

**An evaluation of HR
business support pilots**

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People Skills

Building ambition
and HR capability
in small UK firms

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People Skills: building ambition and HR capability in small UK firms

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Executive summary

This report presents the outcomes of People Skills, a UK pilot programme which provided small firms with HR support and advice. The programme was supported by J.P. Morgan through the JPMorgan Chase Foundation, and delivered through the CIPD and local partners (local councils/chambers of commerce). In each of three locations – Hackney (London), Stoke-on-Trent and Glasgow – a small bank of independent HR consultants was recruited to provide free employment and people management advice to small businesses on demand, and the CIPD’s *HR Inform* online support system was made available to project participants. The pilot ran from July 2015 to October 2016 and has been evaluated by a team at Manchester Metropolitan University through surveys and interviews with project stakeholders.

The project vision was to **‘...support SME growth and productivity by enabling better people management (PM) and**

leadership practice within the SME community’. This vision was grounded in the long-standing concern around productivity levels in the UK and the view that better management, leadership and skills utilisation are likely to be some of the keys to addressing this. It also reflects a recognition that small and medium-sized enterprises (SMEs) represent a significant segment of the UK economy – accounting for nearly half of business employment and turnover – but that constraints in time, resources and expertise often present particular challenges for them in developing PM capability. The project also sought to develop partnerships at local level that were able to effectively support SMEs with PM issues.

People Skills sought to achieve **four specific outcomes:**

- Provide easy access to high-quality support for SMEs.
- Unlock demand for investing in leadership and PM capability.

- Inspire SMEs to invest in and employ young people.
- Deliver improved co-ordination of local partnership networks to provide PM support and services.

Take-up of the service exceeded expectations, considerably so in Stoke and Glasgow. 449 SMEs made an initial enquiry and 416 of those proceeded to work with an HR consultant. In most cases this involved an initial telephone call, followed by one or more site visits. Seventeen SMEs were funded to take advantage of ‘deep-dive’ engagement with their consultant, involving more intensive work over a longer period of time.

Achievement of project outcomes is reflected in Figure 1.

As Figure 1 indicates, *People Skills proved to be a highly effective operating model* that met demand efficiently and effectively. As noted, take-up of the service was high, though there was evidence to

Figure 1: Achievement of project outcomes



suggest that this was primarily from SMEs who already had relationships with local partners/sought business support, and some concern that many 'hard-to-reach' SMEs remained so. Survey responses indicated that the quality of support provided was highly regarded. SMEs particularly welcomed the flexibility of the offering, and the bespoke nature of guidance offered, and 'deep-dive' respondents were unanimous in reporting the substantial difference that People Skills had made to their business.

People Skills' achievements in *unlocking demand for investment in people management were more modest*. Survey data did not reveal shifts in attitudes in this area, for example in increased levels of interest or investment in leadership and management development or a more strategic approach to HR.

However, the survey data did capture improved self-ratings among owner-managers on a number of workplace effectiveness measures, suggesting the development of greater confidence among owner-managers and potentially a link to enhanced workplace productivity.

For example, owner-managers surveyed were more likely to report their organisation is better or much better than similar firms in their sector on measures of workplace relations, labour productivity and financial performance after using the People Skills service than they were prior to using it. These benefits also came through in the in-depth qualitative interviews with owner-managers that participated in the People Skills initiative.

The mixed findings here may reflect the relatively short timescale of the project, but also the 'transactional' nature of the majority of the interventions.

Small firms' people management needs were overwhelmingly quite basic (for example contracts, legal compliance), and they were often not ready to engage in more 'transformational' work (for example workforce development, performance management).

The results suggest that 'getting the people management basics right' is highly valued in its own right, and may provide a foundation for further development (and greater confidence) but that more transformational change is likely to take longer to achieve.

The project was less successful in encouraging investment in employing young people/ apprentices. While many SMEs were open to this, there were also barriers reported in terms of the 'work-readiness' of school-leavers, perceived bureaucracy of apprenticeship schemes, and lack of resources to support inexperienced workers. With a few notable exceptions, the issue-led nature of the People Skills programme did not appear to provide the right context for changing attitudes in this area.

Progress in improving the co-ordination of local partnerships was mixed depending on locality. Where partners were highly engaged and well embedded in the local business community (Stoke and Glasgow), there were some tangible gains. In Glasgow, the city council continued to fund the project after the initial pilot had ended, with local stakeholders highly supportive of the People Skills business support model. However, stakeholders recognised the lack of a central point where SMEs could go to identify support and that the overall offer in Glasgow to small businesses, alongside many other cities, was quite complicated.

'...“deep-dive” respondents were unanimous in reporting the substantial difference that People Skills had made to their business.'

‘The pilot project demonstrates that there is demand for HR support amongst SMEs, and that a model of bespoke, face-to-face provision by independent consultants is an effective way of meeting that.’

In Stoke, the chamber of commerce was very positive about the impact of its partnership role in the People Skills initiative and there is a belief that People Skills had improved the chamber’s partnership working with other organisations, for example apprenticeship training providers.

In Hackney there was little progress on this objective, and overall, across all three areas, there was generally a sense that the business support architecture is seen as fragmented.

Implications for public policy

The pilot project demonstrates that there is demand for HR support amongst SMEs, and that a model of bespoke, face-to-face provision by independent consultants is an effective way of meeting that. Tangible improvements to SME employment practices can be delivered through this model, which in turn provides a foundation for more transformational change and greater business confidence.

The CIPD recommends a national rollout of the People Skills initiative as part of a renewed focus in industrial strategy on enhancing workplace productivity by boosting managerial quality, increasing investment in skills and strengthening the quality of business support through local-level institutions. The CIPD’s provisional estimate is that if the People Skills model were adopted by all Local Enterprise Partnerships in England, it would require initial funding of around £13 million per year for at least three years. This could be funded by allocating £40 million of the £23 billion National Productivity Investment Fund. The three-year time period would allow for the anticipated changes to take root and for the development (through independent evaluation) of a sound evidence base for future government policy.

Table 1: The top ten lessons from People Skills

1	People Skills is an effective operating model and the role of independent HR consultants is central to this
2	Importance of role and choice of programme partner
3	Difficulty of engaging ‘hard to reach’ SMEs
4	Twelve months is not long enough to build the required profile and reputation
5	Importance and difficulty of creating understanding in the SME community of need for and benefits of addressing people management issues
6	A transformational large firm HR model may not be what is needed in transactionally focused SMEs
7	SMEs are open to employing young people but (some) are concerned about their work-readiness
8	Many SMEs are reluctant to work with apprenticeship programmes
9	Getting the people management ‘basics’ in place can build confidence around SME effectiveness
10	A simplified, better understood and more accessible business support infrastructure is needed

Pilot programme rationale

'As Olympic athletes have shown, marginal improvements accumulated over time can deliver world-beating performance. Applying those marginal gains to the population of UK companies could significantly improve UK living standards, even if those are harder to measure than gold medals.' Andy Haldane, Chief Economist, Bank of England, March 2017

The UK's productivity and skills challenge

The UK's low productivity growth and the gap with its main competitors remains the key underlying concern in the UK economy, with evidence suggesting that there is a clear link between skills development and use, and productivity growth. A recent joint paper on productivity from the DWP and BEIS Committees has shown that the contribution from skills improving the quality of labour may have accounted for up to 20% of productivity growth before 2008, and has continued to make a positive contribution ever since. A significant part of the UK's low productivity levels, compared with some other major OECD economies such as Germany, can be attributed to poor workforce skills development.¹

However, arguably as important as the development of workforce skills is the extent to which those skills are matched to employers' needs and whether they are used effectively in the workplace.

Evidence from the Office for National Statistics² shows that, in far too many cases, UK workers are not well matched with their current jobs. Some are over-skilled – they are capable of handling more complex tasks and their skills are underused – while others are under-skilled for their current jobs – they lack the skills normally needed for their role.

Over-skilling can be a problem because it may lead to skills loss and a waste of the resources that were used to acquire these skills. In addition, over-skilled workers earn less than workers who are well matched to their jobs and tend to be less satisfied at work. This situation generates more employee turnover, which is likely to affect a firm's productivity. Under-skilling is also likely to affect productivity and slow the rate at which more efficient technologies and approaches to work can be adopted.

Quality of management is key

The OECD suggests in a recent analysis of productivity that the UK could increase average labour productivity by 5% if the degree of skills mismatch in the country – above average when compared with other OECD member states – was reduced to a best practice level. The OECD study also finds that better managerial quality is associated with lower skill mismatch, which is identified as material to improving labour productivity.³

Improved management capability can address skills mismatch in two ways. Owner-managers who think more strategically and longer term may be more likely to invest in young people and apprenticeships and help build links with local schools and colleges. Further, more developed people management practices can help ensure that skills are used more effectively in the workplace. There is less evidence for the first proposition, but significant research⁴ suggests that progressive high-performance working practices are associated with higher levels of employee motivation, commitment and positive business outcomes.

The Bank of England's chief economist Andy Haldane also argues that a lack of management quality is a plausible explanation for the UK's long tail of low productivity companies and suggests that there are potentially high returns to policies that improve the quality of management within companies. This is particularly likely to be the case for smaller companies (fewer than 50 employees) given that there is a larger, longer tail of small firms with low, or even negative, levels of productivity growth. Haldane finds there is high potential for productivity growth among firms of this size, as small companies tend to exhibit faster rates of productivity growth than larger firms, even when it is from a lower base.

¹ <http://www.publications.parliament.uk/pa/cm201516/cmselect/cmbis/565/565.pdf>

² <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/analysisoftheuklabourmarketestimatesofskillsmismatchusingmeasuresofoverandundereducation/2015>

³ <http://www.oecd.org/eco/growth/Skill-mismatch-and-public-policy-in-OECD-countries.pdf>

⁴ <http://www.employment-studies.co.uk/system/files/resources/files/mp36.pdf>

What can be done to boost SME managerial quality?

However, while evidencing management quality as potentially material to the UK's productivity problem is fairly straightforward, identifying how to address this issue, particularly among small businesses, is more difficult.

Many SMEs are preoccupied simply with business survival and 'getting the job done' rather than investing in their management skills to increase productivity and growth. However, with SMEs that employ staff (excluding, therefore, the self-employed and sole traders) accounting for more than 99% of private sector businesses, over 51% of private sector employment and 43% of private sector turnover⁵ among employing firms, the UK's productivity problems cannot be tackled unless small and medium-sized firms can raise their game in this area.

Micro and small businesses have particular challenges in how they invest in and manage their people to support business growth because they do not have dedicated HR support and owner-managers have limited time or capability in this area.

Evidence from previous work in this area funded by the Department for Trade and Industry between 2003 and 2004⁶ suggested that SMEs would benefit from bespoke business support services that could (1) provide face-to-face support and (2) bring networks of SMEs together so they can achieve economies of scale in accessing such services and learn from each other.

However, the provision of existing low-cost or no-cost business support and advice for small business is typically inadequate or poorly marketed, with the recent BEIS Select Committee inquiry into industrial strategy⁷ concluding that business support for SMEs needs to be improved.

It noted: *'[The] Growth Hub network, which provides a gateway and advice service to many businesses seeking support, is providing a "patchy" service' and that 'there is a need to set a clear national direction and provide stronger support.'* It goes on to comment: *'Furthermore, the Federation of Small Business told us that they have "consistently raised concerns over a lack of co-ordination and duplication of business support provision across both the public and private sectors, including the interaction between national and local schemes."*

The People Skills intervention

It is against this backdrop that the People Skills initiative was developed, funded by the JPMorgan Chase Foundation. People Skills was designed to test the merits of a locally based intervention that provides high-quality information and support directly to SMEs to enable them to address both aspects of skills mismatch, focusing on:

- 1 the lack of alignment between the skills that local SME employers are looking for and the jobs and careers that young people are interested in, as well as the reluctance of SMEs to invest in young

people, for example through apprenticeships

- 2 improving the utilisation of existing skills in the workplace.

People Skills ran for a period of 15 months from July 2015 to October 2016 in Hackney, east London, Stoke-on-Trent and Glasgow, and provided bespoke HR business support for SMEs through key local stakeholders such as the local council or chamber of commerce.

We report here our evaluation of the initiative and, in what follows, outline in more detail the rationale for People Skills, what existing research tells us about people management in SMEs, how we undertook the evaluation and present our findings. We build on this to draw conclusions as to People Skills' effectiveness and outline key policy implications.

Design of People Skills

At the outset, People Skills was designed to address key aspects of skills mismatch. It was expected to:

- 1 be primarily focused on addressing skills mismatch at a local level
- 2 have a twin focus on: (a) improving the leadership, management and HR capability of SMEs with the purpose of boosting skills utilisation, productivity and innovation at a local level; and (b) improving the connection between education providers and SMEs and encouraging SMEs to invest in young people
- 3 have significant buy-in from key local stakeholders. This means genuine interest and understanding of the importance of developing

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467443/bpe_2015_statistical_release.pdf

⁶ DTI Shared Human Resources pilots, 2004.

⁷ <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmbeis/616/616.pdf>

a holistic local skills strategy that includes an interest in addressing skills mismatch, growing employer demand for investment in skills and improving the utilisation of skills

4 be centred in a locality where representatives of the Local Enterprise Partnership, local authority, education providers and business leaders and networks recognised the purpose and need for the initiative and were prepared to back it

- 5 have an effective strategic steering group to help maintain interest and momentum
- 6 be integrated with other aspects of local skills, employment and innovation policy
- 7 be based in a location that benefits from a high density of SMEs to maximise its reach and potential
- 8 run for a minimum period of 12 months to allow evaluation of impact.

With the above in mind, and building on connections and opportunities as they arose, People Skills was established in three locations and embedded in host partner organisations, as outlined in Table 2.

In establishing the programme in each area, efforts were also made to engage widely with all potentially interested parties or stakeholders, inviting support and connection. This spirit continued throughout the duration of the programme.

Table 2: People Skills partner locations




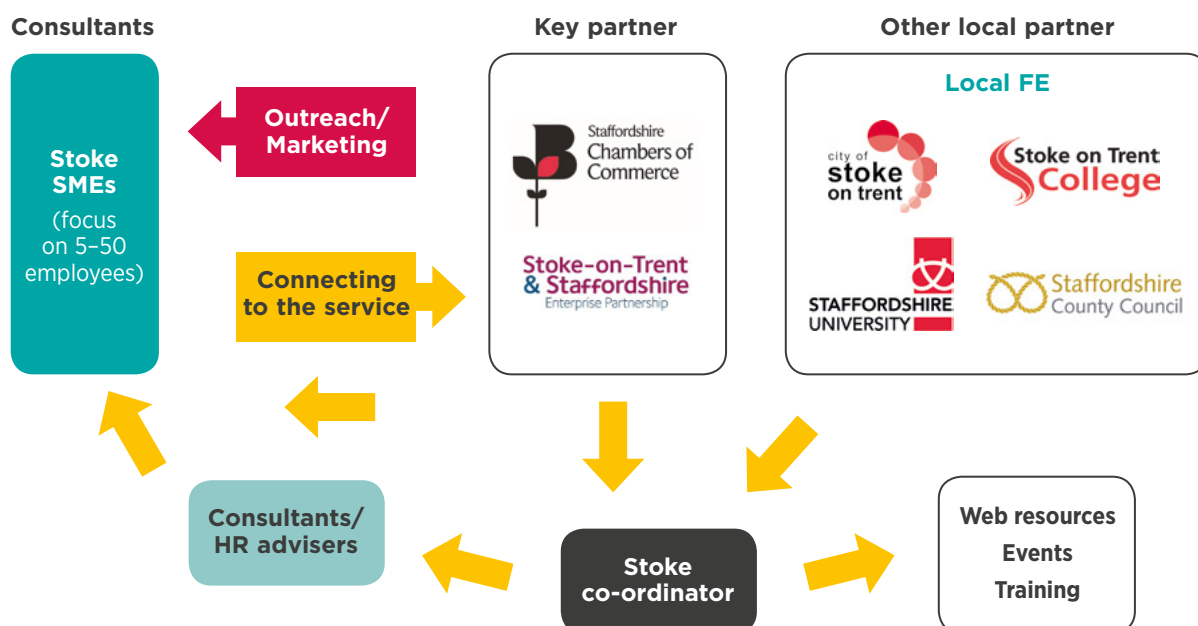
Location	Host partner
London Borough of Hackney	 Hackney Council
Glasgow	 Glasgow City Council
Stoke-on-Trent	 Staffordshire Chambers of Commerce

Figure 2: Embedding the People Skills pilot programme in Stoke



In order to reach as many small businesses as quickly and effectively as possible, and to ensure that the programme was integrated with other local services, the programme in each area was 'embedded' firmly with and led by the local 'host' partner. The model in Figure 2 was implemented in each area, or a very similar set-up.

A budget was prepared for each area that included funding for:

- a dedicated People Skills co-ordinator, ideally embedded within the host partner
- payment to local HR consultants
- local marketing and promotional activities
- training, networking and information events.

In addition to the local-level investment, central funds were also used to manage and oversee the entire programme and provide for comprehensive external evaluation.

What did this look like for an SME?

In each area the local partner 'business support' contact details were used as the initial point of contact with the co-ordinator. They then had an initial conversation with a business before passing over to a specialist HR consultant, who would then work directly with the business.

Participating SMEs could access free support in the form of:

- access to free online tools and resources, including the CIPD's *HR Inform*, an employment law subscription service
- dedicated one-to-one support from a professional HR consultant, working with them in any way required, either remotely or on site
- training and networking events on relevant topics.

Overview of locations

The three locations for the pilots were Hackney in east London, Stoke-on-Trent and Glasgow.

The **London Borough of Hackney** in north-east London has a population of over 260,000 and has always experienced relative deprivation, with median pay well below the London average and the proportion of Jobseeker's Allowance (JSA) claimants well ahead. In recent years, however, the local economy has been boosted by sector growth across, in particular, tech and creative industries. The 'night-time economy' also makes a significant contribution, and the area is now well known as a young and vibrant area of the capital. 12.7% of the population are self-employed against 10% in the country as a whole, and there is a notable focus on start-ups, usually centred on artistic, creative or tech activities. A greater proportion of the local businesses are micro or small when compared with London as a whole, and there are a substantial number of 'social enterprise' organisations and workspaces operating in the borough. There is relatively little co-ordinated business support available, but there are a number of 'transient' schemes in operation at any one time.

Stoke-on-Trent is a city in the north of Staffordshire in the West Midlands region of England. It has a population of over 250,000 and has historically been dependent on manufacturing and heavy industry as a main economic driver, notably ceramics. Decline in these sectors means it is now primarily a centre for service industries and distribution centres. It has relatively high levels of economic inactivity within the adult population (27.6% against a UK average of 22.5%), low levels of pay and high JSA claimants. Manufacturing, wholesale and retail, and public administration, education and health are the predominant industries, and each features in greater proportion than the UK average. The business community is less transient and is well connected and served through the chamber of commerce and other local business groups. However, there is relatively little free local business support.

Glasgow is Scotland's largest city, with a population of approximately 600,000. Historically a centre of industry and manufacturing, the city declined in the latter half of the twentieth century and struggled

with a social and economic burden, which even today sees 28.4% of adults economically inactive (against 22.3% for the UK as a whole), JSA claimants at 2.1% (against 1.2% for the UK) and comparatively low earnings per worker. The city has experienced a great deal of economic regeneration in recent years, propelled in part through hosting the Commonwealth Games in 2014. There is an extensive range of social and business support services offered in Glasgow, and across Scotland more broadly, with a number of agencies and organisations involved in providing services. Some of these initiatives have benefitted from European grant funding in various guises. Glasgow City Council itself provides a range of services managed through a team of 'Business Advisers'.⁸

⁸ All data taken from <https://www.nomisweb.co.uk> – data correct as of 2015.

1 People management in SMEs: what do we know?

‘SMEs – using the UK Government’s definition as those with fewer than 250 employees – account for 24% of all businesses, 42% of business employment and 47% of business turnover.’

Until relatively recently the answer to this question would have been, ‘not a great deal’. Indeed, it was fairly common for journal articles on the subject to start by observing that the focus of most research on human resource management (HRM) had been on large organisations, and that SMEs had been largely neglected (for example Harney and Dundon 2006, Duberley and Walley 1995). This claim was not without foundation. Commentators who were wrestling with the debates about the meaning of HRM, trying to capture practice on the ground and pursuing the holy grail of establishing whether HRM made a difference to organisational performance, had tended to focus their attention on larger organisations. In some ways this was only natural, after all, in seeking out the evidence for the suites, or ‘bundles’, of strategically aligned, sophisticated HR practices recommended in the textbooks, designed and implemented by a department of HR professionals, the corporate world was the obvious place to look. However, it became increasingly clear that this approach resulted in the experience and impact of people management in a significant proportion of the economy being overlooked. After all, SMEs with between 1 and 249 employees account for more than 99% of businesses that employ staff (excluding, therefore, the self-employed and sole traders), over 51% of private sector employment and 43% of private sector turnover among businesses that employ staff.⁹ Put simply, there was a large, and very significant, gap in our knowledge.

