all, we received 1,084 replies from those who took part last year (a 'response rate' of 62.8 per cent), 604 of whom also took part in the first year's survey. We therefore drew additional samples of employers to restock both the involved and the non-involved groups, to make a total sample for this year's survey of 1,804. More complete details of the sampling process and the response rates *etc.* are set out in Appendix 1.

Each year we asked a number of questions on the organisations' training and business performance, as well as their involvement with Investors. We are therefore able to compare trends between various categories of employers over time. In addition, this year we asked some additional questions aimed at homing in on some of the main research issues outlined above.

The data used in this report mainly fall into two categories:

- First there is the *1995 sample, ie* data from the questions asked of 1,804 respondents to latest survey. This includes *factual data* on the training and business behaviour as well as *perceptions data* on the reasons for and impact of that behaviour.
- Secondly, there is the matched or *longitudinal sample*, *ie* data from the 604 employers who took part in all three surveys. In addition, we have also analysed the responses from the 1,084 employers who took part in both the last two surveys. These data have been used in places where the three-year data did not yield useful results (*eg* where the question changed between the first two surveys and so the data are incompatible, or where the non-response to certain questions, *eg* those covering financial data, meant that there were insufficient cases to analyse with confidence).

In addition to the survey, this year we conducted 19 semi-structured interviews with respondents to the 1995 survey, homing in on issues relating to the benefits accruing from Investors and the barriers encountered in trying to achieve the standard. In previous years we have conducted surveys of employees and, where relevant to provide a more complete picture, we have incorporated the key results.

1.3.1 Comparisons

We have divided our sample of employers involved in Investors into groups depending on where they are, and the extent to which they have moved, through the Investors process. When analysing the data from the latest (1995) survey we have distinguished between employers of different status within the Investors process:

- **recognised employers** — *ie* those who been awarded recognition or have achieved the award
- **committed employers** — *ie* those who have devised an action plan, received their commitment certificate, are implementing the necessary changes or are just about to go undergo an assessment

- **initial contact employers** (previously called TEC contact employers) — *ie* those who received an initial visit from the TEC or some other agency, or who have had a diagnosis of their training system completed.

These groups, with addition of data from the **non-participants,** are the basis of our analysis of the responses to the 1995 survey.

We have also analysed the responses from employers who have taken part in all three surveys, and also just the last two surveys. For the longitudinal analysis we look at all employers involved in Investors, referred to as '**all Investors'**, and have further identified two sub-groups as being of particular interest:

- employers who had achieved recognition in the first survey and maintained that status in the subsequent survey(s) — dubbed '**early Investors**'
- employers who were involved with Investors in the first survey and had not achieved recognition but by the second or third survey had made the standard — we have called this group '**newly recognised**'.

Again we compare these groups with employers who are **non-participants** in Investors in People.

In making our comparisons, our basic hypothesis is as follows. If Investors is having an effect, employers who have achieved the Investors standard should differ from employers who are not involved, in terms of their approach to the management of their business, workforce and training and development. As a result, they should achieve more positive levels of performance. As employers move through the process to achieve the Investors standard, and if the process is having an effect, we would expect to see them adopting the practices of the recognised group and beginning to reap the benefits. In particular:

- **Early Investors** would be expected to demonstrate a high level of good practice in relation to their approach to training and development. We would also expect to find more positive levels of performance of the workforce, and business performance indicators, as the impact of Investors feeds through.
- Good management practice should be less prevalent among **non-participants** and we would expect a lower level of performance.
- An 'Investors effect' should be visible among the **'newly recognised**, with greater use of planning and evaluation techniques beginning to produce beneficial movements in the workforce and business performance indicators.

1.4 Structure of the report

The rest of this report is divided into five chapters.

Chapter 2 looks at why employers get involved with Investors, in terms of the benefits they expect to gain, and the process of getting involved (drawing mainly on our previous surveys). We also examine why some employers do not sign up to the standard, and the influence of Investors on employers who are not involved in the process.

Chapter 3 concentrates on issues associated with progressing to the standard, including the time it takes to achieve recognition and the barriers some employers encounter. We also look at the issues affecting employers who have sought to maintain the standard and be reassessed after three years of recognition.

Chapter 4 assesses the impact of Investors on employer practices, particularly in the area of training and development and also in their approach to business planning.

Chapter 5 examines the impact of Investors on business performance in terms of indicators of both workforce and business performance.

Finally, in Chapter 6 we draw some of the key messages from the whole evaluation.

Throughout the report, the source of the data is clearly marked, including references, where relevant, to the previous evaluation reports. The quotes used to illustrate and flesh out points from the numerical survey data come from our case study interviewees (generally followed by a brief description of the organisation concerned) and also from the open questions in the survey.

When commenting on the findings relating to the size of employers, we generally use the term 'small employers' to refer to those with less than 50 employees and 'smallest employers' to mean those with under ten employees. In the tables the number of cases 'N' refers to the total number of respondents who answered the relevant question.

2. Getting Involved with Investors

In this Chapter we look at why employers sign up to the Investors in People standard, in terms of the benefits they expect to gain, and the process of becoming involved (drawing mainly on our previous surveys). We also examine why some employers do not sign up to the standard, and the influence of Investors on employers who are not involved in the process.

2.1 Why get involved

Employers look to gain a variety of benefits from Investors. Some expect improvements in their internal procedures and processes, for instance in their training or management systems. Others are looking for outcomes in terms of improvements to the quality of their workforce or better business performance. In each of the surveys we have asked respondents involved in Investors what benefits they thought they would gain from their involvement. We also asked them what they saw as the most important of the anticipated benefits. The results are set out in Tables 2.1 and 2.2.

A large number of reasons were given, but they generally fall into one of four categories:

- **Better training** — including improved identification of training needs and introduction of training audits. Over half our respondents anticipated improvements in this area and more than a third thought that they would be the most important benefit. Larger employers were more likely than smaller ones to expect benefits in the area of training — although there is no variation in the importance attached to such improvements.
- **Improved workforce outcomes** — 60 per cent of respondents were looking for benefits in terms of a more highly skilled workforce, improved staff motivation and morale, or more employee involvement. Almost a third felt that these were the most important benefits to be gained from Investors. There was no significant variation by size of employer.
- **Improved business performance more generally** — either generally in terms of a better external image, or more directly in terms of improved financial performance (including profitability and efficiency). Higher quality products, and higher levels of customer satisfaction are also important

Table 2.1: Anticipated benefits from Investors, by size (percentages)

	Size of employer					
	0-9	10-49	50-199	200-999	1000+	All
Improved training system	22.5	30.2	32.3	37.5	43.4	33.6
Improved skills and quality of workforce	19.7	29.2	28.4	26.6	34.9	28.2
Improved staff motivation and morale	22.5	29.6	29.7	26.0	23.6	27.5
Improved identification of training needs	21.1	20.3	21.3	21.1	25.5	21.3
Improved image	9.9	11.0	10.6	12.8	11.3	11.4
Improved workplace relationships	7.0	11.7	9.7	10.9	9.4	10.4
Increased quality of goods and services	7.0	10.7	10.3	8.2	12.3	9.8
Improved financial performance	12.7	5.5	8.7	8.2	7.5	7.9
Improved workplace procedures	8.5	9.6	5.8	8.2	5.7	7.7
Improved management systems	5.6	5.5	7.1	6.3	4.7	6.1
Improved customer satisfaction	4.2	6.5	5.5	4.3	5.7	5.4
Improved communication within organisation	2.8	3.1	2.3	2.0	4.7	2.7
Improved recruitment and retention	0.0	2.4	2.6	3.0	0.0	2.2
More employee involvement	1.4	2.1	3.2	1.6	1.9	2.2
Other	19.7	10.3	10.0	9.9	14.2	11.1
None	2.8	1.0	0.6	1.3	0.0	1.0
Don't know	1.4	4.1	3.2	5.6	1.9	3.9
N =	*71*	*291*	*310*	*304*	*106*	*1,082*

Base: All employers in 1995 survey involved in Investors

Note: Multiple responses allowed

Source: IES Survey 1995

objectives. These benefits were sought by about a third of our respondents. Generally, such improvements were not seen to be as important as the workforce or training benefits. Employers in the smallest size band were more likely to cite improved financial performance as the most important anticipated benefit, while the largest employers were more concerned about improving their public image.

For one of the case study companies, the potential publicity from the award was the key.

'When we first looked at Investors, we thought it would not make much difference as we were doing it anyway. Our parent company was keen so we opted in, but did not do much about it. It all went quiet as other things took hold. Then a new guy took over the TEC and asked whether we were interested. By then we were an independent company. I thought: we're a new company, not very well known and it would be good to get our name round a bit' — large chemical company

Another said that:

'Achieving the award was good. It gave the MD a warm feeling and it has been a useful marketing tool. It is needed for competitive tendering. It also gives the company kudos and is used in adverts etc. — large communications company

Table 2.2: Most important anticipated benefit from Investors, by size (percentages)

	Size of employer					
	0-9	10-49	50-199	200-999	1000+	All
Improved training system	25.4	22.5	25.4	28.8	26.7	25.7
Improved skills and quality of workforce	16.4	18.5	17.6	18.1	18.8	18.0
Improved staff motivation and morale	10.4	17.3	17.3	10.7	13.9	14.6
Improved identification of training needs	17.9	11.8	10.9	8.9	12.9	11.3
Improved financial performance	9.0	3.0	5.6	5.7	4.0	5.0
Improved image	0.0	4.4	4.2	4.3	4.0	4.0
Improved workplace relationships	1.5	3.7	3.5	2.5	5.9	3.5
Increased quality of goods and services	3.0	3.7	3.5	2.5	5.9	3.5
Improved workplace procedures	3.0	5.2	1.1	3.9	1.0	3.1
Improved management systems	3.0	3.0	2.8	3.2	3.0	3.0
Improved communication within organisation	4.5	1.8	1.4	2.5	3.0	2.2
Improved customer satisfaction	0.0	1.5	2.5	1.1	1.0	1.5
Other	1.5	0.0	1.1	1.1	1.0	0.7
None	3.0	1.1	0.7	1.4	0.0	1.1
Don't know	1.5	4.4	3.2	5.7	2.0	4.0
N =	*67*	*271*	*284*	*281*	*101*	*1,004*

Base: All employers in 1995 survey involved in Investors

Source: IES Survey 1995

However, a number of others told us that the award itself was not a major motivation.

'I would never promote it as being a gong. It's ridiculous. It's irrelevant. I would promote it as a way of making things happen.'

- **Better management systems** — in terms of workplace procedures and communication systems, were of interest to a quarter of our employers, although only ten per cent felt these were the most important benefits.

We looked at whether the benefits anticipated from Investors varied with the business goals of the organisation. We did not find an association except that employers whose main business objective was to improve the quality of their goods or services were more likely than the rest to anticipate benefits from Investors in this regard.

A comparison of these results with those from the two previous surveys suggests that:

- improvements to the training system and benefits in terms of workforce outcomes have consistently been the key benefits that employers are looking for from Investors
- improvements in terms of external image building were more important in the earlier surveys than they are now

- improved financial performance and other direct business benefits are not as important to employers as the workforce and training benefits they expected from Investors.

Two other sets of benefits emerged from the case studies:

- Investors can act as a **catalyst for change**. In one of our case studies we were told:

  'We saw Investors as a tool for making organisational change happen more easily. It could be a driver for changes that we felt the organisation needed to make.' — small manufacturing company

- Investors imposes a structure and acts as an **external discipline:**

  'We saw IIP as imposing a discipline on us as it provides an objective, external framework which forced us to look at our processes.' — small charity

  'I would advise others to use Investors as an internal audit tool. One of the biggest benefits is that it gives you a timescale to work to. Also it makes you look back every three years and see how you have performed compared to plan and provides an opportunity to take a fresh look and gear up.' — small metal-manufacturing company

2.2 The process of becoming involved

In the first two surveys, we were interested in the process of how employers became involved with Investors. We found that TECs are a key agent in the process. In four out of five cases an employers' first contact with Investors was via the TEC, with an equal split between employers taking the initiative and contacting the TEC or *vice versa* (see section 2.3, 1994/95 report). We concluded that the significant proportion of employers taking the first move indicates a high level of employer interest in the initiative.

In 1993 and 1994, we asked respondents how important the TEC advice and support was in their decision to participate in Investors. In 1993, those who gave the TEC the highest level of importance were the committed employers, with recognised employers rating the role of the TEC only the same as the initial contact employers. We felt that there was a number of employers in the recognised category, who we termed 'badging' employers, who skewed the sample. These employers, mainly early entrants into the initiative, used Investors to 'badge' or certify their current practices, and made few changes to their working practices. Naturally, these employers gave less weight to the role and importance of the TEC. In the 1994 survey, these 'badgers' were no longer skewing the results of the responses and, as a result, we found that those employers who had made the most progress in the Investors process rated the involvement of the TEC highest.

The employers were asked to name whom they thought had been the most influential source of information and advice in the decision to become involved in Investors. Again, the responses show the importance of the TECs' role, with half naming the TEC in one capacity or another.

2.2.1 Links with other initiatives

We also looked, in the 1994 survey, at the links between involvement with Investors and participation in other initiatives, including other quality standards such as BS5750, and training initiatives such as NVQs (see section 2.5, 1994/95 report). Although there was a high level of joint involvement, with some 54 per cent of employers also involved with BS5750 and 70 per cent involved with NVQs, we found little direct association between them. However, in some cases we found important indirect links.

Links with BS5750

Larger employers were slightly more likely than smaller ones to be involved with both BS5750 and Investors. Only 15 per cent of all employers said that involvement with BS5750 had led to involvement with Investors or, more rarely, *vice versa*, although the proportion was higher among smaller firms at 29 per cent.

In the case studies, some of our interviewees said they thought that working towards Investors helped them make progress towards other quality standards. For example, one small manufacturing company we visited had recently achieved BS5750 and felt that Investors was a way of carrying on that process and reinforcing their commitment to quality. Another was in the middle of relaunching their total quality programme and felt Investors would complement it. Other respondents made similar points:

> *'We're working towards ISO 9000 and Investors is a very good stepping stone.'*
>
> *'Investors helped us do BS5750 as we got used to the assessment process'* — small training company
>
> *'We're now assessing ourselves against the European quality framework and Investors really informs the box on people management and our new appraisal system has been really latched on to when talking about communications etc. in relation to the European standard.'* — medium-sized laundry company

There were also links the other way round:

> *'Having BSI helped us to understand Investors. BSI is about how you do the work. Investors is the same with people.'* — large personal service company

Links with NVQs

The links between Investors and NVQs were stronger (perhaps because BS5750 predates Investors and had already achieved a higher penetration rate among employers) and the likelihood of involvement with both Investors and NVQs increased with size of employer.

Some 15 per cent of employers who were involved in Investors first, said this led them to become involved with NVQs, and five per cent of employers who were involved with NVQs first, felt this led them to become involved with Investors. A further ten per cent said that the decisions to become involved with Investors and NVQs were simultaneous. The remaining two-thirds of employers believed that these were independent decisions.

For those employers where NVQs had led to Investors, two main reasons were given:

- that their involvement with NVQs had led to increased awareness of Investors
- that Investors was seen as a logical next step, or a continuation of their work with NVQs.

The raised awareness caused by being involved in one initiative was also cited by those employers who were involved in Investors first, but the majority of these respondents noted that the need for NVQs was actually generated by the Investors process, and/or that it provided a necessary measurable training standard.

Part of a package

Although the survey data do not show major linkages between Investors and other initiatives, a number of the interviewees in the case studies stressed the importance of seeing Investors as part of a package. They argued that the initiative fitted in very well with general cultural change or quality programmes. One survey respondent argued that:

> *'There's a danger of seeing it as the panacea for all ills, which nothing on its own ever is. It is important to attach it to other things than think it is a bandwagon that you jump on.'*

2.3 Why not become involved?

The level of awareness about Investors among employers in our survey who were not involved, appears to have plateaued at around two in three. In the first survey, 44 per cent of not-involved employers had heard of Investors. In 1994, the proportion was 68 per cent and it was 66 per cent in the latest 1995 survey. In all three surveys, only around 15 per cent said that they were very likely to become involved in the future, with a further 35 to 40 per cent undecided.

Table 2.3: Likelihood of taking part in Investors, by size (percentages)

	Size of employer					
	0-9	10-49	50-199	200-999	1000+	All employers
Almost certain	1.5	3.9	8.3	10.3	7.5	6.6
Very likely	1.5	5.3	8.3	19.2	17.5	9.7
Possible/undecided	25.8	36.8	36.8	33.3	40.0	34.6
Not very likely	22.7	19.7	23.3	14.1	20.0	20.4
Highly unlikely	43.9	28.9	21.8	21.8	12.5	26.0
Don't know	4.5	5.3	1.5	1.3	1.3	2.5
N =	*66*	*76*	*133*	*78*	*40*	*393*

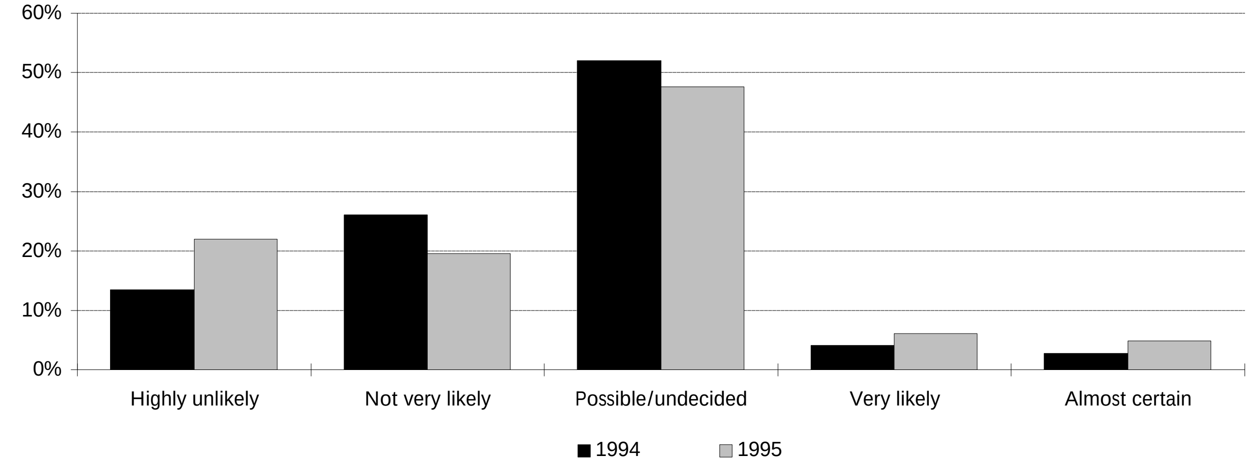
Base: Employers not involved with Investors

Source: IES Survey 1995

The results by size for the 1995 survey are set out in Table 2.3. The likelihood of future participation clearly varies by size, with only 11 per cent of all employers with less than 200 employees likely (*ie* saying 'very likely' or 'almost certain') to take part, compared with 28 per cent of larger workplaces, with 200 or more employees.

There is some evidence in the longitudinal sample of a polarisation among the various categories of non-involvement, with increases in the percentages highly unlikely to participate and also those likely to take part. However, the shift in opinion is not dramatic. Figure 2.1 shows the responses from the 83 non-participants in Investors who took part in both the 1994 and 1995 surveys and who answered the question in both years. (Only 37 non-participants responded to all three surveys, and although the data show a similar trend, the numbers are too small to report with confidence).

