

The human touch



Is Investors in People an appropriate and worthwhile scheme for small businesses – or is it just another quality scheme aimed at large firms?

BY ALEX BLYTH
PHOTOMONTAGE BY JOHN CARROD

Sir Brian Wolfson, the first chairman of Investors in People (IiP), was often quoted as saying: 'Investment in equipment depreciates, while investment in people appreciates.'

Since its inception in 1991, IiP has been central to government attempts to increase the skill level of the UK workforce. During those 12 years, more than 34,000 organisations, representing around 27 per cent of the UK workforce, have been assessed as achieving the necessary standards in training and development. However, while the laurel logo has become a familiar sight in reception areas and recruitment advertising, IiP has failed to achieve significant penetration in certain key sectors. Although around 90 per cent of UK companies

employ fewer than 50 staff, only about half of IiP accredited organisations are of that size. The Government is planning to make IiP as prevalent in the small business sector as it already is in blue chip companies and large public sector organisations.

The first challenge it faces is making small company managers aware of IiP. Ian Forbes, managing director of Alchemis, a London-based new business agency, is representative of many small company managers when he says: 'We have very highly-developed people policies and offer excellent training to all of our 22 staff, but I've never come across Investors in People. It actually sounds like a good idea, one I might consider taking further, so I'm amazed it hadn't crossed my radar before now.'

Even among those small company managers who *have* heard of it, IiP faces the widespread misconception that only large businesses can achieve it. In response to this lack of awareness

and understanding, IiP UK has been running a major marketing initiative, including newspaper and radio adverts and direct mail packs. This has contributed towards an increase in the number of SMEs with the accreditation from 25,710 in May 2002 to 29,756 in May 2003. However, lack of awareness is not the sole reason for low take-up in the small business sector.

Research in 2001 by the Institute of Directors (IoD) discovered three main reasons why those small companies who are aware of IiP choose not to go for accreditation. Firstly, many managers are concerned that the process will be too time-consuming. George Theo was the managing director of Marshalls, the first advertising agency to achieve IiP accreditation, and he recalls it as a very bureaucratic process: 'It was extremely hard work, almost full-time for the one person pushing it, and the necessary health checks and management courses, although useful, burned up huge amounts of management and staff time.' IiP has listened to these criticisms and in 2000 radically simplified the administration surrounding the process. However, many companies still report that the process, although not so mired in paperwork as it was before 2000, is still one that requires considerable time and effort.

The IoD research found that small firms are also



companies committing to the process of achieving the standard.

Jane Todd, policy development manager at the FSB, describes the final reason why small companies remain resistant to liP: 'We welcome all the work that liP is doing to make the process less bureaucratic and more affordable for small companies.'

'However, we still don't believe that most small firms that gain the standard reap benefits that

'We don't believe that most small firms that gain the standard reap benefits that outweigh the costs'

Jane Todd,

FSB policy development manager

outweigh the costs. Many expect that the liP logo will be a useful marketing tool and so they invest their precious time and money into gaining it, only to discover that it has little value in marketing terms.

'Others believe that the process will enable them to align their training activities with their company objectives. Many of them subsequently complain to us that their training has actually become aligned with liP's objectives. I have no doubt that liP can be very useful for some organisations, but I would advise every small company to think very carefully before making the investment in time and money.'

June Williams, director of quality at liP, disagrees, arguing that there are significant benefits to be gained from accreditation: 'liP is not just about training. It is about business improvement, about setting up people policies and ensuring that they are effectively linked to business objectives. Attaining the standard is increasingly necessary for survival in today's business climate.' Many who have been through the process share his views. Alison Lea-Wilson, the owner of Anglesey Sea Zoo, a visitor attraction employing eight full-time staff, believes that liP has contributed greatly to her business success: 'We were first recognised as an Investor in People in 1996, and we successfully retained recognition in 1999 and 2002. It gave us a clear idea of where we wanted to take the business, helped us differentiate ourselves from the competition, improved staff morale and retention, encouraged us to develop efficient systems, provided good publicity opportunities, and assisted us in securing funding support. liP does take a bit of time and costs money, but we believe that it's an investment worth making.'

Critics of liP would not dispute the fact that the standard can be extremely beneficial to some organisations. They simply point out that it may not be suitable for everyone. At the FSB, Policy Chairman John Walker is concerned that the Government is attempting to impose a 'one size fits all' approach on small companies: 'We would strongly oppose any attempts by Government to make liP a pre-contract or tendering condition with public-funded contracts, including local authorities or other intermediaries. Widespread use of this dominant position would discredit the scheme and favour big businesses at the expense of small businesses.'

Jane Todd agrees: 'It's becoming increasingly difficult for small companies to win government contracts without having attained the liP standard. This sort of regulation through accreditation may in fact have a negative effect on skill levels in small companies.'

'For instance, some of our Members complain that it's possible for a company with bad people policies to dupe liP inspectors and then use the logo until reaccreditation becomes necessary in three years.'

More importantly, though, we'd like to dispel this myth that small companies are bad at training. The myth exists because small companies tend not to send their staff on two-week external training courses. They tend to deliver more hands-on, one-to-one training that is directly relevant to the job. We'd like the Government to acknowledge the validity of this training and accept that one size does *not* fit all.'

Sir Brian Wolfson was of course correct to claim that investing in people is one of the best routes to long-term business success, and few would dispute the vital role played by liP in making staff development a key issue for UK business.

However, investing in people is not necessarily the same as gaining liP accreditation. Most crucially, the arbiters of whether or not a company is successfully investing in its people, ought not to be the Government, but rather the competent staff, satisfied customers, and enriched shareholders of that company.

CASE STUDY

CROSSROADS CARING FOR CARERS IS A NATIONAL charity that supports people who provide care at home for a disabled or terminally ill person. The care manager at its St Helens branch, Pauline Dee, describes her experience of liP:

'We first achieved liP accreditation in 1998 and were reaccredited in 2001. I was pleasantly surprised by how easy it was. Meetings with the inspector took less than two days and because we were already doing everything correctly that was all it took. We got a Training & Enterprise grant for 40 per cent of the cost and so the inspection cost us about £800.'

However, Dee feels that the process was almost too simple: 'It didn't hugely improve our HR policies as we were doing everything right already, so the main benefit to us was actually in gaining external verification of that. As a small company you don't always know if you're following best practice, so it's useful to hear it from an independent authority. liP also gave us a good platform from which to develop more in-depth training and development policies.'

She is currently considering whether or not to apply for reaccreditation in 2004: 'Following recent government regulations, all domiciliary care agencies are now required to meet minimum standards in order to be licensed. Each agency will be required to undergo a comprehensive annual inspection, which covers all liP standards, and much more. These new National Care Standards may have superseded liP in our sector and we certainly won't be spending £800 on something of no value to us. I'll be looking at it very carefully.'

concerned about the financial cost of the accreditation process. According to that study, achieving the standard costs firms with between 10 and 49 employees an average of £4,352 - not an insignificant sum for companies of that size. In the 2002 Budget the Chancellor announced £30m of funding to help alleviate this problem. That funding came through in April 2003 as the Small Firms Initiative (SFI). While funds last, the SFI will

'liP has listened to the criticisms of the past, and has simplified the administration surrounding the process'

give £1,250 to any English company with between five and 49 employees to help it gain liP accreditation. The early signs are that this is having some impact on the number of small companies attempting to gain accreditation. To the end of June the SFI directly resulted in more than 1,000