This is not to say that people management in SMEs had been completely neglected. Pioneers in the field (for example Ram 1994, Rainnie 1989) worked hard to put SME HR on the agenda, and the CIPD has followed in that tradition (CIPD 2012, 2014). Researchers have worked hard to dispel two prevailing assumptions around SMEs: first, that SMEs are all the same, and second, that their employment practices conform with one of two stereotypes, perhaps best captured by the labels ‘happy families’ at one extreme and ‘bleak house’ at the other (Harney and Dundon 2006, Atkinson 2007). The first captured the idea that SMEs are informal, flexible and generally contented places, based on close interpersonal relations based on trust (often family relationships) and a shared sense of engagement with the organisation. The second reflects a perception that many SMEs operate under the employment radar, and at best are ‘unenlightened’ in their employment practices and at worst exploitative of their workers.

As our review of the literature will demonstrate, we can now say with some confidence that SMEs vary enormously in their approaches to people management, and we know a good deal about the factors associated with these variations. However, it is still probably also true to say that in the midst of this diversity, it is still possible to identify ways in which SMEs tend to approach the management of people differently from large

⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/559219/bpe_2015_statistical_release.pdf

organisations; to paraphrase Lai et al (2016), in this and other respects, SMEs are not simply 'little' big firms. More recently, researchers (for example, Rauch and Hatak 2016) have turned their attention to the question of whether HR strategies and practices in SMEs are associated with better organisational performance and how and why this may (or may not) be the case. The CIPD's recent work has also charted the evolution of a number of case study SMEs, highlighting that, like all organisations, SMEs are dynamic in many ways. As they change and grow, this results in a shift in required approach to people management.

We start our review by looking at what might be distinctive about the employment context of SMEs, before considering what is known about HR practice in SMEs. We conclude by reviewing the evidence for the impact of HR practice on the performance of SMEs.

What's special about SMEs? Are SMEs all the same?

Even working with our upper limit of 249 employees, it is immediately obvious that there is a world of difference between, for example, a 230-person-strong manufacturing firm and a two-person catering business, and that these differences are likely to extend to the ways in which they manage people. The organisations eligible to take part in the pilot project, whose experiences we report later, are those with fewer than 50 employees, so representing those at the smaller end of the spectrum, but still containing potentially important variations in size. However, it is also true that SMEs vary in ways that are not just to do with size, for example their sector, whether they are a start-

up company or an established business, whether or not they are family-owned, and so on. Does a small engineering firm have more in common with a medium-sized engineering firm than it does with a small charity? Indeed, one of the key debates is around the extent to which size shapes distinctive people management approaches in SMEs, and the extent to which other factors are involved and their potential significance (Timming 2011).

Too small for HR?

Leaving that question aside for a moment, if we start with the idea that firms' approaches to people management might vary with size, we need to ask what are the distinctive features associated with smallness and how they might have an impact. These questions have been extensively explored in HR/SME literature (compare Lai et al 2016, Mayson and Barrett 2006, Marlow 2006, Bacon and Hoque 2005, Timming 2011). There are four main issues that emerge.

Limited resources: SMEs are typically neither cash- nor time-rich. Sophisticated HR systems and 'good practices' cost money and take time to implement. SMEs often have neither. In addition, the return on investment may be distant, and more pressing and immediate concerns, for example getting the next order out, may limit the scope for longer-term planning.

Lack of expertise: HR interventions, if they are to be applied appropriately and implemented effectively, require specialist knowledge. SMEs typically do not have this at their disposal. As Mayson and Barrett (2006, p452) indicate: *'small firm owner managers, in the absence of knowledge of a more strategic*

approach to HR are likely to opt for short-term, cost-effective solutions to their current HR problems.'

In terms of acquiring that expertise, research suggests that firms typically only employ an HR professional when they have 80–100 employees (CIPD 2014). Of course the vast majority of SMEs are smaller than that.¹⁰

Preference for Informality:

SMEs are typically less formal, bureaucratic places than their larger cousins, relying to a greater extent on personal relationships rather than formal systems to get things done. Indeed, flexibility, staff engagement, and speed of communication and response are often much treasured sources of competitive advantage in SMEs and ones that larger organisations may struggle to replicate. Formal HR systems may be seen as undermining this, and are not necessarily welcomed.

Owner-manager autonomy: SMEs are in many cases the 'life's work' of the owner-manager, and as such often reflect their values, priorities and personality. Restrictions on the ability to run the firm how they want to may be resisted, and may be framed within a narrative around 'red tape', undermining entrepreneurship (Atkinson et al 2016). These may be the regulatory restrictions of the type that underpin a good deal of formal HR practice (for example in recruitment and selection, equality of opportunity, dismissal), or other formal systems (for example performance appraisal) that may cut across informal 'person to person' management styles and the sense of being in control of one's own business. These preferences may be heightened in family businesses (which

¹⁰ www.parliament.uk/briefing-papers/sn06078.pdf

‘The CIPD’s view is that we are moving away from fixed models of good or best practice in HR, with SMEs often demonstrating good examples of the value in adopting practices that are most appropriate for their particular business.’

many SMEs are), where (often) paternalistic discourses originating from the home, for example, around being head of the family and ‘doing things my way’, may be transplanted to the workplace (Holliday 1995).

Clearly it is important not to generalise, but there is a good deal of evidence that to a greater or lesser degree many SMEs exhibit some or all of these characteristics (Bacon and Hoque 2005, Lai et al 2016, Marlow 2006, Cassell et al 2002). However, there is considerable evidence to suggest that what happens in practice is more complex, nuanced and varied (Harris 2000, Atkinson et al 2016, Kitching 2016). As we will see in the following sections, evidence overall shows that SMEs are less likely than larger organisations to have ‘good practice’ HR practices and systems. Indeed, ‘good practice’ is subjective and context-specific, of course, and transferable to only a limited extent. Even if we accept this, there can be two different interpretations of what we see. On the one hand, one can interpret the absence of ‘good practice’ HR in SMEs as a ‘deficit’ arising from lack of resource, expertise and awareness. On the other hand, one could argue that a formal ‘good practice’ HR system is simply not the appropriate model of people management for small, informal and organic enterprises (Taylor 2005, Marlow 2006). As ever, the reality is likely to be somewhere in between, but to form a judgement we need to look more closely at the evidence. Indeed, the CIPD’s view is that we are moving away from fixed models of good or best practice in HR, with SMEs often demonstrating good examples of the value in adopting practices that are most appropriate for their particular business.

What is people management like in SMEs and why?

There are four main themes that emerge from research on HR practice in SMEs.

1 SMEs are less likely to have formal HR practices

The absence of formal HR practices in SMEs is a long-standing and consistent finding, bookended by Bacon and Hoque’s (2005) analysis of the 1998 WERS survey in the UK and Psychogios et al’s (2016) study of south-eastern European SMEs. There is also evidence that within the SME category, medium-sized firms have more HR practices than smaller ones (Garavan et al 2016, Innes and Retha 2012, ONS 2017). Innes and Retha (2012) found evidence of bundles of HR practices around key activities (for example resourcing, development). Within these domains and others (for example equal opportunities), there was a tendency towards more informal practice (CIPD 2014, Woodhams and Lupton 2009, Nolan and Garavan 2016). For example, recruitment and selection is often focused on person–organisation fit, rather than person–job fit, and training is often informal and in-house (Cardon and Stevens 2004). Hunter and Renwick (2009) reported that SME line managers tend to rely on colleagues for advice and support rather than on formal HR policies, even where the latter are present. This underlines an important point that formalisation of HR practice (usually what is measured) may not be as important as how the policy is interpreted and enacted on the ground (Harney and Dundon 2006, Atkinson et al 2016).

2 Size is not everything

As noted above, a number of authors have stressed the diversity among SMEs and the importance of context in interpreting approaches to people management (Marlow 2006, Cassell et al 2002, Timming 2011, Cardon and Stevens 2004, Teo et al 2011, Harney and Dundon 2006). The latter authors conceive of SMEs being part of an open system of influences on their employment systems, of which size was only one factor (product market, sector, employee type are amongst the others). Bacon and Hoque (2005) found that SMEs with a higher proportion of skilled employees were more likely to have more HR practices, as were those with more extended networks. Psychogios et al (2016) found that manufacturing firms, and those with international links, were more likely to have HR practices. Timming (2011), in a fascinating study of the body-art sector, argued that the culture of the industry and of particular firms have much more to do with the informality of approach than size.

3 Smaller organisations tend to be less 'strategic' and more 'reactive' in terms of HR

While textbook models of HR prescribe a strategic approach to people management, much of the research in SMEs highlights a piecemeal and reactive approach (Duberley and Walley 1995). Cassell et al's (2002) review of the literature at the time identified this aspect, speaking of 'triggers' that stimulated HR interventions (and whether or not they were taken up depended on a range of internal/external factors). This has been substantiated by empirical work by Doherty and Norton (2013) in

a Yorkshire bakery, showing that HR interventions were stimulated by innovation needs, and by Patel and Cardon (2010), who found that product market competition was a significant driver of improvement in HR systems.

Other environmental pressures have been identified as shaping HR systems. Bacon and Hoque (2005) wrote of the influence of 'coercive networks', for example the demands of large customers or trade unions driving changes in people management practices. In similar vein, Harney and Dundon (2006) identify firms' needs for accreditation or contract compliance being important factors. Where these pressures are similar in a sector, there is evidence that this can lead to adoption of similar processes; Tsai (2010) found that high-tech firms in Taiwan were remarkably similar in terms of HR practice, and 'good old-fashioned copying' from competitors should not be ruled out either. In contrast, Ho et al (2010) found considerable heterogeneity of practice within the sector that they studied, the biotech industry in New Zealand.

4 The role of the owner-manager is often key

It is perhaps an obvious point that in SMEs the approach, knowledge and attitudes of the CEO is likely to have proportionally greater influence on the direction and character of the firm. After all, they are that bit 'closer to the action', more involved in the day-to-day running of the business, and the levers that they can pull will have a more immediate and significant effect. This idea certainly lurks in the background of the discussion about HR take-up in SMEs (see above), but as

Garavan et al (2016) and Nolan and Garavan (2016) observe, it is not always explicitly examined in the literature. It is, though, interesting that a recent ONS study (2017) reports that family-owned/family-run manufacturing firms are the least likely to have formal management practices and are also the least productive. Mayson and Barrett (2006) pointed out that the level of formality in HR might be related to CEO skills and knowledge in these matters, and Heneman et al (2000) have usefully drawn attention to differences between prescriptions in the HR literature and SME owners' own attitudes and views.

Timming (2011, p580) puts it more bluntly when evaluating the factors affecting HR take-up in his research: *'perhaps most importantly, the complete lack of knowledge among owner/managers of what HRM means'*.

Empirical evidence of the effect of CEO expertise and orientation is, however, limited. That said, Garavan et al (2016) have found that take-up of leadership development in SMEs was heavily influenced by attitudes of owner-managers, and Ho et al (2010) found that in the New Zealand biotech industry, the CEO role was a critical factor in the diversity of HR practice. More recently, Georgiadis and Pitelis (2012) found that the role of the CEO was crucial in the link between HR and performance in SMEs in the UK hospitality sector.

Having looked at the evidence for HR take-up in SMEs, we can draw three main conclusions.

First, there is a diversity of practice among SMEs, but also some common themes.

‘It is worth noting that practice will also change over time depending on the ambitions and changing nature of the business.’

Second, size is not the only factor at play.

Third, SMEs tend to have fewer formal HR practices than larger organisations, tend to be more reactive and less strategic in their approach, and are often influenced in their approach by the values, attitudes and level of expertise of the owner-manager.

It is worth noting that practice will also change over time depending on the ambitions and changing nature of the business.

We should also be mindful of two other things. First, research may underestimate the ‘quality’ of HR practice in SMEs because it is looking for formal approaches that may not exist (Sheehan 2014, Atkinson and Sandiford 2016). Second, traditional large-organisation, formal HR might not be the appropriate model for SMEs (Taylor 2005, Timming 2011), so the fact that we don’t always find it might not necessarily be a bad thing.

With these things in mind we turn to the final issue, which is the question of whether particular approaches to HRM in SMEs work better than others. The HR–performance link is one that has preoccupied researchers for the last two decades (Huselid 1995, Guest 1997, Marchington et al 2016), with a reasonably consistent evidence base emerging that ‘good’ HRM is associated with better organisational performance, though rather less clarity about how and why this happens, and ongoing concerns about definitions and the strength of the methodological foundations. However, until quite recently almost all of the evidence on this point has related to

large organisations, while the HR–performance link in SMEs has been under-researched. Helpfully, in the last few years there has been a flurry of research addressing this gap.

Does HR make a difference to performance in SMEs?

There is now a wealth of studies indicating a positive relationship between HR practice and performance in SMEs. Underlying this overall picture is some fascinating insight into the kinds of approaches that have impact, what they impact on, and the circumstances in which they do so. It is also significant that some studies have shown not only that ‘good’ HR is associated with high performance, but that it precedes it.

A recent study of management practices and productivity in the UK manufacturing sector (ONS 2017) found that larger organisations are more likely to implement a range of structured management practices than small ones, and that the relationship between increasing size and take-up of formal management practice is most marked in the smallest organisations (10–49 employees). The study found consistent relationships between greater use of formal management practices and higher productivity. Practices around continuous improvement and formal approaches to promotion are particularly strongly related to higher productivity levels. Family-owned firms, which are also family-managed, tend to have fewer formal management practices and lower productivity.

Lai et al (2016) present one of a number of studies that have indicated that the extent of formality in HR practice is related to higher performance. Interestingly, these researchers

looked at the employee attitudes that might link the two. They found that employee satisfaction did have an impact, but not levels of employee commitment. Perhaps most significantly, they found that firms with already satisfied workers do less well when they formalise their HR practice, adding weight to those who question whether formality will *always* be appropriate in SMEs.

Verreynne et al (2013) also looked at the ‘aim’ of HR practices. In their Australian study, they found that better-performing SMEs had better-perceived HR systems, and particularly ones that focused on employee participation, engagement and informality. They note that ‘participation’ in particular is something that is often missed off the list of good practices that researchers look for when trying to account for performance improvements, but it looks like it may be key in SMEs, at least in this study. This was supported by an American study by Messersmith and Wales (2013), which found that a partnership (specifically) as part of high-performance work systems played a significant role in the relationship between entrepreneurial orientation and sales growth, and Atkinson’s UK study (2007), which found that relational psychological contracts, as opposed to transactional ones, were associated with stronger performance.

Messersmith and Guthrie (2010), Ogunyomi and Bruning (2016) and Rauch and Hatak (2016) found the same general relationship between more HR practices and firm performance. The latter is a particularly important contribution as it is a meta-analysis drawing together the results of 56 studies worldwide. Their headline findings were as follows:

- HR practices relating to skills development and empowerment were related to higher performance
- particularly in young firms and in high-tech firms
- more likely in more regulated labour markets (that is, where flexible responses to resourcing problems might not be available).

This last finding underlines the point that context and the external environment play an important role in SME HR practice.

A small number of researchers has looked at whether the strategic nature of HR (as opposed to the number of practices adopted) has an influence on organisational performance. Again, the results on this question are positive, as seen in studies conducted by Teo et al (2011, in Australia), Garavan et al (2016, in Scotland and Ireland) and Georgiadis and Pitelis (2012, in the UK). Some studies have looked at the impact of HR practice on particular outcomes. For example, Schmelter et al (2010) in Germany found a relationship between HR and entrepreneurial behaviour, and Khan et al (2013) in Pakistan found impacts on the performance of the wider supply chain of the firm. Lai et al (2016), in Britain, found that successful adaptations to recession were more prevalent in firms with greater HR formality. While most SMEs will not be preparing for Brexit, it may be that this adaptability will make them well placed to deal with the uncertainty it creates.

Perhaps of most significance are the studies that look at the impact of HR practices over time. One of the problems for snapshot research is that it can’t discount the possibility that any relationships found result simply from the fact that better-performing firms

can afford to invest in more HR practices. Longitudinal studies are able to do this. Notable ones that look specifically at SMEs are Rauch et al (2005) in Germany, Razouk (2011) in France and Sheehan (2014) in the UK. All three found that adoption of HR practice was a significant predictor of future firm performance. Sheehan’s study was particularly interesting in that it also confirmed the importance (found in other studies) of strategic alignment and of reinforcing ‘bundles’ (or sets) of HR practices.

Finally, it is worth noting that some of this research touched on the influence of people behind the practices, the owner-manager or, where present, the HR professional(s). For example, Teo et al (2011) found that the strategic orientation and contribution of the HR function had a crucial role in the HR take-up-performance relationship, while Woodhams and Lupton (2006) found that (in relation to diversity issues), the presence of an HR professional was associated with greater take-up of HR policy (though not practice). Garavan et al (2016), Rauch et al (2005), and Georgiadis and Pitelis (2012) all found that the role, attitude and skills/experience of the CEO was a vital contributory factor, suggesting that development in this area may be crucial. This point is underlined by Verreynne et al (2013), who found that CEOs were less attuned to the relationship between HR and firm performance than were their staff.

Taking stock and moving forward

Perhaps the most important thing that this review of the literature tells us is that SMEs are diverse in important ways (including size), and that generalising about their approach to people management needs to be approached with care.

‘There is a growing body of evidence to suggest that “better” HR practice in SMEs is also associated with enhanced performance.’

However, it is clear that they often operate under different pressures than larger organisations and have different resources available to respond to these. One result of this is that they are less likely to adopt formalised, sophisticated and strategically aligned HR practices of the sort that have been shown to be associated with performance improvements in larger organisations. There are good arguments to suggest that this may be because such formal approaches are not appropriate to many smaller enterprises, and/or that many SMEs are adopting equally successful informal approaches that are less visible to researchers. That said, there is a growing body of evidence to suggest that ‘better’ HR practice in SMEs is also associated with enhanced performance.

To the extent that this is true, this opens up important policy questions about how SMEs can be encouraged to invest in HR, and supported and advised in doing so. These are particularly challenging questions given that the literature suggests that SMEs are often resource-constrained and lack specialist people management expertise. Unfortunately, these are questions that have been left largely unaddressed by existing research. The pilot programme that we report on focused on three main issues in these debates, and in doing so sought to address this gap in our understanding and develop appropriate interventions. It was a practice-focused and pragmatically designed study that has made a number of significant contributions.

First, it focused on the need to develop leadership and management capability in SMEs, so that SME owners have a better understanding of the potential contribution of ‘good’ people

management to the success of their enterprises, and are more able to deliver it. The literature that we have reviewed above around levels of owner-manager expertise and attitudes in these areas, and the nature of current practice in the sector, suggests that this is an appropriate and important focus for research (Nolan and Garavan 2016).

Second, it addresses the question of the provision of support and advice for SME owner-managers in relation to employment matters. There are two issues here: one around how SMEs may be prompted to take up specialist advice, and second, the source of that advice. On the first point, we know very little about this in relation to HR advice specifically, although anecdotally it is suggested that SMEs seek advice on legal compliance on the basis of a desire to ‘stay out of court’. We know rather more in respect of business advice generally. A recent study (Mole et al 2014) showed that SMEs were responsive to mailshots, and also inclined to access internet-based resources directly, for matters where they already had some expertise (for example, sales or marketing). However, they were more reluctant to do either of these things when the matter related to more transformational capability-building in areas where they didn’t have expertise. Developing trust and relationships (Mallett and Wapshott 2016) was a key issue in engaging with this kind of change, and here SMEs tended to rely on word-of-mouth referrals through their networks before they would engage external advisers. As with much conventional advertising, mailshots and web advice did not do the job. Mallett and Wapshott (2016) also note that SME owners lack awareness of sources of support (despite these being

numerous) and find it difficult to assess its value, though awareness and interest in free or subsidised support is higher. These authors also note the fragmented nature of business support, and the onus this then puts on SMEs themselves to put their own package of tailored support and advice together, a considerable undertaking that may deter SMEs from engaging.