Figure 2.1: Likelihood of taking part in Investors, 1994 and 1995



N = 83

Base: Employers not involved in Investors who responded to both the 1994 and 1995 surveys

Source: IES Surveys 1994,1995

Table 2.4: Reasons why Investors is not seen as relevant (percentages)

	Size of employer			
	0-49	50-199	200+	All employers
We already have efficient training practices	20.8	18.0	23.9	20.7
Company too small	38.9	6.6	0.0	17.9
We do not know enough about it	16.7	19.7	8.7	15.6
Investors is too time consuming	1.4	18.0	17.4	11.2
Investors too bureaucratic	2.8	11.5	21.7	10.6
We do not do any training	11.1	4.9	2.2	6.7
Other	8.3	21.3	26.1	17.3
N =	*72*	*61*	*46*	*179*

Base: Employers not involved with Investors who did not see Investors as relevant to them

Source: IES Survey 1995

There were three main reasons why employers thought Investors was not relevant to them (see Table 2.4 for details of the responses to the 1995 survey, by size, with the size bands collapsed due to the low numbers). The reasons were:

- **perceptions of the Investors process** — *ie* they thought it too bureaucratic or time consuming (both more of an issue for medium sized and larger employers) or did not know enough about it
- **applicability of Investors** — in some cases Investors was felt not to be appropriate either because the organisation was too small or it did not do any training (again mainly smaller workplaces)
- **no need** — as organisations (equally distributed across the size bands) felt they had efficient training practices already.

2.4 The impact on non-involved employers

In the 1995 survey, we looked at whether Investors had any effect on the behaviour of employers not involved in the process. In particular, we were interested to see whether their knowledge of the initiative had directly or indirectly influenced their approach to training — *ie* whether Investors had some form of 'halo' effect.

Of the employers who had heard of Investors in People but were not involved, approximately one quarter said that what they knew about Investors had influenced their training practices. The numbers influenced by the 'halo' effect are rather too small to make many generalisations, but they were predominantly employers in the private sector with between 50 and 199 employees. Their knowledge of Investors had various influences on them (see Table 2.5) to:

Table 2.5: Influence of Investors in People on the training behaviour of non-participants

Way in which training influenced	%	N=
More structured/formalised training	30.0	24
More aware of the importance of training	20.0	16
Training more individually focused	12.5	10
IIP goal for the future/standard to aim for	12.5	10
Employees more involved in/or aware of the business	8.8	7
More focus on quality/services/best practice *etc.*	8.8	7
More aware of IIP/Benefits of IIP	5.0	4
Implementation of NVQs	3.8	3
Other	12.5	10
Total		*91*

Base: Employers not involved in Investors who have been influenced by it

Note: Multiple responses allowed

Source: IES Survey 1995

- introduce a more structured and formalised approach to training
- become more aware of the importance of training.

The data in Table 2.6 suggest respondents who had been influenced by Investors appear more likely to take part in Investors in the future than those who had not. Thirty-six per cent said they were very likely or almost certain to take part in Investors in the future, compared to only ten per cent of those not influenced, and 16 per cent overall.

Looking at the data as a whole suggests that not-involved employers fall into one of five camps:

- **the unaware** — who do not know about Investors. This group comprises around a third of all not-involved employers.
- **the uninterested** — who are aware but are not influenced by Investors nor interested in participation: again about one-third of all not-involved employers. These employers were either concerned about the bureaucracy they associated with

Table 2.6: Likelihood of non-participants becoming involved in Investors (percentages)

	Influenced by Investors	Investors had no influence	All
Highly unlikely/not very likely	22.2	52.4	45.7
Possible/undecided	40.0	34.2	35.5
Very likely/almost certain	35.6	10.0	15.7
Don't know	2.2	3.4	3.2
N =	*90*	*319*	*409*

Base: Employers not involved in Investors

Source: IES Survey 1995

Investors and the resource implications, or they did not think it appropriate, because they did not train or because they were happy with their existing training procedures.

- **the unprepared** — employers who are possibly interested in taking part in Investors and who have not been influenced by what they know so far. Probably less than 20 per cent of all employers not involved in Investors fit this category.
- **the emulators** — employers who are aware of Investors and what it consists of and who seek to take on board some of the key elements of the initiative without getting involved. Around five per cent of non-participating employers appear to adopt this strategy.
- **the primed** — those who want to get their house in order before becoming involved, perhaps to minimise the time it takes to reach the standard: some ten per cent of the not-involved. This group could also include those who want to get the timing of their involvement right. For instance, in one of the case studies, a large general manufacturer, we were told that:

  'We got involved in May 1994. We had actually taken the decision in January of that year, but waited until May because we wanted to coincide with the relaunch of our quality programme.'

2.5 Key points

Employers see a wide range of potential benefits from participation in the Investors initiative. The most commonly cited are:

- **better training systems** — including improved identification of training needs, introduction of training audits
- **improved workforce outcomes** — in terms of a more highly skilled workforce, improved staff motivation and morale or more employee involvement.

The next most frequently reported areas where employers felt that Investors could contribute are:

- **improved business performance**— either generally in terms of a better external image, or more directly in terms of improved financial performance (including profitability and efficiency), higher quality products, and higher levels of customer satisfaction
- **better management systems** — in terms of workplace procedures, and communication systems.

Other benefits cited include acting as a **catalyst for change** and providing an **external benchmark.**

TECs are key agents in the process of getting employers involved in Investors. Although there is a high level of joint involvement in Investors and other quality standards such as BS5750, and in training initiatives such as NVQs, we found relatively little evidence of one leading to another.

Around 15 per cent of non-involved employers said that they were very likely to become involved in the future and a further 35 to 40 per cent were undecided. Non-involved employers generally fall into one of five camps:

- **the unaware** — who do not know about Investors: a third of all not-involved employers
- **the uninterested** — who are aware but are not influenced by Investors nor interested in participation, again about one-third of all not-involved employers
- **the unprepared** — employers who are possibly interested in taking part in Investors and who have not been influenced by what they know so far: under 20 per cent
- **the emulators** — employers who are aware of Investors and what it consists of and who seek to take on board some of the key elements of the initiative without getting involved: around five per cent of non-participating employers
- **the primed** — some ten per cent of the not-involved who want to get their house in order before becoming involved, perhaps to minimise the time it takes to reach the standard.

2.5.1 Small employers

We found that:

- Smaller employers (*ie* those with under 50 employees) were less likely than larger ones to expect benefits in the area of training — although there was no variation in the importance attached to such improvements.
- Involvement with the BS5750 quality standard among smaller employers was more likely to lead to involvement in Investors than with larger workplaces.
- Smaller non-involved employers felt they were less likely to take part in Investors than larger concerns. They tended to be less concerned about the bureaucracy or resource implications, but generally felt that Investors did not apply to them because they were too small or did not do any training.

3. Progress to the Standard

In this Chapter, we look at the process of becoming an Investor in People, concentrating on:

- how long it takes to achieve recognition
- why it appears to take some employers longer than others
- whether those who have achieved the award intend to maintain it and apply for re-assessment after three years.

3.1 Time to achieve recognition

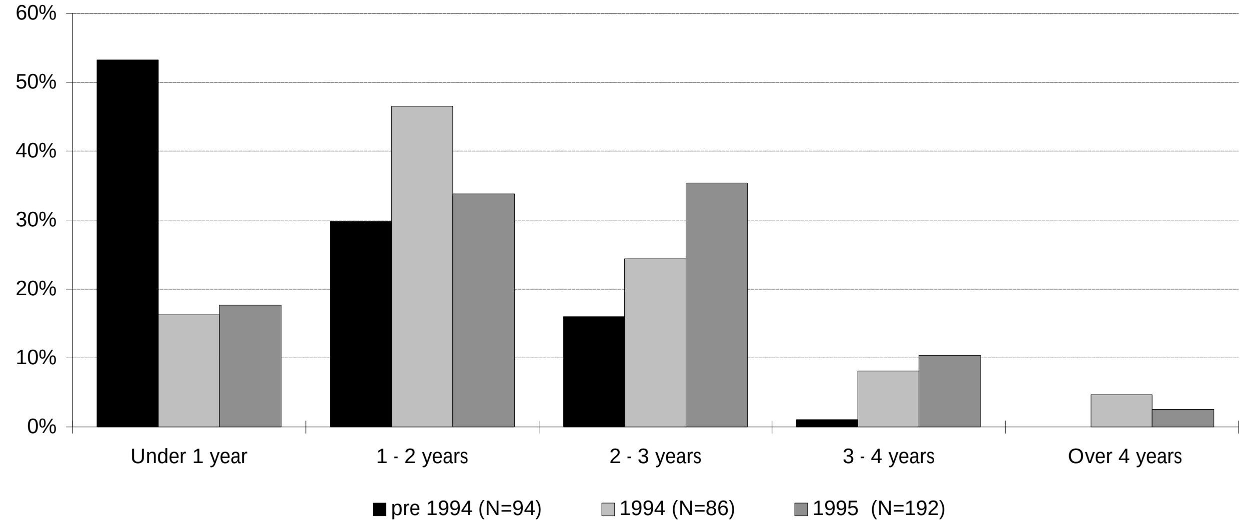
Taking our entire 1995 sample (therefore including respondents involved in all three surveys, plus those who took part in only the last two or the latest survey), it took an average of a year and three quarters (mean level of 21.5 months and a median of 20 months) to become recognised as an Investor in People. It should be borne in mind that this group includes employers who were among the first to achieve the standard. Our previous studies indicate that a significant proportion of these may have in fact been 'badging' established practice, and had to do little new to make the grade. Employers entering the process more recently have taken longer to achieve recognition and there is evidence that the time taken to achieve the award is rising.

Analysing the 1995 survey data by date of recognition, we found that employers who had achieved recognition prior to 1994 took an average (as measured by the median) of 12 months to meet the standard. It took those who achieved the standard in 1994 an average of 22 months. Those who achieved recognition most recently, in 1995, spent an average of 24 months in the process. Figure 3.1 illustrates the distribution of the time taken to achieve the Investors standard for the three groups and clearly shows a steady upward shift.

We found a similar situation in our longitudinal sample. Only five employers moved from non-participation in Investors in 1993 to recognised status in 1995 and 13 moved from the initial contact stage to recognition over the same two-year period.

Looking ahead, the majority of the employers in our sample who were working towards recognition reckoned it would take them at least two years to complete the entire process (from start to finish). Over a fifth felt it would take them three years or more.

Figure 3.1: Time taken to achieve recognition 1993 to 1995



Base: all employers in 1995 survey who had reached Investors standard

Source: IES survey, 1995

Analysis of the time taken to achieve recognition by size and sector is not particularly conclusive, although the data do suggest that the largest organisations (with more than 1,000 employees) on average took less time than smaller companies to achieve recognition. Furthermore, companies in the production sector took less time than service sector organisations. Private sector companies would also appear to take less time to complete the process than public sector organisations, the former taking an average of 20 months and the latter an average of 23 months.

The 'fast movers' in the 1995 sample (*ie* those who took 12 months or less to attain the award) found the process of achieving the Investors award easier than the 'slow movers' (who took at least two and a half years to achieve recognition). Around 30 per cent of the fast movers thought that achieving recognition had been easier than expected, mainly because they had already done most of what was involved. A third of the fast movers thought the process more difficult than expected, mainly to do with the fact that the standard was higher than expected. Nearly half of the slow mover group found achieving the standard more difficult than they had expected, mainly for reasons to do with the time involved and problems obtaining the support from employees.

While these findings provide further evidence of the 'badging' nature of many early achievers of the Investors Standard, they also suggest that even some recently recognised employers had to do little to make the standard, and are basically validating existing practice.

3.2 Problems with achievement

To examine why it took some organisations longer than others to achieve the award we turned our attention to four groups:

- employers who had been at the committed stage for some time
- employers who reported some resistance to Investors among managers and or employees
- recognised employers who had said that the process had been more difficult than expected
- employers who had said that they had 'dropped out' or put Investors 'on hold'.

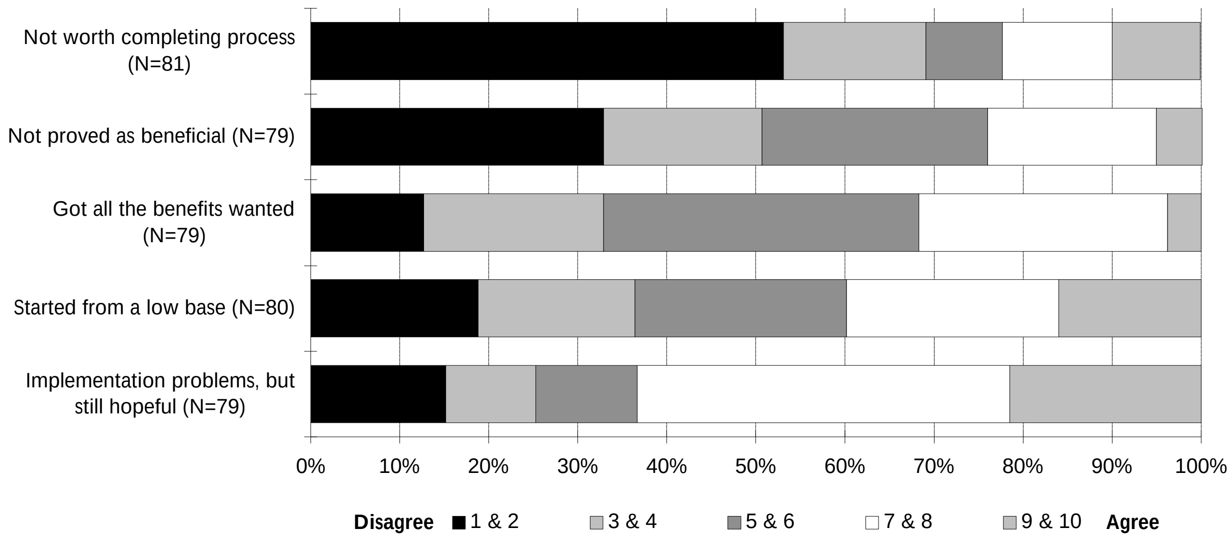
3.2.1 Long-term committed

Seventeen per cent of our committed employers (*ie* those who had received a commitment certificate but had not yet achieved recognition) had received their commitment certificate at least 18 months prior to their interview.

We asked them whether the Investors process had taken longer than expected and the vast majority, nearly 90 per cent, thought that it had. We then asked this group (*ie* employers who thought the process had taken longer than expected) the extent to which they agreed with a series of statements (on a scale of one to ten with one being total disagreement and ten being total agreement). The results (in Figure 3.2) show that:

- Few employers thought that it was not worth completing the Investors process.

Figure 3.2: Reasons why achieving recognition took longer than expected



Base: Employers committed to Investors for over 18 months, who thought process took longer than expected

Source: IES Survey, 1995

- Generally, employers did not feel that they had already obtained all the benefits they wanted from Investors, or that Investors was not as beneficial as they had expected.
- A substantial minority said that they had started from a very low base and still had some way to go.
- Most employers in this group agreed that, although they had faced some problems in achieving the standard, they were still keen on carrying on.

Further questioning shows that most of these problems identified are to do with the lack of time or resources available within the organisation, and lack of senior management support. Only six organisations mentioned specific problems to do with meeting or training evaluation system. the Investors standard, such as the implementation of an appraisal

In some cases these problems may be associated with the fact that the organisations have had to go a long way to achieve the standard. Nearly 30 per cent of this group agreed (*ie* scored eight or more on the ten point scale) that they had started from a low base.

> *'We've done a lot since we started. We've revamped the appraisal system and introduced training needs analysis. However we've fallen down on meeting the needs and monitoring whether training is effective. We're still very weak on that.'* — small charity

One of the problems for employers taking time to reach recognition is that the effort of compiling the portfolio of evidence can increase. In one company that had just made the standard after three and a half years, we were told:

> *'One of the problems we had was that we kept on having to change our evidence. This created lots of extra work. For example, when team briefing changed, then that had to be changed in the evidence as well. The portfolio demanded so much time that we kept looking at it and pushing it to one side. Each time we looked at it again we were starting from scratch'* — medium-sized cleaning company

3.2.2 Internal resistance

Employers who stated that they had informed their employees about the Investors process were asked if they had experienced any internal resistance to the initiative. A third said that they had. Larger organisations appear more likely to have met internal resistance than smaller ones, with two thirds of those employing more than 1,000 employees reporting this was the case, compared to less than 20 per cent of organisations employing under 50 staff. Analysis by industrial sector shows very little. Public sector employers seem to experience more internal difficulty than private ones.

The three main groups identified as the source of this resistance were as follows:

- Four in ten reported that the resistance came from employees.
- Almost a third identified managers as a source of resistance.
- A quarter stated that the workforce as a whole seemed resistant.

Employers with less than 50 staff appeared to have greater trouble with employee resistance than the others, although the numbers are rather small to draw any real conclusions.

One small employer in the survey explained that their main problem had been with

> *'. . . the fundamental change we are trying to make is with staff attitudes. It takes a lot longer to sort this out than to put in the right systems, as it is really about educating people.'*

However, other respondents disagreed that this was a particular problem for small employers and argued:

> *'It easier to spread ideas in a smaller organisation, you meet people informally, you work with them all the time and you don't have to rely on set piece communication.'* — small management training and publishing company

Sometimes it is a particular aspect of the process that meets resistance. In a small publishing company we visited, the initiative had ground to a halt over resistance to the introduction of appraisals.

> *'We're caught in a cleft stick here. Half the staff and half the managers are champing at the bit because they think we don't take training seriously enough. The other half don't want to know. Staff are worried about potential links between appraisals and pay and the some of the managers say that they haven't got time to do their own job, let alone appraise anybody else about how well their doing theirs. We'll get there in the end, but it will take time.'*

Overall the Investors initiative has had a positive effect on the attitudes of both managers and employees. Unsurprisingly, recognised companies report a greater improvement in attitudes than those who are committed or at the initial contact stage. This is especially true for changes in managers' attitudes.

3.2.3 Recognising difficulties

Companies who had received their award were asked if they found the Investors process easier or more difficult than they anticipated. Thirty-seven per cent stated that it was more difficult than expected, a similar amount said it was neither, and 22 per cent reported that it was easier than they thought it would be. There would appear to be little difference according to size and industry. When asked why Investors had proved more difficult than expected:

- one-fifth reported that it took up more time than anticipated

- almost the same amount found the process more vigorous and or of a higher standard than they thought it would be
- one-seventh had difficulties with the amount of paperwork involved
- the three other main reasons given, each accounting for approximately ten per cent of cases, were:
  - more work than expected
  - problems with the evaluation and assessment process
  - difficulty gaining support and or commitment from employees.

Smaller companies seemed more concerned about the amount of paperwork involved and the vigour of the process, while larger companies tended to be more worried about the time needed to implement the process.

Some of the people we visited in organisations which had achieved the standard felt that the criticisms of the bureaucracy and the costs involved were overplayed:

> *'It was easier than we thought. A lot of people who have been involved with Investors and people who've just dipped their toe in and not followed things through say that IIP is a bureaucratic nightmare. We have not found that at all. People see it as a formal approach rather than an* ad hoc *approach and formal approaches mean paper. Also people have said to me it will be very expensive and you will need to spend a lot on training* etc. *We already spent a lot on training and now we are spending less because it's formalised and that means that all training is linked into business needs. It was the opposite to what people have said and the paperwork wasn't anywhere near as bad as people lead you to believe.'* — large general manufacturer

3.2.4 Drop-outs

Employers who are involved in the initiative but had not received the award were asked if they intended to carry on with the Investors in People initiative. In the 1995 survey, the vast majority of this group (85 per cent) intended to continue with the process. This is slightly lower than the 88 per cent who said they were carrying on in the 1994 survey.

Of the 15 per cent (112 cases) who did not say that they were continuing:

- over half (8.3 per cent of the total group, compared with 6.4 per cent in 1994) were on hold and intended to continue with the process at a later date
- a quarter (3.8 per cent of the total group, compared with 2.7 per cent in 1994) stated they were not going to continue with the initiative

- approximately a fifth (3.3 per cent of the total group, compared with 2.5 per cent in 1994) did not know what their future intentions were.

There were no clear size or sector patterns evident among these groups.

As illustrated in Table 3.1, the main reasons given for suspending or not continuing with the process were:

- thirty seven per cent of respondents indicated that there were **problems with the process**, *ie* too long, too bureaucratic, cost of assessment fees
- the presence of **other priorities** within the organisation accounts for a further quarter of respondents
- Investors was perceived as giving **no or little value** to the organisation (17 per cent)
- **lack of resources** and or internal commitment, including lack of staff to manage the process (12 per cent).

Employers who put the process on hold tended to report that other work issues have taken priority. Problems associated with the process, such as length of time to complete, absorption of too many resources, and the bureaucracy involved, were more likely to be cited as reasons for discontinuing by those respondents who were dropping out altogether.

It is interesting to note that only five per cent of employers dropping out of Investors, either temporarily or for good, reported that all the benefits were realised as a reason for not continuing. This would appear to go against the perception that some employers do not finish the process once the main benefits had been gained.

Table 3.1: Reasons for not progressing with Investors in People

	%	No.
Reasons to do with the Investors process	37.5	42
Other priorities	25.9	29
Investors of no value	17.0	19
Lack of resources/internal commitment	12.5	14
Internal change	11.6	13
Benefits realised	5.4	6
Other	30.4	34
Total cases		*112*

Base: Those involved in Investors who had put process on hold, do not intend to continue or don't know whether they will continue

Note: Multiple responses allowed

Source: IES Survey 1995

3.2.5 Constraints on progress

In the case studies, we interviewed representatives from a number of organisations who said that they were 'on hold' and not currently pursuing recognition (none of those who said they were not interested in continuing at any point in the future agreed to take part in the follow-up interviews). We encountered a range of views, supplemented by comments from survey respondents.

Lack of commitment

Only one interviewee in the case studies was generally hostile to the initiative:

> *'Basically Investors was something that was imposed from our parent company at the time. It wasn't high on my list of priorities. I think Investors is the sort of thing that can cap a company off, at that stage we weren't really interested, but we did it because we had to. We paid lip service to the process and got an agency to produce an action plan and had initial meetings with staff* etc. *However when I took over the company I stopped it. I thought that for the benefit of the company I'd rather invest in capital equipment, the realities of the business.'* — small manufacturing company

However, a parent company imposing Investors on a perhaps less than enthusiastic subsidiary was also an issue for some of the survey respondents. For example:

> *'Our parent company set down a policy of committing to IIP. That was a major influence on us.'*

> *'Generally speaking, the group is committed to Investors because it is consistent with the company's aims and goals.'*

The Investors support

An issue that came through strongly from both the survey and the case studies was the inconsistency of support provided by TECs and Investors assessors. In the 1995 survey we did not ask about the support processes directly. However, we did include a general 'any other comments' question at the end of the telephone interview. Of the 249 respondents that provided a substantive comment, 18 per cent took the opportunity to criticise their local TEC or other Investors agencies. On the other hand nine per cent volunteered a positive comment, *eg*:

> *'We had good support from TEC representatives.'*

> *'I go to a monthly meeting of the local TEC and they have been extremely helpful to us.'*

On the negative side there appeared to four main problem areas:

- concern about a lack of understanding of the nature of the business:

'A lot of TEC personnel were not business people and did not understand the real world.'

— we had similar comments from those involved in the education and health services

- poor communications

  'I don't think the TEC has got its act together communication-wise. The reason we are taking just over three years is because the TEC has not responded to our communications. We would have achieved the standard by now if they had kept us informed. Also the consultant we were given was not very good.'

  'We could have done with more contact from the TEC. It would have been quite nice if they had come to see us occasionally, we always had to ring them.'

  'The organisers of IIP were quite good at getting the process started for us, but after that they left us to it rather than guiding us through. I feel there was a major objective to sign people up without having the processes in place to see them through.'

- concern about a lack of clarity about what was required to meet the standard

  'We had a major problem with the first consultant who was very rigid about how we did things. This meant spending far too much management time on the appraisals for all staff. The TEC gave us a different view saying it was not prescriptive and that a more flexible approach could be adopted which was very useful and helped us re-boot our efforts to achieve the standard.'

  'The main problem we had was that we couldn't get to grips with what was required. The consultants were very vague and the TEC unhelpful. We were getting vague advice and then told we hadn't done enough!' — small training provider

- concern about apparent inconsistent support between agencies

  'The funding is individual to each TEC. We were promised funding but it did not materialise. We accrued a lot of extra costs because we had no support. They need to standardise support for the scheme.'

  'It would appear that IIP UK is more strict than IIP Scotland. If it is a national award it should be the same in all the UK. At first we were looking at what to do based on IIP Scotland guidelines. We did not expect to be so much work.'

One particular problem that emerged was the lack of clarity of what was required in the portfolio. Some of the case studies involved recognised employers who were either going for, or had recently been through, re-assessment. They told us that they found it much easier second time around, as they knew what was required and had been continually collecting relevant information prior to reassessment. However, even some of these felt that there could be greater clarity about what was actually needed and that they had possibly included too much evidence.

'It has been hard work because we are a small team and there is a lot of paperwork. We had nothing prepared before we started. We've had to appraise every three months. We are confident we can meet the criteria. It is a terrific initiative. We are a production company and

like a lot of small companies, we do not have the support to build a portfolio. TECs should offer more admin. support to set up portfolios. It would help to sell it.' — small media company

'If I had any concerns it was with compiling the portfolio of evidence which took a long time to do, while we were still doing our normal jobs. The quality of the assessor who examined the portfolio could have been much better.'

'The main problem was sorting out the evidence. We had it all in terms of training records and training programmes etc. *But the big problem was working out what we had to include. There was some stuff they didn't want at all. It was important to us but not to them,* eg *letters to say people had attended courses* etc.*'* — large personal services company

One respondent from the case studies put forward a solution to the paperwork issue:

'I sense that Investors is becoming more bureaucratic and pedantic. Assessment should be based more on soft data like staff views than documentation. Small organisations are unlikely to have systems and structures. Assessors want to see proof, but sometimes we don't have it!' — small metal manufacturing company

Internal support

The importance of an internal champion was an issue that came out in a number of the case studies and was also a point made in the survey. For example:

'Investors was the previous administrator's baby really, and when she left we lost our way a bit. She had taken us part of the way and we've got appraisals in now, but we've still got a long way to go on things like identifying training needs and monitoring whether training was effective. I reckon it will take another year at least.' — small charity

'Small companies are hampered by the fact that they do not have an HR person and the process needs a dedicated individual to push it through.' — small management training and publishing company

'A large company can afford to pay someone to solely concentrate on Investors, whereas we have problems with insufficient staff resources and time constraints. This means we have to divide the responsibilities for Investors among a few people. It is easy for these people to lose motivation.'

'All the staff who were handling Investors have left and it is too early for me to say much about it. I and another member of my staff need a few months to see how IIP really works before we can say any more.'

Not all big companies found it easier though. One of our respondents was not alone in arguing that:

'the larger the organisation the more difficult it is to achieve recognition. Investors favours the smaller uncomplicated companies. It is too much trouble for larger companies.'

Changed circumstances

Finally, external factors such as a change in ownership or business environment can affect internal priorities and therefore affect progress, as illustrated by one survey respondent who said:

> *'We stopped and re-committed following a massive organisational change.'*

3.3 Maintaining the standard

As well as considering reasons for dropping out of the Investors in People process, the research also aimed to reveal the motivations employers had for continuing with the award, and what actions they would have to implement in order so to do. To this end the 401 employers in the 1995 survey who had achieved the award were asked if they intended to continue with the initiative. The vast majority (95 per cent or 380 cases) reported that they would maintain the award. Only six reported that they would let the award lapse, and 15 did not know what their future intentions were.

Table 3.2 shows that the main reason given for maintaining the award was that it provided a good organisational image (39 per cent of cases) possibly reflecting the priority attached to this benefit by the first wave of employers attracted to the initiative (section 2.1). Improved training management and improved training processes were the second and third most commonly cited reasons. These included such factors as maintenance of best practice, ensuring the proper procedures are followed, improving links between business plan and training and, on the training processes aspect, higher quality of training and improvement of staff skills. Business benefits (*eg* financial performance) were the least frequently stated reason, accounting for 16 per cent of cases.

Fifty-six employers (15 per cent of those seeking to maintain the award) reported that the benefits they received from Investors

Table 3.2: Reasons for maintaining the Investors award

	%
Good for image of organisation	38.9
Better management of training	27.9
Improved training processes	26.3
Improve employee morale, motivation, commitment *etc.*	20.3
Business benefits	15.5
Other	18.9
N=	*380*

Base: Those employers who have received the Investors award and intend to maintain it

Note: Multiple responses allowed

Source: IES Survey 1995

Table 3.3: Actions needed to maintain Investors award

	%
Maintain current system	30.8
Review business plan	25.3
None	24.7
Improve training system	18.7
Improve manager/employee communication	11.6
Maintain employee commitment	11.3
Implement NVQs	6.6
Meet Investors requirements	1.8
Other	7.9
N=	*380*

Base: Those employers who have received the Investors award and intend to maintain it

Note: Multiple responses allowed

Source: IES Investors in People Survey 1995

differed from their initial reasons for entry into the scheme. One-fifth (ten cases) of these stated that they got more benefits than they originally intended.

One reason that came up in the case studies for continuing with Investors, but did not emerge from the survey, was the importance of an external validation of existing practice.

> *'Investors bullies you into doing what you should be doing. It all should be done, but it wouldn't if we were not an Investor. It's a continuous process and we do not want to be degraded by losing our accreditation.'* — large personal services company

The above respondents were asked what actions they needed to implement in order to maintain the award. The results are presented in Table 3.3. The overwhelming majority indicated that they felt they had little to do in order to maintain the award. Nearly a third (117 cases) said they would maintain the current system and a quarter (94 cases) reported that no action was needed to keep the award. Where actions were identified, the most commonly mentioned were:

- reviewing the business plan
- improvement of the training system
- improving manager/employee communication and maintaining employee commitment.

This does suggest an absence of continuous improvement among recognised employers, reflecting a lack of progression within the standard.[1] In the interviews some employers

[1] This is one of the areas addressed in the recent review of the standard by IIP UK (see section 1.1.1).

expressed a desire for a 'next stage', for instance covering development to a 'learning organisation'.

> *'The standard does not pick up on continuous improvement. You can stand still and still be an Investor.'* — large communications company

They also argued that the focus of Investors was too 'short-term' and that the standard could benefit by a stronger emphasis on the longer-term development of employees beyond the immediate needs of the business.

3.4 Key points

It currently takes employers an average of two years from start to finish to meet the Investors in People standard. The time taken to achieve recognition has risen since the first batch of employers signed up to the process. This is because a significant proportion of the early entrants were, in effect, 'badging' existing practice and had to do little new to make the grade.

Employers committing to becoming Investors in People in recent years have generally found it harder than they had expected to achieve the standard. There are a number of reasons behind this including:

- **The distance they have to travel** — either in terms of the culture of the organisation (*ie* attitudes of staff and/or managers) or the detail of the systems and processes it had in place (*eg* on appraisals, training evaluation or needs analysis).
- **Lack of effective external support** — some found difficulty with the help from the TEC or the quality of the Investors assessor, or with assembling the evidence.
- **Lack of internal commitment** — the length of time it takes to achieve the award appears to be influenced by the degree of commitment within the organisation to the process. Three areas of commitment appear to be important:
  - in subsidiary organisations, the views of the parent company can affect both the decision to go in for the award and progress towards it. The greater the level of commitment from above the higher the level of priority attached.
  - similarly, the degree of commitment from senior management is crucial to overcoming any internal resistance and to introduce new systems
  - finally, it seems important to have an internal champion, charged with implementation. The lack of such a person may be a particular problem for smaller organisations.
- **Organisational change** — changes in ownership or major internal reorganisations meant that in some cases Investors

was put onto a 'back burner' until the new structures had bedded down.

However, despite the difficulties some had encountered, employers involved in Investors were keen to carry on trying to meet the standard. Although the numbers dropping out have risen slightly over the course of the three studies, they are still small, with about eight per cent of those involved on hold and four per cent deciding not to continue.

Similarly, nearly all (95 per cent) the employers who had reached the standard intended to maintain it.

3.4.1 Small employers

By and large, we found little significant variation by size on the time taken to achieve recognition, although there was some evidence that, in comparison with larger employers, smaller organisations (*ie* those with under 50 employees):

- were more concerned about the amount of paperwork involved
- found it more difficult to find someone to drive the process forward
- were more vulnerable to internal reorganisation and changes in circumstances which took attention away from Investors
- encountered less internal resistance.

4. Impact on Practice

In this Chapter we look at the effect of Investors on employer practices in the area of training and development, including training management, volumes and costs, and whether it affects their approach to business planning.

4.1 Investors and training

The Investors standard specifically addresses an organisation's approach to training and development. As we saw in Chapter 2, employers see improvements to their training systems and practices as key reasons for entering the Investors process. We also asked employers whether they had realised the benefits they had anticipated, and in most cases they felt they had (see Table 4.1, which should be read in conjunction with Table 5.1). Around three-quarters of those who had identified improvements to the training system, or better identification of training needs, as benefits they wanted from Investors, told us they had actually got them. The data in the table show that employers in our smallest category (*ie* with under ten employees) were less likely than the rest to say they had achieved the improvements they had expected in their training systems. However, the numbers involved are small and we should therefore not place too much reliance on these data.

The majority of employers thought, these benefits could have been realised through other means, and so Investors is not seen

Table 4.2: Realised benefits from Investors, by size

	Employees											
	0-9		10-49		50-199		200-999		1000+		All	
	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Improved identification of training needs	60.0	6	80.0	40	85.4	41	74.5	38	79.2	19	78.7	144
Improved management systems	75.0	3	90.9	10	84.6	11	50.0	7	100.0	4	76.1	35
Improved workplace procedures	75.0	3	70.0	14	85.7	12	68.4	13	100.0	4	75.4	46
Improved training system	58.3	7	73.4	47	77.6	52	77.6	59	62.1	18	73.8	183
N =	*71*		*291*		*310*		*304*		*106*		*1,082*	

Base: All employers in 1995 survey involved in Investors

Source: IES Survey 1995

Table 4.2: Benefits realised by other means, by size

	Employees											
	0-9		10-49		50-199		200-999		1000+		All	
	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Improved workplace procedures	60.0	3	72.2	13	80.0	12	87.5	14	75.0	3	77.6	45
Improved management systems	66.7	4	66.7	10	73.3	11	60.0	6	100.0	5	70.6	36
Improved training system	100.0	8	66.0	33	63.6	35	67.7	42	77.8	14	68.4	132
Improved identification of training needs	57.1	4	66.7	30	75.0	33	59.5	25	63.2	12	66.2	104
N =	*71*		*291*		*310*		*304*		*106*		*1,082*	

Base: All employers in 1995 survey involved in Investors

Source: IES Survey 1995

as a unique vehicle for achieving improvements to the training system (Table 4.2, which should be read in conjunction with Table 5.2). However, more thought that the gains on training were exclusively attributable to Investors than some of the other benefits they had identified (see Table 5.2).

4.1.1 Changes in practice

The 1995 survey evidence, supported by the information we gained in our interviews, confirms our previous findings that employers clearly believe that moving towards or achieving the Investors standard has materially affected their training practice.

Two-thirds of all the employers in our 1995 survey (73 per cent of recognised employers) said they had changed the way that they conducted the training and development of their employees since becoming involved in Investors, regardless of whether Investors was instrumental in the change or not (Table 4.3). The

Table 4.3: Changed training practice since involvement with Investors, by Investors status and size

	Recognised		Committed		Initial contact		All Investors		N =
Employees	%	No.	%	No.	%	No.	%	No.	
0 to 9	51.9	14	63.4	26	n/a	2	59.2	42	71
10 to 49	74.0	74	65.0	115	42.9	6	67.0	195	291
50 to 199	76.5	91	73.9	113	36.8	14	70.3	218	310
200 to 999	77.5	86	72.8	118	35.5	11	70.7	215	304
1000 plus	67.5	27	53.7	29	41.7	5	57.5	61	106
All employers	72.5	429	67.3	626	37.0	108	66.4	731	*1,163*

Base: All employers in 1995 survey involved with Investors

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore includes respondents who did not provide size information.

Source: IES Survey 1995

results broadly mirror the findings of the 1994 survey. As before, we can see that more recognised employers have changed their training practices than those who are only part-way towards the standard. However, the overall proportions are slightly lower. Last time 76 per cent of recognised, 72 per cent of committed and 50 per cent of initial contact employers reported changes.

Looking at the results by size of employer, we can see that:

- Employers in the smallest and largest size bands were less likely than others to report changes in their training practices. This may be because more of their number had already adopted the approach necessary to achieve the Investors standard, although we have no obvious indications as to why this may be.
- In contrast to larger employers, a higher proportion of committed employers in the smallest size band (*ie* with less than ten employees) said that they had changed the way they trained and developed their employees, than those in the recognised category. This could reflect the fact that where changes are required, it may be easier to bring them about in smaller organisations than in larger ones, and may be evidence of Investors having an earlier impact.

Where changes had been made, they most often involved introducing a more systematic approach and focusing training more on those employees who needed it — both issues related to the management of training. Changes to the amount of training undertaken were less common, with few employers reporting a decrease in training volumes. The overall results were reflected across all the size bands (the results for recognised employers are presented in Table 4.4).

Table 4.4: Changes to training practice among recognised employers, by size (mean scores on a scale of 1 = total disagreement and 10 = total agreement)

	Employees					
Change to training	**0-9**	**10-49**	**50-199**	**200-999**	**1000+**	**All**
Approach to training has become more systematic	7.1	8.2	8.0	7.9	8.0	7.7
Training more focused on those who need it	6.3	7.7	7.5	7.7	7.7	7.5
The overall quality of training has improved	5.9	7.6	7.3	7.3	6.3	7.1
Employees more interested in training	4.9	7.5	6.9	7.1	6.9	6.8
The quantity of training has increased	5.6	7.0	6.2	6.2	6.7	6.3
The quantity of training has stayed the same but become more focused	6.6	6.4	6.3	6.4	6.7	6.3
The quantity of training has decreased, but become better	4.0	3.2	3.3	3.4	2.7	3.3
N =	*14*	*74*	*91*	*86*	*27*	*292*

Base: All employers in 1995 survey who had achieved the Investors standard and changed their training practices

Source: IES Survey 1995

Table 4.5: Contribution of Investors to change in training practice, by Investors status (percentages)

	Recognised	Committed	Initial contact	All Investors
Direct contribution	76.2	66.5	37.5	68.9
Indirect contribution	17.7	16.4	25.0	17.4
No contribution	3.5	5.2	5.0	4.5
Too early to say	2.6	11.9	32.5	9.2
N =	*311*	*421*	*40*	*772*

Base: All employers in 1995 survey involved with Investors and had changed their training practices

Source: IES Survey 1995

The majority (69 per cent of the whole 1995 sample, again slightly lower than the 74 per cent found last year) of those who had changed their training and development practices reported that their involvement with Investors had contributed *directly* to those changes (Table 4.5). Recognised employers were more likely than committed employers, or those in the earliest stages of the process, to see a direct effect. A further 17 per cent of the whole 1995 sample said that Investors had made an *indirect* contribution, particularly among the less-involved employers. Some nine per cent felt it too early to say (mainly those in the initial contact group).