In relation to sources of advice and support, there is limited literature. Harris's (2000) study indicated that at that time the Advisory, Conciliation and Arbitration Service (Acas) was the most common source of external HR advice for small firms, but a quarter of the smallest firms used their accountant to advise on employment matters, and around a quarter of firms in the 25–99 size band were using their solicitor. This pattern is reinforced more recently by Kitching (2016), who also identified the prominent role of relatives or friends with an HR background as part of the support network drawn on by SME owner-managers (which also included Acas, the CIPD, chambers of commerce and other employer bodies). Kitching (2016, p613) speaks of those SMEs without access to professional HR advice as *'operat[ing] in a state of vulnerable compliance'*. This author also calls for research to investigate how owner-managers in SMEs come to understand HR issues as ones which require attention, and triggers the seeking of advice. A decade and a half ago, Harris (2000, p352) *'identifie[d] a need for intensive support tailored to the specific circumstances of individual firms in developing proactive approaches to human resourcing'*. The People Skills pilot programme takes up that challenge.

Finally, the pilot programme focused on SMEs' role as an employer of young people and apprentices. As we noted at the outset of the report, given the high proportion of workers employed in SMEs, and their prominent role as an economic driver, the extent to which they employ and develop young people has important economic and social consequences, not least in relation to the current UK Government's targets on the creation of apprenticeships. There is relatively little known specifically about SMEs' approach to younger workers. One concern might be that SMEs, with limited resources, are inclined to employ younger workers because they are cheaper (that is, they can be paid less under National Minimum Wage, National Living Wage protocols) and not invest in their development (in which case the social consequences would not be as positive as suggested above). However, Heyes and Gray (2004) found that age was a relatively minor factor in determining pay rates in SMEs, and that approaches to training were variable, rather than systematically minimal. They did find a reluctance to engage with apprenticeships and other accredited training because of the perceived administrative burdens. A study in Germany (Busemeyer et al 2012) has suggested that larger firms have benefited more from investment in apprentices than smaller firms, though it is not known whether this is the case in the UK, and whether it represents the perceptions of UK SME owner-managers. Research from LifeSkills,¹¹ based on a survey of HR decision-makers in SMEs across the UK about their attitudes towards work experience and apprenticeships, found that nearly eight in ten (77%) SMEs would like to hire young people

who have completed work experience or an apprenticeship, showing an appetite for work-ready candidates. However, the research also demonstrated the troubles that SMEs say they face in offering these schemes. The major barriers are cost, red tape and lack of internal resource, relevance and suitable candidates. Again, relatively little is known about this important area, and the People Skills pilot programme and its evaluation fills an important gap.

¹¹ http://www.newsroom.barclays.com/r/2918/uk_economy_could_receive__1_5bn_boost_if_barriers_to_smes

2 Evaluation methods

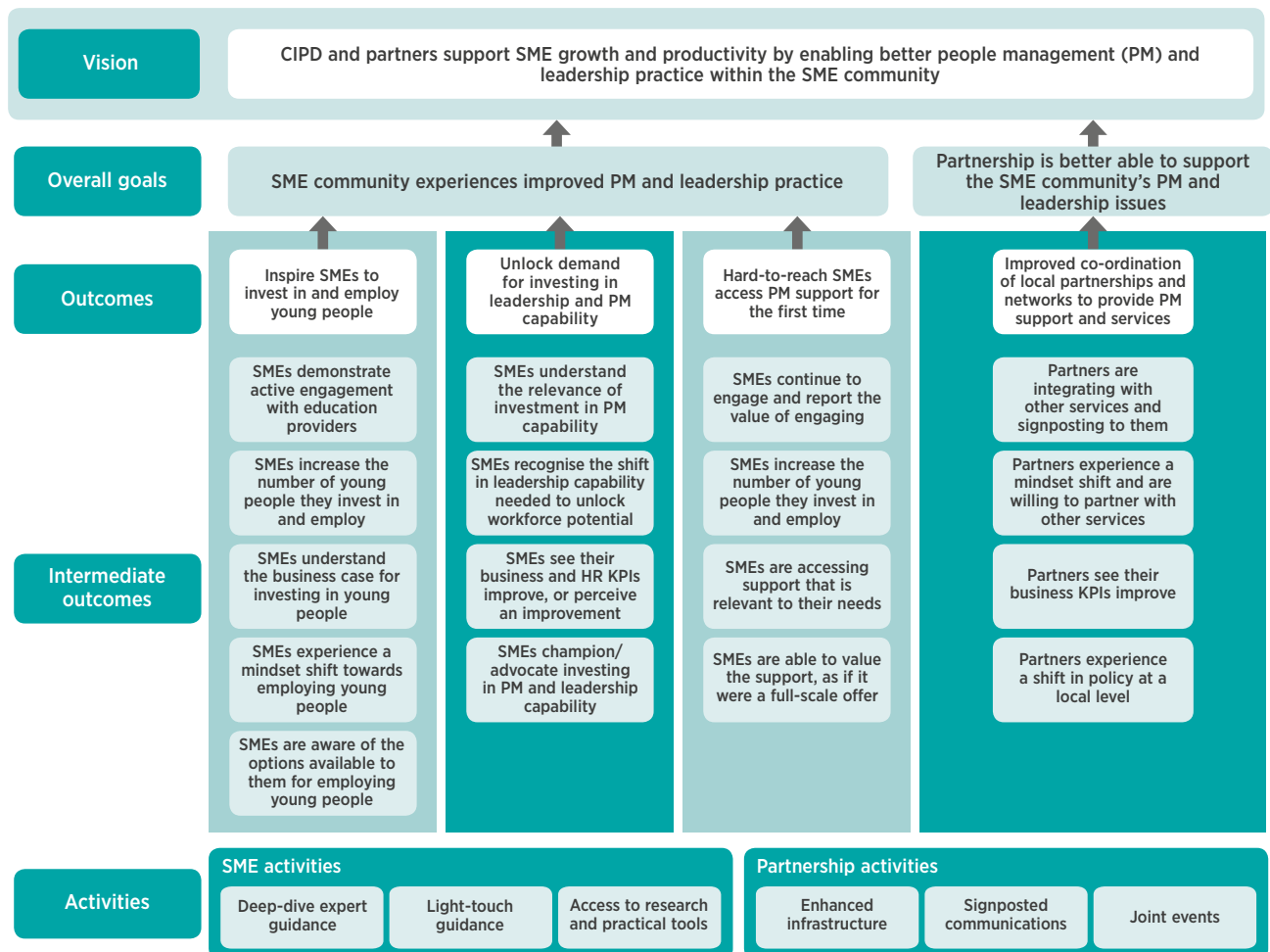
Theory of change model

The pilot programme evaluation was based around the theory of change (ToC) model specified by the CIPD/JPMorgan Chase Foundation (Figure 3). This combined a ‘formative’ approach that collected important data about the process of working towards change with summative reviewing to determine overall effectiveness. ToC developed

as a reaction to output-centred methods of evaluation that were strong on data but weak on explanation and has become widely adopted in evaluation interventions (Sullivan and Stewart 2006, Weiss 1995). Central to ToC was the requirement to surface the implicit theory (or theories) of action held by all participants. Stakeholders were encouraged to articulate their understanding of

the pilot programme’s goals, the mechanisms by which these would be achieved and intermediate indicators that provided evidence of its effectiveness. The strength of the ToC approach was that the evaluation and pilot programme teams entered into ongoing dialogue through which reflection and learning were facilitated.

Figure 3: CIPD/JPMorgan Chase Foundation People Skills pilot programme – theory of change model



Combining processes, ToC outcomes and key themes from the literature review, we devised a series of research questions that asked to what extent the pilot programme:

- 1 adopted an effective operating model
- 2 unlocked demand for investing in leadership and people management capability
- 3 inspired SMEs to invest in and employ young people
- 4 provided easy access to high-quality support for SMEs
- 5 improved co-ordination of local partnerships and networks to provide people management support and services.

Types of intervention

The ToC outcomes were designed around interventions that delivered

transformational change in SMEs via sophisticated people management processes, for example training, development and performance management. Early in the programme it became apparent that many interventions were of a more **transactional** nature, for example, contract and policy review, or **mixed** transactional issues with work that was somewhat but not wholly transformational. In what follows, we use the terms transformational, mixed and transactional to describe these types of interventions.

Data collection

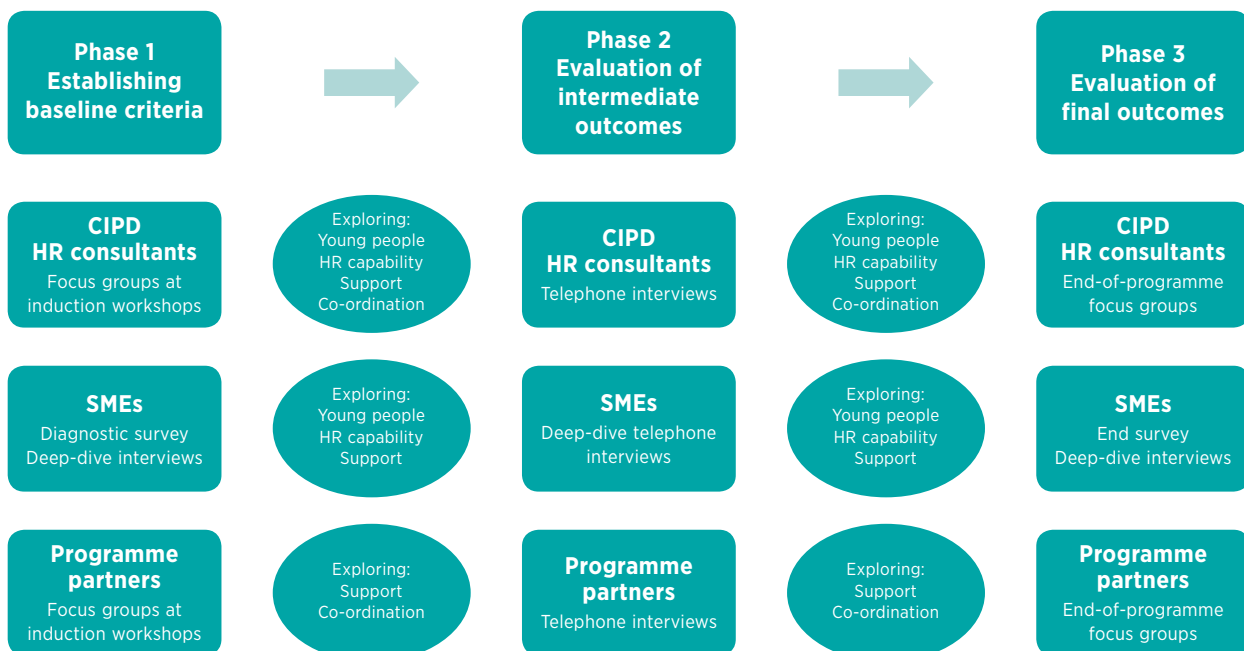
We designed an initial data collection model but, as is typical of evaluation projects, this was revised as the pilot programme progressed to reflect its dynamic

and experimental nature. We report here activities that actually took place, indicating, where appropriate, any changes to initial plans. We engaged with a range of stakeholders to obtain varied perspectives and included:

- CIPD pilot programme team
- programme partners
- programme co-ordinators
- HR consultants
- SME owner-managers and (where possible) employees.

We gathered data at three points: at the beginning of the pilot programme, mid-way through and when it ended. In all phases, we used a variety of methods to support the capture of context, process and complexity (Figure 4).

Figure 4: Evaluation phases and data collection methods



‘All survey data were collected online via email links sent to participating SMEs.’

Data collection: CIPD team, pilot programme partners, programme co-ordinators and HR consultants

We held focus groups at programme launches and HR consultant inductions to capture the expectations of these stakeholders. We asked them to imagine what ‘success’ would look like and these aspirations informed later evaluation. Across the programme, we had ongoing dialogue, some face-to-face but much by telephone, through which reflection and learning were facilitated. We again held stakeholder focus groups at the end of the pilot programme to gauge perceptions of the pilot programme’s effectiveness.

In addition to interview and focus group data, we designed data-capture spreadsheets to provide quantitative data. Each programme co-ordinator held a master spreadsheet, the ‘inquiry sheet’ that captured outline data for their location. This recorded details of each SME that had contacted the People Skills helpline, afforded a unique identifier number to support analysis and captured other basic details such as nature of enquiry and HR consultant referral. Each HR consultant also had a spreadsheet, ‘the contact sheet’, on which they recorded more in-depth data such as the intervention delivered, key issues, number of contacts, and so on. Each programme co-ordinator integrated inquiry and contact spreadsheets and returned them to us on a monthly basis so we could monitor progress.

Data collection: SMEs

SMEs were of course the critical stakeholders. Here we used two main data collection approaches: surveys and ‘deep dive’ case studies, where we gathered

quantitative and qualitative data from owner-managers and (where appropriate) employees.

Surveys

We conducted two surveys, designed around process and ToC outcomes, one at the point where each SME first engaged with the pilot programme (‘initial survey’) and one for all SMEs at its conclusion (‘final survey’). We used perception-based measures, which reflects common practice in other respected social science surveys (for example van Wanrooy et al 2011). For example, we gathered data on owner-manager perceptions of people management and support required, views on and intention to employ young people and the types and levels of people management support available. We also gathered data on typical ‘hard’ people management metrics, for example, workforce numbers and workforce demographics to determine, for example, the numbers of young people already employed. The nature of SME operations and the typically rudimentary nature of their human resource information systems (HRIS) means that completion of these latter data was somewhat limited. We also gathered data on perceptions of SME effectiveness (for example, how SMEs fare compared with their competitors in relation to quality of product or service, labour productivity and financial performance; see again van Wanrooy et al 2011) to support analysis of whether this changed across the pilot programme. All survey data were collected online via email links sent to participating SMEs. A condition of joining the pilot programme was that all owner-managers committed to completing the online survey. We repeated the online survey at the end of the

pilot programme, with some additional process questions, to analyse progress towards the desired outcomes. As might be expected, getting busy SMEs to complete these surveys was challenging, and the HR consultants had a key role to play. They were asked to complete the survey with the SME on their first visit and in this way achieved 172 completions (of 416). They also worked with SMEs at the end of the programme to achieve 90 completions. 57 SMEs completed both the initial and the final survey (full details in section 3).

Additionally, for comparative purposes, we gathered online data using the initial survey from SMEs that did not engage with People Skills ('general survey'). We sent email links to all SMEs on the programme partners' distribution lists in Glasgow and Stoke. The partner in Hackney was not able to support in data collection. Characteristics of the SMEs in the general survey were broadly comparable with those in the People Skills survey. Survey completion was again challenging but we generated 70 responses across the two locations, which provided useful comparative data.

Deep-dive SMEs

We undertook a number of 'deep dive' SME case studies, which were identified and referred to us by HR consultants delivering the interventions. Initially, we aimed to conduct 21 deep-dive case studies (seven per location) with SMEs engaged in transformational interventions. As the pilot programme progressed, it became apparent that many SMEs were engaging in (relatively) transactional interventions. The challenges faced by the pilot programme team in engaging 21 deep-dive case studies led to us also working with some 'shallower'

dive case studies engaged in transactional interventions. We conducted a final total of 17 case studies. In most deep-dive SMEs, we conducted semi-structured face-to-face interviews with managers and (where appropriate to the intervention) employees at the intervention's beginning and end, with a telephone interview with the owner-manager around the mid-point of the intervention. Some of the shallower-dive data collection was by telephone only on one or more occasions.

Data analysis

Focus groups and interviews

We captured key themes via flipcharts at focus groups and recorded all interviews, which we then listened to and extracted key themes. Informed by our research questions, themes were written up first by stakeholder group and location. These were then integrated to one overall analysis reflecting all stakeholder (other than SME) views on process and outcomes.

SMEs

For SMEs engaging with People Skills, we uploaded spreadsheet and online survey data into a statistical analysis software package (SPSS), linking all data points to a particular SME via the unique identifier on the inquiry sheet. We produced a series of descriptive statistics related to the research questions. We additionally conducted statistical tests on Likert scale data to establish whether any significant changes had taken place between the initial survey data (Time 1, T1) and the final survey data (Time 2, T2) for the ToC outcomes.

We also uploaded general survey data, from SMEs not engaging with People Skills, into the SPSS dataset. As we had not conducted the general survey in Hackney, we

compared the general survey data for Glasgow/Stoke against the initial survey data from Glasgow/Stoke, excluding Hackney. We again produced a series of descriptive statistics, which for reasons of space are not included in this report but are available on request. We then conducted statistical tests on Likert scale data to establish whether any significant differences existed between the People Skills survey data and the general survey data.

For both analyses, all percentages are based on questions answered and missing data is excluded. We identified a number of interesting patterns, some of which are statistically significant (that is, are unlikely to result from chance) but many of which are not. While less rigorous, the latter analysis is nevertheless interesting and lack of significance may result from, for example, issues of sample size.

We recorded all deep-dive interview data and listened to recordings to extract key themes. These were written into vignettes that outlined SME context, intervention and outcomes for each deep dive (provided in *Case Studies: Deep-dive SME vignettes*). Detailed reading of the vignettes supported condensing key themes into one overarching narrative analysis.

Analyses are presented in section 3.

Ethics

The pilot project evaluation plan was subject to normal Manchester Metropolitan University ethical scrutiny and approval. All usual ethical protocols were followed. For further information, visit www2.mmu.ac.uk/research/our-research/ethics-and-governance/ethics/

3 Findings

Pilot programme stakeholders: CIPD team, programme partners, programme co-ordinators and HR consultants

Here we present findings from interviews and focus groups conducted with pilot programme stakeholder groups across all three locations. All the data is qualitative and is drawn from focus groups and face-to-face/telephone interviews. Stakeholder groups included: CIPD team members, programme partners, programme co-ordinators and HR consultants (Table 3).

For brevity, we combine stakeholder perspectives, drawing out where appropriate any key differences across groups or locations. There are two main aspects to our discussion. First, we discuss People Skills processes and consider their effectiveness. Second, we consider the extent

to which stakeholder groups felt that the ToC outcomes had been achieved.

People Skills processes

Here we present stakeholder views on the People Skills offer, engagement with it and barriers to take-up. We then discuss pilot programme delivery and legacy.

There was general consensus that People Skills was a great offer for SMEs, with one HR consultant saying: *'It was like a dream: "we're going to help all these small businesses and here's a pot of money".'*

Its flexibility was a particular strength, as it evaluated SMEs' particular needs and designed and delivered a tailored intervention. It was not, however, unproblematic, and we consider here both the successes and challenges of the pilot programme.

SME engagement with People Skills

Although the total number of businesses engaging with the scheme was impressive, engagement varied widely across the three locations. Two factors are thought to account for this: choice of partner and geographical characteristics. While generating SME referrals was initially harder than anticipated across all locations, Glasgow saw the greatest uptake. This resulted from partnering with Glasgow City Council, which had offered sustained business support over a number of years and had developed a strong SME network. Despite this, buy-in from the Executive Adviser network (an employed team within the council) took some time to develop and referrals were initially slow. In Stoke, the chamber of commerce partner networks generated a reasonable level of uptake and

Table 3: Stakeholder groups and data collection

Group	Location	Method	Timepoint
CIPD team members	Hackney, Glasgow and Stoke	Focus group Face-to-face and telephone interviews	Programme launch, interim and programme end
Programme partners	Hackney, Glasgow and Stoke	Focus group Face-to-face and telephone interviews	Programme launch, interim and programme end
Programme co-ordinators	Hackney, Glasgow and Stoke	Focus group Face-to-face and telephone interviews	Programme launch, interim and programme end
HR consultants	Hackney, Glasgow and Stoke	Focus group Face-to-face and telephone interviews	Programme launch, interim and programme end

many referrals also came from the HR consultants' own networks, as they were well embedded in the location. The HR consultants, however, suggested that the chamber connection might have 'put off' some SMEs, either because it was seen as 'official' or because of its historical association with support for larger businesses. Take-up was lowest in Hackney, where the partner, Hackney Borough Council, offered no formal business support and where there was no locally focused chamber of commerce. Here, it proved challenging to persuade SMEs to engage, and while, over time, the Glasgow and Stoke partner networks delivered substantial SME referrals, numbers remained lower in Hackney.

Reliance on existing partner networks was particularly important, as direct forms of marketing, such as email shots, newspaper and magazine advertisements, generated limited SME response. This was particularly so in Glasgow, where a wide range of advertising was largely ineffective in encouraging the so-called 'hard to reach' SMEs to access support. The exception to this were workshops run by the city council on topics such as employee engagement, where SMEs attending were then signed up to People Skills. Workshops also proved relatively effective as an attraction mechanism in Hackney and Stoke. Other mechanisms were also adopted, for example, the chamber in Stoke used open advertising and social media channels, which enabled marketing to be targeted at SMEs that might need it most and/or be most likely to take it up, particularly start-up/young SMEs. While more successful than the Glasgow advertising, it nevertheless generated relatively few referrals. In Hackney, the borough council played a relatively

minor role in generating referrals and there was thus significant onus on the programme co-ordinator to use conventional marketing approaches. Mechanisms included website links, magazine adverts, a free phone line, flyers and, like Glasgow and Stoke, themed workshops. These had some, but limited, success.