The data by size of employer and Investors status together show that among smaller employers, the committed are more likely than the recognised to have seen a direct impact of Investors on their training and development practices. However, there is an opposite trend among the recognised group. Table 4.6 sets out the responses from those who indicated that Investors had a direct effect. It shows the proportions of recognised employers rising with size, and the opposite pattern among committed employers.

Table 4.6: Direct contribution of Investors to change in training practice, by Investors status and size

	Recognised		Committed		Initial contact		All Investors		N =
Employees	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	
0 to 9	71.4	10	80.8	21	0.0	0	73.8	31	42
10 to 49	79.7	59	75.7	87	66.7	4	76.9	150	195
50 to 199	74.7	68	68.1	77	35.7	5	68.8	150	218
200 to 999	75.6	65	56.8	67	27.3	3	62.8	135	215
1,000 plus	81.5	22	48.3	14	50.0	3	63.9	39	60
All employers	76.2	237	66.5	280	37.5	15	68.9	532	*772*

Base: All employers in 1995 survey involved with Investors and who had changed their training practices

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore excludes respondents who did not provide size information.

Source: IES Survey 1995

Table 4.7: Behaviour in the absence of Investors among recognised employers, by size (percentages)

	Employees					
	0-9	10-49	50-199	200-999	1000+	All recognised employers
Continued in the same way as before	48.1	36.0	27.7	18.9	25.0	28.7
Made similar changes at a later time	11.1	27.0	27.7	36.0	30.0	28.9
Made similar changes, but on a smaller scale	22.2	24.0	29.4	22.5	22.5	24.5
Made the same changes at the same time	11.1	10.0	15.1	18.9	20.0	15.2
Don't know	7.4	3.0	0.0	3.6	2.5	2.8
N =	*27*	*100*	*119*	*111*	*40*	*429*

Base: All employers in 1995 survey who had achieved Investors standard and who had changed their training practices

Source: IES Survey 1995

The data (in Table 4.6) provide further, more conclusive, evidence that smaller employers involved in Investors register a more immediate effect on the way conduct their training, with the impact being felt relatively early in the process. Larger employers on the other hand tend to see more of an influence on their training practices at the recognised, rather than committed, stage.

A further indication of the impact of Investors can be seen by asking employers what they would have done in the absence of their involvement with the standard, *ie* would they have changed their training practices in any event? From the data in Table 4.7 we can see that around 30 per cent would not have made the changes they did, and over half would have done so but on a smaller scale or at a later time. Only 15 per cent (regardless of Investors status) reported that they would have made the same changes at the same time, and therefore Investors made had little difference.

> *'Although we had many of the elements in place already, we did not apply them in a systematic way. To achieve the standard we had to go quite some way in identifying goals and applying systems with rigour. We would have had to do some of this anyway, but Investors certainly helped by providing the framework.'* — small manufacturing company

The analysis of the data by size (in Table 4.7) again suggests a bigger and more immediate impact among smaller rather than larger employers. For instance, around 40 per cent of employers with under 50 staff said that they would have maintained their previous training and development practices in the absence of Investors, while only 20 per cent of larger employers (with over 200 employers) would have remained the same.

The data also indicate that around 20 per cent of larger employers (with over 200 employees) would have made the same changes at the same time in the absence of Investors, twice the proportion of smaller employers.

4.2 The management of training

Our three surveys consistently show that employers involved in the Investors process are far more likely than non-participants to adopt a more formal approach to training, for example by:

- regularly reviewing and planning the training needs of employees
- setting a training budget
- improving evaluation of training, *eg* through measuring the effectiveness of training they conducted.

> *'Prior to Investors, our training was rather chaotic with inconsistencies across the organisation and big differences in approach and attitude between managers. The new systems we brought in now make managers develop their staff in support of the business. It has affected both ends of the spectrum; both managers who were not committed to training and those that supported training without considering the business benefits. We worked on evaluation to check if training is delivering what it is supposed to. We created a learner log-book system on a spreadsheet and repeat post-course evaluation six months after the event.'* — small management training and publishing company

However, not all the organisations we interviewed had taken on the indications of a more formal approach outlined above. A medium-sized metal products company we visited did not have a training budget and had resisted suggestions to set one up when it first achieved recognition in 1991 and when it was re-assessed.

The differences between employers involved in Investors and non-participants are greater than those found in last year's survey in respect of training management processes. For example, last year 71 per cent of non-participants said that they regularly review training needs, compared with only 67 per cent

Table 4.8: Planning and reviewing employee training needs, by Investors status and size

	Recognised		Committed		Initial contact		Non-participants		Total		N =
Employees	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	
0 to 9	100.0	27	95.1	39	100.0	3	38.4	58	57.2	127	222
10 to 49	99.0	99	88.7	157	92.9	13	59.7	92	81.1	361	445
50 to 199	99.2	118	94.1	144	78.9	30	80.1	137	89.2	429	481
200 to 999	98.2	109	93.2	151	93.5	29	85.9	85	92.8	374	403
1,000 plus	100.0	40	90.7	49	100.0	12	84.1	37	92.0	138	150
All employers	*98.8*	*424*	*91.7*	*574*	*88.9*	*96*	*66.6*	*427*	*84.3*	*152*	*1,804*

Base: All employers in 1995 survey

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore excludes respondents who did not provide size information.

Source: IES Survey 1995

Table 4.9: Existence of a formal training budget, by Investors status and size

	Recognised		Committed		Initial contact		Non-participants		Total		N =
Employees	%	No.	%	No.	%	No.	%	No.	%	No.	
0 to 9	66.7	18	61.0	25	0.0	0	13.2	20	28.4	63	222
10 to 49	88.0	88	72.3	128	57.1	8	24.0	37	58.7	261	445
50 to 199	90.8	108	89.5	137	76.3	29	54.4	93	76.3	367	481
200 to 999	96.4	107	92.0	149	87.1	27	74.7	74	88.6	357	403
1,000 plus	100.0	40	94.4	51	100.0	12	84.1	37	93.3	140	150
All employers	*91.4*	*392*	*83.9*	*525*	*78.7*	*85*	*42.6*	*273*	*70.7*	*1,275*	*1,804*

Base: All employers in 1995 survey

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore includes respondents who did not provide size information.

Source: IES Survey 1995

this time around. Similarly, 66 per cent of respondents to the 1994 survey, who were not involved in Investors, measured the effectiveness of their training, compared with only 59 per cent in this year's sample (Table 4.10). The difference between the surveys may indicate a widening of the differential in training behaviour between Investors employers and the rest.

A detailed look at the results in Tables 4.8 to 4.10 by size of employer indicates that:

- Smaller employers, particularly those with under ten employees, are marginally less likely than larger ones to **review training needs**. The difference in practice between recognised employers and those who are not involved with Investors is much greater among smaller employers than among larger ones.
- There is a much bigger difference in the incidence of **training budgets** between smaller and larger employers, although

Table 4.10: Measurement of the effectiveness of training, by Investors status and size

	Recognised		Committed		Initial contact		Non-participants		Total		N =
Employees	%	No.	%	No.	%	No.	%	No.	%	No.	
0 to 9	96.3	26	82.9	34	33.3	1	39.7	60	54.5	121	222
10 to 49	97.0	97	77.4	137	71.4	10	48.7	75	71.7	319	445
50 to 199	96.6	115	83.7	128	60.5	23	66.7	114	79.0	380	481
200 to 999	95.5	106	82.1	133	83.9	26	79.8	79	85.4	344	403
1,000 plus	95.0	38	85.2	46	75.0	9	79.5	35	85.3	128	150
All employers	*96.3*	*413*	*81.9*	*513*	*72.2*	*78*	*59.4*	*381*	*76.8*	*1,385*	*1,804*

Base: All employers in 1995 survey

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore excludes respondents who did not provide size information.

Source: IES Survey 1995

employers with between ten and 49 employees are much more likely than those with under ten employees to have a budget. Again, the differential between small recognised employers and non-participants is much greater than that among larger organisations. Indeed, there is relatively little difference between larger employers not involved in Investors and those who are involved, in this respect.

- There is no difference between small and large recognised employers in the extent to which they measure **training effectiveness**. While there is still a wider differential between small Investors and small non-Investors, than there is between their larger counterparts, the difference is smaller than on training plans and budgets.

> *'Investors was really good at making us relate training to the business in general and the business plan in particular. One thing we did was improve the quality of our training evaluation. We now have a pre- and post-course evaluation form, which both the line manager and the individual employee sign off. In addition, four weeks after the course, there is a further follow-up meeting with the Personnel Manager to discuss the relevance and the quality of the course.'* — medium sized marketing subsidiary of a large multinational manufacturer

It is clear from these results that organisations involved in Investors adopt a materially different approach to the management of their training to those who are not. We also saw earlier that respondents believe that Investors provided an impetus to bring about these differences.

4.3 Training volumes

The Investors in People standard does not explicitly address the amount of training that employers provide. Nevertheless, we were interested to see whether there was any effect on training volumes.

The data from the 1995 survey indicate that, as in our previous surveys, employers involved in Investors generally provide more off-the-job training than employers who are not involved, while non-participants provide more on-the-job training. However, this year's results suggest that the differential between involved and not involved employers has narrowed, compared to previous surveys.

According to the latest survey, new recruits receive an average (mean) of 6.8 days induction training, slightly higher than the 6.5 days reported last year. The detailed results are reported in Table 4.11. As last year, recognised employers tend to provide more induction training than others, although the average (of 7.2 days) was lower than the figure reported last year (7.6 days) and is similar to the level of induction training provided by non-participants (which is roughly the same as the 1994 survey level).

Table 4.11: Average number of training days in the previous year, by Investors status

	Recognised		Committed		Initial contact		Non-participant		Total	
	mean no. of days	No.	mean no. of days	No.	mean no. of days	No.	mean no. of days	No.	mean no. of days	No.
Induction training	7.2	404	6.3	585	5.5	101	7.2	572	6.8	1,662
On-the-job training	20.2	318	17.7	424	12.7	74	21.4	456	19.3	1,272
Off-the-job training	5.6	413	6.5	576	4.6	93	5.3	592	5.8	1,674
Total training (on and off the job)	25.9	318	24.2	420	17.5	71	27.1	447	25.2	1,256

Base: All employers in 1995 survey

Source: IES Survey 1995

The employers in our sample provided an average (mean) of 19.3 days on-the job training in the previous year, slightly lower than the 20.6 days in the 1994 survey. Again there has been movement between the various groups of employers, most notably in the initial contact group and non-participants, with average levels of 12.7 and 21.4 days respectively, compared with 20.7 and 28.3 days in 1994. Despite the fall, non-participants on average still provide more on-the-job training than recognised employers, although the differential is much narrower this year. As before, there is wider dispersion around the mean in the non-participant group than with the other categories.

The mean level of off-the-job training was 5.8 days over the previous year, very similar to the 5.9 days in last year's survey. Again there are differences between the two years within the categories of employers. This year, recognised employers provided an average of 5.6 days off-the-job training (compared with 7.0 in the 1994 survey), while average among non-participants was 5.3 (up from 4.0 last year). Again the variation around the mean was far greater among the non-participant element of the sample than in the recognised group.

Generally our respondents felt that there had been less change in the quantity of training than in the way training was conducted and managed (see Table 4.4). Respondents broadly agreed that training volumes had either increased or stayed the same while becoming more focused. In the case studies it emerged that one way in which training volumes had risen was through more employees receiving training as, for example, more training was given to manual workers or other non-management employees. Few employees said that the overall quantity of training had decreased, though the mix between off and on-the-job may have changed.

Turning to our longitudinal sample, if Investors is a key factor influencing these changes we would, on balance, expect to see the volume of training increasing more rapidly among our Investors groups than among non-participants.

Some of the case studies suggest that we could expect to see an increase in the amount of induction training as Investors takes hold.

> *'One of the things that came out of our original assessment was that we should adopt a more formalised induction system. This we did, and new people now have a much better idea of what is wanted of them. This has led to a direct benefit in labour turnover which has fallen by 25 per cent as employees now have a much better understanding of their job from the start.'* — small metal-producer

Our expectations are borne out by the data. Figure 4.1 shows that the average days provided by non-participants has fallen considerably across the three years, while it has risen steadily (albeit slowly and from a lower base) among employers involved in Investors.

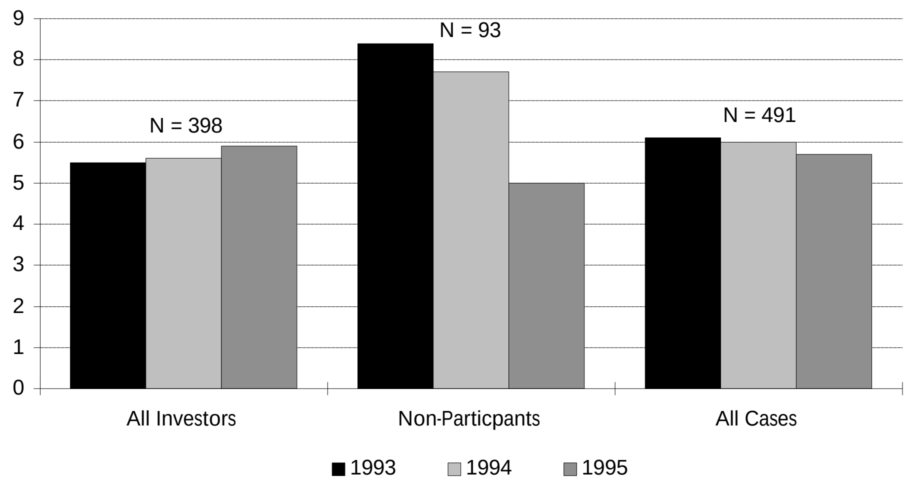
The total amount of off and on-the-job training rose among all groups of employers in our *longitudinal sample*, (from an average of 10.9 days in 1993 to 16.4 days in 1995) including those involved in Investors and those not involved. We also looked at the balance between off-the-job and on-the-job training.

Some of the interviews in the case studies suggested that the balance could switch in favour of more on-the-job training, as it was more easily targeted at particular needs and/or more cost-effective.

> *'We used to do most of our IT training off-the-job through an external specialist. However, we now moved it back into the workplace and trained up some of the more experienced operators (through the City and Guilds Skills Assessor award) to provide training on-the-job. It is cheaper and generally more effective. The operational line managers are certainly pleased with it.'* — large communications company

However, such a switch was not always the case and a property agency with 60 employees we visited told us that:

Figure 4.1: Induction training: average days per employee, 1993 to 1995



Source: IES Survey

'We now do more training as a result of introducing a better training needs analysis system, but it is done externally, as we can't cope with it on the premises.'

However, the data did not show any Investors effect. Across our longitudinal sample as a whole the proportion of training done on the job rose from just over half in 1993 to almost three-quarters in 1995. However, as on total training days, both non-participants and our employers involved in Investors displayed a similar trend.

4.4 Training costs

A minority of employers involved in Investors said they had incurred additional training and development costs due to the Investors process. Among all employers involved with Investors in the 1995 survey, some 43 per cent reported an increase in costs (see Table 4.12). A further 52 per cent said that they had not incurred any additional costs and five per cent did not know.

Interestingly, in both the 1993 or 1994 surveys, 48 per cent of respondents said that they had incurred additional training and developments costs because of Investors.

To obtain a more complete picture, we asked an additional question in the 1995 survey and found that 11 per cent of respondents said that their training costs had fallen as a result of their involvement in Investors.

Employers with between ten and 199 employees were more likely than smaller or large organisations to report increased training costs. Committed employers were also more likely than recognised employers to incur more costs, presumably because of introducing changes to their training systems and processes to achieve the Investors standard.

Table 4.12: Increased training and development costs due to Investors, by Investors status and size

	Recognised		Committed		Initial contact		All Investors		N =
Employees	%	No.	%	No.	%	No.	%	No.	
0 to 9	25.9	7	43.9	18	33.3	1	36.6	26	71
10 to 49	49.0	49	54.2	96	50.0	7	52.2	152	291
50 to 199	47.1	56	47.1	72	26.3	10	44.5	138	310
200 to 999	30.6	34	42.6	69	9.7	3	34.9	106	304
1,000 plus	35.0	14	46.3	25	16.7	2	38.7	41	106
All employers	*40.8*	*175*	*47.8*	*299*	*23.1*	*25*	*42.9*	*499*	*1,163*

Base: All employers in 1995 survey involved with Investors

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore includes respondents who did not provide size information.

Source: IES Survey 1995

Table 4.13: Areas of additional training costs, by Investors status (percentages)

	Recognised	Committed	Initial contact	All Investors
Consultancy fees	23.4	39.8	28.0	33.5
Taking people away from work	22.3	33.4	24.0	29.1
Increase in training spend	30.3	26.4	12.0	27.1
Assessor fees	33.1	15.7	12.0	21.6
Management costs	20.0	18.4	28.0	19.4
Setting up new training system	10.3	17.7	28.0	18.4
New training and communication material	14.3	14.7	12.0	14.4
Fees for training consultant	14.3	14.7	12.0	13.2
TEC fees	14.9	12.0	4.0	12.6
Training the trainers	12.0	9.4	12.0	10.4
Costs of training needs analyses	11.4	8.4	0.0	9.0
Other	5.1	6.7	8.0	6.2
N =	*175*	*299*	*25*	*489*

Base: All employers in the 1995 survey involved in Investors who identified that their training costs had risen due to Investors

Note: Multiple responses allowed

Source: IES Survey 1995

The main areas where cost increases were incurred are set out in Table 4.13. They are roughly equally divided between two broad headings:

- '**start-up costs**': *ie* investments made in changing systems and processes to meet the standard
- '**ongoing costs**': *ie* expenditure incurred to meet the consequences of achieving or moving towards the standard.

Examples of start-up costs include:

- *consultancy fees*, cited by a third of the employers who said that their costs has gone up. This was a particular issue for committed employers, presumably working on the implementation of the Investors action plan.
- *assessor fees*, identified by a fifth of employers. These costs were mainly reported by recognised employers and presumably refer to the process of achieving the award.
- *setting up a new training system*, also pointed out by around a fifth of our respondents and a particular issue for employers at an early stage in the Investors process.
- *assessor fees*, identified by a fifth of employers. These costs were mainly reported by recognised employers and presumably refer to the process of achieving the award
- *setting up a new training system*, also pointed out by around a fifth of our respondents and a particular issue for employers at an early stage in the Investors process.

Table 4.14: Reduced training and development costs due to Investors, by Investors status (percentages)

	Recognised	Committed	Initial contact	All Investors
Yes	15.3	9.3	4.6	11.3
No	79.0	86.9	77.8	83.1
Don't know	5.1	3.8	17.6	5.6
N =	*429*	*626*	*108*	*1,163*

Base: All employers in 1995 survey involved with Investors

Source: IES Survey 1995

The fact that employers are willing to make investments in new systems can be seen as evidence of Investors having a material, rather than a cosmetic, impact on practice.

Examples of increases in ongoing costs include:

- more employee down-time (29 per cent of cases)
- increased training spend (27 per cent)
- increased management costs (19 per cent).

4.4.1 Reductions in training costs

Some 15 per cent of respondents from recognised employers reported a decrease in their training and development costs, a higher proportion than among committed or initial contact employers (see Table 4.14). This suggests that benefits in terms of reduced training costs are more likely to be realised once Investors has fully taken hold in an organisation.

These employers identified three main reasons for cost reductions (Table 4.15):

Table 4.15: Areas of reductions training costs, by Investors status (percentages)

	Recognised	Committed	Initial contact	All Investors
Training more focused	30.9	22.4	(60.0)	28.2
Better use of training spend/less unnecessary training	22.1	27.6	(20.0)	25.2
Switch towards internal from external training	29.4	20.7	0.0	24.4
More accurate needs analysis and evaluation	7.4	10.3	(20.0)	9.2
More use of available grants (*eg* from TEC)	8.8	10.3	0.0	9.2
Other	11.8	24.3	0.0	16.8
Don't know	2.9	3.4	0.0	3.1
N =	*68*	*58*	*5*	*131*

Base: All employers in the 1995 survey involved in Investors who identified that their training costs had risen due to Investors

Note: Multiple responses allowed
The limited number of cases in the Initial contact column mean the data should be treated with caution

Source: IES Survey 1995

- *a more targeted approach*, with training more focused on business needs and more accurate needs analysis and evaluation
- *a more efficient use of training expenditure*, with less unnecessary training being conducted
- *a change in the balance of where training is conducted*, with more internal and less external training going on.

We found these reasons reflected in the cases studies, where training costs had gone down at least partly as a result of the changes brought about through Investors.

> *'We already spent a lot on training before we started with Investors. We are now spending less because it is formalised and that means that all training is linked into business needs and organised on a proactive, rather than reactive basis. Every day staff receive mail-shots inviting them to go to this seminar or that three-day course at a cost of £800. In the old days, they'd say "book me on that course" without anybody knowing whether it had any relation to business needs or not. So we've saved money on that. But we are actually conducting much more training and involving a much larger sample of the workforce. So we are doing more training and we are spending less money — so that is the opposite to what people have said!' — large general manufacturer*

> *'In 1992 we spent around £20,000 on training. This went down to £12,000 in 1994 and £10,000 in 1995. This reduction is result of being cleverer about training needs and also doing more internal training. For example, experienced employees take on training other staff. However, it is difficult to say whether these outcomes are solely due to IIP. NVQs have also saved us money by providing a clear focus.'* — small general manufacturer

> '*Yes, training costs have fallen in the sense that although the budget has stayed the same, we are now doing far more elaborate training and a lot more internal training.'* — large personal services company

4.5 Employee attitudes

Results from the employee survey we conducted in 1994 also indicate that Investors had had a positive impact on the training environment in their organisations (see Chapter 3, 1994/95 report). We found that employees believed that their employers' commitment to training had increased and that both the volume and the quality of training taking place had improved since their workplace had become involved with Investors.

4.6 Business planning

Our three surveys have consistently found that employers involved with Investors are far more likely than those not involved, to show evidence of business planning.

Table 4.16: Existence of a written mission statement, by status and size

	Recognised		Committed		Initial contact		Non-participants		Total		N =
Employees	%	No.	%	No.	%	No.	%	No.	%	No.	
0 to 9	92.6	25	87.8	36	66.7	2	14.6	22	38.3	85	222
10 to 49	96.0	96	88.1	156	57.1	8	28.6	44	68.3	304	445
50 to 199	95.0	113	88.9	136	71.1	27	43.3	74	72.8	350	481
200 to 999	92.8	103	87.7	142	71.0	22	49.5	49	78.4	316	403
1,000 plus	97.5	39	87.0	47	83.3	10	65.9	29	83.3	125	150
All employers	*94.2*	*404*	*88.5*	*554*	*72.2*	*78*	*36.0*	*231*	*70.2*	*1,267*	*1,804*

Base: All employers in 1995 survey

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore includes respondents who did not provide size information.

Source: IES Survey 1995

4.6.1 Mission statements and business plans

In the 1995 survey, over 94 per cent of recognised employers and nearly 90 per cent of committed employers had a written mission statement. Even higher percentages in each category had a written business plan. Tables 4.16 and 4.17 set out the results by Investors status and size of employer.

There is little, if any, difference by size among recognised and committed employers. Among the initial contact group only a third of the smallest employers (with under ten employees) had a written business plan, compared with over 90 per cent of the next size band.

The incidence of mission statements is similar across the size bands. There is a bigger difference among smaller employers (*ie* those with less than 50 employees) between the existence of a written mission statement in organisations involved in Investors

Table 4.17: Existence of a written business plan, by status and size

	Recognised		Committed		Initial contact		Non-participants		Total		N =
Employees	%	No.	%	No.	%	No.	%	No.	%	No.	
0 to 9	96.3	26	90.2	37	33.3	1	54.3	82	65.8	146	222
10 to 49	98.0	98	90.4	160	92.9	13	53.9	83	79.6	354	445
50 to 199	98.3	117	92.2	141	86.8	33	70.8	121	85.7	412	481
200 to 999	96.4	107	95.7	155	74.2	23	76.8	76	89.6	361	403
1,000 plus	97.5	39	92.6	50	91.7	11	84.1	37	91.3	137	150
All employers	*97.2*	*417*	*92.7*	*580*	*82.4*	*89*	*64.9*	*416*	*83.3*	*1,502*	*1,804*

Base: All employers in 1995 survey

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore includes respondents who did not provide size information.

Source: IES Survey 1995

and those that are not. The variation in the differential on business plans is less clear cut.

However, a response in one of case studies suggests that we should be cautious in attributing too much to the existence of a written business plan or mission statement, as we were told that:

> *'We had to have a written business plan even though we have no need of one. The business is reactive. We process others' goods. However, the assessor insisted and so we drew one up which has gathered dust ever since.'* —small metal-manufacturer

This point may not be typical. Perhaps more significantly, in another company we were told that it was not the existence of a plan, but its dissemination that was important.

> *'We shared the business plan with staff, which had not happened before. One of the biggest impacts of IIP was that all staff share in the goals of the business. This was a big change for the company.'* — medium-sized property agency

Nevertheless, the latest survey echoes previous findings that employers involved in Investors are characteristically different to those not involved, in respect of the formality of their business management processes.

4.6.2 HR planning

A further indicator of an organisation's approach to workforce management is whether or not they have a personnel or HR strategy. Table 4.18 shows whether respondents had a written personnel or HR strategy, by Investors status and size of employer.

Again, the overall results are very similar to previous years' with 85 per cent of recognised employers having a written strategy, compared with only 30 per cent of employers not involved in

Table 4.18: Existence of a written personnel or HR strategy, by Investors status and size

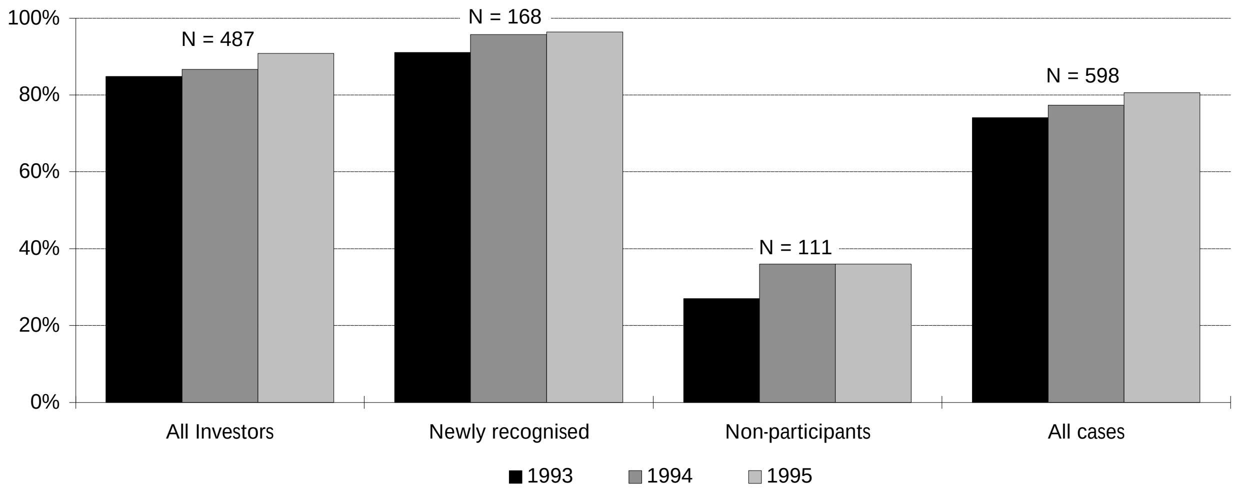
	Recognised		Committed		Initial contact		Non-participants		Total		N =
Employees	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	
0 to 9	81.5	22	65.9	27	0.0	0	9.9	15	28.8	64	222
10 to 49	78.0	78	63.3	112	42.9	6	20.1	31	51.0	227	445
50 to 199	86.6	103	69.3	106	42.1	16	33.9	58	58.8	283	481
200 to 999	87.4	97	71.6	116	54.8	17	47.5	47	68.7	277	403
1,000 plus	97.5	39	72.2	39	91.7	11	56.8	25	76.0	114	150
All employers	*85.5*	*367*	*69.3*	*434*	*51.9*	*56*	*28.9*	*185*	*57.8*	*1,042*	*1,804*

Base: All employers in 1995 survey

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and includes the 103 respondents who did not provide size information.

Source: IES Survey 1995

Figure 4.2: Existence of a written mission statement, 1993 to 1995



Base: Employers who responded to all three surveys

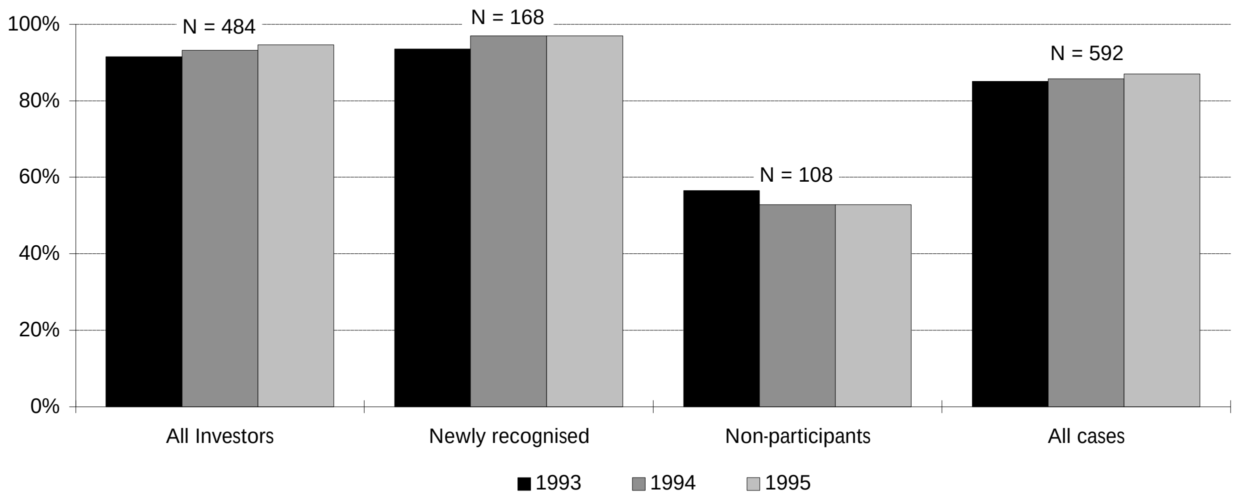
Source: IES Surveys, 1993,1994,1995

Investors. Although larger employers involved in Investors are more likely than smaller ones to have a written strategy, the differences are not dramatic. However, the differential between deeply involved employers (recognised or committed) and those only initially or not involved, is much greater among the smaller organisation size bands.

4.6.3 Longitudinal analysis

If Investors is having an effect then we would expect to see an increasing adoption of written mission statements, business plans and HR strategies among our 'newly recognised' group as they move through the process towards recognition.

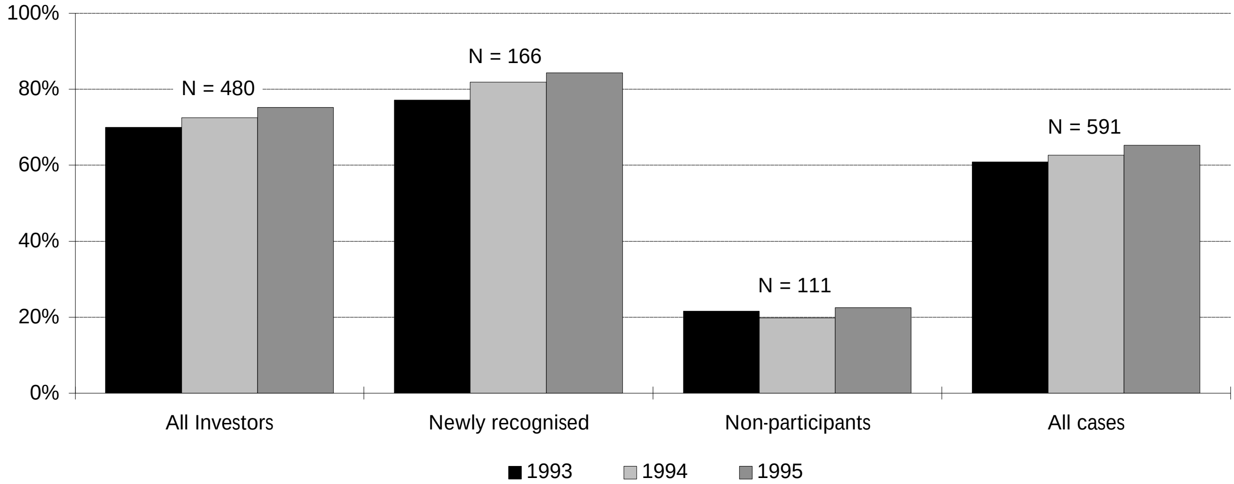
Figure 4.3: Existence of a written business plan, 1993 to 1995



Base: Employers who responded to all three surveys

Source: IES Surveys, 1993,1994,1995

Figure 4.4: Existence of a written personnel or HR strategy, 1993 to 1995



Base: Employers who responded to all three surveys

Source: IES Surveys, 1993,1994,1995

The trends are set out in Figures 4.2 to 4.4 and bear out our expectation. They show that:

- Across the sample as a whole, the percentage of employers with written mission statements, business plans and HR strategies increased.
- The rate of adoption was faster among employers reaching the Investors standard than among non-participants, on business plans (where the proportion with a written plan actually fell over the period) and HR strategies.
- The proportion of 'newly recognised' employers with written plans *etc.* is consistently higher than among employers involved in Investors as a whole.

4.7 Key points

A consistent overall picture has emerged over our three surveys, with employers believing that their involvement with Investors has a significant, positive influence on their approach to training. This is not totally surprising, as the standard specifically addresses training and development practice. However, our research clearly demonstrates that the standard is having its intended effect in this respect.

Three-quarters of the employers who anticipated training benefits from Investors said they had achieved the improvements they had expected. Two-thirds also said that they could have achieved the same result by other means. Investors is therefore not a unique vehicle for bringing about improvements to training systems and outcomes. However, relatively few employers would have made the same changes at the same time in the absence of Investors. Generally, Investors has influenced employers to make changes they would not otherwise have made (29 per cent of cases) or to make the changes earlier (another 29 per cent) or on a larger scale (25 per cent) than they would have done otherwise. There appears, on this evidence, to be only a minimal dead-weight effect as only 15 per cent of employers say that Investors made no difference in their behaviour.

As a result of Investors:

- employers have become more systematic in their approach to training
- training is concentrated more on employees who require it and therefore is more directly related to business need.

We also found some evidence of a widening differential in training practice between employers involved and those not involved in Investors, especially among smaller organisations. This could suggest that the employers who are opting into the Investors process are those with at least some of the internal infrastructure in place. It may be more difficult, though perhaps more necessary, to convince employers not involved in Investors of the value of 'making the journey' to achieve the standard if they have a relatively long 'distance to travel'.

By and large, Investors appears to have more of an impact on the quality rather than the quantity of training. The amount of training provided rose over the whole study among both organisations involved in Investors and those which were not. While we found some evidence of a switch from off-the-job to on-the-job training among Investors employers, it was not over-whelming, as we saw a similar switch among non-participants. We found more convincing evidence of a greater amount of induction training being undertaken as a result of Investors.

Four in ten of those involved in Investors saw their training costs rise as a result. There were two main sets of costs:

- **start-up costs** — such as consultancy and assessment fees and investments in new training systems
- **ongoing costs** — such as more employee down-time and higher training spend (as a wider range of employees engage in training) and higher management costs (through time spent in appraisals, needs analyses, evaluation *etc.*).

One in seven saw their training costs fall as they adopted a more targeted approach, used their training resources more efficiently and altered the balance between in-house and external training.

We found a clear Investors effect on the approach adopted by employers to business planning. As employers move through the Investors process they increasingly adopt more formal practices, such as written mission statements, business plans and HR strategies.

4.7.1 Small employers

The impact of Investors on training and management practices is different among small employers in that:

- **the effect is bigger** — there is a much larger difference between the practices used by small employers involved in Investors and those not involved in the standard. For example, just over a third of non-involved employers with under ten employees regularly plan and review training needs, compared with nearly all such employers involved in Investors. This may reflect the wider diversity of practice among smaller employers as a whole.
- **the effect is quicker** — there is generally a much greater difference between those at an early stage in the Investors process and those not involved at all, compared with larger employers. This may be because they find it easier to implement change — although the lack of management resources dedicated to training issues can be a problem for such organisations.
- **there is less dead-weight** — only ten per cent of small employers would have made the changes anyway, compared with 20 per cent of employers with over 200 employees.
- **there is less formality** — smaller employers who reach the Investors standard are less likely than larger ones to adopt some of the more formal business management practices such as training budgets and written HR strategies.

5. Impact on Business Performance

Finally we turn to the impact of Investors on the workforce and financial aspects of business performance. We look at employers' perceptions of the impact as well as the evidence from our longitudinal samples on trends in workforce performance (as measured by sickness absence, labour turnover and the reported existence of skill shortages). We then look at the perceived links between workforce and financial performance, before assessing the direct impact of Investors on the latter, in particular in terms of profitability.

Employers look to Investors to help them improve the skills and quality of their workforce, and increase staff motivation and morale (Table 2.1). We found that respondents generally believe such benefits have been realised (Table 5.1, which should be read in conjunction with Table 4.1). Two-thirds of employers involved in Investors said that the improvements they had expected in terms of skills, motivation and workplace relationships had actually been achieved.