The HR consultants in Hackney regretted the absence of good partner networks and felt that they '*only covered the surface of businesses in the area*'. Geographical characteristics might also have inhibited take-up in Hackney. One stakeholder said:

'What would work in the rest of the country, probably wouldn't work in London. It feels like a two-speed country: London and the rest. It's not just a Hackney thing; it's a London thing. London is so much more dynamic, energetic, there is so much more churn in terms of both start-ups and the labour market. People don't identify with their local [partner] in the same way as they do outside of the capital. There is a blend of different identities; it's difficult for anything to cut through really.'

Notably, other business support agencies in Hackney echoed the challenges faced by People Skills, with lack of support networks and a highly transient community creating access difficulties.

While the benefits of engaging with Glasgow's and Stoke's partner networks are clear, the extent to which 'hard-to-reach firms', a pilot programme aim, accessed People Skills is questionable. Across all locations, there was a concern that these SMEs, perhaps those with most need, had not engaged, which leaves open the challenge of accessing such SMEs.

'While the benefits of engaging with Glasgow's and Stoke's partner networks are clear, the extent to which "hard-to-reach firms," a pilot programme aim, accessed People Skills is questionable.'

‘The most commonly expressed barrier to take-up was time, which was closely allied to lack of understanding of the value of HR.’

Additional barriers to engagement

We consider here a number of other factors, common across all locations, that were identified as barriers to engagement with People Skills.

SME-readiness

The first relates to the ‘readiness’ of SMEs themselves and their typical focus on ensuring business survival rather than engagement with anything more sophisticated. SMEs could also be reluctant to expose their lack of HR practices to scrutiny, or simply just want to ‘run their own show’. As one consultant put it: *‘You have to be very open-minded to say “I’m just going to use you as a resource to improve”.’*

Some questioned whether the ‘free’ offering, which was overwhelmingly seen as an attractive feature of People Skills, might also have impacted on its perceived credibility and SMEs’ commitment to it. The offer of a ‘health check’, rather than an open offer to engage with the programme, might have attracted more SMEs. Engagement at a senior level was also vital, as withdrawal from the programme was more likely if interactions had been led by a relatively junior member of staff.

Finally, the initial interaction was important and shaped SMEs’ future engagement with the programme. As one consultant argued: *‘If you engage with the client face-to-face initially, you are off to a better start and you make ground quicker compared with a telephone/email first contact.’*

Certainly later data on nature of contact support this. Travel times around London created challenges here and led to a greater reliance on telephone contact, which again could have contributed to reduced ongoing engagement in Hackney.

Issue-led engagement

The second barrier resulted from SMEs engaging only when they had a particular issue: for example, when they were concerned that they did not have a contract of employment or where they had a particular sickness absence problem. It was rare for SMEs to engage with the aim of undertaking more sophisticated people management work, for example development of performance management systems. This was allied to the final barrier, below: lack of understanding of HR and its potential relevance and contribution. SMEs were sometimes also seeking financial support and would not engage where the offer was advice-led. Even where SMEs did engage, if an issue was quickly resolved, they tended not to take up further, more proactive support. Indeed, in some cases, HR consultant diagnosis of the required intervention caused SMEs to disengage, as they were reluctant to ‘open Pandora’s box’. For example, one SME was advised to harmonise terms and conditions across employee groups and simply felt it could not manage the work required. These attitudes served, at least in part, to explain the largely transactional nature of the People Skills interventions offered, which we discuss further below.

Understanding the contribution of HR

The most commonly expressed barrier to take-up was time, which was closely allied to lack of understanding of the value of HR. SMEs were time-poor, striving to survive and grow, and typically recognised the need to invest time in finance and marketing as business-critical activities. This prioritisation did not extend to HR, and making time to engage with

People Skills never ‘made it high enough up the to-do list’ for many SMEs. As one stakeholder said:

‘Some managers absolutely get it and do it effortlessly, but for other SMEs, they rumble on with endless challenges and headaches because of the lack of support and understanding that you can improve how you manage people and it becomes easier and better.’

The question remains as to how to create this understanding as, without it, many SMEs had no incentive to work with People Skills. As we demonstrate in the later deep-dive SMEs, many had limited appreciation of the value of good people management: the typical view was that HR comprises only formal policies and procedures that they do not need. A partial exception to this were more knowledge-intensive SMEs (for example engineering firms and architects practices), which were more likely to understand the value of people management.

Delivery

Delivery of the People Skills offer was widely seen as effective. All three programme partners hosted a programme co-ordinator, who fielded enquiries and connected SMEs to a locally based HR consultant with experience appropriate to their needs. For SMEs, one phone call was all that was required, and then a consultant would make contact. The process was regarded as quick and easy by all involved.

The model of independent consultant delivery was also perceived to be effective, in that it offered both flexibility and a wide range of skills and experience. Consultants were enthused by involvement with People Skills: *‘It genuinely made a difference, I feel good about that.’*

Later SME survey data strongly supports these stakeholder views on the effectiveness of People Skills delivery.

Legacy

Some stakeholders expressed concern that insufficient consideration had been given at People Skills’ outset as to what would happen at its conclusion. HR consultants in particular felt that communication of this was inadequate and were concerned that support had been provided, and then would be withdrawn, leaving SMEs ‘high and dry’. Equally, they were concerned that SMEs needed continued support to realise the benefits of interventions and that this would not be available.

Glasgow City Council was so convinced of the benefits that it applied for and won European Regional Development Fund monies to continue with its own version of People Skills. In Hackney, HR was suggested to be ‘creeping onto the agenda’ alongside finance and marketing in some business support offerings, providing a degree of confidence that understanding of its importance was developing. Across all locations, a number of SMEs were considering or actually retaining the services of the HR consultants, which was testimony to the value of the People Skills offer.

In summary, stakeholders considered the People Skills offer to be effective, despite some early (and continuing in Hackney) difficulties in generating engagement. As one said:

‘It’s been broadly good but there’s been ups and downs. I’m proudest of the actual impact of the work that has happened with the SMEs and that the HR consultants have

done. Those businesses engaged with the programme have had a positive experience and got lots of value from it. They’ve had their eyes opened from this, which is great. Providing this support to SMEs makes a big difference, adds value, helps them grow and be better.’

In that vein, we move on to consider the pilot programme’s effectiveness in delivering the ToC outcomes.

Theory of change (ToC) outcomes

Views on the extent of achievement of the theory of change outcomes were fairly consistent across locations, although, as with processes, there were some variations. We consider each outcome in turn here, but stakeholders were generally positive. As we will see, however, the achievements were at a more transactional level than initially (and potentially naively) anticipated.

Unlocking demand for investing in people management and leadership

Achievements here were modest. Many felt both that SMEs were not at the right stage of development for this level of outcome, in terms of an appreciation of the value of people management, and that the 12-month duration of the programme was not long enough to achieve it. While some transformational work had taken place and some transactional interventions had been transformative, the overwhelming majority of the interventions dealt with matters such as handbooks, contracts, policies and procedures. Numbers of SMEs without basic (often legally compliant) HR arrangements were higher than anticipated and transactional interventions were perceived to

be important and necessary work that left SMEs more confident and better placed, with a stronger foundation for developing their HR practices should that become possible in the future. Getting SMEs to that point was a significant achievement and more time was needed for People Skills to achieve more transformative outcomes on a wider scale:

'For many smaller businesses, simply getting "the basics" right has had a hugely positive impact on their business and given them the confidence to think more strategically about how they might better manage their staff in the future.'

Transactional emphasis resulted largely from the barriers discussed above, and many SMEs felt they were not ready for transformational work. Managers had a purely transactional and compliance-based view of HR and were simply not prepared in outlook or leadership to take on significant change. This meant that, in the face of substantial time pressures, SMEs did not prioritise addressing their people issues as they failed to appreciate the resulting benefit to business performance. The dominance of transactional interventions created limited attitude change, although the small number of transformational interventions were felt to have changed attitudes, particularly where the HR consultant was embedded in the workplace and coaching and/or training was delivered. In a small number of cases, People Skills did generate recognition in SMEs of their lack of people management skills and its potential benefits. In summary, however, relatively limited progress against this ToC outcome was achieved.

Inspiring SMEs to invest in and employ young people and apprentices

Views were mixed around this outcome, and again location and context was critical. People Skills had somewhat limited impact in Glasgow, where the city council's Glasgow Guarantee (long-standing apprenticeship programme) was already very effective. Indeed, many People Skills referrals were generated via the Glasgow Guarantee. Nevertheless, most consultants ensured SMEs were aware of the available support for employing young people and apprentices and there were some positive outcomes.

In contrast, this agenda was less prominent in Hackney. This was in part because SMEs were generally too time-poor to deliver required training and also because there was typically already a young workforce profile (albeit not apprentices) across many SMEs.

In Stoke, People Skills provided a good vehicle to raise awareness and encourage and support SMEs to achieve this outcome. HR consultants were proactive in SME visits and the co-ordinator focused on the successes here, referring to the support and training provided by consultants, and to examples where companies had taken on apprentices (directly or indirectly) as a result of contact with People Skills. Some SMEs had also taken on HR interns from a local university via People Skills engagement. The HR consultants were more guarded, agreeing the programme provided a good context for promoting the issue, particularly when it had been possible to build rapport and confidence through dealing with other HR challenges, but less clear about its actual delivery.

There were a number of challenges that were widely shared. The first was that promoting employment of young people and apprentices was not seen as appropriate, given the issue-led nature of the programme, and felt 'superfluous'. Second, there were concerns in some locations over the quality of apprenticeship providers and a suggestion that integrating apprenticeship providers in People Skills at the outset would have been of significant benefit. This is a factor to consider in any future People Skills-type programme. Finally, the circumstances of the SMEs themselves made achieving this outcome difficult. While SMEs tended to be receptive to the idea of engaging young people and apprentices in principle, and could see many positives (for example, as a cost-effective resourcing solution), they struggled to do this for a number of reasons. These included the perceived bureaucracy of apprenticeship systems, lack of resource to support a young worker, inappropriateness of young workers to the particular needs of the operation (for example, type of clients), and previous poor experiences of employing apprentices/young workers and of apprenticeship providers. In summary, relatively limited progress against this ToC outcome was achieved and there was a view that there was '*[a limited] extent to which you can shift small business in terms of young people and apprentices*'.

Apprenticeship benefits have to be balanced against considerations such as the required management time, effort and energy.

Providing easy access to high-quality support

People Skills offered support through both *HR Inform*, where all participating SMEs were signed

up to an online subscription self-service HR system, and through interventions delivered via a dedicated HR consultant.

HR Inform

Response to free *HR Inform* access varied by location. In Glasgow, the system was very positively received and feedback from deep-dive SMEs referred to it as a 'life saver'. It was the first port of call, for example, for policies and procedures, employment contracts, templates and tools. It also provided a telephone helpline on employment law queries, which some SMEs accessed. Take-up was more limited in Stoke and Hackney, the latter particularly preferring to rely on internet search engines as information tools. It is not clear why these geographical variations existed, but it may have resulted from the attitudes of programme co-ordinators and HR consultants. Certainly, it was highly valued by those in Glasgow, who regretted that its offer would be withdrawn at the programme's end and felt that SMEs would then be unlikely to afford to continue their subscription. There was general agreement that to maximise *HR Inform*'s value, SMEs needed to work with HR consultants to tailor and adapt material to their own context. This is unsurprising, as *HR Inform* is designed to be used by HR professionals, typically employed in larger organisations. It could also be used in more sophisticated ways; one Glasgow consultant, for example, used the workplace scenarios as a coaching tool to develop skills when managing underperformance. The offer of *HR Inform* delivered against this ToC outcome in Glasgow, but not in Hackney and Stoke.

HR consultant-delivered interventions

All stakeholders viewed the People Skills HR consultant model

very positively. Use of locally based freelance consultants was a particular benefit as it offered great flexibility to respond to variations in demand. It was suggested that contracting with a consultancy business might provide even more flexibility, but this was not a widely held view. Another benefit was the wide range of skills and experience this facilitated that could be effectively matched with SMEs' needs. For one programme co-ordinator, *'the biggest learn was to have a variety of characters and to match these to SMEs. It took a while at first, and we needed some swaps, but that's inevitable.'*

The model of contacting a People Skills co-ordinator via a telephone helpline and then being referred to a consultant was seen as straightforward and effective. The quality of support offered was high and perceived to have had significant positive impact on SMEs. While, as noted above, much of the work had been more transactional in nature than anticipated, it had met SMEs' needs and left them in a stronger position. There were two main key factors underlying this. First was the opportunity for SMEs to work directly with an HR consultant who would provide bespoke advice. A number of SMEs had experience of engaging consultancy firms and felt that People Skills was a significant improvement on the off-the-shelf solutions previously offered. Second was the ability to form a relationship with an HR consultant who would visit the SME, try ideas out, talk through solutions and in some cases offer training or coaching. This generated both confidence and capability in the SMEs. An important indicator of People Skills' success was that a number of deep-dive SMEs were seeking to continue the relationship,

'Response to free HR Inform access varied by location. In Glasgow, the system was very positively received and feedback from deep-dive SMEs referred to it as a "life saver".'

paying commercial rates, with the consultant beyond the end of the programme.

There was significant delivery against this ToC outcome, albeit at a more transactional level than initially anticipated.

Improved co-ordination of local partnership and networks to provide PM support and services

Delivery here was deeply embedded in the partners' local context. In Glasgow, People Skills was primarily promoted via the city council's Business Team. This was Executive Adviser-led with two teams of advisers, start-up and growth, who assessed firms' needs and matched them with the city council's (or beyond) offerings. Referral to People Skills thus depended on the effectiveness of the Executive Advisers and, as noted above, their awareness grew over the period of the programme. The HR consultants were also encouraged to refer SMEs to other support services and the effectiveness of this was consultant-dependent. Some were very aware of the support landscape and successfully cross-referred, others less so. A couple who were well connected felt this was the biggest difference they had made. Stakeholders recognised the lack of a central point where SMEs could go to identify support and that the overall offer in Glasgow, alongside many other cities, was quite complicated. This is seen as 'endemic' and that *'it would take more than People Skills to sort that out'*. Nevertheless, some working groups had been established to map out the pathway of all organisations offering support for young people.

In Hackney, the borough council did not offer business support services and was described as a 'silent partner' with no mechanism

to co-ordinate across SMEs. Rather, it acted simply as a signpost to other support services, offered by, for example, financial services organisations. As noted above, internet search engines were the main support tool used by Hackney SMEs, which might result both from the lack of borough council offer and the 'tech' nature of many SMEs there. Beyond that, SMEs relied on their own networks and word of mouth.

In Stoke, the picture was reasonably positive. The chamber of commerce was considered an appropriate and effective delivery partner, had generated robust demand, and effectively co-ordinated stakeholder communications. Some consultants were concerned that the People Skills offer cut across other chamber services in ways that were not helpful. Overall, however, the consultants felt that the project had reinforced and developed productive links between them, SMEs and the chamber, and that these would be of future benefit. Indeed, as a result of People Skills, the consultants had created their own informal learning network, and were also planning to set up a consultancy special interest group at the local CIPD branch. The chamber of commerce itself was also very positive about the impact of its partnership role. People Skills engagement had led to a healthy number of SMEs signing up to chamber membership; the programme had raised both its profile in the local business community and awareness of other business and HR services that it provided. People Skills had reinforced the chamber's relationships with the CIPD locally and with local HR consultants and practitioners, and the chamber was planning to reintroduce their HR forum as a direct outcome of the project. People Skills had also improved the chamber's partnership working with other organisations,

for example apprenticeship training providers, local universities and the Local Enterprise Partnership (LEP). Discussions were already ongoing with the LEP about incorporating a 'People Skills model' into their skills programme.

While Stoke had made most progress against this ToC outcome, there was generally a sense that previous government initiatives had:

'...broken up the architecture of business support and it's quite fragmented in the UK. How do you reach these businesses if they are not sure where to look for help and support. [Policy-makers think] if you put something in place, SMEs will follow, [but] probably not. SMEs are not interested ... It's interesting and troubling but it's just a reality.'

These challenges of fragmented business support services and lack of SME interest/engagement underpinned the mixed delivery against this ToC outcome.

Summary

Overall, People Skills was perceived to be an effective model and to have delivered high-quality people management support to SMEs, despite initial take-up challenges and a more transactional level of operation than originally anticipated. Its success here is evidenced in Glasgow City Council's continuation of (a version of) the pilot programme and a number of SMEs continuing to work on a self-funded basis with the People Skills HR consultants. Delivery against the other ToC outcomes was somewhat limited; however, there was a sense that these had been ambitious and that more than a one-year programme was needed to achieve them. Stakeholders were, nevertheless, very positive and felt that People Skills had achieved more modest, but still very valuable, outcomes.

SME survey findings

In this section, we present data on both People Skills' processes and ToC outcomes. Taking processes first, we present data on SME engagement with People Skills and how awareness of the pilot programme was generated. We then consider the characteristics of the SMEs involved, where they had previously obtained people management support, whether this was helpful, and the nature and level of their engagement with People Skills. Finally, we analyse the extent to which this engagement influenced the ToC outcomes to evaluate the pilot programme's overall effectiveness. Most of the data is quantitative and is taken from:

- the inquiry and contact sheets compiled by the project co-ordinators and HR consultants
- the initial and final People Skills surveys
- the general survey of SMEs that did not engage with People Skills
- a small amount of qualitative data from open response survey questions.

Across the three locations, there were 449 initial enquiries to the telephone helplines and these converted into 416 HR consultant contacts with SMEs (Table 4). Although initial take-up was somewhat slower than anticipated, final engagement levels in Glasgow

and Stoke were substantially higher than the target of 50. Take-up in Hackney was harder to generate, although the target was ultimately achieved. While these figures are encouraging, as already noted, engagement was more transactional than anticipated and we explore this below.

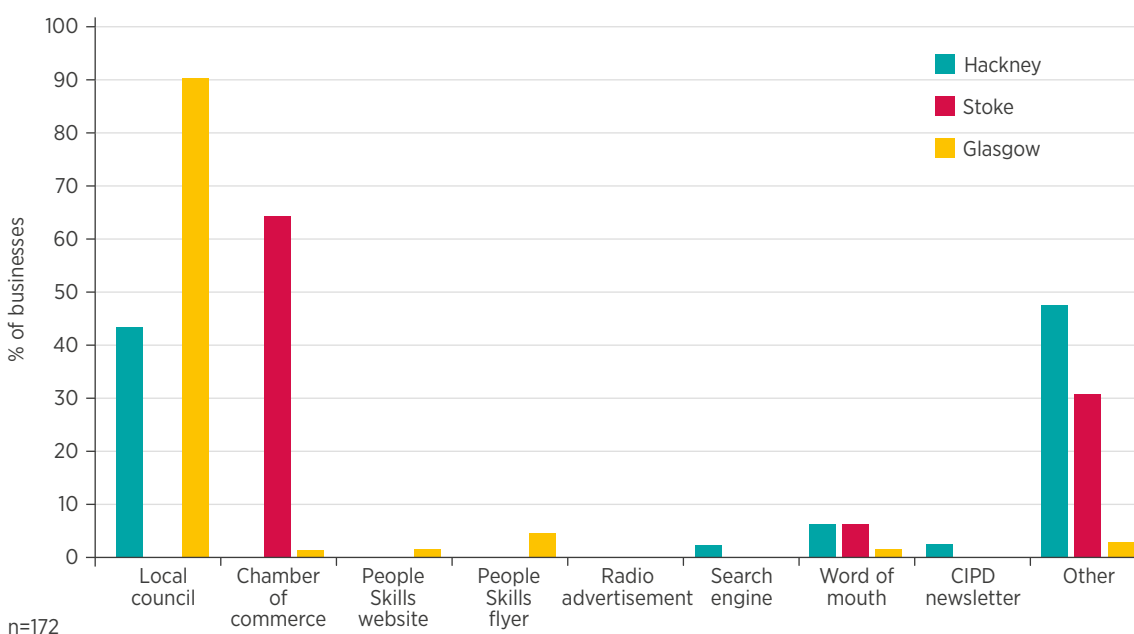
Programme partners were critical to generating awareness of People Skills and were the primary referral mechanism in both Glasgow and Stoke (Figure 5). This was particularly marked in Glasgow, although 30% of Stoke referrals came from other sources, mainly the HR consultants' own networks. Referral sources were more varied in Hackney, reflecting the

Table 4: SMEs engaging with People Skills

	Initial enquiries	HR consultant contact	Initial survey	Final survey*
Glasgow	232	201	79	45
Hackney	53	52	38	23
Stoke	164	163	55	22
Total	449	416	172	90

*n=57 for SMEs completing both initial and final surveys

Figure 5: Source of referral to People Skills



partner's less influential role and the need for substantial additional marketing activity. This included events, in some instances based around primary areas of enquiry and thus tapping into key areas of SME concern, newspaper advertising and direct referral. As earlier stakeholder data indicates, marketing was not particularly effective and, despite forming nearly half of Hackney's referrals, these numbered fewer than 30. Traditional forms of marketing met with limited success across all three locations, which underlines the key

role of the partner and, critically, the selection of an effective partner in programme delivery.