Smaller employers were more positive than larger ones. For example, three-quarters of respondents from workplaces with under 50 employees said that they had realised the benefits they

Table 5.3: Anticipated benefits realised from Investors, by size

	Employees											
	0-9		10-49		50-199		200-999		1000+		All	
	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Improved staff motivation and morale	81.8	9	80.6	54	69.7	46	56.3	36	57.9	11	68.7	156
Improved workplace relationships	75.0	3	80.0	20	66.7	16	55.6	15	71.4	5	67.8	59
Improved skills and quality of workforce	88.9	8	73.5	50	63.3	40	59.7	40	55.2	16	65.3	154
Increased quality of goods and services	66.7	3	76.9	20	62.5	15	56.5	13	60.0	6	65.1	56
Improved image	75.0	3	76.2	16	59.1	13	53.1	17	66.7	6	62.5	55
Improved customer satisfaction	100.0	2	57.1	8	66.7	10	45.5	5	25.0	1	56.5	26
Improved financial performance	50.0	3	41.7	5	40.0	8	47.1	8	33.3	1	43.1	25
N =	*71*		*291*		*310*		*304*		*106*		*1,082*	

Base: All employers in 1995 survey involved in Investors

Source: IES Survey 1995

Table 5.2: Benefits realised by other means, by size

	Employees											
	0-9		10-49		50-199		200-999		1000+		All	
	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Increased quality of goods and services	70.0	3	82.6	19	94.7	18	80.0	12	100.0	58	86.6	58
Improved financial performance	75.0	3	87.5	7	75.0	9	72.7	8	100.0	1	77.8	28
Improved customer satisfaction	100.0	4	75.0	9	71.4	10	71.4	5	100.0	1	76.9	29
Improved skills and quality of workforce	60.0	6	68.5	37	69.0	29	72.1	31	82.4	14	70.5	117
Improved staff motivation and morale	60.0	6	53.6	30	81.3	39	60.5	23	75.0	9	65.2	107
Improved image	100.0	4	55.0	11	71.4	10	52.6	10	85.7	6	64.1	41
Improved workplace relationships	100.0	4	68.2	15	52.4	11	47.1	8	80.0	4	60.9	42
N =	*71*		*291*		*310*		*304*		*106*		*1,082*	

Base: All employers in 1995 survey involved in Investors

Source: IES Survey 1995

had anticipated, in terms of improved skills and qualities of their workforce, compared with less than 60 per cent of respondents from workplaces with over 200 employees. Similarly, recognised employers are more positive than those at the committed stage, for example (not shown in a table) 86 per cent of respondents from recognised employers said that they had realised anticipated benefits in terms of improved skills and qualities of their workforce, compared with less than 59 per cent of respondents from committed workplaces.

Between 60 and 70 per cent of respondents felt that they could have realised these workforce benefits through other means (Table 5.2, which should be read in conjunction with Table 4.2).

Fewer employers identified improved financial performance as a benefit realised through their involvement with Investors and of those, almost 80 per cent felt that they could have achieved the gain by other means (Table 5.2). This pattern is repeated when looking at the data by size and Investors status. The workforce and training benefits that employers do seek and realise are a means to the end of building a more effective organisation. It is likely that our results reflect the fact that many employers do not see a direct link between Investors and financial performance, rather than they do not think that there is one at all. For example, some of our case study respondents argued that:

> *'We've seen a 25 per cent profit increase, but that's not just because of Investors. We have no evidence of the financial benefits of IIP* per se*. It is difficult to separate out from other aspects of the organisation. However it must have an impact, as better trained people mean better customer service. There is more perception of what the customer really wants and not just the staff's own perception of it.'* — medium-sized laundry company

Table 5.3: Financial improvement resulting from training and workforce benefits, by size

	Employees							
	0-49		50-199		200 +		All	
	%	No.	%	No.	%	No.	%	No.
Increased efficiency	19.0	16	26.4	14	31.1	23	25.1	53
Increased turnover	20.2	17	15.1	8	16.2	12	17.5	37
Improved profitability	11.9	10	22.6	12	12.2	9	14.7	31
More clients/better customer relations	15.4	13	3.8	3	9.5	7	10.9	23
Increased productivity	3.5	3	11.3	6	12.2	9	8.5	18
Improved quality	7.1	6	1.9	1	4.1	3	4.7	10
N =	*84*		*53*		*74*		*211*	

Base: All employers in 1995 survey involved in Investors

Source: IES Survey 1995

> *'We hoped it would be advantageous, although we didn't expect a direct commercial benefit. We believed that better training would result in a better bottom line. It meant people would be more effective in their jobs, with a better understanding and know why things are done. Mistakes happen when people can't be bothered, not because they do not know how to do something. Therefore it is not just a training problem.'* — small metal-manufacturing company

We explored the links between the training and workforce benefits and commercial benefits in terms of financial performance more closely in the 1995 survey. We asked respondents who had indicated that they had realised non-financial benefits whether the improvement in these areas had led to better financial performance. Around 40 per cent said they had, a third said they had not, and the rest did not know. There was no clear variation in the responses by size or sector.

We then asked those who said that there was a link, in what way had the training or workforce benefits fed through to financial performance. Around a quarter largely reiterated their original responses, for example citing improved employee involvement or better training systems *etc.* The results from those who noted financial improvements are set out in Table 5.3. Because of the low numbers involved, the smallest and largest size band have been collapsed.

Smaller organisations were more likely to report increased turnover or improvements in their customer base or relations, while larger employers were more likely to see efficiency gains.

5.1 Investors and the workforce

When asked directly, over 60 per cent of respondents involved in Investors said that their involvement in the process had led to workforce improvements (a slightly higher figure than last year).

Table 5.4: Workforce improvements since involvement with Investors, by Investors status and size

	Recognised		Committed		Initial contact		All Investors		N =
Employees	%	No.	%	No.	%	No.	%	No.	
0 to 9	74.1	20	68.3	28	0.0	0	67.6	48	71
10 to 49	82.0	82	64.4	114	28.6	4	68.7	200	291
50 to 199	84.0	100	59.5	91	15.8	6	63.5	197	310
200 to 999	77.5	86	48.1	78	12.9	4	55.3	168	304
1,000 plus	85.0	34	46.3	25	16.7	2	57.5	61	106
All employers	*80.0*	*343*	*56.9*	*356*	*16.7*	*18*	*61.7*	*717*	*1,163*

Base: All employers in 1995 survey involved with Investors

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore includes respondents who did not provide size information.

Source: IES Survey 1995

Almost a quarter had not seen any improvements, and the rest did not know. As expected, recognised employers were more positive than committed employers. In comparison with last year, employers at an early stage in the Investors process were much less positive with only 17 per cent reporting improvements (compared with 34 per cent in the 1994 survey).

Table 5.4 also breaks the results down by size and Investors status. There is no clear pattern among recognised employers, but among the committed group, smaller employers were more likely than larger ones to signal that the Investors process had improved their workforce. This is further evidence that the smaller employers see the impact of Investors earlier than larger ones.

5.1.1 Areas of improvement

The main improvements reported in the survey were in the areas of (see Table 5.5):

- employees' understanding of the business
- employees' skills and competences
- employee commitment
- employee communications.

We found similar views among the case studies.

> *'Communication has been a major improvement. Monthly staff meetings are used to report on issues within each division. Everyone also has monthly team meetings. Line managers get together four times a year to discuss issues. There's greater clarity over what should be communicated and it now goes hand in hand with goal setting.'* — small management training and publishing company

Table 5.5: Areas of workforce improvements, by Investors status (percentages)

	Recognised	Committed	Initial contact	All Investors
Improved understanding of the business	58.9	57.3	38.9	57.6
Improved skills and competences	54.2	47.2	55.6	50.8
Increased employee commitment	54.8	46.3	55.6	50.6
Improved employee communications	48.1	46.6	27.8	46.9
Lower labour turnover	12.0	7.3	11.1	9.6
Lower absenteeism	8.2	4.8	11.1	6.5
Other	14.9	12.4	5.5	13.4
N =	*343*	*356*	*18*	*717*

Base: All employers in 1995 survey who were involved with Investors and saw improvements to the workforce

Source: IES Survey 1995

'*The most impact has been on communications through monthly meetings and quarterly quality meetings. Information is now properly passed on rather than relying on word of mouth.*' — small training provider

Looking at the improvements identified by recognised employers by size (Table 5.6) shows that:

- improvements in employees' understanding of the business were more important in smaller organisations (especially those with between ten and 49 employees) than among larger concerns
- improvements to the skills and competences of the workforce were more likely to be identified by larger employers (with over 200 employees)
- improved employee commitment and communications were also benefits noticed more by larger employers than smaller ones.

Table 5.6: Areas of workforce improvements among recognised employers, by size

	Employees					
	0-9	10-49	50-199	200-999	1000+	All recognised employers
	%	%	%	%	%	%
Improved understanding of the business	55.0	67.1	55.0	59.3	55.9	59.3
Improved skills and competences	40.0	53.7	53.0	55.8	67.6	53.7
Increased employee commitment	40.0	53.7	51.0	60.5	55.9	54.0
Improved employee communications	35.0	46.3	43.0	55.8	50.0	47.5
Lower labour turnover	5.0	13.4	14.0	11.6	8.8	12.1
Lower absenteeism	15.0	8.5	6.0	8.1	8.8	8.0
N =	*20*	*82*	*100*	*86*	*43*	*322*

Base: All employers in 1995 survey who had achieved the Investors standard and had changed their training practices

Source: IES Survey 1995

Relatively few employers (under 12 per cent) had noted improvements in terms of lower absenteeism or labour turnover. This is not altogether surprising, as the relationship between these issues and Investors is less direct than say employees' skills and competences. However, indicators on absence and turnover are often used as proxy measures of staff morale or commitment, and lend themselves to more objective data collection than employees' understanding of the business or employee communications. Therefore, if Investors is improving employees' skills, motivation and commitment, we could expect a positive impact on indicators such as these, and also in the extent of skill shortages.

This contention was confirmed in detailed discussion in the case studies, as some employers were able to point to improvements in these areas that, at least in part, were attributable to Investors. One small production company, for example, told us that turnover had declined by 25 per cent as a result of the induction system they had introduced. Others reported similar improvements:

> *'Three years ago turnover was high and we were losing people that were both difficult and costly to replace. We therefore instigated a succession planning and development strategy to grow our own people into jobs both within and across departments. Since then development and subsequent movement of staff is regularly reported and we have much less of a problem.'* — small management training and publishing company

> *'A few years ago we had a high level of absenteeism among a key group of staff who visited domestic premises. Their absence rate was between eight and nine per cent, whereas the level in other organisations among people doing a similar job was four per cent. We therefore instituted a major training programme, both among the people themselves and their managers to improve their interviewing skills, route-planning techniques and so on. As a result, sickness absence fell by two percentage points, saving the company around £130,000 a year at a cost of £12,000.'* — large communications company

However, we must bear in mind that factors other than Investors and training practice can influence absence levels. These could include other types of personnel interventions, or issues to do with the way work is organised and absence measured. For example:

> *'Absence has increased over the last year and one of the reasons, we believe, is that we have moved to a four shift system which involves 12-hour working. This means that absence figures are immediately distorted as we calculate them on the basis of hours lost, so instead of a person losing eight hours if they miss a shift, they have lost 12 — a 50 per cent increase in the figures. Absence for those who do not work 12-hour shifts has not changed.'* — large general manufacturer

There are also important factors that affect the level of labour turnover other than the internal culture of an organisation.

Certainly external labour market factors are important, and in the recently tightening labour market, it would be expected that more people would have opportunities to leave to find other jobs.

> *'There are many factors involved in labour turnover. It is often a problem of the market not the organisation itself.'* — large communications company

Therefore, if Investors is having an effect it should be on relative rather than absolute changes in the data.

There may even be a reverse effect if employees are more 'marketable' as a result of their increased skills and competences through more effective training and development. For example:

> *'Generally the company has low labour turnover. We are a high payer and are seen as a good employer. However in this bit of the company, people are well trained and developed and are often promoted elsewhere within the group.'* — medium-sized marketing subsidiary of a large general manufacturer

However, other research suggests that employees who receive formal training are in fact less likely to move to another employer, than those who receive no training or only informal training.[1] We could therefore expect to see some improvements in areas such as labour turnover and absence in organisations where Investors has taken hold.

5.1.2 Absence, turnover, and skill shortages

To try and trace the impact of Investors on workforce performance more directly, we looked at three indicators:

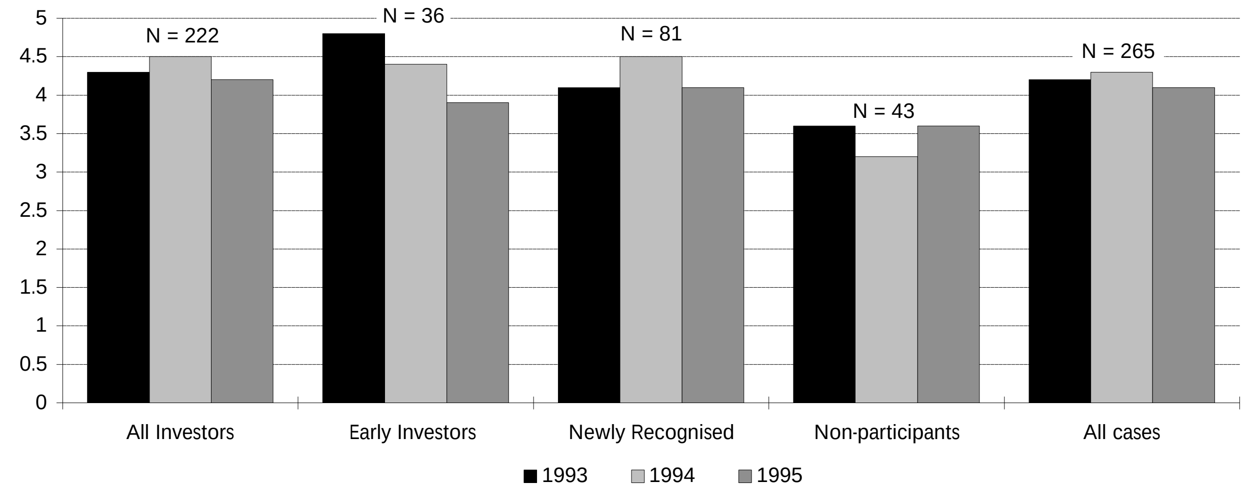
- **absence** (as measured by an organisation's average days sickness absence per head)
- **labour turnover** (as measured by voluntary resignations — *ie* excluding maternity, redundancy and retirement — as a percentage of the current workforce)
- the existence of **skill shortages** (as measured by the existence of any hard-to-fill vacancies during the previous year).

Absence

Absence levels are often used as a proxy for employee commitment and motivation. Thus if our respondents are right, and involvement in Investors produces benefits in terms of increased employee commitment, then we could expect to see lower levels of absence as the effect of Investors materialises. As

1 Elias P, Healy M, 'The provision and impact of job-related formal training in a local labour market', *Regional Studies,* Vol. 28.6, pp. 577-590.

Figure 5.1: Sickness absence (days per employee), 1993 to 1995



Base: Employers who responded to the 1993, 1994 and 1995 surveys

Source: IES Surveys, 1993,1994,1995

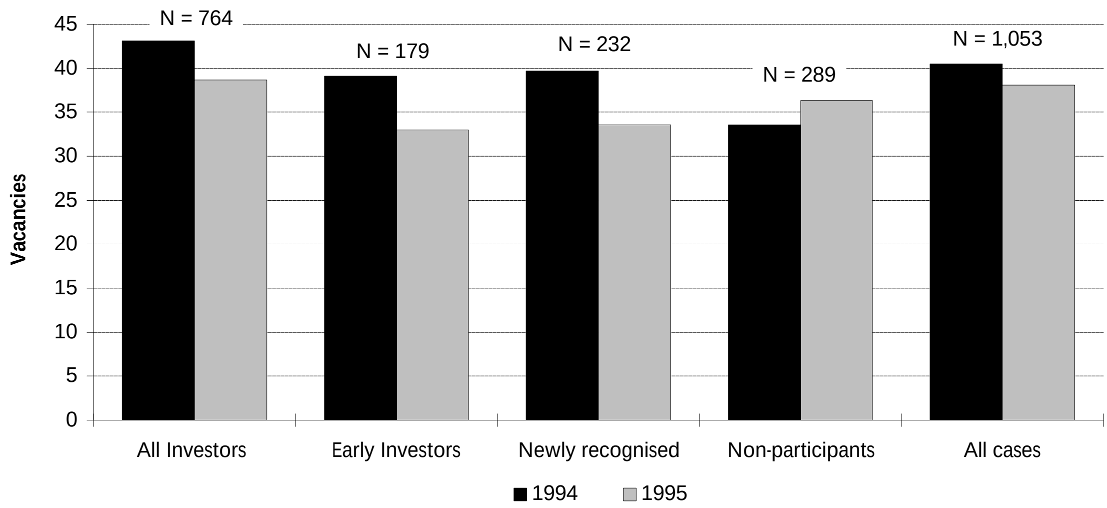
the changes involved in achieving the standard do not happen immediately and take further time to have an impact, we would also expect to see evidence of a time lag. Nevertheless, the data provide some evidence to bear out our expectation.

Among all employers in the three-year sample, sickness absence levels were roughly constant at just over four days a year (Figure 5.1). However, among our early Investors group, absence levels fell, from an average of just under five days a year in 1993, to just under four in 1995. Among our non-participant group, absence levels are broadly static across the three years, although at a lower level than those involved in Investors. The newly recognised group of employers, who achieved Investors status during the three years, saw absence levels climb between 1993 and 1994, and then fall back in 1995. This is broadly in keeping with our hypothesis that the effect of Investors works through gradually. However, absence levels still remain higher than the average level in the other groups.

Labour turnover

The data show rising rates of labour turnover for all groups, and a higher rate of turnover among employers involved in Investors. For example, in 1993 the average rate of labour turnover in all organisations involved in Investors was 5.1 per cent, and 3.7 per cent among non-participants. By 1995 the rates had risen to 7.2 per cent and 5.6 per cent respectively. Although the rate of labour turnover among non-participants had risen twice as rapidly than among involved employers, detailed examination of our Investors groups does not indicate any differential effect, either positive or negative, that can be attributed to the initiative.

Figure 5.2: Skill shortages (existence of hard to fill vacancies), 1994 to 1995



Base: Employers who responded to the 1994 and 1995 surveys

Source: IES Surveys, 1994, 1995

Skill shortages

Finally, we turn to the data on skill shortages. Here we would expect that if Investors is having an effect, then employers would have fewer hard-to-fill vacancies as they reap the benefits of better workforce planning (*eg* in terms of succession planning and employee development), more effective training needs analysis, and a closer alignment of training activity and business priorities.

We only have data on skill shortages from the last two surveys (due to the filtering of the questionnaire in the first survey). The two-year data (Figure 5.2) show a clear pattern in keeping with what we would expect. The percentage of respondents among the early Investors reporting hard-to-fill vacancies fell between 1994 and 1995 (from 39 per cent to 33 per cent), and at a similar rate among the newly recognised (*ie* those who had achieved the Investors standard between the two surveys). On the other hand, more non-participants reported skill shortages in 1995 (36 per cent) than said they had them in 1994 (33 per cent), although the level is still slightly lower than that reported by Investors employers as a whole.

We tested the statistical significance of the trends[1] and found that movement in the 'all Investors' sample significant (though not the pattern displayed by the 'early Investors' or 'newly recognised' groups). This suggests that there is an association between involvement in Investors and declining skill shortages. Employers involved in Investors are not immune from skill shortages, but appear to be handling them better than those not

[1] Using a two-related samples, non-parametric test.

involved, although there may well be factors other than Investors at play, that were not revealed by the research.

5.2 Investors and business performance

Some 45 per cent of employers involved in Investors said that they had seen improvements in their business performance since becoming involved in the process (regardless of whether Investors was instrumental in the improvement). A higher proportion of recognised employers (57 per cent) saw an improvement, compared with the committed employers (42 per cent) and those in the initial contact group (18 per cent). Around 39 per cent of employers said that their business performance had stayed the same (mainly those in the committed and initial contact groups). There were no significant differences by size of employer to the responses.

The main areas of business improvement were:

- increased productivity (46 per cent of those identifying an improvement)
- a better quality of service/production (46 per cent)
- increased awareness of business needs and objectives (45 per cent)
- increased financial turnover (39 per cent)
- improvements to profitability (31 per cent)
- a better image/reputation (30 per cent).

Examples of some of these points emerged from our case studies.

> *'We trained our keyboard operators to enter their data more quickly. Initially productivity dropped while they took on the new techniques, then it improved dramatically and they now work twice as quickly. The training yielded a £90,000 saving, which would have been more but speed is now constrained by the system rather than the operator.'* — large communications company

> *'Training on debt collection has seen our debtor situation improve to the tune of £10,000 a year.'* — small management training and publishing company

> *'It is difficult to isolate Investors from TQM and the other things going on round here. As a result of the changes we have introduced, the better training and the greater flexibility, we have increased efficiency. Our output has gone up from 0.9 to 1.2 tonnes an hour.'* — small metal products company

Employers who had seen an improvement were asked whether their involvement with Investors had contributed to the change. Almost two-fifths said that Investors had contributed directly and one-third indicated that Investors had made an indirect contribution. Well under a fifth said that Investors had not

Table 5.7: Contribution of Investors to changed business performance, by Investors status (percentages)

	Recognised	Committed	Initial contact	All Investors
Direct contribution	48.0	31.8	22.7	38.9
Indirect contribution	38.6	28.8	9.1	32.5
No contribution	8.1	20.2	36.4	15.3
Too early to say	5.3	19.1	31.8	13.3
N =	*246*	*267*	*22*	*535*

Base: All employers in 1995 survey involved with Investors whose business performance had changed

Source: IES Survey 1995

influenced their performance and the rest felt it was too early to say. Recognised employers were more likely than the committed to attribute either a direct or indirect contribution to Investors (Table 5.7).

Smaller employers were generally more likely than larger ones to see Investors as making a direct contribution to improvements in business performance.

The employers who identified a direct contribution are further broken down by Investor status and size in Table 5.8. It shows that over 50 per cent of employers with between ten and 49 employees saw a direct contribution from Investors, compared with less than 30 per cent of employers with over 1,000 employees.

5.2.1 Future impact

Employers who said that Investors had not influenced their business performance were asked whether there would be an impact at some point in the future. Some 70 per cent thought

Table 5.8: Direct contribution of Investors to changed business performance, by Investors status and size

	Recognised		Committed		Initial contact		All Investors		N =
Employees	%	No.	%	No.	%	No.	%	No.	
0 to 9	50.0	6	38.1	8	0.0	0	42.4	14	33
10 to 49	65.2	43	40.0	30	0.0	0	51.8	73	141
50 to 199	45.3	29	36.8	25	25.0	3	39.6	57	144
200 to 999	43.1	25	20.6	13	0.0	0	30.4	38	125
1,000 plus	31.0	9	25.0	5	40.0	2	29.6	16	54
All employers	*48.0*	*118*	*31.8*	*85*	*22.7*	*5*	*38.9*	*208*	*535*

Base: All employers in 1995 survey involved with Investors whose business performance had changed

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore includes respondents who did not provide size information.

Source: IES Survey 1995

Table 5.9: Future contribution of Investors to changed business performance, by Investors status and size

	Recognised		Committed		Initial contact		All Investors		N =
Employees	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	
0 to 9	66.7	10	57.1	16	66.7	2	60.9	28	46
10 to 49	70.7	29	70.5	91	71.4	10	70.7	130	184
50 to 199	53.8	35	72.1	75	65.7	23	65.2	133	204
200 to 999	55.9	33	79.7	102	82.8	24	73.6	159	216
1,000 plus	50.0	7	71.4	30	80.0	8	68.2	45	66
All employers	*58.0*	*123*	*72.7*	*336*	*74.3*	*75*	*68.9*	*534*	*775*

Base: All employers in 1995 survey involved with Investors whose business performance had changed but not directly or indirectly due to Investors

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore includes respondents who did not provide size information.

Source: IES Survey 1995

that there would. The data are presented in Table 5.9. Smaller recognised employers were more likely to see Investors having an impact in the future than larger recognised employers. If anything, the opposite pattern is evident among the committed and initial contact employers.

As to how long it would take for any impact to materialise (Table 5.10), respondents fell into three camps:

- About 40 per cent felt that they would see an impact within 12 months. These were mainly smaller concerns with a majority of employers with less than 50 staff, taking this view.
- Around 50 per cent thought it would take over a year, with most of this group, especially larger employers, saying more

Table 5.10: Time needed for Investors to impact on business performance, by size (percentages)

	Employees					
	0-9	**10-49**	**50-199**	**200-999**	**1000+**	**All employers**
less than 6 months	17.9	14.6	11.3	6.3	6.7	10.1
between 6 and 12 months	50.0	41.5	37.6	21.4	15.6	30.9
between 13 and 18 months	3.6	19.2	13.5	23.3	22.2	18.9
more than 18 months	10.7	16.9	33.1	40.9	48.9	31.5
Don't know	17.9	7.7	4.5	8.2	6.7	8.6
N =	*28*	*130*	*133*	*159*	*45*	*534*

Base: All employers in 1995 survey involved with Investors whose business performance had changed but not directly or indirectly due to Investors

Note: The 'all employers' line is not the sum of the previous five rows. It refers to all respondents who answered the particular question, regardless of whether they gave us information on the size of the organisation, and therefore includes respondents who did not provide size information.

Source: IES Survey 1995

than 18 months, for Investors to feed through to improvements in business performance.

- The rest, just under ten per cent, were not sure how long it would take.

> *'Not all the benefits were achieved straight away. Everyone was trained in the skills of problem-solving and given more accountability. Inevitably people made mistakes and a climate of positive conflict was created. It took two years of listening to people before improvements began to happen.'* — small general manufacturing company

> *'The benefits are coming in gradually over time. It'll take years as we have had to completely change the approach of our line managers. Some are still not doing pre- and post-course briefings and we've been an Investor for two years!'* — large communications company

5.2.2 Impact on profits: longitudinal evidence

Finally, we turn to the direct impact of Investors on the financial performance of those involved, and look at the longitudinal evidence.

Obviously there are a large number of factors that can influence movements in these indicators and it is almost impossible to isolate the impact of Investors. For example, in the case study organisations, we were told that:

> *'At the same time as going for Investors we were negotiating to do away with the bonus scheme in the production areas. Since then we've seen an increase in output. I think that is a direct result of more employee involvement. Obviously you can't say that it is a result of Investors, but what you can say is that the general culture of your company influences these things.'* — large general manufacturer

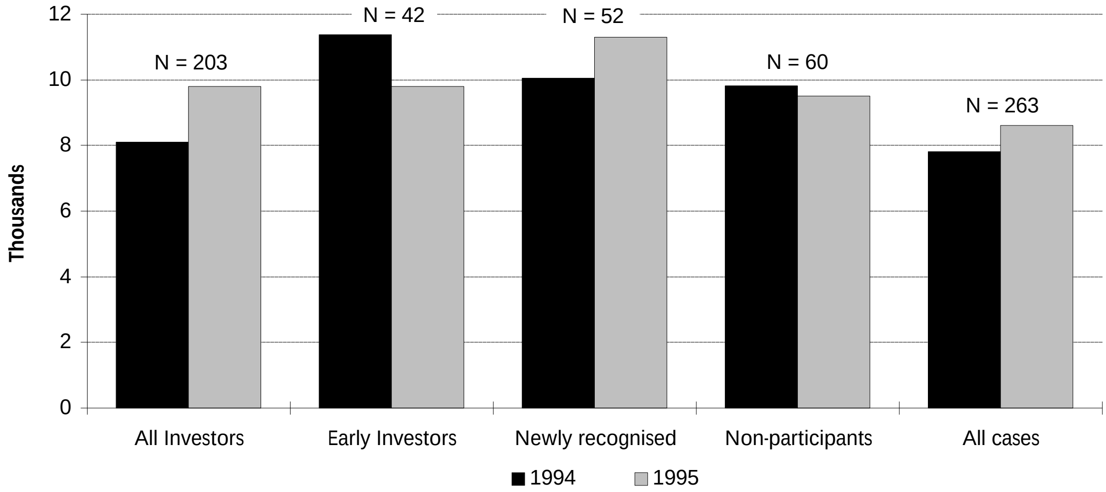
However, if Investors is making a contribution to improvements in financial performance, we would expect to see a more positive trend over time among employers who have achieved the standard. For instance:

> *'Since introducing Investors we've had year on year reductions in waste and improvements in efficiency. This has helped our financial results. Despite sales being static, profits have continued to rise.'* — small general manufacturer

Unfortunately, as is often the case with surveys of this type, the numbers of respondents who were able to provide data in each of the three surveys was limited. Even where we did collect information, in some cases it was provided on an inconsistent basis and the quality of the data was too poor to allow us to analyse it meaningfully. These problems particularly affected the first survey and were, to an extent, rectified in the more recent data collection exercises. We therefore have to rely on the two-year longitudinal sample.

We concentrated on four indicators of financial performance:

Figure 5.3: Profit per employee, 1994 to 1995



Base: Employers who responded to the 1994 and 1995 surveys

Source: IES Surveys, 1994, 1995

- labour costs as a percentage of financial turnover
- financial turnover per employee
- profit as a percentage of financial turnover
- profit per employee.

Neither labour costs nor financial turnover per head showed a clear picture. Labour costs as a percentage of turnover were static at 40 per cent for all employers involved in Investors (with an inconsistent pattern among our Investors groups) and fell slightly from 32.9 per cent to 31.6 per cent among non-participants. Financial turnover per head fell by ten per cent among the Investors group and rose slightly among non-participants.

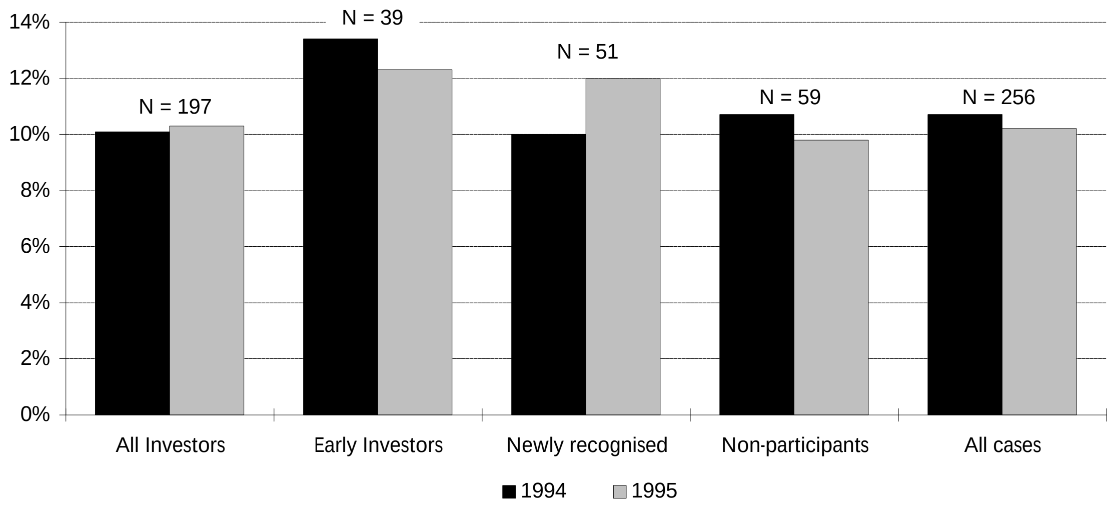
The profitability data do, however, display a pattern more in keeping with what we would expect, with higher levels among all employers involved in Investors in 1995 than in 1994, while the non-participants fell back slightly.

Profits per head among the newly recognised group of employers rose from around £10,000 to £11,300 between 1994 and 1995 (Figure 5.3). However, they fell from £13,800 a head to £9,800 a head in the early Investors group of employers who were recognised in both years.

The level of profit as a percentage of turnover (Figure 5.4) also fell among our early Investors (from 13.4 per cent to 12.3 per cent), and among non-participants (from 10.7 per cent to 9.8 per cent). It rose among the newly recognised from ten per cent to 12 per cent. However, the movement in neither indicator is statistically significant.[1]

1 Using a paired sample t-test.

Figure 5.4: Profit as a percentage of financial turnover, 1994 to 1995



Base: Employers who responded to the 1994 and 1995 surveys

Source: IES Surveys, 1994, 1995

5.2.2 Impact on profits: other evidence

To explore further the influence of involvement in the Investors process on company performance, we conducted multi-variate analyses of the data using multiple regression. The intention was to examine the relationship between Investors recognition and profitability at the firm level, while controlling for other variables that might affect profitability. The analysis was cross-sectional, using 1995 data only, *ie* it did not look at organisations' profit over time, but the variation between organisations at one point in time.

Two measures of profitability were used as the dependent variable, profit per employee, and profit as a percentage of turnover. The following independent variables that might account for variations in a firm's profitability were used:[1]

- whether the company was a recognised Investor in People
- the expenditure made on training
- the number of employees
- the industrial sector
- whether the company had a mission statement, business plan, or a personnel / HR strategy
- whether the company experienced any hard-to-fill vacancies.

Because the continuous variables in the model, profitability, training spend and number of employees, were not normally

[1] The analysis was based on the model used by Lyau and Pucel, 1995 (see 'Economic return on training investment at the organisational level' in *Performance Improvement Quarterly* 8 (3) pp. 68-79.

distributed, the standard procedure of transforming them into logarithmic form was used. One consequence of this is that the analysis is limited to those companies who made a profit, as it is not possible to take logarithms of negative or zero values. In addition, the top one per cent of values for profitability per employee were trimmed, due to concerns about the validity of the data that have been mentioned above.

The results of the multiple regression analysis of the influences on profitability per employee are set out in Appendix 2. The coefficient indicates the extent of the relationship between each independent variable and profitability per employee, while statistically controlling for the impact of all other independent variables in the model. The results show that:

- investment in training was the only significant influence on profitability per employee, with increased expenditure on training leading to increased profitability
- being a recognised Investor in People is positively related with profitability, although this finding is not statistically significant
- the proportional changes in the independent variables used in the model account for 11 per cent of the percentage variation in profitability per employee, a similar figure to that obtained by Lyau and Pucel when modelling value-added per worker.

Thus the model shows that for any given level of expenditure on training, being a recognised Investor in People does not have a statistically significant influence on the level of profits per employee.

When profits as a percentage of turnover was used as the dependent variable, the model was found not to be statistically significant at conventional levels, and the independent variables accounted for only three per cent of the variation in the dependent variable.

5.3 Employee views on the impact of Investors

Evidence from the employee survey in 1994 provided a further insight into the benefits of Investors on the workplace as a whole, and their performance in the workplace. One of the most interesting findings was that it appeared to make the largest positive impact among lower graded and lower paid employees.

The results were reported in the last report (see Chapter 5, in the 1994/95 report). Briefly they showed that:

- While most employees felt that the Investors process had left their workplace untouched, the majority of those who did notice an impact thought it had been beneficial.
- The types of employee most likely to recognise a positive impact on the workplace were:

- employees in recognised organisations
- lower paid employees
- lower graded employees
- older employees
- long standing or new employees
- female employees.

Only the differences between men and women were statistically significant. However, the situation is undoubtedly more complex than this as the female employees tended to also be the lower graded and the lower paid employees, and so these factors are entwined.

- On balance, people also thought that workplace procedures had improved and communications with their manager had also got better.
- Employees also felt that there had been a positive impact from Investors on their own position at work. However, the impact was felt to be less than on the workplace as a whole, and most either did not notice an impact at all or thought it to be neutral. The types of employee most likely to recognise a positive impact on their own position were:
  - lower paid employees
  - lower graded employees
  - older employees
  - long standing or new employees.
- Investors positively affected the employees' productivity, with just over a third of the sample saying that, as a result of their employer's involvement in Investors, they had become more productive. However, a majority said that Investors had not made them more productive.
- There were statistically significant differences by salary and grade, with employees earning under £12,000 a year and those in manual jobs more likely to say that they had become more productive since their workplace became involved in Investors.
- Just under a third of the sample said that their job satisfaction had improved as a result of Investors. A majority (59.3 per cent) said that it had had no affect. The biggest impact appears to have been on the lower-paid and lower-grade employees, with statistically significant differences recorded by salary and by job.

5.4 Key points

Employers are interested in Investors as a means of improving the skills and motivation of their workforce and workplace relationships. Two-thirds of employers involved in Investors said that these benefits had been achieved, although between 60 and 70 per cent said that they could also have been achieved by other means.

Six in ten employers involved in Investors said that they had seen improvements in their workforce as a result of their participation in the standard. The main improvements were in the areas of:

- employees' understanding of the business (58 per cent of cases)
- employees' skills and competences (51 per cent)
- employee commitment (51 per cent)
- employee communications (47 per cent).

Comparing a matched sample of employers involved in all three surveys, we found that those involved in Investors were more likely than non-involved employers to have falling rates of sickness absence, although the level of absence in Investors employers is generally higher than in non-Investors. Employers involved in Investors also reported falling levels of skill shortages year on year, while the level of shortages rose among non-participants. We found the differential pattern to be statistically significant.

Improved financial performance is not a primary motivation for employers who seek to be an Investor in People. Fewer employers identified improved financial performance as a benefit they were looking to gain from Investors, than those who were looking for training or workforce benefits. Of those that did, only 43 per cent said that their anticipated benefits had been achieved, and 80 per cent of those said that they could have been achieved by other means. However, 40 per cent of employers who said that the training or workforce objectives they sought from Investors had been realised felt that there was a flow through to improved financial performance.

Nearly 40 per cent of employers said that Investors had made a direct contribution to improved business performance, and a further third said that it had had an indirect effect. Of the rest, almost 70 per cent said that Investors would have an effect in the future. Most of this group thought it would take at least a year to feed through.

The main areas of business improvement were:

- increased productivity (46 per cent of those identifying an improvement)
- a better quality of service/production (46 per cent)
- increased awareness of business needs and objectives (45 per cent).

More objective evidence from our longitudinal sample to back up the perceptions of our respondents was difficult to unearth. Although there does appear to be an association between employers moving through the Investors process, and improved profit performance, the pattern is not as clear as we would expect and was not statistically significant.

Multiple regression analysis indicated that being a recognised Investor in People was positively related with profitability, but the finding was not statistically significant. Investment in training (*ie* training expenditure) was the only significant influence on profitability per employee, with increased expenditure on training leading to increased profitability — a finding consistent with other studies.