Characteristics of and previous support accessed by SMEs

Business size was fairly evenly distributed, with most SMEs employing between 5 and 19 people (Figure 6). Most were private limited companies and around a third in Stoke and Glasgow were family businesses, although this figure was only 13% in Hackney.

There were few patterns by other factors, such as length of time trading or sector, although Hackney saw the greatest engagement by wholesale and retail SMEs (10), Stoke by manufacturing SMEs (23) and Glasgow by scientific, professional and technical SMEs (65). Annual turnover was also fairly varied, although (unsurprisingly) the bulk of SMEs generated less than £1 million and a fair proportion had turned over less than £82,000 in the previous 12 months (Figure 7).

Figure 6: Size of business, by number of employees

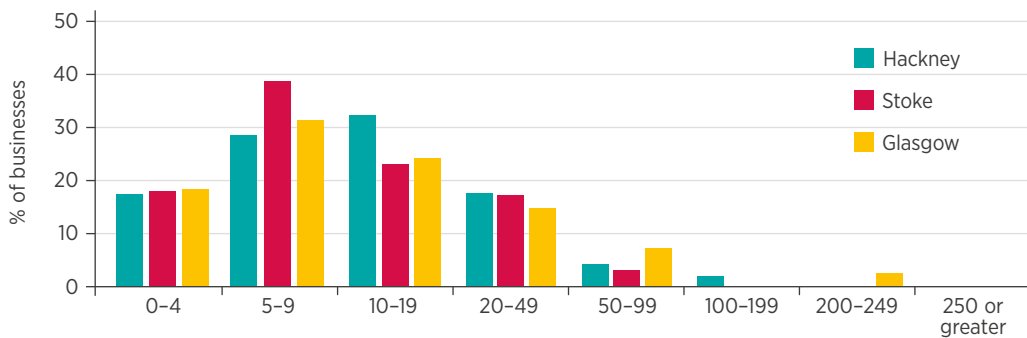
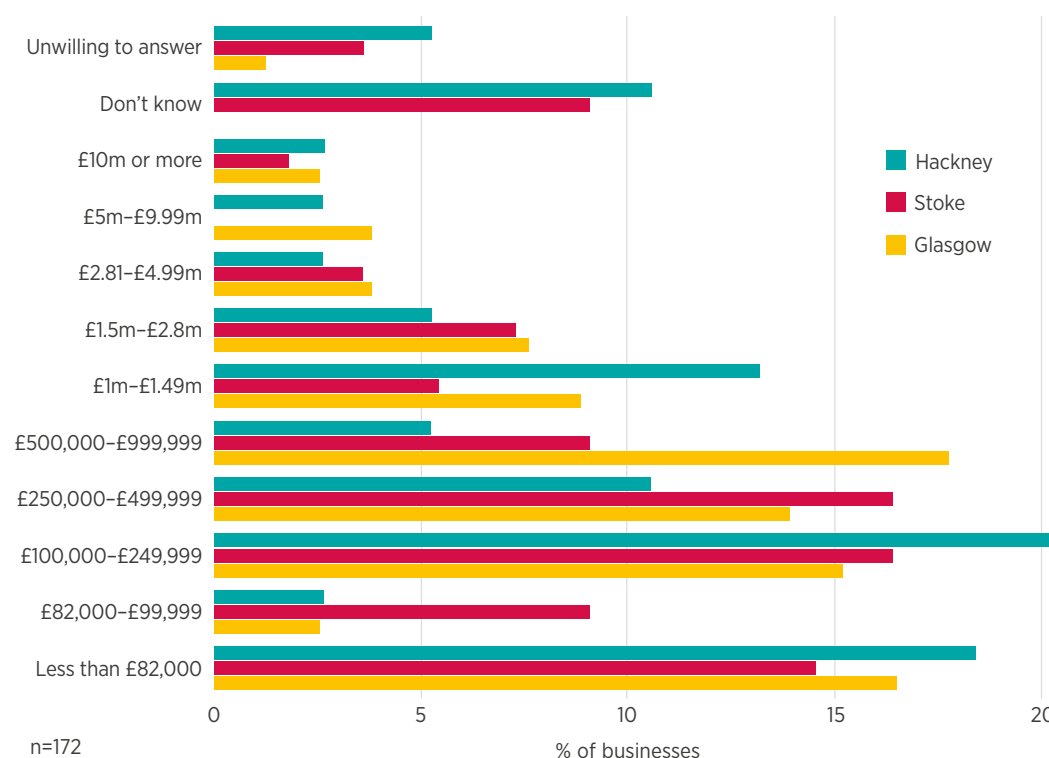


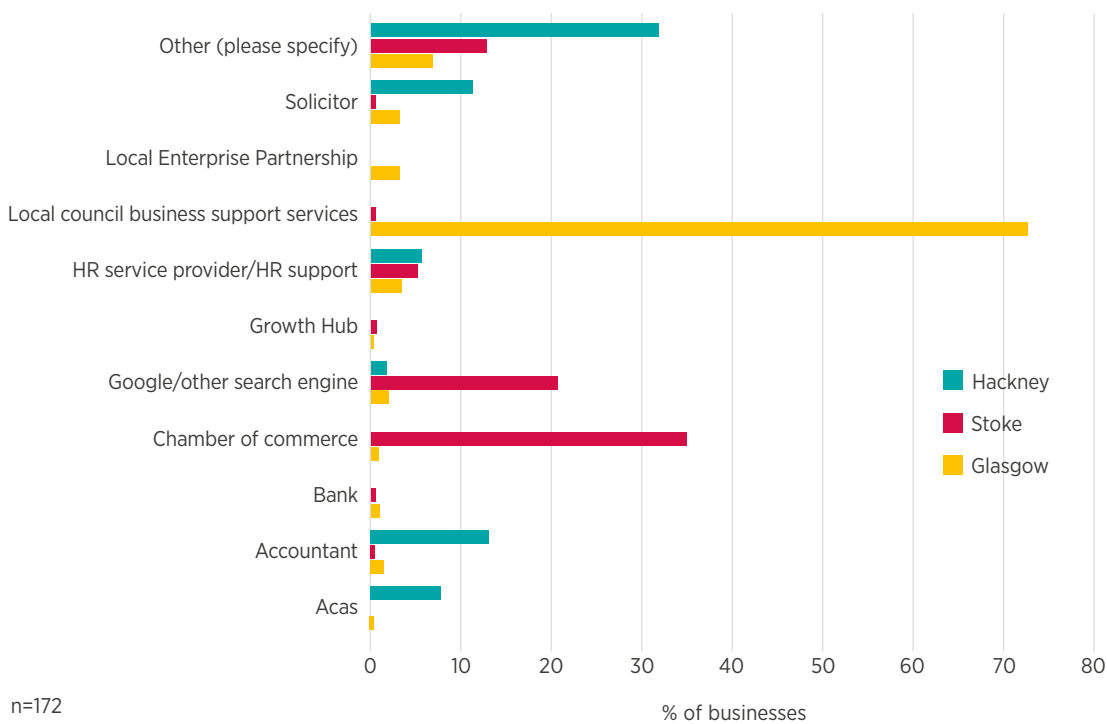
Figure 7: Annual turnover in previous 12 months



In terms of accessing high-quality people management support, over three-quarters of SMEs indicated that they knew where to go in Stoke, 60% in Glasgow, but only 35% in Hackney. Familiar patterns emerge in terms of sources of support (Figure 8), with SMEs in Glasgow and Stoke relying on the city council and chamber of commerce respectively. The Stoke Chamber of Commerce, however, accounted for only just over a third of the support offered, and search engines were also heavily relied upon. In Hackney, 'other' is the

most common source of support, open-response data suggesting that this comprises friends and other contacts, followed by solicitors, accountants and Acas. It is apparent that people management advice is not, in the main, being sought from or delivered by HR professionals.

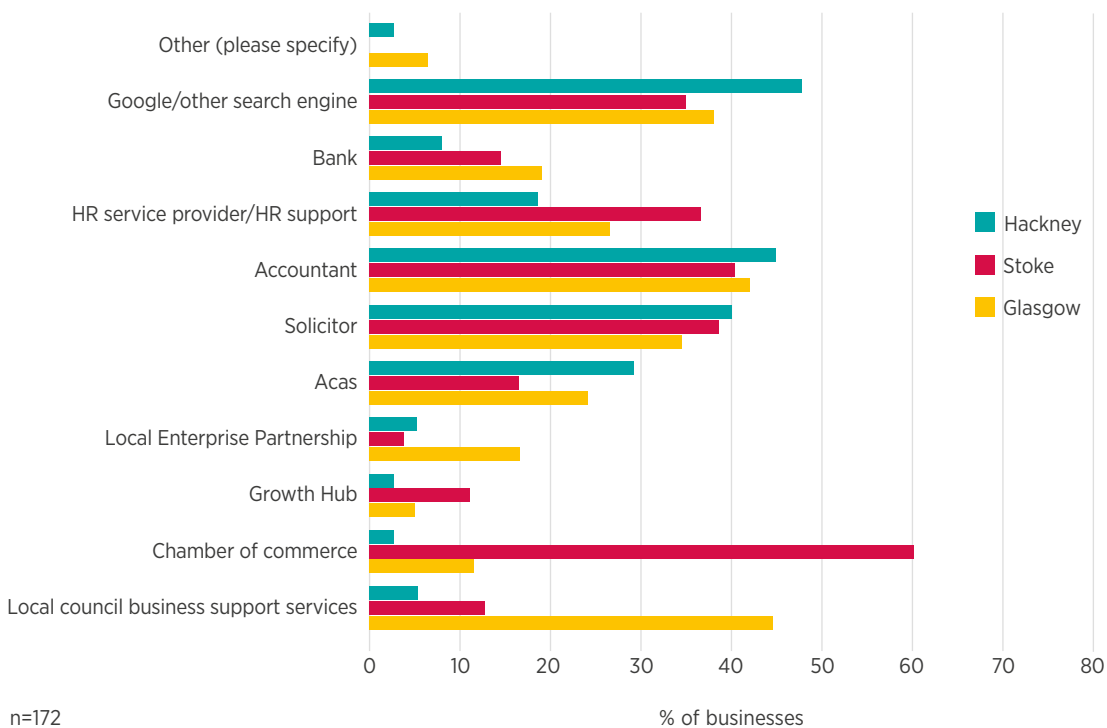
Figure 8: People management services accessed in the past three years



Responses as to which sources of support were helpful again reflect partner relationships (Figure 9). Participants in Glasgow found the city council and accountants helpful and, in Stoke, the chamber of commerce and solicitors were preferred. In Hackney, internet search engines, solicitors and Acas were helpful. Professional HR sources of support were found to have been helpful by around only 30–40% of those who used them and to be less helpful than solicitors and accountants. Open-response data focused on the difficulties of accessing high-

quality support and its associated cost. Many indicated that they relied upon solicitors and specialist support firms but that this support often focused on legal advice and not wider people management support. This suggests a need both for sources of support like People Skills and more education around the importance of people management. The heavy reliance on existing partner networks in at least two locations does, however, raise the question of how to create greater connectivity with ‘hard to reach’ SMEs.

Figure 9: Sources of support accessed were useful (% agree/strongly agree)



Support accessed via People Skills

Those seeking access to support were mainly owner-managers or directors and those with HR responsibility (not usually an HR specialist). They were predominantly white, although this figure falls to 60% in Hackney; where gender was disclosed, around 20% were female and 40% male; and, there was a wide spread of ages from 30 up, with a slightly younger profile in Hackney.

As noted in earlier stakeholder data, SME engagement with People Skills was on a primarily transactional basis (Table 5). Only 43 (10%) interventions were mixed and just 20 (4%) were transformational (see section 2 above for explanation of transactional and transformational).

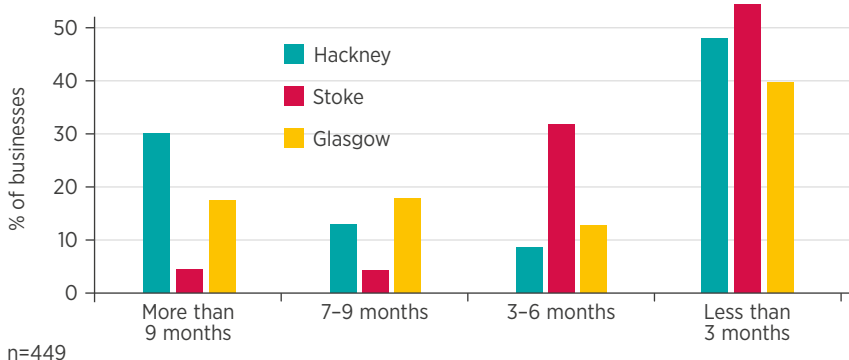
Depth of engagement was indicated by both timeframe and number of contacts with an HR

consultant. Most SMEs engaged with People Skills for three months or less, with relatively few going beyond six months (Figure 10). Brief engagement may, of course, to some extent also result from SMEs engaging at a later stage of the pilot programme.

Table 5: Nature of intervention

	Transactional	Mixed	Transformational	Total
Glasgow	207	18	7	232
Hackney	42	5	6	53
Stoke	137	20	7	164
Total	386 (86%)	43 (10%)	20 (4%)	449

Figure 10: Timeframe of SME engagement with People Skills



High proportions of SMEs across all locations had two HR consultant contacts (Table 6). The majority of first contacts were by telephone, as might be expected, followed by a second contact that in most cases in Glasgow and Stoke took the form of a site visit. In Hackney, second contacts were evenly split between site visit and telephone call. Higher proportions of Hackney SMEs had third and fourth contacts than the other locations, which may be because telephone calls

were used in a large number of instances, facilitating ongoing contact. Less than half of Glasgow and a third of Stoke SMEs had third contacts, falling to just over a quarter and only 3% in these respective locations for four or more visits. This again reflects the largely transactional nature of interventions, being relatively brief in timeframe and mainly limited to one or two site visits.

Table 6: HR consultant contacts per SME

Visit numbers	Site visit		Telephone call		Not stated		Total	
	Number	%	Number	%	Number	%	Number	%
Glasgow								
One	25	12	176	88	0	0	201	100
Two	126	91	12	8.5	1	0.5	139	69
Three	78	89	9	11	1	1	88	44
Four plus	43	77	12	21	1	2	56	28
Hackney								
One	10	19	39	75	3	6	52	100
Two	21	50	21	50	0	0	42	80
Three	17	55	14	45	0	0	31	60
Four plus	10	42	14	58	0	0	24	46
Stoke								
One	11	7	150	92	2	1	163	100
Two	130	98	2	1.5	1	0.5	133	82
Three	39	83	7	15	1	2	47	29
Four plus	5	100	0	0	0	0	5	3

The pattern of transactional engagement is supported by data on the type of enquiry that prompted the People Skills intervention (Figure 11). Contract and policy review was the main enquiry in all locations, with recruitment and selection being the other common enquiry. Both addressed predominantly transactional matters, for example drawing up employment contracts and job descriptions.

Apprenticeship enquiries were seemingly high in Glasgow, but this resulted from cross-referral by the Glasgow Guarantee Scheme, and actual HR consultant activity was again largely transactional.

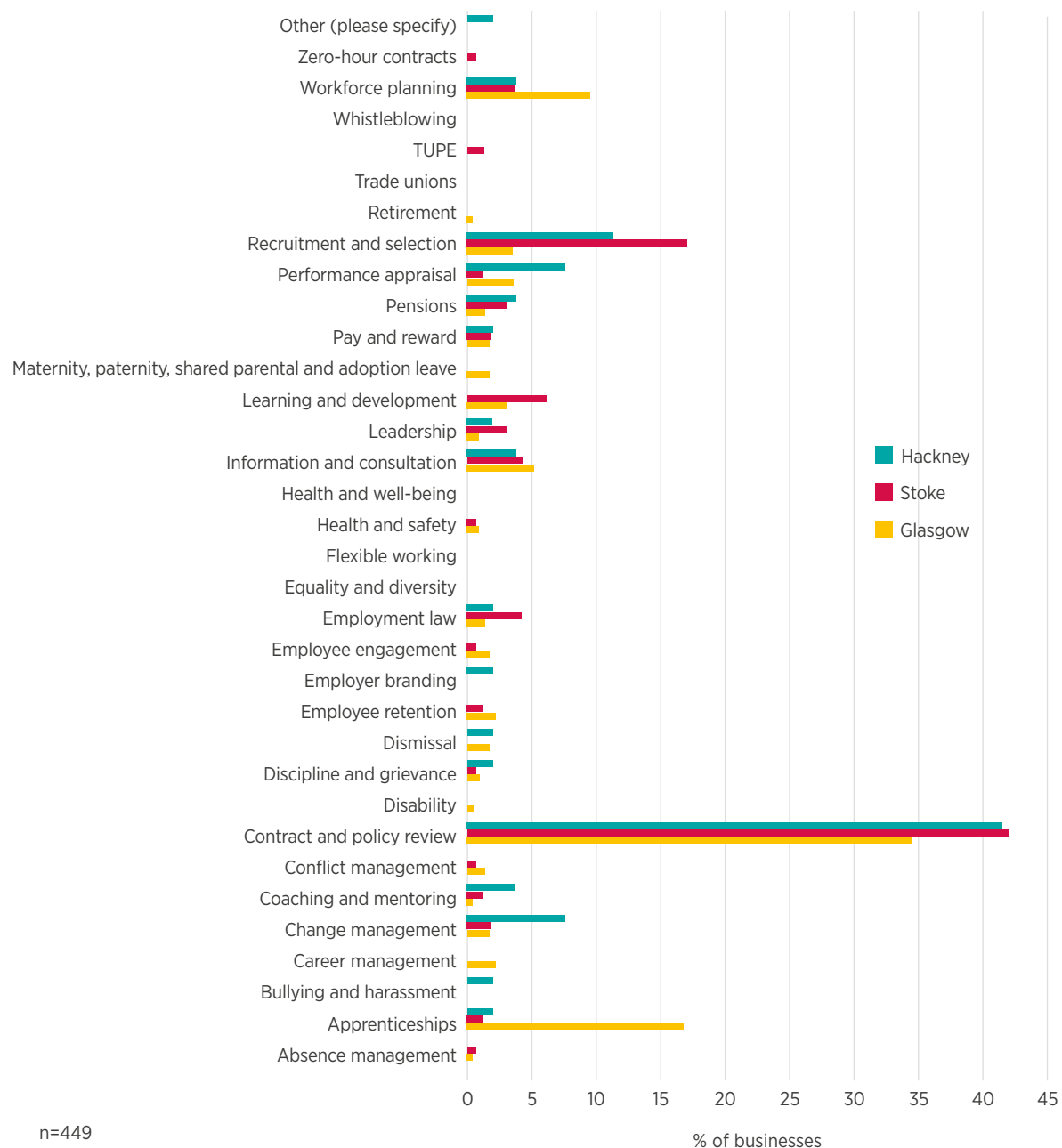
To summarise on People Skills processes, SME engagement exceeded targets and demonstrated a strong need for the type of people management support offered. People Skills was, however,

partner-reliant, perhaps not engaging hard-to-reach firms as much as hoped, and support was mainly transactional in nature.

Theory of change outcomes

We now report on ToC outcomes and draw on two datasets. First, we compare initial and final survey responses for SMEs that engaged with People Skills to analyse change in ToC outcomes across the period of the pilot programme. Second, we

Figure 11: Type of enquiry



compare responses of SMEs that engaged with People Skills against a general population of non-engaging SMEs to analyse differing responses to ToC outcomes.

SMEs engaging with People Skills

Analysis for the first two ToC outcomes, investing in people and employing young people, is based on comparison of initial and final survey data where SMEs completed both (n=57). Analysis for the third outcome, high-quality support, is based on final survey data (n=90).