5.4.1 Small employers

We found further evidence that the smaller employers see the impact of Investors an earlier stage than larger ones. Almost two-thirds of committed employers with under 50 employees told us that their involvement with Investors had led to workforce improvements, compared with less than half of those with 200 or more employees. The key area of improvement for small employers was in their employees' understanding of the business.

Smaller employers were also more likely more than larger ones to:

- report that Investors made a direct contribution to financial performance
- expect to see an effect in the future
- expect any future effect to materialise sooner, generally under a year, while larger employers felt that they had to wait at least 18 months for the financial benefits to show through.

6. Overall Assessment

In this final Chapter we review the evidence we have collected over the three years of the evaluation, and draw out ten of the key messages that have emerged.

6.1 Investors is a successful initiative

The overall conclusion of this study is that Investors in People is a successful initiative. Employers involved with Investors generally hold a positive view about the initiative. Most employers realise the benefits they hope to gain from Investors. Although they say that they could have achieved similar benefits by other means, very few (15 per cent) would have made the same changes at the same time. There is therefore very limited dead-weight in the programme. Being involved in Investors in People has spurred employers to make changes that they would not have made in any case, or to change earlier or on a larger scale than they would otherwise have done.

As clear evidence of the value of Investors to employers, 95 per cent of those who have achieved recognition intend to maintain the award at their three-year re-assessment.

6.2 Investors in People delivers better training and skills

Employers attribute a number of benefits to their involvement with Investors in People. The main ones are:

- a more systematic approach to training
- a clearer focus on training based on business needs
- improved employee communications
- a better understanding of the business among employees
- a higher level of motivation among their workforce
- a more skilled workforce.

While we have been able to show that Investors in People has a major effect on the approach to managing people in employing organisations, it appears that this effect is largely qualitative. Investors influences an organisations' culture and its management style, as much as changing measurable processes. It therefore takes time for the full effect of Investors to take hold and to feed through to overall organisational performance. At that point there are many other influences of which Investors is unlikely to be the most important. We have found no simple and clear relationship between Investors and financial performance, and it would be surprising if there was.

We are not alone in drawing this conclusion. Keep and Mayhew (1994) for example argue that: 'although fairly simplistic attempts to read across from investment in training to business performance have been made . . . the evidence indicates that the linkages are complex and indirect'.[1] The research that is able to demonstrate a direct link between Investors and business performance is generally based on case studies, from which it is hazardous to generalise.

Nevertheless, we found most employers involved with Investors believe that it has already, or will in the future, contribute to improved business performance.

6.3 Investors tackles parts other initiatives don't reach

One of the key challenges facing this country, identified in successive Competitiveness White Papers, is our comparative deficit in the skills and qualifications of the employed workforce. The deficit is most apparent among employees with low and intermediate level skills. The evidence we collected from employees shows that it is precisely these people who see the greatest impact from their employer's involvement with the standard.

6.4 Investors is only part of the picture

The impact of Investors will vary from workplace to workplace. For some it can act as a catalyst for general organisational change. Others see it more narrowly as an external benchmark to validate existing training practice. It is also clear that Investors works well as part of a package and can feed into or flow from involvement with general quality improvement programmes. In this way, Investors often forms part of the solution. It more rarely offers the whole solution to better business performance.

6.5 The smaller the organisation, the bigger the impact

We found very little variation by size in the way recognised employers manage their training system, their people and their

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1 Keep E, Mayhew K (1994), *Scoping Paper for the 'What makes Training Pay' Project,* London, IPD, quoted in Lee R 'What makes training pay?', *Issues in People Management* No. 11, IPD, 1996.

organisation in general, reflecting the homogeneity of the standard.

However, among smaller employers we found a much bigger difference between the involved and the non-involved than we found among larger employers. Furthermore, smaller employers were less likely than larger ones to say that they would have introduced the changes they had made, in the absence of Investors. We also generated a range of evidence that Investors has a more immediate effect on the management approach of smaller employers.

Investors therefore appears to take hold quicker among smaller employers. As a result, smaller employers expect to realise business benefits sooner than their larger counterparts. However, we did not see any evidence of any larger impact in terms of workforce or business outcomes.

6.6 Investment means money up front

Making an investment implies putting money into a venture with the expectation of a future return. Involvement in Investors in People can initially cost money, not only in terms of up-front consultancy and assessment fees, but also as the quantity of training conducted increases — particularly as training and development becomes spread more evenly throughout the organisation. While there had been less change in the quantity of training than in its quality and the way it is managed, 40 per cent of employers found that their training costs had risen because of Investors. The rest had seen no increase and 15 per cent of recognised employers said their training costs fell.

Employers see a return on their investment in terms of hard 'pay backs' such as:

- **better value from their training spend** — by focusing on real needs and through more efficient training programmes using internal resources
- **falling skill shortages** — we found a statistically significant association between involvement with Investors and a declining incidence of hard-to-fill vacancies
- **increased profitability** — we also found a significant relationship between increased expenditure on training, and increased profitability.

Employers also gain more qualitative 'pay forwards' (as some commentators put it[1]) **from a better skilled and more motivated workforce** — as all employees begin to realise their potential and the culture of the organisation changes.

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1 Lee R, *ibid.*

6.7 Recognise the difficulties

Progress towards the standard often takes longer and is more difficult than employers expect. They tend to face some combination of three sets of difficulties:

- **starting from a low base** — either in terms of the culture of the organisation (*ie* attitudes of staff and/or managers) and/or the detail of the systems and processes it had in place (*eg* on training evaluation or needs analysis). The combination of culture and the standards of procedures appeared important. It was much easier for organisations to make the necessary changes if they were 'working with the grain' and did not encounter explicit or subtle resistance from management or employees.
- **lack of commitment** — among senior management or in the parent company. There appeared to be a particular problem in some devolved organisations where the push to go in for Investors came from the centre and local management were not enthusiastic.
- **changed circumstances** — with factors such as a change in ownership or business environment affecting internal priorities.

The faster movers, taking account of their starting position, are often organisations with a strong sense of direction, who have set themselves clear goals in relation to Investors and have an internal champion, with senior management backing, to lead the way.

6.8 The targets are a long way off

The National Education and Training Target for Investors in People is for 70 per cent of organisations employing 200 or more people, and 35 per cent of those employing 50 or more, to be recognised by the Year 2000. The current rate of achievement is ten per cent and six per cent respectively.

The target will be hard to meet and relies on:

- getting new employers involved
- moving committed employers through to recognition.

We have consistently found only 15 per cent of non-involved employers interested in taking part, including only 30 per cent of those employing more than 200 people. It may also be that views among the non-involved are polarising, with growing numbers unlikely to become involved.

Meanwhile it currently takes recently recognised employers an average of two years to achieve the standard. The time taken to achieve recognition is increasing and it now takes almost twice as long as it took employers two or three years ago. At the same time:

- the numbers of employers dropping out of the process, or placing it on hold, although still low, are rising
- there is an increasing differential between the practices of employers who are involved in Investors and those who are not. New entrants may therefore be starting from a lower base than those already signed up and could therefore find it even harder to make the grade.

These facts pose a serious challenge for TECs and others charged with the promotion of Investors in People and meeting the National Target.

6.9 Don't oversell. Don't under-deliver

To attract employers Investors needs careful marketing. As we pointed out above, while in some cases Investors can be a dynamic influence and lead directly to improved financial performance, this is not necessarily the case. Investors is primarily about better training and skills. That is what employers want. That is what they get.

There also needs to be a good after-sales service. A number of our employers were fulsome in their praise of the help they received from TECs and consultants as they strove to meet the standard. However, more were critical, especially about TECs' and others' ability to relate Investors to an organisation's particular circumstances (*eg* education, small business *etc.*). The wide range of positive and negative comments about TECs and assessors illustrates at least a lack of consistency in the level of support available.[1]

The precise nature of the evidence needed to satisfy the assessment appears to be an area in particular need of clarification.

6.10 The impact is masked by badging and emulation

Not all employers who have achieved the standard have had to make significant changes. Around a quarter of those in the first wave to acquire recognition were in effect badging existing practices and procedures. It is also likely that a (smaller) element of the more recently recognised are doing the same. This is not necessarily a bad thing, and these employers generally welcome

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[1] We understand that Investors in People UK is piloting national guidelines for accredited advisors.

the opportunity to obtain external validation of their systems and style. However, for these employers Investors will have a limited impact, as they have already gained the benefits prior to coming on board.

The non-involved include employers who have already in effect adopted the Investors approach. Some have yet to appreciate the value of the award and therefore have resisted involvement. Others, some 15 per cent of non-involved employers, are either emulating Investors by taking on some or all of the key elements without wishing to sign up, or are preparing themselves for speedy recognition.

The combination of these two factors, plus the growing time it takes for employers to move through the process, has so far served to mask the macro-level impact of the initiative, and therefore the ability of this study to detect the full return on Investors.

Appendix 1: Research Methodology

A1.1 Research design

The study is centred around a comparison of the policies, practices and performance of a sample of employers in England and Wales, over time. In particular, it aims to explore how far Investors influences these policies, practices and performances, by contrasting groups of employers who are at different stages of involvement with Investors.

The first stage of the research was essentially cross-sectional in nature, reviewing the position according to the employers' involvement with Investors at that time. The second and third stages added a longitudinal element to this study, enabling a comparison between the different groups of employers over time, but also of employers who move between these groups.

Throughout the report, we have referred to four categories of employer, which reflect their level of involvement with Investors:

- **Recognised** employers: those who have been awarded recognition or have received the Award.
- **Committed** employers: those who have devised an Action Plan, received their commitment certificate, are implementing these changes or are just about to undergo an assessment.
- **Initial contact** employers: those who have received an initial visit from the TEC, or who have had a diagnosis of their training system completed.
- **Non-participant employers**: those who are not involved with Investors.

We have also analysed the responses from employers who have taken part in all three surveys, and also just the last two surveys. For the longitudinal analysis we look at all employers involved in Investors, referred to as '**all Investors**', and have further identified two sub-groups as being of particular interest:

- employers who had achieved recognition in the first survey and maintained that status in the subsequent survey(s) — dubbed '**early Investors**'
- employers who were involved with Investors in the first survey and had not achieved recognition, but by the second

or third survey had made the standard — we have called this group '**newly recognised**'.

Again we compare these groups with employers who are '**non-participants'** in Investors in People.

A1.2 Research methods

The crux of the methodology is a survey of employers. In the first survey, all employers involved with Investors were interviewed face-to-face. In the second, telephone interviews were used for all the existing sample, the refresher sample for the non-participants, and the new sample of small firms: face-to-face interviews were used for the new sample of recent entrants to the Investors initiative.

This year all interviews were conducted by telephone. All the samples received a letter alerting them to the survey and enclosing a data sheet which detailed information which employers may need to gather before the interview (*eg* turnover, number of employees by broad occupation, *etc.*).

The interviews were conducted by Public Attitude Surveys (PAS) on behalf of the Institute for Employment Studies and took place between October 1995 and January 1996.

A1.3 Sample frame

The main bulk of the sample was the 1,726 employers who had taken part in the research in the last survey (957 of whom also took part in the first survey). These employers had received an interim newsletter in an attempt to give feedback, maintain interest, and thereby minimise attrition in the third survey.

The longitudinal nature of the research would be compromised by the extent to which employers either:

- did not take part in the research at all and became part of the attrition rate, or
- answered inappropriately for a different part or parts of the organisation, compared to last year.

The chances of avoiding either of these are obviously maximised where we spoke to the same contact we contacted last year, and this person had a recollection of both the survey and the interim newsletter. Where this did not happen it was usually because:

- the respondent from last year was no longer in post, either because the person had left the organisation or because the person had moved to another position within the company
- the respondent had forgotten they had taken part in the survey.

Table A1.2: Response rates (based on 1994 sample)

	ReRecognised		CommCommitted		InitialInitial contact		NoNon-participant		TotalTotal	
	N N%	%	N	%N %	N	N% %	N N%	%	NN %	%
Completed interview	72843869	4.1	313 402	0.465.7	481432.0	62.0	17351225	9.5	1,084	3621.8
Refusal	11303613	15.9	462 21	59.633.3	102 9	68.038.0	57539774	0.5	1,2642	6637.2
Total	*2637(100*	*(100)*	*394 612*	*(100)(100)*	*77231(100*	*(100)*	*22590(100*	*(100)*	*1,9576*	*(100)(100)*

Source: IES Surveys, 1994, 1995

A1.4 Drop-out

Last year we suffered a relatively high level of sample attrition, with nearly half the employers who took part in the first survey declining to participate in the second. The overall response rate was 52 per cent, varying between 37 per cent for non-participants and 63 per cent for employers in the committed group.

This year we paid particular attention to securing a response from those who took part in previous years, for instance by allowing a far longer time to arrange and conduct the telephone interview (learning the lesson from last year's survey). We were rewarded with an overall higher response rate (63 per cent) and a more even pattern across all the groups (between 60 per cent among non-participants and 66 per cent among the committed, see Table A1.1).

As before, the reasons given for dropping out can be roughly grouped into four categories:

- The company was no longer in business. The impact of the recession on the survival rates of companies means that many of the organisations who were in the sample in the first sweep are no longer in existence.
- The organisations did not want to take part, as they feel that contributing to such a research processes is beginning to take up too much of their time.
- The organisation had withdrawn from the Investors process, or had failed to make sufficient progress for the employer to feel that their participation would be warranted.
- The company had gone through some degree of substantial change which the employers felt made their continued participation invalid.

We also secured 604 responses from the employers who had taken part in the first survey, representing a marginally higher response rate of 63.1 per cent over the 1994 sample, and a third of our original 1993 sample (Table A1.2).

A1.5 Refreshment of sample

To make up the 1995 sample to the target number of around 1,800 we drew two additional samples:

- one of known Investors drawn from the Investors in People UK database, plus
- a random selection from a commercial database (aimed at topping up the non-participants element of the sample, but accepting that we could pull in more Investors as well).

A1.6 Sample characteristics

We therefore have three achieved samples:

- the 1995 survey sample — comprising our existing employers topped up with those drawn from the refreshment samples
- the three-year sample of employers who had been with us throughout the study
- the two-year longitudinal sample of employers who had taken part in both the 1994 and 1995 surveys.

The characteristics of each sample are set out in tables A1.3 to 1.5.

Table A4.3: Details of 1995 whole sample

	Recognised	Committed	Initial contact	Non-participant	All
No. Employees	%	%	%	%	%
0 to 9	6.8	7.0	3.1	24.4	13.1
10 to 49	25.2	30.2	14.3	24.9	26.2
50 to 199	30.0	26.1	38.8	27.6	28.3
200 to 999	28.0	27.6	31.6	16.0	23.7
1,000 or more	10.1	9.2	12.2	7.1	8.8
Sector					
Production (1980 SIC 0-5)	30.0	30.4	38.3	44.0	35.6
Services (1980 SIC 6-9)	70.0	69.6	61.7	56.0	64.4
Private	67.4	68.4	70.4	91.7	76.6
Public	32.6	31.6	29.6	8.3	23.4
N = (No. of cases)	*429*	*626*	*108*	*641*	*1,804*

Source: IES Survey 1995

Table A1.4: Details of 1993 to 1995 longitudinal sample

No of Employees	Recognised %	Committed %	Initial contact %	Non-participant %	All %
0 to 9	5.4	6.4	—	6.3	5.6
10 to 49	21.0	20.6	16.1	25.2	21.4
50 to 199	32.1	26.5	38.7	41.4	32.3
200 to 999	29.9	34.3	29.0	15.3	28.6
1,000 or more	11.6	12.3	16.1	11.7	12.1
Sector					
Production (1980 SIC 0-5)	37.5	34.4	31.4	33.3	35.3
Services (1980 SIC 6-9)	62.5	65.6	68.6	66.7	64.7
Private	72.1	67.4	71.4	95.6	74.8
Public	27.9	32.6	28.6	4.4	25.2
N = (No. of cases)	*240*	*215*	*35*	*114*	*604*

Source: IES Survey 1995

Table A1.5: Details of 1994 to 1995 longitudinal sample

No. Employees	Recognised %	Committed %	Initial contact %	Non-participant %	All %
0 to 9	6.8	8.7	1.5	10.1	8.1
10 to 49	26.5	28.4	10.8	26.4	26.2
50 to 199	28.6	24.5	35.4	35.1	29.3
200 to 999	27.2	27.1	35.4	18.4	25.2
1,000 or more	10.9	11.3	16.9	10.1	11.2
Sector					
Production (1980 SIC 0-5)	33.0	31.6	36.1	33.9	32.9
Services (1980 SIC 6-9)	67.0	68.4	63.9	66.1	67.1
Private	70.5	68.4	68.1	89.3	74.7
Public	29.5	31.6	31.9	10.7	25.3
N = (No. of cases)	*312*	*402*	*72*	*298*	*1,084*

Source: IES Survey 1995

The non-participants in the 1995 sample contain a high proportion of small employers, compared with the two longitudinal samples. This reflects the 1994 sampling strategy where we concentrated in that year on boosting the numbers of smaller firms involved in the survey. Nevertheless, it should be recognised that this sample is not representative of non-involved employers as a whole (nor was it designed to be), who are likely to include an even higher proportion of small employers. Otherwise the three samples are broadly similar in their characteristics.

A1.6.1 Movement between years

Unfortunately, there was relatively little movement in Investors status between the surveys. Only five employers moved from non-participation in Investors in 1993 to recognised status in 1995 and 13 moved from the initial contact stage to recognition over the same period. In addition, 150 workplaces moved from being committed to being recognised as an Investor in People. Because of the slow movement, which is a finding in itself, the methodology was not as successful as originally envisaged in tracking the impact of Investors on employer behaviour and performance.

A1.7 Problems with the longitudinal samples

Even when we received responses from the same organisation in the two or three surveys we encountered some problems with the compatibility with the data, year-on-year. These included:

- the respondent could not (or would not, as some of these issues are regarded as confidential) provide information about financial matters, which meant that we may have information for one year, but not for another, or not have financial information for either year
- the respondent answered for a different part of the organisation than in the previous year: *eg* responding for the entire organisation rather than some of its constituents parts, or *vice versa*
- the organisation had undergone a fundamental change, *eg* take-over, merger, restructuring
- the respondent changed and therefore potentially gave different answers, especially to the perception-based questions, than his or her predecessor.

There is also a point to note about possible bias from the combination of drop-out, incomplete or not appropriate responses from previous surveys. As noted above, anecdotal evidence suggests that amongst those that have withdrawn, may be those who have either been suffering in the economic climate, or those who either had not progressed or were disenchanted with the Investors. Both of these will serve to bias upwards the favourable performance of Investors, as it leaves in the research a higher proportion of those who have been performing well and those who have progressed with the Investors initiative.

Appendix 2: Regression Results

Variable	Coefficient	Significance
Number of employees	-0.11	0.24
Training expenditure	0.17	0.03*
Recognised at IiP	0.09	0.35
Industry dummies (construction)	(0.00)	—
Energy/water supply	0.36	0.42
Metals/minerals	0.58	0.12
Engineering and metal goods	0.19	0.59
Other manufacturing	0.29	0.42
Distribution/hotels/catering	0.06	0.86
Transport/communication	0.47	0.25
Financial and business services	0.16	0.64
Other services	-0.27	0.44
Hard-to-fill vacancies	-0.00	0.96
Mission statement	-0.02	0.85
Business plan	-0.03	0.88
Personnel/HR strategy	0.03	0.77

* = significant at the level of .05

Source: IES Survey, 1995