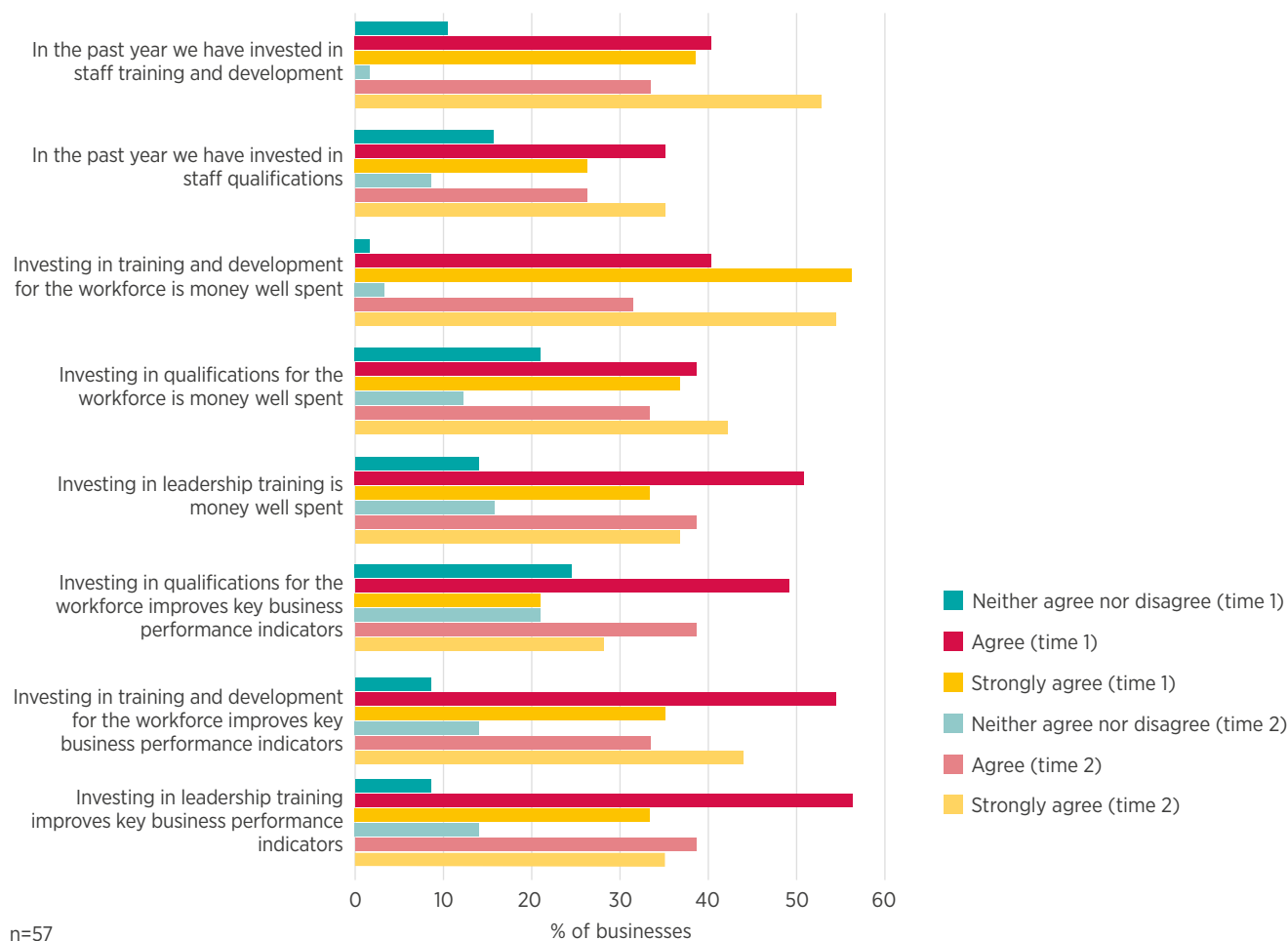
Unlocking demand for investing in people management and leadership capability

SMEs were asked a series of questions about investing in people management and leadership capability, both when they first engaged with People Skills and at the end of the pilot programme. Our analysis explores whether their views had changed following the intervention (Figure 12), and for most indicators, there seems to be an increase in strength of agreement, if not

overall agreement, suggesting a firming of attitudes rather than their wholesale shift. These results are interesting although not straightforward to interpret and we can provide only tentative explanation.

In relation to investment in people management, there was a clear increase in investment in staff training and development over the past year and some increase around investment in qualifications. While this may seem encouraging, outcomes from

Figure 12: Investing in people management capability



increased investment were less positive. Agreement that investing in staff training and development and leadership training is money well spent fell and was static for investment in qualifications. Agreement also fell on whether this investment improved key business indicators. There could be a number of explanations for this ambivalence. First, the return on investment may not yet be apparent given a possible lag between investment in training and development and its outcome. Second, SMEs may not be able to effectively measure impact on key business outcomes (notoriously difficult across all sizes of firm). Third, there may have been unrealistic expectations

of the return on investment or the training may have been transactional (for example health and safety) and unlikely to improve business outcomes. Fourth, transfer of learning back into the workplace, again difficult in all sizes of firm, may have been ineffective in SMEs with limited management capability. Finally, of course, the investment may not have improved business outcomes and there may be a need for advice on more appropriate investment.

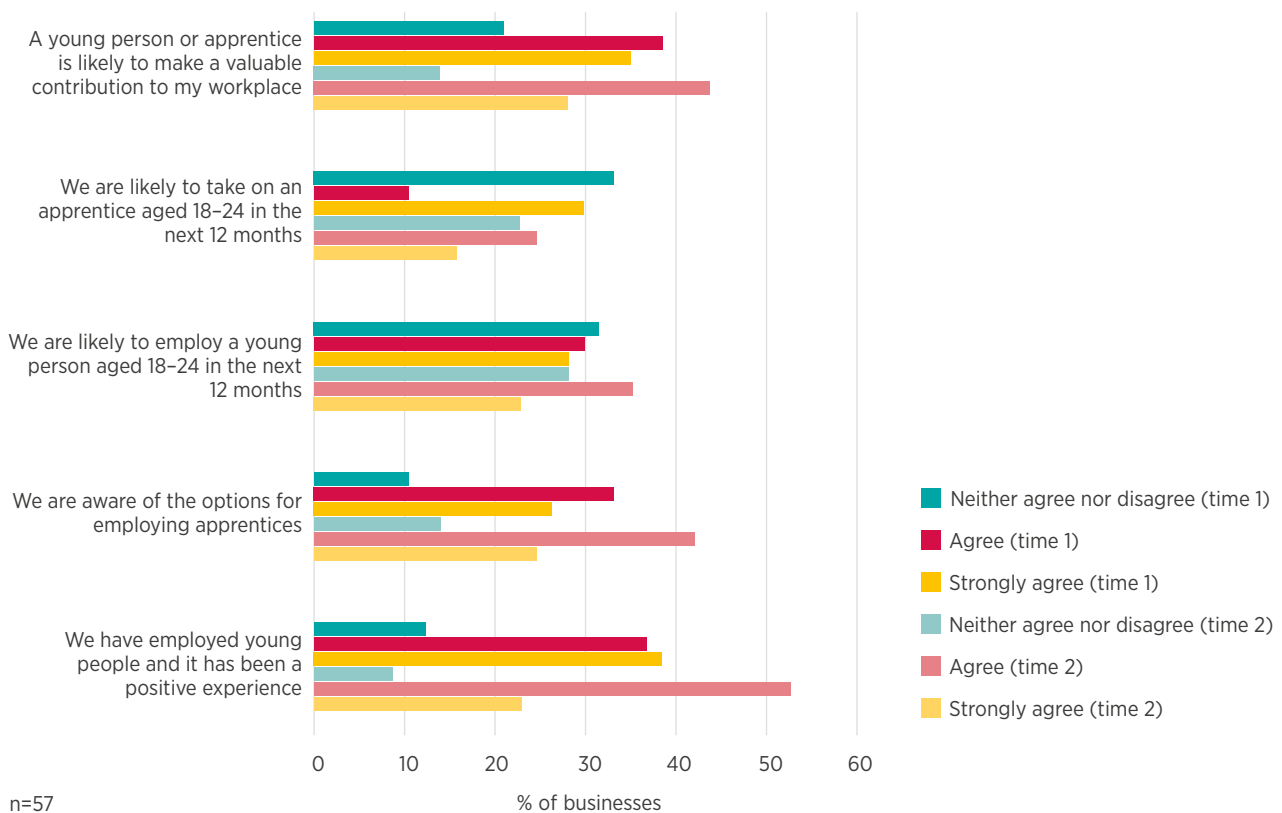
Inspire SMEs to invest in and employ young people and apprentices

Most SMEs employed some young people, although there were

no apparent changes in these numbers across the period of the pilot programme. There was also little contact between SMEs and local education providers of any type – for example schools, colleges, universities – suggesting a lack of wider, proactive planning around the employment of young people in the SME sector.

SMEs were asked a series of questions around investing in and employing young people and apprentices, both when they first engaged with People Skills and at the end of the pilot programme. Our analysis again explores whether their views had changed following the intervention (Figure 13).

Figure 13: Investing in young people and apprentices



‘There were high levels of agreement that People Skills was beneficial to the organisation.’

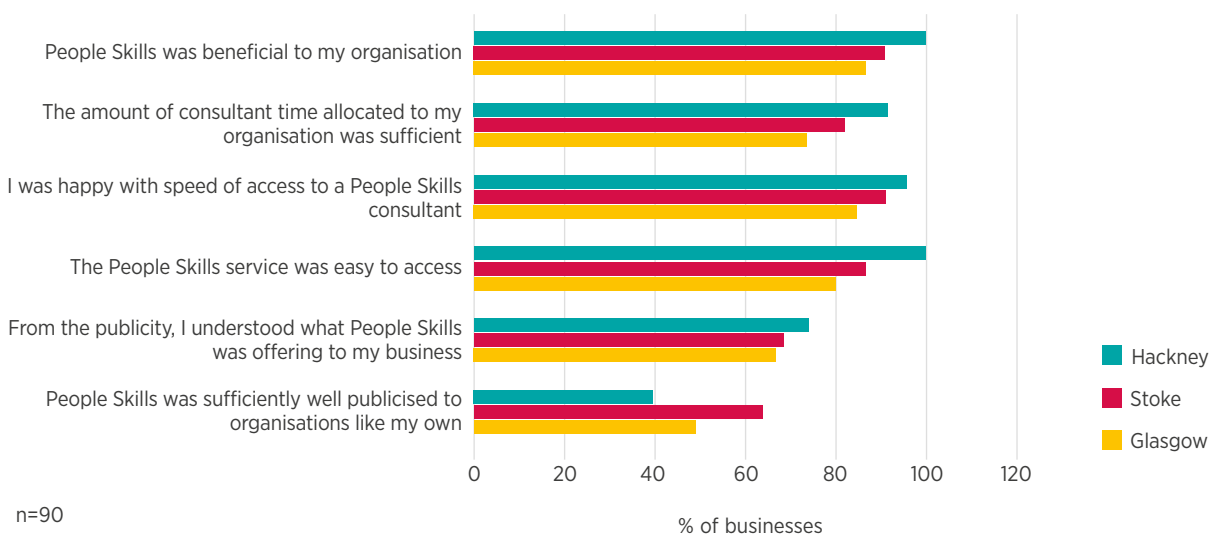
The pattern of results is again complex, but there was increased agreement that a young person/ apprentice was likely to make a positive contribution to the workplace. Results then differed for young people as opposed to apprentices. There were small increases in agreement/strength of agreement that employing young people had been a positive experience and that SMEs were likely to employ a young person in next 18–24 months. For apprentices, while there was an increase in general agreement on the awareness of options for employing apprentices, there was a decrease in the likelihood of employing an apprentice in the next 18–24 months. Improved awareness of the processes for employing apprentices may have created concern that it is too onerous.

Provide easy access to high-quality support for SMEs

Results here present a very positive SME response, suggesting that they overwhelmingly felt that People Skills had provided them with high-quality people management support (Figure 14).

There were high levels of agreement that People Skills was beneficial to the organisation, that there was sufficient time allocated, that the service was easy to access and that access to an HR consultant was quick enough. This provides a very positive endorsement of the People Skills model. Concerns around the effective marketing of People Skills was apparent in Hackney and, to a lesser extent, in Stoke and Glasgow, albeit the marketing material was seen as reasonably clear. There was an obvious need to ‘sell’ the merits

Figure 14: Experience of working with People Skills (% agree/strongly agree)



of HR support to SMEs in a way that was not apparent for other types of support, such as finance, IT or marketing.

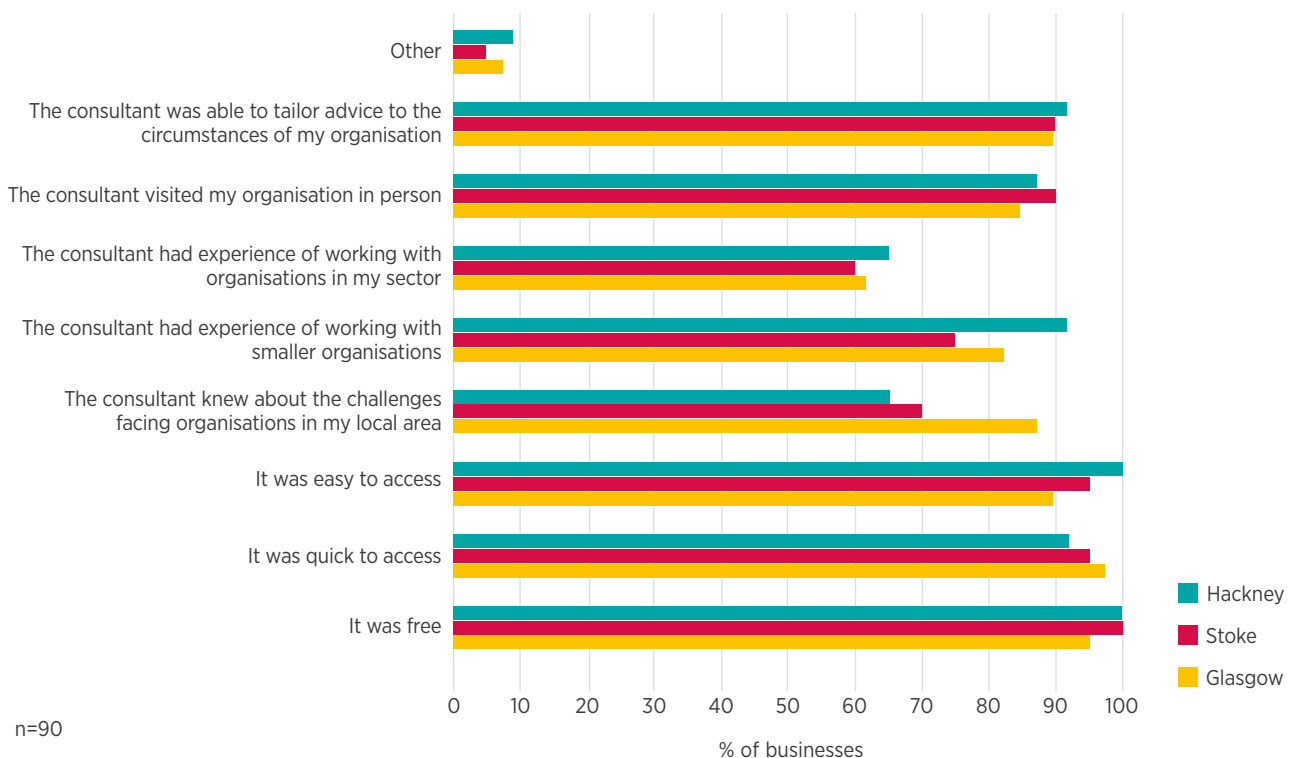
Responses on the People Skills features that were important and valued were overwhelmingly positive (Figure 15). These included that support was face-to-face and tailored to SME needs, was quick and easy to access, and was free. Also important, but slightly less effective, was that the HR consultant had sector-

specific experience, was used to working with SMEs and had local knowledge and experience. In open response, SMEs were asked to suggest improvements to People Skills; two frequent comments were that a longer timeframe and better marketing were needed. Other comments included offering regular progress checks and more 'hot topic' workshops.

The value placed on People Skills was reflected in most SMEs indicating that they would

'The majority of SMEs felt it likely that they would continue to work on their people management practices.'

Figure 15: Features of People Skills (% important/very important)



recommend it to others and continue to use it on a free basis (Figure 16). Financial pressures were apparent in that relatively few SMEs, other than in Hackney, would continue to use the service on a paid-for commercial rate.

In summary, a consistent theme from the survey data is that SMEs valued the support received and believed it to be extremely beneficial, albeit its emphasis was substantially more transactional than initially anticipated.

SME reporting on ToC outcomes

As we have just seen, SMEs were overwhelmingly positive about the people management support received. People Skills processes

were thus highly effective. SME self-reports against the ToC outcomes were somewhat less encouraging (Figure 17). Most positively, the majority of SMEs felt it likely that they would continue to work on their people management practices. While this may be at a fairly basic level, it can nevertheless have very powerful results, as we demonstrate in the deep-dive SME section that follows.

Consistent with other results we have reported, relatively few SMEs anticipated employing more young people and apprentices, but the results are most positive in Glasgow, where there was substantial focus on and cross-referral from the Glasgow

Guarantee apprenticeship scheme. More positively, over 60% of SMEs in Stoke and Glasgow felt more aware of how to access business support services, although this was under half in Hackney, reflecting local challenges discussed earlier.

Comparison of SMEs engaging with People Skills against non-engaging SMEs

Analysis for the first two ToC outcomes, investing in people and employing young people, is based on comparison of People Skills Glasgow/Stoke initial survey data (n=47) against a general survey of non-engaging Glasgow/Stoke SMEs (n=70; total n=117). Analysis for the third outcome, high-quality support, is based on Glasgow/Stoke SME survey data (n=70).

Figure 16: Continuing to use People Skills (% agree/strongly agree)

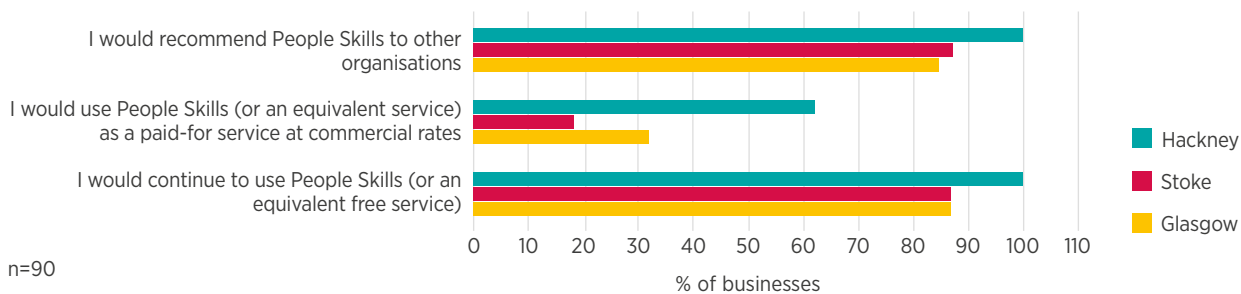
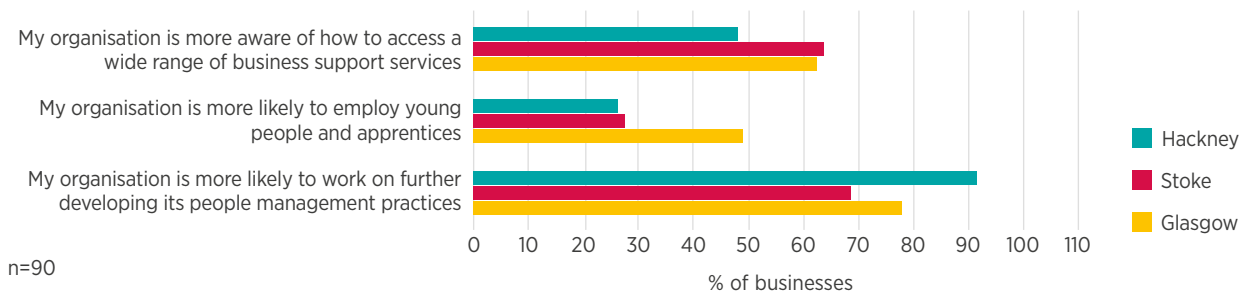


Figure 17: Summary of ToC outcomes (% agree/strongly agree)



Unlocking demand for investing in people management and leadership capability

There are a number of interesting differences between People Skills SMEs and other SMEs (Figure 18). First, SMEs engaging with People Skills were more likely to have invested in staff training and development in the past year and in staff qualifications. Second, People Skills SMEs were more likely to feel that investing in staff training, qualifications and leadership training represented money well spent. Finally, People Skills SMEs were more likely to feel that investment in staff training, leadership training and staff qualifications improved key business performance indicators.

Open-response comments from SMEs not engaging with People Skills include the high costs of investing in people, the risk that skilled staff will be poached by other employers and a general lack of awareness of how to go about developing people.

In summary, SMEs engaging with People Skills appeared to have generally more positive attitudes to investing in people, despite these attitudes showing limited change across the pilot programme. Generating understanding of the value of investing in people may well be a precursor to, as well as an outcome of, programmes such as People Skills.

‘In summary, SMEs engaging with People Skills appeared to have generally more positive attitudes to investing in people.’

Figure 18: Investing in people management capability



Inspire SMEs to invest in and employ young people and apprentices

More positive attitudes were again displayed by People Skills SMEs (Figure 19). They were more positive about employing young people, more likely to employ one in the next 12 months and more likely to believe that a young person would make a valuable contribution to the workplace. People Skills SMEs were also more aware of options for employing apprentices and more likely to employ one in the next 12 months.

Open-response comments on employing young people and apprentices from SMEs not engaging with People Skills

included concerns over the cost, their attitude and behaviours, and their not being 'work ready'. Size of firm was also seen as a barrier.

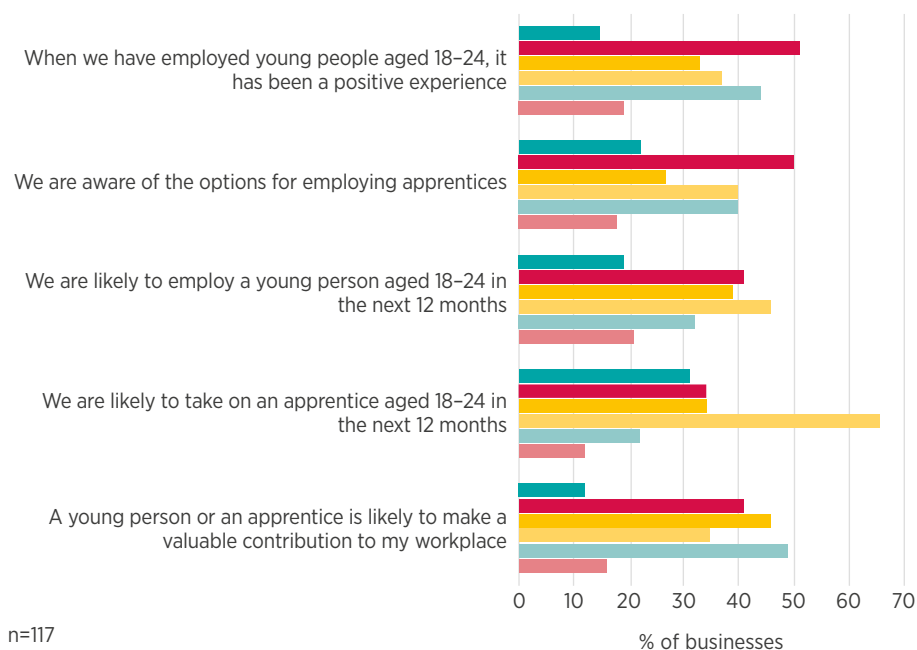
In summary, SMEs engaging with People Skills appeared to have generally more positive attitudes to employing young people and apprentices, despite these attitudes showing limited change across the pilot programme.

Provide easy access to high-quality support for SMEs

Nearly half of SMEs in the general survey suggested that they knew where to go for high-quality support (45%). Other findings did not, however, support this. For example, the most common source

of support was internet search engines, which came ahead of legal advice, such as that provided by solicitors and accountants. There was occasional access to chamber of commerce services (Stoke, 28%) and city council services (Glasgow, 49%). There was little or no uptake of other sources of support, including Growth Hubs or Business Gateway, in either location. These patterns do not indicate frequent access to high-quality people management support, nor engagement with people management specialists. Given the attitudes reported above, it may be that these SMEs do not understand or appreciate the need for the type of support offered by People Skills and similar programmes.

Figure 19: Investing in young people and apprentices



- Neutral/disagree initial survey of PS SMEs
- Strongly agree initial survey of PS SMEs
- Agree general survey
- Agree initial survey of PS SMEs
- Neutral/disagree general survey
- Strongly agree general survey

Indicators of workplace effectiveness

Good people management is generally believed to improve firm performance, with many studies in the HRM academic literature supporting this connection, but these links are notoriously very hard to measure, even in large firms with sophisticated data management systems. While not expressed as a desired outcome of the pilot programme, we were interested to see whether firm performance improved over the period of an SME's engagement with People Skills. We gathered data in the initial and final survey to explore this, although we make no claim for causal relationships given the number of wider influencing factors in play. We drew on well-established self-report measures of workplace effectiveness contained in the Workplace Employee Relations Survey (see section 2 for full details).

All but one of the questions show an overall improvement between the initial and final

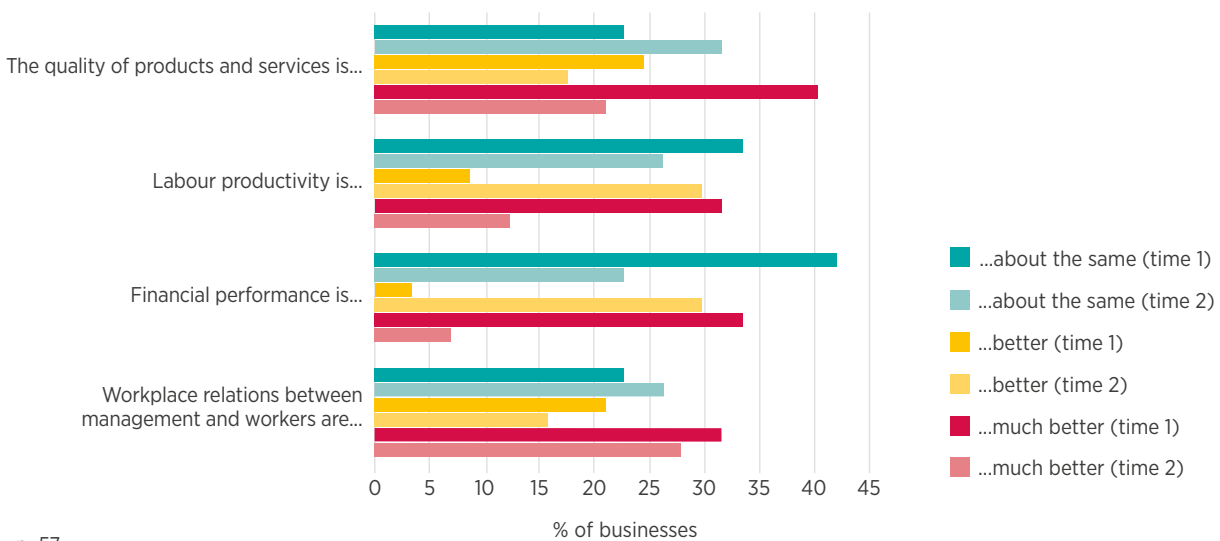
survey (Figure 20). For the quality of goods and services, slightly fewer rated these as 'much better' at the end of the pilot programme, although the proportion rating them as 'better' than other workplaces in their sector increased. For all other measures of effectiveness, workplace relations, financial performance and labour productivity, the proportions reported as 'better' or 'much better' increased from the beginning to the end of the pilot programme. Our data gives us little insight into whether these self-reports are accurate or what underlies them. They may, however, provide an indicator of substantially increased confidence amongst SMEs as a result of having improved, even at a transactional level, their people management processes.

Summary

The SME survey data is broadly consistent with the stakeholder data, in that it demonstrates that People Skills processes were considered to be highly effective. In relation to ToC outcomes,

there was again limited change in attitudes towards investing in people management and employing young people and apprentices, and some, though not substantial, improvement in understanding of wider support services. Delivery of high-quality people support was unquestionably achieved, albeit more transactional in nature than initially anticipated. Interestingly, SMEs that engaged with People Skills had more positive people-related attitudes than those that did not, which raises the question of how to engage the latter group, and seemed to have improved confidence in their workplace effectiveness following People Skills interventions. This again is encouraging in terms of the impact of people management support on overall firm performance.

Figure 20: Comparisons of workplace effectiveness within sector



4 SME deep-dive findings

Here we present findings from the SME case study firms that had 'deep-dive' interventions. These were SMEs that had substantial engagement with People Skills and agreed to take part in the pilot programme evaluation. An evaluation team member either visited the SME or telephoned to conduct in-depth telephone

interviews at the beginning and end of the intervention, with a further telephone interview at roughly the halfway point. Interviews were conducted with the owner-manager and/or other key managers, and where possible with some employees. Full details can be found in section 2. It was initially anticipated that all deep-

dive SMEs would participate in transformational interventions, but as the pilot programme progressed and it became clear this was not feasible, mixed and transactional interventions were also included. Details of the four deep-dive SMEs in Hackney, seven in Glasgow and six in Stoke are provided in Table 7. Detailed vignettes outlining

Table 7: Deep-dive SMEs

Location/ deep dive	Sector	Employee numbers	Employees aged under 25	Nature of intervention	Intervention details
Hackney					
Architect Co.	Architecture	30	6	Mixed	Contract and policy review Performance appraisal and coaching
Bar Co.	Hospitality	25	15	Transactional	Contract and policy review Recruitment and training
Building and Roof Co.	Construction	19	7	Mixed	Contract and policy review Leadership coaching
Photography Co.	Photography	8	2	Transactional	Contract and policy review Employment law support
Glasgow					
Arts Charity	Arts Charity	20	2	Transactional	Contract and policy review Job roles and structures
Creative Co.	Creative industries	38	4	Mixed	Contract and policy review Leadership development
IT Co.	Hardware supply and maintenance	17	2	Transactional	Contract and policy review Absence management
Jobs Co.	Insurance services	22	5	Mixed	Contract and policy review Competency matrix and training
Learning Co.	Construction	20	6	Transformational	Setting up a learning academy
Packaging Co.	Packaging	24	2	Transactional	Contract and policy review Legislative advice
Retail Co.	Online fashion retail	4	2	Transformational	Coaching and personal development
Stoke					
Ark	Art charity	11	0	Mixed	Job descriptions and person specifications Performance management scheme Wellness policy
Falcon Day Care	Adult day care	6	1	Transactional	Contract and policy review
North Staffs Letting Agency	Property services	4	0	Transactional	Contract and policy review
Potteries Communications	Telecoms	26	2	Transactional	Contract and policy review Disciplinary and grievance handling
Treetops	Family support charity	10	2	Mixed	Contract and policy review Induction programme Development review process
Trent Design Solutions	Interior design	5	0	Transactional	Contract and policy review

SME context, intervention and progress against ToC outcomes are presented separately in *Case Studies: Deep-dive SME vignettes*.

We begin with discussion of how SMEs engaged with People Skills, and the nature and impact of the intervention(s). We then focus on learning in relation to ToC outcomes of unlocking demand for people management and leadership capability, encouraging investment in young people and apprentices and providing high-quality people management support.

Connecting with People Skills

The deep-dive SMEs connected with People Skills in a variety of ways. There were two main routes: the first by referral from an existing engagement with another partner service (for example, Glasgow Guarantee or Business Gateway in Glasgow, Chamber of Commerce Business Adviser in Stoke); the second through a chance meeting with a People Skills HR consultant at an unrelated event (for example business breakfast, fundraising event). Responding to programme partner marketing was uncommon and only two deep-dives engaged in this way.

People Skills interventions

We categorised interventions as 'transformational', 'mixed' and 'transactional' in nature (see section 2). Only two of the interventions were transformational (both in Glasgow), six were mixed, and nine were purely transactional in nature. Thus even among the SMEs most fully engaged with People Skills, only a minority engaged in potentially transformational interventions. We reflect elsewhere why this is so and indeed whether it should be a concern (section 4). Confirming trends in the survey data, all but three interventions included contract and policy

review. While some were largely confined to this transactional level, other mixed interventions also included some training and development, coaching, and, in one instance, work on performance management and wellness policies. The transformational interventions comprised setting up a learning academy, a truly ambitious project, and coaching and development of business owners. As we discuss below, the interventions were highly valued despite their often transactional nature and scope, and the later vignettes provide detailed evidence of this.

Impact

Deep-dive SMEs almost all reported that the People Skills interventions had a significant impact on their firms. Where the work was purely transactional, SMEs reported moving from being (before People Skills) 'knee jerk and chaotic', 'not knowing what we're doing' and 'finding our feet' to (after People Skills) having 'tightened up', being 'on a secure footing', 'ticking the right boxes', having a 'suit of armour' and having found the intervention 'an absolute lifesaver'. In the words of one owner-manager, *'I could have been running my business for another ten years, completely ignorant of the actual law.'* It also developed confidence, and freed up time for the owner-manager as they were no longer constantly 'firefighting' and 'fixing things afterwards'. Crucially, in most cases, these achievements were not seen only as an end in themselves, but as a platform for growth and development. For example, in a number of cases having a sound basis for employing people removed an inhibitor to the SME engaging with the labour market, and having formal job descriptions enabled them to recruit staff with more confidence. In Stoke and Glasgow, two

'Deep-dive SMEs almost all reported that the People Skills interventions had a significant impact on their firms.'

managers had been so inspired by working with the People Skills' consultants that they were taking HR qualifications to develop and sustain over the longer term the work that had been done.

The more transformational work was similarly very well received. One SME that had developed new performance management systems reported that these enabled better dialogue, more focused working and more structured identification of development needs. Training and development interventions were reported to have given line managers much more confidence in their roles. Perhaps the most transformational intervention was the work in Glasgow developing a firm's learning academy. This was described as a 'massive achievement'.

Overall, People Skills left almost all deep-dive SMEs in a much stronger position and at a minimum it left them confident and secure in their employment practices. One business owner commented that, *'she [the People Skills consultant] taught me so much about HR that I never knew, and I'm sure that there are hundreds and thousands of businesses around England that are just the same.'* In many cases, People Skills had also provided a platform for growth and development of the business that was already demonstrating tangible results.

ToC outcomes

Having briefly outlined the interventions, we now consider the extent to which they supported achievement of the ToC outcomes in the deep-dive SMEs.

Unlocking demand for investing in people management and leadership

There is a mixed picture around unlocking this demand in the

deep-dive SMEs. For some, People Skills had been able to address a particular need but had not generated a desire for further intervention or development. While for these SMEs there was recognition that there might be a need for future support, it was anticipated to be of a similar problem-solving nature and accessed on a 'when needed' basis. No real change in mindset had occurred: HR was still something that could keep the SME out of trouble, but was not connected to business success and could even be a distraction from it.

For others, however, the People Skills intervention developed an understanding of the potential of HR to impact on the firm in a significant way. For some this manifested itself in a greater understanding of the scope of HR (though not its transformative potential), but for others there were significant changes in outlook. One owner-manager reported that it had 'changed my perspective 100%' in terms of an awareness of what good HR could contribute to the firm, and the requirement for 'professional' support in that area. He described it as a 're-awakening', as he had been exposed to these ideas in his previous employment in a larger organisation. He was one of a number of respondents to suggest that People Skills had built on, and tapped into, latent understanding rather than creating a completely new outlook. However, there were some instances of 'epiphanies' of that kind. For example, one manager commented, *'It's [People Skills] developed in me a drive, now I've scratched the surface [in HR] I want to get in deep and encourage this positive change, as we grow and need to adapt'*, and enrolled on an HR qualification. Two firms in Glasgow, drawing on their experience of People

Skills, developed their own people management support networks with other firms in the sector. It is also important to note that even where a key player's mindset had changed, there was still work to do to change the outlook of other managers in the organisation, or implement and embed changes. On the latter point, in one Hackney firm, there had been a recognition of the need for a change in management style, and coaching to support it, but the promising effects had worn off with time and operational pressures once the coaching had stopped. By contrast, in another firm in that location, the focus had been on changing directors' behaviours and overcoming resistance to change. This was reported as having been successful; directors were re-examining their approach to leadership, and one had recognised the need to undertake personal counselling, which was seen as having had a demonstrable impact on relations with staff.

Overall, People Skills was most effective in unlocking demand in cases where existing people management experience, expertise or exposure was present. Where this wasn't there already, there is limited evidence from the deep-dive SMEs that People Skills changed mindsets, though there were a few examples of this sort of transformation.

Inspiring SMEs to invest in and employ young people/ apprentices

People Skills appears to have had little direct impact here. In large part this was because the deep-dive SMEs already had well-developed views around the merits or otherwise of employing young people and apprentices, and the practicalities of doing so (by no means always negative ones).

Although People Skills consultants did usually put the issue on the agenda, and were able to go some way to overcome resistance where it existed, it appears to have done little to shift these views overall. There was one exception in Stoke, where a deep-dive SME was actively working to engage an apprentice at the time of project end as a direct result of People Skills. There were also some firms, particularly in Glasgow, who were already working with other support agencies (Glasgow Guarantee, Business Gateway) to engage young workers, and thus didn't perceive a need for additional support.

In relation to employing young people generally, the deep-dive SMEs were mainly positive, and many were already employing young people at the time of the intervention. There were some firms who were nervous about it, given the particular nature of their client base (for example in some social care and education organisations) or because of a need for ready-made specialist skills (for example in an architects' practice). However, in general employing young people was seen as something that could add to diversity and sometimes address particular problems: it could *'make a real material difference to little nagging things that don't get addressed'*. One owner expressed surprise at how capable a young recruit had been: *'We had concerns as to whether she could handle the responsibility but she has demonstrated that she can – she is liaising with brands all over the world.'* Other firms, however, had had less positive experiences of employing young people, and were rather circumspect as a result. For example, one owner had recruited a school-leaver on the recommendation of a local high school but felt that

his expectations were unrealistic and he was not well prepared for employment by school. He gave the impression that he was 'doing us a favour being here' and did not stay long.

The deep-dive SMEs were not especially positive about the prospect of employing apprentices. The objections were not ones of principle, but of practicalities. There was a common view among them that they lacked both the capability and the time to invest in supporting an apprentice (that is, in training them, and in dealing with perceived bureaucracy around the schemes). Finding an appropriate training provider was also seen as a barrier in some cases, and there were some negative past experiences reported in respect of the quality of these. Other models of employing young people, for example interns, graduates, school-leavers, were variously seen as either requiring less long-term investment, or as being less risky, and were also more familiar to the SMEs.

Providing access to high-quality people management support

The deep-dive SMEs were overwhelmingly of the view that People Skills had offered high-quality support that was easy to access. It was variously described as a 'terrific scheme', 'absolutely brilliant', a 'really positive experience', as having 'surpassed expectations' and an 'absolute godsend'. That the service was free was unsurprisingly welcomed, and often regarded as almost too good to be true – 'are you sure this is free?' For SMEs and for charities in particular, getting HR advice from, for example, large consultancy firms was beyond the reach of their budgets.

'The deep-dive SMEs were not especially positive about the prospect of employing apprentices. The objections were not ones of principle, but of practicalities.'

However, the fact that People Skills offered a bespoke, often face-to-face, service was, if anything, regarded as even more valuable. The deep-dive SMEs often reported that they wanted tailored solutions rather than ‘off the shelf’ ones, which was the experience of some in using other providers. Similarly, while websites offered a wealth of information, ‘it’s all out there’, what the SMEs required was advice as to which bits applied to them, and how they could be adapted to fit their particular circumstances. Accordingly, being able to deal with the People Skills consultant face-to-face, often on site, was highly valued. The consultant was able to solve problems that arose while they were visiting, and this flexibility and responsiveness was appreciated by the firm; the consultant was often described as a ‘sounding board’, ‘someone to bounce ideas off’: *‘Fiona became like a department.’* The relationship that the consultant could develop with the firm and the sensitivity to its needs was really important. For example, one firm recognised the need for more formality in HR systems, but ‘didn’t want to lose the fun’, and the People Skills consultant understood that. Where the consultant was familiar with the sector and locality, this was also valued. Not all firms were able to be matched in this way, of course, and one owner commented that where a consultant had not been familiar with the sector, this had been an inhibitor. Some reported that they were able to learn from the consultants who were themselves small business owners. Only in one case did the relationship between the consultant and the SME not develop and the planned intervention did not take off.

A number of SMEs reported that they had recommended People Skills to other firms, and some

said that they would be seeking to continue their relationship with the consultant beyond the life of the People Skills project: *‘I certainly wouldn’t be going back to my solicitor!’* As one owner-manager put it, *‘I’m sure at some point I’ll be saying “Fiona help!”’*, and another reported that he’d *‘...happily pay her [the People Skills’ consultant] to support me more in the future.’*

In terms of ease of access, these firms had all ‘found’ People Skills, albeit sometimes by fortuitous routes (see above), so it is difficult to draw more general conclusions here about the programme’s visibility. In terms of onward connection to other support services, there was limited mention of this in Stoke (other than in relation to apprentice training providers, see above), but some mention in Glasgow. One manager noted that People Skills had to some extent ‘cleared the cloud of confusion’ about where to go for advice, and another that People Skills had signposted them to available support in the areas of both leadership and business planning. Others talked of limited insight into the wider support network. There was a general view among the Glasgow firms that greater clarity was needed around what support was available to SMEs and how to access it (though also a view that there was plenty of support out there), and mixed views around the extent to which People Skills had addressed that problem.

The deep-dive data is broadly consistent with both stakeholder and survey data, in that it demonstrates that People Skills processes were considered to be highly effective. In relation to ToC outcomes, there was again limited change in attitudes towards investing in people management and employing young people and

apprentices, and some, though not substantial, improvement in understanding of wider support services. Delivery of high-quality people management support was unquestionably achieved, albeit more transactional than initially anticipated, but despite this SMEs felt that the interventions had created a basis for both current and, in some cases, future improved effectiveness.

5 Evaluation of the evaluation

A research team from the Centres for People and Performance and Enterprise at Manchester Metropolitan University Business School conducted the independent evaluation of People Skills. While independent, we worked closely, as is typical, with both the CIPD and programme partners to gain access and gather data required. The methods used are outlined in more detail in section 2.

The evaluation proceeded, for the most part, as planned, although the dynamic and unpredictable nature of the pilot programme meant that its design was iterative and experienced several changes across the programme. For example, some of the activities initially proposed, for example data collection via smartphone app, were not feasible given the longer than anticipated timescales involved in recruiting sufficient numbers of SMEs.

We worked closely with stakeholders to gather both interview and spreadsheet/survey data. They did not perceive the evaluation to be overly burdensome or intrusive, and it was generally acknowledged as an important part of the pilot programme. While there were some uncertainties about the evaluation process at the outset, these were swiftly overcome via induction briefings and ongoing communications. Some felt the spreadsheet data collection forms were ‘clunky’, although revisions to these were made and data capture was largely successful. Some inconsistencies and misunderstandings were

occasionally surfaced, and better briefing of the programme partners, and perhaps a more formal evaluation guidance pack, could have helped to avoid these.

Initial and final surveys were used to gauge SME perceptions of the pilot programme and its impact on ToC outcomes, as stakeholders were keen to generate both large-scale statistical data as well as in-depth qualitative data. As is to be expected in time-poor SMEs, survey completion was challenging and programme co-ordinators and HR consultants played a key role. After a slow start to completions, HR consultants worked with SMEs to complete the survey on their first on-site visit. Both also supported completion of the final survey. Programme co-ordinators and HR consultants also identified ‘deep-dive’ SMEs and referred these to the evaluation team. There was some HR consultant uncertainty around the parameters of what constituted a deep dive. While guidelines were provided, better consultant briefing might have supported identification of more deep-dive SMEs. One stakeholder suggested that evaluation participation might be a barrier to engaging as a deep dive, but this was an isolated view and deep-dive SMEs responded positively in almost all cases to engaging with the evaluation team.

In summary, evaluation processes were largely effective but subject to revision as required and depended on close working relationships with the pilot programme team.

‘Evaluation processes were largely effective but subject to revision as required and depended on close working relationships with the pilot programme team.’

Conclusions

At the outset of this report, we noted the important role SMEs play in the UK economy, in terms of both numbers of businesses and proportion of total employment. We also noted that a growing body of research on people management in SMEs suggests that they are time- and resource-poor (Bacon and Hoque 2005), lack people management expertise (Mayson and Barrett 2006), have a preference for informality (Woodhams and Lupton 2009), highly value owner-manager autonomy (Atkinson et al 2016), and typically engage to a very limited extent with business/HR support (Mole et al 2014). Findings from our evaluation of People Skills support this research and reinforce the importance of the pilot programme's overall aim, which was to develop understanding of how to encourage investment in

people management and how to support and advise SMEs in their people endeavours. Here we draw conclusions on this and highlight the important policy questions that these conclusions raise. We summarise these in 'The top ten lessons' learned from People Skills (Table 8).

Top ten lessons

In what follows, we consider first whether People Skills adopted an effective operating model with appropriate processes. We then take each ToC outcome in turn, demonstrating substantial progress against the provision of high-quality support, some progress on unlocking demand for investing in people management and improving co-ordination of local partnerships and networks, and limited progress on inspiring SMEs to invest in young people.

While not all ToC outcomes were achieved, we have already noted their ambitious nature. On its own terms, as we have evidenced throughout the report, People Skills made great strides in both delivering people management support to SMEs and generating learning and understanding around appropriate ways to do this. Important policy questions arise from this and are also outlined below.

Was People Skills an effective operating model?

People Skills was considered by all involved to be an effective operating model and, given SME reports of their difficulties in both accessing and affording support, there is clearly a place for programmes like this.¹² Particular strengths were its flexibility and the wide range

Table 8: The top ten lessons

- 1 People Skills is an effective operating model and the role of independent HR consultants is central to this
- 2 Importance of role and choice of programme partner
- 3 Difficulty of engaging 'hard to reach' SMEs
- 4 Twelve months is not long enough to build the required profile and reputation
- 5 Importance and difficulty of creating understanding in the SME community of need for and benefits of addressing people management issues
- 6 A transformational large firm HR model may not be what is needed in transactionally focused SMEs
- 7 SMEs are open to employing young people but (some) are concerned about their work-readiness
- 8 Many SMEs are reluctant to work with apprenticeship programmes
- 9 Getting the people management 'basics' in place can build confidence around SME effectiveness
- 10 A simplified, better understood and more accessible business support infrastructure is needed

¹² We note that this is not the only model available. For example, Greater Manchester Business Growth Hub offers people management support to SMEs through a team of employment-focused business advisers.

of advice offered; both were a function of contracting with a number of independent specialist HR consultants, who brought a variety of skills and experience. People Skills also offered a bespoke service, tailored to the needs of particular SMEs, which most welcomed and favoured over 'off the shelf' services previously received. The local partner relationship was also critical to its effective operation. Engagement levels were much higher where programme partners had existing, established business advice networks that could be drawn upon. Where these were lacking, driving engagement became much harder as SMEs, as shown in other research (Mole et al 2014), tended not to engage to any great extent with marketing campaigns. Trusted relationships and word-of-mouth referral were key (Mallett and Wapshott 2016). **Establishing partner relationships and effective selection of partners is thus essential to successful programme delivery.**

Reliance on partner networks did, however, primarily create access to SMEs already linked into existing business support infrastructures and raises questions as to how to access the 'hard to reach' SMEs. The support most commonly sought outside of People Skills, and by those SMEs not engaging with People Skills, was not provided by HR specialists. We found, as others have shown (Kitching 2016), that internet search engines, solicitors and accountants were the most frequent alternative sources of advice. This is likely to be neither specialist advice nor tailored to specific SME needs. **This begs the question of how to reach these SMEs and ensure delivery of high-quality people management advice.**

There are also important lessons to learn from levels of SME engagement with People Skills. While ultimately successful, at least in two of the three locations, engagement built relatively slowly as awareness grew within trusted networks and via word-of-mouth referral. The 12-month programme duration was widely argued to be too short to generate substantial traction in the SME community, and increased engagement with the pilot programme at its later stages appeared to support this view. The relatively short lifespan of People Skills also raised concerns both that SMEs would be left without support when it ended and that insufficient thought had been given at the outset to its potential legacy. **For similar programmes to be successful in delivering sustainable high-quality people management support, a period of at least three years is likely to be required, and understanding of support delivery beyond the programme's lifespan is also needed.** Longevity of funding streams may be problematic here.

Did People Skills unlock demand for investing in leadership and people management capability?

This is an ambitious outcome, certainly within a 12-month period, and achievement here was modest. However, a longer programme timeframe may not, alone, have been sufficient to unlock demand at the transformational level initially anticipated.

To a certain extent, this reflects lack of appreciation at the outset of the pilot programme as to the extremely rudimentary nature of people management processes in SMEs. As previous research has shown, SMEs are unlikely to have 'good practice' HR systems (Bacon and Hoque 2005, Psychogios et al

'Engagement levels were much higher where programme partners had existing, established business advice networks that could be drawn upon.'

2016), lack expertise (Mayson and Barrett 2006) and tend to adopt informal approaches to HR that are reactive and piecemeal (Cassell et al 2002). In short, the ‘basics’ really are lacking. People Skills provides further evidence of this, in that most interventions were transactional and issue-led, that is, they addressed a specific problem being faced by an SME. In the absence of such issues, managing people did not make it up the ‘to do’ list in time-poor SMEs. Hence, most interventions addressed contract and policy review (at a very basic level) or drawing up job descriptions to support recruitment. People management was not prioritised, unlike managing finances and marketing, as SMEs lacked an appreciation of the valuable contribution HR could make to effective business operations. What was apparent in the deep-dive SMEs was that many of those engaging had larger firm experience and engagement was based upon a latent appreciation of the value of people management. This reinforces other findings that show the philosophy of the owner-manager is important (Atkinson et al 2016) and many without larger firm experience simply did not understand what HR was (Timming 2011). **This raises the question of how to create understanding in the SME community of the need for and benefits of addressing people management issues.** Such understanding would support engagement of the ‘hard to reach’ SMEs, as we demonstrate that those engaging with People Skills appeared to have generally more positive attitudes to investing in people, despite these attitudes showing limited change across the pilot programme. It may also encourage delivery of more transformational interventions from SMEs that engage with People Skills and similar programmes.

The value of People Skills should not be underestimated, despite not achieving this ToC outcome. As we have evidenced, transactional interventions can themselves be transformative in SME operations and can additionally create a basis, in some SMEs, for later transformational engagement. This ToC outcome perhaps also reflects an assumption that a large firm people management model is appropriate in SMEs and there is widespread debate as to whether this is so (Taylor 2005, Marlow 2006). **People Skills provides substantial insight into the type of support required by SMEs and may provide the basis for development of an SME model of people management.**

Did People Skills inspire SMEs to invest in and employ young people?

Our findings here are important, as little is known about young people in the SME context (Heyes and Gray 2004). People Skills had little or no effect on this outcome and some stakeholders questioned whether it was even an appropriate aim, given the largely issue-led nature of most interventions. There was little apparent change in SME attitudes, but many were open to employing young people, **although there was a commonly expressed concern as to the lack of ‘work-readiness’ of many school-leavers.** There were, however, numerous perceived barriers to the employment of apprentices. These included, as has been found elsewhere (Busemeyer et al 2012): the poor quality of some apprenticeship providers; the associated bureaucracy; a lack of time/expertise in SMEs; and, lack of scale, as many simply felt their firms were not large enough to support the type and length of training programme required by apprentices. While some stakeholders, particularly

in Stoke, felt that People Skills had driven changes in promotion of the apprenticeship offer, there was little evidence that this had influenced SME attitudes. A notable exception was the deep-dive SME that established a learning academy and associated apprenticeship training programme. While this shows what is possible, the owner-manager was again from a large firm background and was prepared to tackle an ambitious undertaking premised on her large firm insights into the value of people management. **More generally, there appears to be much work to do both to deliver apprenticeship programmes that are workable in SMEs and to develop confidence in SMEs about their capability to work with these programmes.**

Did People Skills provide easy access to high-quality support for SMEs?

This is the undoubted success story of People Skills. While the online support system, *HR Inform*, was well received only in Glasgow, the HR consultant-led interventions were universally considered to be successful. As we note above, the support was flexible and the interventions were tailored to specific SME need. Stakeholders were clear that high-quality support had been delivered, SME survey responses were extremely positive and all deep-dive SMEs, without exception, felt there had been huge benefits from their engagement with People Skills. Despite interventions being transactional, they created a firmer base to their operations with less firefighting and perceived ‘chaos’. This perhaps suggests a desire to formalise that is not reflected in existing research (for example, Duberley and Walley 1995), but it was very much on the SMEs’ own terms: most were clear that they also wanted to ‘keep the

fun' or the 'human side' of their operations. The tailored nature of the People Skills interventions allowed for this and reinforces the point made above on the need for a model of people management that is SME-appropriate. While somewhat limited progress was made against the first two ToC outcomes, this should not devalue the overall support delivered, as this may need to be judged against rather different metrics than those originally envisaged.

Of substantial interest is the effect of People Skills on SME effectiveness and performance. Our earlier discussion of existing research evidenced positive relationships (Lai et al 2016), particularly in relation to investment in training and development (Rauch and Hatak 2016) and adoption of strategic bundles of HR practice (Georgiadis and Pitelis 2012). We found no evidence of a strategic approach to HR, which may relate to the very small SMEs in the pilot programme (50 employees or fewer). Neither did we find compelling evidence of attitudinal shifts in relation to investment in people management. While disappointing, people management-performance relationships are notoriously difficult to measure and their absence here may be a function of sample size and the relatively short timespan of the pilot programme. More encouragingly, workplace effectiveness (measured via well-respected self-report questions) did improve over the period of an SME's engagement with People Skills. **We make no claims for causality here, but this might suggest a growing confidence in SMEs that got their people management 'basics' in place. It is certainly an area for much further investigation as government investment in**

programmes such as People Skills may well reap substantial benefit in improved SME effectiveness.

Did People Skills improve co-ordination of local partnerships and networks to provide people management support and services?

The business support landscape, particularly for SMEs, is notoriously complex and increasingly fragmented (Mallett and Wapshott 2016). Our findings reinforce this and perhaps explain the somewhat limited progress against this outcome, which was context-dependent and reliant on programme partner approaches. Little was achieved in Hackney, which resulted from the lesser involvement of the programme partner. In Glasgow and Stoke, stakeholders felt that there had been some progress, with local advisers having a better understanding of and ability to cross-refer support services. SMEs similarly reported some small improvements in terms of cross-referral and better understanding of wider services. All continued to feel, however, that the wider support landscape was complex and fragmented. It lacked a single point of access and clear signposting and guidance. Given this, the small improvements achieved by People Skills are laudable, but substantial gains here are beyond the remit of a single support programme.

There is a clear need to create a simplified, better understood and more accessible business support infrastructure.

Nevertheless, People Skills laid the basis for some future co-ordination and networks, both across the partner locations and more widely. The prime example of this is Glasgow City Council's funded programme that is based on the People Skills model. The

'People Skills laid the basis for some future co-ordination and networks, both across the partner locations and more widely.'

Stoke Chamber of Commerce similarly has plans to maintain people support services and build associated consultant networks. Finally, the CIPD is working on setting up interest groups within its regional networks to support those working in HR in small firms. These are valuable developments arising from the pilot programme.

People Skills: a model worth pursuing?

Our evaluation reinforces the well-known, diverse pressures upon SMEs (Cardon and Stevens 2004, Teo et al 2011). This notwithstanding, People Skills proved to be an effective model for delivering people management support in SMEs, even if not all the ToC outcomes were achieved. Figure 21 summarises achievement against the ToC outcomes on the basis of red, amber and green.

The support was highly valued by the SMEs that engaged in the pilot programme and has provided an exceptional opportunity to learn about the merits and pitfalls of delivering people management support in this context. We draw on the above conclusions to present, in the final section, key policy questions that arise from the pilot programme and its evaluation.

Figure 21: Achievement of ToC outcomes



Implications for public policy

Building stronger SME foundations is key

One of the most significant findings from the evaluation of the research project was that the first step to business improvement for many small businesses is getting the very basics of people management in place, for example establishing workers' terms and conditions and job descriptions. The research suggests that until these people management 'foundations' are in place, owner-managers don't have the capability, interest or time to invest in value-added activity such as training staff. However, while the typical type of support delivered to SMEs through the People Skills service was fairly transactional, the evaluation found evidence that the initiative added significant value to participant organisations.

Boosting managerial quality/productivity

For example, the data from the pilots suggest that owner-managers were more likely to report that their organisation was better or much better than similar organisations in their sector on measures of workplace relations, labour productivity and financial performance after using the People Skills service than they were prior to using it. Of course, this does not provide hard evidence of a link between the People Skills service and SME productivity improvements; however, together with the positive feedback from managers taking part in the deep-dive

case studies, the overall weight of evidence in the research suggests a link is plausible. Recent analysis by Bank of England Chief Economist Andy Haldane highlights the UK's long tail of low-productivity firms and the low relative productivity of small employers. Haldane argues that public policy initiatives to improve managerial quality have potentially high returns for the economy, highlighting the possible benefits from a service like People Skills in raising SME managerial quality and workplace productivity over time.

Creating coherent local skills 'ecosystems'

One of the challenges of providing high-quality low-cost or no-cost business support to improve the people management capability of SMEs at a local level is the lack of co-ordination of existing services. The recent report¹³ by the BEIS Select Committee on Industrial Strategy highlighted significant shortcomings in the available support for SMEs at a local level. It noted that the '*Growth Hub network, which provides a gateway and advice service to many businesses seeking support, is providing a "patchy" service*' and that '*there is a need to set a clear national direction and provide stronger support*'. The findings from our three pilots amply confirm this view. There is certainly no case for creating new institutions – if anything, we need fewer institutions, not more, at local level. Moreover, we need to ensure stability in the institutional structures we retain

so we avoid frequent, disruptive and sometimes counterproductive changes that have characterised skills and business support under successive governments. There should be a complementary aim of concentrating scarce resources on fewer schemes that have proven that they can make a positive contribution to skills and business development. People Skills provides a model for delivering better-quality business support services at local level through existing institutions and networks to SMEs in order to improve HR capability. The degree of success of the pilots was dependent on there being a local infrastructure in place that provided an effective mechanism for engaging SMEs. Where such networks were relatively well developed, as in Glasgow and Stoke, the initiative was successful, compared with Hackney, where such networks were less developed.

We therefore recommend that local institutions such as LEPs working in partnership with others such as local authorities and chambers of commerce should evaluate the strengths and weaknesses of their local networks as part of an assessment of the quality of business support.

Bespoke face-to-face support makes a difference

Apart from considering the strength of local networks and links with SMEs, bodies such as LEPs, Business Growth Hubs and local authorities should consider the quality of the support

¹³ <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmbeis/616/616.pdf>

available. A key finding from the People Skills programme was that owner-managers want and need bespoke support that goes beyond what is available on the internet. The delivery model adopted in People Skills of local-based HR consultants offering face-to-face advice proved successful, not least because of its flexibility and because the consultants were well versed in local challenges and opportunities facing SMEs and understood the needs of the owner-managers they worked with. We recommend this approach be adopted not just for the People Skills initiative, but also considered more widely in delivering other forms of business support at local level to SMEs.

Long-term commitment to building SME capability required

A further important finding is that the nature of business support for SMEs does not lend itself to quick-fixes. The pilot projects ran for 12 months, and the evidence from participants is that in some cases this was not long enough to build up trust and reach SMEs who have not previously engaged with business support programmes. Glasgow has nonetheless decided to continue with its own funded programme adapting the People Skills approach, and we understand Stoke is also considering changes in its own support programmes. We recommend that at least three years would be needed in any follow-up programme developing the new approach.

Boosting demand for improving people management capability

The data from the evaluation shows that the vast majority of owner-managers that used the People Skills service had never received support from an HR

consultant previously because of a lack of awareness of how valuable this type of support was for their business or because of cost. There was some evidence in the report that a People Skills-type of initiative, providing SMEs a limited amount of free, high-quality support, could over time help build demand for further investment by SMEs in improving their people management practices. There was no evidence of SMEs using People Skills to avoid paying for HR support already in the market.

Employment of young people/apprenticeships

Finally, the research suggests policy-makers need to rethink how they seek to encourage SMEs to employ and train young people in the workplace. One of the original aims of the People Skills programme was to encourage SMEs to invest more in young people and develop apprenticeships; however, while there were a limited number of SMEs that took action on this agenda as a result of the programme, a large majority did not.

This suggests that unless more is done to boost SMEs' basic HR capability and capacity, it is unlikely that the traditional government approach of offering a mixture of subsidies and programme support to encourage SMEs to take on young people and offer them apprenticeship-level training will ever have much traction for the vast majority of small and medium-sized businesses.

Refocusing a proportion of government investment in skills to providing enhanced business support around people management capability for SMEs would over time give more

small businesses the capability and confidence to engage in programmes supporting young people into work in the future.

Next steps

The CIPD has recommended a national rollout of the People Skills initiative in England as part of a renewed focus in industrial strategy on enhancing workplace productivity by boosting managerial quality, increasing investment in skills and strengthening the quality of business support through local-level institutions. Our provisional estimate is that if the People Skills delivery model were adopted by all LEPs, it would require initial funding of about £13 million per year for at least three years. This could be funded by allocating £40 million from the £23 billion National Productivity Investment Fund.

It is vital that independent evaluation is built into the initiative so that at the end of three years the Government has a sound evidence base on whether the positive findings from the pilots have been replicated in all areas. This would allow those areas where the approach has proved successful to scale up, and those areas where it was less successful to address the underlying structural weaknesses around effective engagement with SMEs.

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